

# **Northern West Sussex Strategic Housing Market Assessment**

**Final Report: May 2009**



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# Northern West Sussex Strategic Housing Market Assessment

Final Report: May 2009

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# 1. INTRODUCTION

- 1.1 The local authorities across West Sussex have commissioned GVA Grimley, working with GL Hearn, to prepare a Strategic Housing Market Assessment (SHMA). This is the Final Report of the Strategic Housing Market Assessment for the Northern West Sussex Housing Market.
- 1.2 The Northern West Sussex Housing Market is centred on the towns of Crawley and Horsham and extends to East Grinstead, Haywards Heath and Burgess Hill and west to Billingshurst, Petworth and Pulborough. It includes the local authority districts of Crawley, Horsham and Mid Sussex.

## PURPOSE OF THE SHMA

- 1.3 PPS3: Housing<sup>1</sup> identifies the importance of understanding sub-regional housing markets, and taking into account market information when developing planning policies for housing provision. Strategic Housing Market Assessments (SHMAs) are intended to achieve this. They are to be a key mechanism for considering the mix of housing required, and together with Strategic Housing Land Availability Assessments (SHLAAs), are intended to inform the level of future housing provision. These assessments provide an evidence base for and are intended to inform Local Development Frameworks (LDFs) and future revisions to Regional Spatial Strategies (RSSs), as well as regional and local housing strategies.
- 1.4 The Government published Practice Guidance on undertaking Strategic Housing Market Assessments in March 2007<sup>2</sup> (and revised in August 2007). This identifies the value of SHMAs in assisting policy development, decision-making and allocation of housing investment resources by:
- Enabling regional bodies to develop long-term strategic views of housing need and demand to inform regional spatial strategies and regional housing strategies;
  - Enabling local authorities to think spatially about the nature and influence of housing markets in respect to their local area;
  - Providing robust evidence to inform policies aimed at providing the right mix of housing across the whole market area – both market and affordable housing;
  - Providing evidence to inform policies about the level of affordable housing required, including the need for different sizes of affordable housing.

<sup>1</sup> CLG (November 2006) *Planning Policy Statement 3 (PPS3): Housing*

<sup>2</sup> CLG (March 2007) *Strategic Housing Market Assessments: Practice Guidance*

- Supporting local authorities to develop a strategic approach to housing through consideration of housing need and demand in all housing sectors – owner occupied, private rented and affordable – and assessment of the key drivers and relationships in the housing market;
  - Drawing together the bulk of evidence required for local authorities to appraise strategic housing options including social housing allocation priorities, the role of intermediate housing products, stock renewal, conversion, demolition and transfer; and
  - Ensuring the most appropriate and cost-effective use of public funds.
- 1.5 SHMAs are intended to be prepared for ‘functional’ sub-regional housing markets, which often transcend administrative boundaries. The eight local authorities (the seven Districts Councils and the County Council) have come together as a Housing Market Partnership to commission the SHMAs.

## SHMA AIMS AND OBJECTIVES

- 1.6 The SHMA will provide a fit for purpose basis to develop housing and planning policies by considering the characteristics of the housing market, how key factors work together and the probable scale of change in future housing need and demand. For the purposes of the independent examination into the ‘soundness’ of Local Development Plans, the Strategic Housing Market Assessment will be considered robust and credible if it provides, as a minimum, all the core outputs and meets the requirements of the process criteria set out in the Guidance. The Core Outputs are set out below.

**Figure 1.1: SHMA Core Output Requirements<sup>2</sup>**

1	Estimates of current dwellings in terms of size, type, condition and tenure
2	Analysis of past and current housing market trends, including the balance between supply and demand in different housing sectors and price/ affordability. Description of key drivers underpinning the housing market
3	Estimates of total future numbers of households, broken down by age and type where possible
4	Estimates of current number of households in housing need
5	Estimates of future households that will require affordable housing
6	Estimates of future households requiring market housing
7	Estimates of the size of affordable housing required
8	Estimates of household groups who have particular housing requirements

- 1.7 This SHMA is being undertaken in accordance with the Practice Guidance. It includes an assessment of housing needs but incorporated into a wider process with the aim of understanding the operation of the housing market and future housing requirements across tenures. The assessment of housing needs is to be undertaken using secondary data sources, without primary survey work. The Guidance sets out that whether the assessment is based upon secondary or survey data should not be a factor in determining whether the assessment is robust and credible, as no single approach or particular dataset will result in a definitive assessment of housing need and demand.
- 1.8 The Government's Practice Guidance sets out a structure and key research questions for the SHMA. These are set out below.

**Figure 1.2: Key Research Questions<sup>2</sup>**

Stage	Step	Research Questions
Current Housing Market	1. The demographic and economic context	<ul style="list-style-type: none"> <li>What is the current demographic profile of the area?</li> <li>What is the current economic profile?</li> <li>How have these profiles changed over the last 10 years?</li> </ul>
	2. The housing stock	<ul style="list-style-type: none"> <li>What is the current housing stock profile?</li> <li>How has the stock changed over the last 10 years?</li> </ul>
	3. The active Market	<ul style="list-style-type: none"> <li>What do the active market indicators tell us about current demand, particularly house prices/affordability?</li> <li>How has demand changed?</li> </ul>
	4. Bringing the evidence together	<ul style="list-style-type: none"> <li>How are market characteristics related to each other geographically?</li> <li>What do the trends in market characteristics tell us about the key drivers in the market area?</li> <li>What are the implications in terms of the balance between supply and demand access to housing?</li> <li>What are the key issues for future policy/strategy?</li> </ul>
Future Housing Market	1. Indicators of future demand	<ul style="list-style-type: none"> <li>How might the total number of households change in the future? How are household types changing, e.g. is there an aging population?</li> <li>How might economic factors influence total future demand?</li> <li>Is affordability likely to worsen or improve?</li> </ul>
	2. Bringing the evidence together	<ul style="list-style-type: none"> <li>What are the key issues for future policy/strategy?</li> </ul>
Housing Need	1. Current housing need	<ul style="list-style-type: none"> <li>What is the total number of households in housing need currently (gross estimated)?</li> </ul>
	2. Future need	<ul style="list-style-type: none"> <li>How many newly arising households are likely to be in housing need (gross annual estimate)?</li> </ul>
	3. Affordable housing supply	<ul style="list-style-type: none"> <li>What is the level of existing affordable housing stock?</li> </ul>

		<ul style="list-style-type: none"> <li>What is the likely level of future annual supply?</li> </ul>
	4. Housing requirements of households in need	<ul style="list-style-type: none"> <li>What is the current requirement for affordable housing from households in need?</li> <li>What are the requirements for different sized properties?</li> <li>How is the private rented sector used to accommodate need?</li> </ul>
	5. Bringing the evidence together	<ul style="list-style-type: none"> <li>What is the total number of households in need (net annual estimate)?</li> <li>What are the key issues for future policy/strategy?</li> <li>How do the key messages fit with the findings from analysis of the current and future housing market?</li> </ul>
Housing Requirements of Specific Household Groups	Families, Older People, Minority and hard to reach households and households with specific needs	<ul style="list-style-type: none"> <li>What are the housing requirements of specific groups of local interest/importance?</li> </ul>
	Low Cost Market Housing	<ul style="list-style-type: none"> <li>What is the scope for addressing demand through the provision of low cost market housing?</li> <li>What is the scope for addressing need through the provision of intermediate affordable housing?</li> </ul>
	Intermediate Affordable Housing	<ul style="list-style-type: none"> <li>What is the scope for addressing need through intermediate affordable housing?</li> </ul>

1.9 The local authority partners have identified a number of specific or additional areas of research questions or issues to be considered. These are set out below.

**Figure 1.3: Additional Research Requirements**

1	Intermediate Market Rent: Assessment of potential demand for intermediate market rent and its contribution to meeting housing need.
2	Households with Specific Needs: Assessment of the current and future housing needs of: Gypsies and Travellers; older people; rural communities; BME households; and students.
3	Private Rented Housing Market: Assessment of recent growth in the Private Rented Sector, how this section may develop to 2026, its contribution to meeting housing need and the capacity of the market to meet future need.
4	Holiday and Second Homes: Quantifying the numbers of holiday and second homes, their location and type and assess what change there is likely to be in the numbers of holiday and second homes to 2026.
5	Migration and Immigration: Consider both internal migration and international migration trends and set out any data limitations.
6	Economic Development: Consider existing differentials in economic performance, regional and local economic policy and strategy and assess how housing policies can contribute to economic regeneration across the County.

## REPORT STRUCTURE

1.10 Following this introductory section, this Report is structured as follows:

- **Section 2: Defining the Housing Market Area** – summarises work undertaken to define the Northern West Sussex Housing Market, and identifies key characteristics of it and relationships to surrounding housing markets;
- **Section 3: Structure and Composition of the Housing Offer** – appraises the existing housing offer in the Northern West Sussex Housing Market, and considers trends in new housing supply;
- **Section 4: Private Sector Active Market** – provide an overview of the national macro-economic and housing market performance and outlook, then considers local housing market trends including both the sales and rental market;
- **Section 5: Demographic Trends** – considers the characteristics and trends in the population and households resident in the Northern West Sussex Housing Market, recognising that demographic trends are a strategic key driver of change for housing demand;
- **Section 6: Economic Profile** – develops an understanding of the economic profile of the area, including the level and location of employment, commuting patterns, economic activity and deprivation;
- **Section 7: Bringing the Evidence Together** – brings the evidence together to set out key characteristics of the Northern West Sussex Housing Market; together with both short-term and long-term drivers of change. It provides an initial assessment of emerging issues for policy development;
- **Section 8: Future Housing Market** – sets out the scenarios and analysis of the future housing market in West Sussex;
- **Section 9: Housing Needs Assessment** – this section provides the housing needs assessment for each of West Sussex's districts. It identifies high and low estimates of housing need, establishing future affordable housing requirements. It also considers issues of intermediate market products.
- **Section 10: Housing Requirements of Other Groups** – establishes the particular housing needs of certain groups such as older people, younger people, students, gypsies and travellers.
- **Section 11: Housing Viability** – considers the implications of commercial viability on the housing market and the ability to deliver affordable housing and the implications for the mix of intermediate and social rented housing.

- **Section 12: Conclusions and Recommendations** – brings together the principal conclusions and recommendations arising from the SHMA analysis.
  - **Section 13: Framework for Monitoring and Review** – this section sets out the proposed performance monitoring framework identifying key indicator and data sets as well as commenting on the management of the monitoring and review function.
- 1.11 A separate **Appendix** provides an overview of the strategic policy context, from national and regional to local levels.
- 1.12 The assessment has drawn upon the data provided by the Councils to GVA Grimley, together with nationally-available statistical resources. For consistency, data herein is presented for the defined functional housing market, for individual local authorities and for the South East region. The availability of data below the local authority level is not comprehensive. GIS mapping of key indicators has however been used to explore lower level dynamics where possible.

## 2. DEFINING THE HOUSING MARKET AREA

- 2.1 In this section we spatially define the Northern West Sussex Housing Market area, setting out why we consider this to be a functional sub-regional housing market and outlining the key characteristics of it.

### DEFINING HOUSING MARKET AREAS: HOW AND WHY?

- 2.2 A housing market exists where willing buyers and sellers are in contact with one another. Such markets can be spatially defined because most people seeking to buy or rent will choose houses within a fairly limited area of search, commonly reflecting existing ties such as proximity to family and friends; access to employment, education or other facilities. A housing market can hence be defined as a **geographical area which contains both the origin and destination of the great majority of households who move home.**
- 2.3 The benefits of defining sub-regional housing market areas and progressing the SHMAs on this basis are to:
- Better understand how housing markets work to facilitate better integrated and informed planning and housing policies; and to
  - Develop a strategic approach to housing, and understanding of the social, economic and environmental factors which shape communities and create a sense of place.
- 2.4 It represents good practice to plan on the basis of functional areas, recognising that inter-relationships in real world terms transcend administrative boundaries. The SHMA process provides an opportunity to develop understanding of the drivers of housing demand and how these relate to different places. It provides an opportunity to develop understanding of the role and function of different places in West Sussex, and how these relate to each others, to economic drivers and to their relative accessibility. This provides a sound basis for considering future housing provision: allowing policies for housing provision to be tailored to the existing housing mix, to local demand and need and to quality of place.
- 2.5 GVA Grimley, building on existing regional research, has assessed the geographical extent of the housing markets which cover West Sussex. The key conclusions of this work are set out in this section, which outlines the extent and characteristics of the Northern West Sussex Housing Market.
- 2.6 Government Guidance on *Identifying Sub-Regional Housing Market Areas* (CLG Advice Note, March 2007) sets out that **housing markets reflect the functional linkages**

**between where people live and work.** It establishes three main sources of information that can be used to define sub-regional housing market areas:

- House prices and rates of change in house prices which reflect household demand and preferences for different sizes and types of housing in different locations;
- Household migration and search patterns, reflecting preferences and trade-offs made when choosing housing with different characteristics;
- Contextual data, such as travel to work patterns, which reflect the functional relationships between where people live and work.

2.7 The guidance is not prescriptive and sets out that the relative emphasis given to these factors will depend upon local circumstances. It clarifies that these factors all reflect different aspects of household behaviour, meaning that there is no 'right' or 'wrong' set to use in defining market areas. It emphasises that the boundaries of sub-regional market areas may overlap and may cut across local authority administrative boundaries. Where the latter is the case, it supports the grouping of local administrative areas together as an approximation for functional housing market areas.

2.8 The approach adopted by GVA Grimley has been firstly to review the regional level research undertaken to define sub-regional housing market areas in South East England. We have then undertaken a number of further levels of analysis to confirm the housing market areas; considering patterns of relocation (migration) and travel to work; house price dynamics; retail catchment areas; and key socio-economic indicators. Initial findings have then been tested and agreed with the local authorities and wider stakeholders through meetings of the Project Reference Group and wider Stakeholder Events held in June 2008.

## WEST SUSSEX IN CONTEXT

2.9 West Sussex lies between London and the South Coast on the southern part of the Wealden anticline. It contains the higher land of the Weald and South Downs, with the Vale of Sussex lying between them. The Weald stretches from St Leonard's Forest between Crawley and Horsham east towards the Ashdown Forest, south of East Grinstead. The South Downs stretch from Petersfield, immediately to the west of the County to Beachy Head near Eastbourne in East Sussex. The coastal plain runs along the South Coast from Chichester to Brighton.

2.10 There is a strong concentration of urban development running along the South Coast. This includes Bognor Regis and Littlehampton, Worthing, Lancing and Shoreham-by-Sea. Brighton and Hove lies immediately to the east.

- 2.11 The main inland towns are Chichester, a roman town in the South-West of the County, and Burgess Hill, Haywards Heath, Horsham, East Grinstead and Crawley which relate to the A23 and London-Brighton rail corridors.

**Figure 2.1: West Sussex in Context**



- 2.12 The larger historic market towns include Chichester, Horsham and East Grinstead. Crawley was designated a first-generation New Town in 1947. The Coastal towns grew strongly from the eighteenth century on the back of growth in port and tourism-related activities. They became fashionable Victorian seaside resorts in the nineteenth century, following the establishment of rail connections with London post 1840.
- 2.13 Indeed much of the growth in settlements post-1840s relates to accessibility by rail. The main settlements have been connected to the rail network at some point. This includes the settlements between Horsham and Shoreham-by-Sea, and Horsham and Midhurst on lines since closed.
- 2.14 Today the band of urban development along the South Coast between Brighton and Littlehampton/Bognor Regis and the Crawley-Gatwick area are the largest economic centres in the County. These form the focus of the defined Housing Market Areas.

- 2.15 Much of the County is however rural in nature, and includes a number of villages of varying sizes and small towns. The small towns mainly lie on key north-south or east-west roads. They include Midhurst, Petworth, Pulborough, Storrington, Billingshurst, Steyning, Arundel, Henfield, Cuckfield, East Wittering and Selsey.

## REVIEWING DTZ SUB-REGIONAL RESEARCH

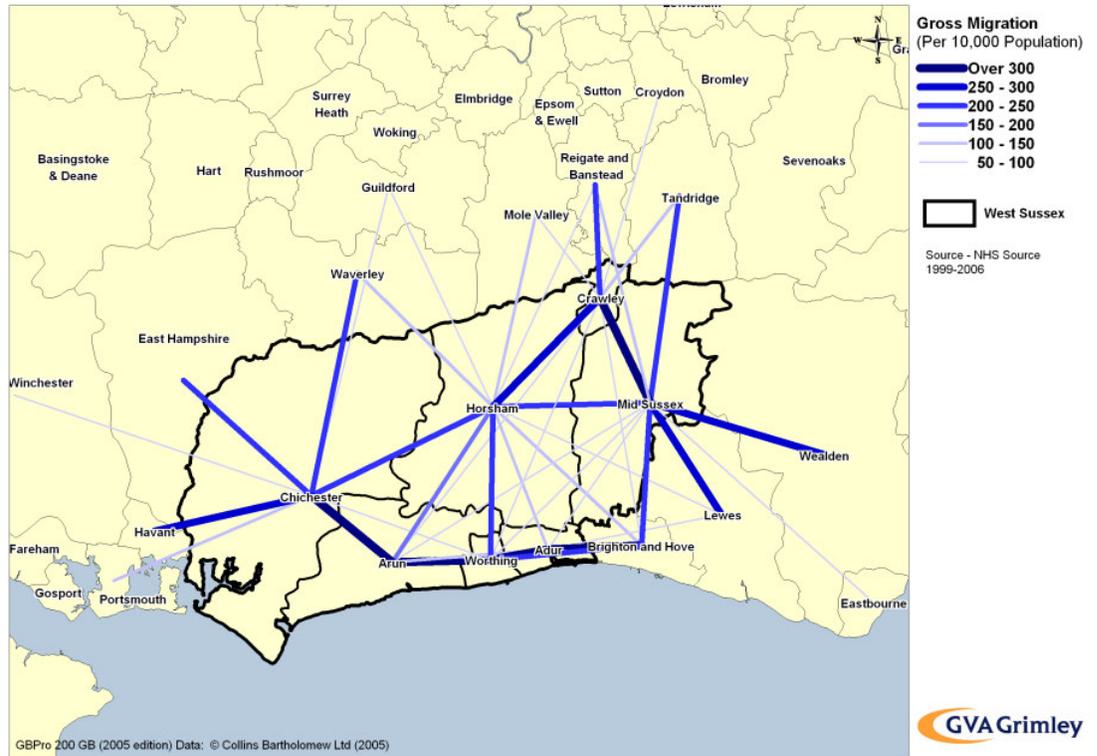
- 2.16 DTZ Pidea Consulting were commissioned in May 2004 by the South East of England Regional Assembly (SEERA) and Homes and Communities Agency to provide advice to the South East Regional Housing Board on the strategic pattern of sub-regional housing markets in the region.
- 2.17 The DTZ Study analysed and mapped patterns of migration, travel to work flows, employment concentrations and retail catchment areas and population trends. It identified the expectation of a close relationship between the boundaries of sub-regional housing and labour markets (i.e. travel to work areas). It suggested that while smaller towns and rural areas may have their own characteristics and can achieve a high level of self-containment of household moves, they are often functionally part of sub-regional housing markets based on larger centres of employment in cities or towns.
- 2.18 The research also usefully highlights the relationship between the operation of the housing market and the local economy, and the importance of transport infrastructure and accessibility.
- 2.19 Across the South East the DTZ research defined 21 sub-regional housing market areas, with some overlap between them (predominantly in rural areas). West Sussex falls within two housing market areas: the first covering the Sussex Coast, the second the Crawley-Gatwick Sub-Region.
- 2.20 The Crawley-Gatwick sub-region is considered to overlap strongly with the Crawley Travel to Work Area and is characterised by a high level of self-containment. It overlaps with the Brighton and Sussex Coast area to the south, South London and adjacent areas to the north of the North Downs, and the Guildford/Woking sub-region to the West.
- 2.21 The Study suggested that the local authorities of Crawley, Horsham and Mid Sussex should work together to prepare Strategic Housing Market Assessments. It however noted that Horsham and Mid Sussex districts overlap with the Sussex Coast Housing Market; and that there is some overlap between Mole Valley, Reigate and Banstead and Tandridge with the Crawley-Gatwick Housing Market.

- 2.22 GVA Grimley's additional research supports these conclusions. It has however shown that some of the relationships with adjacent local authorities in fact relate to some quite short-distance inter-relationships which happen to transcend administrative boundaries; and that there are notable areas of overlap with the Coastal West Sussex and Brighton/East Sussex Housing Markets in the south of the area.
- 2.23 The influence of rail connections to London is recognised as having a notable bearing on the Crawley-Gatwick Housing Market, both in terms of out-migration of middle-aged households from London, and patterns of commuting from the area to London.

## UNDERSTANDING MIGRATION PATTERNS

- 2.24 We consider that migration patterns are a key indicator in defining housing market areas because they reflect actual household relocation behaviour.
- 2.25 Figure 2.2 plots gross migration flows (i.e. flows in both directions) between local authority areas, using data from the NHS Central Health Register on patient re-registrations between 1999 and 2006. To account for the relative sizes of local authorities (in that there are typically higher flows between two larger areas in population terms), we have standardised the analysis which is presented per 10,000 of the combined population of the origin and destination local authorities.
- 2.26 While there is a complex inter-relationship between local authorities, the strongest relationships are between the authorities along the South Coast/A27 corridor and between Crawley with Horsham and Mid Sussex. We would typically expect these authorities between which there is a strong link, to be in the same housing market area.
- 2.27 The analysis also shows migration flows across the County boundary with adjacent areas. It shows flows between Mid Sussex and Lewes, Wealden (and to a lesser extent Tandridge); and between Crawley with Reigate and Banstead.

**Figure 2.2: Gross Migration Flows**



2.28 Using 2001 Census data which records movement of people between March 2000 – April 2001, we can plot levels of self-containment of migration flows within geographies (Figure 2.3). It is generally assumed that around 70% of household moves will be contained within a functional housing market area. None of the individual districts in West Sussex achieve this on their own (with self-containment ranging from 51% in Chichester to 61% in Crawley). There are also clearly relationships beyond the County boundaries, with between 25-40% moves to areas outside of the County.

**Figure 2.3: Self-Containment of Migration Flows, 2000-1**

Local Authority	Total Movement Origins	Destination in District	Destination Elsewhere in West Sussex	Destination Outside County
Adur	4627	52%	68%	32%
Arun	14940	55%	70%	30%
Chichester	11992	51%	60%	40%
Crawley	9832	61%	69%	31%
Horsham	11912	50%	63%	37%
Mid Sussex	11962	54%	62%	38%
Worthing	11093	58%	75%	25%

- 2.29 Figure 2.4 indicates flows between the local authority districts in West Sussex. It indicates strong flows between Adur and Worthing, Arun and Worthing and Chichester; and between Crawley, Mid Sussex and Horsham.

**Figure 2.4: Migration Flows (%) between Districts in West Sussex, 2000-1**

To	Adur	Arun	Chichester	Crawley	Horsham	Mid Sussex	Worthing
From Adur	52.5	1.9	0.4	0.7	2.6	1.5	8.7
Arun	1.1	54.8	5.7	0.6	2.3	0.7	4.8
Chichester	0.1	5.8	51.1	0.5	1.8	0.4	0.5
Crawley	0.4	0.3	0.2	61.0	2.8	3.9	0.4
Horsham	0.6	1.6	2.2	3.6	49.9	2.9	2.1
Mid Sussex	0.5	0.4	0.4	3.7	2.5	53.9	0.5
Worthing	6.3	6.1	0.6	0.5	3.1	0.8	57.8

Source: Census 2001

- 2.30 We have updated this analysis using data from NHS Patient Registrations (Figure 2.5). This confirms the census-based analysis.

**Figure 2.5: Gross Flows per Annum between LADs, 1998/9 – 2005/6**

	Adur	Arun	Chichester	Crawley	Horsham	Mid Sussex	Worthing
Adur	-	130	30	50	170	90	520
Arun	220	-	1050	130	420	130	1070
Chichester	40	900	-	50	350	70	80
Crawley	30	50	20	-	290	420	60
Horsham	190	260	340	570	-	440	260
Mid Sussex	80	70	40	670	340	-	80
Worthing	900	850	80	110	400	110	-

Source: NHSCR

- 2.31 We have also considered flows from West Sussex to London, Brighton & Hove and the PUSH area. There is clearly a strong level of interaction between Adur and Brighton and Hove (with more people moving from Adur to Brighton than to Worthing). There are also notable flows to Brighton and Hove from Mid Sussex and Worthing; and from Chichester to the PUSH area. These flows may well be influenced by the availability of cheaper properties or different property types.

**Figure 2.6: Migration Flows from West Sussex Districts, 2000-1**

% Migration Movements from	To London	To Brighton & Hove	To PUSH
Adur	4.8	27.0	0.7
Arun	8.0	1.4	1.4
Chichester	7.3	0.6	4.8
Crawley	7.4	1.5	0.5
Horsham	7.6	2.7	0.8
Mid Sussex	8.1	4.7	0.6
Worthing	5.5	5.2	0.9

Source: Census 2001

- 2.32 Figures 2.7 and 2.8 consider flows in the opposite direction, looking at where people are moving to West Sussex districts from. Figure 2.7 confirms that over 10% moves to Adur District are from Brighton & Hove, that 5% of moves to Chichester District are from the PUSH area. Around 5% of moves to Crawley, Horsham and Mid Sussex (the Northern West Sussex Housing Market) and 5% of moves to Chichester District are from London.

**Figure 2.7: Migration Flows to West Sussex Districts, 2000-1**

% Migration Movements to	From London	From Brighton and Hove	From PUSH
Adur	2.3	10.2	0.7
Arun	3.5	1.8	2.3
Chichester	4.8	1.1	5.4
Crawley	5.1	1.7	0.5
Horsham	4.9	2.3	1.3
Mid Sussex	5.5	3.5	0.8
Worthing	3.5	3.1	1.1

Source: Census 2001

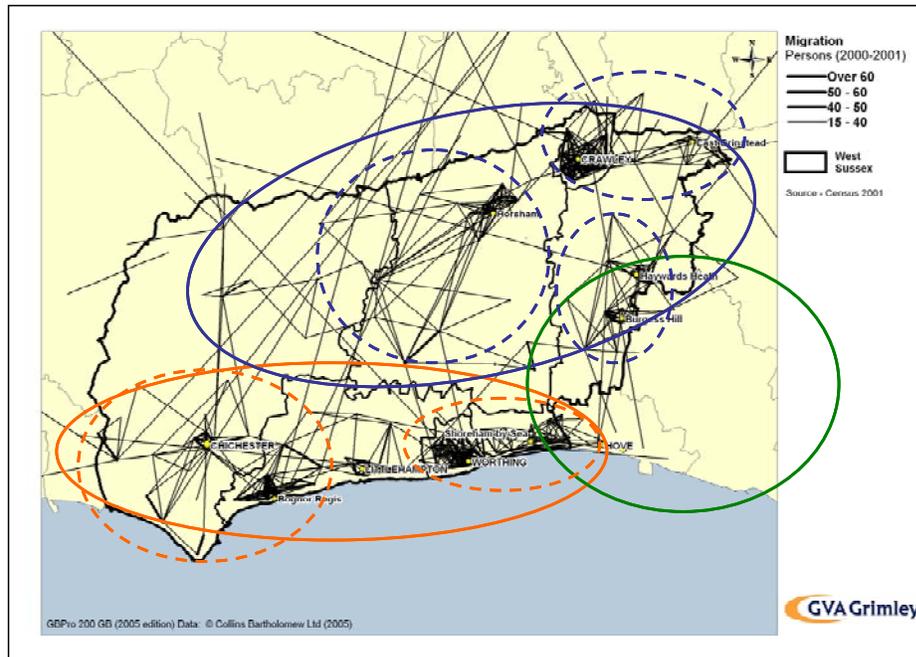
**Figure 2.8: Migration Flows to West Sussex, 2000-1**

From	% of all moves to West Sussex
West Sussex	67.8
London	4.4
Surrey	3.5
Brighton & Hove	2.7
East Sussex	2.2
PUSH	1.9
Other	17.6

Source: Census 2001

- 2.33 The analysis supports the identification of a Northern West Sussex Housing Market which includes the local authority areas of Crawley, Horsham and Mid Sussex. It is clear however that there is an external influence on this area, particularly from London (with 5% of moves to the area originating from London), and from Surrey, with some (albeit less) movement from Brighton into Horsham and Mid Sussex districts.
- 2.34 Using data from NHS Patient Re-registrations over the seven year 1999/0 to 2005/6 period, we have calculated that there is a net annual flow of 1740 persons from London to the Northern West Sussex Housing Market (compared to 2360 to the Coastal Housing Market), and of 4,100 to West Sussex as a whole. There is also a significant net annual flow from Brighton and Hove (430 persons), and from the districts to the north (Reigate & Banstead, 390 pa; Mole Valley 240 pa). Significant net out-flows are to East Sussex (280 pa to Wealden and 130 pa to Lewes) and to the Coastal Housing Market (600 pa). The Census allows further interrogation of migration patterns at a ward level (Figure 2.9). This analysis highlights that in some cases the cross-boundary movements identified are short-distance movements between towns, or between towns and their immediate rural hinterland.
- 2.35 There is a clear clustering of moves in each of the main urban areas, which represent local housing markets. We can however identify clusters of movements:
- Movement between Crawley and East Grinstead, and north to Horley;
  - Movement between Horsham, Billingshurst, Pulborough and Storrington. There are also links between Horsham and Crawley;
  - Strong links between Haywards Heath, Cuckfield, Burgess Hill and Hurstpierpoint.

**Figure 2.9: Migration Flows between Wards, 2000-1**

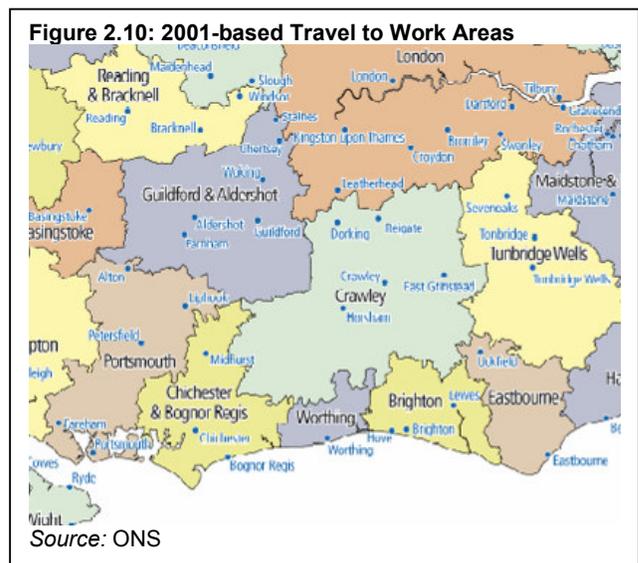


**COMMUTING PATTERNS**

2.36 The Government’s Advice Note on defining Housing Market Areas is clear that housing markets “reflect functional relationships between where people live and work”. We would therefore expect a reasonable degree of overlap between housing market areas and travel to work areas.

2.37 The Centre for Urban and Regional Studies (CURS) at Newcastle University has defined Travel to Work Areas (TTWAs) across the county based on 2001 Census data (Figure 2.10). This updates the 1998 TTWAs presented in the DTZ Study.

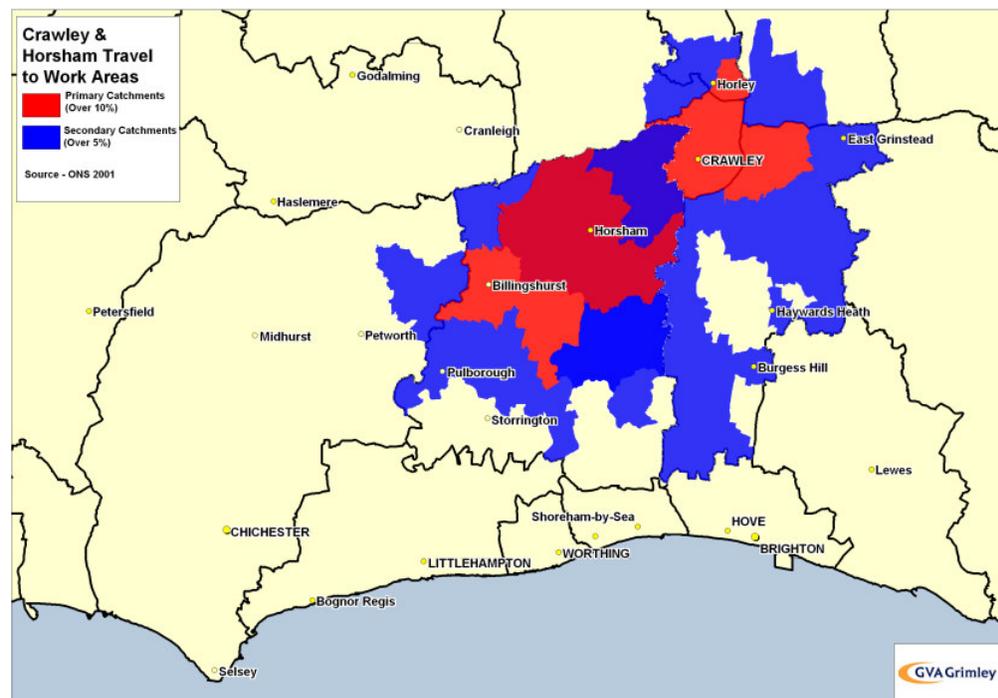
2.38 The TTWAs are based upon at least 75% self-containment of travel to work trips. Across West Sussex, four travel to work areas are defined. The Crawley TTWA extends north to the

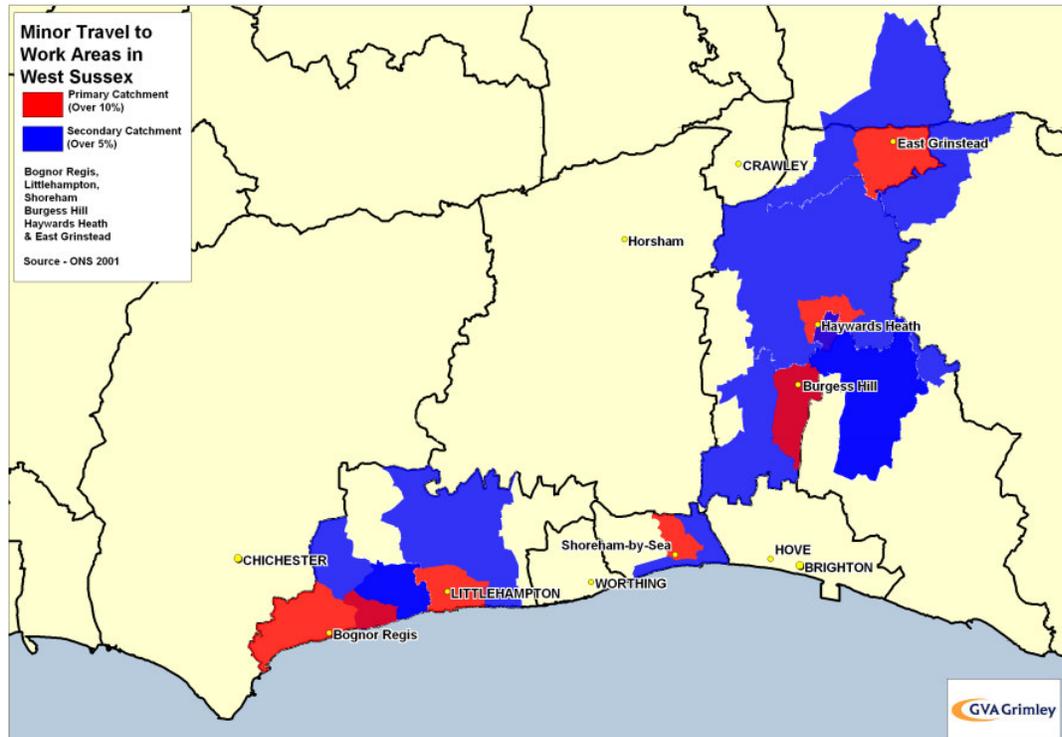


M25, east to East Grinstead and west to Petworth, Pulborough and Storrington. To the south it includes Haywards Heath. Burgess Hill falls on the border with the Brighton TTWA.

- 2.39 The identification of a single Travel to Work Area, based on Crawley and including much of north-east West Sussex supports the identification of a Northern West Sussex Housing Market. We consider however that it is necessary and useful to further interrogate travel to work patterns particularly to assess commuting patterns from some of the smaller settlements and relationships between the defined TTWAs along the South Coast.
- 2.40 Plotting individual patterns at a ward level produces patterns which are too complex to be meaningful. We have hence used an approach of defining the major economic centres and analysing thresholds of people travelling to the centres from wards. A series of maps is presented below which plots the proportion of people travelling to the identified centres from wards in the surrounding areas.

**Figure 2.11: Commuting to Northern West Sussex**



**Figure 2.12: TTW Catchment Areas of Smaller Towns in West Sussex**

2.41 We have used 5% and 10% travel to work thresholds to assess the primary and secondary 'areas of influence' of these key centres. These represent the locations where more than 10% or more than 5% of the working population are drawn from for a particular centre. The 5% travel to work threshold provides a sensible means of defining the functional travel to work area associated with the centre.

2.42 Our analysis indicates that:

- Brighton's catchment area extends to Seaford, Lewes, Burgess Hill and Worthing;
- Crawley's catchment area includes East Grinstead, Haywards Heath, Horsham, Billingshurst and Horley;
- Chichester's catchment extends north to Midhurst.

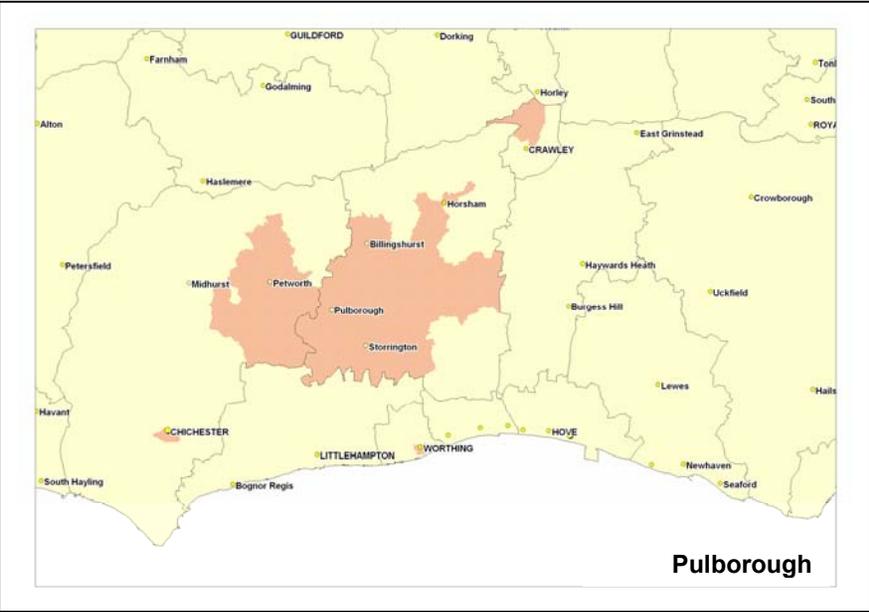
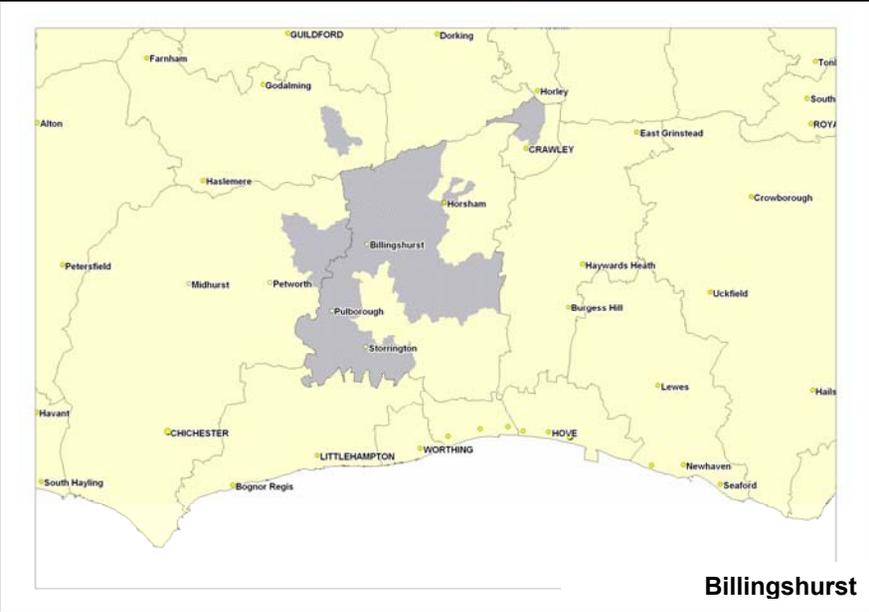
2.43 The results confirm and are consistent with the Government's defined TTWAs. Horsham's TTWA is largely contained within that of Crawley. Similarly the catchment areas of Haywards Heath, Burgess Hill and East Grinstead fall within the catchment areas of the larger towns of Crawley and Brighton.

2.44 While most of the smaller settlements fall within another larger travel to work area, we have used the Travel to Work data to fine tune our definitions of Housing Market Areas for some of the smaller settlements in Chichester and Horsham Districts and to develop our understanding (Figure 2.13). Our findings are as follows:

- There is evidence of commuting from the smaller settlements in Horsham District to Horsham and Crawley;
- Commuting patterns from Petworth are fairly widespread, with flows to Horsham and Crawley, but also to Haslemere in Surrey;
- Pulborough and Billingshurst both see reasonable numbers commuting out to Crawley and Horsham;
- Storrington's central location means that its commuting pattern is fairly widespread with flows to Worthing, Chichester and Horsham/Crawley;
- There are also flows between the main rural settlements.

2.45 Inter-relationships between both the urban and rural settlements and between rural settlements in economic terms are evident.

Figure 2.13: Catchment Areas for Smaller Settlements



2.46 GVA Grimley has conducted further analysis to assess the influence of large urban areas surrounding West Sussex including London, Brighton and the PUSH (Urban South Hampshire) area. Our findings in relation to the Northern West Sussex Housing Market are:

- London's Primary TTW Catchment Area is almost contiguous with the border of West Sussex with large swathes of the County falling into its secondary catchment area;
- There is evidence of strong commuting from parts of Crawley, East Grinstead and Haywards Heath to London and a strong interplay between the Northern West Housing Market area and Guildford, likely influence by the strong transport accessibility by road/rail.
- There are reasonably strong levels of commuting from the rural and urban areas in Mid Sussex to London and from the northern proportions of Horsham and Chichester Districts.
- The Primary Brighton and Hove Travel to Work area extends on all sides from the unitary authority's boundary. With particular note is its influence in Adur and Mid Sussex.

2.47 Overall our analysis of travel patterns supports the identification of a Northern West Sussex Housing Market Area, which extends from Crawley and Horsham to East Grinstead, Haywards Heath and Burgess Hill and to the west to Billingshurst, Pulborough, Petworth and Storrington (albeit that the later two overlap to some degree with the Coastal West Sussex Housing Market).

Figure 2.14: Brighton and Hove TTW Catchment Area

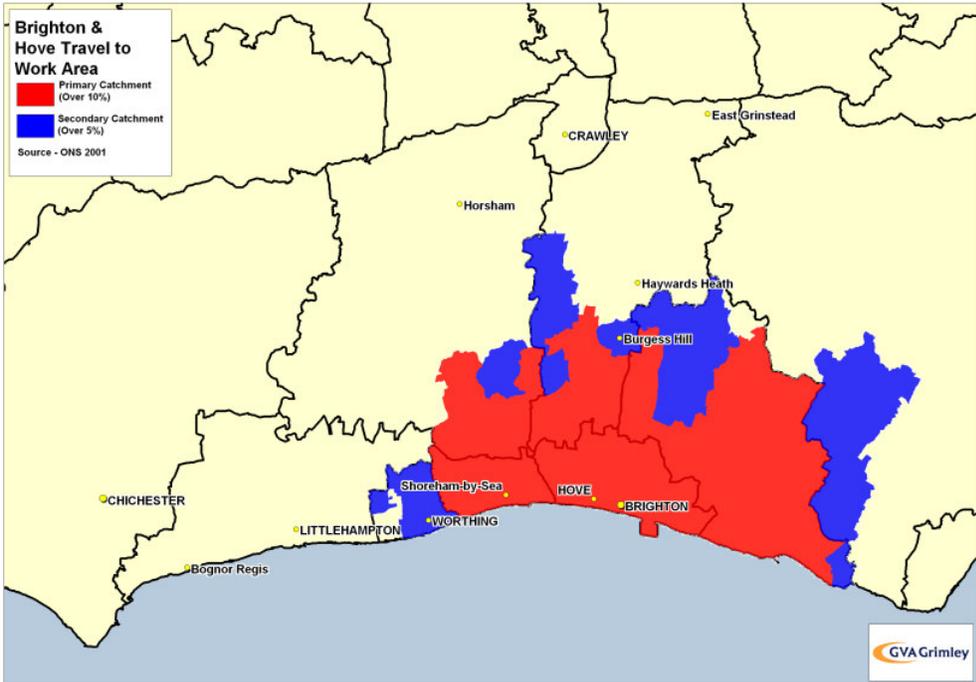
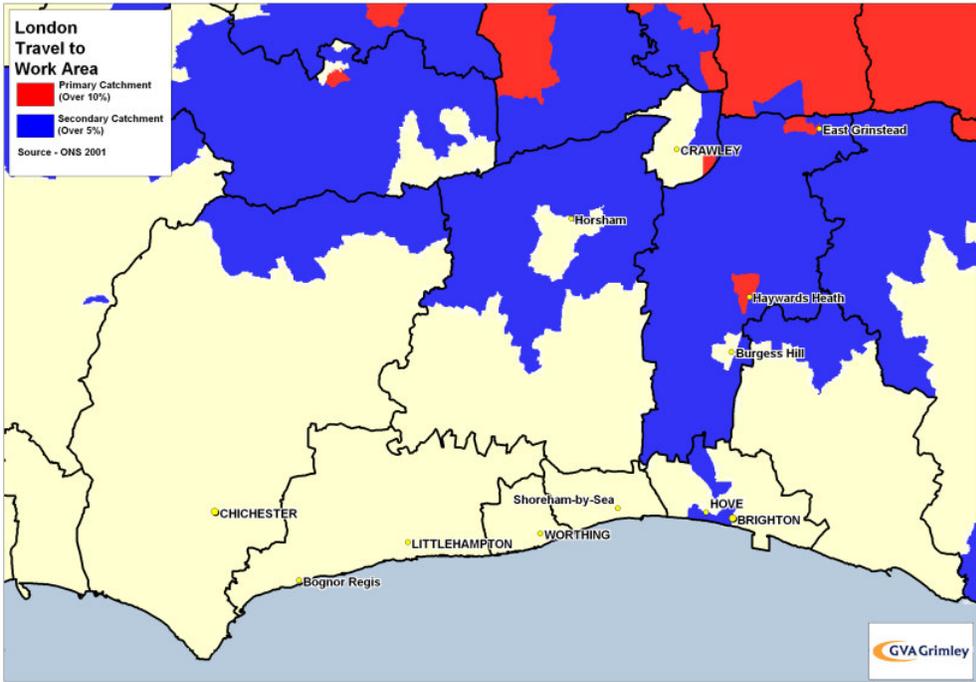


Figure 2.15: London TTW Catchment Area



## HOUSE PRICES

- 2.48 The third key element of the analysis relates to analysing relative house prices and rates of change in house prices. We present a series of relevant maps overleaf, which show house prices and house price change at a postcode sector level.
- 2.49 A complex pattern of house prices emerges. This partly relates to variance in the housing stock mix. It is however possible to identify the following patterns:
- Clear differences in relative prices between urban and rural areas.
  - Notably lower house prices in and around Crawley and along the South Coast.
  - A corridor of higher house prices along the A29.
  - Higher house prices in rural areas surrounding Burgess Hill and Haywards Heath, which are likely to be particularly attractive to commuters (both to Brighton, Crawley and London).
- 2.50 The Halifax House Price Index tracks the prices of a standardised property in the main postal towns/ districts. It indicates that the strongest growth over the last five years has been in the eastern part of West Sussex, in Haywards Heath and Crawley.

**Figure 2.16: Growth in Standardised House Prices, 2002 – 2007**

Post Town/ Borough	Average Price per sq.m	Average House Price			
		2002	2007	5 Year % Change	5 Year Growth
Worthing	2,296	£162,216	£238,779	47%	£76,564
Littlehampton	2,281	£181,391	£253,161	40%	£71,769
Crawley	2,396	£168,423	£254,015	51%	£85,952
Horsham	2,773	£225,209	£291,164	29%	£65,956
Chichester	2,689	£210,489	£298,439	42%	£87,950
Haywards Heath	2,882	£224,243	£331,478	48%	£107,235

Source: HBOS

- 2.53 Figure 2.16 also indicates the notable differences in prices between the coastal towns of Worthing and Littlehampton and in Crawley (< £255,000) compared to higher prices achieved in Horsham, Chichester and Haywards Heath (> £290,000). Haywards Heath in particular has experienced particularly strong price growth over the last five years.

Figure 2.17: Overall House Prices, 2007

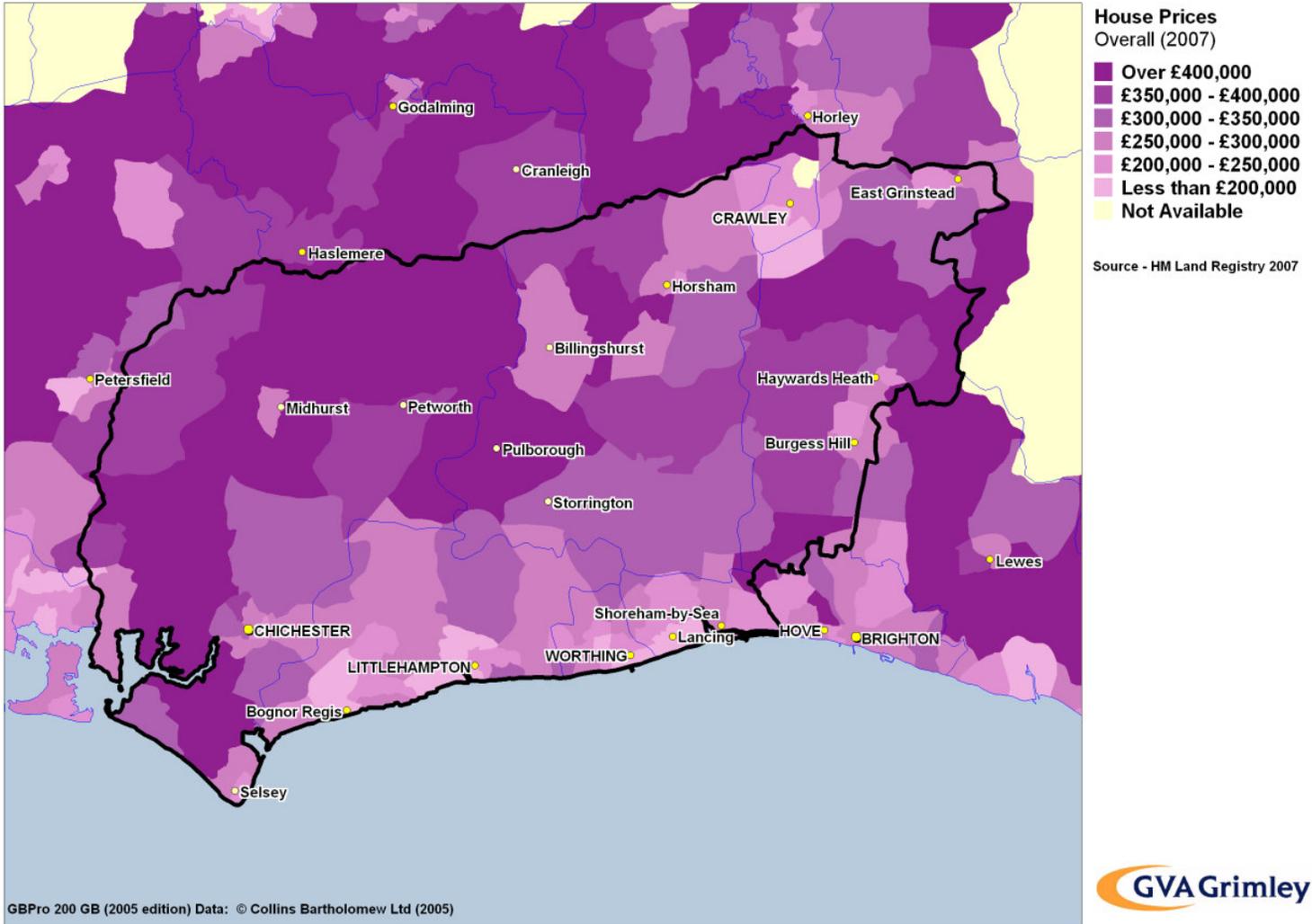


Figure 2.18: Detached House Prices, 2007

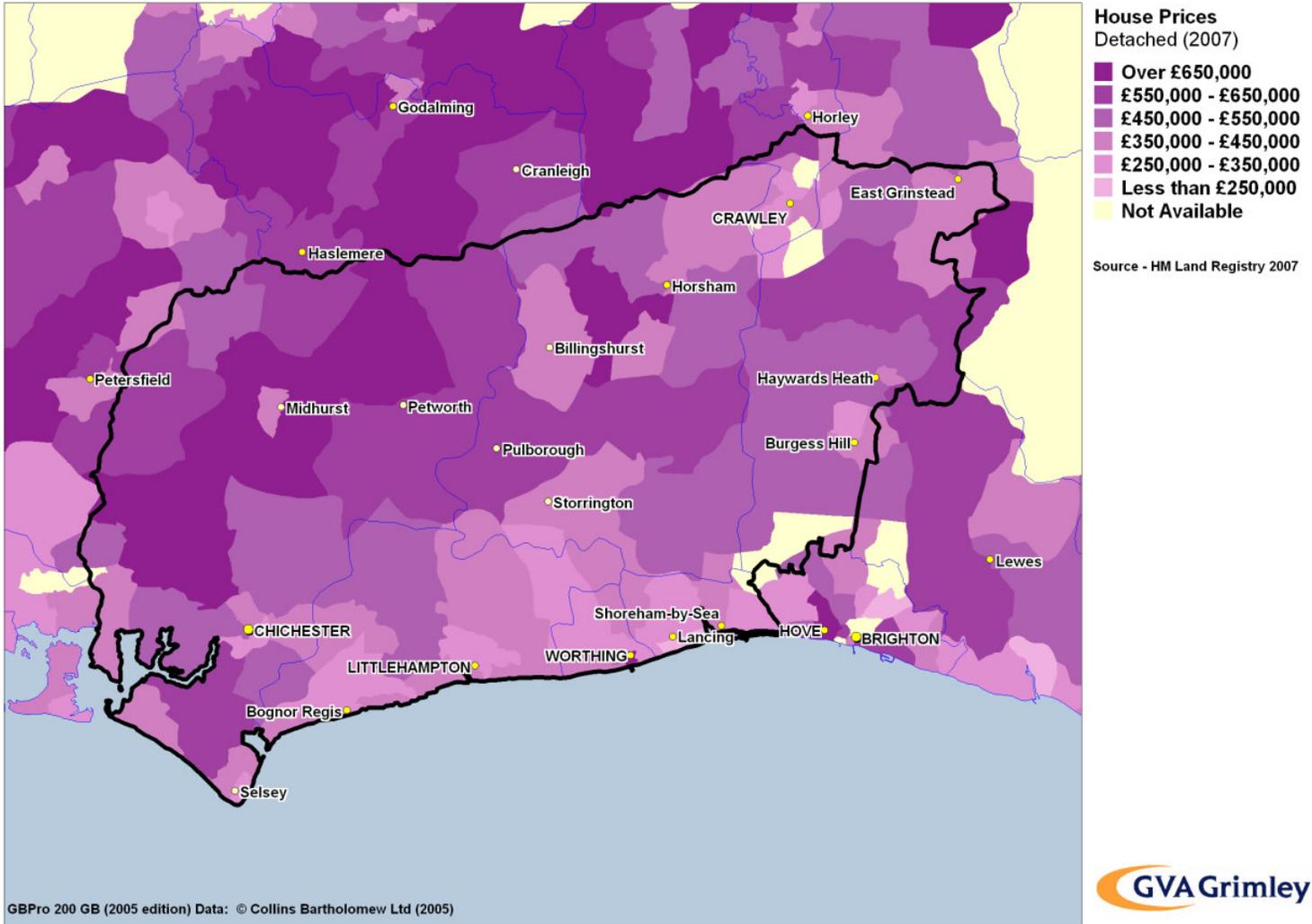


Figure 2.19: Semi-Detached House Prices, 2007

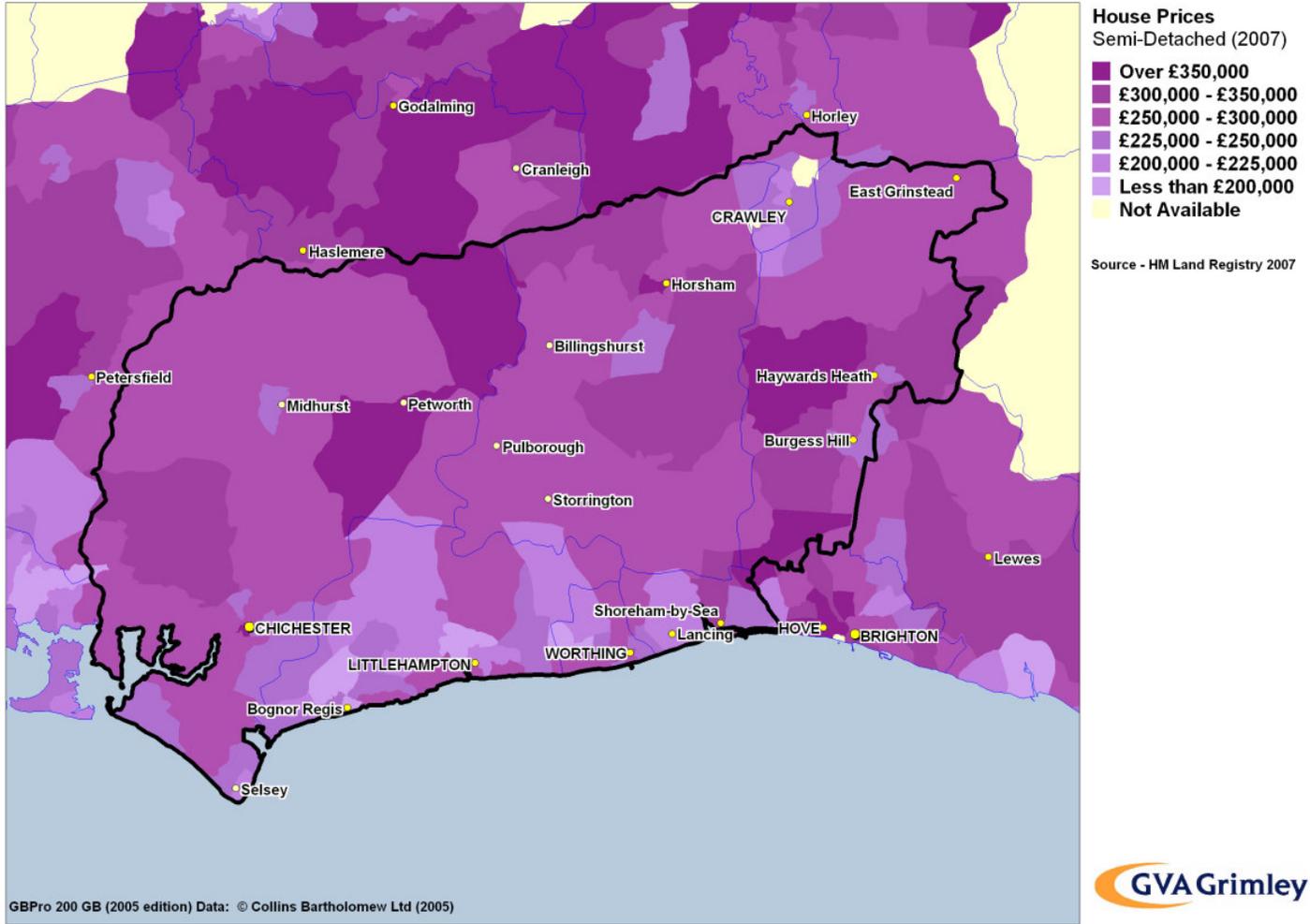


Figure 2.20: Terraced House Prices, 2007

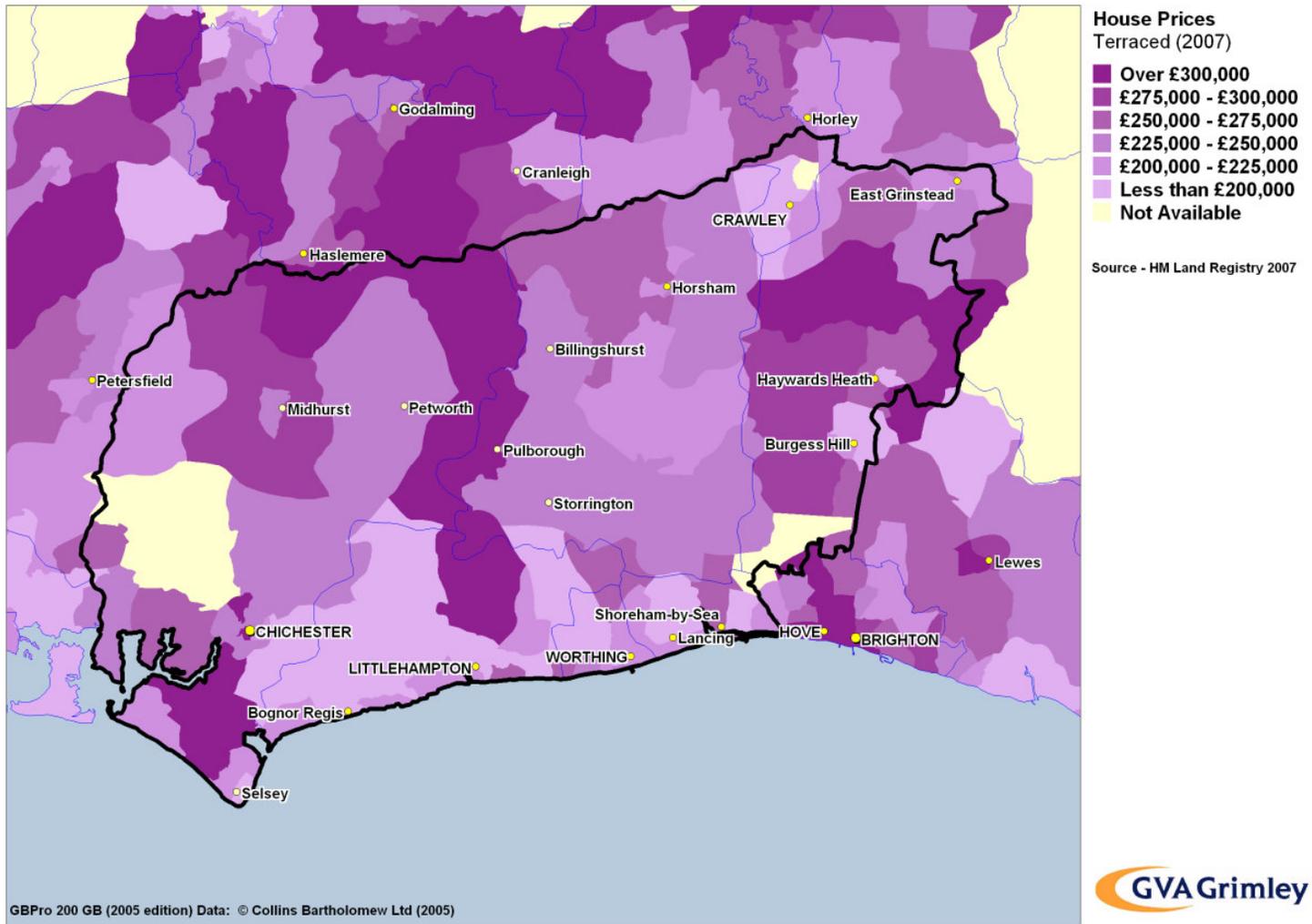


Figure 2.21: Flat/Maisonette Prices, 2007

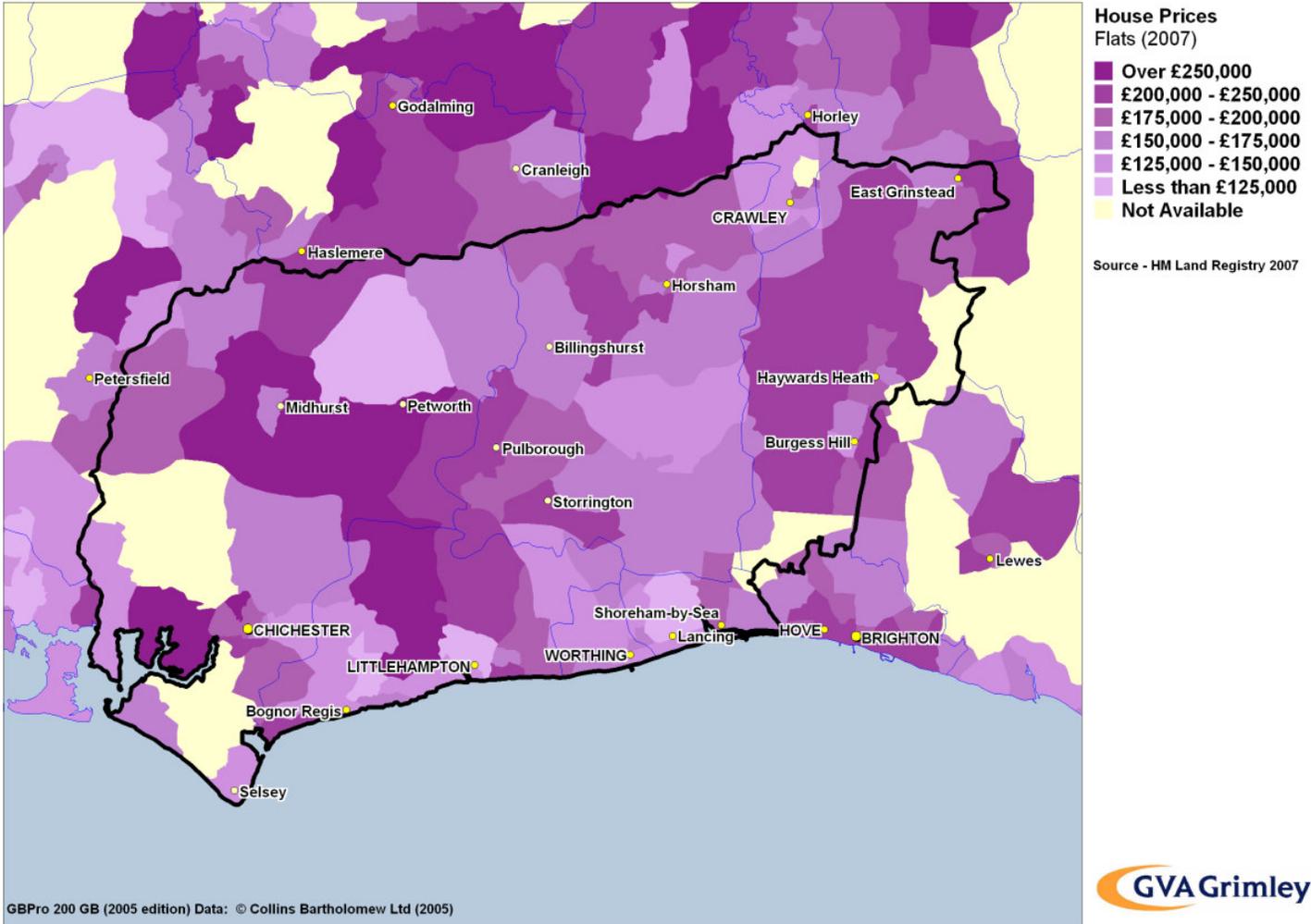


Figure 2.22: Price Inflation, Overall House Prices, 2002 – 2007

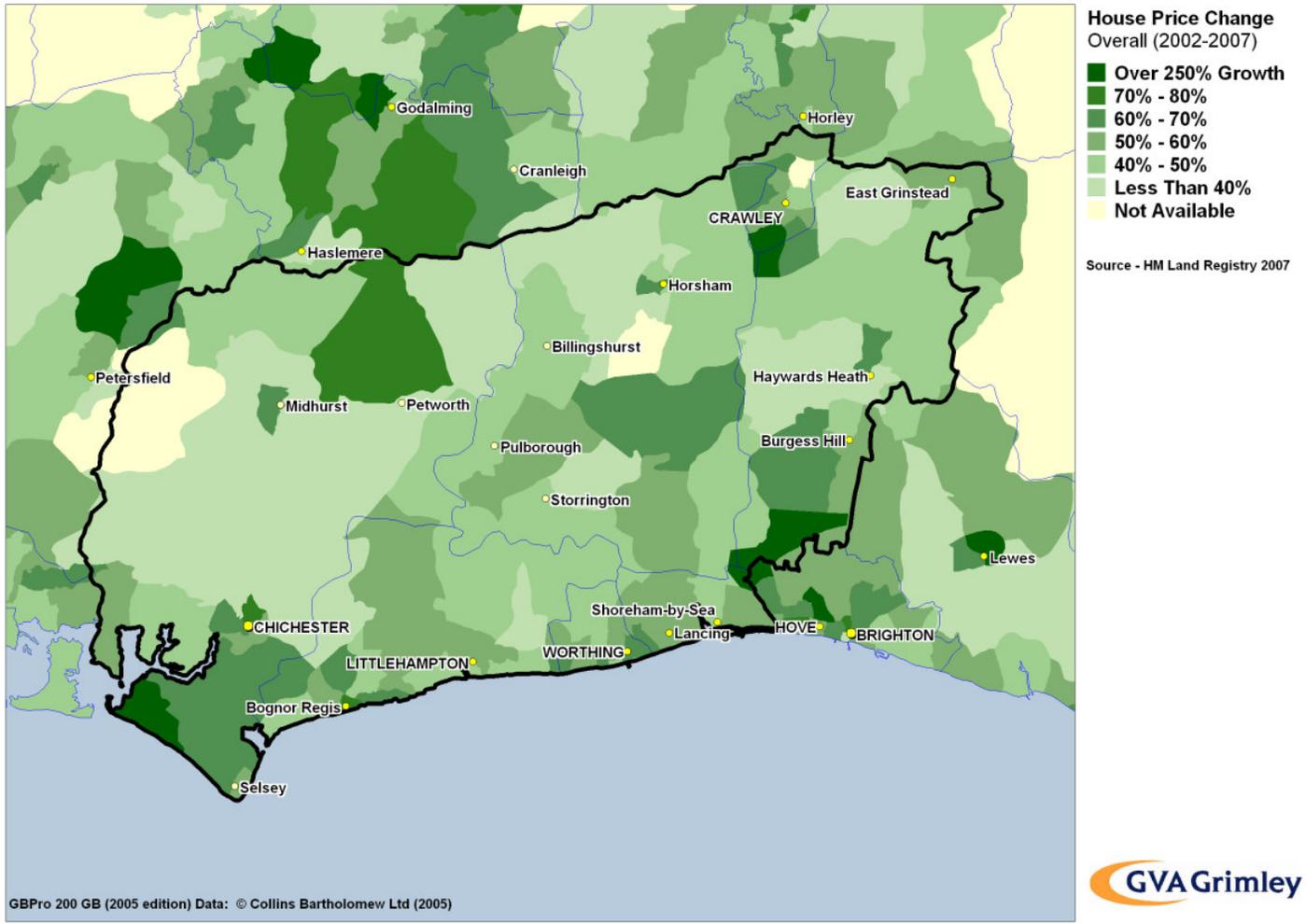


Figure 2.23: Price Inflation, Detached House Prices, 2002 – 2007

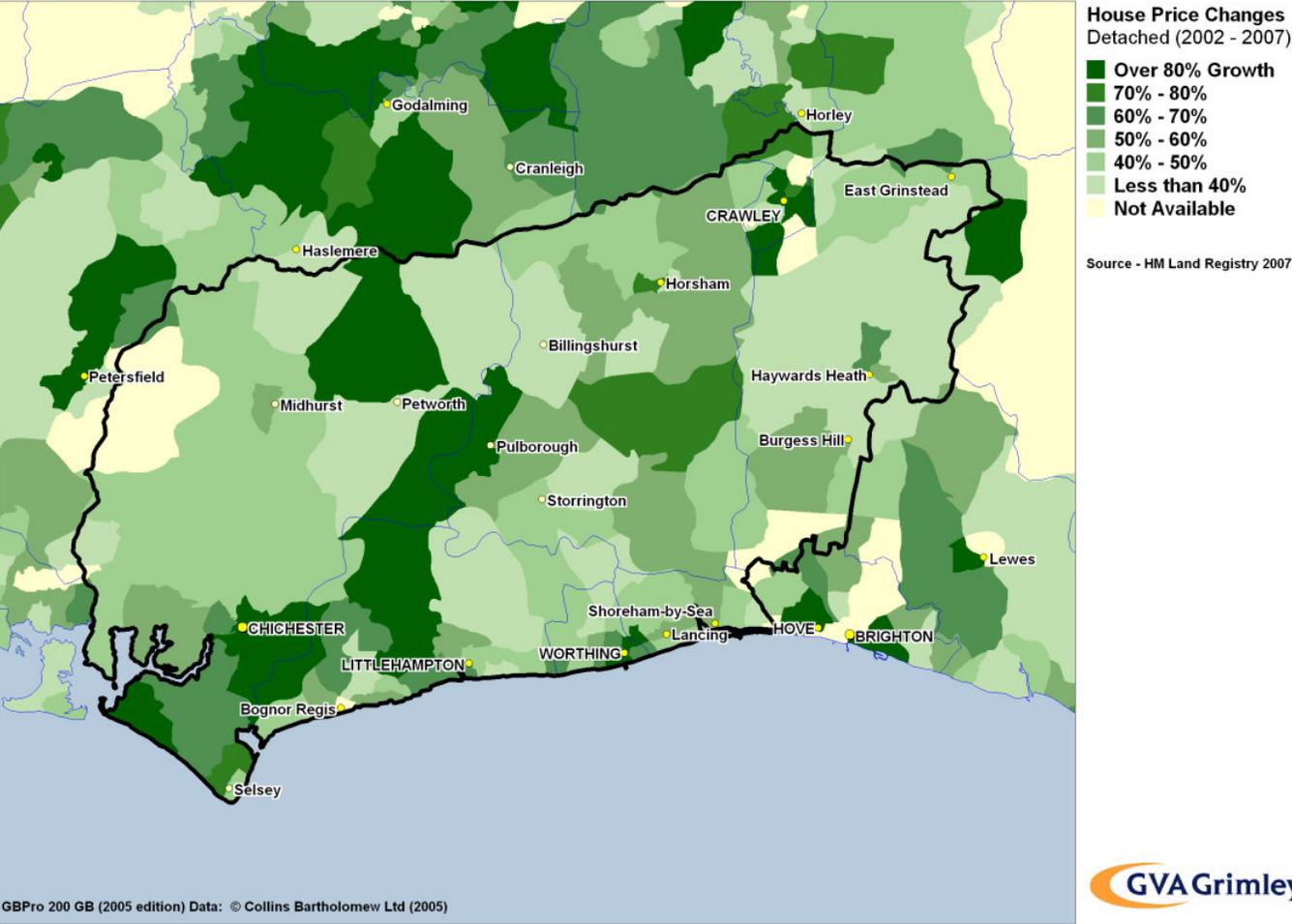


Figure 2.24: Price Inflation, Semi-Detached House Prices, 2002 – 2007

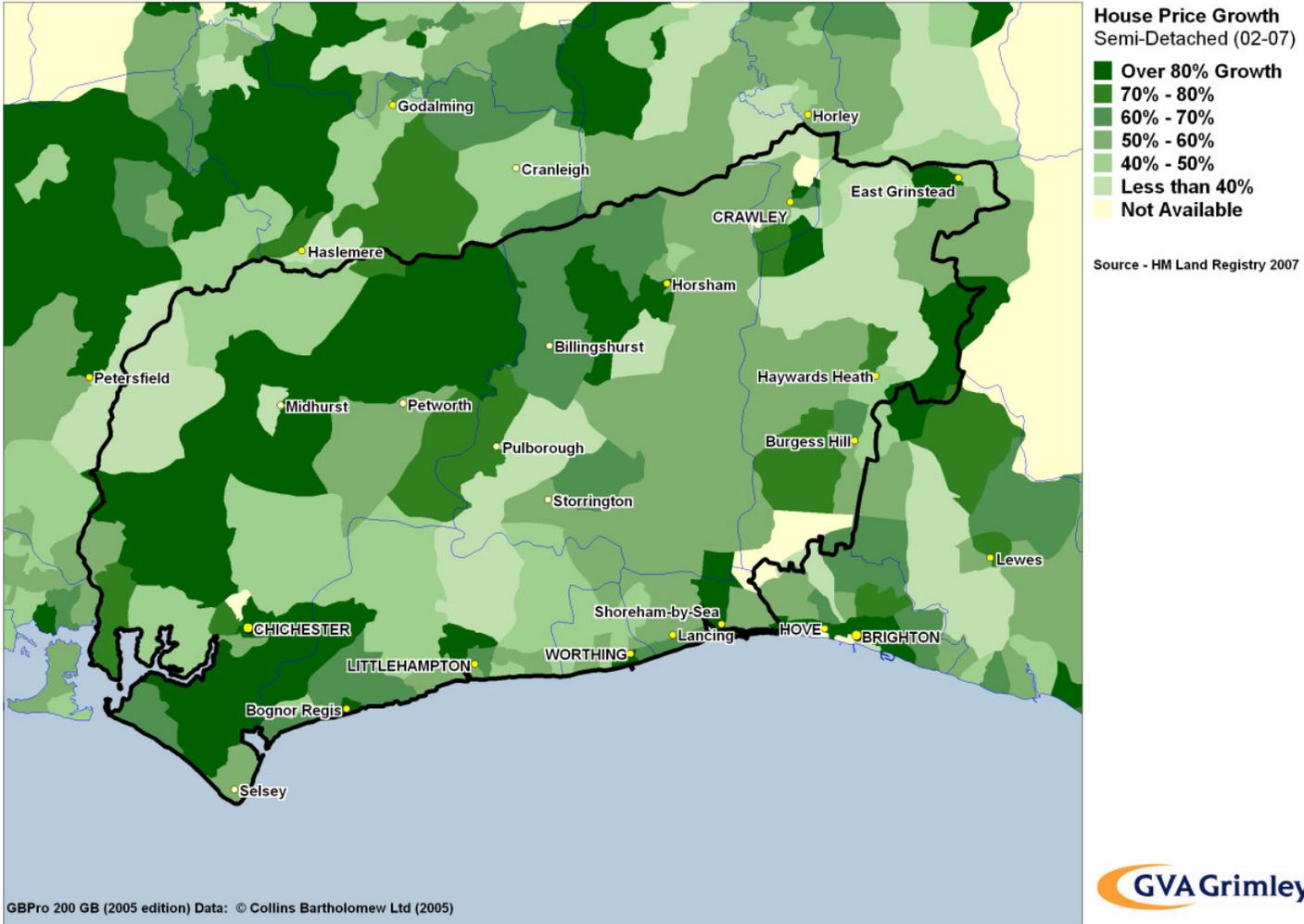
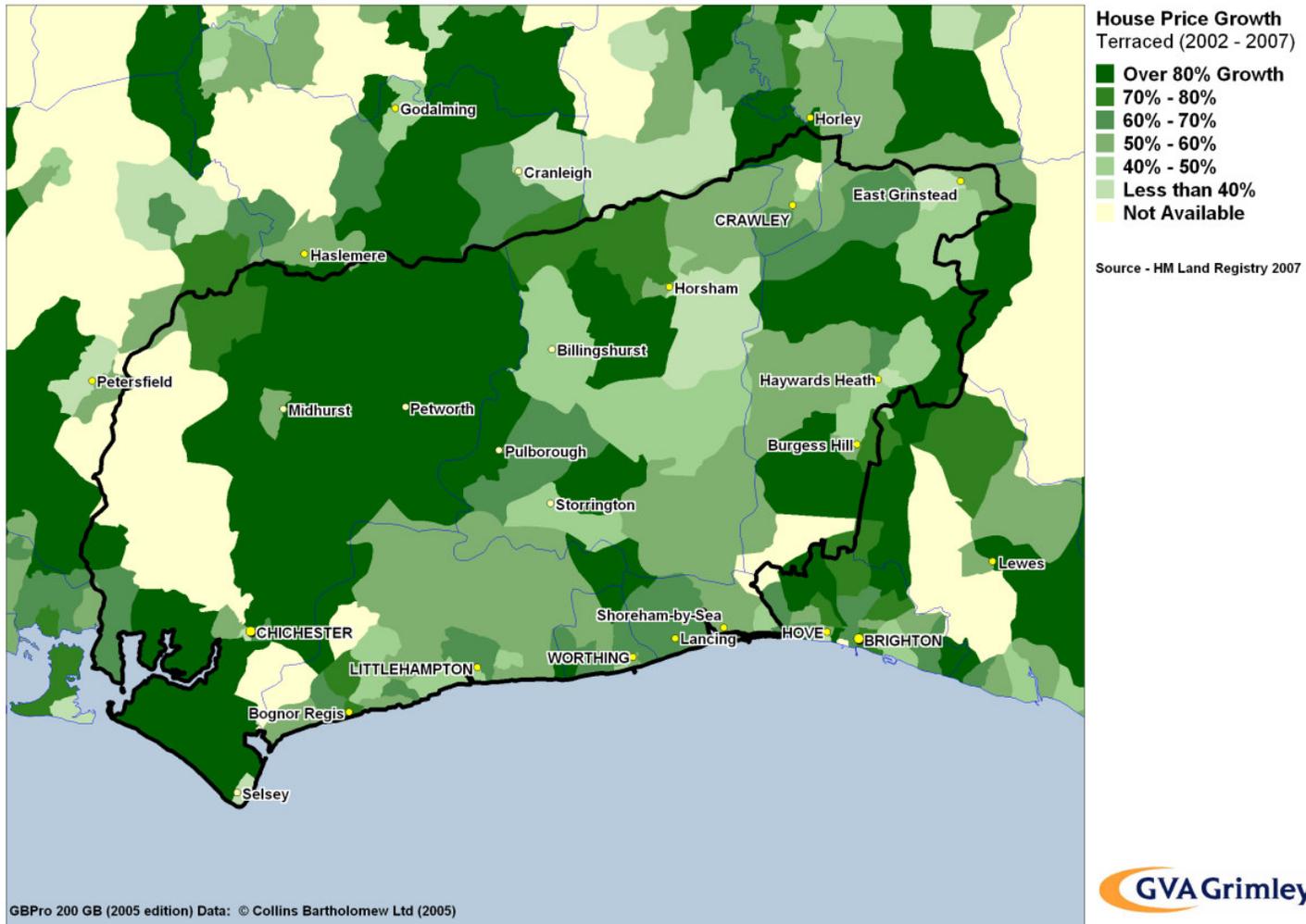


Figure 2.25: Price Inflation, Terraced House Prices, 2002 – 2007



- 2.54 The house price plans presented indicate high house prices at a more local level in Pulborough, Petworth and Midhurst and surrounding rural areas in the north-east of the County; as well as in the Selsey/East Wittering area (potentially linked to demand associated with yachting). Demand for detached housing is strong in these areas. A band of lower house prices can be identified along the South Coast, which might reflect the lower value economic base and greater peripherality of the area in a regional context.
- 2.55 A band of medium-level prices is evident in Haywards Heath, Burgess Hill and surrounding areas including Cuckfield and Hurstpierpoint. There is particularly strong demand in this area, reflected in current prices, for entry-level (terraced) housing across Mid Sussex District as well as along the A29 Corridor.
- 2.56 Price growth has been strongest to the south-west of Chichester (Selsey/Wittering) and in Crawley (likely reflecting a lower price base). We have seen strong price growth between 2002-7 for detached housing in Worthing, Chichester, Pulborough and Crawley; for semi-detached housing in Crawley, Horsham and Chichester; and for terraced housing particularly in the rural areas.

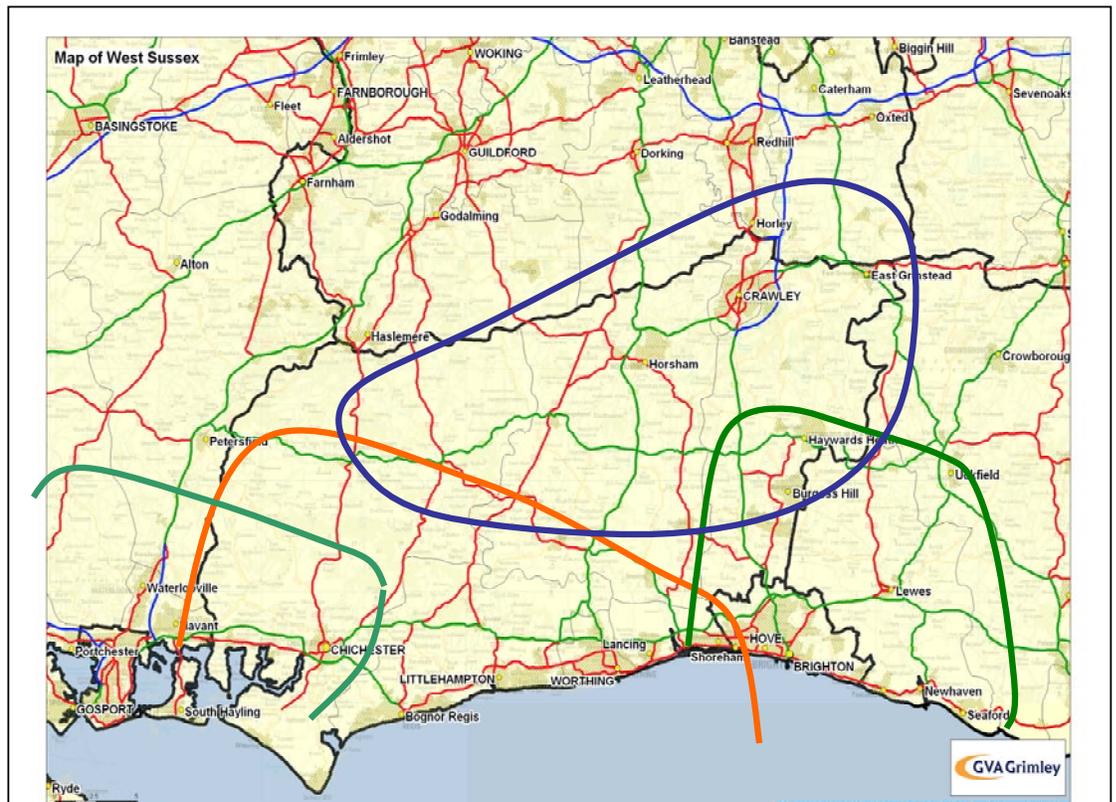
## WIDER CONTEXTUAL ANALYSIS

- 2.57 We have analysed a range of other indicators to provide a broader contextual understanding of the Housing Market.
- 2.58 Retail catchment areas provide an insight into the function of larger towns and their influence on surrounding settlements. Catchment areas for major retail centres have been defined by CBRE, based on those postal sectors where at least 15% of shoppers visit a defined retail centre. These provide another layer of understanding in terms of the functional relationships between places on the service provision. They indicate that Crawley is a major retail centre, the catchment area for which extends across all of Mid Sussex district as well as the catchment area of Horsham (as a lower order retail centre). It indicates that Brighton's catchment area extends to Burgess Hill.
- 2.59 Assessing wider socio-economic indicators reveals a particular concentration of flats and terraced housing and social housing provision in Crawley, whilst Horsham and Mid Sussex provide higher levels of private sector ownership and larger semi-detached and detached housing. There are also a number of other specific characteristics of Crawley's housing sub-market, including a higher proportional BME population, a lower skills base and higher deprivation (particularly in the older neighbourhoods in the south of the town).

## DEFINING THE NORTHERN WEST SUSSEX HOUSING MARKET

- 2.60 From the analysis undertaken we have identified that there are two main housing markets in West Sussex, one which is centred on Crawley and Horsham, and the second on the Coastal Urban Area (Figure 2.26). The Northern West Sussex Sub-Regional Housing Market extending south to Haywards Heath and Burgess Hill, to East Grinstead, Horley and west/ south-west to Billingham, Petworth and Pulborough.

**Figure 2.26: Defined Housing Market Areas and Areas of Market Overlap**



- 2.61 The Housing Market benefits from good strategic accessibility, with the international airport at Gatwick, and fast links by road and rail to both London and Brighton/ the South Coast. This contributes to its relative stronger economic performance (vis-à-vis other parts of Sussex) and to its attractiveness to households relocating out of London (contributing circa. 5% of migration movements, with 9% of residents commuting to London for work).
- 2.62 The Housing Market includes the main towns of Crawley, Burgess Hill and Haywards Heath which are adjacent to the A23/ M23 and served by the London – Brighton Rail Corridor. This corridor offers strong accessibility to employment and services (including in

London and Brighton), and this is reflected in strong housing demand, with areas in Haywards Heath in particular witnessing strong growth in house prices over the last five years.

- 2.63 To the west of the A23/M23 corridor the area falling within the Housing Market is more rural in nature, with attractive smaller settlements offering high quality of place and a housing offer focused more towards larger properties with strong demand. Commuting patterns are more dispersed, with a mix of people working locally, commuting to the larger economic centres of Crawley and Horsham and north to London (particularly in the north of Horsham District).
- 2.64 Across the Housing Market the housing-quality of place offer varies providing for a range of requirements, with different parts of the market providing a complementary offer to one another. These differences are explored further in the following section.
- 2.65 It is not possible however to draw a fixed boundary around the area, and there are important inter-relationships between the Northern West Sussex Housing Market and that in Brighton and East Sussex to the south/ south-east; to the Coastal West Sussex Housing Market (particularly in Horsham District); and to Surrey to the north as well as key links to London.

**Key Messages: The Housing Market Area**

- There is a single functional Northern West Sussex Housing Market, extending south to Haywards Heath and Burgess Hill, to East Grinstead, Horley and west/ south-west to Billingshurst, Petworth and Pulborough.
- There is evidence of movement to the area from London (5% of moves) as well as from Surrey and Brighton, albeit that a high proportion of housing demand is locally generating from people moving quite short distances.
- Net migration patterns show an inflow from London (1740 persons pa), Surrey and Brighton and Hove; with net movement out of the area to Coastal West Sussex (600 ppa) and East Sussex.
- The key settlements in the area grew particularly around rail links, and there remains a cluster of urban development along the London-Brighton corridor and patterns of commuting to London and Brighton. Crawley remains a key economic centre in the area, with potential for further higher-value growth.
- Rural areas which offer a high quality of life, particularly the A29 Corridor, and areas close to the transport links of the London-Brighton Corridor have the highest house prices and have witnessed the strongest price growth.
- Crawley, as a first generation New Town, has a housing mix more skewed towards smaller and cheaper housing (terraced and flats) in comparison to the other districts, but with a high proportion of 3-bed properties associated with the New Town housing stock. It has higher levels of social ownership, in contrast to other parts of the housing market. There is a degree of complementarity here, but these factors are reflected in the skills and occupational mix in the town.

### 3. STRUCTURE AND COMPOSITION OF THE HOUSING OFFER

- 3.1 This section examines the current housing stock profile and supply trends in the Northern West Sussex Housing Market. It provides an assessment of the number, range and quality of housing that is currently provided by the existing stock. Given that new supply contributes on average less than 2% to sales per annum, the current housing stock is key to meeting market demand. Flowing from this, the section provides an overview of how the housing stock has changed over the last ten years and future housing supply projections.
- 3.2 As set out in the previous section, there are inter-relationships in housing market terms between the Northern West Sussex Housing Market and those areas around it, including Brighton and Hove to the south; and the Horley/Reigate area to the north. For a number of key indicators, this section therefore considers differences in the housing offer in these areas and the implications of this in terms of adjacency and displacement for Northern West Sussex Housing Market.

#### CURRENT HOUSING STOCK

##### NUMBER OF DWELLINGS

- 3.3 The Housing Strategy Statistical Appendix identifies that the Northern West Sussex Housing Market contains some 152,450 dwellings, of which 36% are in Horsham District, 37% in Mid Sussex and 26% in Crawley.

**Figure 3.1: Total Dwellings, April 2007**

Area	All Dwellings	% of the Northern West Sussex Housing Market Area
Crawley	41,900	27%
Horsham	54,400	36%
Mid Sussex	56,150	37%
Northern West Sussex Housing Market	152,450	

Source: HSSA (Housing Strategy Statistical Appendix) 2006/2007

- 3.4 The earlier 2001 Census recorded 145,700 dwellings across the Housing Market Area. The major urban areas are Crawley (40,278 dwellings), Horsham (20,500 dwellings), Haywards Heath (13,000 dwellings), Burgess Hill (12,000 dwellings) and East Grinstead

(11,000 dwellings). Smaller towns include Billingshurst, Henfield, Pulborough, Cuckfield and Petworth (Figure 3.2).

**Figure 3.2: Main Urban Settlements**

Urban Area	Households	Persons	Dwellings
Petworth	1,033	2,298	1,087
Cuckfield	1,345	3,267	1,390
Pulborough	1,692	3,904	1,731
Henfield	1,958	4,526	2,013
Billingshurst	2,279	5,462	2,353
East Grinstead	10,740	26,222	11,028
Burgess Hill	11,744	29,384	11,922
Haywards Heath	12,549	29,108	12,933
Horsham	20,181	47,818	20,517
Crawley	40,000	99,744	40,278

Source: Census 2001

## TENURE

- 3.5 Across the Northern West Sussex Housing Market, 84% of the housing stock is in private sector ownership. 16% is owned by social housing landlords, which is above average for the region but below the national average. Private sector housing dominates across each of the three local authorities but is well below national and regional averages in Crawley.
- 3.6 There is a strong concentration of social housing in Crawley where 26% of the housing stock is owned by social housing providers; well above the regional average of 14%. 42% of total social housing provision is in Crawley compared to just 26% of all dwellings. In Horsham and Mid Sussex districts the level of social housing provision falls below regional and national benchmarks.

**Figure 3.3: Tenure Profile, April 2007**

Location	Public Sector	%	Private Sector	%	Total
Crawley	10395	26%	29883	74%	40278
Horsham	6677	12%	48322	88%	54999
Mid Sussex	7311	13%	49706	87%	57017
Northern West Sussex Housing Market	24383	16%	127911	84%	152294
South East	512246	14%	3053105	86%	3565351
England	4086873	18%	18192427	82%	22279300

Source: HSSA 2006/7

- 3.7 The 2001 Census provides a more detailed breakdown (albeit older data set) of tenure including information on the size of the private rented sector, and this is likely to have

changed post 2001. The Census indicates that 76% of households are owner-occupiers and 7% private renting at the Housing Market level.

- 3.8 At a national level, the size of the private rented sector has been in steady decline throughout much of the twentieth century. Its lowest point was in the late 1980s, when the sector dropped to just over two million properties representing just 9% of all stock. Following the 1998 Housing Act, that introduced the Assured Shorthold Tenancy, it became easier for landlords to evict tenants where they had a clear right to possession. This has helped the sector to grow significantly. It has been further boosted by the introduction of buy-to-let mortgage products in 1996, although this did not have an impact until 2000/1 when new lending started to increase rapidly. It is now estimated that the private rented sector represents 11% of all housing nationally<sup>3</sup>.
- 3.9 Private renting is below average in the Housing Market and each of the local authority areas. It is lowest in Crawley (8%) where there is a sizeable social rented sector.

**Figure 3.4: Tenure Profile, April 2007**

	Owner Occupied	Social Rented	Private Rented or Rent Free
Crawley	68%	23%	8%
Horsham	79%	11%	10%
Mid Sussex	80%	10%	10%
Northern West Sussex HM	76%	14%	9%
West Sussex	76%	13%	11%
South East	74%	14%	12%
England and Wales	69%	19%	12%

Source: Census 2001

- 3.10 In Crawley there are strong concentrations of social housing provision in the Bewbush and Broadfield neighbourhoods (37% and 39% social sector ownership respectively); while social renting is also above 25% in West Green, Tilgate, Ifield and Langley Green.
- 3.11 Outside Crawley, the level of social renting is highest in Petworth (29% households), Billingshurst (18%), Pulborough (17%) and Henfield (15%). 13% of households in Horsham live in social rented properties, 13% in Haywards Heath, 10% in East Grinstead and 9% in Burgess Hill.
- 3.12 The majority of private rented properties are likely to be the towns and other main settlements. Private renting was above average in Petworth (16%) but around or below average elsewhere in 2001.

<sup>3</sup> NHPAU (2008) *Buy-to-let Mortgage Lending and the Impact on UK House Prices*

**Figure 3.5: Tenure Profile - Urban Areas, 2001**

Urban Area	Owner Occupied	Social Rented	Private Rented or Living Rent Free
Petworth	54%	29%	16%
Cuckfield	76%	12%	11%
Pulborough	73%	17%	10%
Henfield	77%	15%	8%
Billingshurst	74%	18%	9%
East Grinstead	81%	10%	9%
Burgess Hill	84%	9%	7%
Haywards Heath	78%	12%	10%
Horsham	78%	13%	9%
Crawley	72%	19%	9%

Source: Census 2001

- 3.13 Owner occupation was above average across the Housing Market in 2001. In Mid Sussex and Horsham there are an above average proportion of households who own their home outright (33% and 34% respectively in comparison with 31% across the region). Only 1% of properties are in shared ownership.

**Figure 3.6: Owner Occupation, 2001**

	Owned: Owns outright	Owned: With a mortgage or loan	Owned: Shared ownership	Owner Occupied Total
Crawley	23%	45%	1.0%	68%
Horsham	33%	46%	0.5%	79%
Mid Sussex	34%	46%	0.7%	80%
Northern West Sussex HM	30%	45%	0.7%	76%
West Sussex	35%	41%	0.7%	76%
South East	31%	42%	0.8%	74%
England and Wales	29%	39%	0.6%	69%

Source: Census 2001

- 3.14 Owner occupation includes shared ownership and other intermediate housing products. Figure 3.7 below indicates existing shared ownership properties owned by RSLs in this Housing Market area. Across the Housing Market it represents less than 1.0% of the total housing stock.

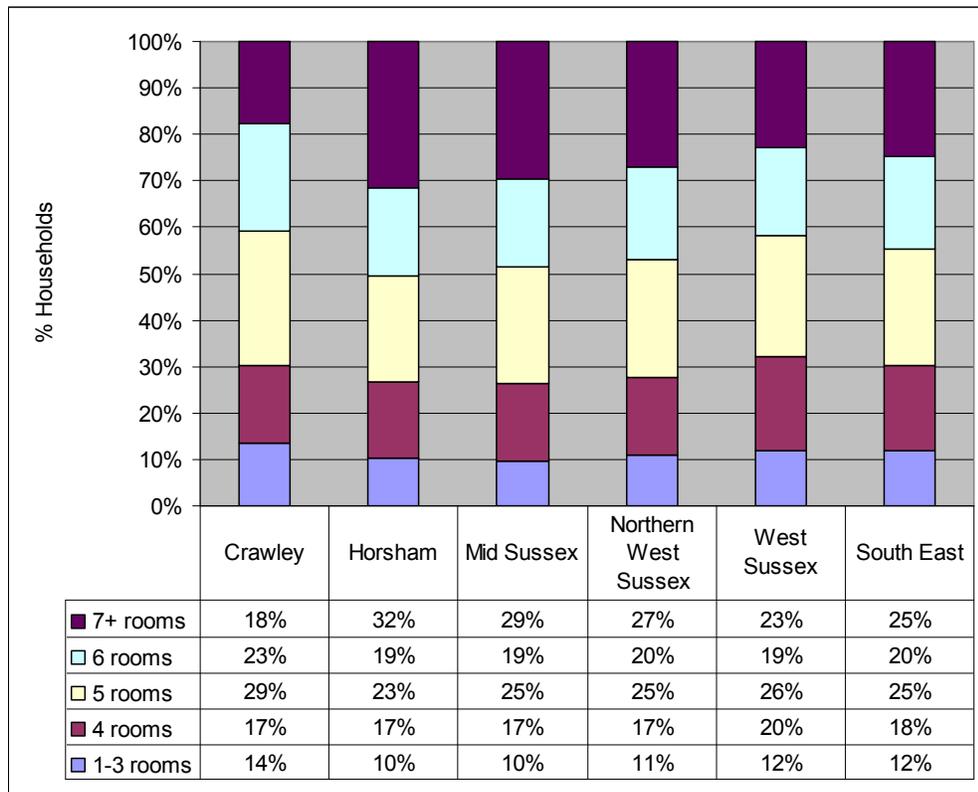
**Figure 3.7: Shared Ownership Properties, 2007**

	Shared Ownership Properties	% All Housing Stock
Crawley	352	0.9%
Horsham	258	0.5%
Mid Sussex	323	0.6%
Northern West Sussex Housing Market	774	0.5%

Source: RSR/ Dataspring

## HOUSE SIZE

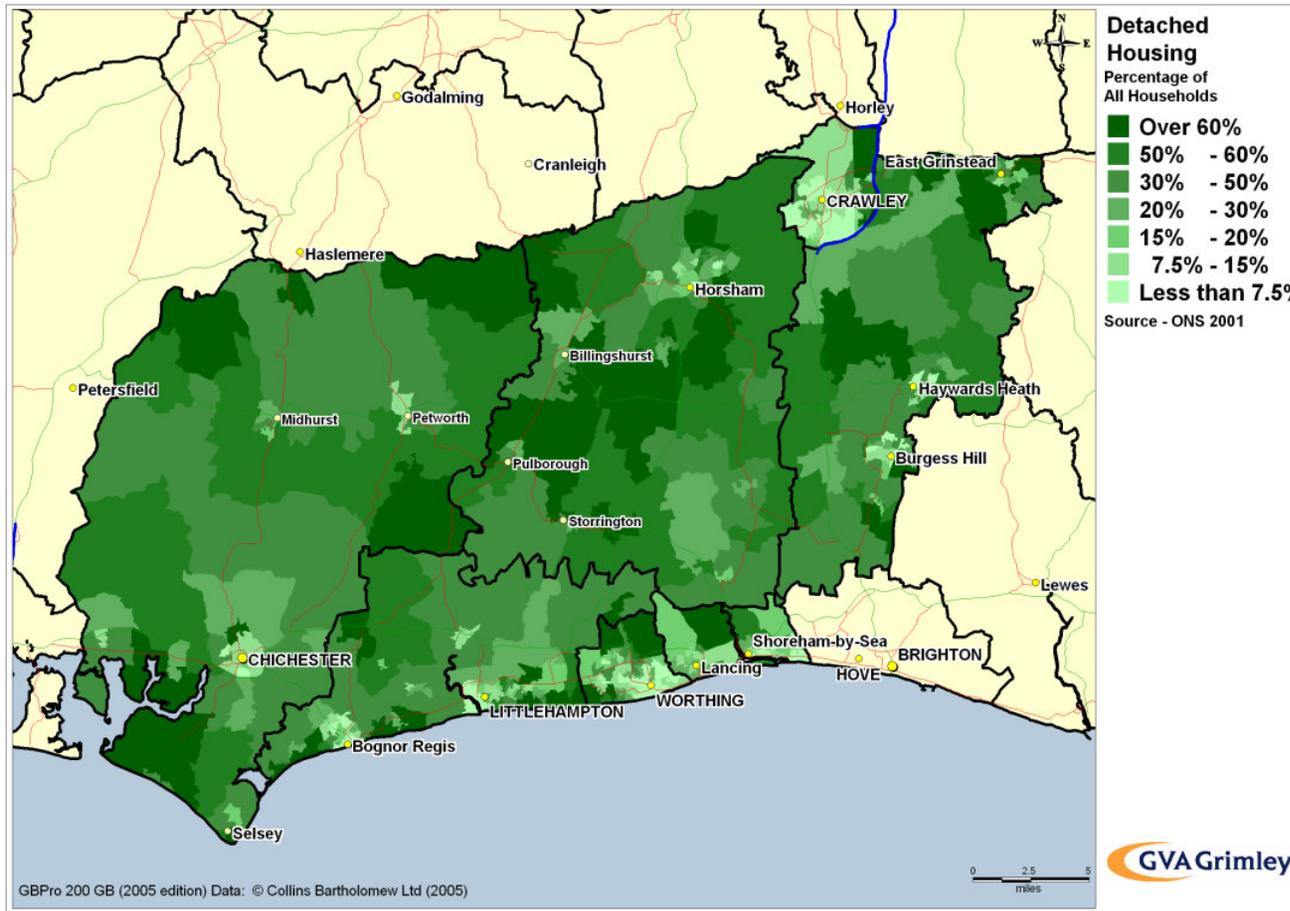
- 3.15 Census data provides information on the size of housing, but based on a count of the number of rooms in a household's accommodation (excluding bathrooms, toilets, halls or landings or rooms that can only be used for storage) as opposed to the number of bedrooms. We have made some assumptions to relate this to dwelling size, as follows:
- 1-4 room dwellings equate to a 1-2 bed property if we assume this includes a kitchen, and could include 1-2 reception rooms.
  - 5-6 room dwellings equate to a 2-3 bed property if we assume a kitchen and one or two reception rooms.
  - 7-8 room dwellings equate to properties with 4 or more bedrooms.
- 3.16 Across the Northern West Sussex Housing Market, two and three-bed properties (five and six room dwellings) are the most abundant housing around 45% of all households. This is consistent with the regional picture. The housing market however has a slightly above average proportion of larger dwellings, and we estimate that 27% of households live in properties with four or more bedrooms (seven or more rooms) and this is particularly marked in Horsham (32%) and Mid Sussex (29%) compared to 25% across the South East region (and 20% nationally). 11% of properties have three rooms or less, which is marginally below average.

**Figure 3.8: Size of Dwellings**

Source Census 2001

- 3.17 Typically we would expect there to be a higher proportion of larger properties in some of the rural parts of the Housing Market and the smaller settlements. This is confirmed by our analysis of the location of larger, detached housing (Figure 3.9).

Figure 3.9: Detached Housing, 2001

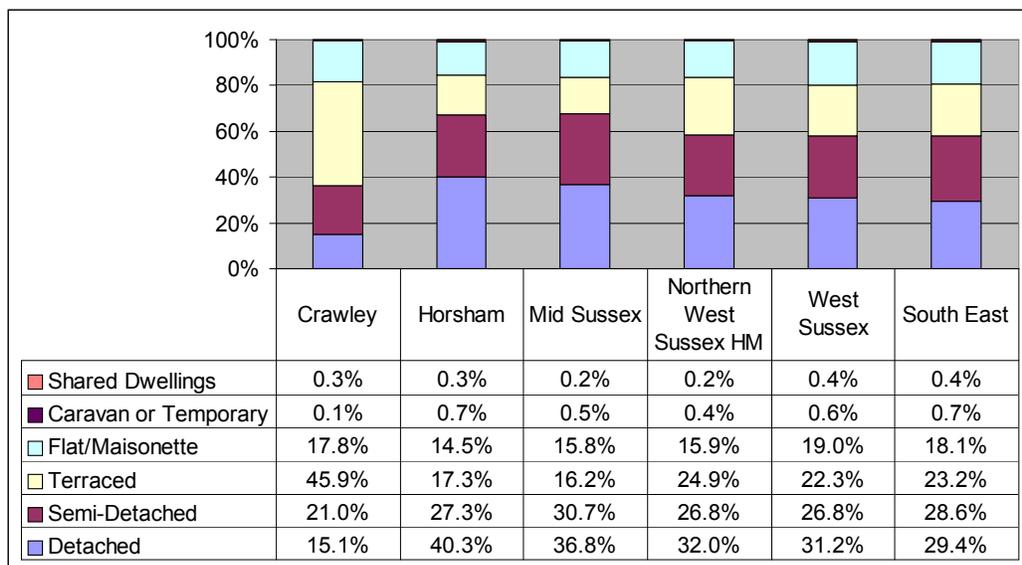


- 3.18 On a district-by-district basis, there are a high proportion of larger properties with four or more rooms in Horsham and Mid Sussex Districts than Crawley and lower levels of smaller properties. Crawley has a higher proportion of 1 room properties than the other authorities. Horsham District has the largest proportion of 7 room properties (32%). Mid Sussex has more of a balance across all room sizes.
- 3.19 Looking at the mix of housing in adjoining authorities, we estimate that one and two-bed properties (1-4 rooms) house 52% households in Brighton and Hove, representing a strong focus of the housing offer on smaller properties.

## HOUSE TYPE

- 3.20 The Northern West Sussex Housing Market contains an above average proportion of larger properties: detached housing is the most prevalent house type, accounting for 32% of all housing in 2001, followed by semi-detached housing (27%). Flats and maisonettes represent 16% of the housing stock which is a little below with the South East average (18%).

**Figure 3.10: House Type Profile**



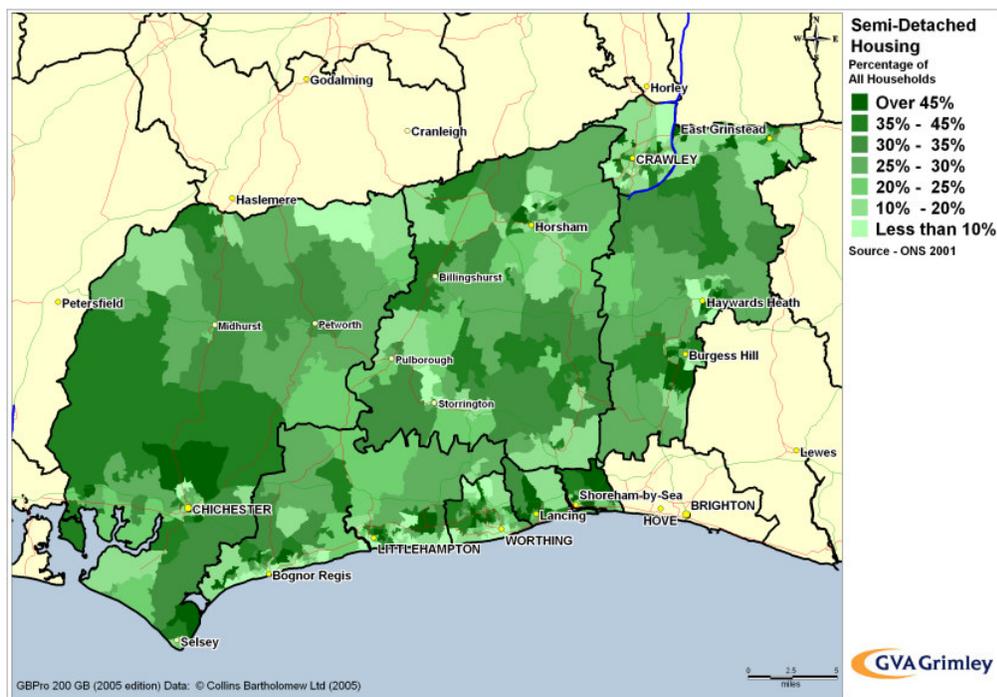
Source Census 2001

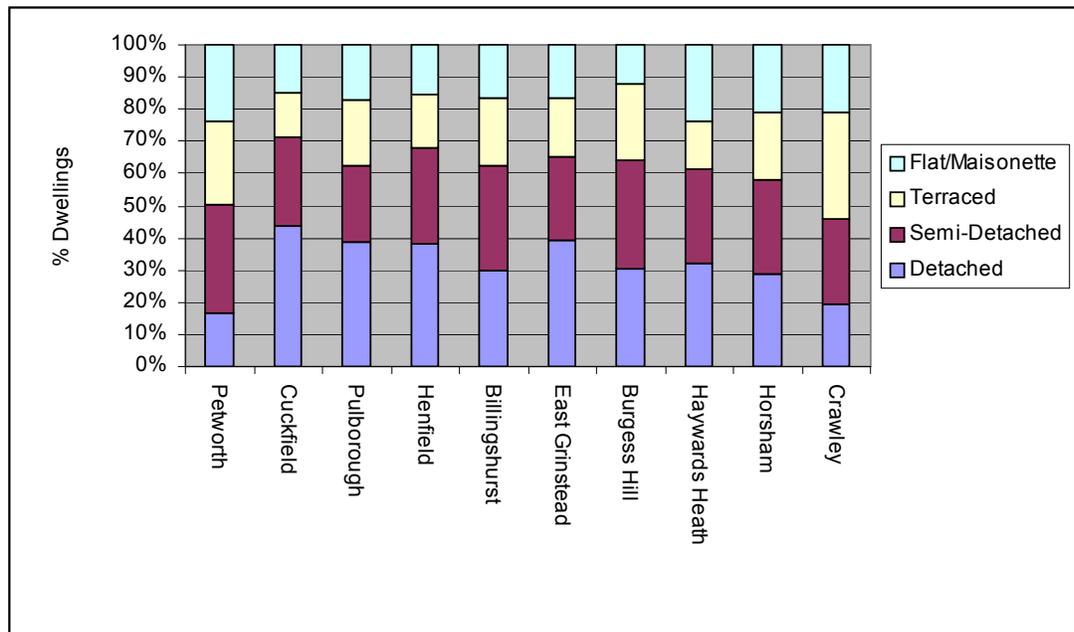
- 3.21 Detached and semi-detached housing very much dominates the housing offer in Horsham and Mid Sussex districts. In Horsham District 40% of dwellings are detached; in Mid Sussex 37%. In contrast, the housing offer in Crawley is biased towards terraced housing

(46%) with an above average level of flats/maisonettes (18.1%) and below average larger detached and semi-detached properties.

3.22 In Cuckfield, Pulborough, Henfield and East Grinstead around 40% of all housing is detached. Detached housing in contrast represents less than 20% of the housing stock in Crawley and Petworth, while these settlements have higher levels of terraced and flatted stock. Detached and semi-detached housing overall makes up over 60% of the housing stock in Cuckfield, Pulborough, Henfield, Billingshurst, East Grinstead, Burgess Hill and Haywards Heath.

**Figure 3.11: Semi-Detached Housing, 2001**

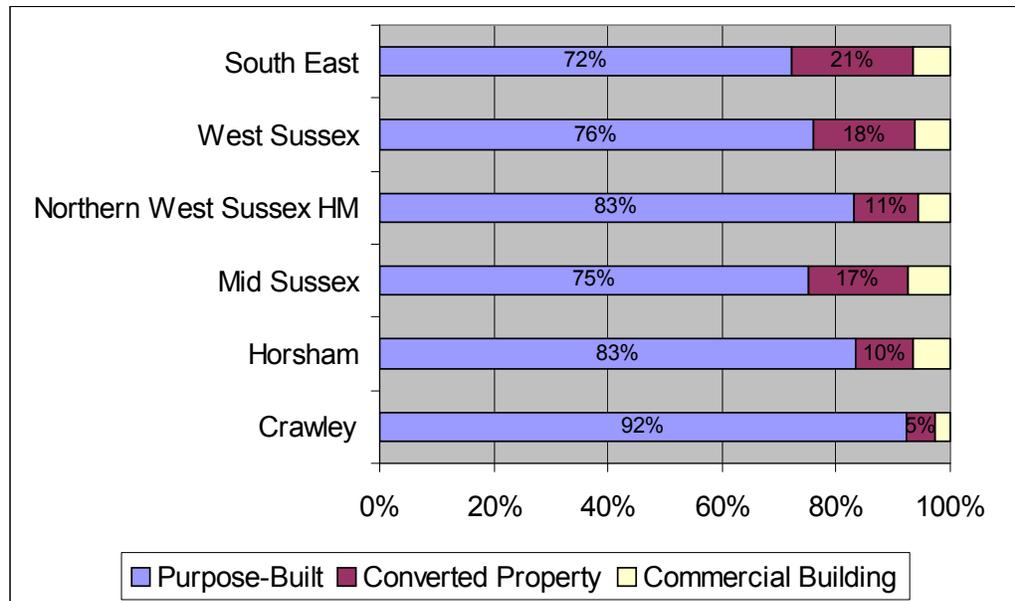


**Figure 3.12: House Type Profile – Urban Areas**

Source Census 2001

- 3.23 Across the Housing Market 0.2% of dwellings are shared (concealed households, lodgers, etc). this is below average for the County and the Region. 0.4% of households lived in a temporary or mobile home in 2001.
- 3.24 Across the Northern West Sussex Housing Market the majority of flats are in purpose built blocks (83%). This is above average for the South East Region and West Sussex County.

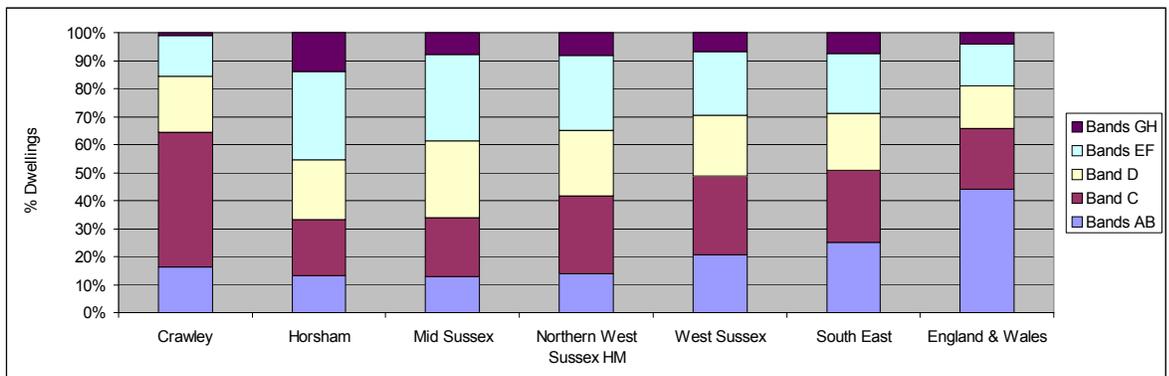
**Figure 3.13: Profile of Flats**



Source Census 2001

3.25 Figure 3.14 shows the distribution of dwellings by Council Tax Band across the Northern West Sussex Housing Market. This is used as a proxy for the size, value and quality of property. Band A is the lowest costing Council Tax Band and alternatively Band I is the highest costing Council Tax Band.

**Figure 3.14: Dwellings by Council Tax Band**



Source: VOA, March 2006

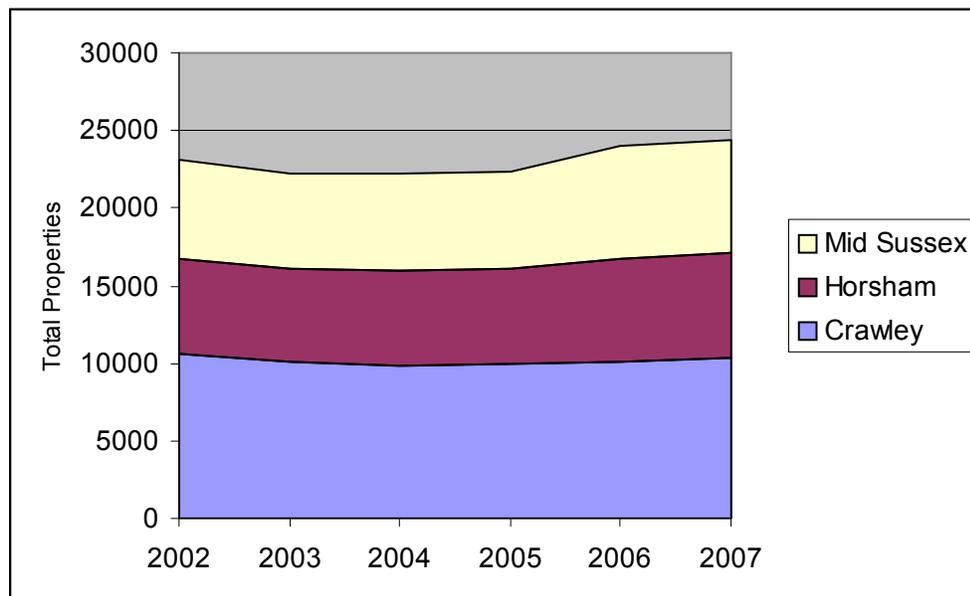
3.26 Horsham District has a high proportion of properties in Bands G and H (14% compared to 7% across South East England, and 1% in Crawley). Mid Sussex has a lower proportion of properties in Bands G and H (8%) but more properties in Band C (28%). In Crawley there is a particularly high concentration of properties in Band C (48% compared to 26% across

the South East) which likely reflects a high proportion of mid market 3-bed terraced properties.

## SOCIAL HOUSING STOCK

- 3.27 Across the Housing Market there are 24,400 properties in social sector ownership (including other public sector stock and not just social housing stock). Crawley has the highest level of stock (10,400 properties) followed by Mid Sussex (7,300) and Horsham (6,700).
- 3.28 Across the Housing Market the social sector has been relatively stable in size; it has grown by 6% over the last five years (2002 – 2007) (net of demolitions, losses through right to buy, etc). At a local authority level, growth has been strongest in Mid Sussex (14%, compared to 9% growth in Horsham and a -1% loss in Crawley).

**Figure 3.15: Social Sector Properties**



Source: HSSA

## CRAWLEY

- 3.29 In Crawley there are 10,395 properties in social sector ownership of which 80% (8,272 properties) are owned by Crawley Borough Council. The remaining 20% of properties are owned by Registered Social Landlords (RSLs). Crawley Borough Council maintains a common housing register with the fourteen RSLs. The main RSLs, owning over 200

properties, are Guinness Trust, Hyde Housing, Moat, London and Quadrant, and Southern Horizon.

- 3.30 We estimate that 88% of properties in social sector ownership in Crawley are for social rent (c. 9000 properties), 8% supported/ sheltered housing (c. 800 properties) and 4% for shared ownership (c. 400 properties). We estimate that 3-bed houses make up over 45% of the Council's housing stock.
- 3.31 Over the last five years (2001/2 – 2006/7) the Council's total housing stock has declined marginally (-9%) but the stock of housing in Crawley owned by RSLs has grown (by 40%). Overall the size of the social sector has fallen marginally in size by -1.5%.
- 3.32 41.5% of the Council's housing stock was non-decent in 2007 (3434 properties). This includes older properties which require modernisation, including improvements to central heating, insulation and new windows, bathroom or kitchen fittings etc. No properties however have Category 1 hazards (HHSRS). The Council's 2003 Stock Condition Survey (Savills 2003) estimates that the average SAP rating of the stock was 65.7 compared to a national average of 51.0 (based on a 15% sample). Just 2.1% of RSL properties are non-decent. Much has been done to resolve non decent home housing stock, with over £5m spent on improving stock and stopping other stock becoming non-decent.
- 3.33 The Council has not reported any properties which are difficult to let and vacancy levels are very low at 0.6% (49 properties). Responses from RSLs indicate that Hyde has had some problems letting disabled adapted bedsits at Selsey Road, while Guinness Trust has undertaken remodelling work on sheltered bedsits at London Fields House to support demand.
- 3.34 The Council has a choice-based lettings policy and manages a joint housing register with 14 RSLs which covers new applicants, transfer applications and homelessness acceptances. Households are allocated to one of three bands and applications are reviewed annually.

## HORSHAM

- 3.35 There are around 6,700 properties in social sector ownership in Horsham District. Horsham District Council transferred its stock to Saxon Weald Homes in 2000, and is therefore not a stock owning authority except for a small number of one-off properties and temporary homeless accommodation.

- 3.36 There are 22 RSLs operating in the district. We estimate that two-thirds of the social housing stock is owned by Saxon Weald. The other main RSLs, with over 200 properties, are London and Quadrant (9%), Southern (5%) and Hyde (5%).
- 3.37 We estimate that 93% of properties in social sector ownership in Horsham District are for social rent (c. 5000 properties), 2% supported/ sheltered housing (c. 130 properties) and 5% for shared ownership (c. 250 properties). Over the last five years (2002-7) the social sector has grown in size by 9%.
- 3.38 Horsham District Council maintains the Housing Register. Applicants are required to reregister annually on the anniversary of their original application. The majority of those on the register require general needs properties, although there are separate categories for specialist and supported housing. The Council's Allocations Policy has recently been reviewed, and is now based on a banding system and includes income information. The Council has an aspiration to move towards a choice-based lettings policy in line with national guidance by 2010.
- 3.39 Within the District there are a small number of sheltered bedsit properties which are currently difficult to let. These are being gradually reconditioned or redeveloped by Saxon Weald (two schemes). There is no surplus social rented stock which could be brought back into use to meet housing need.
- 3.40 We estimate that 8% of properties are non-decent<sup>4</sup>. All RSLs operating in the District are confident that they can meet the Decent Homes target by 2010.

## MID SUSSEX

- 3.41 There are around 7,300 properties in social sector ownership across Mid Sussex District, of which 92% are for rent and 8% for Low Cost Home Ownership (LCHO) or intermediate products. Of the stock for rent, we estimate that 98% are general needs properties, and 2% supported housing. Two thirds of properties are owned by Downland Housing Association to which the Council transferred the majority of its stock in 1990. Overall there are 34 Housing Associations operating in the District. Besides Downland HA, the other main RSLs with over 200 properties are Hyde, Moat, and Franklands Village. The social sector has grown in size by 14% over the last five years.
- 3.42 Of the total social rented properties, there are a similar number of one, two and three-bed properties (32%, 29% and 29% of the total stock respectively), with bedsits accounting for

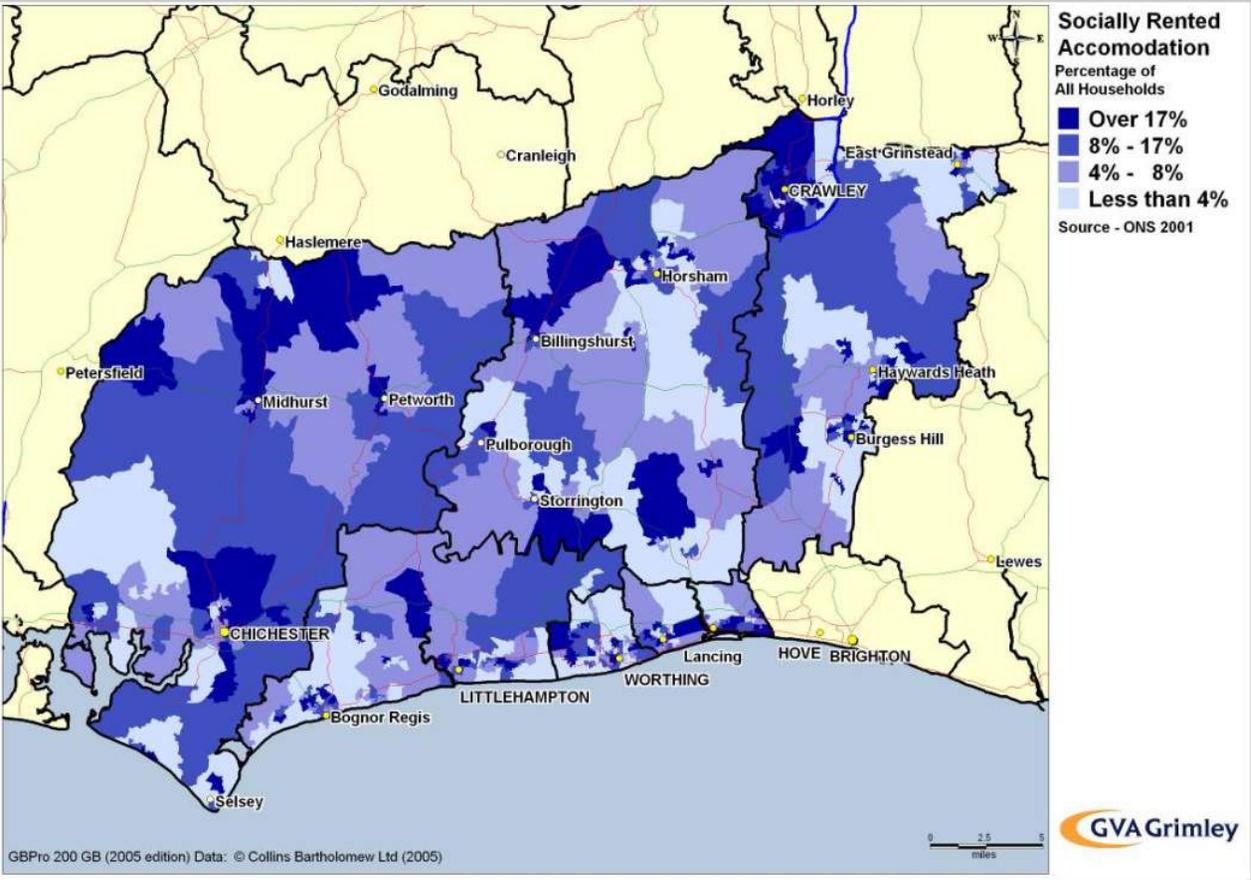
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<sup>4</sup> RSR/ Dataspring, 2007

8.3% of the stock. Just 1.3% of the stock comprises larger homes with four or more bedrooms.

- 3.43 The Council maintains a Common Housing Register with nominations rights to 18 Housing Associations which operate within the District, covering most of the affordable housing stock. The register is run by Downland Housing Association with whom the Council has a Joint Housing Allocations Scheme. It is based on a points system. The register requires applicants to reregister annually and includes some information on household incomes. Mid Sussex District Council, working sub-regionally with Horsham and Crawley, are considering implementing a sub-regional choice-based lettings (CBL) scheme.
- 3.44 There are no particular problems with vacant or hard to let properties across the district, the Council estimating that there are 201 difficult to let properties its 2007 HSSA Return. Downland Housing Association are however proposing to demolish 109 flat-roofed properties at Wilmington Way, Haywards Heath (of which 87 are in social ownership), which is to be redeveloped to provide 71 new affordable homes for rent and 113 for sale.
- 3.45 We estimate that 8.4% of properties in social ownership in Mid Sussex are non-decent.
- 3.46 Across the Housing Market, the majority of social housing provision is concentrated in the main towns (and particularly in Crawley) as Figure 3.16 indicates.

Figure 3.16: Social Housing Provision, 2001



## STOCK CONDITION AND ENERGY EFFICIENCY

- 3.47 The condition and energy efficiency of housing in the Northern West Sussex Housing Market has been assessed through House Condition Surveys commissioned by each of the three local authorities. Stock condition and energy efficiency are assessed against the following standards:
- **Decent Homes Standard** – a decent home is one that is warm, weatherproof and has reasonably modern facilities. It must be in a reasonable state of repair; have reasonably modern facilities and services; offer a reasonable degree of thermal comfort; and not include any Category 1 hazards as defined in the HHSRS.
  - **Housing Health and Safety Rating System (HHSRS)** – this takes into account the potential hazards of a dwelling in relation to any persons using it. It is an evidence-based risk assessment, which considers potential hazards including excess cold, risks of falls, damp etc. To be a 'decent' a home should be free from serious Category 1 hazards.
  - **Standard Assessment Procedure (SAP) Rating** - this give a measure of energy efficiency based on estimated fuel running costs under normal occupancy conditions. The (SAP) is a government-specified energy rating for a dwelling. It is based on the calculated annual energy cost for space and water heating. The calculation assumes a standard occupancy pattern, derived from the measured floor area so that the size of the dwelling does not affect the result, which is expressed on a 1-100 scale. The higher the number the more energy efficient the dwelling is.
  - **Unfitness** – Although this measure has been replaced by HHSRS in April 2006, it is still important as one of the decent homes criteria and allows for proper national and regional benchmarking. The fitness standard takes account of structural stability; disrepair; damp; suitable lighting, heating, ventilation, drainage and essential washing, food preparation and cooking facilities
- 3.48 Estimates of stock condition and energy efficiency in **Crawley** are set out in a Stock Condition Survey prepared by FPD Savills, covering private sector housing, in 2003. The survey covered 15% of the total housing stock.
- 3.49 The survey found that 45% of the housing stock was non-decent compared to a national average of 46%. Between 2003 and 2010, an estimated 80% of dwellings are expected to fail the decent homes standard on one or more grounds. Total forecast expenditure to improve and maintain the stock over the next 30 years is an estimated £428,932,353 which equates to £49,690 per unit.

- 3.50 In terms of energy efficiency, the average SAP rating of properties in Crawley is 65.7 compared to a national average of 51.
- 3.51 In **Horsham**, a House Condition Survey was carried out by Michael Howard Associates in 2003 based on a sample of 1358 properties. It estimated that 1.8% of the total housing stock was unfit; well below the national average of 4.2%; but noted higher levels of unfitness of pre-1919 dwellings (6.3%), in the private rented sector (3.8%), and in the rural areas compared to Horsham town. The average cost of making unfit dwellings fit, is £10,078 compared to £10,136 nationally. The most common reason for unfitness was disrepair followed by dampness and facilities for the preparation of cooking and food.
- 3.52 In terms of energy efficiency, the average SAP rating of properties in Horsham was 53: again above the national average. Newer properties and those in the northern parishes were found to have lower energy efficiency on average compared to those in the rest of the district. The reasons for this are not clear.
- 3.53 In **Mid Sussex**, a **Private Sector** Stock Condition Survey has been undertaken by Fordham Research and was published in 2007. It found that 20% of dwellings in the private sector were non-decent, which is below the national level. The main reason for failure was a lack of thermal comfort, with 72% of dwellings failing on this basis. Properties with high non-decency included private rented dwellings, pre-1919 dwellings and flats. The total cost of remedying homes in the study area is £24.5m (which equates to approximated £2,429 per non-decent dwelling).
- 3.54 The survey also assessed stock condition for private properties against the fitness standard. It found that 1.9% of dwellings were unfit, mainly as a result of inadequate facilities for food preparation (80%). The average cost to make unfit dwellings is £4,980 per dwelling, which equates to a total of £4.7m across the district.
- 3.55 Overall, the stock condition surveys undertaken indicate that the condition of properties and their energy efficiency is generally above average compared to national benchmarks.

## VACANT DWELLINGS

- 3.56 There were a total of 3159 vacant dwellings across the Northern West Sussex Housing Market in April 2007. Horsham contained the most vacant dwellings at 1368, followed by Mid Sussex (1091) and Crawley (700).

- 3.57 It is typically considered that a vacancy rate of 2.5% - 3.0% is necessary to allow for the turnover of stock in the private sector. Vacancy is often lower than this in the social rented sector which is more strongly 'managed'.
- 3.58 As Figure 3.17 indicates, vacancy rates are at or below 2.5% in each of the three local authorities; with the lowest levels of 1.7% in Crawley. Vacancy is slightly higher for RSL-managed properties in Horsham (3.2%) but of little cause for concern given the small number of properties overall. Overall, 85% of vacant dwellings are in the private sector.

**Figure 3.17: Vacancy Rates, April 2007**

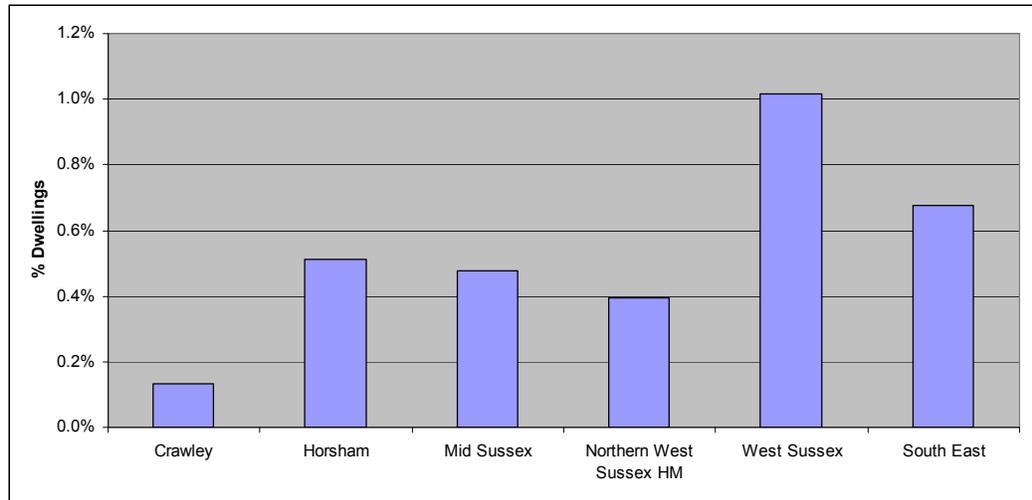
Vacancy %	LA	RSL	Other Public Sector <sup>5</sup>	Private Sector	Total
Crawley	0.6%	2.4%	5.9%	2.0%	1.7%
Horsham	(13.0%)	3.2%	0.0%	2.4%	2.5%
Mid Sussex	0.0%	2.0%	1.9%	1.9%	1.9%
Northern West Sussex HM	0.7%	2.6%	2.2%	2.1%	2.1%
South East	1.6%	1.5%	6.3%	2.5%	2.3%
England	2.1%	1.9%	8.8%	3.2%	3.0%

Source: HSSA 2007

## SECOND HOME OWNERSHIP

- 3.59 Second home ownership is higher in Horsham and Mid Sussex at 0.5% of dwellings than in Crawley (0.1%) but in each case remains below the West Sussex (1.0%) and South East (0.7%) averages. Second home ownership remained below 1% in 2001 in each of the urban areas in this Housing Market.

<sup>5</sup> Other Public Sector – properties owned by other Government Departments and Public Sector Agencies such as MoD, Health Authorities, Forestry Commission. HSSA Guidance 2007

**Figure 3.18: Second Home Ownership**

Source Census 2001

- 3.60 Just 17% of all second homes in West Sussex fall within this Housing Market Area. Across the three local authorities, the number of second homes was highest in Horsham (263) and Mid Sussex (255), than in Crawley (55).

## COMMUNAL ESTABLISHMENTS

- 3.61 Figure 3.19 shows the number of communal establishments and residents habiting communal establishments<sup>6</sup> across the Northern West Sussex Housing Market Area in 2001. The table shows that there are a relatively small number of communal establishments in this area, representing 28% of the total across West Sussex and 3% of the total across the Region. Total residents of communal establishments comprised 5,735 persons in 2001 representing 1.6% of the total population.

<sup>6</sup> Communal establishments providing managed residential accommodation. While the term is used to cover such establishments as prisons, large hospitals and residential and nursing homes, some small hotels and guesthouses are included if they have a capacity of 10 or more guests excluding the owners.

**Figure 3.19: Communal Establishments**

	All Communal Establishments	Number of residents
Crawley	50	415
Horsham	92	2695
Mid Sussex	123	2625
Northern West Sussex Housing Market	265	5735
West Sussex	949	14627
South East	7798	176436
England and Wales	46431	858098

Source: Census 2001

- 3.62 Horsham has the largest amount of residents (2685, 2.2% population) living in communal establishments (excluding hostels and NHS accommodation). In Mid Sussex, 2.1% of the population in 2001 lived in communal establishments. Crawley has the least amount of residents (0.4%) living in communal establishments.

## OVERCROWDING AND UNDEROCCUPATION

- 3.63 There are various measures used to assess overcrowding and under-occupation of housing. Figure 3.20 shows levels of overcrowding and under-occupation using the Census-based measure, the occupancy rating.

**Figure 3.20: Overcrowding and Under-Occupation, 2001 (Occupancy Rating)**

Location	Total Households	% Overcrowded	% Under-Occupied
Crawley	40382	7.6%	72.8%
Horsham	50037	4.3%	81.2%
Mid Sussex	51969	3.9%	81.6%
Northern West Sussex HM	142388	5.1%	79.0%
West Sussex	320915	5.3%	78.1%
South East	3287489	5.9%	77.2%
England and Wales	21660475	7.0%	75.0%

Source: Census 2001

- 3.64 Across the Housing Market, 79% of the housing stock was under-occupied in 2001; while just 5.1% was overcrowded. The level of under-occupation is above average compared to regional and national benchmarks, which may reflect higher housing wealth in the area.
- 3.65 Overcrowding is higher in Crawley than in other parts of the housing market area, and at 7.6% is notably above average for the region, although in line with the national position; perhaps related to the type and size of stock prevalent in the District. In contrast, under-occupation is particularly high in Horsham and Mid Sussex districts.

- 3.66 Figure 3.21 presents an analysis of overcrowding and under-occupation by tenure. It indicates that overcrowding is generally higher in the private and social rented sectors than for owner occupied properties. Overcrowding in Crawley is highest in the private rented sector but also above the county average in the owner occupied sector. In Horsham and Mid Sussex, overcrowding is highest in the social rented sector.
- 3.67 Under-occupation in contrast is highest in highest in the owner occupied sector, but is also above average in the social rented sector in Crawley.

**Figure 3.21: Overcrowding and Under-Occupation by Tenure**

	Crawley	Horsham	Mid Sussex	West Sussex
<b>Overcrowding</b>				
Social Rented Sector	11.2%	16.0%	14.4%	13.8%
Private Rented Sector	18.7%	9.6%	10.3%	14.3%
Owner Occupied Sector	5.0%	2.0%	1.8%	2.6%
<b>Under-occupation</b>				
Social Rented Sector	56.2%	39.7%	38.9%	44.6%
Private Rented Sector	49.3%	64.4%	63.1%	56.8%
Owner Occupied Sector	81.4%	89.2%	89.2%	86.7%

Source: Census 2001

- 3.68 Against a context of declining average household sizes, there may be some opportunities to release supply of larger houses by supporting older households to downsize; and potentially through policies which support the subdivision of larger properties. It should be recognised however that there is not a strong link between household size and housing size, particularly in the private sector, where housing size often relates more strongly to age and wealth than the specific requirements of the household.

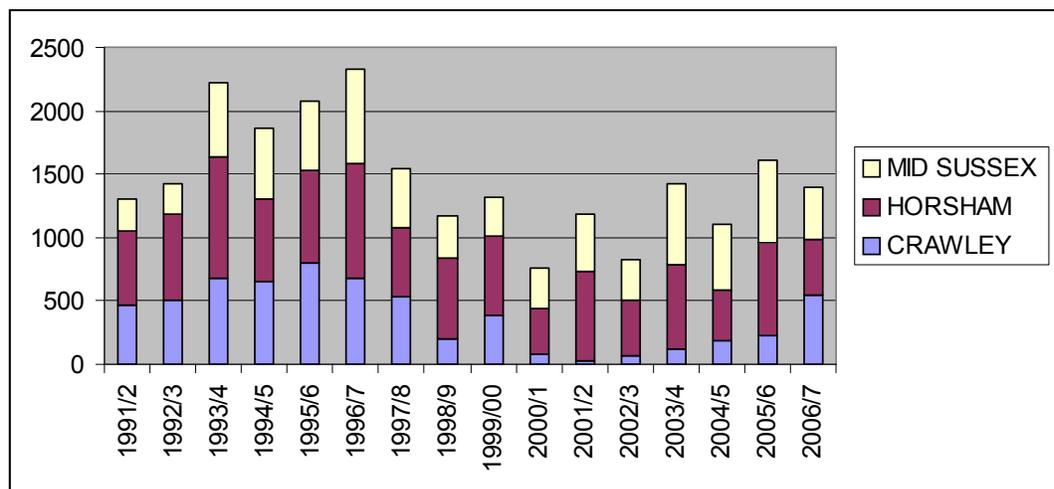
## HOUSING SUPPLY TRENDS

### HOUSING COMPLETIONS

- 3.69 Figure 3.22 presents the number of new dwellings completed in the Northern West Sussex Housing Market since 1991. It indicates strong levels of housebuilding in the mid 1990s at over 2000 dwellings per annum, peaking at 2,331 dwellings in 1996/7. Levels of housebuilding however fell from a peak of 2,331 per annum in 1996/7 to just 755 pa in 2000/1. They have since recovered somewhat to 1,606 completions in 2005/6.

- 3.70 Levels of completions in Crawley have declined from an average of around 640 dwellings pa in 1995/96 and 1997/98 to just 62 pa between 2000/1 – 2002/3, rising again in the following period to 2006/07. Although there has been some more recent recovery, this has contributed to the reduction in completions across the Housing Market as a whole. Horsham and Mid Sussex also witnessed a reduction in annual completions between levels in the 1993/4 – 1997/8 period and the subsequent period 1998/9 – 2002/3, with subsequent greater levels of completions in the period from 2003/04 to 2006/07.

**Figure 3.22: Housing Completions, 1991 – 2007**



Source: WSCC Monitoring

- 3.71 Figure 3.23 provides an analysis for five year periods over the last 16 years. It indicates that whereas in Crawley development levels have tailed off (especially as a result of the prevention of permission for the North East Sector Neighbourhood by the Secretary of State), in Mid Sussex completions levels have grown substantially.

**Figure 3.23: Housing Completions by Five Year Period**

	1991-1996	1996-2001	2001-07
Crawley	3109	1875	1176
Horsham	3587	3071	3380
Mid Sussex	2195	2188	2992
Northern West Sussex	8891	7134	7548

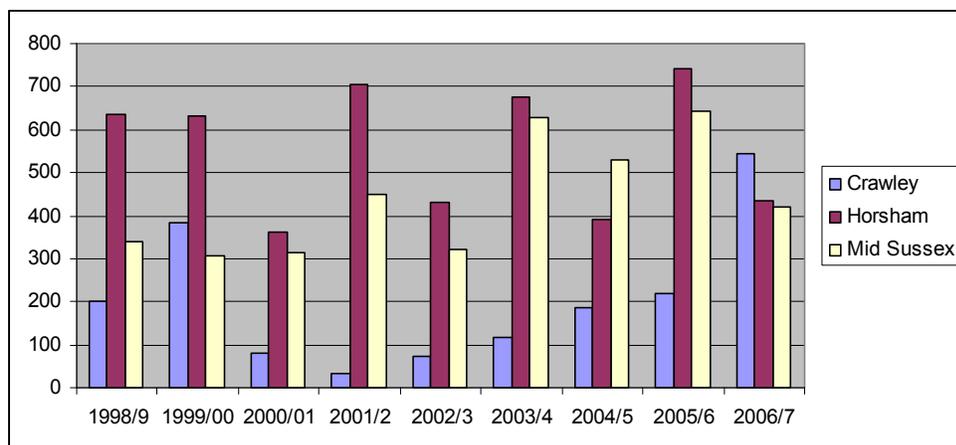
Source: WSCC Monitoring

- 3.72 The largest level of housing growth has been in Horsham District particularly in Horsham Town itself which has seen the development of nearly 3,800 dwellings since 1991. Over the last sixteen years Maidenbower in Crawley has seen the second highest level of

development anywhere in the County (3,350 dwellings). Since 2001 the largest level of completions has been in Haywards Heath where almost 1,300 units were completed.

- 3.73 It is instructive to compare projected completions to current targets at a local authority level. Over the plan period to date, Crawley has delivered an annual average of 196 homes compared to a requirement for 350 (56%) set in the draft RSS and 375 (52%) in the Panel Report. In Horsham an annual average of 563 has been delivered compared to a target in the draft RSS of 620 (91%) and 650 (87%) as recommended by the Panel; although when measured against the targets in the adopted Horsham LDF Core Strategy of 447 per annum (which was based on the WSCC Structure Plan) it is clear that the District has exceeded its cumulative allocation delivery requirements. In Mid Sussex an average of 499 homes have been delivered each year compared to a draft RSS target of 705 (71%) and a target of 755 (66%) recommended by the Panel. Housing delivery to date therefore appears to have fallen short of targets, even before it was recommended that these were raised.
- 3.74 Figure 3.24 looks in more detail at much of the last decade, exploring trends on a local authority basis. Over the observed time period Horsham has produced the largest quantity of housing (5007, 39%). Crawley has produced the smallest quantity of housing (1841, 14%).
- 3.75 During the last decade, Horsham has seen a cyclical pattern of housing production which ends on a declining trend. Mid Sussex has seen a general increase in housing completions apart from the last year observed (2006/2007) where there is a decline in production. Finally Crawley has seen a low level of production over the period 2000-2004, but since then the housebuilding rate has increased quite dramatically.

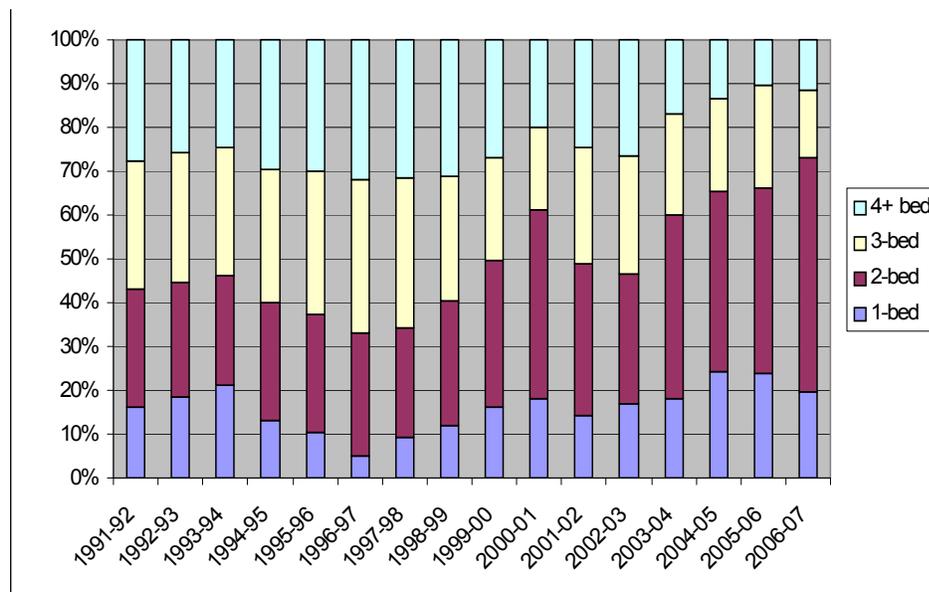
**Figure 3.24: Housing Completions by District, 1998/9 – 2006/7**



Source: WSCC Monitoring

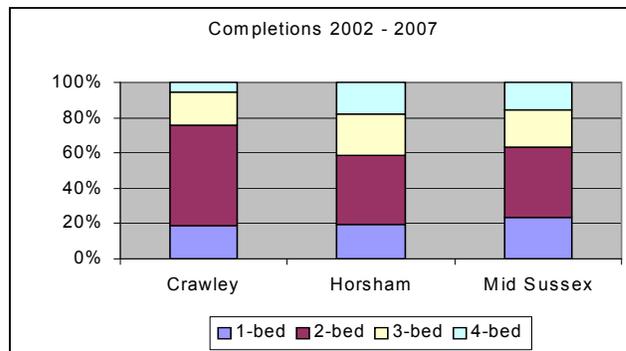
3.76 Figure 3.25 considers rates of housing completions for different sizes of dwellings. There has been a notable shift in construction towards smaller properties over the last decade. In 1996/7, one and two bed properties made up a third of total housing completions (33%). However this has grown strongly year on year, such that in 2006/7 one and two bed properties made up 73% of total completions. The level of construction of three and four-bed homes has correspondingly declined.

**Figure 3.25: Completions by Bed Size, 1991 – 2007**

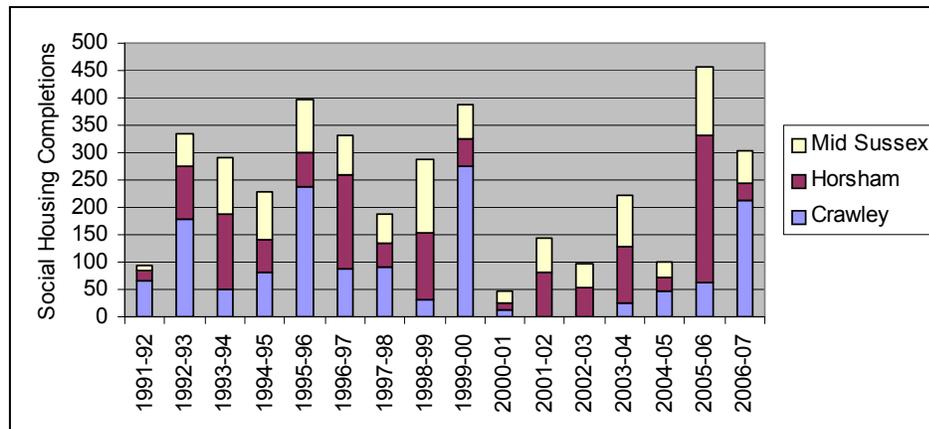


Source: WSCC Monitoring

3.77 Figure 3.26 below compares the mix of completions by bedsize in the last five years (2002 – 2007) and the previous five years (1997 – 2002). It indicates a notable shift in Crawley towards construction of two-bed properties, which have constituted 58% of new supply between 2002-2007, compared to 37% in the previous five years. In contrast, the level of supply of new properties with four or more bedrooms has fallen from 18% of total supply between 1997-2002, to 5% of new supply over the last five years.

**Figure 3.26: Completions, 1997 – 2002 and 2002 – 2007**

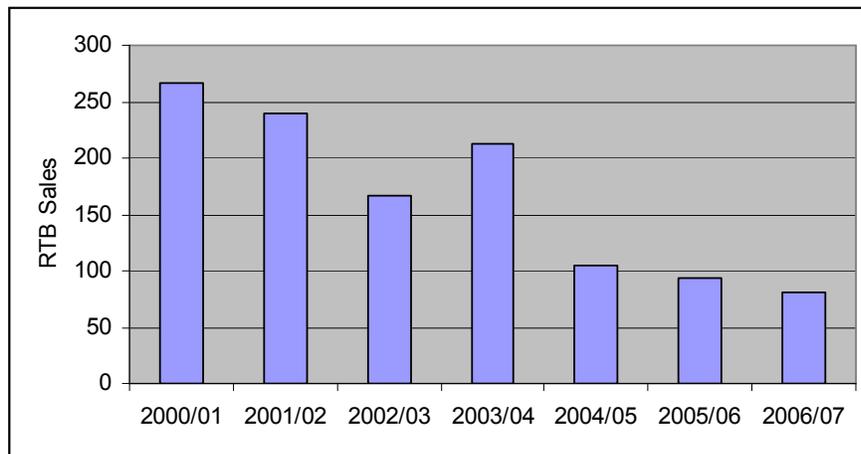
- 3.78 In Horsham and Mid Sussex, larger homes with three or more bedrooms continue to make up a higher proportion of new housing supply than in Crawley, however in both cases this has declined. In Horsham the proportion of new three-bed properties has fallen from 29% to 23%, with a substantial reduction in supply of properties with four or more beds from 37% of total new supply between 1997 and 2002 to 18% in the last five years. Construction of two bed properties has increased from 27% to 39%. In Mid Sussex, we have witnessed a similar growth in construction of one and two-bed properties, although the degree of shift is not as marked as in Horsham or Crawley because there was little change in the number of 3 and 4 bedroom dwellings completed.
- 3.79 We view the shift towards smaller properties as influenced by a combination of market forces (with rising land values, affordability and an investment market supporting demand for smaller properties) and planning policies (including density and brownfield land policies).
- 3.80 Over the last decade 18% of new housing completions have been of social housing provision (rising to 19% for the last five years) (net of demolitions, loss through right to buy, etc). Crawley has made a major contribution, with social housing accounting for 32% of total completions over the last 10 years. The corresponding levels for Horsham and Mid Sussex are 14% and 15% (with 18% achieved in Horsham District over the last five years). Figure 3.27 shows annual trends.

**Figure 3.27: Social Housing Completions**

Source: WSCC Monitoring

## RIGHT TO BUY SALES

- 3.81 Both Horsham and Mid Sussex districts have transferred their Council housing stock to a Housing Association (stock transfer), Mid Sussex in 1990, and Horsham in 2000. Right-to-buy sales hence only affect social housing stock directly in Crawley, although in Horsham and Mid Sussex stock is still lost through *inter alia*: rights to acquire and preserved rights to buy.
- 3.82 Figure 3.28 indicates trends in right-to-buy sales in Crawley since 2000/1. It shows a notable downward trend in right-to-buy sales over time, as the cost of purchase has increased and purchase has become less affordable or the more desirable properties have already been purchased. With growth in house prices over the last decade the costs of housing purchase have increased substantially, even when the discounts available through right to buy, right to acquire and protected right to buy are taken account of.

**Figure 3.28: Right-to-Buy Sales in Crawley**

Source: CLG

- 3.83 Levels of right-to-buy sales in Crawley are the key reason why the size of the social sector has actually fallen, compared to its growth in Horsham and Mid Sussex. Trends in the level of sales in Crawley as a proportion of stock are consistent with regional and national trends.

## HOUSING TRAJECTORY

- 3.84 Across the Northern West Sussex Housing Market there are some 404 hectares of potential residential land available for development, of which 11% is on sites where construction has started and a further 25% on sites with planning permission.
- 3.85 The total 404 hectares represents 63% of the total residential land supply in West Sussex County. The supply is evenly distributed, with 31% in Crawley, 34% in Horsham and 34% in Mid Sussex.

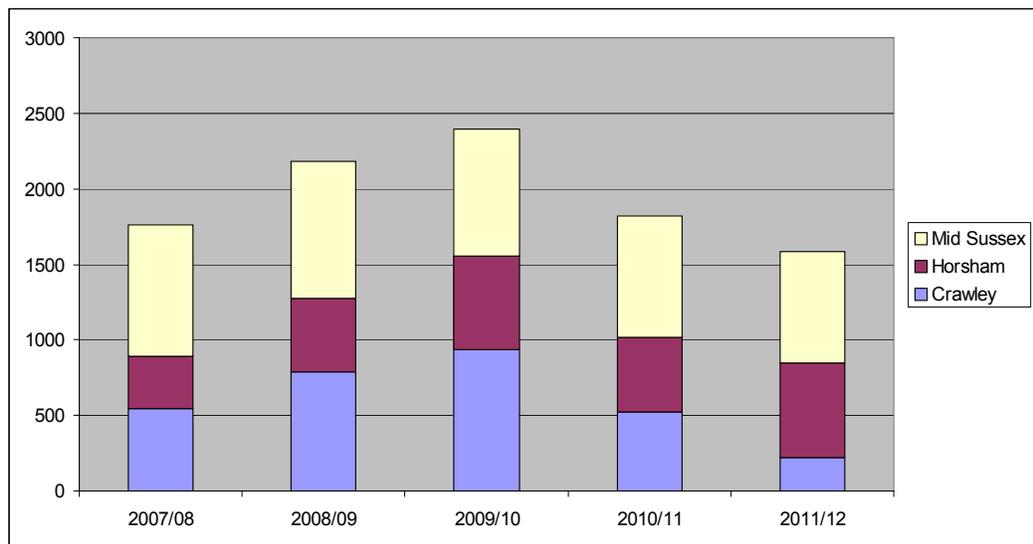
**Figure 3.29: Housing Land Supply, April 2007**

District	Started		Permitted		Available		Total commitment	
	Units	Hectares	Units	Hectares	Units	Hectares	Units	Hectares
Crawley	784	14.56	1301	12.85	4442	99.57	6527	126.98
Mid Sussex	499	16.66	1297	45.91	2713	76.78	4509	139.35
Horsham	252	11.80	864	43.95	3215	82.34	4331	138.09
Northern West Sussex HM	1535	43.02	3462	102.71	10370	258.69	15367	404.42
West Sussex	3566	89.89	8353	255.20	11968	298.26	23887	643.35

Source: WSCC Monitoring

- 3.86 The 404 Ha of land provide capacity for an estimated 15,400 dwellings, suggesting an average density of 38 dph. Based on current (RSS Panel) housing targets this represents a notional 8 ½ year supply.

**Figure 3.30: Housing Trajectory**



Source: LAA Annual Monitoring Reports/WSCC/ GVA Grimley

- 3.87 Figure 3.30 above provides a housing trajectory, setting out levels of expected housing delivery over the next five years compared with past trends and housing targets (based on local authority annual monitoring returns, the RSS Panel figures and excluding completions on unidentified sites after 1<sup>st</sup> April 2007). Clearly there are a number of short-term delivery risks to the housing trajectory related to the downturn in the housing market over the last six months which suggest that delivery of levels of provision set out may well be very optimistic. That said, the trajectory clearly indicates that while there has been an upward trend in completions over the plan period since 2001 (which was expected to continue in the short-term), levels of provision to date have fallen notably below the targets recommended in the RSS Panel Report and are projected to continue to do so over the next five years (even before the impact of the market downturn is factored in).

### Key Messages: The Housing Offer

- The Northern West Sussex Housing Market contains 152,300 dwellings of which an above average proportion (84%) are in private ownership, with a social sector which is below average in size. There is a strong concentration of social housing provision in Crawley (26%) and particularly in the older neighbourhoods.
- Within the market sector, owner occupation is above average (76% in 2001) except in Crawley, Petworth and Pulborough; whilst private renting is below average (7% in 2001) albeit that we would expect this sector to have grown since 2001 in line with national trends.
- The housing market overall has a housing offer focused more towards larger, more expensive properties in a regional context which reflect its attractiveness as a place to live. While two- and three-bed properties are the most abundant, there are a higher proportion of larger dwellings (4+ bed) relative to regional and national profiles. Indeed detached housing is the most prevalent house type (32%) followed by semi-detached.
- There are though notable differences in the housing offer within the area. In Crawley, the New Town, the housing offer is predominantly 3-bed terraced properties and flats: a housing offer biased towards smaller and cheaper properties. This is borne out in the social composition of the area.
- Horsham and Mid Sussex districts contain large rural areas, and a number of attractive and accessible market towns. The housing offer reflects this, with a high proportion of larger properties, detached and semi-detached housing (65%).
- Affordability issues are significant across the market, and local partners have been reasonably effective at delivering affordable housing provision: over the last decade 18% of housebuilding was for social ownership. As a result of this, and stock transfer in Horsham and Mid Sussex and price inflation which has limited right-to-buy sales, the social sector has grown in size by 6% in absolute terms over the last five years.
- Stock condition is generally above average, although there is more of an issue in Crawley particularly in the older neighbourhoods. 45% of the housing stock in Crawley is non-decent with a rate of 42% in the social sector.
- Vacancy rates indicate limited potential to better use the existing housing stock to meet demand; however there is a high level of under-occupation (79% households) and may be some opportunities to release supply of family housing by providing better housing choices and support, particularly for older people.
- Levels of housebuilding in recent years have fallen below targets, and indeed below levels delivered in the late 1990s (associate particularly with lower build-out rates in Crawley). We have seen an upward trend in housing delivery Horsham, Mid Sussex over the last 10 years and Crawley since 2001; however (other than Horsham whose targets are in their adopted LDF Core Strategy) levels of delivery have failed to meet targets in the draft RSS (or the higher targets now recommended by the Panel and Government). We suspect that the reasons for this are multi-faceted, relating partly to market capacity, direct investment from Council reserves in Crawley as well as to changes in the planning system.
- There has been a shift towards delivery of smaller dwellings over the last decade, with one and two-bed units rising as a proportion of total completions from 33% to 73%. This shift has been most notable in Crawley. It is likely to reflect a combination of factors including trends in household size, affordability of market housing and density policies. It however to a degree at odds with the existing housing mix and we are concerned that the balance may have moved too far. We need to consider what a suitable mix of properties is to support local communities and the local economy and what this means for the location and mix of sites.

## 4. ACTIVE MARKET

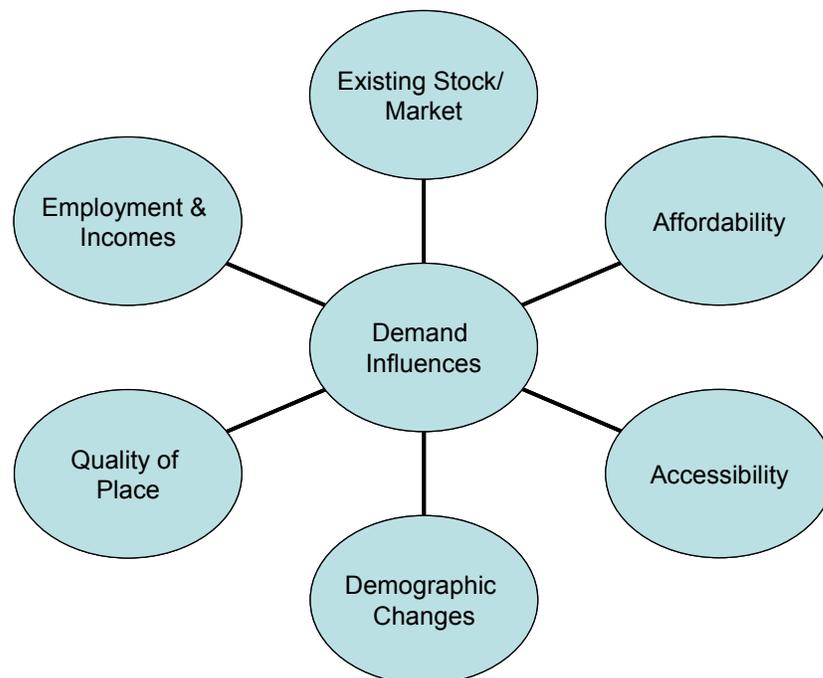
4.1 One of the key recommendations of the Barker Review of Housing Supply (Barker, 2004) was that the planning system needed to be more responsive to market signals. This section reviews the performance of the housing market. It considers what market signals, including house prices and affordability, tell us about housing demand. It recognises and explores the dynamics of the housing market, considering both long and short-term trends and drivers.

### UNDERSTANDING THE HOUSING MARKET

4.2 Understanding house price change is key to understanding the housing market. In a market system, resources are allocated by the price mechanism and prices adjust to equate supply with demand. Where demand is lower than supply, the price will fall; where demand is higher than supply, the price will rise. There is a broad consensus that spatial variance in house prices is indicative of relative demand, and that levels of house price change are influenced by the supply/demand dynamics.

4.3 The diagram below captures our understanding of the key influences on housing demand.

**Figure 4.1: Understanding Housing Demand**

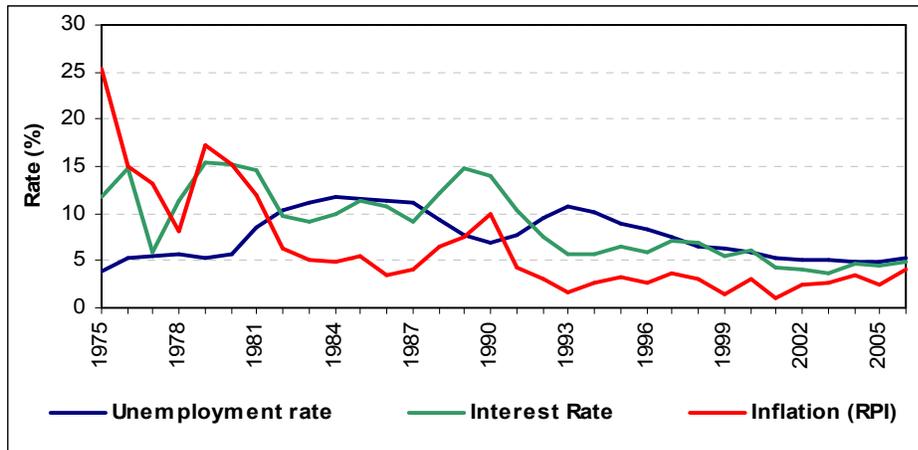


- 4.4 Housing demand is influenced by levels of new household formation and by migration movements. New household formation is influenced by the local population structure. It is also influenced by the availability and affordability of suitable housing. There is a close inter-relationship between housing demand, housing supply and affordability. Migration is influenced by a range of factors, including economic performance in terms of levels and types of employment available, quality of place, accessibility and transport infrastructure, and the affordability of housing. These trends are as applicable to past trends as to the future.
- 4.5 A further critical factor is that of spatial scale. Housing market dynamics are influenced by macro-economic factors such as interest rates and the availability of finance, the relative strength of housing as an investment and by differentials between housing demand and supply at the national, regional and sub-regional scales. Moreover spatial variations in house prices reflect economic performance and relationships with economic centres, the relative attractiveness of different locations and settlements as places to live, and the existing 'housing offer.' The accessibility of different places and local school performance for example are often cited as influenced on local house prices.

## STRUCTURAL DYNAMICS

- 4.6 The UK economy had experienced one of the longest periods of sustained macro-economic stability and growth on record. Since the mid 1990s the Government and Bank of England have been remarkably successful in maintaining stable and healthy economic growth and low interest rates. This had supported strong performance of the housing market.

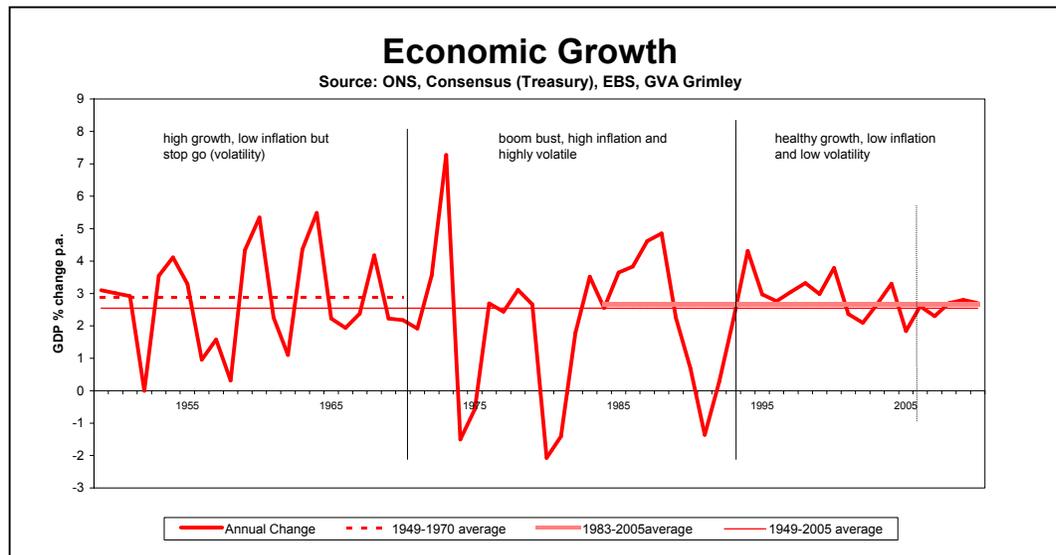
**Figure 4.2: Unemployment, Interest rates and Inflation 1975 - 2006**



Source: National Statistics and Bank of England Note: All data are taken from the last quarter/period of the year stated.

4.7 Economic and housing market conditions over the last decade are however in marked contrast to much of the post-war period, where volatility was much greater and political factors influenced the setting of interest rates (Figure 4.3).

**Figure 4.3: Historic Trends in GDP Growth**

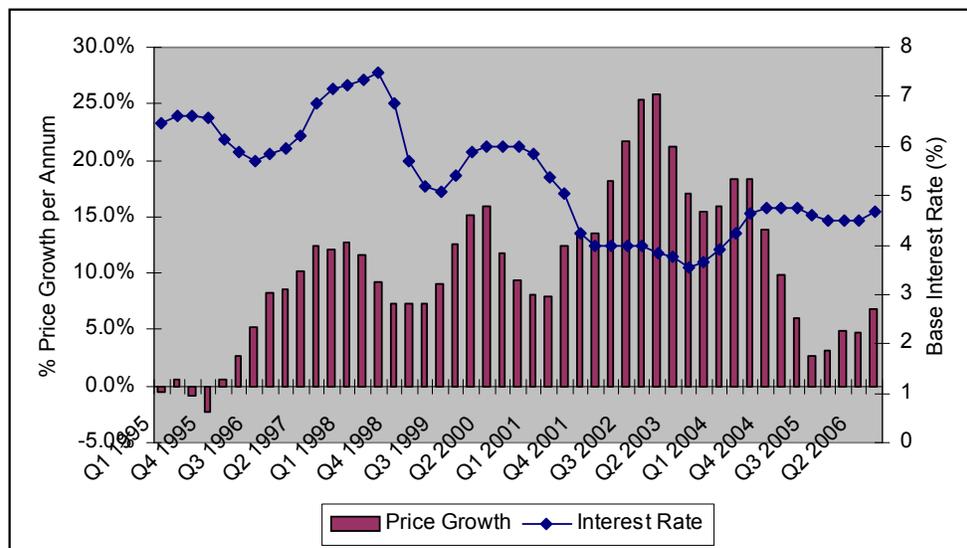


4.8 Sustained macro-economic stability and growth together with historically low interest rates have supported strong growth in the housing market. The housing market has indeed performed very strongly over recent years until early 2008. The annual rate of house price

growth has been in double digits for much of the last decade, and well above earnings growth. This situation was entirely in a market where demand was continually rising, boosted by sustained healthy economic conditions (GDP growth above trend, low unemployment and rising employment), and where supply was limited as the rate of housebuilding failed to respond to this demand (particularly in the greater South East). In addition, there has been a one-off improvement in affordability as the economy has moved from a high-inflation and interest rate era of the 1970s and 1980s to the low inflation and interest rate era of the last decade. These conditions have generally supported continued market confidence, have made home ownership more accessible for more households, and have made housing an attractive investment proposition.

- 4.9 Low interest rates improve access to the housing market through improving access to finance. The graph indicates a clear correlation (albeit with a slight time lag) between falling interest rates and house price inflation, with drops in interest rates stimulating demand. The period of strong national house price inflation between late 2001 and the end of 2004 when annual price growth was more than 12.5% coincided with historically low interest rates of below 4.65%.

**Figure 4.4: Interest Rates and House Price Inflation**



Source: Bank of England; Nationwide Building Society

- 4.10 The investment market had also been strong, supported by the availability of buy-to-let mortgages, growing house prices, market confidence and affordability pressures which promoted renting.

- 4.11 The critical factor however has been that demand for housing, driven by economic and population growth, has grown faster than supply. This fuelled price increases and reduced the affordability of market housing. The ratio of average house prices to average earnings grew over the decade to 2007 from 3.5 to 7.3 in England. Furthermore affordability pressures, confined primarily to the southern regions seven years ago, now affect all parts of the country.
- 4.12 It was widely recognised that a national response to increase housing supply over the medium term is appropriate.

### SHORT-TERM DYNAMICS

- 4.13 Over the last few years we have seen growing concerns regarding the potential to sustain continued economic growth and consumer spending and house price appreciation, particularly relative to incomes, over the longer-term. A key question has been whether high house price to income ratios are sustainable, or whether the increasing unaffordability of market housing for those without a stake in the market will lead to a correction. In the event wider economic factors have come to bear and are significantly impacting on the housing market.
- 4.14 The situation is changing fast, on a month by month basis. The extraordinary pace of change makes it particularly difficult to precisely catalogue current dynamics. In this context it will be important to see how things develop over the next year. We draw upon recent evidence to provide an indication of emerging trends.
- 4.15 At a national level as at Q1 2008 the Land Registry recorded that the value of houses was still growing, however the rate of growth slowed considerably and then has fallen from Q2 2008 onwards.
- 4.16 The Nationwide House Price Index records the cost of a typical UK property. Across the UK, the Index shows that prices in May 2008 were 4.4% below levels a year previously, but remained 5% above levels two years previously. It indicates that house prices fell by -2.5% during May 2008: the largest recorded monthly fall in the history of an index dating back to 1991. House prices have now fallen on a monthly basis consecutively since May 2008. The longest sustained period of monthly falls since 1992.
- 4.17 The Halifax House Price Index presents a consistent picture. It reported that the national average house price peaked in October 2007 at £186,044 and declined to £153,048 by December 2008. This means that house prices decreased by £33,000 or 17.7% with a 2.2% decline in December 2008 alone. In the outer South East (including West Sussex),

average house prices peaked in October 2007 at £215,375 and have then declined by 15.7% (£33,898) to £181,477 by December 2008. These average prices are similar to those last seen in Q1 2005.

- 4.18 The trend of loosening housing market conditions is supported by other indicators. Key indicators such as mortgage approvals and the sales-to-stock ratio have now fallen to or even below the troughs reached in late 2004: a period which was followed by a year of very subdued house price growth. Mortgage approvals in May 2008 fell 20% on the previous month, were 56% lower than in the same period the previous year and indeed the lowest since records began in 1997; this pattern has continued since. The volume of housing transactions was 64% lower in December 2008 than the previous year.
- 4.19 The wider macro-economic outlook has changed and is impacting on the housing market. UK economic growth figures indicate that a gradual economic slowdown has accelerated through Q3 and Q4 2008 into Q1 2009. Growth during early 2008 was a slightly below trend 0.6%, or 2.3% annualised, compared with annualised growth of 3% in Q3, 3.2% in Q2 and 3.1% in Q1. The equivalent Eurozone figures for Q4 were somewhat weaker, at an annualised 1.6%, and in the USA growth was a very weak 0.6% annualised. The situation in January 2009 is of a sustained economic recession with two quarters of negative economic growth.
- 4.20 The weakening economy is set to continue in recession during 2009/10 judging by the closely watched CIPS/RBS monthly business activity purchasing managers' index which has fallen noticeably over the last six months. Recent economic forecasts expect the housing market and consumer spending to continue to weaken further and unemployment to rise at a national and regional level.
- 4.21 A downturn in the world economy, led by the sub-prime lending crisis and resultant housing market recession in the United States, has led to a fundamental shift in the way banks lend money both between themselves (LIBOR) and to their customers (including developers and purchasers). A particular area of note is that of risk-profiling. Many international banks, following a long-period of high risk (incl. 'sub-prime') lending, encouraged in the UK and the US both by Government and the Institutions themselves, are now looking to reduce their exposure to risk across the board.
- 4.22 Such an effect has been compounded by much publicised events such as the 'Northern Rock Crisis' in the UK, and the Société Générale 'rogue trader fiasco' (£3.7 billion fraud case) in France, which have exposed international banks in terms of their vulnerability to both equity market activity and wider economic trends. Almost in all cases bank vulnerability has been precipitated or underpinned by the 'loose' lending activity. Lenders

in the US have often securitised and sold on their 'debt portfolio' to other banks emphasising the degree of inter-dependence between the financial institutions of the world.

- 4.23 The result of these factors is that banks, in the second half of 2007, began to increase the inter-bank lending rate (LIBOR), whilst seeking to adjust their exposure to risk by retrenching their own lending practices to their customers. The net effect of this was to reduce liquidity in the UK financial markets (thereby reducing ability to lend money), and to increase 'barriers to entry' for marginal mortgage applicants by reducing loan-to-value ratios, upgrading risk profile requirements of customers (i.e. to reduce their 'sub-prime' lending activity), increasing costs associated with mortgages (e.g. tie-ins) and to reduce income multiples accepted. This has had a significant and sharp impact on the affordability of market housing. It has been borne out in an increasing detachment between the Bank of England's base rate and mortgage interest rates levied by the banks and building societies and the willingness of banks to lend to each other.
- 4.24 The tightening of lending criteria has made it far more difficult to get or renegotiate a mortgage. As would be expected, this has most noticeably affected 'marginal buyers' in the UK, most noticeably first time buyers (FTB) and buy to let (BTL) investors whom have traditionally relied upon more flexible lending criteria. First-time buyers are now more likely to have to raise a deposit of at least 10% and are highly unlikely to obtain the mortgage multiples available in late 2007.
- 4.25 The unaffordability of market housing, increasing difficulties for buyers in getting mortgages as a result of the credit crunch, and market confidence are all impacting on the housing market. This is further compounded by accessibility to the housing market, where through issues of erratic income, travel or working patterns, or indeed adverse County Court judgements, individuals cannot easily access the market. In the private rented sector, accessibility is undermined by inability to secure favourable references or a financial guarantor.
- 4.26 These factors, together with wider economic shifts, have led to a softening of the housing market both in terms of average values and transactional activity since late 2007. Whilst this may follow fluctuations evident within the traditional economic cycle, the retrenchment of lending activity has in particular shaped the way in which both purchasers and house builders currently behave.
- 4.27 Central to this is an understanding of the way in which the market has been developing since the 1990's. Growth in house prices over this period has been influenced by highly speculative development activity, investment purchasing, lending and valuation practices.

- 4.28 Over this period we have witnessed increased affordability of home ownership, in a context of low interest rates and proliferation in the range of mortgage deals available. This has moderated the impact of increasing house price-to-income ratios. A tightening of lending criteria is now significantly impacting market activity. Market confidence and dynamics and tightening lending conditions are further impacting on the buy-to-let and investment markets.
- 4.29 Some of the key trends to emerge as a result of these factors combined include:
- House purchase approvals have been falling back sharply since the Autumn 2007;
  - Net reservations on new homes have been falling since July 2007;<sup>7</sup>
  - Anecdotal evidence suggesting that BTL investors are finding it extremely difficult to secure finance for residential purchases;
  - Evidence from house builders indicates the sales pace on existing new-build schemes is clearly falling with a strong decline in the volume of transactions;
  - Many developers are turning to Registered Social Landlords (RSLs) to dispose of units at bulk discounts off OMV (albeit that this is likely to be a short-term trend);
  - Forward order books amongst the major listed developers are falling; Bellway by 10-15%, Taylor Wimpey by 26%, Redrow by 27%, Persimmon by 24%.<sup>8</sup>
- 4.30 In the context of both corporate funding becoming more expensive, and new home purchasing falling, developers across the UK, both large house builders and smaller niche developers, have had to realign their development activity. This has involved a withdrawal from higher-risk City Centre markets and activity in regeneration areas. House builders are also scaling back and/or reconfiguring land banks and development mix in order to limit or reduce and spread their exposure to risk, whilst some are reducing overheads through redundancies, particularly in land buying.
- 4.31 Further effects include evidence of increasing profit requirements amongst house builders; thereby reducing development viability on marginal schemes, and widespread downgrading of land banks in line with early evidence of falling land values.
- 4.32 The market context is one of significantly reducing new private sector development activity over the next few years, including the re-phasing of current schemes and potentially mothballing of new schemes.

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<sup>7</sup> House Builders Federation Housing Market Report January 2008

<sup>8</sup> Q2 2008 Reports

**Key Messages: Macro-Economic Drivers of the Housing Market**

- Sustained macro-economic stability and growth and low interest rates has supported strong performance of the housing market over the last decade. Market confidence has been high and interest rates have supported access to home ownership.
- Underlying demand for housing, linked to population and economic growth, has risen faster than housing supply nationally over the last decade and in the South East since 1996. This has led to strong growth in house prices, reducing affordability over time. It remains a key structural driver of change.
- Housing market conditions over the last year have been loosening linked to weakening macro-economic conditions, the impact of the 'credit crunch' on lending and faltering market confidence. Tightening lending criteria is affecting first-time buyers and buy-to-let investors as well as those looking to remortgage. Effective demand is falling.
- Against a context of falling reservations and sales, and increased finance costs, housebuilders are scaling back development activity and reducing their exposure to risk. The potential to increase supply in the short-term to meet underlying demand appears to be severely constrained.

## HOUSE PRICES

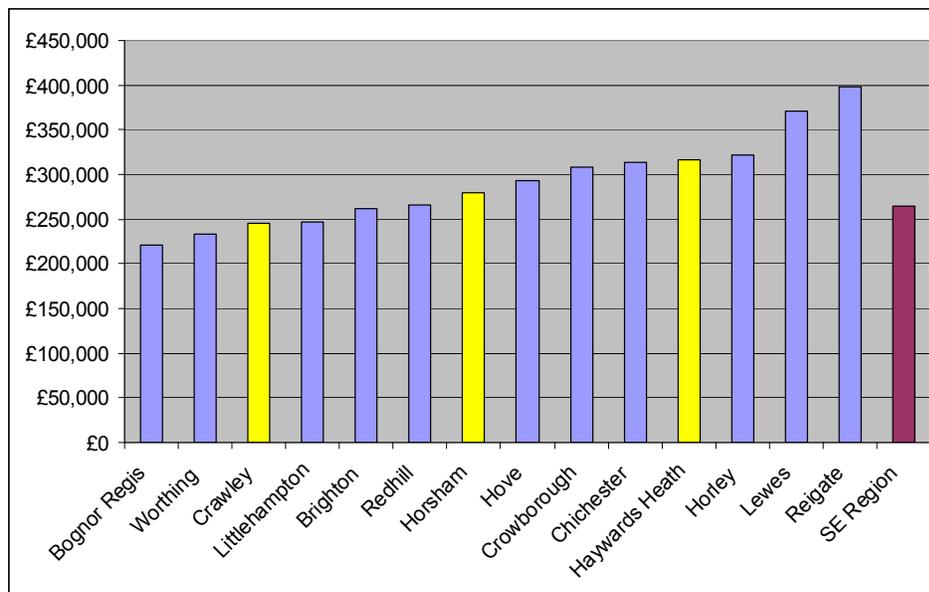
- 4.33 In this section we review the longer-term performance of the housing market in West Sussex and the Northern West Sussex Housing Market more specifically.
- 4.34 The Halifax House Price Index tracks average house prices based on qualitative criteria used to define a standard UK property. It indicates that in the South East region, average house prices have grown by 168% over the last ten years (to Q1 2008) but a more moderate 33% over the last five years. At £258,500 the average price in the region is 33% above the UK average of £195,000. It is the second most expensive region to live in, behind London. Annualised house price growth in the region was 3.3% with static house prices in the quarter to May 2008 followed since by a significant decline.
- 4.35 The Halifax Index indicates an average house price in West Sussex of £285,500 in March 2008, representing growth of 12% (£30,000) over the last year but just 2% in the last quarter. House prices in the County have grown by 37% over the last five years and a very substantial 208% over the last 10 years indicating that the housing market in West Sussex has performed very strongly, even compared to the region.
- 4.36 Figure 4.5 indicates average house prices for a standard property in post towns in West Sussex and adjacent areas. It is useful at benchmarking relative prices, and rate of growth has this is not influenced by the stock mix.

**Figure 4.5: Average House Prices and House Price Growth, Postal Towns**

	2007	1 Year	5 Year	10 Year
Bognor Regis	£221,184	15%	48%	213%
Chichester	£313,223	18%	53%	219%
Crawley	£246,075	18%	48%	196%
Haywards Heath	£315,792	6%	40%	146%
Horsham	£279,482	2%	24%	168%
Littlehampton	£246,885	13%	43%	213%
Worthing	£233,542	14%	48%	226%

Source: Halifax House Price Index

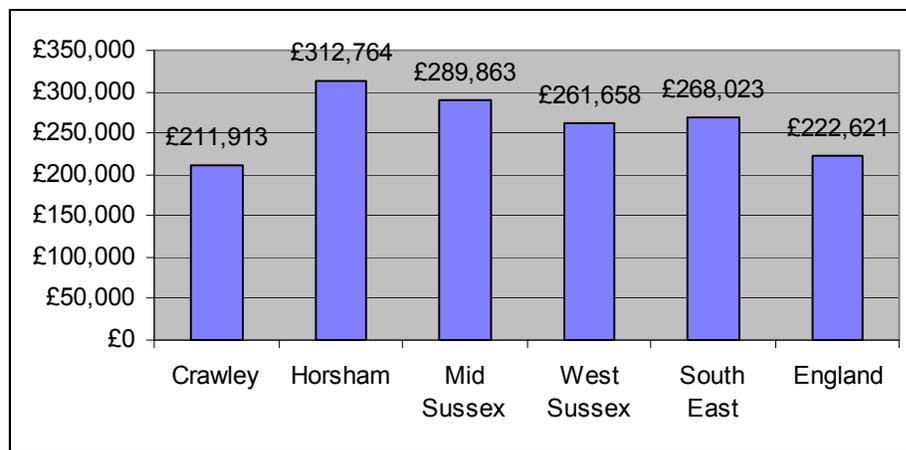
- 4.37 As Figure 4.6 shows, house prices in Crawley are below the South East average and in fact similar to a number of the coastal towns in West Sussex. They have though grown comparatively strongly over the last five years and indeed over the shorter-term between 2006/7. In Horsham, prices are above average for the region: they are above those in Redhill but below those in Brighton. Average prices have grown very strongly over the last decade, but less strongly in the last five years, with particularly weak growth between 2006/7. House prices in Haywards Heath are notably above average at £316,000 but similar to levels in Chichester or Horley.
- 4.38 The overall picture is one of stronger house price growth in the more affordable locations in relative terms.

**Figure 4.6: Average House Prices, 2007**

Source: Halifax House Price Index

- 4.39 HM Land Registry provides data on mean and median house prices and sales volumes for all properties sold in an area. This allows sub-division into different types of property. We use this to provide an analysis of house prices and house price change at a district level.
- 4.40 Figure 4.7 profiles median house prices. It indicates that at a district level, Horsham has the highest house prices at £313,000, and Crawley the lowest at £212,000. Median prices in Horsham are 17% above the South East average and 40% above the national average; in Mid Sussex they are 8% above the South East average, while in Crawley they are 21% below average for the Region.

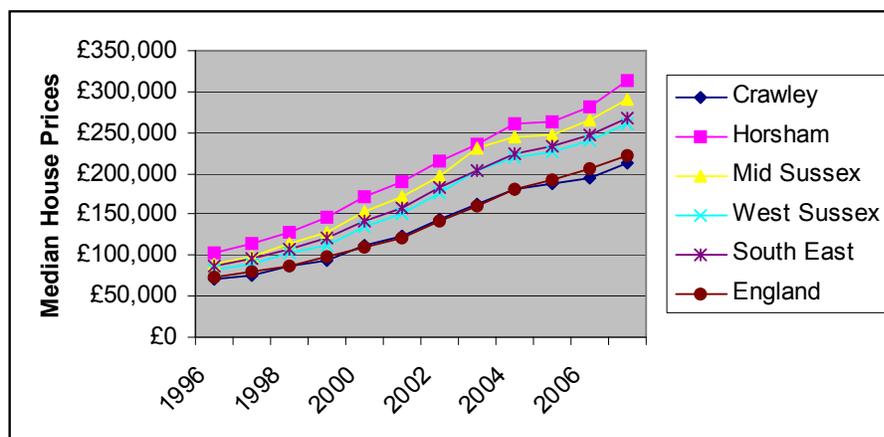
**Figure 4.7: Median House Prices, 2007**



Source: HMLR

- 4.41 Median house prices have grown substantially in all districts, as Figure 4.8 demonstrates.

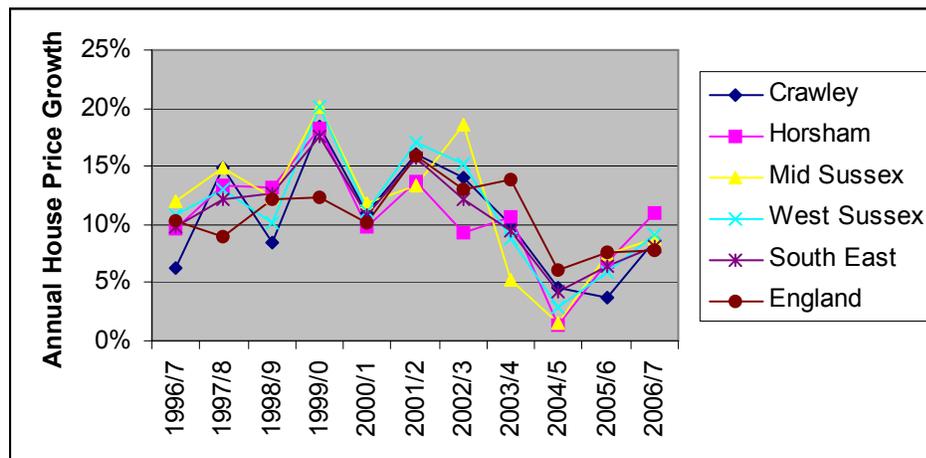
**Figure 4.8: House Price Trends, 1997 – 2007**



Source: HMLR

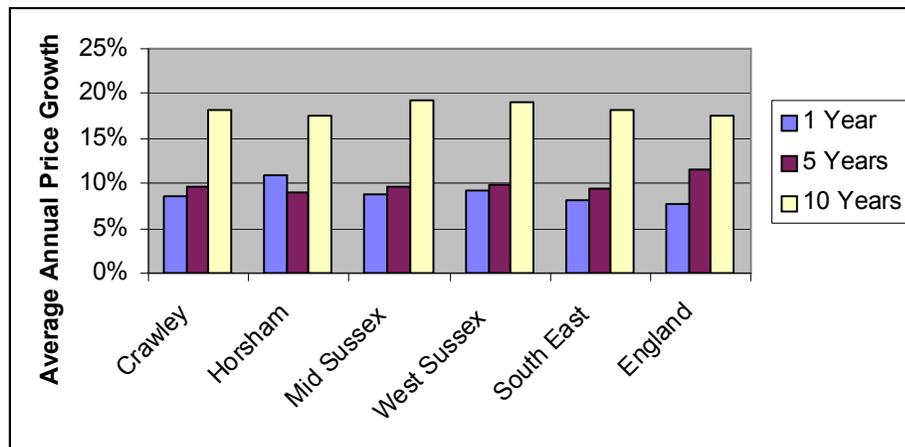
- 4.42 The similarity in house price growth trends reflects the influence of macro-economic factors and regional supply/demand balance on the performance of the housing market at the local level. As Figure 4.8 indicates, price growth in Crawley has closely tracked the national average. In Horsham and Mid Sussex; price growth has been more substantial in absolute terms: more closely mirroring trends in the South East region.
- 4.43 Figure 4.9 indicates annualised rates of house price inflation since 1996/7. The chart demonstrates sustained strong performance of the housing market over the last decade, with annualised rates of growth of 10% or more recorded each year between 1996/7 – 2003/4. There was a notable downturn in market performance in 2005, linked to an increase in the base interest rate, with growth in 2004/5 and 2005/6 notably more subdued.
- 4.44 It is notable that price inflation was less strong relative to the England average in West Sussex between 2003/4 – 2005/6 compared to the earlier period to 2001/2 when price inflation in this area (and the region as a whole) was much stronger in a national context.

**Figure 4.9: Annual House Price Inflation**



Source: HMLR

- 4.45 Figure 4.10 assesses annualised house price inflation over the last year, five years and ten years compared to 2007. It clearly indicates a slowing of price growth trends at the national level and particularly in the South East. Over the last ten years median house prices in West Sussex have grown by an average of 19% per annum; however a high proportion of this growth was pre 2002. Since 2002, house prices have grown by an average of 10% per annum (with other parts of the UK away from the higher priced greater South East performing relatively more strongly).

**Figure 4.10: House Price Appreciation (Annualised)**

Source: HMLR

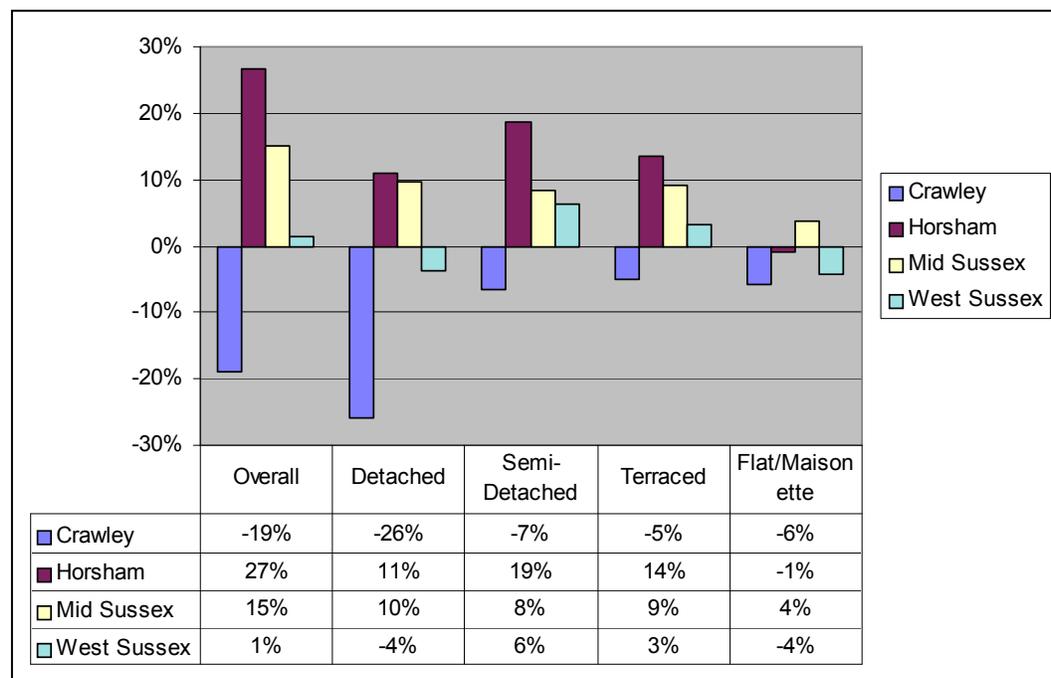
- 4.46 Over the last ten years, Mid Sussex has witnessed the strongest proportional growth in house prices (19% annualised), marginally above levels in Horsham and Crawley and the region as a whole (18%). In the last five years the authorities have witnessed similar growth of 9-10%, whilst between 2006-7 it was Horsham that was the strongest growth (11% compared to 8-9% across comparator areas).
- 4.47 We next consider relative house prices and rates of price growth for different types of properties across the Housing Market Area.
- 4.48 Relative to the regional average, prices for houses in Crawley are below average (particularly for detached for which prices are 26% below the regional average). Prices for flats/maisonettes are closer to the regional average, with flatted prices just 6% lower than the South East benchmark. Price signals suggest that housing demand in Crawley has been relatively lower than in Mid Sussex or Horsham across all house types. Demand for detached housing, as shown by price differentials, has been less strong than in other parts of the County or Region (albeit that this may be influenced by the quality of existing provision).

**Figure 4.11: Average House Prices by Type, Q1 2008**

Q1 2008	Overall	Detached	Semi-Detached	Terraced	Flat/Maisonette
<b>Crawley</b>	£214,025	£335,571	£231,638	£196,480	£159,259
<b>Horsham</b>	£334,192	£502,348	£294,210	£234,789	£167,933
<b>Mid Sussex</b>	£303,303	£496,489	£268,797	£225,415	£175,639
<b>West Sussex</b>	£267,392	£436,335	£263,335	£213,555	£161,891
<b>South East</b>	£263,740	£452,795	£247,918	£206,767	£169,248

Source: HMLR

4.49 In Mid Sussex District average prices are a significant 4% above the regional average for flats/maisonettes, with a similar 8-10% price premium for detached, semi-detached and terraced houses. In relative terms, demand is strong. We would expect the market for flats to be particularly within the main towns which are foci for employment but also potentially attractive commuter locations.

**Figure 4.12: House Price Differentials, compared to South East Average, Q1 2008**

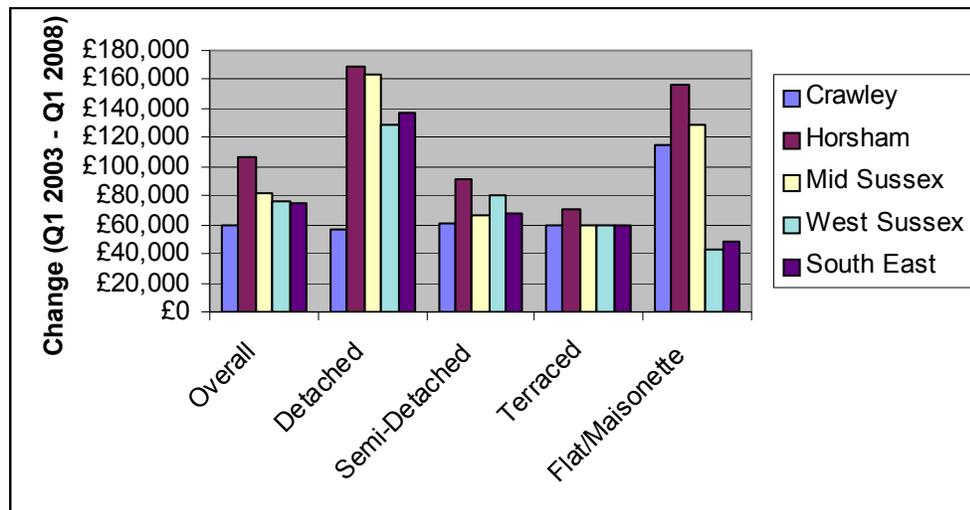
Source: HMLR/ GVA Grimley

4.50 In Horsham District there is a strong similarity with the regional prices for flats/maisonettes with a stronger premium across all house types above average for the region. The evidence suggests stronger relative demand for semi-detached and terraced housing than detached.

4.51 It is appropriate to note at this point that while the market for flatted schemes has performed very strongly over the last few years (as demonstrated in the price performance), this has been supported by an investment market alongside occupier demand. The flatted market is an area which is particularly vulnerable to a market correction associated with some of the short-term market dynamics. We will come on to this later in this section.

4.52 Figure 4.13 assesses relative house price growth for different types of stock over the last five years. While prices for flats have witnessed the strongest growth in proportional terms (buoyed to a notable degree by investment interest), the detached market has seen some of the strongest growth in prices (outside of Crawley). Levels of price appreciation have been particularly strong for all property types in Horsham District.

**Figure 4.13: House Price Growth by Type, Q1 2003 – Q1 2008**



Change	Overall	Detached	Semi-Detached	Terraced	Flat/Maisonette
<b>Crawley</b>	38%	20%	35%	44%	36%
<b>Horsham</b>	46%	50%	45%	43%	22%
<b>Mid Sussex</b>	37%	49%	33%	36%	25%
<b>West Sussex</b>	40%	42%	44%	39%	36%
<b>South East</b>	39%	43%	38%	41%	40%

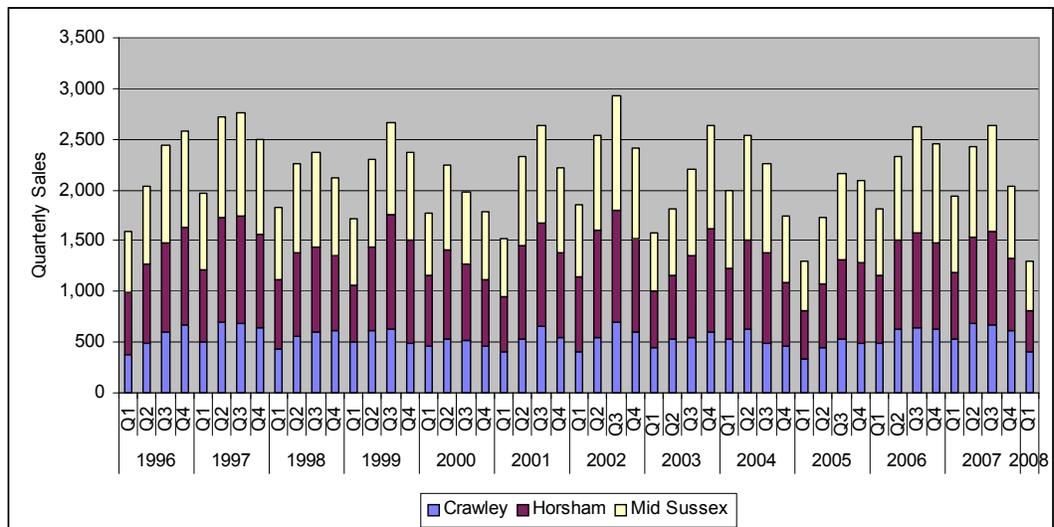
Source HM Land Registry

## SALES TRENDS

4.53 Sales trends provide an understanding of market activity and buoyancy. Figure 4.14 sets out quarterly sales trends since 1996. There is clearly a cyclical pattern, with stronger sales recorded in the summer months than in Q1 and Q4 each year. We can also pick out wider market cycles (e.g. between 1996-2001; and 2001-early 2005) and the notable downturn in sales over since mid 2007.

4.54 The short-term picture is particularly gloomy. Sales in Q1 2008 in the Northern West Sussex Housing Market were 43% down on previous quarter and 37% down on same quarter the previous year. Indeed sales in Q1 2008 were the lowest recorded since 1996, and a significant 10% below level in previous low point in Q1 2005.

**Figure 4.14: Sales Trends, 1997 – Q1 2008**



Source: HMLR

## MARKET PERCEPTIONS

- 4.55 To supplement the desk-based research and house-price analysis undertaken, we have consulted with a select number of estate and letting agents active across West Sussex to provide an up-to-date understanding of the very current dynamics.
- 4.56 As we have highlighted the market is in a period of significant flux with most market commentators agreeing that predicting too far ahead is almost impossible given the external factors at play. That said, markets rarely move uniformly as local dynamics feed into value.
- 4.57 In our view, it is possible to segment the market with different dynamics at play in the purchase market for housing; for flats; and then in the rental market.
- 4.58 The occupier market for housing is clearly witnessing a significant downturn, with prices dropping nationally by -2.5% over the last month. Agents we have spoken to have commented that market activity has dropped significantly: they have 'never seen it as quiet.'
- 4.59 A particular dynamic has been the retrenchment of first-time buyers, rightly considered the lifeblood of the market, linked particularly to changes in lending criteria and requirements for deposits. Tightening lending criteria and increasing borrowing costs have also impacted on investors. Clearly confidence regarding the direction of travel of house prices will also have had a notable effect here. The aggregate impact has been a notable slow down at the lower end of the market, typically for properties up to the £220,000 mark. This is likely to impact on the larger urban areas particularly.
- 4.60 The impact however is not exclusively felt in this lower segment of the market. With a notable drop off in buyers at this end of the market, households are not being able to trade up, and activity across the market is down. The possible exception is right at the top end of the market, where commentators have indicated that demand has been less affected by the Credit Crunch and market downturn.
- 4.61 In rural areas in West Sussex, the key trend has been a noticeable retrenchment in activity. These markets are typically less active and generally higher value than in urban areas. Currently the indication is that they are very stagnant, with limited transactions as a result of fewer buyers but also households not bringing properties onto the market unless they are forced to sell, for one reason or another.

- 4.62 In the sales market, there is a current dynamic affecting new-build properties and particularly flats on large development schemes that are witnessing a slowdown in sales. This is linked to a marked retrenchment in demand for one and two-bed properties. It relates specifically to very low and falling levels of first-time buyers and of investment purchases.
- 4.63 There is evidence within the County and nationally of developers halting construction or re-profiling build-out rates on current schemes where contracts allow them to do so.
- 4.64 Moving forward, a clear risk to the housing market is of the potential growth in repossessions linked to changes in the cost or borrowing and availability of mortgage products. This is potentially more applicable to the town than rural areas, as these areas characteristically have higher levels of younger, financially stretched households who have bought over the last few years (recent purchasers). For similar reasons, it is also more applicable to the market for flats than houses.
- 4.65 Negative equity is a potential risk for those who have purchased over the last few years, limiting the ability of these households to move.

**Key Messages: Market Signals**

- The price of a typical property in West Sussex was £285,500 in March 2008 with prices growing by 12% over the last year but a much more moderate 2% in the last quarter. This is set against strong growth in median house prices of 208% over the last decade, the market in West Sussex performing notably strongly in a regional context.
- Price signals indicate that relative demand is strongest in Horsham and Mid Sussex, with median house prices above average for the region, while in Crawley they are below. Prices signals demonstrate that over the last five years the market for flats has performed strongly. We consider however that this has been buoyed to a notable degree by the investment market.
- Horsham and Mid Sussex have witnessed strong level of price growth, but with particularly strong growth for detached housing. In our view, the market evidence, coupled with notable shift towards construction of smaller dwellings over the last decade, supports the case to consider increase the supply of larger housing in these areas.
- A notable downturn in the market is underway with potential implications for both for pricing and housing delivery. Sales in 2008 were substantially down on the previous year: the lowest level for over a decade. The slowdown is affecting all elements of the market, but particularly the lower value end, associated with a retrenchment of first-time buyers and investors due to changes in lending criteria (and to a degree market confidence). This is having a cascading impact across the market. In rural areas, the key characteristic has been a retrenchment in market activity.

## RENTAL MARKET

- 4.66 The private rental market forms a critical element of the housing offer, traditionally housing those households unable or unwilling to purchase housing. The size of the private rented market is typically driven more by market conditions and investment returns than demand per se from tenants.
- 4.67 Detailed information on the private rental market at a local level is notoriously difficult to come by. We have drawn upon national level research undertaken by the Association of Residential Letting Agents (ARLA) to outline wider market trends. We have then undertaken telephone interviews with a select number of letting agents in West Sussex to provide a more local perspective.
- 4.68 It is well recognised that the private rental market is particularly difficult to analyse given that there exists a lack of robust, centrally collected data and/or regulatory control in the sector.

## RENTAL LEVELS

- 4.69 Hometrack have published research into the affordability of private housing in Great Britain (Wilcox, S., Winter 2007). This report compares the costs of house purchase and private renting for 2/3 bedroom dwellings in local authorities across the Country.
- 4.70 The research, using Hometrack's house price information database, indicates that rental levels are lower than mortgage costs for similar properties in each local authority in the Northern West Sussex Housing Market Area as well as across the region and in all other local authorities nationally. It highlights that many moderate income working households that cannot afford to buy can easily afford to rent in the private rented sector.
- 4.71 In relative terms, rents are higher in Horsham than the average for the region. In Crawley, rental levels are 17% below the average for the region. This is likely to reflect the stock mix and availability of cheaper housing, relative property prices and the sizeable social rented sector.

**Figure 4.15: Private Rents compared with Mortgage Costs, 2006<sup>9</sup>**

	Monthly Rent	Monthly Mortgage Cost	Rents as a % of Mortgage Costs
Crawley	657	1134	57.9
Horsham	808	1352	59.8
Mid Sussex	759	1341	56.6
South East	791	1233	64.1
England	697	1084	64.3

Source: Hometrack/ Wilcox

- 4.72 Figure 4.15 indicates rental costs were 55-60% of mortgage costs for similar properties, suggesting that private renting offers a realistic option for many households who cannot afford to purchase suitable property.

## INVESTOR INFLUENCE

- 4.73 Given the well publicised increase in buy-to-let activity over the last 10 years, fuelled by low interest rates, solid capital growth and stable rental returns, it is important to recognise the influence of such a trend and how this might evolve in the coming years, given recent evolutions in the market.
- 4.74 Again whilst it is not possible, due largely to a lack of regulation, to analyse the private rented investment market as a whole, it is possible, through survey information and the below described agency consultation, to gain at least an initial understanding of the sector, its sensitivity to the wider economy, the urban and rural dimensions and through this how it might behave in the future.
- 4.75 Perhaps the most recent and holistic survey undertaken on the sector was that undertaken by ARLA (Association of Residential Letting Agents) of its member letting agents in Q4 2007<sup>10</sup>. This included widespread consultation with buy-to-let landlords, which revealed that nine out of 10 surveyed during the quarter stated that they had no intention of selling their properties for nearly 17 years. Four out of ten suggested that they expected to invest further in the sector this coming year.
- 4.76 Further to this, the survey revealed that buy-to-let investors borrowed on average 70% of their purchase price, although this was down from 75% in Q3 2007. More than one in six investors stated that they borrowed less than 50% of purchase price. This suggests that whilst leverage is reducing amongst buy-to-let investors, due most likely to a perceived increase in risk and a 'tightening' of lending criteria, the vast majority of investors (some 5

<sup>9</sup> The comparisons are based on a mortgage covering 100% of the property value, based on a standard 25 year repayment mortgage and 5.3% interest rates, the average building society rate in 2006

in every 6) were still willing to purchase on a highly geared basis (70% of value), presumably expecting to either continue recovering a rental yield (rent minus interest payments) from rents or expecting a sufficient equity return over time.

- 4.77 However, on the basis that the majority of investors continue to purchase on average 70% of their purchase price, there can be no doubt that the increasing interest rates since February 2003 would have made rental or yields tighter in recent years, assuming rental levels and capital values have not appreciated at the same pace. This relationship suggests that buy-to-let landlords increasingly have to seek properties which deliver maximum rental and/or equity returns in order to achieve the comparable yields with previous years. Anecdotal evidence suggests that this is at the lower value end of the market.

## FUTURE TRENDS IN THE PRIVATE RENTED SECTOR

- 4.78 Whilst it is notoriously difficult to predict how these variables might behave over time, it is interesting to see that the vast majority of respondents to the ARLA Survey reported that they now tended to side with caution when making investments, both in terms of equity and rental income. Well over half reported that they were cautious over both considerations.
- 4.79 Interesting also is that the average life expectancy of the buy to let investments recorded was 16.7 years, with this figure having been fairly constant for the past three years. Only one in twelve surveyed expected the investment to be less than five years and just 2% saw them as short term (i.e. less than two years). Clearly the majority of investors see long-term rental or equity growth in the buy-to-let investment market.
- 4.80 The implication is that we do not expect there to be a flood of investors looking to sell their properties. However on the other hand, we would expect new investment purchases to be much more limited than has been the case over the last seven years or so.
- 4.81 Against a context of relatively consistent supply, our research and consultation with local letting agents indicates that demand is rising as would-be first-time buyers and other households defer from purchasing and continue to rent as a consequence of current market conditions and concerns regarding falling house prices. The outlook for the rental market really appears to be quite healthy, and this appears to be feeding into rental growth. This is particularly the case in the main towns where the rental market is stronger than in the rural areas.

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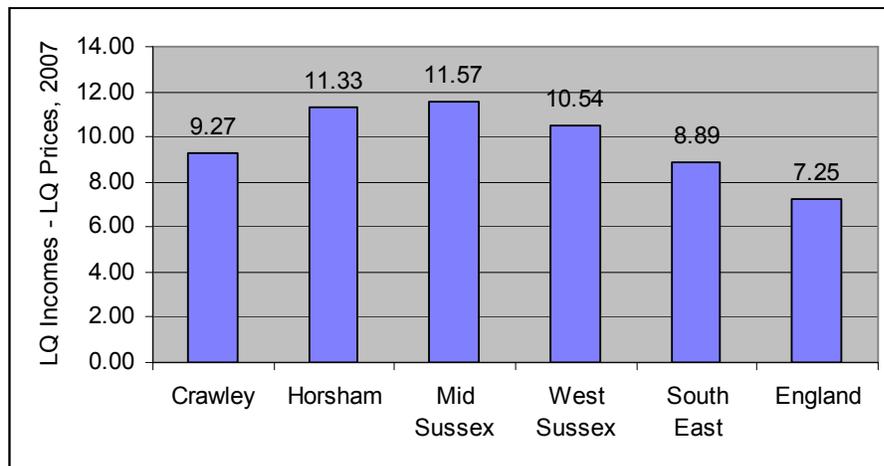
<sup>10</sup> ARLA Members Survey of the Buy to Let Sector, Fourth Quarter 2007

**Dynamics in the Private Rented Sector**

- The private rented sector is traditionally supply driven and there is anecdotal evidence that strong housing market conditions since 2001 have supported growth in the size of the sector with landlords buying both cheaper terraced properties and new-build flats. There is a rental market in the main towns in each District.
- Rental costs are above average for the region in Horsham, but represent 55-60% of mortgage costs for similar property. Many moderate income households that cannot afford to buy therefore can afford to rent.
- Recent changes in market conditions have anecdotally increased demand for rental properties, as a result of would-be buyers deterring from purchasing. This is likely to fuel growth in rents. However the wider market outlook, market confidence and tightening lending criteria are likely to provide a disincentive to supply growth in the short-term.
- There is however limited evidence of landlords disinvesting and selling their properties, with most landlords taking a long-term view. Nine out of 10 landlords don't intend to sell properties for nearly 17 years.

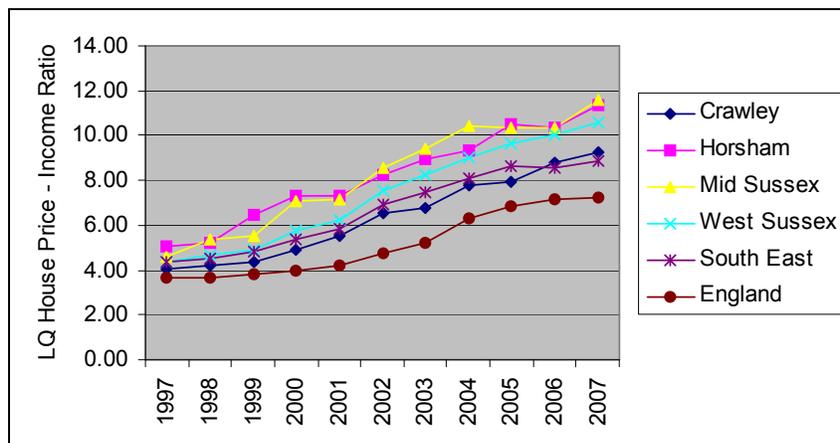
**AFFORDABILITY OF MARKET HOUSING**

- 4.82 This section provides an analysis of the affordability of market housing. Poor affordability can lead to excessive commuting and unsustainable travel patterns, a loss of workers to an area, high dependency and pressure on social housing or housing benefit, health problems, poverty and homelessness. It also puts pressure on the social sector.
- 4.83 Assessing affordability involves comparing housing costs against the ability to pay. We assume that lower quartile house prices and lower quartile rents reflect entry-level housing costs, recognising that there are often quality issues with the cheapest properties.
- 4.84 Figure 4.16 provides a comparative analysis of the ratio between lowest quartile earnings and lowest quartile house prices. This suggests that affordability pressures are more severe across the Northern West Sussex Housing Market than in the South East as a whole. In Horsham and Mid Sussex, entry level housing costs are eleven times nominal earnings of young households.

**Figure 4.16: Lowest Quartile Incomes-House Prices Ratio, 2007**

Source: CLG

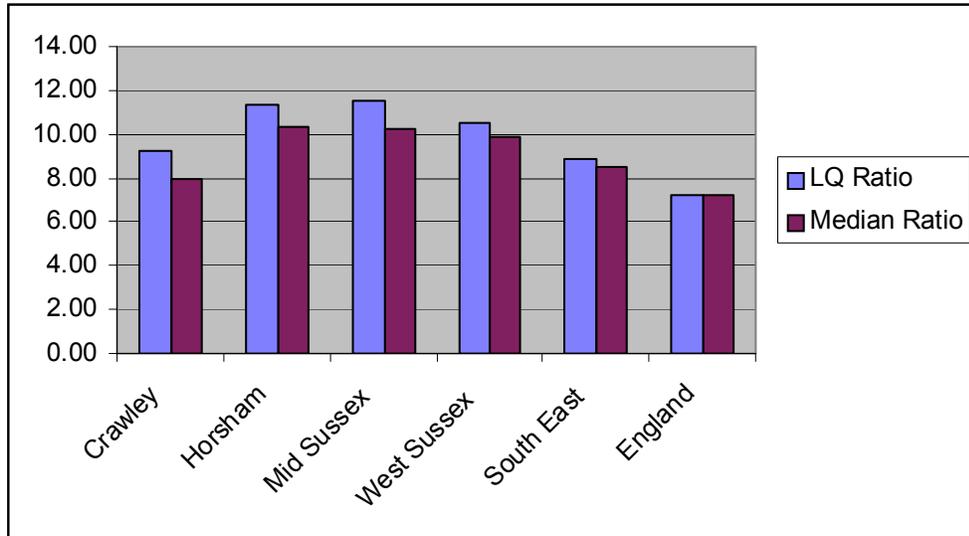
4.85 Figure 4.17 tracks trends in the ratio of lower quartile prices to earnings over the last decade. It indicates a sustained and substantial deterioration in this measure of the relative affordability of entry-level market housing with a similar trend across each of the local authorities.

**Figure 4.17: Lowest Quartile Price to Income Ratio 1997 – 2007**

Source: CLG

4.86 Figure 4.18 compares the ratios of median prices to incomes as against lower quartile prices to incomes. Across the Northern West Sussex Housing Market, the lower quartile ratio is higher indicating entry-level housing is relatively less affordable.

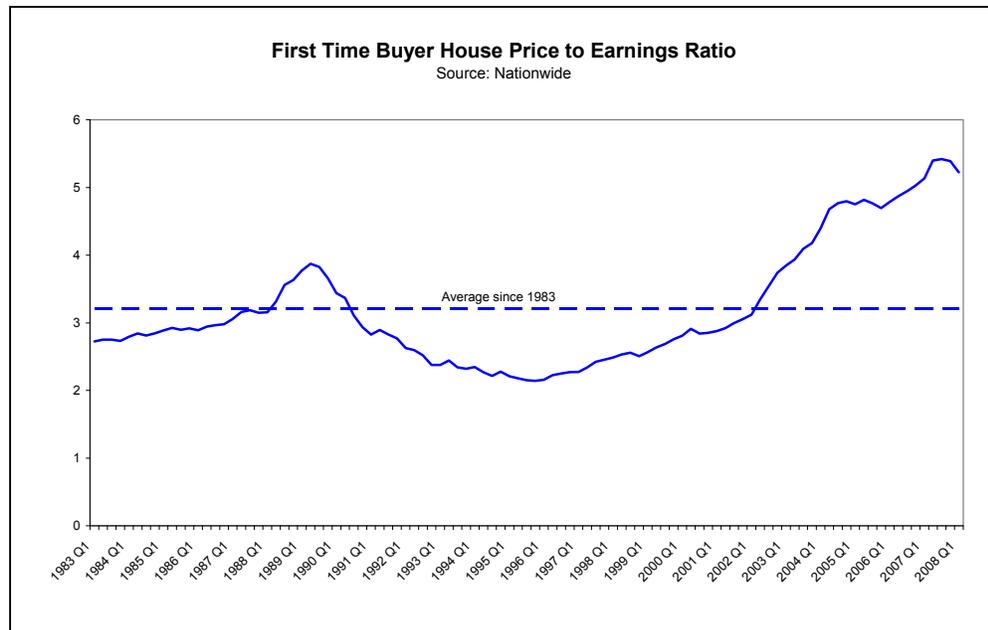
**Figure 4.18: Lower Quartile and Median House Price to Income Ratios, 2007**



Source: CLG

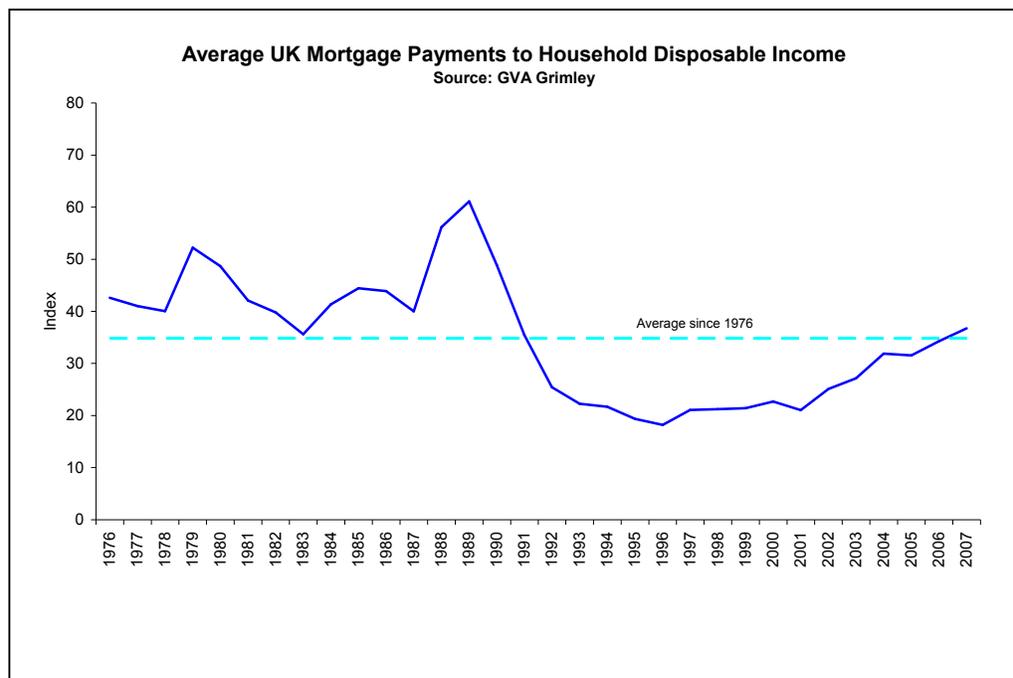
4.87 If we look at house prices to earnings ratios in a longer-term context, it is clear that they climbed steeply during the late 1990s and early 2000s and by the end of 2003, had reached a historically high level throughout most of the UK. They have since continued to rise to a peak in Q1 2007 before declining through 2008 (Figure 4.19).

**Figure 4.19: First-Time Buyer House Price to Earnings Ratio**



- 4.88 Whilst some commentators have seen the high ratio of house prices to earnings as an indicator that prices must inevitably fall, others have viewed this measure as less relevant due to today's relatively low interest rate and low inflation environment, which is not comparable with most of the 1970s-1990s, i.e. what is relevant is the ratio of payments to earnings rather than prices to incomes.
- 4.89 The following chart shows mortgage payments (interest and capital) relative to household disposable income. Rather than the traditional measure of house prices to earnings, this can be viewed as a more accurate measure of affordability, as it takes interest rates into account. This produces a very different result to the previous chart.

**Figure 4.20: Average UK Mortgage Payments to Household Disposable Income**



- 4.90 Affordability (nationally) remained relatively stable from the mid-1990s to around 2001, despite the increasing rate of house price inflation over the period, as lower interest rates kept affordability reasonably stable and better than in the 1980s (although capital repayment is more onerous due to lower income growth). However, there has clearly been a sustained deterioration in affordability over the last five years, and on this measure, house prices are now at their most unaffordable since 1991, but still more affordable than in the late 1980s boom, and similar to the early/mid 1980s. The recent decline in house prices during 2008 has not yet impacted on affordability due to the tighter mortgage

lending restrictions now in place by most lenders and the requirements for increasingly large deposit payments.

**Key Messages: Affordability of Market Housing**

- We have witnessed sustained deterioration in the affordability of market housing over the last decade. Notional lower quartile house price to income ratios range between nine in Crawley to over eleven in Horsham and Mid Sussex.
- Rising price-income ratios have though been mitigated by falling interest rates and availability of mortgage products to some degree. However relative to disposable income, housing costs have risen. House prices are now at their most unaffordable since 1991, but still more affordable than in the late 1980s boom, and similar to the early-mid 1980s.
- The key change has been in the retrenchment in the availability of mortgage products, and this is significantly impacting on the ability of first-time buyers to get a foothold on the housing ladder. There are potential knock-on effects for demand for rental accommodation and intermediate housing.

## 5. DEMOGRAPHIC TRENDS

- 5.1 Demographic dynamics are a key driver of change in the housing market: they are an important influence on housing demand, both now and in the future. In this section we examine the current demographic profile in the Northern West Sussex Housing Market and how this has changed over the last ten years.

### POPULATION

#### CURRENT POPULATION

- 5.2 The estimated population across the Northern West Sussex Housing Market in mid 2006 was 357,300 persons, representing 46% of the population in West Sussex. This compares to 349,210 recorded by the 2001 Census.

**Figure 5.1: Population of Northern West Sussex Housing Market**

	2001	2006
Crawley	100,400	99,900
Horsham	122,300	128,300
Mid Sussex	127,400	129,100
Northern West Sussex Housing Market	350,100	357,300
% West Sussex	46.4%	46.4%

Source: ONS Mid Year Estimates

- 5.3 The majority of the population is concentrated in the main towns of Crawley, Horsham, East Grinstead, Haywards Heath and Burgess Hill. 13.7% of the total population lives in rural areas within the Housing Market, with another 16.4% in the Urban Fringe (see Figure 5.2).

**Figure 5.2: Urban Rural Split in Northern West Sussex Housing Market Area**

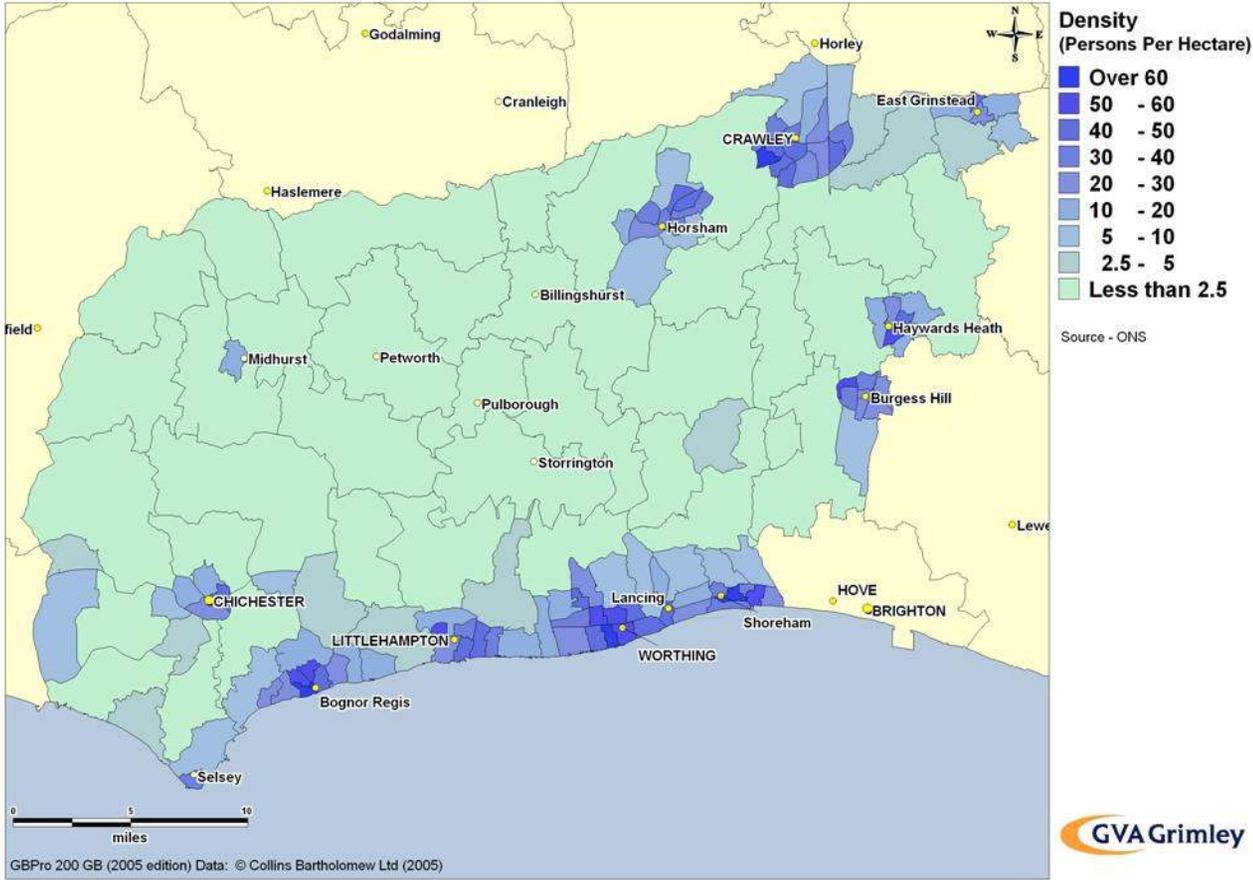
District	Rural		Urban		Urban Fringe <sup>11</sup>	
	#	%	#	%	#	%
Crawley	0	0.0	99739	100.0	0	0.0
Horsham	27605	22.6	49069	40.2	45420	37.2
Mid Sussex	20370	16.0	95271	74.8	11735	9.2
Northern West Sussex HM	47975	13.7	244079	69.9	57155	16.4

Source: ONS 2001 Census

<sup>11</sup> Urban fringe is defined in the Rural and Urban Areas Classification (ONS, ODPM, CA, DEFRA, et al). It uses settlement form and sparsity calculations to identify the urban/rural split at Output and Super Output levels

- 5.4 The population density averages 3.9 persons per hectare which is slightly above average for the County as a whole (3.9). The most densely populated district is Crawley with 22.2 persons per hectare; the least is Horsham at 2.4 persons per hectare.
- 5.5 At mid-2006, 36% of the population of the Northern West Sussex Housing Market Area lived in each of Horsham and Mid Sussex Districts, and 28% in Crawley Borough.

Figure 5.3: Population Density

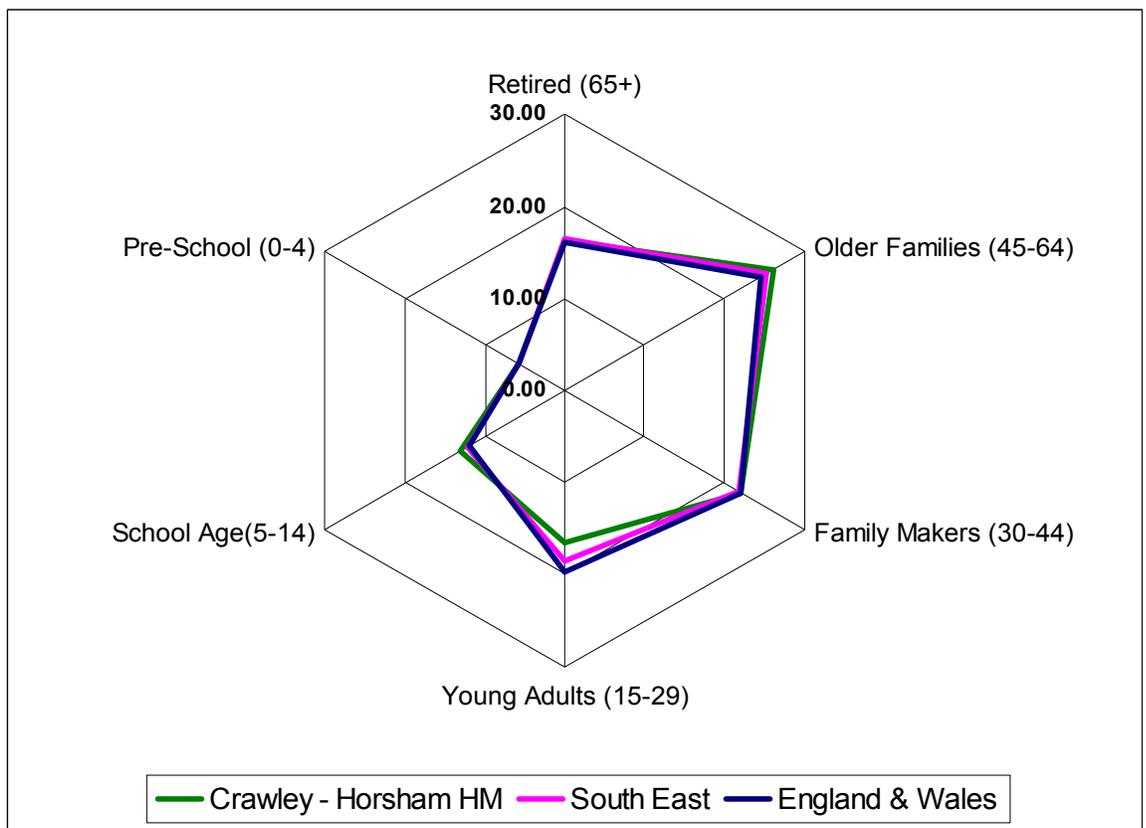


Source: ONS 2005 Ward Based Densities

## AGE STRUCTURE

- 5.6 The Northern West Sussex Housing Market has a high level of older families and school age children with the largest 5 year age groups are those aged 40-44 which contribute over 7% to the total population.

**Figure 5.4: Age Structure, Mid 2006**



Source - ONS Mid-Year Population Estimate 2006

- 5.7 Those of a school age (5-14) account for 13.1% of the population across the Housing Market Area. This slightly exceeds the South East figure for the same age which is 12.2%, conversely young adults (15-29) are less represented accounting for only 16.5% of the total population compared to 18.5% in the South East and 19.6% in England and Wales.
- 5.8 The rural parts of the Northern West Sussex Housing Market have a higher elderly population (17.0%) than the rest of the South East (16.4%) and higher still when compared to the Housing Market's Urban areas (15.7%)

- 5.9 The Urban Areas conversely have higher percentages of both young children and more pointedly young adults (17.8% compared to 13.8%), although when compared against the South East (18.1%) the proportion of young adults is slightly below average (Figure 5.5).

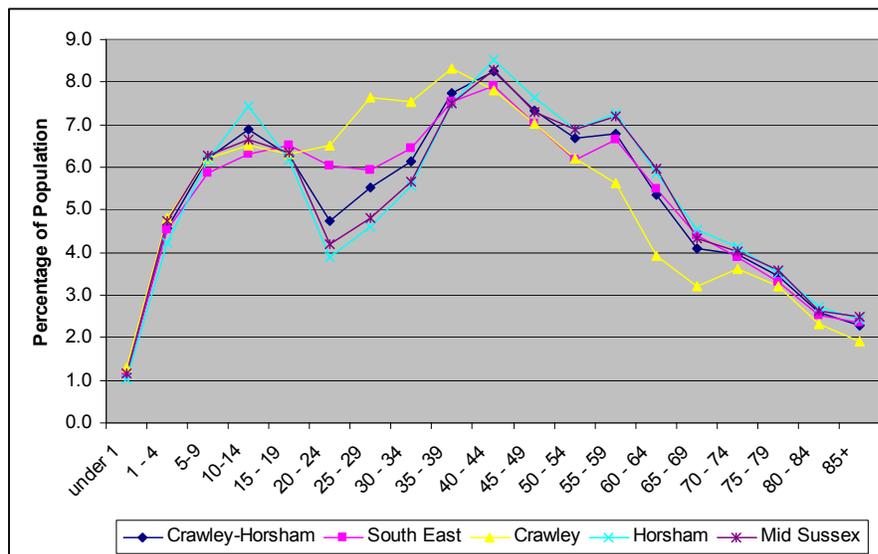
**Figure 5.5: Population Structure in Urban and Rural Areas of Northern West Sussex Housing Market**

	0-4	5-14	15-29	30-44	45-64	+65
Urban	6.4	12.9	17.8	23.9	23.3	15.7
Rural	5.2	14.3	13.8	20.3	29.4	17.0
Urban Fringe	5.9	13.4	13.9	22.9	26.7	17.2
South East	5.9	12.8	18.1	22.6	24.3	16.4

Source: Census 2001

- 5.10 Crawley at 14.2% has the lowest proportion of the population aged over 65 in the Northern West Sussex Housing Market with Horsham the highest proportion in each 5-year age group over 65 equating to 17.3% of the district's total population.
- 5.11 Crawley has a stronger representation in all age groups between 20-39 compared to the South East and even higher compared to the rest of the Housing Market, particularly Horsham.

**Figure 5.6: Age Structure by Five Year Age Group, 2006**



Source: ONS Mid-Year Population Estimates, 2006

## ETHNIC COMPOSITION

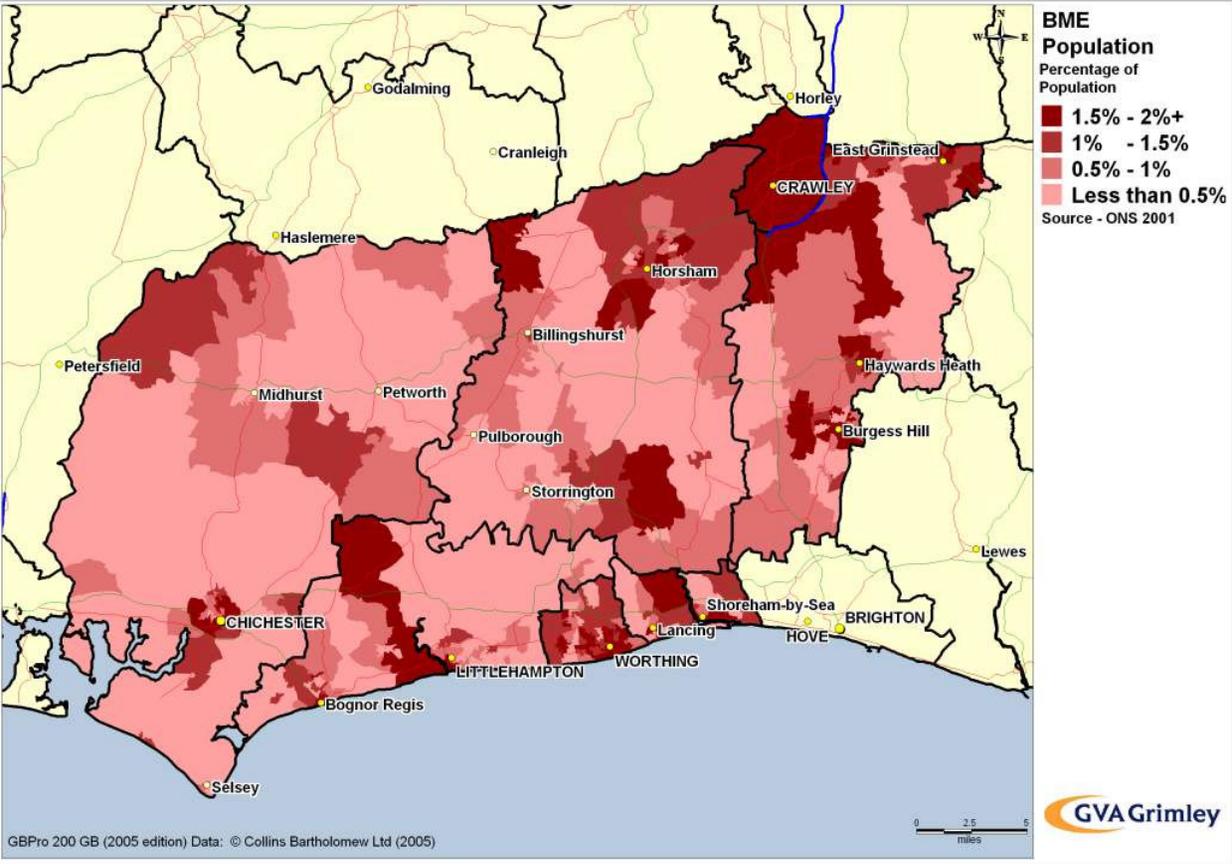
- 5.12 The Northern West Sussex Housing Market does not have a particularly diverse population although it is more diverse than the Coastal West Sussex Housing Market. At 6.8% of the total population, the Black and Minority Ethnic (BME) population across the Housing Market Area is similar to that in the rest of the South East (7.0%) but significantly below the national average (10.9%). Of this, the Asian population at 3.5% makes up the largest ethnic group.
- 5.13 There is however a sizeable BME population in Crawley which makes up 13% of the total population. Asian or Asian British is the largest ethnic group and makes up an estimated 8.6% of the total population.

**Figure 5.7: Ethnic Composition**

		<b>White</b>	<b>Mixed</b>	<b>Asian</b>	<b>Black</b>	<b>Chinese</b>	<b>BME</b>
Crawley	99,800	87.0	1.6	8.6	1.7	1.0	12.9
Horsham	127,000	95.8	1.1	1.3	0.9	0.9	4.2
Mid Sussex	128,200	95.3	1.2	1.6	0.9	0.9	4.7
Northern West Sussex HM	355,000	93.2	1.3	3.5	1.1	1.0	6.8
West Sussex	411,600	94.8	1.1	2.3	0.9	0.8	5.2
South East	8,184,600	93.0	1.4	3.1	1.3	1.2	7.0
England	50,465,600	89.1	1.6	5.3	2.7	1.3	10.9

Source: ONS 2005 Population Estimates by Ethnic Group

Figure 5.8: Black and Minority Ethnic Population



## GENDER

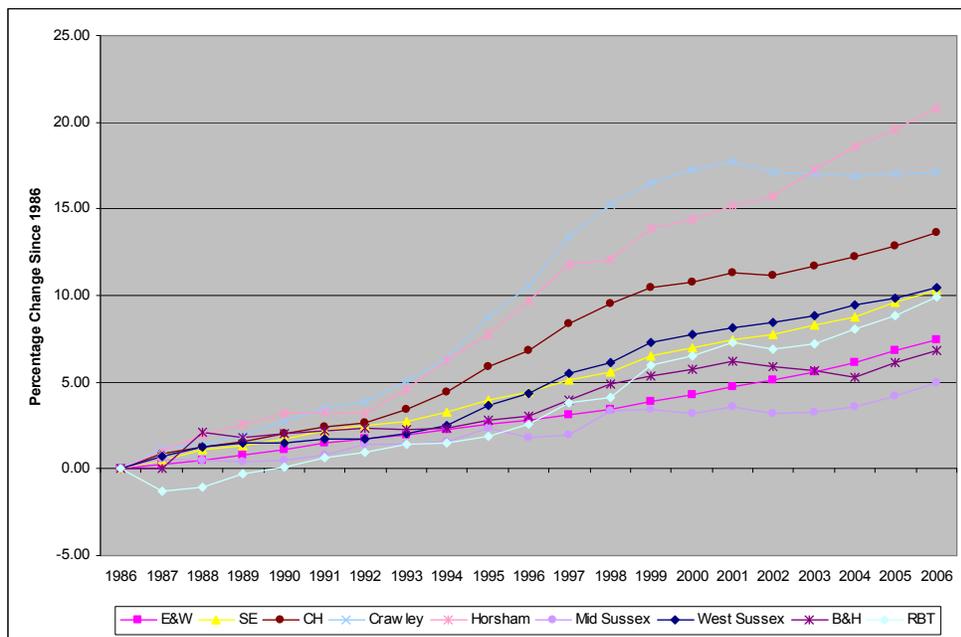
- 5.14 Women generally live longer than men, therefore the population is generally balanced in women's favour. The Gender split in Northern West Sussex Housing Market has a standard male-female split with female residents accounting for 51.2% compared to 50.9% nationally and 51.1% across the South East. Crawley has slightly lower than normal levels of females with only 50.6%<sup>12</sup>.
- 5.15 The Northern West Sussex Housing Market has a slightly more balanced gender split compared to the Coastal West Sussex Housing Market where the female population equates to 52.4%.
- 5.16 These differences in the gender split are most likely to reflect differentials in the age structure of the population.

## POPULATION GROWTH

- 5.17 Over the last twenty years, the Northern West Sussex Housing Market has witnessed strong levels of population growth: its population has grown by 13.6% between 1986 – 2006, which significantly exceeds both regional (10.3%) and national (7.5%) levels.
- 5.18 The Northern West Sussex Housing Market has witnessed much stronger population growth than the County as a whole (10.4%) and especially when compared with the Coastal West Sussex Housing Market (7.8%). When compared to the neighbouring areas of Reigate, Banstead and Tandridge to the north (10.0%) and Brighton and Hove (6.8%), the population of the Northern West Sussex HM has increased substantially more over this twenty year period.
- 5.19 Horsham District has witnessed consistently strong levels of growth since 1986, its population growing by 21% over the last 20 years. Crawley also witnessed strong levels of growth, with a similar trend to Horsham to 2001.
- 5.20 Mid Sussex has seen notably lower levels of population growth, its population growing by just 5% over the last 20 years, which is less than half the regional average. Its population grew moderately in the mid-1980s to mid 1990s, remained relatively consistent between 1998 – 2003, but has been growing moderately since 2004.

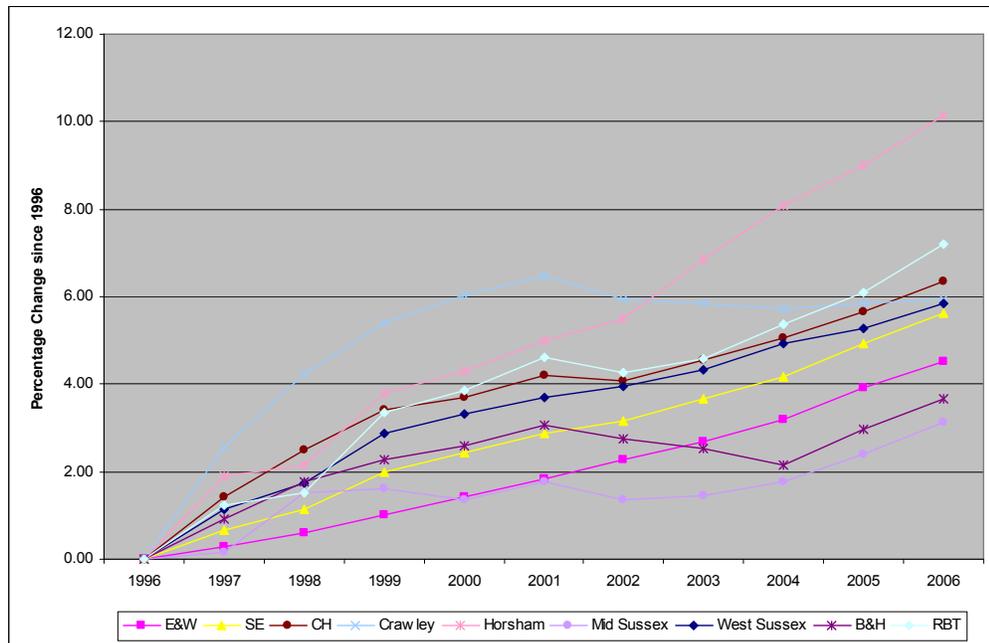
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<sup>12</sup> 2006 Mid-Year Population Estimates

**Figure 5.9: Population Growth (1986 – 2006)**

Source: ONS Mid Year Population Estimates

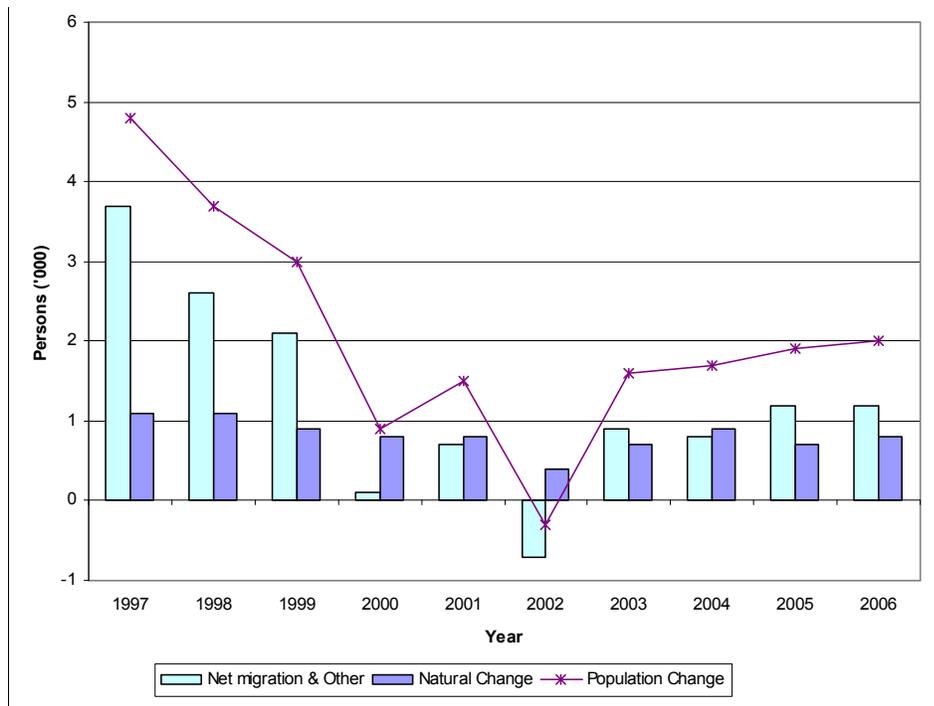
- 5.21 Over the shorter ten year period (1996-2006), the Northern West Sussex Housing Market has witnessed 6.3% population growth: slightly more than the South East (5.6%) and faster still compared to England and Wales (4.5%). In comparison to Brighton and Hove (3.7%) and West Sussex County (5.8%) the Northern West Sussex HM has again seen higher levels of growth however the Reigate, Banstead and Tandridge area (7.2%) to the north has grown more strongly.

**Figure 5.10: Population Growth (1996 – 2006)**

Source: ONS Mid-Year Population Estimates 2006

- 5.22 Horsham district has experienced the highest levels of growth in the Northern West Sussex Housing Market Area in the last 10 years with an increase of 10.1%. The slowest rate of growth was in Mid Sussex with only 3.1% growth since 1996.
- 5.23 Population growth has resulted from a combination of both natural change (more births than deaths) and net in-migration to the Northern West Sussex Housing Market Area. Figure 5.11 indicates the balance between these drivers of population change. It indicates that births have consistently exceeded deaths by around 800 persons per annum. Levels of net in-migration have been much more varied: levels of net in-migration fell notably between 1996/7 – 2002/3. Since 2002/3 there has however been a modest upward growth, with levels averaging around 1,400 persons per annum.

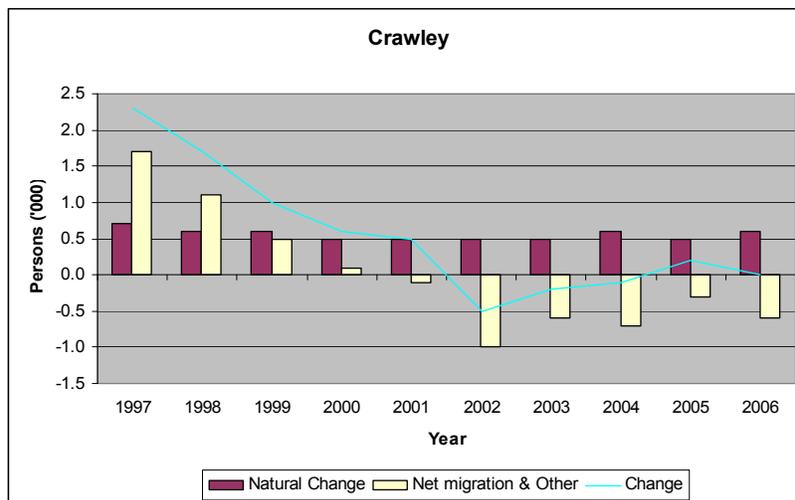
**Figure 5.11: Components of Population Change 1996/7-2005/6**

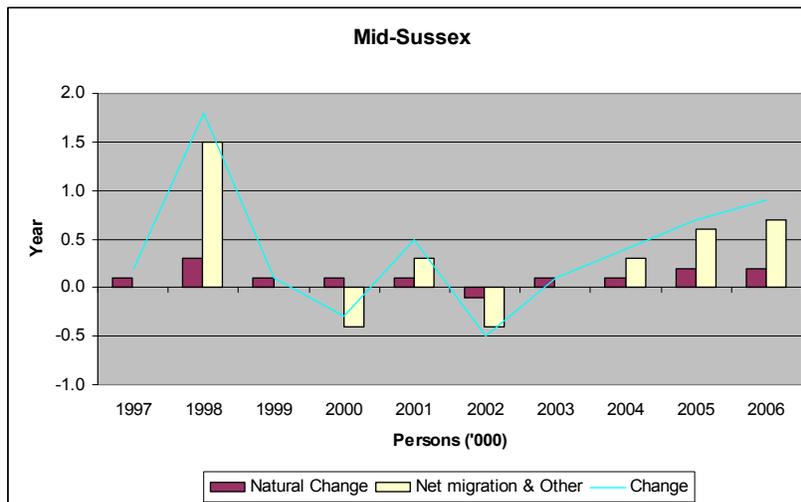
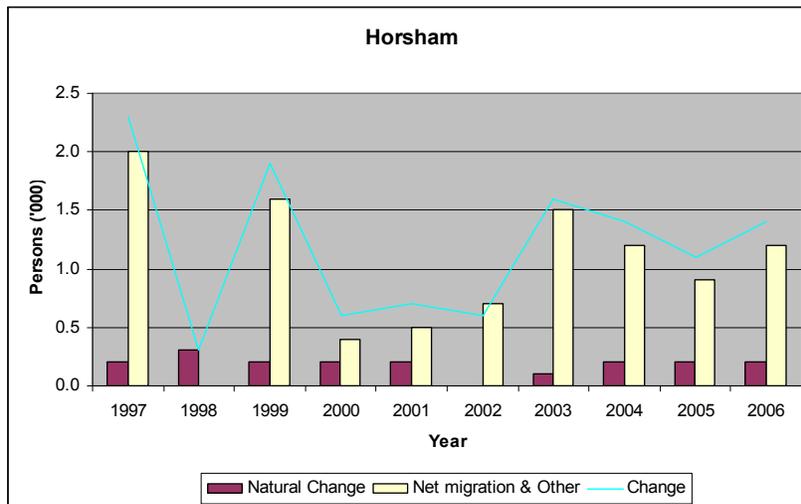


Source: ONS Mid-Year Population Estimates

5.24 The largest level of in-migration was seen in Horsham District with over 10,000 people net moving to the area in the last ten years to 2006. However Crawley has the lowest net in-migration since 1997 with only 1,000 added to the population from this source.

**Figure 5.12: Components of Population Change, District Level 1997-2006**





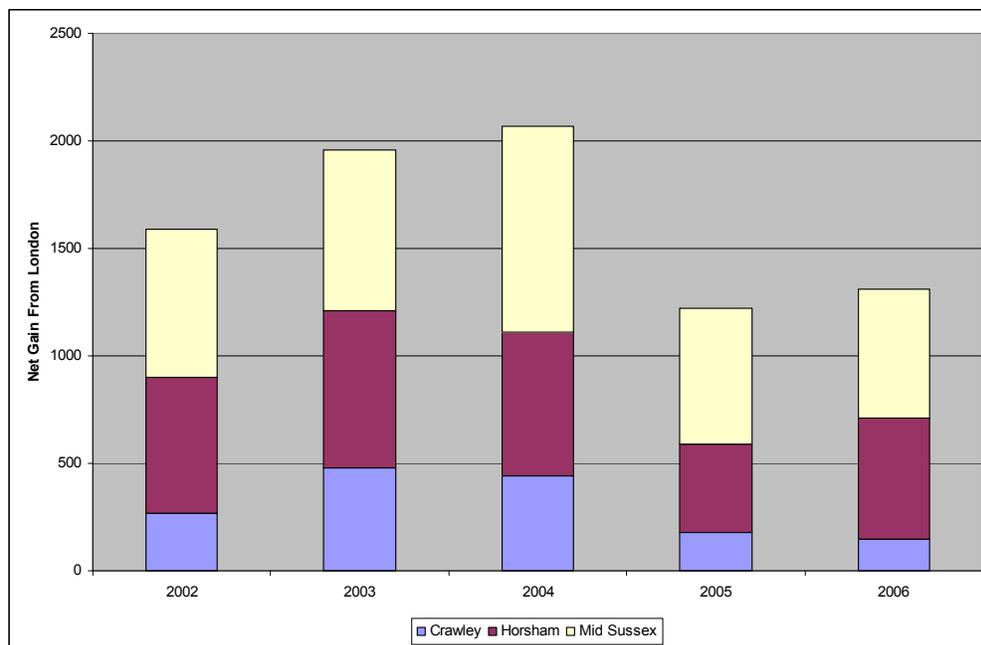
Source: ONS Mid-Year Population Estimates

- 5.25 We have analysed NHS migration patterns to consider where people are moving to the Northern West Sussex Housing Market Area from. The largest level of net in-migration to the Northern West Sussex Housing Market area is from Brighton and Hove which contributed around 3,000 people in the period 1999-2006, with Mid Sussex the most likely destination. The destination with the highest net gain from the Northern West Sussex Housing Market is Arun District which has received 2,140 people from the area mostly from Horsham.
- 5.26 London has a significant influence on the housing market in West Sussex, with a notable proportion of West Sussex residents employed in London, and in terms of households

relocating out of London to West Sussex. Movement is particularly driven by the housing-quality of place offer and, anecdotally, is particularly attractive to family households.

- 5.27 We have analysed patterns of movement using data from NHS GP Re-registrations. While these do not catalogue all moves, as they require people to re-register with doctors, they provide an indication of trends. In the 5 year period 2001/2-2005/6 almost 17,000 people moved from London the Northern West Sussex Housing Market Area, this has been countered by around 8,500 moving in the opposite directing.

**Figure 5.13: Net Flows from London to Northern West Sussex Housing Market**



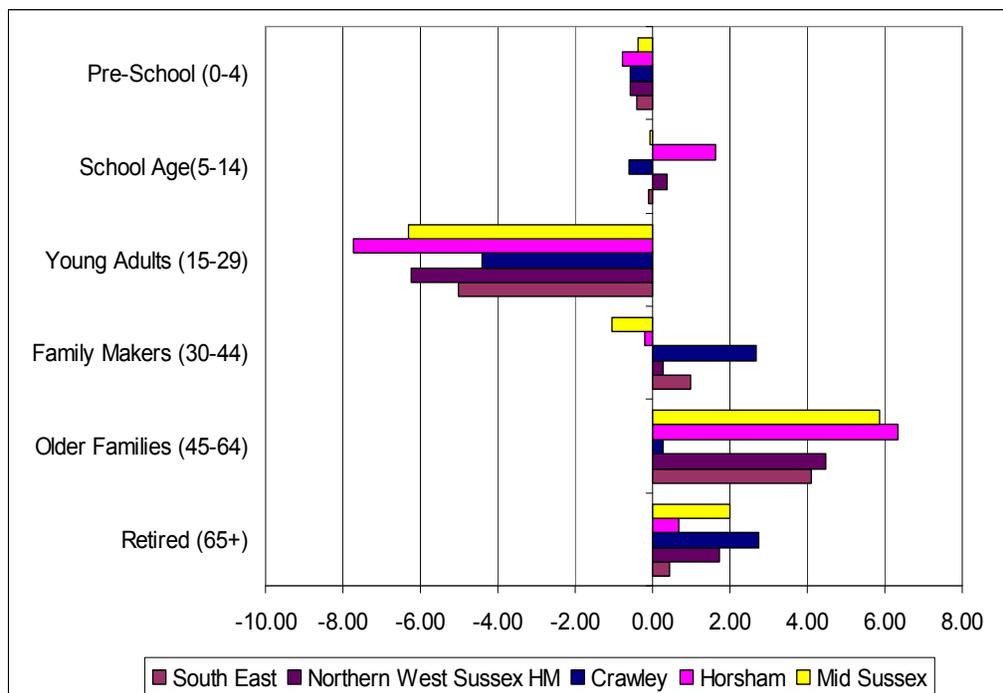
Source: NHS Central Health Register

- 5.28 On average over 1,600 net move from London to the Northern West Sussex Housing Market per annum although the net number of people moving from London to the Northern West Sussex Housing Market Area has dropped significantly in the last two years.
- 5.29 Mid Sussex District has been the most popular destination for migrants moving from London with around 6,600 people moving to the District between 2002 and 2006. The majority of people moving from London are originating from Boroughs to the South of the city, particularly Wandsworth, Croydon and Sutton Boroughs.

## CHANGING AGE STRUCTURE

5.30 The age structure in the Northern West Sussex Housing Market Area has changed dramatically over the last 20 years with the young adults (15-29 years old) seeing a decline in their proportion of the total population (- 6.2%) and the largest growing age group being the older family group (45-64) whose proportion increased by 4.5% over the same 20 year period. Much of the change in age structures can be traced to past birth rate trends. These trends are repeated in the shorter 10 year period although to a lesser extent.

**Figure 5.14: Change in Age Structure 1986-2006**



Source: Mid-Year Population Estimates

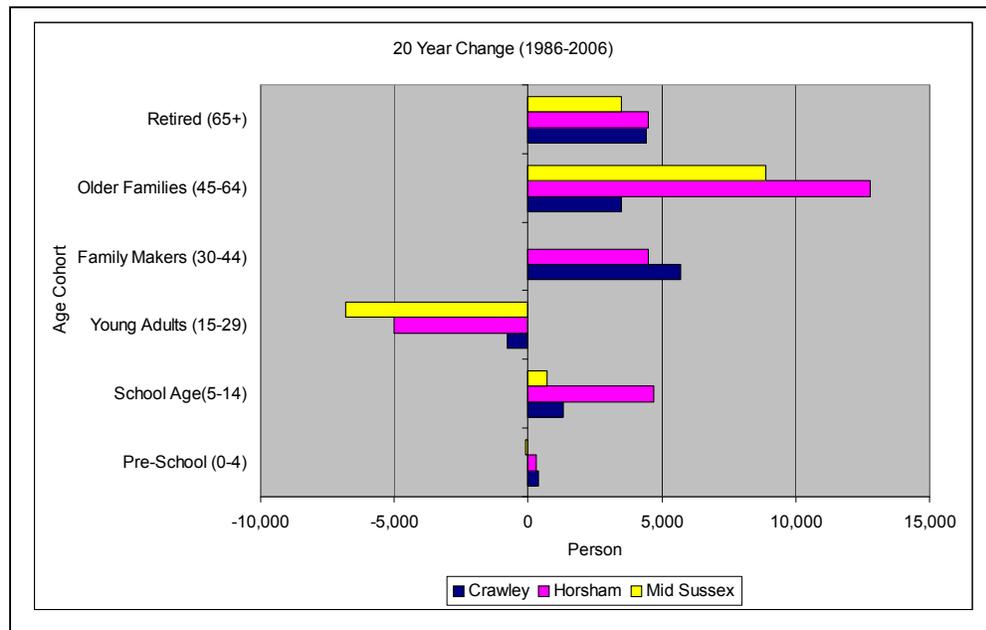
5.31 Horsham has seen the sharpest decline in young adults with a reduction in its proportion of total population by 7.8%, this is in contrast to the growth in the population aged 45-64 which has increased by 6.4% over the same period. Horsham District also bucked the wider trend by increasing its school age population as a proportion of the total population (1.6% increase). In absolute terms the older family age group has grown by almost 13,000 in the last 20 years.

5.32 The population in Crawley Borough has increased in all age cohorts over the age of 30 and reduced in all those younger than 30. The largest growth in proportion is in its retired population which has increased by 2.8% which equated to 4,400. The largest reduction is

within its young adult population, aged 15-29 (4.4% decrease). In absolute terms the largest growth in Crawley was in the 30-44 year age cohort which grew by 5,700.

- 5.33 Mid Sussex has also seen its highest reduction in the young adult population (- 6.3%) but has seen significant increases in the two age groups over 45 years old particularly those aged between 45-65 (5.9% increase). In real terms the young adult population has reduced by almost 7,000 people while the older family age group increased by 8,900.

**Figure 5.15: Absolute Change by Age Cohorts (1986 -2006)**



Source: Mid-Year Population Estimates

## HOUSEHOLDS

### HOUSEHOLD GROWTH

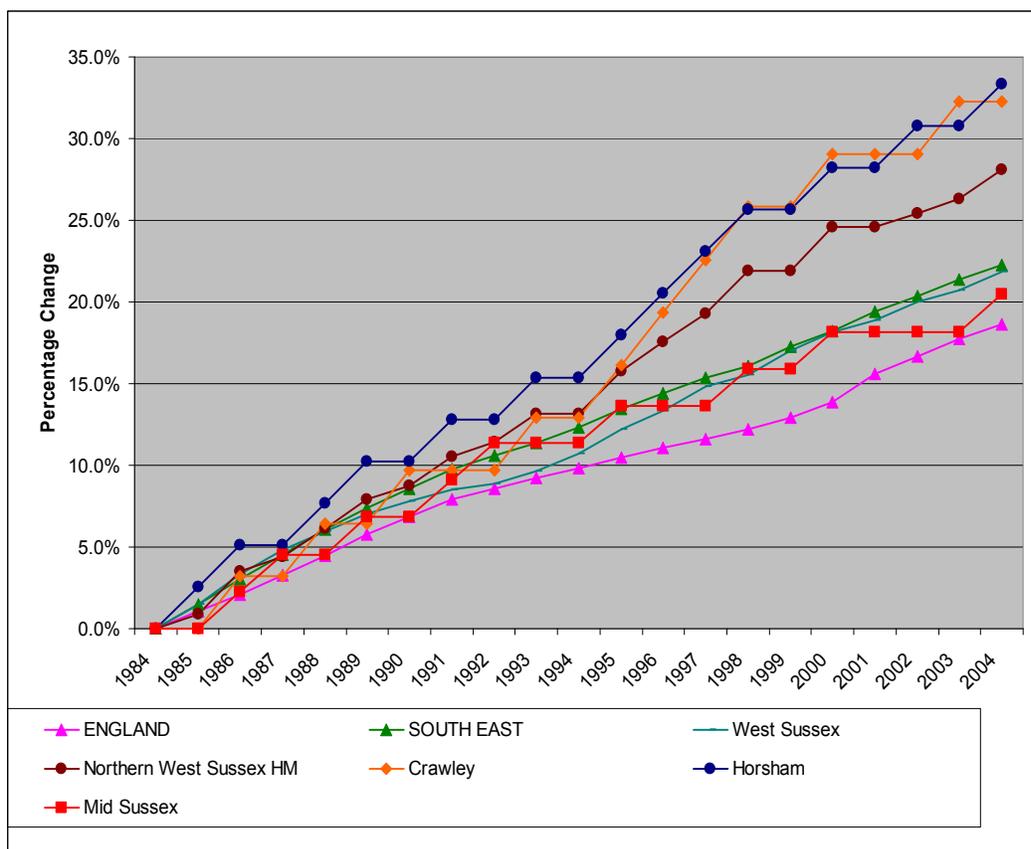
- 5.34 The number of households in the Northern West Sussex Housing Market was an estimated 146,000 in 2004<sup>13</sup>. This is approximately 45% of the total households in West Sussex. It compares with 142,388 households recorded by the 2001 Census.
- 5.35 The largest number of households is found in Mid Sussex District at 53,000; with 52,000 households in Horsham and 41,000 in Crawley.

<sup>13</sup> ONS Households Estimates by Districts

5.36 Household growth has been notably stronger than average; total households growing by 28.1% over the last twenty years (1984-2004) compared to 21.9% across the County, 22.3% in the South East region and 18.6% across England and Wales. At a local authority level, growth has been strongest in Horsham (33.3%) and Crawley (32.3%). Household growth in Mid Sussex has been lower at 20.5% between 1984 and 2004 and more closely tracked trends at the county and regional levels.

5.37 Household growth is strongly influenced by levels of housing development.

**Figure 5.16: Household Growth (1984-2004)**



Source: ONS Household Estimates

5.38 In the 1994-2004 decade, Crawley saw the strongest household growth (14.6%), compared to 13.5% in Horsham district and just 7.5% in Mid Sussex. Household growth in the Northern West Sussex Housing Market as a whole (11.6%) exceeded levels seen nationally (7.4%), regionally (8.1%) and in the County as a whole (9.1%). The Northern West Sussex HM has also grown far more than its urban neighbours of Brighton and Hove (6.1%) and the Reigate, Banstead and Tandridge area (8.2%) repeating the trends seen in the longer twenty year period.

## HOUSEHOLD COMPOSITION

- 5.39 The Northern West Sussex Housing Market has above average levels of married couple households (41.7% compared to 38.9% across the South East). There are particularly high level of married couple households in Horsham (43.7%).
- 5.40 Crawley has the highest levels of single parent household in the Housing Market Area. At 10% of all households this is by far greater than in either of the other districts or the South East. This is reflected in the low levels of married couple households in the Borough (36.8%) which are lower than both Horsham (43.7%) and Mid Sussex District (43.6%) but more in line with the rest of the South East (38.9%)
- 5.41 Crawley District has significantly lower levels of pensioner households (21.8%) than the other districts in the Housing Market Area particularly Horsham (25%). This figure is also lower than the South East (24.6%) and England and Wales (23.8%)
- 5.42 Mid Sussex has the highest levels of single persons households in the Housing Market area at 26.9% although there is very little separating the three local authorities. Across the Housing Market, the proportion of single person households are lower than the levels seen in the South East (28.5%) and England and Wales as a whole (30%).

**Figure 5.17: Household Composition, 2001**

	All Pensioner	Single Person Household	Dependent Children	Married/ Cohab Couples	Single Parent	All Student
Crawley	21.8	26.8	25.0	36.8	10.0	0.02
Horsham	25.0	26.7	25.3	43.7	6.4	0.01
Mid Sussex	24.7	26.9	25.7	43.6	6.8	0.01
Northern West Sussex HM	24.0	26.8	25.3	41.7	7.6	0.01
West Sussex	29.5	30.1	22.1	37.4	7.5	0.16
South East	24.6	28.5	24.0	38.9	7.9	0.35
England and Wales	23.8	30.0	23.0	36.5	9.5	0.39

Source: Census 2001

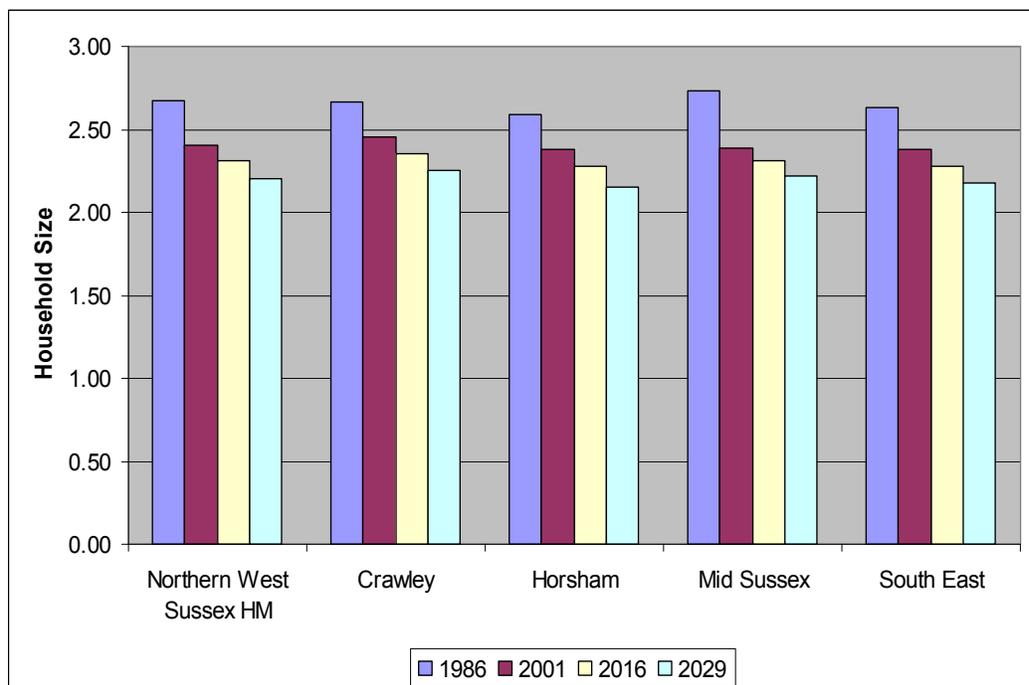
- 5.43 The number of couple households in the Northern West Sussex HM has reduced significantly between 1991–2001, as has the number of households with dependent children. Both of these have fallen broadly in line with the rest of the South East.
- 5.44 There has also been a very small reduction in the number of all pensioner households in the Northern West Sussex Housing Market since 1991, however, unlike the Coastal

Housing Market (34%) the level of pensioner households in the Housing Market Area (24.0%) is only slightly lower than the regional level of 24.6%.

5.45 The 2001 Census household size in the Northern West Sussex Housing Market is 2.41 persons per household living in an average of 5.67 rooms per household. The equivalent figures for the South East see 2.38 persons across 5.57 rooms. Average household size and the average number of rooms per household are both slightly above regional averages. .

5.46 The average household size in the Northern West Sussex HM has decreased from 2.7 in 1986 and is expected to decrease further to 2.2 by 2029. Horsham is expected to have an average household size in 2029 of just 2.15 persons per household. In the same period the rest of the South East is expected to fall to 2.17 persons per household.<sup>14</sup>

**Figure 5.18: Average Household Size**



Source: ONS and GVA Grimley

5.47 Declining household sizes result from a combination of factors including increased longevity, later marriage/co-habiting and childbearing and higher divorce rates. It means that more housing is necessary to house the same population.

<sup>14</sup> Calculated Household size using Household and Population projections

**Key Messages: Demographic Trends**

- The Northern West Sussex Housing Market has a population of some 357,300 resident in 146,000 households (2004 estimate). 70% of the population lives in urban areas, 16% in the urban fringe and 14% in rural areas.
- The demographic profile of the Northern West Sussex Housing Market is particularly orientated towards middle-aged families with children. The age structure is notably older in the urban fringe and rural areas, where a high quality environment and high house prices attract working households with high housing wealth. However in Crawley, the housing offer caters better for younger workers in their 20s and 30s, with a higher proportion of entry-level market and affordable housing and a focus towards smaller properties.
- We have witnessed relatively strong growth in population (13%) and households in the Northern West Sussex Housing Market over the last 20 years and particularly in Horsham and Crawley. This has resulted from both natural change and net in-migration, potentially partially as a result of environmental and policy restraints to housebuilding in surrounding areas. There is evidence of net movement of households both from London (1600 ppa) and from Surrey to the area.
- The evidence points to movement of middle aged families with children to the area, attracted by the availability of larger housing, good schools and high quality of life.
- Affordability barriers, the availability of suitable employment and lifestyle barriers may have contributed to a declining population of young adults; and there is a below average proportion of single person households.
- We would expect demographic trends, associated particularly with an ageing population, to result in a growing proportion of single person households, and declining overall household size.
- There are some strategic questions moving forward regarding the mix of housing: affordable housing and development of an urban living offer may help to retain younger population and support economic in-migration to work. However movement out of London is likely to remain an important influence on the housing market, with movement potentially both of middle aged family households trading up and seeking the quality of life offered, as well as younger households trying to get onto the housing ladder. Catering for a growing elderly population will also be a key dynamic, and it will be important to provide support to existing households to stay in their own home, and provide opportunities which offer choices for older households to move to attractive new housing which is suitable for their needs.

## 6. LOCAL ECONOMIC TRENDS

- 6.1 The fortunes of the economy and housing market are closely intertwined, with housing a driver of, but also responsive to, national and local economic growth and performance. It is therefore critical in our review of the housing market to understand the economic context in which it is based.
- 6.2 This section considers local economic performance, considering Gross Value Added (GVA) and earnings, the economic and sectoral structure, labour market dynamics and commuting patterns. It is based on our understanding that the economy and housing market are linked, the economy being a key driver of (domestic and international) migration patterns; whilst recognising on the other hand that an areas housing-quality of place offer influences its labour market skills profile and its attractiveness as a business location. There is also a relationship between economic structure and earnings, which impacts upon affordability.
- 6.3 Clearly macro-economic trends (including interest rates, inflation and the availability of credit) are having a significant short-term bearing on the housing market. These have been addressed separately as a context to the assessment of the active market.

### CONTEXT

- 6.4 The UK economy, which has been stable and experienced strong growth over the last decade, appears to be set for a slowdown (as we have described). Provisional Q4 2007 UK economic growth indicates that in Q4 only a gradual economic slowdown was underway. Growth was a slightly below trend 0.6%, or 2.3% annualised, compared with annualised growth of 3% in Q3, 3.2% in Q2 and 3.1% in Q1 and a long-term average of 2.7%. The equivalent Eurozone figures for Q4 were somewhat weaker, at an annualised 1.6%, and in the USA growth was a very weak 0.6% annualised.
- 6.5 There are two key areas where the slowdown was most evident. One was the business services/ finance sector, where annualised growth slowed from close to 5.5% in Q3 and Q2 to 2.0% in Q4, reflecting the problems in the financial sector caused by the credit squeeze. The other was the slowdown in retail sales volumes, where growth slowed from over 5% in Q3 and Q2 to 2.1% in Q4, although over the 3 months (November - January) growth was a slightly stronger at 2.3%. The manufacturing sector continued to show weak growth and in Q4 output shrank by nearly 1% annualised.

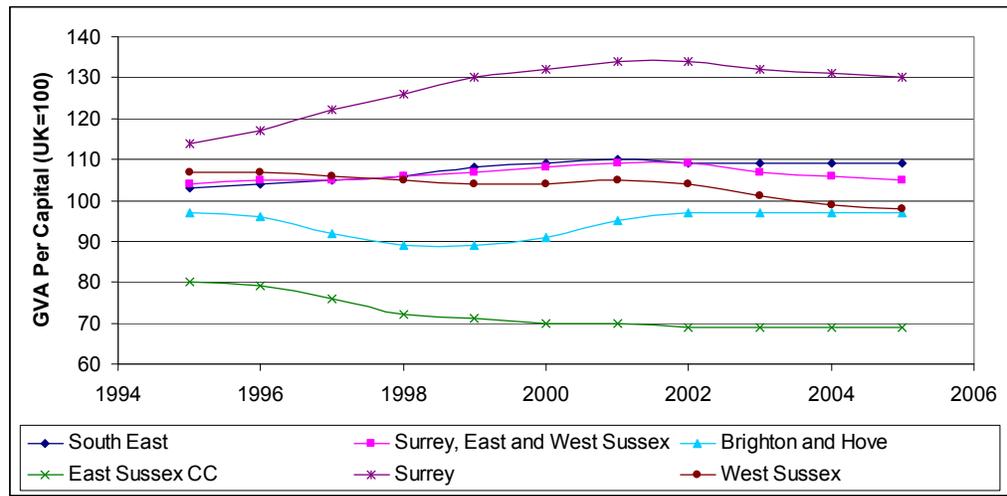
- 6.6 The UK's first bank run in many years (Northern Rock) and the continuing global credit crunch have added to the gloomy predictions for future economic growth. There is also evidence of the beginnings of a housing market decline with Halifax reporting that house prices fell by 2.5% in March, the biggest decline since 1992. Mervyn King, governor of the Bank of England, predicts "marked slowing of growth" and "very weak" consumer spending in 2008. This, coupled with a weaker pound and higher commodity prices, is leading to fears of spiralling inflation in the UK.

## ECONOMIC GROWTH TRENDS

- 6.7 The South East is the second strongest regional economy in the UK behind London. It contributes 14.5% to national economic output (GVA) and is notably more productive than average, with GVA per capita of 109% of the UK average<sup>15</sup>.
- 6.8 GVA per capita in West Sussex (as a measure of the relative productivity of the economy) has historically been above that of the UK average. Taking the UK's GVA per capita figure as 100, GVA per capita in West Sussex ranged from 107 in 1995 to 101 in 2003. However, in 2004 and 2005 GVA per capita in West Sussex dipped below the UK average. This indicates a clear decline in the County's relative productivity to below the national average. It suggests that the level and quality of economic growth in the County is failing to keep pace with areas elsewhere in the region and nationally.
- 6.9 Setting West Sussex's performance in a sub-regional context, it performs more strongly than East Sussex and Brighton and Hove, but is less productive than Surrey. Economic productivity in Surrey is significantly above the national average. This is shown in Figure 6.1 below.

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<sup>15</sup> ONS, 2005 data

**Figure 6.1: GVA Per Capita in selected areas of the South East**

Source: ONS 2006

## EMPLOYMENT LEVELS

### CURRENT EMPLOYMENT

- 6.10 Employee numbers currently stand at 182,033 in the Northern West Sussex Housing Market according to the latest Annual Business Inquiry (ABI). This compares to 338,955 in West Sussex and 3,642,021 in the South East. This is shown in Figure 6.2 below:

**Figure 6.2: Employee Numbers in Northern West Sussex Housing Market**

Area	Employees	% of Relevant Area
Crawley	79,411	44% (of HM)
Horsham	48,775	27%(of HM)
Mid Sussex	53,847	30%(of HM)
Northern West Sussex HM	182,033	54%(of West Sussex)
West Sussex	338,955	9% (of South East)
South East	3,642,021	15% (of England & Wales)
England & Wales	23,812,586	

Source: ABI/GVA Grimley

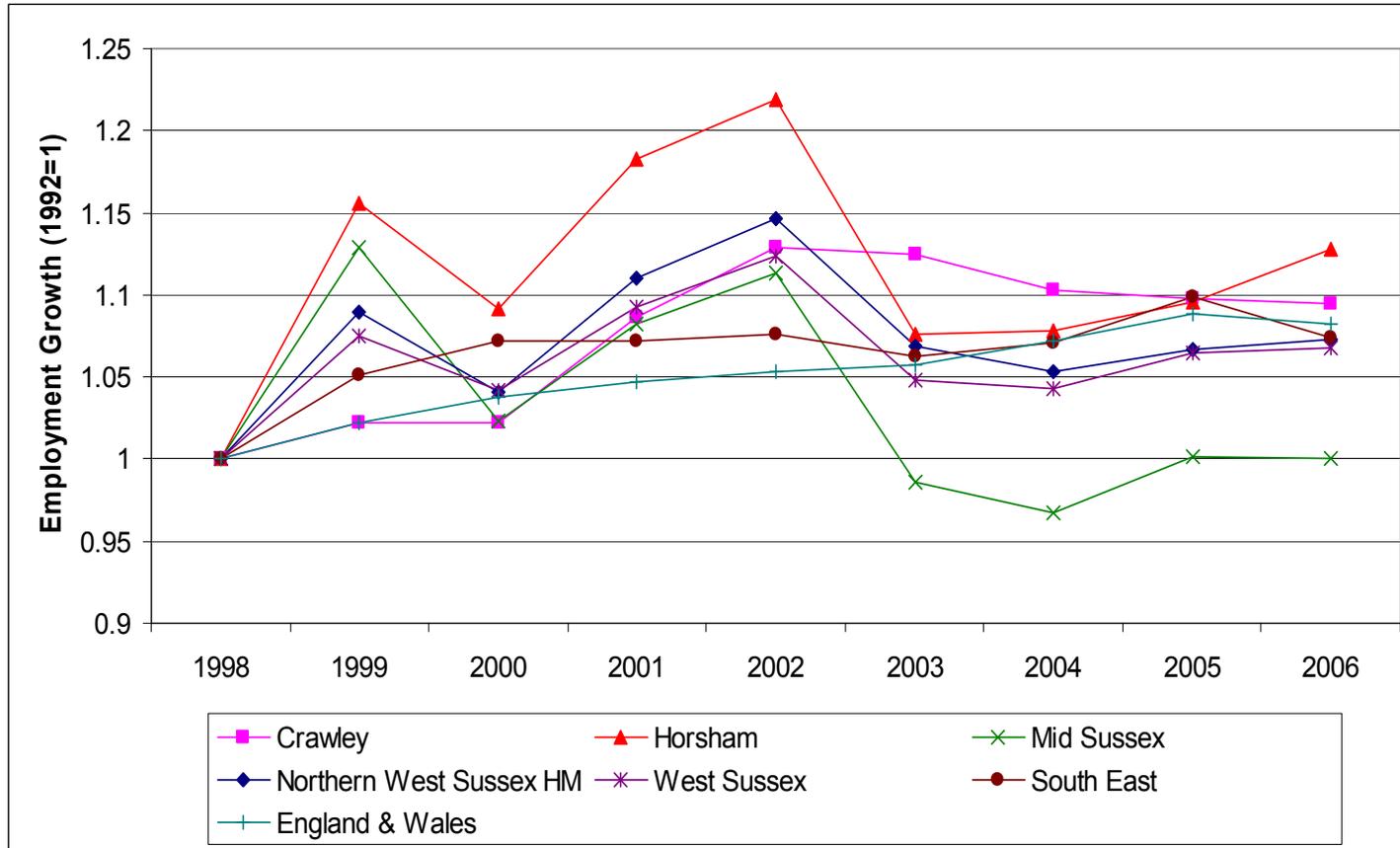
- 6.11 It is evident that Crawley is the dominant economy in this housing market, accounting for 44% of its employees. Mid Sussex and Horsham account for 30% and 27% of employees respectively based on the location of jobs.

- 6.12 A jobs density of one equates to an equal number of filled jobs to working-age residents. Crawley in fact has more jobs than residents, with a job density of 1.28 in 2001; whilst the jobs density in Mid Sussex and Horsham is lower at 0.81 and 0.86 respectively against a South East average of 0.87 reflect a degree of net out-commuting from these areas.

## EMPLOYMENT GROWTH

- 6.13 Employment growth in Northern West Sussex between 1998 and 2006 was 7% which is the same as West Sussex County, the South East and England & Wales (8%).
- 6.14 Horsham and Crawley have however experienced comparatively high rates of economic growth compared to the selected areas at 13% and 9% respectively (1998-2006). Employment in Mid Sussex has not grown since 1998, and in some years has declined. This is shown in Figure 6.3 below.

Figure 6.3: Employment Growth, 1998-2006



Source: ABI/GVA Grimley

## SECTORAL COMPOSITION

- 6.15 Across the Housing Market, the largest sectors in terms of total employment are Wholesale/ Retail (31,000), Transport/ Communications (26,000), Other Business Services (25,000) and Manufacturing (21,000).

**Figure 6.4: Sectoral Composition of Employment, 2006**

	D. Manufacturing	F. Construction	G. Wholesale & Retail Trade	H. Hotels & Restaurants	I. Transport, Storage	J. Financial Intermediation	K. Other Business Services	L. Public Administration	M. Education	N. Health & Social Work	O. Other Service Activities
Crawley	9%	1%	15%	7%	32%	4%	18%	4%	4%	4%	2%
Horsham	12%	5%	19%	6%	4%	4%	20%	2%	11%	8%	7%
Mid Sussex	9%	4%	17%	6%	4%	8%	17%	2%	11%	14%	7%
Northern West Sussex HM	10%	3%	17%	6%	16%	5%	18%	3%	8%	8%	5%
West Sussex	10%	4%	17%	7%	10%	5%	17%	4%	9%	12%	5%
South East	9%	4%	18%	7%	6%	4%	21%	4%	10%	12%	5%

Source: ABI

- 6.16 We have used location quotients to compare the economic structure at the Housing Market and local authority levels to the region. Location quotients compare the relative size of a sector in one area against relevant comparator areas. A location quotient above 1.0 indicates that the sector contributes more to total employment than in the comparator area. This is an indication that the area in question has a comparative locational advantage or specialism in this particular sector.
- 6.17 Our location quotient analysis shows that West Sussex has a comparative advantage in Agriculture which is expected because of the County's rural nature. West Sussex also has a comparative advantage in Transport, Storage and Communication which is principally linked to the presence of Gatwick Airport. Manufacturing and Utilities are also marginally above average for the Region.
- 6.18 Figure 6.5 shows that the Northern West Sussex Housing Market has a comparatively strong Transport and Distribution sector. This is due to the presence of Gatwick within the Housing Market and indicates the airports position as the major economic driver within the area. It also has a strong locational advantage in Financial Intermediation, indicating a good level of relatively high skilled employment. Manufacturing also has a slight comparative advantage within the Housing Market compared to the South East. The

locational advantage data shows the strength of Gatwick Airport in driving the Housing Market's economy.

- 6.19 As the Regional Economic Strategy recognises there is particular dependence of the local economy on the Transport sector (with a location quotient of 2.6 across the Housing Market and 5.3 in Crawley). This provides a degree of vulnerability in that future growth may be influenced by national decisions regarding the development of a second runway at Gatwick, and to global performance of the Aviation/Aerospace Industry.
- 6.20 The one point of caution is that other business services, a major driver of the UK economy and typically incorporating high value employment, has a comparatively low presence in the Northern West Sussex Housing Market compared to the South East.
- 6.21 As expected, it is Crawley District that has the highest presence of Transport employees directly linked to Gatwick Airport. Horsham meanwhile has a more balanced sectoral mix with a comparatively higher presence of manufacturing than the other districts, as well as a comparatively strong Retail and Education sector. Mid Sussex shows different characteristics again, with Financial Intermediation businesses particularly strong within the District.
- 6.22 Major sectors and location quotients compared to the South East are shown in Figure 6.5 below.

**Figure 6.5: Location Quotient of selected sectors v South East in Northern West Sussex**

	Agriculture	Mfg	Retail	Hotels etc	Transport	Financial Intermediation	Other Business Services	Public Administration	Education	Health & Social Work
Crawley	0.1	1.1	0.8	1.0	5.3	1.2	0.8	0.8	0.5	0.3
Horsham	0.9	1.3	1.1	0.9	0.6	1.2	1.0	0.5	1.2	0.7
Mid Sussex	1.3	1.0	1.0	0.9	0.6	2.3	0.8	0.6	1.1	1.2
Northern West Sussex HM	0.7	1.1	0.9	0.9	2.6	1.5	0.9	0.7	0.9	0.7
West Sussex	1.6	1.1	1.0	1.0	1.6	1.3	0.8	0.9	1.0	1.3

Source: ABI 2006

## SECTORAL GROWTH

- 6.23 The major growth sectors in West Sussex are other business services and education, which grew by 34.8% and 25.2% between 1998 and 2006 respectively. The sector that declined the most over this period was Manufacturing, in line with national trends, but also Financial Intermediation. The Manufacturing sector's decline was more pronounced in West Sussex at 13.9% compared to the regional average of 9.2% and 0.6% in England & Wales.
- 6.24 The major growth sectors in the Northern West Sussex Housing Market since 1998 have been Other Business Services and the public sectors of Education and Health & Social Work. Business Activities increased by 32.6% which was less than the 34.8% increase in West Sussex as a whole (but above regional/ national levels). Similarly while Education increased by 20.9% this was lower than the increase in West Sussex of 25.2%. The sector that increased at a comparatively strong rate was Health & Social Work which increased by 25.2% compared to only 7.4% in West Sussex. The level of growth was however reasonably consistent with wider regional/ national trends.
- 6.25 Major growth in the Other Business Services sector occurred in Horsham (62.6%) and Crawley (34.3%) while Mid Sussex did not achieve high growth by comparison (8.5%). Horsham achieved the highest levels of growth in Education, experiencing a 27.4% increase between 1998 and 2006. Crawley meanwhile saw the highest amount of growth in Health & Social Work with an increase of 70.2%. Although the overall trend in Manufacturing was one of decline, the number of employees in Manufacturing increased in Horsham, indicating the relative strength of the sector in marked contrast to the rest of the Housing Market.
- 6.26 Sector growth in the Northern West Sussex Housing Market is shown in Figure 6.6 below.

**Figure 6.6: % Change 1998 – 2006 by sector in West Sussex and Selected Areas**

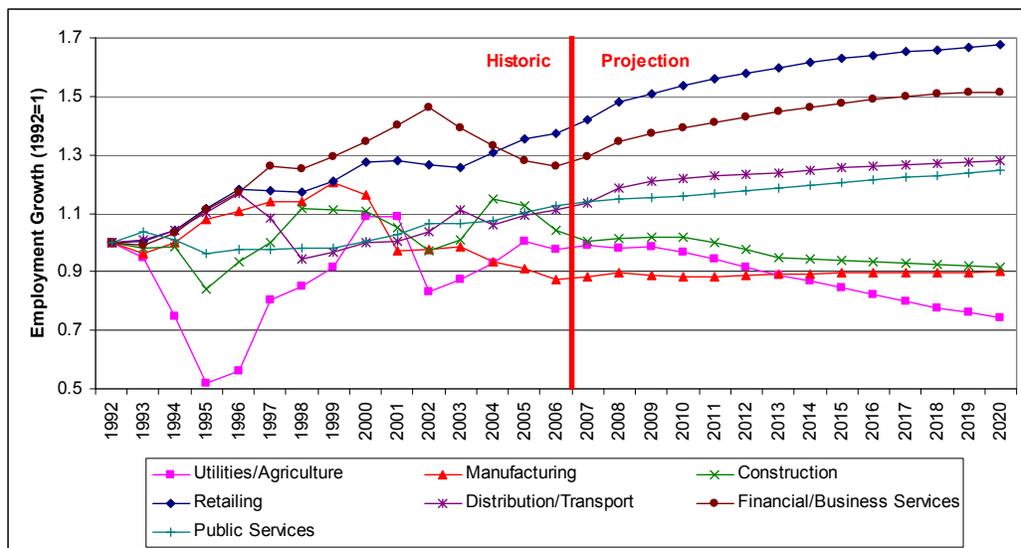
Change 98-2006	Agriculture	Manufacturing	Retail	Hotels	Transport	Financial Intermediation	Business Activities	Public Administration	Education	Health & Social Work
Crawley	0.0%	-23.2%	-10.5%	4.8%	17.5%	54.0%	34.3%	12.6%	9.2%	70.2%
Horsham	-21.9%	10.6%	6.8%	3.9%	-22.5%	-27.7%	62.6%	-3.9%	27.4%	35.4%
Mid Sussex	27.5%	-24.5%	-0.1%	4.0%	-6.2%	-30.0%	8.5%	2.0%	22.8%	9.5%
Northern West Sussex HM	1.8%	-15.2%	-2.4%	4.3%	12.1%	-13.3%	32.6%	6.3%	20.9%	25.2%
West Sussex	4.7%	-16.7%	0.0%	3.7%	9.0%	-13.9%	34.8%	8.7%	25.2%	7.4%
South East	5.2%	-27.1%	-1.9%	15.5%	2.4%	-9.2%	29.0%	-14.4%	31.4%	24.5%
England & Wales	10.4%	-28.9%	1.4%	14.3%	10.1%	-0.6%	30.0%	8.3%	28.6%	26.1%

Source: ABI (2006)



- 6.27 Looking forward, the shorter term economic direction is uncertain, although in the longer term we expect to see continued contraction in the Manufacturing sector. While the current economic slowdown is affecting performance of the Financial Intermediation and Other Business Services and Retail sectors, we would expect continued growth in these areas over the longer-term. Development of Town Centre North in Crawley and the programme of regeneration schemes underway in the Mid Sussex towns should provide an impetus to growth in the Retail sector. The Transport sector, in which there is a high degree of specialism, is clearly an area of risk. In the public sectors, where Government spending has been high over the last decade, we may see more moderate growth looking forward.
- 6.28 Analyses of future growth forecasts within West Sussex confirm this view. Forecasts demonstrate that the sectors predicted to grow are Retail and Financial Intermediation and Other Business Services. To a lesser extent Distribution/Transport and public services are also set to grow. Financial Intermediation and Other Business Services also offer strong growth opportunities in the Northern West Sussex Housing Market with growth predicted in West Sussex which will filter through to the area.
- 6.29 This is shown in Figure 6.7 below:

**Figure 6.7: Sector Growth Forecasts for West Sussex 1992 to 2020**



Source: Experian/GVA Grimley (2006)

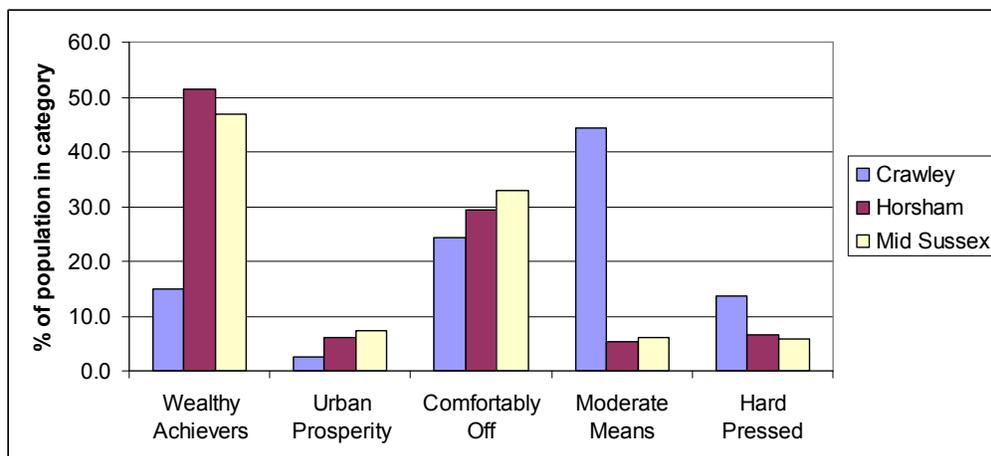
## OCCUPATIONAL STRUCTURE

- 6.30 We have analysed the occupational structure of those who live in West Sussex, based on the ACORN classification developed by CACI/ Experian. This divides the population into broad categories for occupations as follows:

- Wealthy Achievers
- Urban Prosperity
- Comfortably Off
- Moderate Means
- Hard Pressed
- Unclassified

6.31 Figure 6.8 below shows how the occupational profiles within the Northern West Sussex Housing Market.

**Figure 6.8: Occupational Profile within Crawley, Horsham and Mid Sussex**



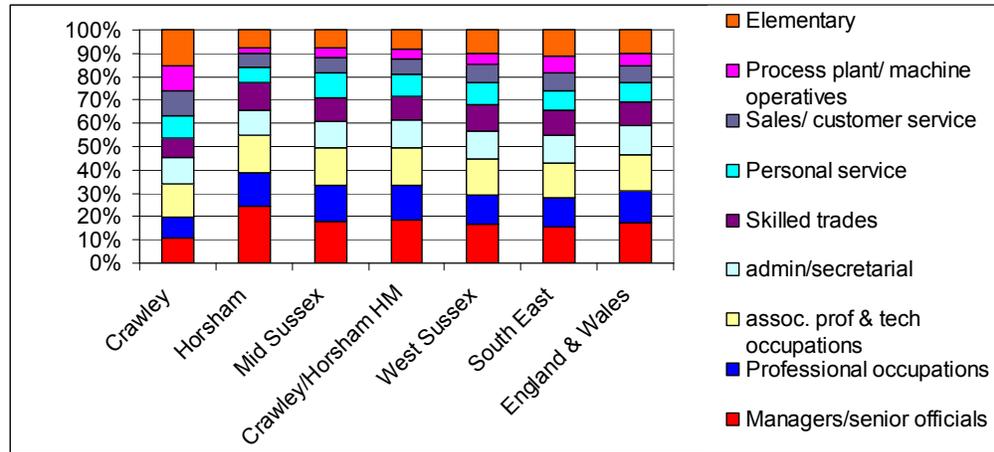
Source: EGI/CACI 2006

6.32 It is clear from Figure 6.8 above that Horsham has the most affluent population with 51% classed as wealthy achievers, compared to Mid Sussex which has less at 47%. Crawley is significantly below both of these authorities with only 15% classed as wealthy achievers indicating the relatively poorer occupation profile. While Crawley is the dominant economy in employee terms the resident profile suggests that those with the higher value jobs actually live in Horsham and Mid Sussex (or further afield).

6.33 The analysis of occupations set within the context of West Sussex, South East and England & Wales shows that the Northern West Sussex Housing Market has a higher proportion of people in top level occupations (managers/professional occupations) than West Sussex, South East and England & Wales. It also has a smaller proportion of people in low skilled jobs (elementary/process plant). Horsham is the District with the highest proportion of its population in “high value” jobs and the lowest proportion in “low value” jobs, further supporting the idea of wealthy residents living in this District. Mid Sussex also has a large proportion of residents in “high value jobs.” Crawley is particularly low in “high

value” jobs further supporting the idea that while it is the main focus of employment it is not necessarily where high earning individuals live. This is shown in Figure 6.9 below.

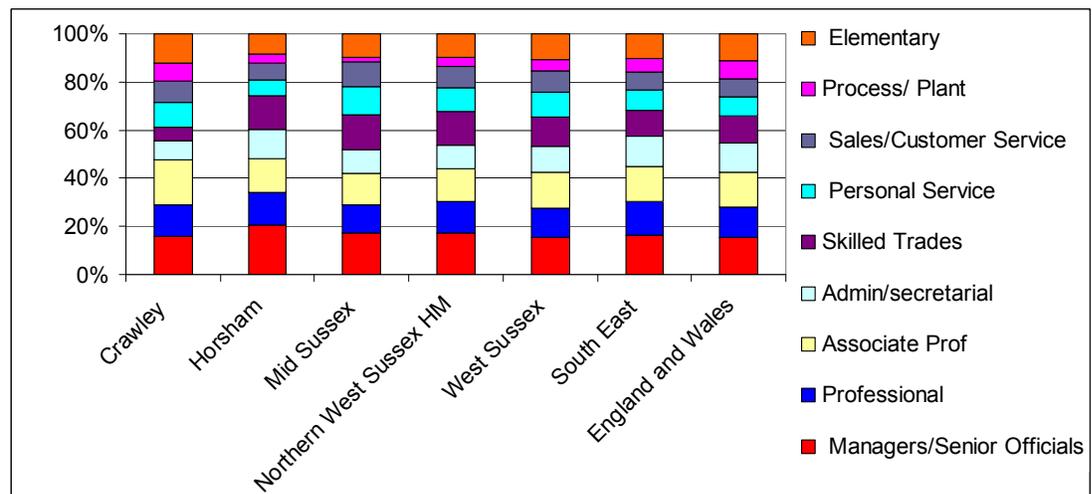
**Figure 6.9: Occupational Levels by Population in West Sussex and Associated Areas**



Source: APS 2006

6.34 The occupational profile of the workplace in the Northern West Sussex Housing Market is similar to the population profile. However, an analysis at a District level interestingly shows that Horsham is not as dominant with comparatively less people in “high value” jobs. This suggests that those who live in the District with top level jobs do not necessarily work in the District. Crawley has a higher proportion of its workers in “high value” jobs than its residents and reaffirms the view that Crawley is an attractive destination for working while not necessarily offering the same attraction to high earning residents. This is shown in Figure 6.10 below.

**Figure 6.10: Occupation Levels by Workplace in West Sussex and Associated Areas**



Source: LFS 2006

- 6.35 These distinctions reflect to a degree the housing-quality of place offer, and are borne out in travel patterns.

## COMMUTING PATTERNS

- 6.36 The Northern West Sussex Housing Market has quite a dynamic population in terms of travelling to work with 73% level of self containment. Crawley is the most popular location for employment with 28.8% of all employees travelling to work in that District.
- 6.37 The Northern West Sussex Housing Market Area has particularly strong links to London where 9.2% of residents find employment, often in higher value and better paid employment which in turn helps drive house prices given increased income levels and better affordability. Other important locations from employment are Brighton and Hove (2.6%) and the districts of Reigate and Banstead and Tandridge to the north (4.6% combined).

**Figure 6.11: Journeys to Work to and From Northern West Sussex Housing Market**

	From Northern West Sussex HM		To Northern West Sussex HM	
	Journeys	% of Total	Journeys	% of Total
Crawley	50837	28.8	39932	21.4
Horsham	39115	22.1	43959	23.6
Mid Sussex	38820	22.0	44881	24.0
Northern West Sussex HM	128772	72.9	128772	69.0
Coastal West Sussex HM	4701	2.7	10042	5.4
West Sussex Total	133473	75.5	138814	74.4
London	16300	9.2	13694	7.3
Reigate Banstead and Tandridge	8135	4.6	8993	4.8
PUSH	313	0.2	621	0.3
Brighton & Hove	4633	2.6	9913	5.3
Total	176721	100.0	186618	100.0

Source: Census 2001

- 6.38 Those travelling to the Northern West Sussex Housing Market for employment include 7.3% from London as well as 5.4% from the Coastal West Sussex Housing Market Area.

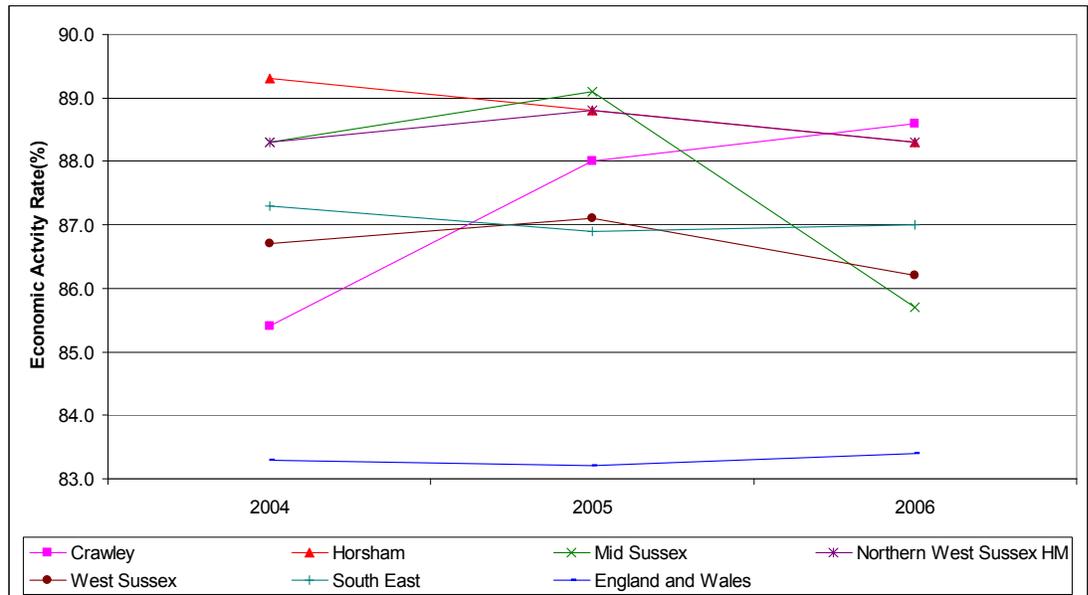
## LABOUR MARKET

### ECONOMIC ACTIVITY

- 6.39 The Northern West Sussex Housing Market has a higher economic activity rate than West Sussex with 88.3% economically active in the Northern West Sussex Housing Market

compared to 86.2% in West Sussex. This shows that the area is a particularly strong employment destination with economic activity rates above regional and national averages. Economic activity rates among the individual Districts are all broadly similar indicating the strength of the labour market throughout the area. This is shown in Figure 6.12 below:

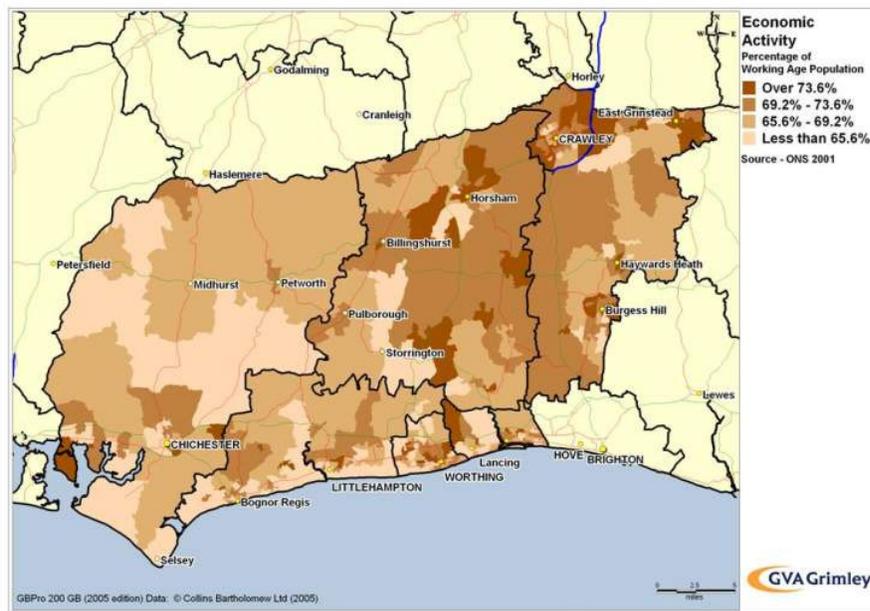
**Figure 6.12: Economic Activity Rates in Northern West Sussex Housing Market**



Source: APS 2006

6.40 The plan below shows levels of economic activity at a lower level in 2001.

**Figure 6.13: Economic Activity, 2001**

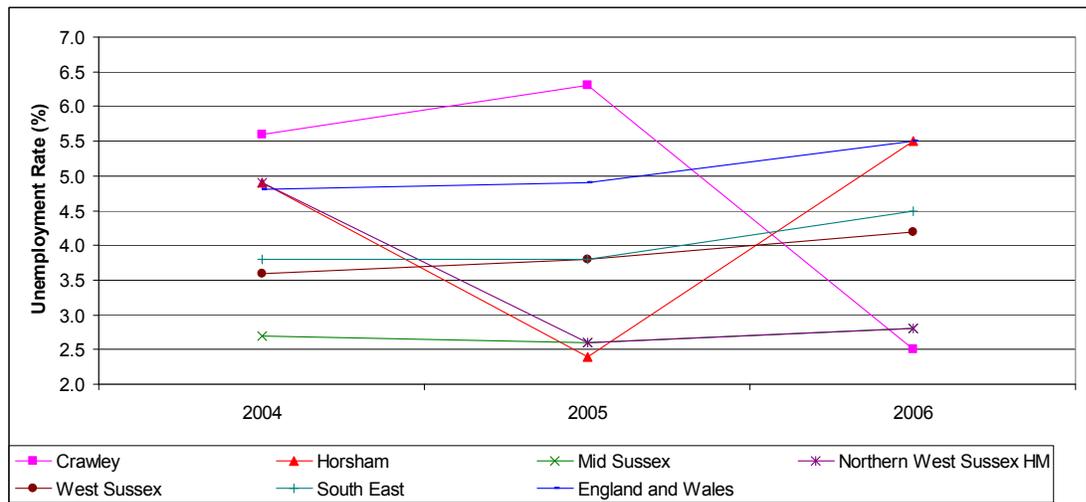


- 6.41 The plan indicates that economic activity is notably higher in the Northern West Sussex Housing Market than in the Coastal districts. Localised pockets of lower economic activity are evident at a ward level. Economic activity however appears highest in some of the suburban environments/ urban fringe around the main towns.

## UNEMPLOYMENT

- 6.42 The unemployment rates from the Annual Population Survey show similar results to the economic activity rates with West Sussex and the Northern West Sussex Housing Market having unemployment rates below regional and national averages. It also shows that the rate of unemployment in Crawley has decreased while the rate in Horsham has increased between 2005 and 2006. This is shown in Figure 6.14 below.

**Figure 6.14: Unemployment Rates**



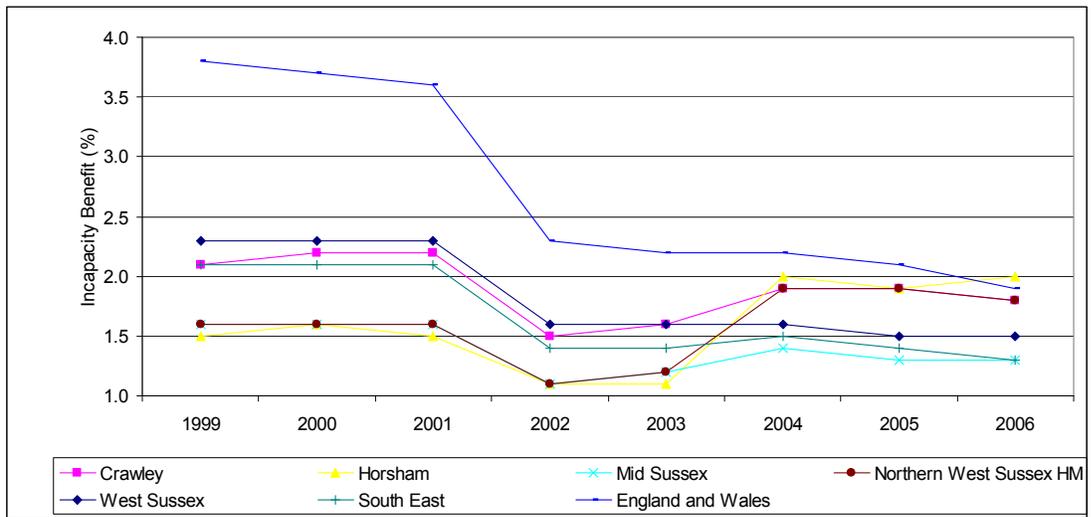
Source: APS 2006

- 6.43 There are however notable risks to employment levels from short-term economic trends, should these persist.

## BENEFITS DEPENDENCY

- 6.44 Analysing benefits dependency is a further indication of the prosperity of the Northern West Sussex Housing Market and also influenced need for affordable housing or housing benefit. The Northern West Sussex Housing Market has a slightly higher proportion of benefit claimants than West Sussex with Horsham and Crawley showing particularly high proportions of benefit claimants. This is shown in Figure 6.15 below.

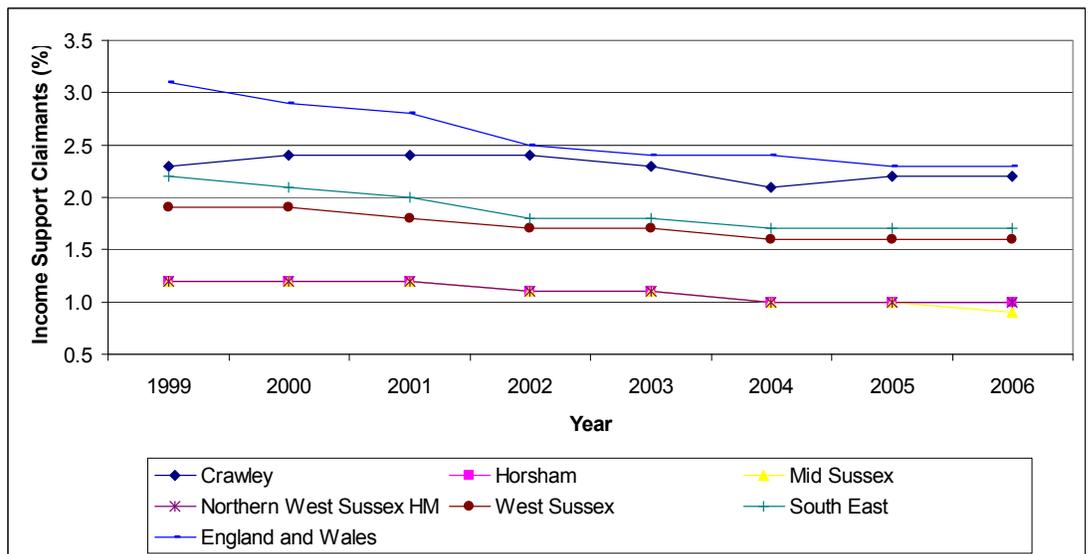
**Figure 6.15: Incapacity Benefit Claimants**



Source: WPLS 2006

6.45 The income support claimants show similar patterns with the Northern West Sussex housing market having less people on income support than West Sussex and regional and national levels. It also shows that Crawley has a higher proportion of income support claimants than the other Districts in the Housing Market. This is shown in Figure 6.16 below:

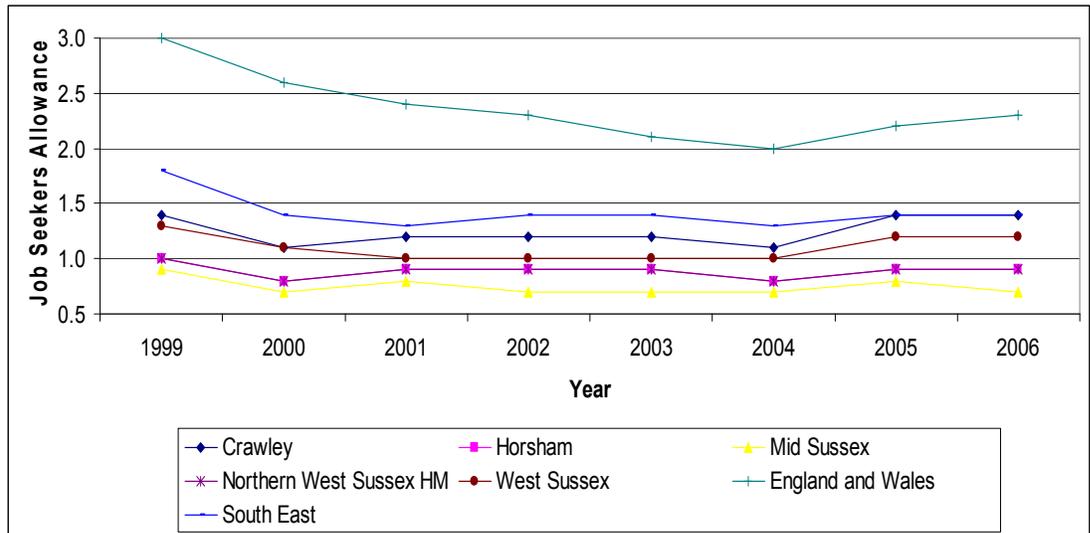
**Figure 6.16: Income Support Claimants**



Source: WPLS 2007

6.46 It is a similar story for Job Seekers Allowance with Crawley again having a higher number of people claiming benefit. This is shown in Figure 6.17 below.

**Figure 6.17: Job Seekers Allowance Claimants**

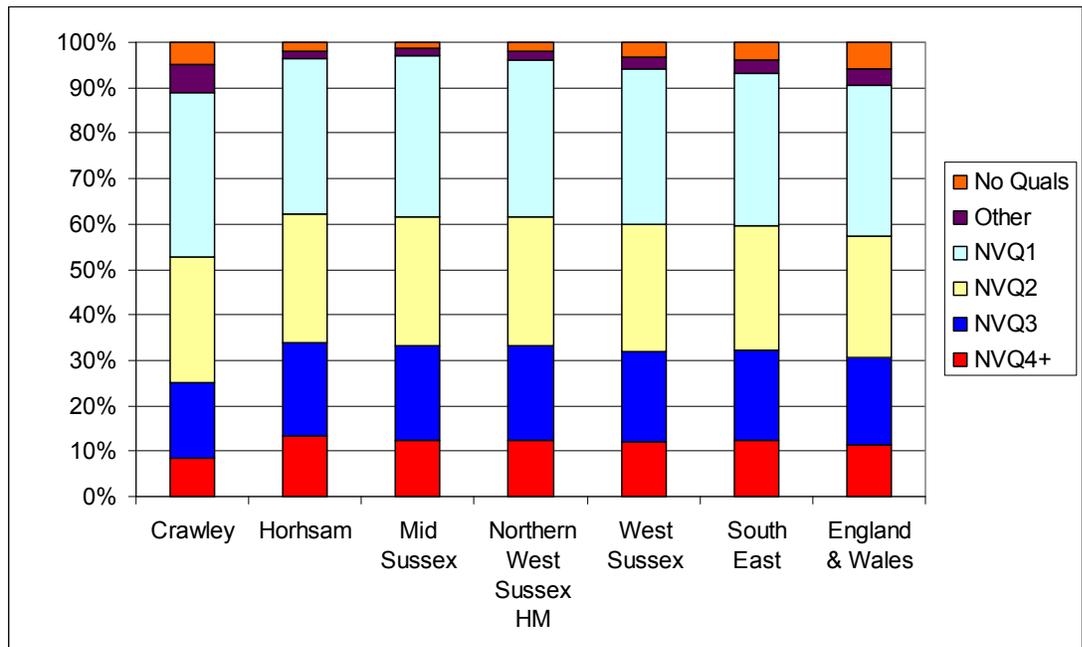


Source: WPLS 2007

## QUALIFICATIONS

6.47 The Northern West Sussex Housing Market and West Sussex are very similar in qualification terms, with a labour force with above average skills levels.

**Figure 6.18: Qualification Levels in Northern West Sussex and surrounding areas**



Source: APS 2007

6.48 Horsham District has the most qualified population in the Housing Market with 35% attaining level 4 NVQ (equivalent to a degree); Conversely Crawley has the lowest level of level 4 attainment at only 18% and 10% with no qualifications whatsoever.

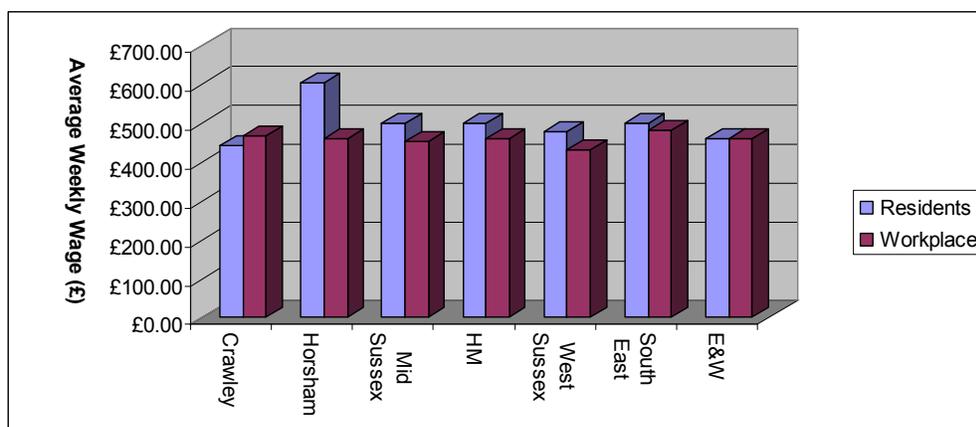
## EARNINGS

6.49 The Northern West Sussex Housing Market has a wide range of residents earnings across its three districts. Horsham District residents average £602 per week<sup>16</sup> whereas those residing in Crawley earn on average £442. However when workplace earnings<sup>17</sup> are analysed Crawley has a higher figure (£466) than both Horsham (£458) and Mid Sussex (£450).

6.50 Workplace earnings provide us with a measure of the productivity of local areas: it shows that Crawley's economy is actually probably quite high value. The analysis however indicates a highly skilled workforce leaving Horsham and Mid Sussex (almost certainly to London) to find higher paid employment.

6.51 Residents in the Northern West Sussex Housing Market Area as a whole average £498 per week, this figure is broadly in line with the rest of the South East (£499) but above the West Sussex (£477) and England and Wales (£460). Workplace earnings for the Housing Market are considerable lower (£459) than residents earnings and are below the rest of the South East (£480) and England and Wales (£460).

**Figure 6.19: Earnings Differentials**



Source: ASHE (2007)

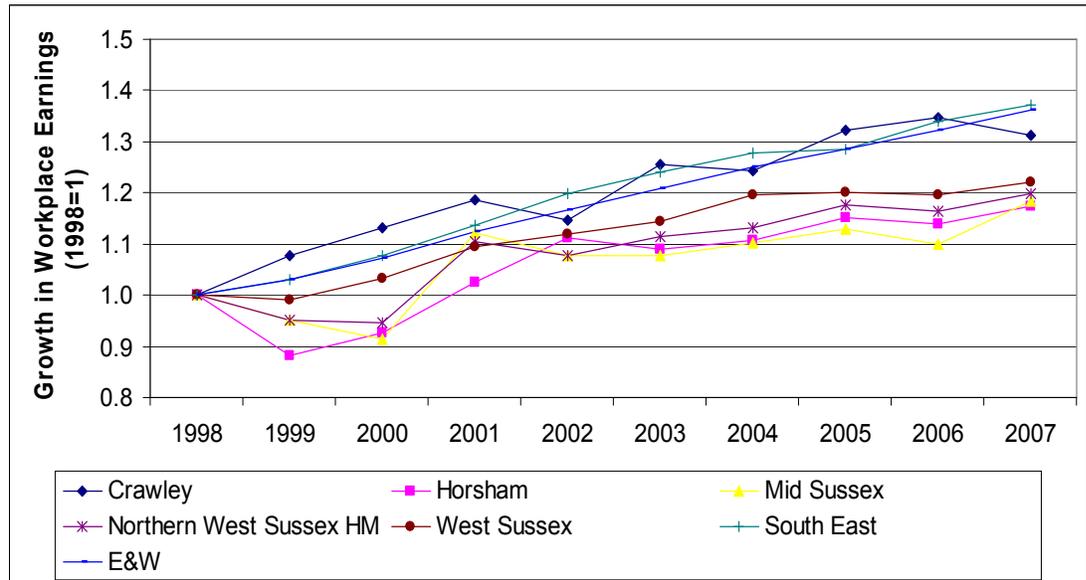
6.52 Workplace Earnings in the Northern West Sussex Housing Market have not grown at the same rate (20%) as the South East (37%) or England and Wales (36%) since 1998,

<sup>16</sup> 2007 Median Gross Pay per Week for Full-Time Workers.

<sup>17</sup> Work place earnings – represent the wages of those working in the area, regardless of whether they live there or not.

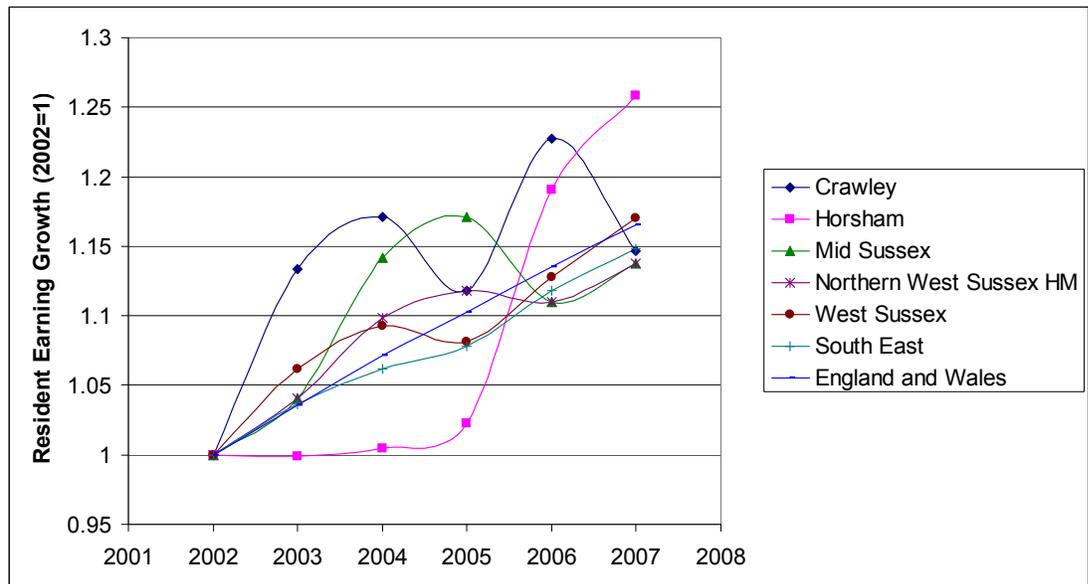
although Crawley District (31%) on its own has grown at a stronger rate whereas Horsham achieved only 17% growth, and Mid Sussex 20%. The indication (confirmed by the analysis of GVA) is that the relative economic performance of the area has not been keeping pace with wider region/ national trends; it has been slipping back.

**Figure 6.20: Trend in Workplace Earnings**



Source: ASHE 2007

- 6.53 Residents Earnings in the Northern West Sussex Housing Market since 2002 have grown at a much slower rate (14%) than the National (17%) and Regional Comparators (15%). There are however some internal dynamics: earnings in Horsham District have grown at a huge rate particularly in the last two years where average earnings rose from £489 in 2005 to £602 two years later, a growth of 23%.

**Figure 6.21: Trend in Residents Earnings**

Source: ASHE

## DEPRIVATION

- 6.54 Broadly there are no severe issues with deprivation within the Northern West Sussex Housing Market Area with less than 0.5% of the area classed as deprived. No district within the Housing Market Area is in the lower 50% nationally for deprivation with both Mid-Sussex and Horsham in the 20% least deprived nationally.

**Figure 6.22: Index of Multiple Deprivation by Percentile**

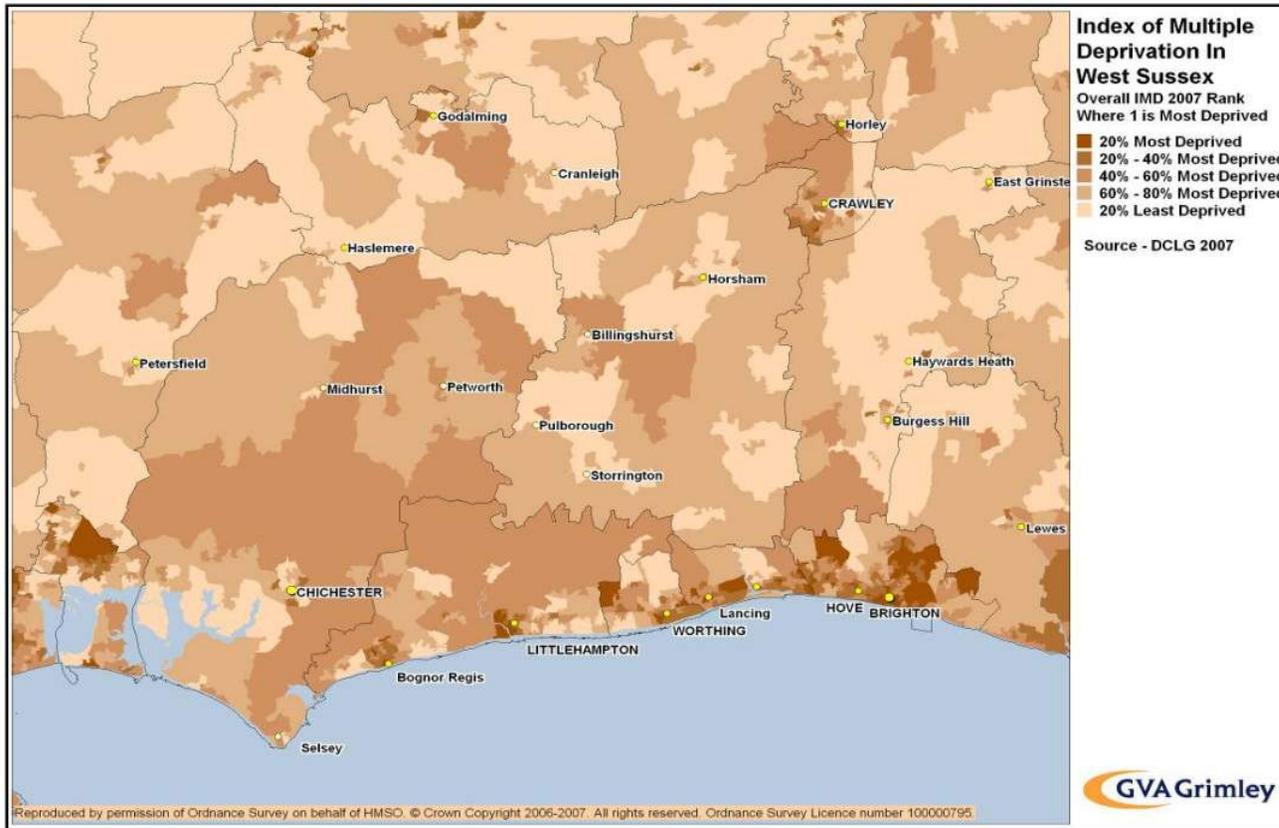
	OVERALL	LIVING ENVIRONMENT	CRIME & DISORDER	BARRIERS TO HOUSING & SERVICES	EDUCATION, SKILLS & TRAINING	HEALTH DEPRIVATION	EMPLOYMENT	INCOME
Crawley	58	75	54	37	43	64	61	54
Horsham	83	74	80	46	78	93	82	75
Mid-Sussex	84	76	75	62	76	85	81	76
Northern West Sussex	76	75	71	49	68	82	76	70

Source: DCLG 2007

- 6.55 This said, there are neighbourhoods in Crawley which are notably more deprived. These are particularly concentrated in the west of the town, and include the older neighbourhoods of Langley Green, Bewbush and Broadfield. These areas have a higher level of social housing ownership as well as higher levels of rented properties as well as tired neighbourhood centres and limited investment. This is borne out in relatively lower house prices.

- 6.56 Where pockets of deprivation exist elsewhere in this housing market it is particularly driven, both scale and extent by Barriers to Housing and Services, as would be expected in rural areas of the country (the access to services is weighted heavily within the Barriers to Housing and Services IMD component).

Figure 6.23: Map of Overall Deprivation in West Sussex



**Key Messages: Economic Profile**

- Economic productivity across the Northern West Sussex Housing Market area is similar to the national average, but below average compared to other parts of the South East region. Within the area however, Crawley's economic performance appears notably stronger.
- The area has 182,000 employee jobs; with a concentration of employment in Crawley which results in net in-commuting. Economic growth, in parallel with West Sussex as a whole, does not seem to have kept pace with wider regional and national trends in recent years. Indeed employment in Mid Sussex has remained relatively static.
- There is an economic specialism in the transport sector, with Gatwick Airport being a major economic driver, as well as in manufacturing and financial intermediation. There is some degree of vulnerability or economic exposure associated with high degree of employment in the transport sector. The business activities sector, which is currently under-represented, has growth strongly in recent years, as has employment in education and health linked to strong public spending.
- Key potential growth sectors moving forward include financial and business services, the retail sector and possibly transport. There are however short-term risks associated with the economic downturn (which is currently affecting the financial, property, retail and manufacturing sectors particularly).
- Crawley's workforce occupational profile is focused towards younger, lower skilled and blue collar workers, with a notable proportion of those in higher level managerial/professional occupations commuting into the area including from Horsham and Mid Sussex which have a higher order housing-quality of place offer. Horsham and Mid Sussex are relatively affluent areas, with 51% and 47% of households respectively classified as wealthy achievers.
- Levels of economic participation are generally high, with conditions of almost full employment, although there are pockets of deprivation particularly in west Crawley. Workplace earnings are however below average, except in Crawley with a notable proportion of people commuting out of the area to London to access higher-value employment. Below average earnings growth is also likely to have contributed to increasing housing affordability pressures.
- The Housing Market offers a strong skills base, good quality housing offer and high quality of life with good accessibility. These are key building blocks for achieving high value-added economic growth

## 7. BRINGING THE EVIDENCE TOGETHER

- 7.1 In this short section we bring together the research undertaken to identify the key characteristics and drivers of change in the Northern West Sussex Housing Market, and to start to consider what the potential implications of this might be for future housing and planning policies and activity.

### CONTEXT

- 7.2 There is a single functional Northern West Sussex Housing Market, centred on the Crawley and Horsham and extending south to Haywards Health and Burgess Hill, to East Grinstead, Horley and west/ south-west to Billingshurst, Petworth and Pulborough. 70% of the population of the market area lives in urban areas, 16% in the urban fringe and 14% in rural areas.
- 7.3 The key settlements in the area grew around the rail links and there remains a cluster of urban development along the London-Brighton Corridor. While 73% of the working population are employed in the area, there is notable commuting to London (9%) to Reigate & Banstead and Tandridge to the north (5%) and to Brighton & Hove (3%). The Northern West Sussex Housing Market is an attractive place to live, attracting net in-migration from these areas.

### MARKET CHARACTERISTICS

- 7.4 The housing market overall has a housing offer focused towards larger, more expensive properties. While two- and three bed properties are the most abundant, there are a higher proportion of larger dwellings (4+ bed) relative to regional and national profiles. Indeed detached housing is the most prevalent house type (31%) followed by semi-detached. An above average proportion of housing is in private ownership (84%) with high owner occupation, with a social sector which is below average in size.
- 7.5 The housing mix is reflected in the demographic profile, which is orientated towards middle-aged families with children.
- 7.6 There are though notable differences in the housing offer within the area. In Crawley, the New Town, the housing offer is biased towards 3-bed terraced properties and flats: overall with a high level of smaller and cheaper properties. This is borne out in the social composition of the area. Crawley's population is biased towards younger, lower-skilled and blue collar workers. A notable proportion of those in higher level managerial/ professional

occupations commuting into the area, including from Horsham and Mid Sussex which provide a higher order housing-quality of place offer. We believe that there is a degree of complementarity here.

- 7.7 Horsham and Mid Sussex districts contain large rural areas and a number of attractive market towns. The housing offer is characterised by a high proportion of larger, detached and semi-detached properties (> 60%) which attract middle-aged families with children. These are fairly affluent areas, with 51% and 47% of households in Horsham and Mid Sussex classified as wealthy achievers. This is borne out in terms of a strong skills base.
- 7.8 Reasonably strong levels of housing development have come forward in the area over the last 20 years as the Housing Market includes a New Town and has been viewed by developers as a core markets given income levels, accessibility and the availability of potential development sites. This is reflected in strong recorded levels of population and household growth in a regional and national context.
- 7.9 London has a key influence on this area, with around 5% of moves resulting from households relocating out of the capital and a net inflow of c. 2360 persons annually. This reflects the area's relative accessibility with good road and rail links; house price differentials; and the high quality of life which the area offers.
- 7.10 There is also a net movement from Surrey into the area (which is likely to be households trading up) and from Brighton and Hove (with a key dynamic here being households moving to larger, family housing). There has been a net movement out of the area to Coastal West Sussex and East Sussex.
- 7.11 We have witnessed strong demand for housing over the last decade supported by sustained macro-economic stability and growth and low interest rates. In the Northern West Sussex Housing Market this has reflected a regional supply/demand imbalance and strong local demand. Median house prices have grown by 208% over the last decade, which has been notably stronger than performance across the region (168%). Price signals indicate that demand is relatively strongest in Horsham and Mid Sussex which reflect the residential offer and quality of place.
- 7.12 Affordability issues are clearly now a significant feature across the region. We have witnessed a sustained deterioration in the affordability of market housing over the last decade, albeit that this has been moderated by a low interest rate, low inflation context.
- 7.13 There has been a notable shift towards delivery of smaller dwellings over the last decade, with one and two-bed units rising as a proportion of total completions from 33% to 73%. This shift has been most notable in Crawley. It is likely to reflect a combination of factors, including household size, affordability of market housing, density policies and as an

investment market to which flats have been particularly attractive. While the flatted market has performed strongly, we consider that this has been notably buoyed by the investment market. It is however at odds with the existing housing mix, and we are concerned that the balance may have shifted too far. This is supported by the changing market conditions, which has particularly affected demand for new-build flats.

## SHORT-TERM DRIVERS OF CHANGE

- 7.14 Since late 2007 we have seen a sharp loosening of market conditions, linked to weakening macro-economic conditions, the impact of the 'credit crunch' on lending and faltering market confidence. A notable downturn in the market is underway with potential implications for both pricing and housing delivery. National sales in Q1 2008 were 37% below the previous year and the lowest level for over a decade and this trend has continued during the later months of 2008. Effective demand is falling.
- 7.15 The slowdown is affecting all elements of the market, but particularly the lower end, associated with a retrenchment of first-time buyers and investors due to changes in lending criteria (and to a degree market confidence). This is having a cascading impact across the market. In rural areas, a key characteristic has been a notable retrenchment in activity.
- 7.16 Against a context of falling reservations and sales, and increased finance costs, house builders are significantly scaling back development activity and reducing their exposure to risk. The potential to increase supply in the short-term to meet underlying demand appears to be severely constrained. As a result we would expect housing completions to fall dramatically in the short-term.
- 7.17 Changing market conditions are supporting demand for private rental properties for those choosing to defer making a purchase or those unable to purchase. This market is however typically supply driven. A risk of rising repossession and other inflationary costs are also likely to feed through into enhanced demand for affordable housing. However as a high proportion of social housing is delivered by S106, it is likely that the supply of affordable housing will also fall against a context of increasing demand.

## LONG-TERM DRIVERS OF CHANGE

- 7.18 Over the long-term, the fundamentals remain strong with a structural imbalance between expected household growth and housing supply at the regional/ national levels. Key drivers at a sub-regional level are likely to be demographic trends and economic performance as well as the Housing Market's strong quality of place offer.

- 7.19 The population has been growing both as a result of net in-migration and from natural increase. It is also ageing and a key long-term driver is likely to be catering for a growing elderly population. Currently there is a high level of under-occupation (79%) by single occupant households, particularly in more elderly age groups, and without intervention this is likely to increase. We believe that there will be opportunities to better use some of the existing housing stock by providing better housing choices and support for older people.
- 7.20 The economy is also a significant long-term driver. Economic growth, in parallel with West Sussex as a whole, does not seem to have kept pace with wider regional and national trends in recent years. Given housing growth, net out-commuting to work may have increased.
- 7.21 We however consider that economic growth potential is strong. The area offers a strong skills base, good quality housing offer, high quality of life and good accessibility. These are key building blocks for higher value-added economic growth. This said there are some key risks, including associated with the future development of Gatwick Airport.
- 7.22 The level and type of housing development in the areas surrounding the Northern West Sussex Housing Market are likely to have an influence on housing demand within it. Reigate and Banstead to the north of the area for instance has been designated a Growth Point. In this area, new Town Centre residential development is likely to come forward in Redhill and Horley, with an additional 5,000 homes elsewhere (of which 2,600 are planned to be in two new neighbourhoods in Horley, immediately north of Crawley). This is likely to have some impact on housing demand in the Northern West Sussex Housing Market, particularly in Crawley. Similarly, we understand that a high proportion of demand in Brighton and Hove is likely to be of smaller, higher density housing (reinforcing the existing housing offer). We would expect Mid Sussex District (as well as Adur) to continue to attract family households moving out of Brighton to larger properties. There are nevertheless, a number of strategic locations within the Northern West Sussex Housing Market area, (including the growth and redevelopment of Crawley Town Centre itself) that will continue to act as counterpoints to those growth locations in adjacent, external areas.

## EMERGING POLICY ISSUES

- 7.23 The impact of the recent housing market and economic decline appears to be resulting in upwards pressures on rental levels (albeit with supply likely to start overtaking demand during 2009), increased barriers to home ownership and a risk of increase in repossessions. This may well increase need for affordable housing. However the ability to increase the delivery of affordable housing may be constrained, reflecting the current funding context, in which a high proportion is delivered through S106, but also inflationary

pressures affecting housebuilding including increased finance/ borrowing and build costs. This is likely to create pressures in managing waiting lists.

- 7.24 The 'delivery conundrum' is however not limited to the affordable sector. It now appears very likely that deteriorating market conditions will result in reductions in housebuilding in the short-term, and potentially in the medium-term too if house builders reduce capacity. What can local authorities do to promote continued housing delivery? The real answer may be that their ability is limited. Planning departments can though adopt best practice, ensuring a clear policy framework is in place; taking a proactive approach to development, including working to address infrastructure requirements; and exercising some flexibility in changing conditions to get things delivered. There may be opportunities in some areas to drive forward delivery through joint-venture partnerships with developers, and opportunities to subsidise affordable housing delivery using public sector land.
- 7.25 In the following sections, we give further thought to the appropriate housing mix (by size, type and tenure) for new development. There needs to be a greater mix of housing delivered than perhaps has been the case over the last decade; with more of a focus on houses than flats but achieving a balance which reflects local circumstances. We would expect the market for flats to recover over the medium term, but more managed delivery at the local level may be important, such as through appropriate phasing of town centre development. Product differentiation (through delivery of a range of types/ sizes and by a number of different developers) will be important to drive forward delivery rates. It will also be important to ensure that infrastructure is programmed and delivered alongside homes, not just to support policy objectives but to help create attractive living environments to support sales.
- 7.26 Finally, we cannot divorce this housing market from its surrounding areas. Development in surrounding areas (both in scale and type) is likely to influence housing demand in the Northern West Sussex Housing Market.

## 8. FUTURE HOUSING MARKET

- 8.1 In the preceding sections we have explored the profile of the housing stock and trends in the housing market over the last decade. We have assessed historic and demographic trends and the affordability of market housing as key structural drivers of change in the housing market. We have also considered the evolving and now significant downturn in the housing market.
- 8.2 The SHMA needs to consider and assess future trends over both the short and long-term to inform strategic policy development. Short-term dynamics are likely to influence the level and form of housing delivery, householders' behaviour and potentially the number of households requiring housing assistance from local authorities. Over the longer-term we would expect economic performance, demographic trends and a range of supply-side and policy measures to influence the level and form of housing demand in Northern West Sussex.

### SHORT-TERM HOUSING DEMAND OUTLOOK

- 8.3 The economy and housing market are both highly cyclical and inter-twined. The low inflation, low interest rate and stable macro-economic context which has characterised much of the decade to mid-2007 together with the ready availability of mortgage finance has supported strong growth in housing demand and prices.
- 8.4 Following this period of sustained and strong growth, we are now undergoing a substantial market correction. This is linked particularly to the availability of mortgage finance (a function of the global 'credit crunch') which has turned what would have otherwise been a slowdown in house price growth linked to affordability pressures into a market downturn and economic recession. Inflationary pressures, linked particularly to spiralling food, energy and fuel prices, had initially limited the Government's ability to cut interest rates to stimulate the market, although in Q3 and Q4 of 2008 Bank of England base interest rates have reduced from 5.25% to 1.5%.
- 8.5 These factors have been compounded by a worsening economic position and the UK's economy is clearly slowing into a sustained recession (officially defined as two consecutive quarters of negative economic growth). Economic output shrank by 0.5% in Q3 2008 with declines continuing into Q4 2008 and Q1 2009 across all major economic sectors. Employment growth has become negative with increasing claimant counts and a decline in average earnings growth. Employment growth is forecast to remain negative during the course of 2009 and 2010.

- 8.6 A recessionary economy, with rising unemployment will clearly have a significant effect on the demand for housing, as this feeds through in terms of both the actual ability of people to afford to buy a house and also in terms of psychology and confidence.
- 8.7 This economic situation is worsened by inflationary pressures evidenced during 2008. Substantial inflation of around 5% (CPI and RPI) was evidenced in 2008, albeit with a more moderate 2.1% inflation rate forecast in 2009. An increasing cost of living is likely to put pressure on household incomes, further impacting on the housing market.
- 8.8 All of the above comes with the caveat that the situation has been changing fast and worsening over recent months, and is clearly difficult to predict. Late 2008 and early 2009 for instance has seen significant further problems emerge in the financial markets worldwide, despite multi billion dollar bailouts from which the UK banking industry is clearly not immune. A weakening economic position is now affecting both the length and severity of the downturn.
- 8.9 Key features of the downturn in the housing market are a general retrenchment of activity (with falling levels of sales) and particularly of first-time buyers and investors. Existing owner occupiers who do not need to move are not selling. While both levels of buyers and sellers have fallen dramatically, buyers have greater choice with sellers having to compromise on prices to secure deals. However we are not seeing the market being flooded with stock as in previous downturns.
- 8.10 The retrenchment in sales activity is having a notable effect on housebuilding. Where possible, house builders are generally looking to reprofile build-out rates or mothball development schemes. With falling revenues, many have also been reducing costs including staff. In the short to medium-term this will reduce the industry's capacity.
- 8.11 The rental market has performed well in terms of occupier demand resulting from would-be first-time buyers deferring purchasing or unable to do so and potential buyers waiting to see how far prices will fall. Savills predict rental growth of 10% by the end of 2009. We would expect differentials between rental and purchase costs, which have grown significantly since 2003, to narrow.
- 8.12 We would not however expect occupier demand to drive investment or buy-to-let purchases in the short-term and expect limited growth in supply in the private rented sector. Stronger growth in house prices than rents over the last five years has reduced yields on housing investments. While the downturn will help these to recover, coupled with a downturn in values, prospects of negative returns in the short-term and reduced availability of buy-to-let mortgages, we have seen a significant reduction in investment/buy-to-let purchase activity. This contributed to the projected growth in rental values.

## MEDIUM-TERM HOUSING DEMAND OUTLOOK

- 8.13 The current expectation among industry forecasters is that the economy will start to recover from 2010 with the Treasury's Consensus Forecasts predicting 2.2% economic growth in 2010 and a return to a near-trend 2.6% in 2011 and 2012. Savills predict that this will be matched by improved performance of the housing market and expect house prices to grow nationally by 20% between 2010 – 2012.
- 8.14 Recovery of the housing market must be linked to improved availability and cost of mortgage finance. While improved economic performance and confidence will contribute, this is the particular prerequisite. The head of the Financial Services Authority (FSA) predicted in July 2008 that access to credit would improve from 2010. Continued issues in the financial industry have though again been shown in September and October 2008, highlighting the risks to this.
- 8.15 Over the medium-term, most commentators see the long-term fundamentals as soundly linked to projected continued strong demand resulting from economic and demographic growth and to anticipated continued supply shortages. While we broadly concur with this view, we see some downside risks to the Government's current (2004-based) forecasts of household growth.
- 8.16 The Government's household projections are linked to assumed changes in the age structure of the existing population, fertility and mortality rates, migration trends and assumptions on future changes to household structures. They include assumptions on changes in household structures observed between the 1991 and 2001 Censuses, and on migration trends (both internally and internationally) between 1999 – 2004. We foresee a number of downside risks linked particularly to economic performance and affordability.
- 8.17 Economic performance and affordability will both affect access to housing and household structures, influencing for instance at what age young people are able to set up independent households or buy a home. With declining affordability of market housing over the last decade coupled with the impact of the 'credit crunch,' an increasing number of young people are likely to have either continued living with parents or have chosen to live in shared houses for longer than their counterparts a decade previously. This has been demonstrated through national research. The implication is that the Government's forecasts may over-estimate reductions in household size. Whether we should regard all of these households as concealed households is a moot point. It could be argued that households' ambitions are always shaped to some degree by housing affordability.
- 8.18 The second significant factor is the level of migration to the UK from overseas. The 1999 – 2002 period saw significant levels of net international migration to the UK relative to the

early to mid 1990s. The projections assume that these trends will continue over the projection period to 2029. In reality levels of economic performance particularly, and to some degree immigration policies, are likely to influence future trends. These result in both upside and downside risks to the forecasts. Furthermore there are wider impacts on the forecasts resulting from differences in household structures and fertility in migrant groups.

- 8.19 We would suggest that the relevance of these forecasts to the next economic cycle needs to be carefully examined.
- 8.20 Notwithstanding these issues, we would expect housing supply to continue to fall short of underlying demand from household growth in the short and medium-term and for supply deficiencies and affordability to constrain household growth. This is considered by most commentators to continue to support price growth over the medium to longer-term.
- 8.21 Savills expect house prices nationally to recover to 2008 levels by 2012 and to continue to grow, with overall growth in values of 79% over the 2008-2020 period. The expectation is that this will be led by London and the South East regions, which will see the earliest and strongest recovery. Over the longer-term, this may result in increasing numbers of households being priced out of the market, particularly non home-owners who are unable to afford deposits and mortgage costs.
- 8.22 GVA Grimley's view is more cautious. We accept that continued limited supply of new developments combined with the expectation of strong demand should mean continued upward pressures on prices. However we expect a rate of growth more akin to the long-term trend rate of around 2.5% pa in real terms, or 5% in nominal terms (assuming RPI inflation of around 2.5%).
- 8.23 An alternative way to assess future house price growth is a comparison with the expected rate of wage growth, which should be a major determinant of how rapidly prices can rise over the longer-term. We expect wages to rise by around 4% pa over the next decade, assuming expectations of a return to a low interest rate and low inflation economy hold true. Overall, therefore, our expectation for nominal long-term house price growth is around 4-5% pa.
- 8.24 With falling house prices, affordability ratios are expected to improve in 2008 and 2009 and prices are expected to move back towards the long-term trend (although are unlikely to return to trend unless there is a more significant fall in prices than anticipated). However for first-time buyers, improving price-to-income ratios in the short-term will be moderated by the changes in the availability of mortgage products and deposit requirements.
- 8.25 As the market recovers and begins to grow, there is a significant risk that the polarisation that we have seen develop over the last five to ten years between the "equity rich" home

owners with a stake in the growing market, as against those without, may once again increase. Growth in this differential would support significant growth in demand for intermediate housing, for those able to pay more than social rents but unable to afford to buy a home. This market is catered for by the private rented sector, intermediate housing products and low cost market housing.

- 8.26 Savills predict housebuilding activity to reduce from a peak of 200,000 homes nationally in 2007 to just under 130,000 by the end of 2010. Influenced critically by sales levels, this will also be influenced by reduced house builder capacity, and pressures on viability of both consented sites and those in the planning pipeline as a result of increasing build costs and falling values.
- 8.27 Even once sales levels pick up, we would expect a timelag for construction activity to improve. National evidence from previous downturns in the early 1970s and early 1990s points to a lag of up to six years (2013). A likely continued undersupply of new homes in the near and medium term will though help to stimulate market recovery.
- 8.28 In the short-term the expectation is that yields on rental properties should improve, influencing decisions to make new acquisitions of buy-to-let properties. Growth in activity will be linked to availability of finance to some degree. Savills however expect activity in this market to be least likely to be restored quickly because investors “have been most exposed to the downturn and are likely to retain the least amount of equity,” with around 40% of buy-to-let mortgages taken out near the peak of the current market cycle in 2006 and 2007.
- 8.29 In terms of house types, we would expect need and demand in the short-term to be focused more towards traditional products: houses as opposed to flats as investors and first-time buyers make-up a significant segment of demand for the latter.
- 8.30 Over the last decade we have witnessed a notable shift towards development of smaller properties, particularly in town centre and other higher-density flatted schemes. While this has partly been influenced by density policies, growth in buy-to-let and investment purchases together with affordability pressures have supported this market. It is probably the segment of the market most prone to a price readjustment given the retrenchment of both first-time buyers and investors. A key question is how this market, which has grown strongly in recent years, will fare in the next market cycle. We might expect some delay for instance to town centre development projects, those in lower-value areas and others with marginal viability from changes in market conditions.

## LONG-TERM HOUSING DEMAND SCENARIOS

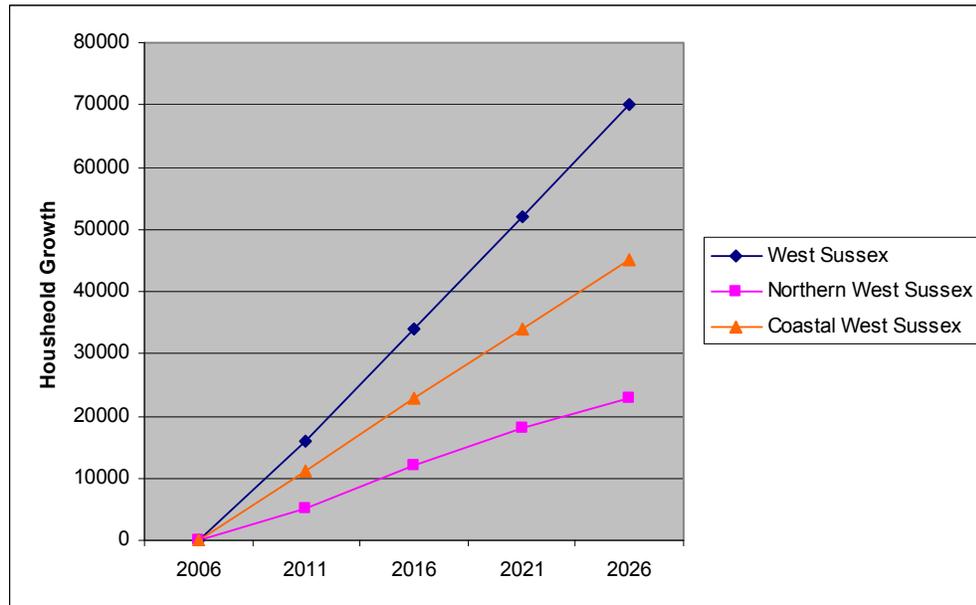
- 8.31 Strategic planning activities are particularly geared towards delivering new housing to match projected demand over the longer-term. While it is important to recognise and develop an appropriate policy response to the short-term dynamics described; planning for housing provision inherently needs to adopt a longer-term perspective, and set out a framework for a time span of fifteen years or more.
- 8.32 Changing interest rates, inflationary pressures and tight lending criteria; coupled with weakening economic performance and falling market confidence are combining to have a significant impact on effective need and demand for market housing. However in the long-term it is still going to be necessary to meet demand from household growth.
- 8.33 As we have identified, there are a complex set of factors which influence housing demand. We consider that it is both possible to identify a set of structural long-term drivers, linked to demographic trends (particularly an ageing population); economic performance and trends; and affordability and access to market housing. For housing market areas and at more local levels, there are a number of external factors which impact on the housing market, including policy factors, transport investments, supply-side economic interventions, and regeneration and place-making activities. These factors can affect the relative attractiveness of different locations as places to live.
- 8.34 The market however does not operate completely internally to identified housing market areas. This is as applicable to Northern West Sussex as to other sub-regional housing markets. It is therefore important to assess inter-relationships across market areas and how these might develop and evolve over time. This is particularly applicable where there are supply constraints. We foresee key factors being:
- Influence of economic and housing growth proposals in South Hampshire (PUSH) and Reigate and Banstead; both of which are designated Growth Points;
  - Demand displaced from Brighton & Hove to Coastal West Sussex, Northern West Sussex and East Sussex housing markets, reflecting land availability constraints and the housing offer in Brighton & Hove itself. This may, in part, be mitigated by the development of up to 10,000 dwellings at Shoreham Harbour (partly in Adur and partly in Brighton & Hove);
  - Continued levels of migration from London and Surrey, in terms of both economically active and retired households, linked potentially to supply constraints in these areas and the lifestyle and quality of place offer in parts of West Sussex;

- Investment in capacity in the transport network (both public transport and roads) which affect the relative accessibility of different areas to economic centres influencing future commuting patterns.
- 8.35 We have used a scenarios-based approach, working with a range of stakeholders, to develop our understanding of the implications of these various factors. The purpose of this is to distil cause and effect relationships and inform policy choices.
- 8.36 Given that dynamism is a key feature of the housing market, as the last decade and the last year have both shown, while the approach adopted provides an assessment of potential future trends, it will be equally important to monitor and review performance and identify trends as they emerge. The Assessment provides a framework for policy development on this basis.
- 8.37 Four long-term scenarios for housing demand have been developed:
- **Trend-based Demographic Scenario** – this models future household growth based on past trends. It is based on the Government’s official 2004-based Household Projections and the Office for National Statistics 2006-based Population Projections.
  - **Trend-based Economic Scenario** – this is based on an econometric forecast which assesses potential economic growth relating to the sectoral structure of the economy in West Sussex to projected macro-economic trends.
  - **Policy-On Scenario** – considers, in qualitative terms, the implications of supply-side economic opportunities/ interventions; place-making and regeneration programmes; and the potential evolving relationships with other areas outside of West Sussex.
  - **Comparative Policy-Led Scenario** – this scenario is provided for comparative purposes, and is based on modelling the demographic implications of the housing requirements of the West Sussex Structure Plan 2001-16 up to 2016 and the housing requirements set out in the draft South East Plan (March 2006) from 2016-26. It is based on policy-led demographic projections prepared by West Sussex County Council.

## TREND-BASED DEMOGRAPHIC SCENARIO

- 8.38 The Government’s Guidance on Strategic Housing Market Assessments states that the most recent official population and household projections should be utilised to assess potential population and household growth. Technical limitations may constrain their accuracy, and this is the case in West Sussex.

- 8.39 The latest official population projections are the 2006-based Sub-National Population Projections published by the Office for National Statistics. The latest household projections at a local level are 2004-based projections published by Communities and Local Government.
- 8.40 The Government's revised 2004-based projections indicate growth in households of some 70,000 across West Sussex between 2006 and 2026. They indicate growth of 47,000 in Coastal West Sussex and 23,000 in Northern West Sussex over the same period. This equates to a household growth rate of 1.3% per annum in Coastal West Sussex, 0.8% per annum in Northern West Sussex and 1.0% across West Sussex as a whole.
- 8.41 Figure 8.1 illustrates projected household growth to 2026 using the CLG Revised 2004-based Population projections. In Northern West Sussex the rate of growth is expected to be at a marginally lower rate over the initial 2006-11 period than subsequent years (0.7% growth pa compared to 0.8% over the 20 year period as a whole).
- 8.42 As the SHMA Guidance recognises, there are a range of limitations which can affect the accuracy of trend-based household projections in particular areas. These include the degree of stability in the housing market and economy, policy-measures including growth area and regeneration programmes, assumptions on levels and patterns of migration and immigration, and assumptions regarding rates of new household formation. These factors are relevant to West Sussex. In other areas, differential population dynamics and household structures in specific ethnic groups which make up a substantial proportion of the population can also affect the robustness of the projections.
- 8.43 We consider that there are three key issues regarding the relevance of the Government's trend-based projections for West Sussex. Firstly, they are strongly influenced by migration assumptions based on observed trends between 1999-2004. This is influenced by levels of economic performance together with new housing supply brought forward in this period. Secondly, there are risks to the projections assumptions regarding rates of new household formation. We consider that there are some downside risks linked to affordability pressures, which may encourage younger people to remain at home or in shared housing and delay forming separate households. The projections are based on trends in a period in which strong macro-economic performance and historically low interest rates supported access to housing. The third key risk relates to levels of international migration, which are likely to be influenced both by national and regional economic performance and immigration policies. International migration also influences the age structure and fertility assumptions within the projections.

**Figure 8.1: Projected Household Growth – CLG Revised 2004-based Projection**

Source: CLG Revised 2004-based Sub-National Household Projections

- 8.44 Through the further scenarios we aim to test how these factors might influence future housing demand.

### TREND-BASED ECONOMIC SCENARIO

- 8.45 There are strong inter-relationships between housing demand, economic performance, migration and commuting patterns. At the regional level, strong economic performance across the greater South East is reflected in strong housing demand. Where employment is expected to grow more strongly than the labour force based on past trends, we would expect this to result in either an increase in in-migration to the area or increased in-commuting from other areas.
- 8.46 At a headline level, recent economic performance in West Sussex has not been strong. SEEDA have recently published an Economic Review of West Sussex (SEEDA, June 2008). This does not paint a strong picture of recent economic performance. Its headline findings include:
- While the size of West Sussex's economy, measured in terms of Gross Value Added (GVA), increased from £8.4 billion in 2002 to £13.3 billion in 2005, the *rate* of growth slowed down notably from 4.7% in 2002 to 2.6% in 2005. Once adjusted for inflation however, the rate of growth has slowed very significantly: from 2.7% per annum

between 1997-2002 to just 0.4% per annum between 2002-5. This rate of growth between 2002-5 was the slowest in the region. Only three other sub-regional economies in the whole of the UK showed a slower rate of growth than West Sussex in this period.

- The relative productivity of West Sussex's economy also slipped. Inflation adjusted GVA per head grew by over 2% per annum between 1995-2002, but has since slowed down sharply with a rate of growth close to zero between 2002-5. Since 1995, GVA per head has declined relative to the regional and national averages to around 10% below the regional average and 2% below the national average in 2005.
- A key reason for a low rate of GVA growth is considered to be a decline in employment in some of the largest and most productive sectors in the economy, such as financial and business services, manufacturing and transport and communications. We would consider that there are some further risks to performance of these sectors as a result of the economic downturn. Recent employment growth has been strongest in hotels and catering and public services, both of which are expected to be affected by slower growth in consumer and public spending.
- The number of people employed in West Sussex also fell between 2002-05, with a decline of -5.3% or 18,900 jobs. Furthermore every district saw a decline in employment, with Mid Sussex, Horsham and Chichester accounting for almost 4/5<sup>th</sup> of the total decline across the County. This is in a period of macro-economic stability and growth in which the employment nationally has been growing quite strongly.
- A significant amount of the employment decline seen in West Sussex was due to a substantial fall in the number of employees in the Business Services sector. This sector saw a drop equivalent to 27,200 employees in West Sussex but grew by 8.3% in the South East as a whole. The majority of the fall was in 'other business activities' which includes accountancy, consultancy, advertising, recruitment, secretarial and call centre activities.
- While labour market performance appears to be strong, with economic activity and employment rates above the regional average in 2005, the labour market is considered a 'lagging' indicator of economic performance. By 2006, the economic activity rate in West Sussex had fallen below the regional average, while the employment rate had declined and unemployment increased.
- There are however internal variations in performance. Crawley is by far the most competitive local economy with private sector employment accounting for around 86% of total employment in 2005. Horsham also has a reasonably strong level of employment in high-productivity private sectors. Arun and Chichester have a notably low proportion of high-productivity private sector employment (< 30% workplace-

based employment). Overall, economic potential appears greater in the Northern West Sussex Housing Market than in the Coastal Housing Market.

- 8.47 Econometric forecasts for the County as a whole paint a stronger picture of future economic potential than recent economic performance between 2002-05 suggests, albeit that this highlights the downside risks to the forecasts.
- 8.48 Figure 8.2 below shows forecast total employment in West Sussex to 2020 based on Experian's Autumn 2007 projections. It indicates that employment growth was 6.2% over the last decade compared to forecast growth of 6.2% across the South East region.

**Figure 8.2: Forecast Total Employment, 2006-20**



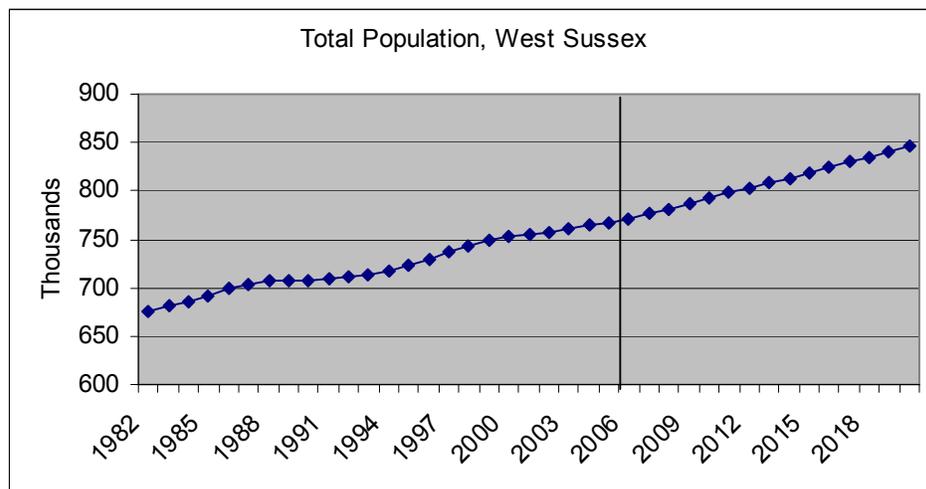
Source: Experian Business Strategies/ GVA Grimley

- 8.49 The forecasts are based on an econometric model which projects growth in different economic sectors by matching expected performance at the macro-economic level to the sectoral composition of local economies.
- 8.50 The forecasts indicate the projected growth in employment is expected to be strongest (in terms of total employment between 2006 and 2016) in business services, hotels and catering, health, retailing, other (largely private) services, transport, property-related activities, and banking and insurance. Total employment is projected to decline in agriculture, construction and a number of manufacturing sectors.
- 8.51 There are clear risks to the projections which should be recognised. The strongest growth in terms of total employment, for instance, is projected in business services. This sector has seen a notable decline in employment in the County over the last few years. There are also clear short-term risks to performance in a range of sectors related to the emerging

economic downturn which can be expected to subdue growth, including retailing, property-related, banking and insurance, which were forecast to grow strongly.

- 8.52 The Experian forecasts therefore, in our view, represent an optimistic view of economic potential, with notably downside risks in the short-term (linked to a changing housing market and macro-economic context) and over the longer-term (particularly related to growth in business services). Nonetheless the forecasts demonstrate reasonably healthy 'economic potential' in the medium to long-term with potential for West Sussex to match regional rates of economic growth.
- 8.53 We have modelled the potential housing market implications of achieving this level of economic growth. The Experian Model forecasts population, based on expected levels of migration of working-age persons to/ from local areas related to forecast levels of labour demand. The model projects growth in the population of West Sussex by 10.5% between 2006-21<sup>18</sup> representing growth of 5,400 persons per annum. This is consistent with projected growth according to the 2006-based Sub-National Population Projections published by the Office for National Statistics.

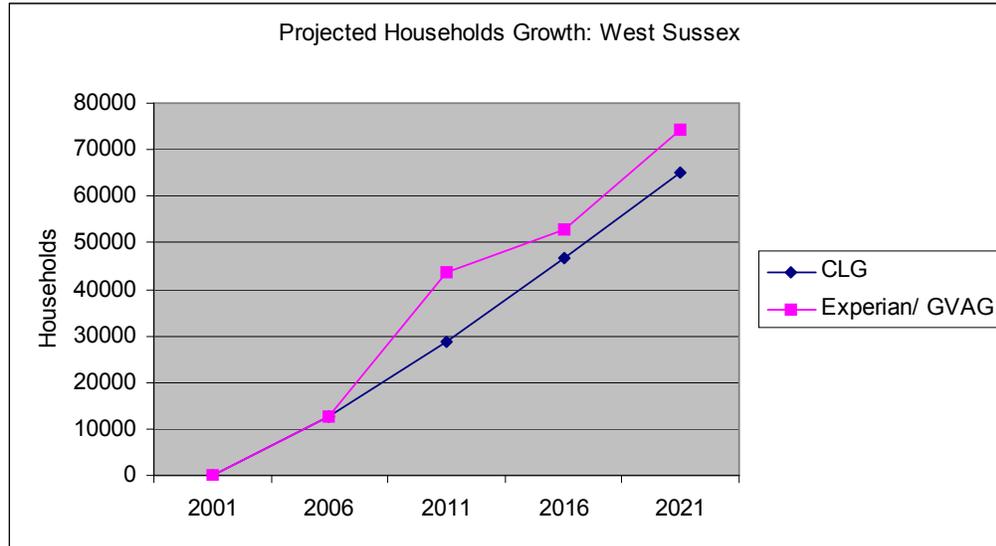
**Figure 8.3: Forecast Population Growth – Experian Forecast, 2006-20**



Source: Experian Business Strategies/ GVA Grimley

- 8.54 We can compare this to Communities and Local Government's revised 2004-based projections of household growth by applying the set of assumptions on changes in household size to this economic-led projection of population growth. The results are set out in Figure 8.4 below.

<sup>18</sup> The projections are for the period to 2020. GVA Grimley has made an assumption of a consistent rate of growth from 2020 to 2021.

**Figure 8.4: Projected Household Growth, 2006-21**

Source: Experian Business Strategies/ GVA Grimley

- 8.55 The economic scenario, based on the Experian econometric forecast, is for household growth of 62,000 households (4,100 pa) over the period 2006-21 compared to projected growth of 53,300 (3,500 pa) according to CLG's 2004-based projections.
- 8.56 Our analysis indicates that if the performance of West Sussex's economy was to match that at the regional level, projected housing demand could actually be stronger than under the trend-based demographic scenario.
- 8.57 There are however clear risks to this scenario, linked to the downturn in the economy and housing market, which is expected to affect levels of employment growth and housing demand in the initial period of the projection to 2011. It is in this period in which projected housing demand under the economic-led scenario is stronger than the demographic scenarios (perhaps reflecting the differences in modelling household growth stemming from retirement migration). These factors are likely to moderate growth in demand over this period, with the result that we would expect very limited difference in housing demand (household growth) over the period to 2021 under the trend-based demographic and economic scenarios.
- 8.58 While the economic forecasts and modelling undertaken is for the county of West Sussex as a whole (reflecting data availability), we consider that there are internal differences in potential.
- 8.59 In the Coastal Housing Market, a limited private sector business base may act as a short-term shield in that the economy is less vulnerable to contraction or slow growth in private

sector businesses. However over the longer-term we regard this as an important weakness. We might expect the relative peripherality and poor accessibility of much of the Coastal West Sussex Housing Market in a regional context, the lack of major economic centres of a scale to support significant speculative commercial development, an economic structure with a limited private sector business base, and low employment in the more growth-orientated higher-value sectors to mean that Coastal West Sussex economy might under-perform the Region and County as a whole in terms of employment growth. This is a notable downside risk to levels of housing demand given that the trend-based demographic projections indicate expected household growth of 1.3% per annum which is consistent with the region.

- 8.60 We consider that economic potential in Northern West Sussex is stronger than the county-wide projections indicate. Much of this area is identified as a Diamond for Growth in the South East Regional Economic Strategy, and the area's economic potential is highlighted in the Gatwick Diamond Futures Plan 2008-16. It has a strong private sector business base, including in higher-value sectors. While there are some risks, including a concentration of employment in transport and communications and reliance on Gatwick Airport, the area is strategically well located in the Region. In this context, the household growth of 0.8% per annum projected by CLG (and compared to 1.3% growth across the region) which forms the basis of the trend-based demographic scenario may actually underplay the level of potential demand which could arise from strong economic performance.

## POLICY-ON SCENARIO

- 8.61 The purpose of the Policy-On Scenario is to provide a qualitative assessment of the potential impact of a number of key supply-side and policy interventions on future housing demand and the housing market in West Sussex. We have considered the following through this scenario:

- Economic opportunities and interventions;
- Place-making investments and regeneration programmes;
- Evolving relationships with external drivers and economic centres.

- 8.62 The potential impact of these on housing demand is considered below.

## ECONOMIC OPPORTUNITIES AND INTERVENTIONS

8.63 GVA Grimley has used a series of stakeholder meetings and discussions to identify key economic opportunities and supply-side interventions across West Sussex to provide an informed assessment of future employment growth potential. This includes discussions with economic development and regeneration staff across the seven local authorities, West Sussex Economic Partnership, Coastal West Sussex Partnership and West Sussex County Council. The conclusions have been tested with the Project Steering and Partner Focus Groups, which include representation from businesses and SEEDA.

8.64 Northern West Sussex benefits from strong economic potential related to:

- Its relative accessibility within the region with access to the M25, fast rail links to London and an International Airport at its heart;
- A high quality of life and skills offer across the area as a whole, with attractive and accessible market towns, countryside and villages;
- A strong private sector business base, particularly in Crawley and Horsham, with major blue-chip companies present and a concentration of knowledge-based businesses including high-tech manufacturing and engineering, pharmaceuticals and business services. This is reflected in above average productivity;
- Evidence that the economy is reinforcing around Crawley/Gatwick with a number of businesses centralising from a number of smaller locations to a larger hub in this area. This includes a number of larger legal and accountancy practices including Price Waterhouse Coopers and BDO Stoy Hayward;
- Policy support through the identification of the area as a 'Diamond for Growth' in the South East Plan and partnership working across the area to drive forward economic growth.

8.65 We consider that there is potential for the development of further commercial space in the area, particularly in Crawley where rental levels will justify speculative office development. There are also a range of supply-side measures which we would expect to bring forward additional employment. These include:

- **Mixed-Use Town Centre Regeneration Schemes:** Crawley Town Centre North (Crawley Borough Council and Grosvenor Properties); and schemes for East Grinstead, Burgess Hill and Haywards Heath (being brought forward by Mid Sussex District Council and Thornfield Properties).

- **Mixed-Use Urban Extensions:** including at West of Crawley and West of Horsham; with potential for some employment space in strategic developments at Burgess Hill, Haywards Heath and East Grinstead.
  - **Other Regeneration Projects:** employment development proposals at the Warnham and Wealden Brickworks Site; together with potential for redevelopment of sites at Manor Royal and in the Three Bridges areas in Crawley.
- 8.66 There has also been recent development of new commercial office space, including headquarters provision, at City Place near Gatwick Airport. There are also proposals for the development of a strategic business park in the Crawley area which are being considered through the appropriate Local Development Framework processes.
- 8.67 Through the Gatwick Diamond Partnership, a range of parties are also working together to deliver improvements to internal connectivity and the development of further and higher education provision in the sub-region. Improvements to connectivity we would expect to support the area's economy and housing market.
- 8.68 Changes at Gatwick Airport could further support development of the economy in Northern West Sussex. Gatwick Airport has been put up for sale following the Competition Commissions review of the management of UK Airports. There is potential for another operator or consortium of airlines to take ownership, and (under an optimistic scenario) for the Airport to re-orientate from its current model towards a more business-orientated market. This could provide an added impetus to the physical development and productivity of the sub-regional economy.
- 8.69 Combined, there is a strong pipeline of supply-side measures being put in place or considered to deliver new, modern commercial space and to help to drive forward local economic development across the Northern West Sussex Housing Market. These support our assessment of economic potential (albeit recognising that employment growth doesn't always require identification of new sites).

## TOWN CENTRES AND KEY HOUSING SITES

- 8.70 Town centres function as 'front doors' to places as well as centres for local services. There is planned investment in town centres across Northern West Sussex as described above. Furthermore, we understand that Horsham District Council is looking at the potential for the conversion of outdated office space in Horsham for residential use. These planned investments should help to support housing demand locally by improving the attractiveness of these towns, recognising that town centres affect the image of different places and that

regeneration programmes may also result in improvements to the retail and service offer in these centres.

- 8.71 We also consider that a good mix of housing sites is being brought forward across Northern West Sussex. This includes higher density schemes in the main town centres, infill development, as well as urban extensions in the main towns. We would expect this to provide a greater mix of housing to meet market demand than perhaps has been the case over the last few years.

## BRIGHTON AND HOVE

- 8.72 Brighton and Hove is a major urban area immediately adjacent to West Sussex. It is a densely built-up City area with a lack of suitable sites to bring forward major new employment or residential development schemes. Not all employment development however requires new sites and premises provision, and there is potential for development of cottage industries and small businesses particularly in the digital and creative sectors.
- 8.73 There are some challenges to address, including localised congestion issues and a trend of losses of businesses north to Crawley and Croydon particularly; however we consider that the local economy has strong potential going forward to be an important economic driver for the South Coast. Its key attributes include a buzz and lifestyle offer, a clear brand proposition and identity in marketing terms, two universities, and a well developed creative/ cultural offer.
- 8.74 In housing market terms, there is a focus on smaller provision, including one and two-bedroom properties. The types of sites likely to be brought forward means that new housing provision is likely to reinforce around this. There is a limited offer for family households, particularly for those at a middle-management level. This currently influences patterns of migration, with households moving out of Brighton and Hove to surrounding areas, including Adur and Mid Sussex, to access family housing in areas with good schools and recreational facilities.

## LONDON

- 8.75 There is considerable demand overspill from London into adjacent counties throughout the South East and East of England. GVA Grimley have sought to consider what this displacement effect might be through comparing the Greater London Authority's (GLA) forecasts of employment and demographic growth in the Capital which are linked to supply conditions.

- 8.76 The GLA's Employment Projections (GLA, Feb 2007) take into account historic employment trends, transport accessibility and the availability of employment sites. GVA Grimley has compared these to projections of the resident labour force derived from the GLA's Post London Plan (PLP) Population Projections (GLA, Dec 2007) as constrained by potential housing land supply identified by the Boroughs (the PLP Low Scenario).
- 8.77 Projected employment growth in London of 912,000 is expected over the period 2006-26. However the resident labour force is only expected to grow by 450,000 taking into account land supply constraints. We would therefore expect an increase into absolute numbers of people commuting into London for work, should the projected levels of employment and housing growth be achieved. We would expect the majority of this increase in in-commuting to London to be from the South East and East of England regions.
- 8.78 We would expect investment in additional capacity in the transport network to influence levels of commuting into London. We would expect Crossrail for instance, due to come on stream in 2017, to have a distinct effect. In West Sussex, the implementation of the Brighton Main Line Route Utilisation Strategy will see additional peak capacity created by running Gatwick Express services through to Brighton, stopping at selected intermediate stations. These changes could potentially support an increase in commuting from towns on the main rail line in West Sussex including Haywards Heath and Crawley; through to Croydon and London.

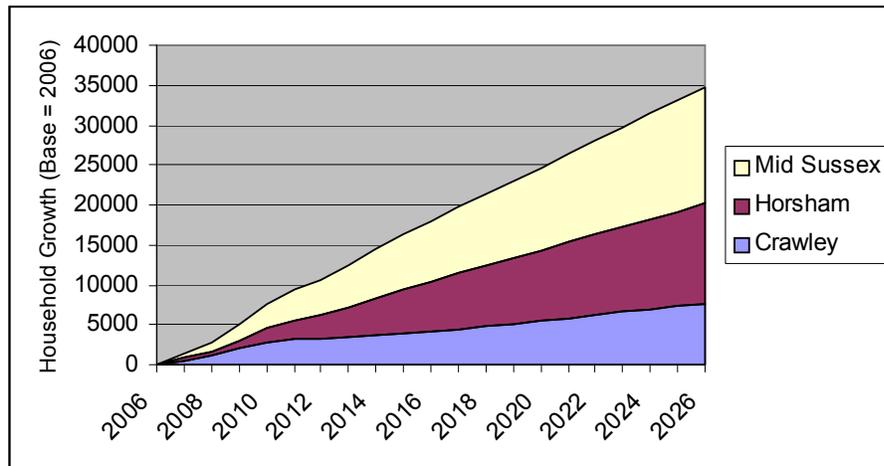
## SOUTH HAMPSHIRE

- 8.79 PUSH have set an ambitious target to achieve between 3 – 3.5% economic growth per annum with a focus on the development of the knowledge-based economy and increasing graduate attraction and retention. This is an ambitious economic growth aspiration and would see the sub-region grow as an employment hub in the South East akin to its status as a Diamond for Investment and Growth in the South East RES.
- 8.80 The area is a designated Growth Point with proposals to deliver a programme of regeneration focused on the cities of Portsmouth and Southampton and adjoining urban areas; planning for provision of two million square foot of new employment floorspace; and delivery of some 80,000 homes including 40,425 in the initial period to 2016. A significant proportion of the housing development is to be delivered through Strategic Development Areas at Fareham, Hedge End and Eastleigh (with an employment focus to the latter). We see some risks to delivering this level of growth, including particularly to achieving the proposed level of employment growth given past performance; and to bringing forward the large Strategic Development Areas.

- 8.81 Current transport investment proposals are based on opening up sites and improving links to London, rather than developing sub-regional connectivity or improvements in connectivity to adjacent areas such as West Sussex.
- 8.82 We would expect the PUSH area to have a relatively limited impact on West Sussex with the primary impacts being in Chichester District where accelerated employment growth could reduce current levels of in-commuting to Chichester. There is a limited potential for some elements of the housing stock in Chichester District to appeal to workers in higher-paid occupations employed in the PUSH area, alongside other settlements and rural districts in Hampshire.

### COMPARATIVE POLICY-LED SCENARIO

- 8.83 The Comparative Policy-led Scenario is based on dwelling-led projections of future household growth produced by West Sussex County Council. These reflect the housing requirements of the West Sussex Structure Plan 2001-2016 up to 2016, and the housing requirements for the period 2016-2026 set out in the draft South East Plan, as submitted to Government in March 2006. The housing provisions contained in the final South East Plan give rise to larger housing and population increases in all districts except Worthing.
- 8.84 This scenario recognises and models the influence which housing policy might have on migration patterns and hence population and household growth. It is a policy-led scenario rather than a forecast of housing demand.
- 8.85 The County's projections indicate household growth of 64,300 across West Sussex between 2006 and 2026. It projects growth over this period of 29,600 in Coastal West Sussex and 35,800 in Northern West Sussex. Figure 8.5 below shows how each of the districts in Northern West Sussex is expected to contribute to household growth across the housing market.

**Figure 8.5: Projected Household Growth (Dwelling-led) – Northern West Sussex**

Source: WSCC

## KEY FINDINGS OF THE SCENARIOS PROCESS / COMPARISON OF SCENARIOS

- 8.86 The Northern West Sussex Housing Market has a good economic base, strong economic change potential (including higher value and productivity driven employment) and is readily accessible to London and wider international markets. There is hence a context of significant, evident potential demand drivers for new housing; more so than is evidenced in the Coastal West Sussex Housing Market. The local authorities in Northern West Sussex should continue to drive forward their local economies working together via the Gatwick Diamond Initiative as a mechanism to shape the sub-regional economic strategy. We strongly support the preparation of a sub-regional economic study/ strategic masterplan to progress this issue that will help address the planning and corporate policy responses of the local authorities to addressing housing requirements aligned to sub-regional economic growth and related infrastructure issues.
- 8.87 A good mix and range of new housing sites are being brought forward through the Local Development Framework processes, including new town centre projects, urban extensions to the main towns and in-fill development schemes. This will help to redress the recent shift towards delivery of smaller housing evident in the Northern West Sussex Housing Market. To adequately address the future housing market in Northern West Sussex we would expect to see a mix of housing types and sizes coming forward that are able to address the requirements of a growing, ageing population coupled with a growing younger population cohort of economically active residents attracted by the quality of life and place-making agendas currently underway. The proposed new urban extensions particularly provide the opportunity to ensure a broad mix of housing types and sizes suitable to fit the future population and economic dynamics of the Northern West Sussex Housing Market.

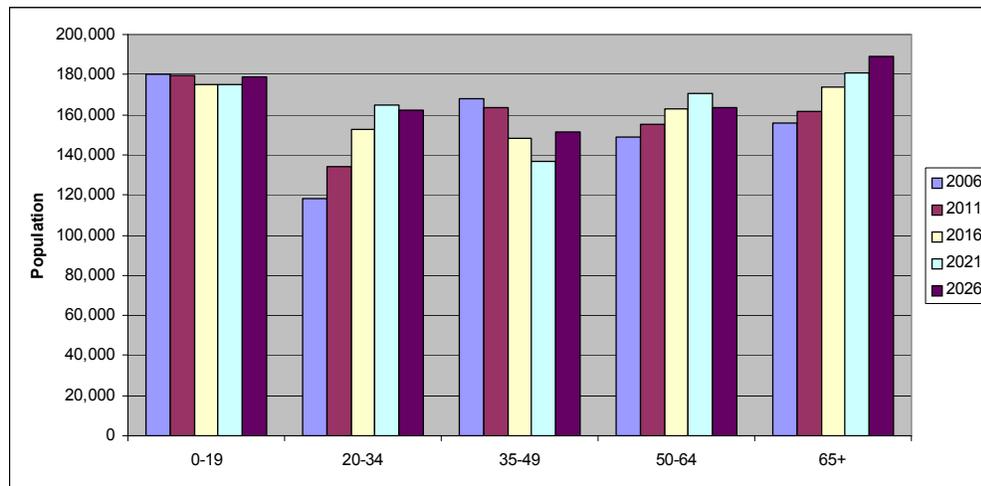
- 8.88 In this context some of the key policy measures to draw from the SHMA will be to ensure that new housing sites can continue to be brought forward. A proactive and effective approach to spatial planning coupled with realistic infrastructure provision will help provide certainty to the housing market in the longer term. Within this, and linked particularly to the short-term housing and economic situation, the role of contingency and delivery risk based planning will be important to deal with housing development trajectories that are off accepted targets. The Plan Monitor and Manage approach will be essential to this contingency planning.
- 8.89 There are risks to town centre residential schemes in the short-term from the impacts of the credit crunch and housing market downturn on viability. This is affecting both residential, retail and commercial office schemes. Retail is important in this regard, because in most town centre locations it is a significant driver of value in mixed use developments where housing is also a key land use. In the short-term, this may mean altering schemes phasing and possibly even re-working schemes as a whole to ensure that new housing development is given every opportunity to continue to come forward. The local planning authorities will need to be somewhat flexible during this immediate period if housing targets are to be achieved.
- 8.90 There is a need to consider carefully the infrastructure issues associated with housing and economic future growth. The provision of adequate transportation, movement and communications infrastructure will improve the internal connectivity in Northern West Sussex and more widely across the County. This is critical both to the future economic proposition of the area, but also to continuing to support the Northern West Sussex Housing Market as a functioning housing market area. Collectively, with the town centre and new urban extension developments proposed, this combination of interventions will support a housing market that is closely aligned to future economic objectives and the quality of life and place-making agendas critical to achieving sustainable communities in Northern West Sussex.
- 8.91 In rural settlements, the analysis of the future housing scenarios suggests a focus more towards lower cost market housing and affordable housing. This is in order to address affordability issues and to diversify the existing housing mix to support sustainable communities in terms of population age structure and incomes. However, we believe there is still a role for some larger market housing at appropriate locations as this is part of Northern West Sussex Housing Market's quality of life and place offer and will directly contribute to the economic development objectives identified in the Regional Economic Strategy and at a local level through the various regeneration strategies/programmes in place. Furthermore, the development of larger housing in rural settlements (not free

standing sites in rural areas) is also supported by long-term market demand signals with a price premium for such properties .

## INFLUENCES ON HOUSING MIX

- 8.92 The mix of housing on the affordable side is considered separately through the Housing Needs Assessment in Section 9. The focus of this section is on assessing what the evidence tells us about potential demand for different housing products on the market side.
- 8.93 Our approach to considering housing mix integrates an analysis and understanding of market signals, economic and demographic trends with affordability drivers.
- 8.94 West Sussex County Council population projections indicate growth in the population in most age groups, with a decline in the 35-49 age group up to 2021, before a subsequent increase to 2026. The strongest growth from 2006 to 2026 is expected to be those who are 65 and over, (with an increase of some 33,500 over the 20 year period). However, the projections also indicate growth in the 50-64 years cohort and a decline in those aged 0-19 years. A projected increase in the population aged over 60 is a key trend and housing market signal.

**Figure 8.6: Population Growth by Age Cohort, West Sussex**

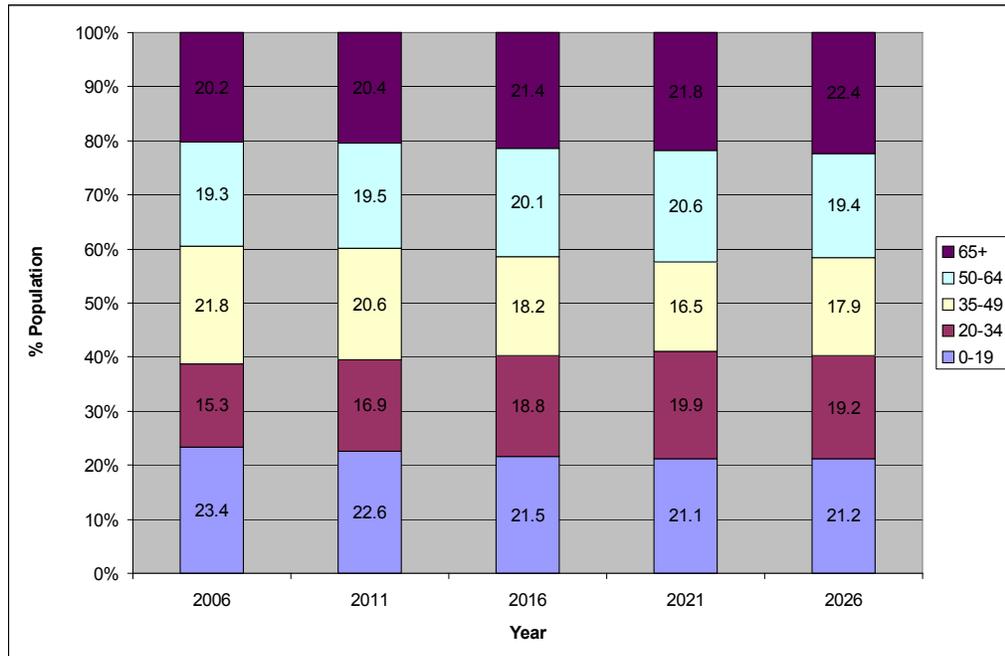


Source: WSCC

- 8.95 As Figure 8.7 demonstrates, projected demographic trends are expected to alter the age profile of residents in the West Sussex Housing Market with significant growth in those aged over 65 years particularly driven by those already living within West Sussex. West Sussex County Council projections show that the proportion of the population aged over 65 is expected to grow from 20% to 22% over the 2006-2026 period. Those aged 20-34 are also expected to increase in proportional terms.

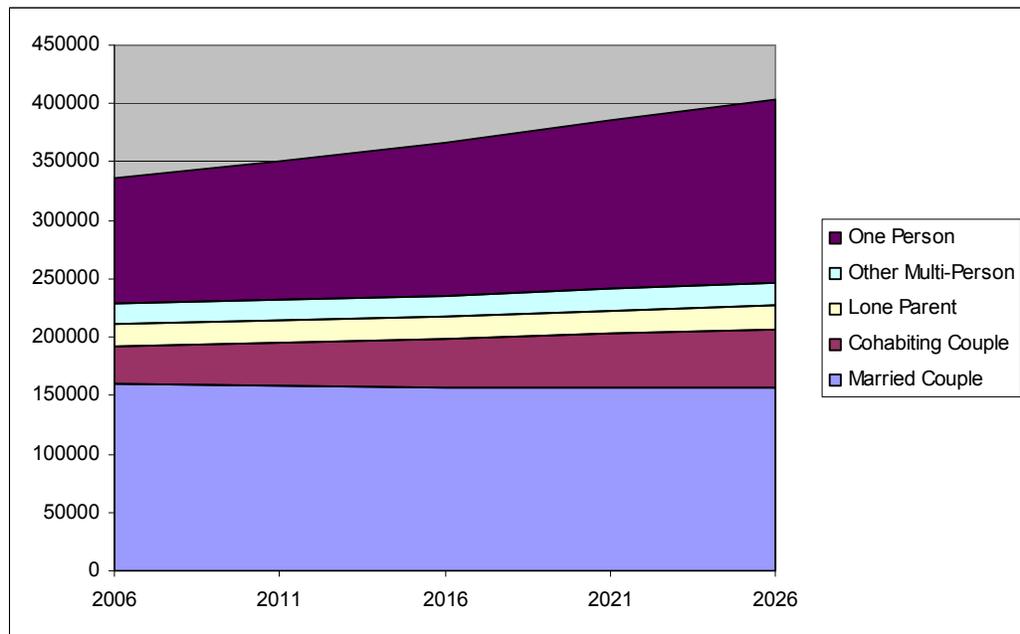
- 8.96 In reality, stronger housing supply and economic growth in a range of sectors may support in-migration of younger households which may moderate the projected changes set out. The role of the local economies will be critical to support younger household growth rather than simply encouraging further retirement in-migration.

**Figure 8.7: Changing Age Structure, West Sussex 2006-2026**



Source: WSCC

- 8.97 The Government's Revised 2004-based household projections indicate how household size and structures are expected to change to 2026 with a growing proportion of those aged over 65 years. Average household sizes across Northern West Sussex Housing Market are projected to fall from 2.37 in 2006 to 2.18 in 2026.

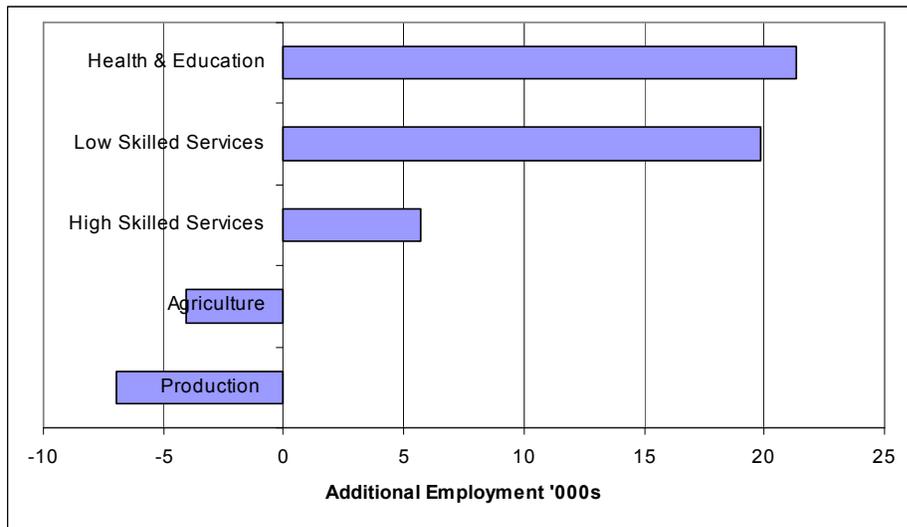
**Figure 8.8: Changing Household Structures, West Sussex County 2006-2026**

Source: WSCC, CLG Revised 2004 Trend Based Household Projections

- 8.98 The changing household structures for West Sussex over time clearly show the significant growth in single person households. This is a key trend, with such households growing by 48% over the twenty year period to 2026. This compares to a 21% growth in all households; 56% growth in cohabiting couples; 5% growth in lone-parent households; and 6% growth in other multi-person households. Married couples are expected to decline by 2%.
- 8.99 The projected growth of single person households is a significant national trend driven by a range of factors such as increasing older age single person households, declining marriage rates and rising divorce/separation rates leading to new single person households forming. The key issue for the provision of housing is that in providing a quality and choice of housing opportunity, household size trends and housing sizes should not be directly correlated. Single person households do not necessarily equate to smaller house sizes or indeed increased demand for one bedroom housing.
- 8.100 There is a weak relationship particularly in the private sector where demand for housing size is related more to wealth, aspiration and expectations supported by an ability to raise housing finance than the number of people in a household. Using a lifecycle model, households may start with smaller housing but progress up a housing ladder over the course of a lifetime looking for larger properties when they have children and when they are able to afford to do so. As they age, and children move away from home, many households choose to remain in their existing housing rather than downsize. Across West

Sussex 78% of households under-occupied their home in 2001 (2001 Census – see also Figure 3.20); 79% in the Northern West Sussex Housing Market. Under occupation is where there are one or more rooms than is required by the household. There is therefore typically no direct relationship between house size and household size in the private sector. The social sector is more regulated in that housing is allocated in relation to the housing size required, but it is still possible for households to under-occupy larger housing particularly in the private sector.

- 8.101 Housing and planning policies have little influence over who occupies housing. A robust approach to providing for the mix of market and affordable housing should hence, in our view, be focused on providing a balanced mix of housing and resolving shortages in provision with regard to the existing supply.
- 8.102 Providing a *choice* of appropriate housing for older people is essential to help encourage opportunities for downsizing or move into accommodation more appropriate for their needs (the Lifetime Homes Standard will assist in this respect). This will assist in releasing a supply of existing housing for younger households to occupy and thereby make better use of the existing stock supply. It must however be recognised that some older people will be reluctant or unable to downsize from the former family home due to the disruption or emotional trauma involved. In such circumstances inertia is the over-riding factor.
- 8.103 To consider more broadly the appropriate mix of housing, we bring together our assessment of what the market is telling us about housing demand in Northern West Sussex, with an overview of what the economic direction may mean for the occupational mix and what opportunities this offers for developing the housing offer.
- 8.104 Figure 6.8 in the earlier Local Economic Trends section indicated the existing occupational profile of households in the Northern West Sussex Housing Market. It is based on CACI's ACORN Classification. The analysis demonstrated that Northern West Sussex Housing Market has a higher proportion of people in top level occupations (managers/professional occupations) than, West Sussex, the South East or England and Wales. The analysis also showed that the Housing Market has a smaller proportion of people in low skilled jobs (elementary/process plant). The analysis identified disparities in the locations that are the main focus for employment with the locations where higher earning individuals tend to live.
- 8.105 Looking to the future, Figure 8.9 indicates projected employment growth for key sectors to 2026 for West Sussex County (forecast data at District level and below has not been possible to obtain). Over the twenty year period we project growth in both high and low skilled services and particularly in non B Class health and education sectors. We would expect this to support demand at a number of levels in the Housing Market.

**Figure 8.9: Forecast Employment Growth in West Sussex, 2006-2026**

Source: Experian/GVA Grimley

- 8.106 Higher skilled service sector employment that provides opportunities to develop more aspirational housing is focused in the larger towns as well as in the surrounding, smaller rural settlement areas where there is a good quality of life and environmental attractiveness.
- 8.107 The findings continue to emphasise the need for a balanced approach to housing provision, providing choice of housing to meet the requirements of a range of occupational sectors.
- 8.108 Market signals indicate that the focus of demand in Northern West Sussex remains for two and three/four bedroom housing. Areas of higher value housing, particularly in more rural locations remain in demand (even in the current housing market) from those in well paid managerial and professional occupations.
- 8.109 There are significant plans across the Northern West Sussex Housing Market for place-based regeneration, including the development of town centre urban living offers associated with creating a wider housing mix of uses into the town centres. For example there continues to be scope for infilling of smaller properties into Crawley through Town Centre North to broaden the significant three-bedroom stock that already exists there provided that this is suitably phased and that appropriate size and quality standards are adhered to. This is also true for the Mid Sussex towns of East Grinstead, Haywards Heath and Burgess Hill.

- 8.110 There is also a role for the proposed urban extensions to play in Crawley, Horsham and Mid Sussex in providing larger and higher value housing in support of the Gatwick Diamond economy; (and in Crawley's case to redress the current balance of housing offer). We consider that for these larger site opportunities, there will always be a question of their overall housing mix to ensure their own local consistency, character and range of housing opportunity. Nevertheless, for the urban extension areas a proportion of 30%+ should be four or more bedroom properties to adequately serve the future housing demands expected. This is based on providing a broader housing mix relating to the current market demand evidence for larger housing and a reflection of recent supply trends. The larger sites provide the major opportunity to deliver larger housing.
- 8.111 Place-making interventions across Northern West Sussex are critical to supporting housing demand and attracting people to live and work in the areas communities. The availability of employment, good shopping and leisure facilities, good schools and access to open spaces will all help attract and retain people to live in the area. Raising the quality of place, particularly in Crawley will be critical to providing a diversified housing mix in the long term.
- 8.112 Overall, our conclusion is that the Northern West Sussex Housing Market is predominantly for houses. The market for flats has been developed over time and is now suffering relatively in the current housing market downturn. There remains a valid role for flats to play in the future housing mix and as part of the regeneration initiatives focused on the various town centres but it should not form the principal type of future housing stock in this Housing Market and must be supported by wider town centre renewal and regeneration initiatives.

**Key Messages: Future Housing Market**

- The SHMA considers and assesses future housing market trends in the short and long term noting the current, worsening housing market position in terms of access to mortgage finance and in relation to overall market activity.
- Economic performance in the South East region and West Sussex is tied to the national performance of the economy. There is a sustained economic recession currently underway that has had a marked influence on the short term dynamics and demand for housing in West Sussex. The economic outlook remains bleak with national forecasts continuing to show decline in key economic sectors during 2009 and 2010 before a cautious return to positive economic growth. Other key economic characteristics such as economic activity, employment and inflation have demonstrated negative trends during 2008 and into early 2009. A recessionary economy, with rising unemployment will clearly have a significant affect on the demand for housing, as this feeds through in terms of both the actual ability of people to afford to buy a house and also in terms of psychology and confidence.
- In the long term, the fundamentals of population growth, the emerging role of the Gatwick Diamond as an economic hub in West Sussex and a return of macro-economic stability across key sectors will drive demand for new housing across the Northern West Sussex Housing Market area.
- The retrenchment in sales activity is having a notable effect on housebuilding. Where possible, house builders are generally looking to reprofile build-out rates or mothball development schemes. With falling revenues, many have also been reducing costs including staff. In the short to medium-term this will reduce the industry's capacity.
- Even once sales levels pick up, we would expect a timelag for construction activity to improve. Evidence from previous downturns in the early 1970s and early 1990s points to a lag of up to six years (2013). A likely continued undersupply of new homes in the near and medium term will though help to stimulate market recovery.
- Four long term scenarios for housing demand have been developed: trend-based demographic; trend-based economic; regeneration/quality of place policy-on; and a comparative policy-led scenario. The conclusions from each are that the Northern West Sussex Housing Market has a good economic base, strong economic growth potential (including higher value and productivity driven employment) and is readily accessible to London and wider international markets. There is significant and evident demand drivers for new housing with the Gatwick Diamond acting as the mechanism to shape the sub-regional economy.
- To adequately address the future housing market in Northern West Sussex we expect to see a mix of housing types and sizes coming forward that address the requirements of a growing, ageing population coupled with a growing younger population cohort of economically active residents attracted by the quality of life and place-making agendas currently underway. The proposed new urban extensions particularly provide the opportunity to ensure a broad mix of housing types and sizes suitable to fit the future population and economic dynamics of the Northern West Sussex Housing Market.
- There are risks to town centre residential schemes in the short-term from the impacts of the credit crunch and housing market downturn on viability. This is affecting both residential, retail and commercial office schemes. Retail is important in this regard, because in most town centre locations it is a significant driver of value in mixed use developments where housing is also a key land use. In the short-term, this may mean altering schemes phasing and possibly even re-working schemes as a whole to ensure that new housing development is given every opportunity to continue to come forward.

- There is a need to consider carefully the infrastructure issues associated with housing and economic future growth. The provision of adequate transportation, movement and communications infrastructure will improve the internal connectivity in Northern West Sussex and more widely across the County. This is critical both to the future economic proposition of the area, but also to continuing to support the Northern West Sussex Housing Market as a functioning housing market area.
- In rural settlements, the analysis of the future housing scenarios suggests a focus more towards lower cost market housing and affordable housing. This is in order to address affordability issues and to diversify the existing housing mix to support sustainable communities in terms of population age structure and incomes.
- West Sussex County population projections indicate growth in the population in most age groups, with a decline in 35-49 age group up to 2021, before a subsequent increase to 2026. The strongest growth from 2006 to 2026 is expected to be those of retirement age, (with an increase of some 19,000 over the 20 year period). However, the projections also indicate growth in the 50-64 years cohort and a decline in those aged 0-19 years.
- The Government's Revised 2004-based household projections indicate how household size and structures are expected to change to 2026. Average household sizes across Northern West Sussex Housing Market are projected to fall from 2.37 in 2006 to 2.18 in 2026. The changing household structures for West Sussex over time clearly show the significant growth in single person households. This is a key trend, with such households growing by 48% over the twenty year period to 2026.
- Market signals indicate that the focus of demand in Northern West Sussex remains for two and three/four bedroom housing. Areas of higher value housing, particularly in more rural locations remain in demand (even in the current housing market) from those in well paid managerial and professional occupations.
- Place-making interventions across Northern West Sussex are critical to supporting housing demand and attracting people to live and work in the areas communities. The availability of employment, good shopping and leisure facilities, good schools and access to open spaces will all help attract and retain people to live in the area.
- The future Northern West Sussex Housing Market demand is predominantly for houses. The market for flats has been developed over time and is now suffering relatively in the current housing market downturn. There remains a valid role for flats to play in the future housing mix and as part of the regeneration initiatives focused on the various town centres but it should not form the principal type of future housing stock in this Housing Market and must be supported by wider town centre renewal and regeneration initiatives.

## 9. HOUSING NEEDS ASSESSMENT

### INTRODUCTION

- 9.1 GVA Grimley has worked with each of the three local authorities in the Northern West Sussex Housing Market to develop a robust understanding of housing need. Housing need is defined as “the quantity of housing required by households who are unable to access suitable housing without financial assistance.” It includes households who lack their own housing or live in unsuitable housing and who cannot afford to meet their needs in the market.
- 9.2 An up-to-date assessment of housing need is a statutory requirement to inform planning policies for the delivery of affordable housing. Affordable housing, adopting the definition set out by the Government in PPS3, includes social rented housing and intermediate housing, provided to eligible households whose needs are not met by the market. It should be available at a cost low enough for eligible households to afford with regard to local incomes and house prices; and include provision for the home to remain at an affordable price for future eligible households, or if these restrictions are lifted, for the subsidy to be recycled. Affordable housing excludes low cost market housing.

### APPROACH

- 9.3 Housing needs surveys have traditionally been used to identify a range of aspirations, perceptions and financial information. However these surveys are limited by the fact that they are often based upon a small sample of the population which is assumed to be representative of the wider population and applied to it. Fundamentally, many of the questions within surveys are extremely specific and influenced by personal circumstances which differ from household to household. They are also heavily influenced by aspirations which are constrained by a variety of factors, including personal financial situations.
- 9.4 In recognition of these limitations, CLG’s Practice Guidance on undertaking Strategic Housing Market Assessments (CLG, August 2007) states that whether the Assessment is based upon secondary or survey data should not be a factor in determining whether an assessment is robust and credible. It is clear that “no one methodological approach or use of a particular data set(s) will provide a definitive assessment of housing need and demand or market conditions.”
- 9.5 The Government’s Guidance promotes the use of good quality secondary data where appropriate and feasible and “triangulation” of data from multiple sources where there is

not defensible and accurate data. This approach, drawing upon secondary data sources, is adopted herein. It has a number of key advantages in: encouraging greater consistency of assumptions; reducing costs; facilitating (annual) monitoring; and reducing methodological problems of bias with surveys.

9.6 There has been and remains some debate regarding the use of secondary sources to assess housing need. This includes concerns regarding the quality and robustness of housing waiting lists, and the degree to which concealed and overcrowded households are captured. These limitations are accepted and catalogued. They are however not unique to the secondary sources approach.

9.7 The secondary sources approach relies on the interrogation of housing waiting lists to establish current housing need (often termed the backlog). The quality and robustness of secondary data in housing registers, which include waiting and transfer lists (henceforth referred to as the 'waiting lists') can be affected by:

- The way in which local authorities maintain the register. Some local authorities for instance require households to re-register each year or review applications periodically, while others do not. There are also notable differences between local authorities in what information is recorded on applicants.
- Questions over whether households could actually meet their housing needs in the market sector. Few waiting lists for instance include information on incomes which allow this to be tested.
- The availability of stock which can affect the likelihood of a household being housed and influence whether they register. In the most extreme cases, there are examples of local authorities closing their lists to new applicants. This can result in need being under-estimated.
- Variance in the allocations policies of social housing providers. This particularly becomes an issue when trying to provide a consistent assessment of need across local authorities.
- Potential for households to register with more than one provider of affordable housing. The issue is particularly significant where there are several providers with a sizeable volume of stock in an area, where they do not maintain common waiting lists or lettings policies. In some circumstances, depending on lettings policies, households can also register with more than one local authority.

9.8 In some cases, these issues could potentially result in under-estimating actual need. There is for instance evidence that waiting lists under-estimate levels of concealed and overcrowded households, as not all may register with a local authority.

- 9.9 In other areas, there is potential for waiting lists to over-estimate numbers of households in housing need. Waiting lists for one organisation can for instance include households who have been housed by another provider, particularly where households are not required to re-register periodically.
- 9.10 It is sometimes found that waiting and transfer lists include applicants who are not in need but have applied because they want to move to a different type of property or location (although they may not need to) or because they may wish to be considered for housing at some point in the future, but are not currently in housing need.
- 9.11 GVA Grimley and local authority partners have considered these issues and sought to address them as far as practical to provide robust and defensible estimates of households in housing need.
- 9.12 The Project Steering Group has agreed that:
1. The needs **assessment will provide estimates of housing need on a local authority by local authority basis** across West Sussex, using a standard approach.
  2. The assessment will **assume that all those in need register on a local authority waiting list in the first instance**, although they may also register with specific Registered Social Landlords as well.
  3. In recognition of potential questions regarding the robustness of housing waiting lists, **the assessment will include high and low estimates of current households in housing need**. The high estimate will include all those registered on local authority waiting lists. The **low estimate will be based on an assessment of those households in reasonable preference groups**.
- 9.13 The use of high and low estimates allows us to address some of the potential questions regarding the robustness of waiting lists for estimating current households in housing need.
- 9.14 The high estimate recognises that while waiting lists may include some households who would not be found as in need by traditional surveys or may have found suitable housing, equally not all households in need will have registered with a local authority with a potential undercount of concealed and overcrowded households. It is based on the assumption that it is unlikely that any of those on waiting lists will be able to meet their housing requirements in the open market.
- 9.15 The purpose of the low estimate is particularly to demonstrate that there is a continued need for substantial new affordable housing provision even when only those households with a current acute housing need are considered. It is a lower estimate of housing need than is set out in Government policy.

- 9.16 The low estimate includes current households in housing need only where they are considered to fall within defined reasonable preference groups. The Housing Act 1996, as amended by the Homelessness Act 2002, provides the statutory basis for this, stating that local authorities must give preference to the following groups. The low estimate looks specifically at social rented housing. This is a more narrow definition than the Government's definition.

#### Reasonable Preference Groups

- People who are homeless (within the meaning of Part VIII of the Housing Act 1996);
- People who are owed a duty by any local authority under the following sections of the Housing Act 1996:
  - S.190(2) Intentionally homeless and in priority need;
  - S.192(3) Non-priority need homeless who are occupying accommodation arranged by the Council;
  - S.193(2) Unintentionally homeless and in priority need;
  - S.195(2) Threatened with homelessness intentionally and in priority need;
- People occupying unsanitary or overcrowded housing or otherwise living in unsuitable housing conditions;
- People who need to move on medical or welfare grounds;
- People who need to move to a particular locality where failure to meet that need would cause hardship (to themselves or to others).

- 9.17 The approach adopted, while based on a variety of data sources, is strongly influenced by the **actual numbers of households whose real circumstances have been assessed and defined as in housing need by local authorities**. This approach, based on the actual numbers of households and their real circumstances differs from traditional housing needs surveys which record the situations and aspirations of a sample of households which are then applied to the population as a whole. In this regard, the approaches are not directly comparable.

- 9.18 The housing needs assessment provides estimates of households in need based on the transparent methodology set out and the best information available.

## OVERVIEW OF THE MODEL

- 9.19 The approach adopted is consistent with CLG's Strategic Housing Market Assessment Guidance. It is structured around the following stages:

- Stage 1 Current Housing Need (Gross Backlog)
- Stage 2 Future Housing Need (Gross Annual Estimate)

- Stage 3 Affordable Housing Supply
- Stage 4 Housing Requirements of Households in Need
- Stage 5 Bringing the Evidence Together

9.20 Stages 1-3 and Stage 5 together provide the overall assessment of housing need, with Stage 4 looking to populate this by indicating the types of housing required by those in need.

9.21 To summarise the methodology, the net annual estimate for total households in housing need relates to the difference between newly arising need annually and the supply coming forward on an annual basis through lettings; plus a quota to address current housing need (the backlog) once the affordable housing supply pipeline is considered.

9.22 The approach is largely consistent with the Basic Needs Assessment Model set out in the *Local Housing Needs Assessment: A Guide to Good Practice* (DETR, 2000).

9.23 The table overleaf (Figure 9.1) outlines the key steps in the model and the data sources used. The remainder of this section sets out the key inputs in relation to each of the stages in the model and presents housing needs estimates for each local authority in the Housing Market Area. Data sources and assumptions are clearly catalogued.

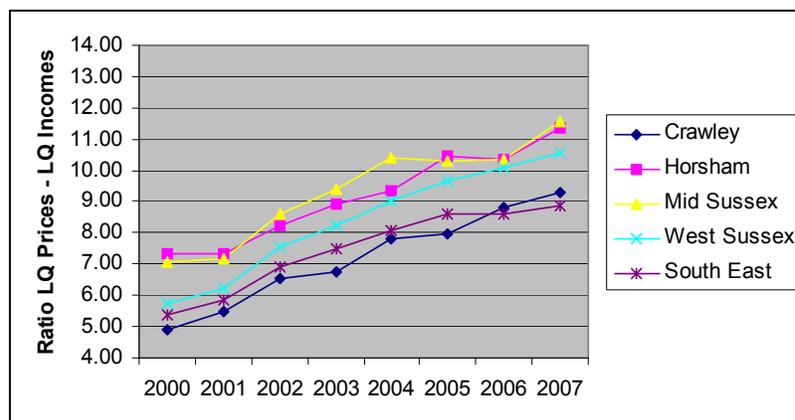
Figure 9.1: Housing Needs Model &amp; Data Sources

Step	Calculation	Data Sources & Assumptions
<b>Stage 1 – Current Housing Need (Gross)</b>		
1.1 Homeless households and those in temporary accommodation		Assumed to be included within waiting list figures (Step 1.3)
1.2 Overcrowded and concealed households		Assumed to be included within waiting list figures (Step 1.3)
1.3 Other groups		Local authority waiting lists excluding transfer requests. Low estimate based on households in defined reasonable preference groups
1.4 Total current housing need (gross backlog)	= 1.1 + 1.2 + 1.3	
<b>Stage 2 – Future Need</b>		
2.1 New Household formation (per annum)		South East Plan Government Proposed Changes distributed to districts.
2.2 Proportion of households unable to buy or rent		Comparison of housing costs for purchase (at lower quartile house prices, Q4 2007) and for rent (using Hometrack data) with distribution of households incomes (CACI Paycheck) in each local authority.
2.3 Existing households falling into need		Annual estimates derived from CORE Lettings Data for 2005/6, 2006/7 and 2007/8, once newly-forming households and transfers are excluded.
2.4 Total newly arising need (gross per year)	= (2.1 x 2.2) + 2.3	
<b>Stage 3 – Affordable Housing Supply</b>		
3.1 Affordable dwellings occupied by households in need		Transfers are excluded from Stages 1, 2 and 3 as they release supply of housing, having a nil net effect.
3.2 Surplus stock		Local authority estimates of vacant properties which could be brought back into use.
3.3 Committed supply of new affordable housing		Local authority estimates of affordable housing expected to be delivered between 2008-11, based on LAA Returns.
3.4 Units to be taken out of management		Local authority estimates of properties currently let which are due to be demolished or refurbished.
3.5 Total affordable housing stock available	= 3.1 + 3.2 + 3.3 – 3.4	
3.6 Annual supply of social re-lets (net)		Estimates of annual lettings, excluding transfers, in both local authority and RSL sectors based on CORE Lettings Data for 2005/6, 2006/7 and 2007/8.
3.7 Annual supply of intermediate affordable housing for re-let or resale at sub-market levels		Estimates from local authorities or an assumed 10% annual turnover of current stock.
3.8 Annual supply of affordable housing	= 3.6 + 3.7	
<b>Stage 5 – Bringing the Evidence Together</b>		
5.1 Total Net Need	= 1.4 – 3.5	
5.2 Annual Flow	= 10% x 5.1	10% of total net need per annum, based on addressing the backlog over a 10 year period.
5.3 Net Annual Housing Need	= (2.4 + 5.2) – 3.8	

## CONTEXT

- 9.24 The housing needs methodology was developed to demonstrate either a shortfall or surplus of affordable housing at a local level. It is based on assessing the ability to meet current and future housing need through use of current and planned stock of affordable housing. The results of the assessment are hence affected both by the level of housing need which arises, and by the current stock of affordable housing and planned provision.
- 9.25 Over the last decade we have witnessed a sustained deterioration in the affordability of market housing, particularly associated with significantly stronger growth in house prices than earnings. As Figure 9.2 indicates, the ratio of lower quartile house prices to lower quartile earnings (as an indication of barriers to house purchase for young households) has increased from 5.7 in West Sussex in 2000 to 10.5 in 2007. In Mid Sussex and Horsham Districts entry-level house prices are over 11 times earnings of young households and over 9 times in Crawley.

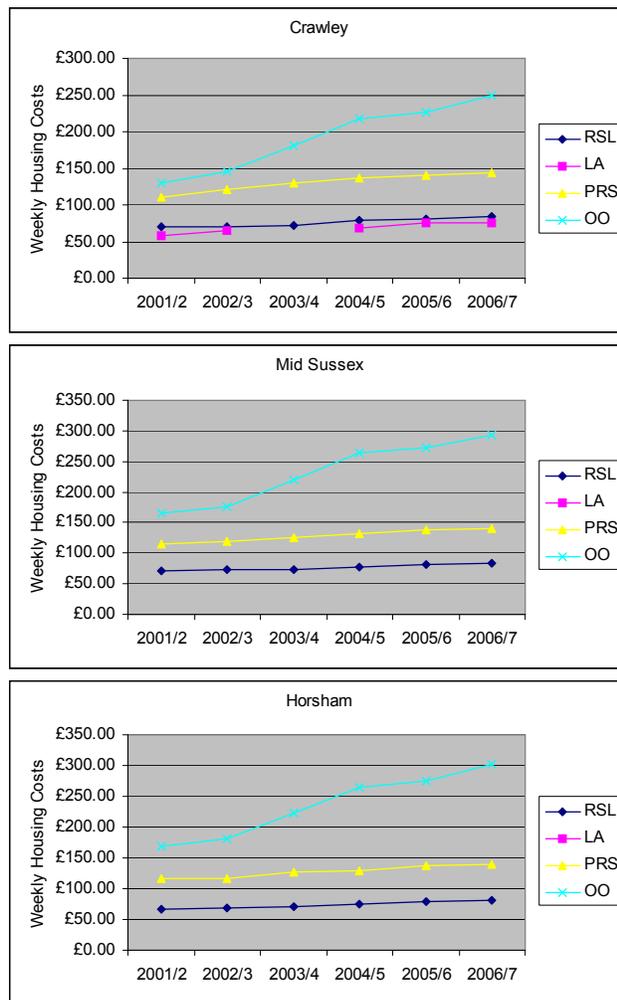
**Figure 9.2: Lower Quartile Price to Income Ratios**



Source: CLG Table 576

- 9.26 Affordability pressures are however particularly related to the ability of households to purchase housing. While rental levels in the private rented sector have increased, the growth in the costs of renting has not been anywhere near as significant as the increased costs of owning a home, taking into account interest rates. Figure 9.3 compares the trend in housing costs across tenures in each of the three local authorities since 2000.

**Figure 9.3: Comparative Weekly Housing Costs across Tenures**



- RSL – Registered Social Landlord
- LA – Local Authority
- PRS – Private Rented Sector
- OO – Owner Occupied

Source: Dataspring

9.27 An analysis of differences in housing costs across tenures in 2001/2 and 2006/7 (Figure 9.4) indicates that there has been substantial growth in the difference between home ownership and private renting, with some (albeit much less substantial) growth in the differential between weekly costs of renting privately as against typical RSL rents.

**Figure 9.4: Comparative Housing Costs across Tenures, 2001/2 and 2006/7**

Difference in Housing Costs		Crawley	Horsham	Mid Sussex
RSL Rent - Private Rent	2001/2	£41	£49	£43
	2006/7	£59	£59	£55
	Growth	£18	£10	£12
Private Rent - Owner Occupation	2001/2	£19	£52	£50
	2006/7	£106	£161	£154
	Growth	£87	£109	£104

Source: Dataspring

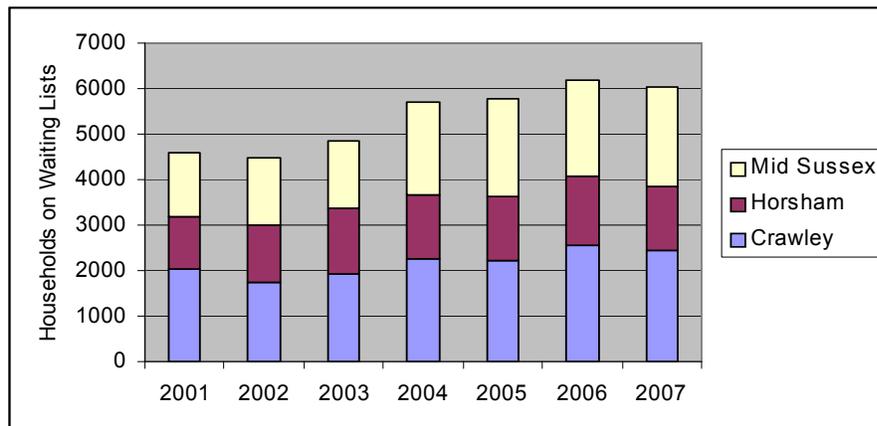
- 9.28 Private rental costs are higher than rents in the social sector in all three districts, with the differential largest in Horsham and lowest in Crawley. Rents have grown to a similar degree across the three districts since 2001/2.
- 9.29 The costs of owner occupation have increased substantially in all three authorities. The differentials between house purchase and private rental costs have increased by over £100 per week over the last five years in Horsham and Mid Sussex, but a less substantial £87 a week in Crawley..
- 9.30 The growing differential in housing costs across tenures, and particularly the substantial increase in costs of owner occupation, has resulted in increasing households falling into housing need, unable to meet their needs in the market sector.
- 9.31 As a result of increasing private sector housing costs relative to earnings, increasing numbers of households have been falling into housing need. In Northern West Sussex the stock of affordable housing properties has increased over the last five years by 3%. This particularly reflects stock transfer of properties in Horsham and Mid Sussex and resulted in some improvement in the ability of social housing providers to meet growing need.

**Figure 9.5: Affordable Housing**

	Apr-02	Apr-07	% Change
Crawley	10550	10395	-1%
Horsham	6113	6677	9%
Mid Sussex	5664	5931	5%
Northern West Sussex	22327	23003	3%

Source: HSSA 2002 and 2007

- 9.32 With increasing levels of new applicants for social housing however, waiting lists have increased in Northern West Sussex by 34% between April 2002 and April 2007. This is shown in Figure 9.6 below. This indicates that need has grown at a faster rate than the growth in affordable housing stock in comparative terms. In Crawley, a more strict interpretation of new applicants in housing need has restricted the numbers deemed to be in reasonable preference.

**Figure 9.6: Growth in Local Authority Waiting Lists**

Source: HSSA Returns

- 9.33 It is these trends of an increasing backlog of housing need and strong affordability barriers to purchasing or renting housing privately which are borne out in the assessment of housing needs.
- 9.34 The core output of the assessment of housing need is the **net annual estimate of households in need**. This is often compared to the housing requirement (as established through a Structure Plan or Regional Spatial Strategy) to inform affordable housing policies. The housing figures in these documents are however not informed solely by levels of housing demand and need, but take into account the availability of suitable development land (housing land capacity) and apply a spatial strategy to direct new housing to sustainable locations. The appropriate comparison is hence with estimates of future annual change in the total number of households, as the Guidance makes clear. However even in these circumstances, a percentage figure is influenced by current barriers to market entry and levels of affordable housing supply at the local level.
- 9.35 The Government's Guidance also makes clear that there are a range of other factors to be considered in deciding what proportion of future housing supply should be affordable, including pressures in the private rented sector, poor market supply, poor access to home ownership and changing economic performance. Furthermore PPS3 makes it clear that the viability of residential development and available funding to support delivery of affordable housing must be considered in determining appropriate affordable housing policies.
- 9.36 In summary, the key output of the assessment of housing need is the **net annual estimate of households in need**. This is a statutory requirement to underpin affordable housing policies in demonstrating that need for affordable housing cannot be met from the current stock of affordable housing and planned provision.

## ENTRY-LEVEL HOUSING COSTS

- 9.37 In this section we estimate the proportion of households who cannot afford to access market housing; considering those who cannot afford either to purchase housing in the open market or to pay private sector rents without financial support.
- 9.38 We have assessed entry-level housing costs for house purchase using lowest quartile house prices in Q4 2007 and average private sector rents given these are reflective of the market prior to the short term price declines in 2008. We have established income thresholds for access to the market sector assuming that households have a 10% deposit and that monthly costs are based on a 6.3% interest rate with mortgage cost not exceeding 25% of gross household income. We have established income thresholds for access to the private rental market by assuming again that housing costs should not exceed 25% of gross household income. These assumptions are consistent with the Government's guidance.

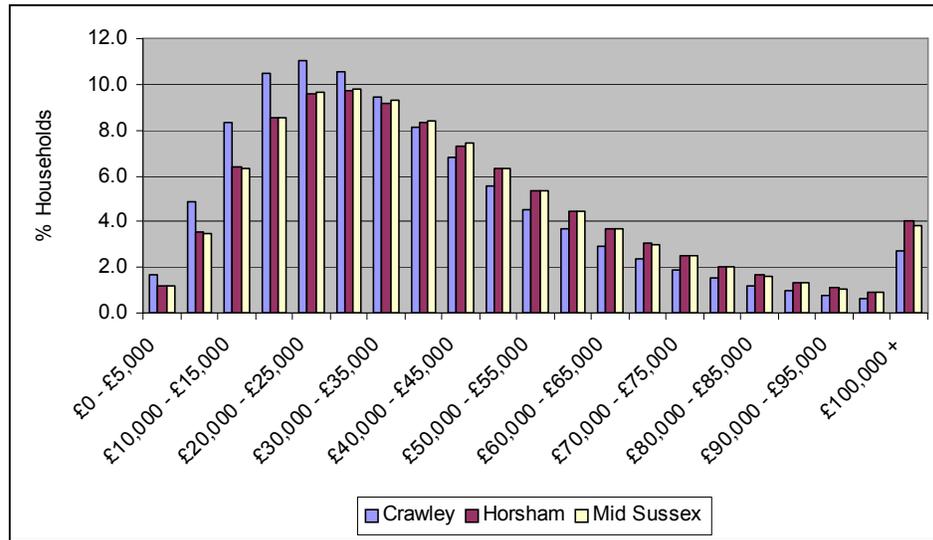
**Figure 9.7: Entry-Level Housing Costs and Income Thresholds**

	Monthly Housing Costs		Rental as % Purchase Costs	Income Thresholds (Annual)	
	Purchase	Rental		Purchase	Rental
Crawley	£876	£657	75%	£42,055	£31,536
Horsham	£990	£808	82%	£47,520	£38,784
Mid Sussex	£1,030	£759	74%	£49,421	£36,432

Source: Halifax

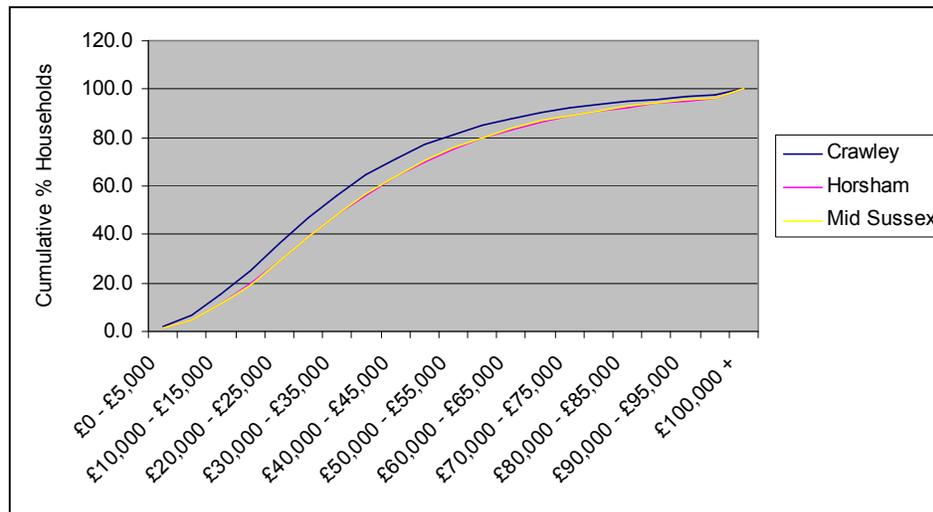
- 9.39 Monthly housing costs are lower for private renting than home ownership (at lowest quartile prices) in each of the local authorities. The differences in costs however vary with the lowest differential in Horsham District.
- 9.40 Using data from CACI Paycheck on the distribution of household incomes at a local authority level, we have modelled the proportion of households unable to afford to buy or rent without support.
- 9.41 Figures 9.8 and 9.9 indicate the distribution of household earnings by income band across each of the local authorities. A higher proportion of households in lower-earning groups in Crawley is clearly shown and this is related back to the distribution of household earnings (Figure 9.8) that show that Crawley has more households in lower income bands and fewer in higher income bands than Horsham or Mid Sussex Districts.

**Figure 9.8: Household Earnings by Income Band (2008)**



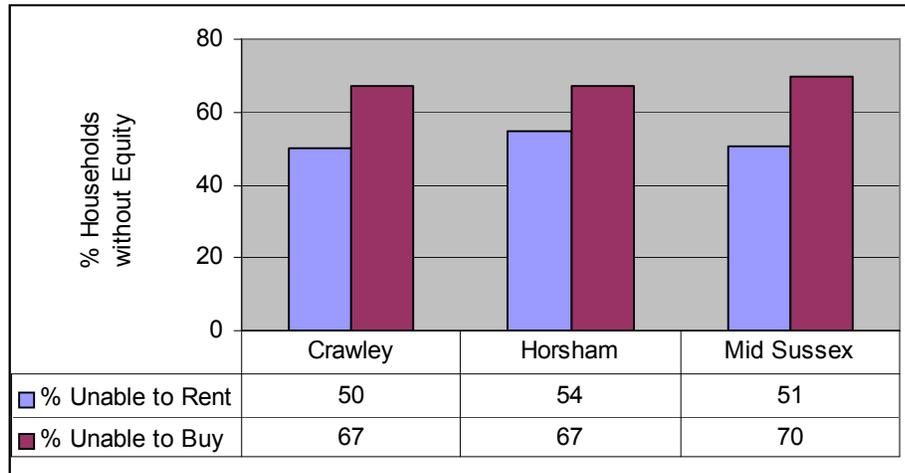
Source: CACI Paycheck

**Figure 9.9: Cumulative Household Earnings Distribution (2008)**



Source: CACI Paycheck

9.42 The income distribution is compared to the income thresholds for rental and house purchase to establish the proportion of households without equity in their existing homes or substantial other savings who cannot afford to buy or rent in each district.

**Figure 9.10: Proportion of Households Unable to Buy or Rent**

Source: CACI Paycheck/ GVA Grimley

- 9.43 The proportion of households without equity in their existing homes who cannot afford to rent housing in the private sector without support varies from 50% in Crawley to 54% in Horsham and 51% in Mid Sussex. For those unable to buy, the proportion of households is 67% in Crawley and Horsham and 70% in Mid Sussex.

## BASIC NEEDS ASSESSMENT MODEL

### STAGE 1: CURRENT HOUSING NEED (GROSS BACKLOG)

- 9.44 The Government's Guidance sets out that the current backlog of housing need should be estimated through the following stepped process:
- Step 1.1: Homeless Households and those in Temporary Accommodation
  - Step 1.2: Overcrowded and Concealed Households
  - Step 1.3: Other Groups: Existing Tenants & Households from Other Tenures in Need
  - Step 1.4: Total Housing Need (Gross) = 1.1 + 1.2 + 1.3
- 9.45 We have assumed for the basis of this assessment that homeless households and those currently housed in temporary accommodation are included within housing waiting list figures. This has been confirmed and agreed by the local authorities.
- 9.46 We have assumed that overcrowded and concealed households in housing need will register with a local authority and hence be included within housing waiting lists (although in reality some will and some will not).

- 9.47 The Stage 1 analysis is hence based on current households on local authority housing waiting lists. These are assumed to make up the backlog of housing need. The high estimate is based on all households on housing waiting lists excluding transfers. The low estimate is based on households on housing waiting lists assessed to be within reasonable preference groups (see information box at paragraph 9.16 above).
- 9.48 Transfers have been discounted from all parts of the needs analysis (Stages 1, 2 and 3). When transfers take place these occupy an affordable property, but also release a property for another household to occupy, resulting in no overall net effect on housing need.
- 9.49 As a result Step 1.4 is based on the volume of households currently on local authority housing waiting lists, excluding transfers. This is set out in Figure 9.11 which provides Core Output 3 of the SHMA Core Output requirements.

**Figure 9.11: Estimates of Current Households in Housing Need (Step 1.4)**

	Crawley	Horsham	Mid Sussex	Northern West Sussex
High Estimate (All Households on Waiting List)	2565	1072	2176	5813
Low Estimate (Households with Reasonable Preference)	854	322	863	2039
% In Reasonable Preference Categories	33%	30%	40%	35%

**The above figures provide Core Output 3: Estimates of Current Households in Housing Need**

## STAGE 2: FUTURE NEED

- 9.50 Future need is expressed as an estimated annual flow of households falling into housing need. It is assessed using the following stepped process:
- Step 2.1: New Household Formation
  - Step 2.2: Proportion of Newly-Forming Households unable to Buy or Rent in the Market
  - Step 2.3: Existing Households falling into Need each year
  - Step 2.4: Future Need = (2.1 x 2.2) + 2.3
- 9.51 Estimates of new household formation on an annual basis have been agreed to be derived from the South East Plan RSS Government's Proposed Changes (August 2008) as the most up to date position (the housing figures in the final South East Plan are unchanged for West Sussex local authorities). These are dwelling-led projections which reflect the housing requirements for West Sussex authorities up to 2026. They recognise that housing supply will influence migration patterns to and within West Sussex. They are derived by

SEERA as a combination of population, economic, and spatial development characteristics representing the Government's preferred approach to housing growth and population across the South East Region.

- 9.52 The proportion of newly-forming households who cannot afford to meet their needs in the market is established in Figure 9.12 by comparing the housing distribution to housing cost thresholds for access to both the private rented sector and home ownership at lower quartile house prices (see also Figure 9.3). Entry level rents are used as the basis for assessing access to the market sector. Figure 9.12 sets out the projected numbers of newly-forming households who cannot afford to meet their needs in the market sector, by applying these proportions to estimates of newly-forming households.

**Figure 9.12: Proportion of Newly-Forming Households in Housing Need (Annual Estimate)**

	Crawley	Horsham	Mid Sussex	Northern West Sussex
2.1 New Household formation (gross per year)	375	650	855	1880
2.2 Proportion of households unable to buy or rent	50%	54%	51%	
Newly-Forming Households in Housing Need (Per Annum)	188	351	436	975

- 9.53 The second main element of analysis in Stage 2 relates to existing households falling into housing need each year. The CLG Guidance sets out that this should be based on households "who have entered the housing register and been housed within the year as well as households housed outside of the register (such as priority homeless household applicants)." CLG has confirmed to GVA Grimley that where households have entered the register but not been housed, they are counted in the needs assessment as part of Current Housing Need (the backlog).
- 9.54 CORE lettings data<sup>19</sup> can be used to estimate existing households falling into need by discounting newly-forming households and transfers.<sup>20</sup> Annual estimates are set out below based on averages of lettings to existing households over the past few years (2005/6, 2006/7 and 2007/8). To reiterate, transfers (i.e. where previous accommodation was a social tenancy) have been excluded from the assessment of both future need and affordable housing supply.
- 9.55 Figure 9.13 sets out estimates of existing households falling into need.

<sup>19</sup> The Continuous Online Recording System (CORE) is a national information source funded jointly by the Homes and Communities Agency and the CLG that records information on the characteristics of both housing association and local authority new social housing tenants and the homes they rent and buy.

<sup>20</sup> GVA Grimley has assessed newly-forming households to include those whose previous accommodation was living with a family, staying with friends, living in a children's home or in foster care

**Figure 9.13: Estimates of Existing Households falling into Need**

	Crawley	Horsham	Mid Sussex	Northern West Sussex
2.3 Existing Households falling into Need	254	190	177	621

9.56 Drawing the analysis together, Figure 9.14 provides estimates of total newly-arising need per annum.

**Figure 9.14: Total Newly-Arising Housing Need Per Annum**

	Crawley	Horsham	Mid Sussex	Northern West Sussex
Newly-Forming Households in Housing Need (Per Annum)	188	351	436	975
Existing Households in Housing Need (Per Annum)	254	190	177	621
Total Newly-Arising Need (Per Annum)	442	541	613	1596

### STAGE 3: AFFORDABLE HOUSING SUPPLY

9.57 Stage 3 identifies the current stock that can be used to accommodate households in future need as well as future pipeline supply of affordable housing. It comprises the following stages:

- Step 3.1: Affordable Dwellings occupied by Households in Need
- Step 3.2: Surplus Stock
- Step 3.3: Committed Supply of New Affordable Housing
- Step 3.4: Units to be taken out of Management
- Step 3.5: Total Affordable Housing Stock Available = 3.1 + 3.2 + 3.3 – 3.4
- Step 3.6 Annual Supply of Social Re-Lets (Net)
- Step 3.7: Annual Supply of Intermediate Affordable Housing for Re-let/ Resale
- Step 3.8: Annual Supply of Affordable Housing = 3.6 + 3.7

9.58 Steps 3.1 – 3.5 are used to estimate affordable housing stock available. This is compared against current housing need (Stage 1: the Backlog). The supply of affordable housing as an annual flow, taking into account levels of lettings, is compared against estimate levels of future housing need per annum (Stage 2).

- 9.59 We discount transfer applications from Stages 1, 2 and 3. On this basis the level of affordable dwellings occupied by households in need is set at zero. The annual supply of social re-lets is also exclusive of transfers.
- 9.60 Figures for surplus stock, units to be taken out of management and committed supply of affordable housing have been provided by each of the local authorities.
- 9.61 Surplus stock describes current vacant social sector properties which could be brought back into use, although recognising that some vacancy is necessary to allow for turnover.
- 9.62 Units to be taken out of management include affordable housing which is to be either demolished, redeveloped or disposed of.
- 9.63 The committed supply of affordable housing has been assessed based upon Local Area Agreement targets for affordable housing delivery between 2008-11 and agreed with GOSE. They reflect the authorities' assessment of what can realistically be expected to be delivered between 2008-9 to 2010-11. It includes schemes that either have planning permission or which are expected to be given planning permission, and which can realistically be delivered in this timescale.
- 9.64 In light of the current market downturn, in which falling sales values and rising costs (including finance costs) are affecting the viability of residential development schemes, and the phased build-out of sites are being re-profiled; there is a clear set of downside risks to these figures for projected affordable housing supply.

**Figure 9.15: Total Affordable Housing Stock Available**

	Crawley	Horsham	Mid Sussex	Northern West Sussex
3.2 Surplus Stock	0	0	1	1
3.3 Committed supply of new affordable housing	661	186	324	1171
3.4 Units to be taken out of management	0	57	48	105
Minus Intermediate Housing Stock	242	74	111	427
3.5 Total affordable housing stock available	419	55	166	640

- 9.65 The annual supply of social re-lets has been estimated using data from the Continuous Online Recording System (CORE) for lettings in both local authority and RSL sectors over the past three years, 2005/6, 2006/7 and 2007/8. Lettings to existing social tenants (i.e. transfers) have been excluded.
- 9.66 The annual supply of intermediate housing is estimated from RSL RSR Returns (Regulatory and Statistical Returns) to the Homes and Communities Agency, assuming a turnover rate of 10% per annum for shared ownership properties or from local authority estimates of the turnover of intermediate housing where available.

9.67 Figure 9.16 outlines the estimated annual supply of affordable housing.

**Figure 9.16: Estimated Annual Supply of Affordable Housing**

	Crawley	Horsham	Mid Sussex	Northern West Sussex
3.6 Annual supply of social re-lets (net)	347	283	294	924
3.7 Annual supply of intermediate affordable housing available for re-let or resale at sub market levels	35	25	32	92
3.8 Annual supply of affordable housing	382	308	326	1016

## STAGE 5: NET ANNUAL HOUSING NEED

9.68 The final element of the assessment is to bring together the various steps to set out an annual estimate of affordable housing need in each of the districts.

9.69 This stage involves the following three steps:

- Calculate Net Need – this is calculated by subtracting the total affordable housing stock available (Step 3.5) from the gross current housing need (Step 1.4).
- Estimate an Annual Flow – we have assumed that the net need will be addressed over a 10 year period, so that 10% of net housing need will be addressed each year over a decade.
- Calculate Net Annual Housing Need – this is total newly-arising need (Step 2.4 + the Annual Flow) minus the annual supply of affordable housing (Step 3.8).

9.70 The above calculation is used to derive estimates of annual net affordable housing need for each local authority. Figure 9.17 presents the analysis for the high estimate. Figure 9.18 presents the analysis for the low estimate.

**Figure 9.17: Net Annual Housing Need – High Estimate**

	Crawley	Horsham	Mid Sussex	Northern West Sussex
Total net need	1904	943	1899	4746
Annual flow (10% Total Net Need)	190	94	190	475
Net annual housing need	250	327	477	1054

**Figure 9.18: Net Annual Housing Need – Low Estimate**

	Crawley	Horsham	Mid Sussex	Northern West Sussex
Total net need	435	267	697	1399
Annual flow (10% Total Net Need)	44	27	70	140
Net annual housing need	103	260	357	719

9.71 Estimates of net annual housing need are thus as follows 103 - 250 households in Crawley District; 260 - 327 households in Horsham District; and 357 - 477 households in Mid Sussex District. The overall estimates of net annual housing need for Northern West Sussex Housing Market are 719 – 1054. Figure 9.19 sets out the overall summary position while Figures 9.20 and 9.21 provide the full needs assessment calculations for the high and low estimates respectively.

**Figure 9.19: Comparison of Net Annual Housing Need and RSS Targets**

	Crawley	Horsham	Mid Sussex	Northern West Sussex HM
Net Annual Housing Need (High)	250	327	477	1054
Net Annual Housing Need (Low)	103	260	357	719
RSS Housing Target	375	650	855	1880
% Ratio <b>Low</b> (High)	<b>27%</b> (67%)	<b>40%</b> (50%)	<b>42%</b> (56%)	<b>38%</b> (56%_

Figure 9.20: Overall Housing Needs Assessment: High Estimate

Step	Comments	Adur	Arun	Chichester	Worthing	Coastal HM	Crawley	Horsham	Mid Sussex	NW Sussex HM
<b>Stage 1 - Current Housing Need (Gross)</b>										
1.1 Homeless households and those in temporary accommodation	Assumed picked up waiting lists	0	0	0	0	0	0	0	0	0
1.2 Overcrowding and concealed households	Assume that households in need will register on waiting lists	0	0	0	0	0	0	0	0	0
1.3 Other Groups	Households on LA Waiting List excluding Transfers	1393	3471	4938	2205	12007	2565	1072	2176	5813
1.4 Total current housing need (gross)	1.1 + 1.2 (+1.3)	1393	3471	4938	2205	12007	2565	1072	2176	5813
<b>Stage 2 - Future Need</b>										
2.1 New Household formation (gross per year)	South East Plan Proposed Changes	305	565	480	200	1550	375	650	855	1880
2.2 Proportion of households unable to buy or rent	Those unable to buy at LQ Prices or Rent Privately without Housing Benefit	50%	70%	66%	47%		50%	54%	51%	
2.3 Existing households falling into need	Households falling into need and housed per annum	131	272	302	223	928	254	190	177	621
2.4 Total newly arising need (gross per year)	(2.1 x 2.2) + 2.3	284	668	619	317	1887	442	541	613	1596
<b>Stage 3: Affordable Housing Supply</b>										
3.1 Affordable dwellings occupied by households in need	Assume zero	-	-	-	-	-	-	-	-	-
3.2 Surplus Stock	Current vacants that could be brought back into use.	0	1	1	0	2	0	0	1	1
3.3 Committed supply of new affordable housing	Based on LAA Targets 2008-11	154	350	286	234	1024	661	186	324	1171
3.4 Units to be taken out of management	Housing currently let which is due to be demolished or refurbished.	0	0	130	0	130	0	57	48	105
3.5 Total affordable housing stock available	3.1 + 3.2 + 3.3 - 3.4	154	351	157	234	896	661	129	277	1067
3.6 Annual supply of social re-lets (net)	LA and RSL sectors exc. transfers	142	293	378	243	1056	347	283	294	924
3.7 Annual supply of intermediate affordable housing available for re-let or resale at sub market levels	Figures from LAs or based on 10% turnover of shared ownership properties	7	29	20	10	66	35	25	32	92
3.8 Annual supply of affordable housing	3.6 + 3.7	149	322	398	253	1122	382	308	326	1016
<b>Total net need</b>	1.4 - 3.5	1239	3120	4781	1971	11111	1904	943	1899	4746
<b>Annual flow</b>	10% of total net need (Assume ten year period to relieve backlog of need)	124	312	478	197	1111	190	94	190	475
<b>Net Annual Housing Need</b>	(2.4 + Annual flow) - 3.8	258	658	699	261	1876	250	327	477	1054

## Housing Requirement 2006 to 2026

## Draft SE Plan: Proposed Changes (July 2008)

305 Adur	85%
565 Arun	116%
480 Chichester	146%
200 Worthing	131%
<b>1550 Total</b>	<b>121%</b>

Crawley	375	67%
Horsham	650	50%
Mid Sussex	855	56%
<b>Total</b>	<b>1880</b>	<b>56%</b>

Figure 9.21: Overall Housing Needs Assessment: Low Estimate

Step	Comments	Adur	Arun	Chichester	Worthing	Coastal HM	Crawley	Horsham	Mid Sussex	NW Sussex HM
<b>Stage 1 - Current Housing Need (Gross)</b>										
1.1 Homeless households and those in temporary accommodation	Assumed picked up in waiting lists	0	0	0	0	0	0	0	0	0
1.2 Overcrowding and concealed households	Assume that households in need will register on waiting lists	0	0	0	0	0	0	0	0	0
1.3 Other Groups	Households on LA Waiting List in Reasonable Preference Groups excluding Transfers	1020	1237	1425	1109	4791	854	322	863	2039
1.4 Total current housing need (gross)	1.1 + 1.2 (+1.3)	1020	1237	1425	1109	4791	854	322	863	2039
<b>Stage 2 - Future Need</b>										
2.1 New Household formation (gross per year)		305	565	480	200	1550	375	650	855	1880
2.2 Proportion of households unable to buy or rent	Those unable to buy at LQ Prices or Rent Privately without Housing Benefit	50%	70%	66%	47%		50%	54%	51%	
2.3 Existing households falling into need	'reasonable preference' in private housing within district falling into need per annum. Average over	131	272	302	223	928	254	190	177	621
2.4 Total newly arising need (gross per year)	(2.1 x 2.2) + 2.3	284	668	619	317	1887	442	541	613	1596
<b>Stage 3: Affordable Housing Supply</b>										
3.1 Affordable dwellings occupied by households in need	Assume zero	-	-	-	-	-	-	-	-	-
3.2 Surplus Stock	Current vacants that could be brought back into use.	0	1	1	0	2	0	0	1	1
3.3 Committed supply of new affordable housing	Affordable housing on sites with full or outline planning permission.	104	224	159	139	626	419	112	213	744
3.4 Units to be taken out of management	Housing currently let which is due to be demolished or refurbished.	0	0	130	0	130	0	57	48	105
3.5 Total affordable housing stock available	3.1 + 3.2 + 3.3 - 3.4	104	225	30	139	498	419	55	166	640
3.6 Annual supply of social re-lets (net)	LA and RSL sectors exc. transfers	142	293	378	243	1056	347	283	294	924
3.7 Annual supply of intermediate affordable housing available for re-let or resale at sub market levels	Figures from LAs or based on 10% turnover of shared ownership properties	7	29	20	10	66	35	25	32	92
3.8 Annual supply of affordable housing	3.6 + 3.7	149	322	398	253	1122	382	308	326	1016
<b>Total net need</b>	1.4 - 3.5	916	1012	1395	970	4293	435	267	697	1399
<b>Annual flow</b>	10% of total net need (Assume ten year period to relieve backlog of need)	92	101	140	97	429	44	27	70	140
<b>Net Annual Housing Need</b>	(2.4 + Annual flow) - 3.8	226	447	360	161	1194	103	260	357	719

	Adur	Arun	Chichester	Worthing	Coastal HM	Crawley	Horsham	Mid Sussex	NW Sussex HM
Reasonable Preference as % Total	73.2%	35.6%	28.9%	50.3%	39.9%	33.3%	30.0%	39.7%	35.1%
Housing Requirement	305	565	480	200	1850	375	650	855	1880

**The figures above provide Core Output 5: Estimates of Future Households that will require Affordable Housing**

- 9.72 Levels of housing need in absolute terms are highest in Mid Sussex and Horsham Districts. These areas however have large planned housing delivery targets. The levels of housing need identified reflect the methodology which includes:
- Existing households in unsuitable housing; and prospective households (e.g. current concealed households);
  - Newly-forming households who cannot meet their needs in the market sector either by purchasing housing or renting privately without support;
  - Existing households falling into need, such as those who are made homeless through repossessions and family break up.
- 9.73 The needs analysis represents a snapshot picture of current affordability issues. A critical factor is that the ability to meet housing need is determined to a notable extent by the level of existing affordable housing, which in turn reflects past investment decisions.
- 9.74 It should also be noted that the private rented sector plays a growing role in meeting housing need supported by housing benefit (particularly in the short term given the state of the housing sales market and economic situation).
- 9.75 The housing needs analysis should therefore be regarded as an evidence base that demonstrates that in each of the local authorities 'need' for affordable housing is greater than the 'supply' of affordable housing on an annual basis. This provides a justification for affordable housing policies in LDFs. Across the Housing Market, the majority of households on local authority waiting lists seek general needs properties. We address recommendations regarding affordable housing policies in the concluding section of this Report.

## SIZES OF AFFORDABLE HOUSING

- 9.76 We have analysed the level of households on waiting and transfer lists requiring different sizes of property in each local authority using Core lettings data from 2007/08. In absolute terms, demand is greatest for one bedroom and two bedroom property sizes (50% and 29% respectively), with 18% requiring three beds and 3% four bedrooms or more.

**Figure 9.22: Overall Housing Size Requirements Northern West Sussex HM**

	1-Bed	2-Bed	3-Bed	4-Bed	Total
Crawley	474	325	286	17	1102
Horsham	665	349	168	22	1204
Mid Sussex	1281	731	430	104	2546
Northern West Sussex HM	2420	1405	884	143	4852
% of Total	49.8%	28.9%	18.2%	2.9%	100%
Crawley	43.0%	29.5%	26.0%	1.5%	100%
Horsham	55.2%	29.0%	14.0%	1.8%	100%
Mid Sussex	50.3%	28.7%	16.9%	4.1%	100%

9.77 In proportional terms, Figure 9.22 establishes that the overall waiting list for each District has different characteristics. For example, Horsham demonstrates the strongest requirement for 1-bed accommodation (55.2%), some way above Mid Sussex (50.3%) and Crawley (43%). Crawley has a substantial requirement for 3-bed (26%) compared to Horsham and Mid Sussex (14% and 16.9% respectively).

9.78 To provide an indication of pressures in the social sector and the need for new affordable housing of different sizes, it is also important to take account of the current stock mix and differential rates of turnover of different property sizes. This is achieved by comparing lettings to waiting lists to provide an indication of comparative pressures. This is based on available data. In the case of Mid Sussex, it has not been possible to disaggregate this for reasonable preference groups so the whole waiting list has been used in this instance. This is set out below in Figures 9.23 to 9.25 for general needs properties.

**Figure 9.23: Requirements by Bed Size in Crawley – General Needs**

	1-Bed	2-Bed	3-Bed	4+Bed	Total
Waiting List	474	325	286	17	1102
Lettings Per Annum	160	238	124	10	532
Ratio	2.96	1.36	2.30	1.7	2.07

9.79 In Crawley, the greatest pressures remain on smaller properties, particularly one-bedroom, with relatively similar requirements in ratio terms for two and four-bed housing.

**Figure 9.24: Requirements by Bed Size in Horsham – General Needs**

	1-Bed	2-Bed	3-Bed	4+Bed	Total
Waiting List	665	349	168	22	1204
Lettings Per Annum	148	148	54	1	351
Ratio	4.49	2.35	3.11	22.0	3.43

9.80 In Horsham there are strong pressures for smaller one-bed properties and particularly larger, four or more bedroom properties.

**Figure 9.25: Requirements by Bed Size in Mid Sussex – General Needs**

	1-Bed	2-Bed	3-Bed	4+Bed	Total
Waiting List	1281	731	430	104	2546
Lettings Per Annum	129	89	47	4	269
Ratio	9.9	8.21	9.14	26.0	9.46

- 9.81 Requirements by bed-size in Mid Sussex indicate a strong pressure for all sizes of housing, with relatively the greatest pressure on four bedroom homes.
- 9.82 We note that the analysis between local authorities is not directly comparable as in Crawley and Mid Sussex the bed size requirements are based on the whole waiting and transfer lists while in Horsham the figure is based on the reasonable preference figures given available, comparable data. It does however reveal pressures for different property sizes within each local authority.
- 9.83 We have compared both the profile of the waiting list and analysis of demand pressures for different property sizes including the relative priorities for people at different life stages on the waiting lists and with reference to the difficulties in actually meeting needs for larger accommodation. These have informed recommendations regarding the mix of affordable housing by bedsize as set out in the Chapter 12 Conclusions and Recommendations.

## MEETING AFFORDABLE HOUSING NEED

- 9.84 The housing needs analysis demonstrates a clear need for additional affordable housing across Northern West Sussex. As we have identified, this is a function of a range of factors including the existing stock of affordable housing (which influences the ability to address housing need); substantial increases in the costs of housing in the private sector (and particularly for house purchase) which has excluded many younger households; and a trend in which the growth in the supply of affordable housing has failed to keep pace with growth in demand (resulting in a growing backlog of households in need).
- 9.85 This situation has become so severe that in many cases across the South East region, estimates of affordable housing requirements on an annual basis actually match or exceed the current total housing requirements.
- 9.86 Local authorities in this context need to work to maximise the supply of new affordable housing and use a variety of tools available to meet the housing requirements of those in housing need.
- 9.87 In determining affordable housing policies in Local Development Frameworks, in terms of a percentage requirement for affordable housing and site or development size thresholds for provision, PPS3 is clear that the viability of residential development in the local area needs to be taken into account, alongside available funding through the Homes and Communities Agency's Affordable Housing Programme. PPS3 also emphasises the creation of mixed communities, in terms of income and tenure, which we would regard as important to

delivering successful places and avoiding creating concentrations of deprivation. These factors are all relevant in informing affordable housing policies.

- 9.88 The housing needs analysis represents a 'snapshot' point-in-time assessment of requirements for affordable housing. Through Strategic Housing Market Assessments, it is the intention that this is set in a wider context and understanding of the strategic drivers of change in the housing market, to provide a basis for policy development.
- 9.89 Strong growth in house prices over the last decade and easy access to mortgage finance (at a rate notably above inflation or long-term trends), notwithstanding the current downturn related to availability of credit and market confidence, indicate that there has not just been a shortage of delivery of new affordable housing to meet need but a shortage of market housing delivered to meet demand. The imbalance in supply and demand has affected the market and affordable sectors. This is a further consideration in determining appropriate policies for housing mix in LDFs.
- 9.90 We believe that it is helpful to consider the concept of a housing ladder which includes a range of housing tenure options.

**Figure 9.26: Housing Ladder Concept**



## TOWARDS AFFORDABLE HOUSING POLICIES IN LDFS

### NEW-BUILD AFFORDABLE HOUSING

- 9.91 In 2005 the local authorities across West Sussex had a consistent requirement for 30% affordable housing provision over specified site size thresholds of either 15 or 25 units.
- 9.92 Since this point some local authorities have a revised policy in an adopted Core Strategy; while others have published interim policy statements or recommended changes to policy in an emerging Core Strategy. The table below sets out current affordable housing policies across West Sussex. The policies set out currently form the basis of negotiations.

**Figure 9.27: Current Affordable Housing Policies**

Local Authority	Current Threshold	Current Percentage Requirement	Policy Basis
Crawley	15 units/ 0.5 ha	40%	Adopted Core Strategy
Horsham	15 units/ 0.5 ha	40%	Adopted Core Strategy
Mid Sussex	15	30%	Current Local Plan

### ROLE OF INTERMEDIATE & PRIVATE RENTED SECTORS IN MEETING HOUSING NEED

- 9.93 There are a range of segments of the housing market that cater for those who cannot afford to buy a house. There is an important role which both Intermediate Housing and the private rented sector can play in meeting housing need from those who require some support to meet their housing needs and aspirations.

### INTERMEDIATE HOUSING

- 9.94 Intermediate affordable housing is defined as housing at prices and rents above those of social rent, but below market prices or rents, and which meet the needs of eligible households (including provision at a cost which local people can afford) and include provision for the property to remain at an affordable price for future households or for provision for the subsidy to be recycled. These can include shared ownership and equity products and other low cost homes for sale and intermediate rent.
- 9.95 There are various Intermediate Housing products currently available. It is important to understand what these are and the various eligibility criteria for them. We consider that it is possible to structure the products available into two groups: those which represent new

build affordable housing; and loan products which support purchase of housing either from social housing providers or on the open market.

9.96 The current new build affordable housing products comprise:

- **New Build HomeBuy** – this is the main shared ownership product which offers new homes of a part buy/ part rent basis where the vendor purchases a share in the property (typically between 25-75%) and pays a discounted rent to a housing association on the remaining share. While anyone can apply, priority is given to key workers, existing social tenants and those in priority need.
- **New Build Shared Equity** – provides shared equity loans of between 15 – 50% with a 1.75% interest rate towards property purchase through the My Choice HomeBuy scheme, with the household paying for the remainder with a mortgage through a select number of providers. A low monthly interest charge of 1.75% is payable on the shared equity loan. Again while any household with annual earnings between £20,000 - £60,000 can apply, priority is given to existing social tenants and key workers.
- **Discounted Rent** – providing new homes to rent at a subsidised rate, this product is targeted predominantly at public sector key workers. Rents are typically 80% of market values.
- **Rent to HomeBuy** – a new pilot product providing brand new homes at a subsidised rent (typically less than 80% of market rental levels), with the option to purchase a share in the property after two or three years.
- **First-time Buyer Initiative** – a scheme run through Homes and Communities Agency which offers new homes to buy on a shared equity basis. Eligible households take out a mortgage to fund at least 50% of the purchase price, with the Government providing an equity loan for the remainder at no cost for the first three years. Interest is then payable on the non-owned share at 1% in Years 3-5 and 3% from Year 5 on, with the loan repaid on sale of the property.

9.97 A number of loan products are available which aim to support and enable households to purchase housing in the open market.

- **My Choice Home Buy** – offers shared equity loans of between 15 – 50% towards the purchase of a property on the open market. A low monthly interest charge of 1.75% is payable on the shared equity loan. This is offered through the Zone Agent.
- **Own Home** – offers shared equity loans of between 20% - 40% towards the purchase of a property on the open market. The shared equity loan is interest free for the first five years, with interest rates applicable after this at a rate of 1.75% in Years 5-10 and

3.75% thereafter. This product is offered by Places for People and the Co-operative Bank.

- 9.98 The final product **Social HomeBuy** which offers some housing association tenants the opportunity to buy a share of their home, typically from 25% up. An affordable rent is payable on the unowned share (typically at 2.75%). A discount is provided on the initial share purchased through the Right-to-Acquire legislation.
- 9.99 At the beginning of September 2008 the Government announced an additional package of measures to support first-time buyers struggling to get onto the housing market through a new £300m Shared Equity Scheme, HomeBuy Direct.
- 9.100 The HomeBuy Direct scheme will provide first-time buyers with an equity loan of up to 30% of the value of a new-build home, co-funded by the Government and the developer, and free of charge for the first five years. First-time buyers with an income of less than £60,000 will be able to apply.
- 9.101 Intermediate Housing options are not therefore limited to new-build provision. On this basis, the existing housing stock can play some role in meeting housing need either through purchase or rental of housing with financial support from the public sector.

## POTENTIAL NEED FOR INTERMEDIATE HOUSING

- 9.102 Research by Steve Wilcox for the Joseph Rowntree Foundation and most recently for Hometrack<sup>21</sup> has established a national methodology for quantifying the potential market for Intermediate Housing. The approach quantifies the proportion of younger working households who cannot afford full home ownership in the open market.
- 9.103 Wilcox's research has defined the proportion of households in an area who could afford social housing rent without housing benefit but could not afford to buy at the lowest decile point of house prices for two and three bedroom homes. This was termed the 'narrow Intermediate Housing market'. The 'broad' or total intermediate housing market included households who were in work but on housing benefit, and those who could not afford to buy at lower quartile house prices. Based on 2006 data, the analysis assumed a 3.75 x household income for working households and 3.25 x income for households with two or more earners. It also assumed an 18% deposit.
- 9.104 This report found that in some local authorities, particularly London, the South East and South West regions, over 40% of households potentially fell into the Intermediate Housing market.

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<sup>21</sup> Can't Buy: Can't Rent – the Affordability of Private Housing in Great Britain (Hometrack, 2007)

- 9.105 The potential scale of the Intermediate Housing market (using the narrow definition) in Northern West Sussex Housing Market ranges from 23% in Horsham to 35% in Mid Sussex against a SE Regional level of 30%.

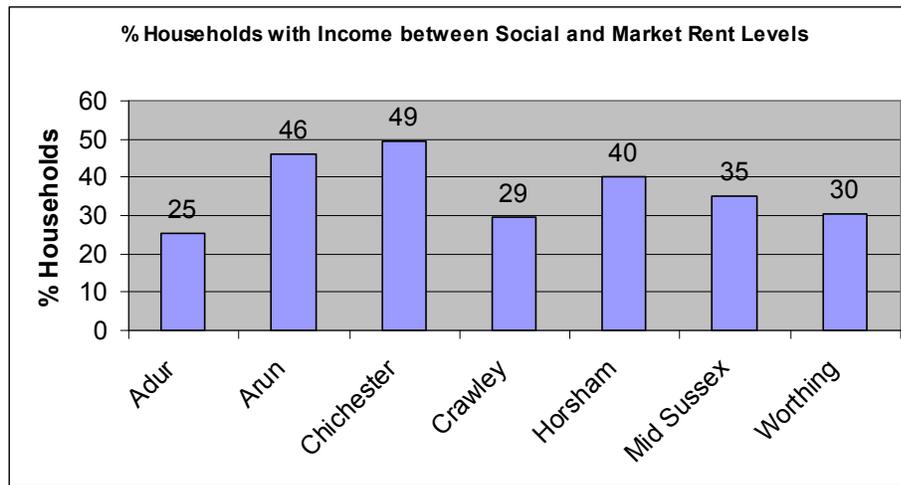
**Figure 9.28: Potential Scale of Intermediate Housing Market**

	% Unable to Afford Social Rents	Narrow Intermediate Housing Market	Total Intermediate Housing Market
Crawley	15.4%	30.7%	50.7%
Horsham	15.1%	23.8%	46.9%
Mid Sussex	18.7%	34.8%	61.6%
South East Region	12.6%	30.2%	50.0%

Source: Wilcox, S (2007)

- 9.106 The Intermediate Housing market, based on this definition, includes both Intermediate Housing products and the private rented sector. These two sectors compete to a strong degree for the same market, with product differentiation the key difference between them.
- 9.107 The potential for the Intermediate Housing market has clearly grown as house prices have grown, and at a more significant rate than private and social sector rental levels. Recent changes in the market that have increased access difficulties to housing purchase for young buyers are likely to support demand for both private renting and intermediate housing products, including shared ownership and equity. Indeed, Figure 9.29 below demonstrates the potential scale of the Intermediate Market in West Sussex, identifying the proportion of households with incomes that lie between social and market rental levels.

**Figure 9.29: West Sussex Households with Incomes Between Social and Market Rent Levels**



## EVIDENCE OF DEMAND FOR INTERMEDIATE HOUSING AT LOCAL LEVEL

- 9.108 Local level evidence for the demand for Intermediate Housing in West Sussex has been drawn from data provided by Moat who are the Zone Agent for Intermediate Housing. The data has been supplemented by discussion with Moat to provide additional qualitative analysis.
- 9.109 Moat is responsible for compiling and controlling the housing list for those seeking Intermediate Housing in West Sussex. The basic requirements for inclusion within the eligible list are that the household will need a minimum of £18,000 and a maximum of £60,000 income for the NewBuild Home Buy scheme. All RSLs that offer HomeBuy must advertise their stock on the HomeBuy website and are obliged to use Moat to access the eligible list of households.
- 9.110 Evidence from discussion with Moat indicates that irrespective of the current housing market and lack of availability of credit, intermediate shared ownership housing will continue to sell in West Sussex. Our view is more pessimistic in the shorter term given the absence of financial credit from the housing market it is suggested that all housing markets, including intermediate ownership will be strongly impacted as the economic downturn takes further effect. Nevertheless there is evidence of a strong latent demand.
- 9.111 Current applications for Intermediate Housing just from defined key worker households across West Sussex are shown in Figure 9.30. There is a clear strength of demand across each of the individual local authority areas, with a total of 103 household applicants on the

waiting list in Northern West Sussex. Strongest demand is evident in Mid Sussex (60) with Crawley (22) and Horsham (21) showing significantly less current demand. Savings deposits across West Sussex County averaged £11,320. The broader range of households who would be interested and eligible for Intermediate Housing is far greater than the key worker specific application list noted at Figure 9.30. There are a number of intermediate housing products now being offered which meet the needs of those on mid-range incomes.

**Figure 9.30: Current Intermediate Key Worker Housing Applicant Households (August 2008)**

Local Authority Area	Number of Applicants
Crawley	22
Horsham	21
Mid Sussex	60
Northern West Sussex HM	103
West Sussex	266

Source: Moat

- 9.112 Even in the short-term credit-crunch and economic down turn there remains a strong demand for intermediate rented properties. According to Moat, the available properties are let very quickly with increasing demand evidenced through their waiting list for more properties. Most of the current intermediate rent in West Sussex is for key workers and the average annual salary of those key workers looking for intermediate rent is £27,900. Figure 9.31 sets out the waiting list for intermediate rent for key workers highlighting that there is demand across West Sussex and within each of the constituent local authority areas even from within this particularly tightly defined household group.

**Figure 9.31: Number of Current Key Worker Applicants, Intermediate Rent Only (August 2008)**

Local Authority Area	Number of Applicants
Crawley	12
Horsham	10
Mid Sussex	22
Northern West Sussex HM	44
West Sussex County	83

- 9.113 Moat's own analysis and consideration suggests that MyChoice HomeBuy is a successful shared equity product, although there is a lack of definitive data to support this. MyChoice HomeBuy has a much larger potential market than NewBuild HomeBuy which is a shared ownership rather than shared equity product. The support and demand for MyChoice HomeBuy is particularly driven by the fact that those using this product do not have to pay rent on the portion of the home that they do not own. However, the scope for MyChoice

HomeBuy is considered to be limited at present by the funding available; Moat noted that they have used their available resources for this product within the first two months of 2007-08 due to very strong demand.

- 9.114 Rent to HomeBuy is considered as a further potentially successful product particularly if targeted at the young. It offers an opportunity for people to rent at a subsidised rate and then buy a share of the property over time. As a pilot programme, the demand has been strong, albeit there is a limited supply at present of this product which masks its overall appeal.
- 9.115 Less successful has been the Social HomeBuy product. Moat have made extensive efforts to promote this product offering housing association tenants the opportunity to purchase a share of their home, but it has not widely taken off. The anecdotal evidence suggests a lack of interest and enthusiasm in the Social Homebuy product in comparison with other intermediate products and it is instructive to consider why Housing Association tenants are not as keen or able to take a share of ownership.
- 9.116 Intermediate rent has shown strong demand and there is a swift turnover of properties available for this product. At present most of the intermediate rental properties are allocated to eligible key worker households.
- 9.117 With the strength of demand for MyChoice HomeBuy and Rent to HomeBuy noted by Moat, there is a clear opportunity now to strengthen the mechanisms to provide these types of housing product. The existing waiting lists, whether all those seeking Intermediate Housing, or indeed limited to key workers, give a significant impetus to expand the range, choice and accessibility for households to Intermediate Housing. The lack of resource available to support MyChoice HomeBuy means that shared ownership developments must continue to be supported through developer contributions.
- 9.118 Drawing the analysis of Intermediate Housing together, a number of overarching conclusions can be identified.
- 9.119 There is an evident latent demand for Intermediate Housing products for purchase and rent. The Wilcox Report data shows a strong overall requirement based on recent data (2006 and 2007) and gives a sense of the relative variances in requirements for Intermediate Housing products across West Sussex. This analysis is further supported at the local level through appraisal of the Zone Agent's own data on waiting lists and demand.
- 9.120 There is a need to raise the profile of intermediate housing including shared ownership and equity options as well as intermediate rent across West Sussex and within both of the defined Housing Market areas. Intermediate Housing opportunities are still not widely

understood or suitably visible, despite the strength of demand demonstrated for both intermediate ownership and rental products.

- 9.121 The short-term access to credit and financial products will, we believe have an impact on the Intermediate Housing market, although Moat's view is that current demand levels suggest otherwise. With a lengthening economic downturn, the lack of available finance and growing risk awareness by both lenders and households will tend to push back decisions on committing finance to intermediate home ownership, similar to the market housing experience.
- 9.122 Short-term issues aside, there is, we believe, a strong long term potential for Intermediate Housing (whether ownership, equity or rent) to deliver a greater choice and level of accessibility in the West Sussex Housing Market. The strength of Intermediate Housing will though depend on changes in access to credit and house price to income ratios over the medium and long term. It will also depend, critically, on the actual supply of Intermediate Housing stock.
- 9.123 Care and thought needs to be given to the eligibility criteria for Intermediate Housing. There is a danger that shared ownership schemes become limited to key workers which, while it is important to provide housing choice to this group, masks the access and choice of housing provision for others who are unable to meet open market housing costs. Eligibility criteria need to be relaxed to avoid limiting intermediate and shared ownership schemes only to key workers. Intermediate Housing must be made available to more people as a way to open a ladder of housing opportunity up to communities in West Sussex.
- 9.124 In order to stimulate choice and access to the Intermediate Housing market, and to meet evident existing demand both from key and non-key workers we believe that at least 20% of all affordable housing in West Sussex should be provided on an intermediate basis (ownership, equity and rent) at a District level in the short term (largely following the existing levels of intermediate housing provision, balanced against the current housing market viability conditions in this area), with this increasing to 30% in the longer term as the viability of the housing market improves over time. Many of the individual districts have LAA target splits that are higher, however we consider that setting a standard basis for the Northern West Sussex Housing Market as a whole will ensure a long-term commitment to achieving increased proportions of intermediate housing as part of the overall affordable housing mix in a housing growth context.

## PRIVATE RENTED SECTOR

- 9.125 The private rented sector can play a significant role in meeting general housing demand as well as particularly for those in housing need supported by Housing Benefit. The private rented sector can provide a good source of housing opportunity for those moving to the area for work, those on lower incomes, the young and older people; indeed there is a broad base of potential demand. Housing Benefit effectively supplements household's income to allow them to meet housing costs in the private rented sector. This may prove particularly important in the short-term in meeting housing need in a context in which need can increase over much shorter timescales than it is possible to deliver a supply response.
- 9.126 The role of the private rental sector to assist in reducing housing need is constrained by a number of barriers to access. There are often issues with landlords accepting tenants who are on housing benefits and with the size of financial deposit required (four to six weeks rent in advance on signing of the rental contract). To increase access to the private rental sector for those in housing need, there is a growing requirement for Councils to act as guarantors for deposits and to help landlords find and assess the suitability of potential tenants.
- 9.127 Worthing Borough Council's "Opening Doors" Service provides a potential Best Practice Case Study of using the private rented sector to meet housing need. Through this model, the Council work with landlords to find potential tenants for their properties and resolve issues arising with between landlords and tenants. The Council provides a deposit guarantee scheme for suitable tenants, which is exempt from the legal requirements imposed by the Tenancy Deposit Scheme, and provide a range of more general advice to landlords including around their responsibilities and informal mediation. They also work with tenants to find them suitable properties, to ensure they are receiving benefits to which they are entitled and to negotiate tenancy agreements. The scheme is geared to enabling tenants on the Council's housing waiting lists to find suitable property in the Private Rented Sector.
- 9.128 Proactive schemes such as this could be investigated by local partners in order to maximise the contribution which the private rented sector could make to addressing housing need.

### Key Messages: Housing Need

- A robust assessment of housing need has been developed for the Northern West Sussex housing market. Housing need is defined as 'the quantity of housing required by households who are unable to access suitable housing without financial

assistance'. The assessment is a statutory requirement to inform planning policies for the delivery of affordable housing.

- The analysis demonstrates a clear need for additional affordable housing across Northern West Sussex Housing Market area. This is as a result of a sustained deterioration in affordability of market housing over the past decade, particularly associated with significant stronger growth in house prices than earnings.
- Estimates of net annual housing need are as follows: 103 -250 households in Crawley District; 260 -327 households in Horsham District; and 357 -477 households in Mid Sussex District. The overall estimates of net annual housing need for the Northern West Sussex Housing Market are 719 -1054.
- Across the Northern West Sussex housing market, demand is greatest for one bedroom and two bedroom property sizes (50% and 29% respectively). In Crawley, the greatest pressure is for smaller properties, particularly one-bedroom. In Horsham, there is demand for smaller one-bedroom properties and larger four or more bedroom properties. In Mid Sussex, strong pressure exists for all sizes of housing, with relatively greatest pressure on the three and four bedroom homes.
- In terms of meeting the affordable housing need, the analysis shows that there has not only been a shortage of delivery of new affordable housing to meet need but a shortage of market housing delivered to meet demand.
- In 2005, the local authorities across West Sussex had a consistent requirement for 30 % affordable housing provision for developments over 15- 25 units. Since then the Local Authorities across West Sussex have revised their policies.
- Intermediate housing is defined as 'housing at prices and rent above those of social rent but below market prices or rents, and which meets the needs of eligible households'. There is a clear strength of demand for intermediate properties across each of the individual local authority areas, with a total of 103 household's applicants on the waiting list in Northern West Sussex Housing Market area. Strongest demand is evident in Mid Sussex, with Crawley and Horsham showing significantly less current demand.
- The private rented sector can play a significant role in meeting general housing demand, as well as particularly for those in housing need supported by Housing Benefit. However the role of the private sector to assist in reducing housing need is constrained by a number of barriers to access. Worthing Borough Council's 'Opening Doors' Service provides a best practise case study of using the private sector to meet housing need

## 10. HOUSING REQUIREMENTS OF SPECIFIC GROUPS

10.1 This section considers the housing requirements of specific groups whose housing needs may be different from the mainstream population. It specifically considers dynamics and housing needs of the following groups in the Northern West Sussex Housing Market:

- Older people;
- Students;
- Black and Minority Ethnic (BME) households;
- Gypsies and Travellers;
- Rural housing.

### OLDER PERSONS

#### CHANGING POPULATION STRUCTURES

10.2 An ageing population is a national issue which poses one of the greatest housing challenges to our society. Households where the head of household is over 65 are expected to make up about half of projected household growth across the UK to 2026. Older people will also make up an increasing share of the total population so that the demographic support ratio will fall. In 2006, there were 3.3 people of working age for every person of state pensionable age in the UK, but this ratio is projected to fall to 2.9 by 2031, taking into account future changes to state pension age. It is also the oldest age groups which are growing fastest: while the population aged 65 and over is expected to grow by 76% to 2026, a 186% increase is expected in those aged 85 or more.

10.3 In the Northern West Sussex Housing Market Area the population aged 65 and over was 58,600 in 2006. By 2026 it is expected that there will be 27,200 more people aged 65 and over, bringing the total number to 85,800 and representing a 46% increase. This is a major shift in the proportion of people aged over 65 years within this Housing Market area and policies designed to accommodate the needs of older people have the potential to impact significantly on the housing dynamics of the area.

10.4 Figure 10.1 and Figure 10.2 below provide an analysis of the trends within particular age bands across the Housing Market Area up to 2026. This shows that there are several significant cohort patterns within the over 65 population in the Northern West Sussex

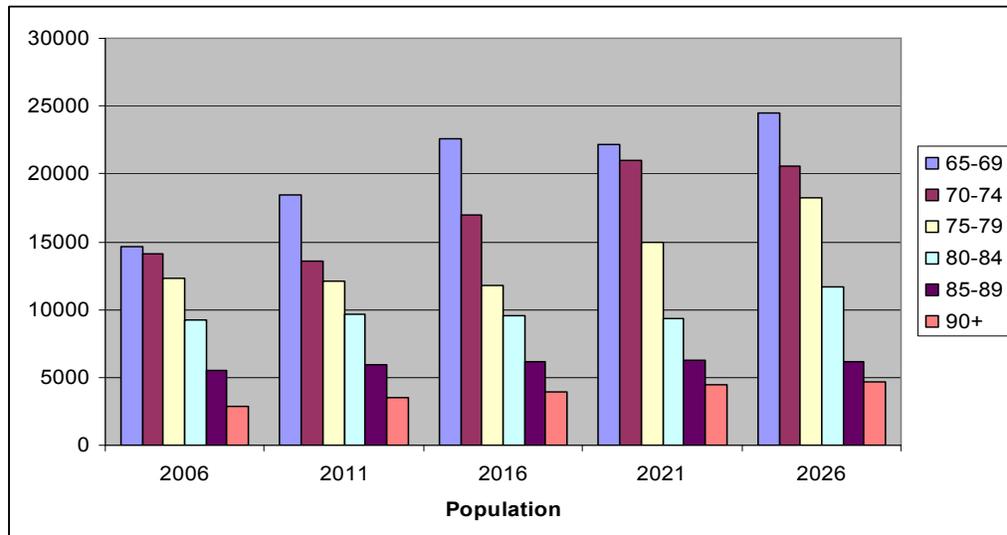
Housing Market between 2006 and 2026. Strong growth is expected in the 65-69 age group between 2006 and 2016, which translates into growth in the 70-74 age group between 2011-21, the 75-79 age group between 2016 and 2026, and the 80-84 age group between 2021 and 2026. There is also a significant increase in the number of over 90 year olds, which peaks between 2006-2011 at 24% and maintains a high level of growth until 2021. Overall the effect of these changes is that there will be significant growth in the number of people in all age groups aged 65+ in the period beyond 2016. These changes can be traced back to the high birth rates experienced in the post World War II baby boom.

**Figure 10.1: Projected Population Growth by Key Age Cohorts, Northern West Sussex Housing Market (Rounded)**

	2006-11	2011-16	2016-21	2021 – 26
65-69	26%	23%	-2%	10%
70-74	-4%	25%	24%	-2%
75-79	-2%	-2%	27%	21%
80-84	4%	-1%	-2%	26%
85-89	7%	3%	3%	-3%
90+	21%	11%	15%	4%
Total	8%	12%	10%	10%

Source: West Sussex County Council

**Figure 10.2: Growth in the Population of Older Persons**



Source: West Sussex County Council

- 10.5 Figure 10.3 shows a local authority level analysis of the population aged 65 and over in the Northern West Sussex Housing Market Area. All of the local authorities in the Housing Market area are expected to have significant increases in the population aged 65 and over in the period 2006-2016. Mid Sussex is predicted to have the highest increase of population aged 65 and over, with a 50% increase expected between 2006 and 2026.

Each area will also experience a significant increase in the population aged over 85 in the period up to 2026, with Horsham and Mid Sussex both experiencing an increase of around 30%. Based on the trend towards an ageing population and the fact that the high numbers of births in the 1960's baby boom will be reaching the age of 65 from 2026 onwards, we would expect this increase to continue in the period beyond 2026 with a continued shift in population profile occurring in that period.

**Figure 10.3: Projected Population growth aged 65+ and 85+ in the period 2006-2026**

	65+		85+	
	Change	%	Change	%
Crawley	6,000	42%	400	20%
Horsham	10,300	46%	1,000	31%
Mid Sussex	10,900	50%	1,000	31%
Northern West HM	27,200	46%	2,400	27%

Source: West Sussex County Council

## HOUSING REQUIREMENTS

- 10.6 The ageing population structure in Northern West Sussex is clearly set to be a significant influence on future housing needs and requirements and one which needs to be specifically recognised at a policy level. A co-ordinated policy response is necessary across the housing, planning, health and social care fields.
- 10.7 The Government's strategy, *Lifetime Homes, Lifetime Neighbourhoods: A National Strategy for Housing in an Ageing Society* (CLG, Feb 2008), emphasises that ensuring that older people have access to good quality housing is vital to helping them maintain their independence and quality of life. It sets out the core principles for planning for housing for older people:
- That everyone should be able to make a choice that mirrors their lifestyle and circumstances; and above all, to remain safely in their own home, near family and friends, as long as they wish to;
  - That good housing is essential for good health and well-being, and should be valued and planned as such. It is important to the quality of life of older people and preventative healthcare.
  - That as years go by, there will be a choice of desirable housing in desirable neighbourhoods with support and care to match changing capabilities.
- 10.8 While there are a range of specific housing products which target the older market, the vast majority of older people wish and choose to remain living in the homes which they have lived in for many years. Across the UK, just under three quarters of people aged 90

and over were living in private households in 2001. Only a minority of older people live in sheltered or extra care housing, even amongst those aged over 85 (19%).

10.9 The *West Sussex County Council Accommodation Strategy 2008-2013* sets out the County's approach to providing housing for older people, and other vulnerable groups. The County Council want to deliver a new approach based on promoting independent living and giving customer choice. The Strategy also aims to provide accommodation and support to vulnerable people in a better and more cost-effective way. Currently too many people in West Sussex are living in inappropriate residential settings that can have a damaging effect on a person's confidence and independence. The Accommodation Strategy focuses on two key areas:

- Providing new and a wider range of accommodation to help people gain independence; and
- Extending the period of time in which people, and in particular older people, can live independently in their home.

10.10 The type of accommodation which people need to gain independence varies considerably and can range from general needs property with specific adaptations to meet the customers individual needs to simple alterations such as widening of doors. For others, the emphasis is less on the physical building and more on its suitability to provide the care and support they need on an ongoing basis.

10.11 The County Council is promoting a move away from institutional forms of housing for older people, towards a supported housing approach to accommodation for these groups.

10.12 There are a number of providers offering supported housing schemes in West Sussex. Supported Housing Research undertaken in 2008 for West Sussex County Council identified these schemes and the types of support being provided. The major providers of extra care schemes – which are categorised as C-Class uses in the Use Class Order include Hanover Housing Association, who have six schemes across West Sussex; Housing 21 which has three housing schemes and Royal Bay Care Groups which is a private sector provider that has three schemes.

10.13 The majority of schemes have on-site staff available 24 hours a day, 7 days a week and additional non-resident staff who are either full time or part time. Some of the facilities available at the schemes comprise of emergency alarm systems, communal dining rooms, lounges and gardens, guest facilities and communal laundry.

10.14 The following Figures 10.4 to 10.8 provide a summary of the findings from the Supported Housing Research regarding existing levels of residential care and existing levels of

supported housing schemes and the relative shift in levels of provision that need to occur to satisfy the aims of the County Council Accommodation Strategy.

- 10.15 The relative level of existing residential provision against older populations will have an impact on the extent to which additional residential care must be provided to serve existing needs. The existing levels of residential care relative to supported housing will also have an impact on how many additional extra care schemes need to be achieved within each local authority area and across the Housing Market area.

**Figure 10.4: Total Residential Care Bed Spaces per 10,000 Population**

Local Authority	Total Pop as at 2006	No. of Residential Care Homes	Total Number of Bed Spaces	Bed Spaces per 10,000 Population
Crawley	99,900	27	553	55
Horsham	128,300	62	1,948	152
Mid Sussex	129,100	63	1,783	138
Northern West Sussex HM	357,300	152	4,284	120

Source: GVA Grimley/WSCC

**Figure 10.5: Number of Residential Care Bed Spaces per 1,000 Population aged 85+**

Local Authority	Population 85+	Total number of bed spaces	Bed spaces per 1000 over 85
Crawley	2,000	553	277
Horsham	3,200	1,948	609
Mid Sussex	3,200	1,783	557
Northern West Sussex HM	8,400	4,284	510

Source: GVA Grimley/WSCC

**Figure 10.6: Extra Care Schemes for Older People per 10,000 Population**

Local Authority	Population at 2006	No. of extra care schemes	Number of units	Number of units per 10,000 population
Crawley	99,900	3	105	11
Horsham	128,300	4	159	12
Mid Sussex	129,100	7	206	16
Northern West Sussex HM	357,300	14	470	13

Source: GVA Grimley/WSCC

**Figure 10.7: Extra care units per 1,000 Population Aged 85+**

Local Authority	Population 85+ at 2006	No. of extra care schemes	Number of units	Number of units per 1000 85+
Crawley	2000	3	105	53
Horsham	3,200	4	159	50
Mid Sussex	3,200	7	206	64
Northern West Sussex HM	8,400	14	470	56

Source: GVA Grimley/WSCC

**Figure 10.8: Ratio of Extra Care Scheme Bed Spaces to Care Home Bed Spaces per 10,000 Population**

Local Authority	Extra Care Scheme bed spaces per 10,000 population	Care Home bed spaces per 10,000 population	Ratio
Crawley	11	55	1:5
Horsham	12	152	1:12
Mid Sussex	16	138	1:9
Northern West Sussex HM	13	120	1:9
West Sussex	10	160	1:16

Source: GVA Grimley/WSCC

- 10.16 The number of people in receipt of social care service in West Sussex has increased considerably over recent years. Some 15,000 people aged 65 years or over received support in 2006/7. In terms of physical and sensory impairment, at 2006, 250 65-74 year olds and 3,135 people aged 75 years and over were registered blind. The total number of people with dementia over 65 at 2006 was 12,060 and by 2026 this is expected to grow to 14,010.
- 10.17 In West Sussex in 2006/07, the proportion of older people who were assisted to live at home, was 57 per 1,000 adult population. This is compared to the average for the South East at 71 and England at 80 per 1000 adult population.
- 10.18 Projecting the housing needs of older persons is difficult because there are no direct correlations which can be made between age, household size, tenure and support requirements.
- 10.19 The population projections indicate significant growth in older households and particularly older single person households. Many older households are likely to choose to remain living in larger family homes which they may have occupied for many years. They often

have a sentimental attachment to these homes, or wish to retain space to allow their wider family and friends to come and stay.

- 10.20 The decisions of older households will however influence the supply of housing available for other groups, and impact upon the entire Housing Market. There may be opportunities to support some older households to downsize to release a supply of larger family housing for younger families and reduce levels of under-occupancy (79% in the Northern West Sussex Housing Market). For some households high heating and other housing costs or mobility problems may make a move to a more manageable property a practical step. For other “asset rich, income poor” households it may be a method of releasing equity to support their retirement and leisure activities. However this will be dependent on the availability of attractive, suitable housing in the right locations which provide access to friends and family.
- 10.21 Some older households looking to move may also consider relocation, for instance to the coast, or overseas. This is likely to be influenced by the strength of attachment to location and local networks of family and friends.
- 10.22 There may also be a limited scope for provision of shared ownership products, appropriately targeted. Schemes will need to be affordable and flexible to changes in household circumstances. Research by Croucher (2008) has identified that bungalows are perceived by older groups as attractive because of their perceived accessibility. Two bedroom bungalows were seen as a minimum requirement, providing flexibility and reasonable space standards.
- 10.23 There are also a range of specialist housing products specifically targeted at older people. Specialist housing can be defined as a “diverse range of housing specifically built for older people, from retirement homes to nursing homes.” It includes nursing homes, extra-care housing, integrated care, sheltered housing and private retirement housing.
- 10.24 To consider future demand, we have sought to apply prevalence rates of dementia and cognitive impairment to trend-based projections of population growth. As Figure 10.9 indicates, a 35% increase in dementia sufferers is predicted between 2006 and 2026 across the Northern West Sussex Housing Market Area; a total increase of 1,495 sufferers, which will result in increased need for supported housing and assisted living housing services.

**Figure 10.9: Prevalence of Dementia, Northern West Sussex Housing Market**

	Population ('000s), 2006	Population ('000s), 2026	Prevalence Rate	Est. Persons with Dementia, 2006	Est. Persons with Dementia, 2026	Increase
65-69	14,600	24,500	1.40%	204	343	138
70-74	14,100	20,600	2.80%	395	577	182
75-79	12,300	18,200	5.60%	689	1,019	330
80-84	9,200	11,700	11.10%	1,021	1,299	277
85+	8,400	10,800	23.60%	1,982	2,549	566
Total	58,600	85,800		4,291*	5,787*	1,495*

Source: Jorm et al. 1987, Extra Care Housing Toolkit; ONS 2006 SNPP

\*These totals may not sum exactly due to rounding

**Figure 10.10: Prevalence of Cognitive Impairment**

	Population, 2006	Population, 2026	Prevalence Rate	Est. Persons with Cognitive Impairment, 2006	Est. Persons with Cognitive Impairment, 2026	Increase
65-74	28,700	45,100	2.30%	660	1,037	377
75-84	21,500	29,900	7.20%	1,548	2,153	605
85+	8,400	10,800	21.90%	1,840	2,365	526
Total	58,600	85,800		2,973*	4,060*	1,508*

Source: Jorm et al. 1987, Extra Care Housing Toolkit; ONS 2006 SNPP

\*These totals may not sum exactly due to rounding

10.25 Figure 10.10 demonstrates that we might expect an increase of 37% in persons with cognitive impairment across the Northern West Sussex Housing Market Area; an increase of 1,508 persons over the 2006-2026 period, which will result in increased need for supported housing and assisted living housing.

10.26 The key conclusions to draw from this analysis are:

- There are currently lower levels of residential care across the HMA per 10,000 head of population compared with the Coastal West Sussex Housing Market. This is a result of the Northern West Sussex Housing Market having a smaller population of retirement age, albeit with rates of population aged over 65 and 85 years that are expected to increase at a higher rate hence requiring more significant provision in the period post 2011.
- The Northern West Sussex Housing Market area currently has good rates of provision relative to its population aged over 85 years.

- The Northern West Sussex Housing Market area has higher levels of provision of supported housing than the Coastal West Sussex Housing Market and therefore both forms of provision (residential and supported housing) will be required, with a balance in favour of more supported housing in future years.

## ADAPTABLE HOUSING

- 10.27 Older persons are likely to continue to live in the market sector and in homes which are not built specifically for their needs. To meet the needs of an increasing older population, action is required both in building adaptable homes which can continue to meet households' needs as they grow old; and to adapt existing housing to meet the needs of older persons, recognising that new housing represents only a limited proportion of the total housing stock.
- 10.28 The Government has established a "Lifetime Homes Standard" which seeks to promote the development of new housing which is capable of meeting the changing needs of households throughout their lifetime. The standard encourages the design of new housing to incorporate simple features which includes level or gently sloping approaches to properties, doors wide enough to allow wheelchair and buggy access, a living room and toilet at entrance level, a bathroom which offers the potential for side access to both toilet and bath, and electrical sockets at convenient heights. It is estimated that these simple features could add around £550 to the cost of new homes, but this could be avoided if costs are designed-out early enough.
- 10.29 Housing design should be user-friendly, low maintenance and safe to meet the needs of older persons; to minimise the risk of falls and support independence. Local Planning Authorities should establish suitable development control policies and work with developers to implement these over time.
- 10.30 The Government has set its policy position that all public sector funded housing will be built to the Lifetime Homes Standard by 2011, with an aspiration that by 2013 **all** new homes will be being built to the Lifetime Homes Standard. The Lifetime Homes Standard will be made a mandatory part of the Code for Sustainable Homes to encourage progressively increased take-up in new build projects.
- 10.31 Adapting existing housing to meet the needs of older persons will be equally (if not more) important, recognising that new housing represents only a limited proportion of the total housing stock. Government has recently increased funding for the Disabled Facilities Grant by 31% to 2011. Its *Strategy for Housing in an Ageing Society; Lifetime Homes, Lifetime Neighbourhoods* also promotes handyperson services managed by local authorities which help older people with quick repairs and adaptations to their homes.

## SUPPORT SERVICES

- 10.32 As well as providing the right new homes and making adaptations to existing properties, co-ordinated support and advice services are going to be essential to meeting the housing needs of an ageing population. This is critical to engaging with older people and explaining to them the options which are available to meet their requirements. Lifetime Homes, Lifetime Neighbourhoods, the Government's National Strategy, emphasises a joined-up approach to service delivery which spans housing, health and social care departments and bodies.
- 10.33 Local authorities across the sub-region should offer a seamless service which offers advice and signposting on care and support; housing-related finance (including options for equity release), adaptations and repair. Critically "better information about housing options might enable people to make informed, proactive decisions as opposed to reactive decisions at the point of crisis." (Croucher, 2008).
- 10.34 Support services are likely to be delivered through the Supporting People (SP) Programme, albeit that these respond to a range of needs not just those of the elderly. This is targeted at ensuring that vulnerable people have the opportunity to live more independently and delivers housing related services including benefits advice, teaching life skills, budgeting and assistance with finding permanent accommodation. The Sub-Regional Housing Strategy makes a series of recommendations for future action and investment in Supporting People services for vulnerable groups.

## STUDENTS

- 10.35 There is only one Further Education college in the Northern West Sussex Housing Market Area which is Crawley College, part of the Central Sussex College.
- 10.36 Central Sussex College has around 10,000 students and caters primarily for part-time students and offers a range of national diplomas, City and Guilds and other vocational certificate programmes such as ESOL and NVQs. Crawley College was created in 2005 from a merger between Crawley College and Haywards Health College. Since merging the College has been investing in both its campuses and is currently undertaking a £55 million redevelopment of the Crawley campus.
- 10.37 Central Sussex College does not have any student accommodation of its own. With the majority of students being part-time it is expected that they will be living at home or working independently whilst training at the College. The College has around 1,000 international students who need to be housed locally, and the College has an accommodation service that assists with placing these students in local accommodation.

- 10.38 Given that the majority of students at Crawley College are part-time and would therefore be expected to be existing local residents, the supply of student housing is not expected to have any particular impacts on the Northern West Sussex Housing Market Area other than in supporting demand in the local private rented sector in the immediate area of the Crawley College campuses. In the wider context, current market conditions are supporting growth in demand for the private rented sector as would be first-time-buyers and those unable to sell but needing to move house, are unable to access the market. We might expect that the two factors of localised student housing requirements and wider private rental demand will encourage greater short term supply of private rented properties as professional and 'reluctant' landlords react to the market situation. We envisage that there will be sharp downward pressure on the rents charged.
- 10.39 The only justification for a change to this analysis would be a significant investment in increasing full-time student numbers at the College, or the creation of Higher Education facilities within the Northern West Sussex Housing Market which would increase student numbers with consequent effects on demand for private rental properties and specific student accommodation.

## BME GROUPS

- 10.40 Figures 5.7 and 5.8 in Section 5 identified the proportion of non-white population in each of the local authority areas in the Northern West Sussex Housing Market comparing this against the South East region and England. As we have identified, the population of BME groups in the Northern West Sussex Housing Market is relatively small but has been growing. There is anecdotal evidence of movement of BME households from London into the Housing Market area and of an increasing migrant population from EU Accession countries in Eastern Europe with some of the latter group living intensively in multi-occupancy households.
- 10.41 Figure 5.7 showed that Crawley has a particularly prominent Asian population comparative to the rest of the Housing Market area and against the South East region; other BME groups were comparable in population size to West Sussex and the South East region as a whole. This is a distinct characteristic for Crawley compared with the other two local authorities in the Northern West Sussex Housing Market and is sufficiently large to have an impact on the local Housing Market. Figure 10.11 explores this further and it is important to note the relative levels of ownership to other tenure forms characteristic for each BME Group. Within the Asian Group there is a stronger characteristic for home ownership (72%) compared with Mixed and Black groups (64% and 50% respectively). Conversely, there is a stronger tendency for Black and Mixed Groups to be in social rented housing.

**Figure 10.11: BME Group Tenure, Northern West Sussex Housing Market**

	Owned (%)	Social rented (%)	Private rented (%)	Living Rent Free (%)
Mixed	64.3	20.0	12.7	3.0
Asian	72.1	16.1	9.6	2.2
Black	50.3	23.5	24.5	1.8
Chinese	67.5	11.4	16.9	4.2

Source: ONS, 2005

- 10.42 There is an evident BME group housing dynamic in Crawley linked to the role of that Centre in relation to Gatwick Airport. This relates both to the Airport as an international gateway, but also to the nature of the economic base. Crawley has a higher proportion of residents with lower skills and as a larger economy has a larger proportion of lower value jobs. It also offers lower value family housing in the older new town neighbourhoods. These factors combine with the underlying position of Crawley as having the largest overall population (and hence a realistic expectation of the town having a larger BME group population) to explain the higher BME and migrant workforce within Crawley in comparison with the rest of the Northern West Sussex Housing Market. Significant purchase and rental price differentials between Crawley and the other urban and rural areas of Northern West Sussex, reinforce the housing choice and internal migration patterns of BME groups and are reflected in levels of self-containment.
- 10.43 In terms of housing implications, we would expect that the demographic characteristics of BME households will differ as they are traditionally younger households (and hence natural increase/ population growth is more substantial than for the White British population). This has implications for growing demand for housing from these groups over time (albeit from a small overall base). Furthermore, there are tendencies for some ethnic groups to live in larger households, or to occupy housing more intensely, which is borne out by analysis of overcrowding identified particularly in Crawley and more so in within the private rental sector.
- 10.44 Sustainable communities are intended to be vibrant, harmonious and inclusive. All in the community should have access to housing, housing services and support including those in BME communities. Differences in ethnicity do not mean that socio-economic characteristics or housing requirements necessarily differ from the White British population. Future housing provision must however broadly reflect the characteristics of the communities in terms of household size and particularly ensure that there is adequate

access to the ladder of housing opportunity for those groups that are currently more prevalent in the social or private rented sectors.

- 10.45 The housing requirements of BME groups in Northern West Sussex are not strongly understood, although they will be diverse. For some groups the private rented sector will be an important option due to the flexibility which it provides (households can move relatively swiftly through short term tenancies). For other groups with larger households there will be particular dynamics at play such as the tendencies for Asian communities to be composed of more multi-generational households; and in some cases subject to Sharia law which can prevent access to traditional mortgage loan products.
- 10.46 Very few service and housing providers have a high level understanding of the composition, profile or size of ethnic minority communities that reside in the Housing Market area. However, it is known both at a national level and more locally, that BME groups can typically be isolated from other forms of residential support such as access to housing for people with mental health problems or softer forms of support. In reviewing housing policies, the three Northern West Sussex Housing Market local authorities should review the take-up of these services by BME groups to ensure that there are not particular patterns of isolation associated with particular ethnic groups.
- 10.47 There is a need for the Northern West Sussex Housing Market authorities to engage with BME communities to identify particular housing and support needs and take action to ensure that these are being met through working with communities and partner agencies. This includes an intention to improve information about BME community's needs and monitoring the impacts of migration flows.

## GYPSIES AND TRAVELLERS

- 10.48 Local authorities are required to make provision for sites/ pitches to meet identified needs for gypsies and travellers.
- 10.49 More widely, SEERA's recent consultation (November 2008) and forthcoming Preferred Option (June 2009) on sites/pitches in the period to 2016 *Somewhere to Live: Planning for Gypsies, Travellers and Travelling Showpeople in the South East* (2008) identifies a regional need for an additional 1,064 net additional permanent pitches in total. Various options for this provision at the County level were put forward in SEERA's consultation. For West Sussex County, proposed Preferred Option is 177 new residential pitches in the period 2006-2016.

- 10.50 The West Sussex County Gypsy and Travellers Study (2006) identifies the need for additional supply of gypsy and travellers pitches for the local authority areas in the Northern West Sussex Housing Market. This data is shown in Figure 10.12.

**Figure 10.12: Existing and Projected Need for Gypsy and Traveller Pitches**

	Existing Authorised Pitches	SEERA Preferred Option on New Sites/Pitches 2006-2016
Crawley	8	19
Horsham	42	50
Mid Sussex	35	20
Northern West Sussex HM	85	89

Source: West Sussex County Gypsies and Travellers Study 2006, and SEERA Consultation, 2008 and Preferred Option June 2009

- 10.51 There are 85 existing pitches in Northern West Sussex Housing Market Area. There is a need for 69 additional pitches in the Housing Market area up to 2011 based on existing locations and a need for 71 additional pitches based on ideal locations using modelling techniques within the West Sussex Gypsy and Travellers Study. The SEERA Consultation takes the base date 2006 and projects forward to 2016, identifying four options that combined give a range of new additional provision for the Northern West Sussex Housing Market between 84 and 113 new pitches. The proposed Preferred Option identifies a requirement for 89 new pitches (with an additional 14 for travelling show people). This is a relatively high number of additional pitches across the Housing Market area compared with the need for new pitches in the Coastal West Sussex Housing Market Area and would require the identification of new sites in order to be delivered.

## RURAL HOUSING

- 10.52 Economic and non-economic factors such as environmental and social sustainability influence the housing market in rural areas of Northern West Sussex. There are also wider implications of reducing household size on maintaining rural services and employment and the existing emphasis and weighting given within planning sustainability criteria towards development within urban areas.
- 10.53 Published data sources show that there is a severe shortage of affordable housing in rural areas across the country. Rural housing markets tend to be skewed towards larger properties and nationally the average property price in rural areas is 7.3 times average earnings. Research undertaken by the Halifax has shown that house prices in rural areas

are 15% higher than in urban areas. The average house price in rural areas in September 2008 was £235,324 compared with £204,290 in urban areas.

10.54 To a large extent these problems are associated with rural 'lifestyle migration' and to a lesser extent the issue of second home owners. It is usually associated also with lower average incomes in rural areas.

10.55 The effect rural housing affordability has had on rural communities has received attention nationally. The CRC commissioned a Ipsos Mori poll as part of its evidence to the Rural Housing Inquiry, which highlighted the social issues associated with the ongoing affordability crisis in rural housing:

*"There was a clear perception that, if things continued as they were, villages and towns would suffer. Most people were concerned that young people and young families would continue to be driven out to urban areas to find housing, leaving an important gap in the community structure. Worries were also linked to these gaps being filled by commuters and second home owners. People described the 'killing off' of local communities and villages turning into dormitory' or 'retirement' villages. Young and/or single people, young families, seasonal workers and the elderly were felt to be particularly disadvantaged by the lack of affordable housing, with associated serious impacts on the quality of individuals' lives".*

10.56 To a large extent this picture is borne out by analysis of the rural housing market in Northern West Sussex and the whole of West Sussex County more widely. The Rural Profile produced by ECOTEC in support of the West Sussex Rural Strategy (2006) stated that the average house price in rural areas in West Sussex in 2004 was £297,000 compared to £220,000 across the County. At a headline level however the pattern of lower rural incomes is not necessarily borne out in West Sussex. ECOTEC's research showed that household income was high in rural wards across the County. In 2004, the average annual household income in rural West Sussex was £40,300 which compared favourably with incomes for West Sussex as a whole (£34,800), the South East (£36,100) and Great Britain (£29,900).

10.57 The income distribution was skewed towards higher earners. 22% of households had a combined annual income of £50,000 or more compared with 18% across the County and 12% nationally. Employment in rural areas is skewed towards service activities, with distribution, retail and warehousing accounting for 30% of all employment. At the same time banking, finance, and insurance and public sector activities account for disproportionately low levels of employment, compared nationally<sup>22</sup>. Further, agriculture

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<sup>22</sup> ECOTEC Rural Profile 2006

has become less profitable due to global competition and the decoupling of subsidies from production and therefore wages in this sector have suffered over recent years.

- 10.58 This suggests that the high quality of living and high quality housing stock in rural areas in West Sussex has attracted significant amounts of people into rural areas who commute from Northern West Sussex to urban centres such as Crawley, Horsham and Haywards Heath across the County and beyond to London and Brighton.
- 10.59 This pattern of income distribution has contributed to a good level of service provision across West Sussex, low levels of unemployment and good levels of employment demand. The rate of job-seeker claimants findings jobs is good (monthly average of 11.2%) and above County (11.1%), regional (10.5%) and national (8.4%) averages<sup>23</sup>.
- 10.60 These economic influences have meant that rural economies are now to a significant degree supported by people living in urban centres such as Crawley and out-commuting to rural settlements for work. This has consequences for local housing markets to ensure that serious imbalances do not lead to those employed in rural economies being forced to live in urban areas and out-commute, with those living in rural areas commuting to the urban employment centres.
- 10.61 Industries such as retail and warehousing tend to offer lower skill occupations and therefore offer lower wages than sectors such as finance and banking. It is important that these jobs are maintained in rural areas; however their prevalence will have an impact on the affordability of housing for people on lower wages in rural areas.
- 10.62 The national picture with regards larger average house size is borne out by local evidence. The Housing Needs Surveys carried out by Action for Rural Sussex showed that in many areas in West Sussex most properties are detached and semi-detached houses. In some areas the housing market is predominantly bungalows and terraces. There are low proportions of smaller accommodation and particularly flats in each case. The ECOTEC research in 2006 reported that detached and semi-detached house sales accounted for 69% of sales in rural settlements of West Sussex during 2004. This applies to both the Northern West and Coastal West Sussex Housing Market areas.
- 10.63 The Housing Needs Surveys also identified that most properties in West Sussex have three bedrooms or more and that, for example, only 7% of properties in Cowfold and 1.5% of properties in Ashington are one bedroom properties.
- 10.64 There is also evidence that this has meant an even larger affordability gap for those on lower incomes in West Sussex. In 2004 house prices in the rural areas and settlements of

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<sup>23</sup> ECOTEC Rural Profile 2006

West Sussex were 7.4 times average household incomes, in comparison to 6.3 across the County as a whole, 6.2 for the South East region and 6.0 across England and Wales.

## ROLE OF THE PLANNING SYSTEM

- 10.65 There is an emphasis within current planning policy on achieving sustainability and for building new housing predominantly within or adjacent to existing urban areas (PPS1 and PPS3 particularly apply). Urban areas generally have a broader range of employment opportunities and attract higher levels of inward investment and are therefore seen as a focus of employment growth. Building housing in urban areas within proximity of services and employment opportunities reduces the need for travel and is therefore generally considered more sustainable.
- 10.66 The fact that land for housing development is more allocated and approved in urban rather than rural areas is in part a result of policies designed to protect the natural environment and open landscapes, these being generally coincidental with village and small town boundaries. Policies that support the re-use of brownfield land, more often found in urban locations, also promote urban housing development over rural areas. This is the case for each of the local authorities in West Sussex.
- 10.67 This weighting of sustainability factors towards urban areas has led to the significant restriction of housing supply in rural settlements and virtually no housing development in areas outside of rural settlements.
- 10.68 In not meeting the housing supply and affordability needs of rural communities, detrimental patterns such as reverse commuting to rural areas from towns and the polarisation of access to a choice of housing in rural areas has undermined the sustainability of rural settlements in West Sussex. Not meeting the employment needs for people living in rural communities also leads to a degradation of rural communities and results in disconnecting those living in rural areas and commuting to urban areas for work and those working in lower wage jobs in rural communities.
- 10.69 PPS1 outlines an inclusive approach to rural and urban development that aims to meet community needs and provide a more proactive approach to new housing development allowing for the managed growth of rural settlements and smaller communities. We believe that providing a choice of sites and locations for housing in West Sussex's rural areas will assist in maintaining sustainable rural communities allowing affordable and market housing to be delivered that meets evident demand and helping to reduce urban to rural work commuting.

10.70 The Taylor Review of Rural Economy and Affordable Housing – ‘Living Working Communities’ (2008) offers further guidance on how the planning system can better support rural business and deliver affordable housing. The report makes the following recommendations:

- Many rural areas are declining as a result of an inflexible range of sustainability criteria. Planning policy should be reviewed to create a more coherent set of policies and reduce conflicts between interpretations of sustainability and the means by which competing priorities are assessed.
- Many market towns will be at the heart of substantial housing growth announced by the Government. The planning approach to the development of market towns should be based on master planning from the ground up. This method will reduce the risk of repeating mistakes of the recent past which too often produced ‘doughnut development’- characterised by ugly housing and unsustainable retail estates ringing the traditional towns.
- It is crucial that barriers to the delivery of affordable housing in villages and hamlets are unlocked. Various recommendations are offered to achieve this, such as the encouragement to landowners to release land for Community Led Affordable Housing.
- Better opportunities to work locally offers a more sustainable future for rural economies and generating these opportunities needs to be based on a clear understanding of the working dynamics of rural communities. Rural communities are more modern, diverse and dynamic than is often thought, with higher rates of increase of intensive business services than urban areas between 1998 and 2005. Rural economies also have higher proportions of small and micro-businesses, self employment and home-based work. To nurture these economies there needs to be a movement away from restrictive and inflexible planning policies, to safeguard employment space and support small and home based business growth, including using redundant agricultural buildings.
- Overall, the review concludes that the countryside is at a crossroads and that immediate and innovative action is necessary to ensure that it has a sustainable future.

## CHANGING HOUSEHOLD SIZE AND IMPACT ON RURAL SERVICES

10.71 Nationally, average household size is reducing. This trend is driven by the number of people now living on their own and the number of people living independently into old age. The national trend towards reduced household size has been a large factor in driving demand for new housing and driven the government push to increasing housing supply.

- 10.72 A natural consequence of this reduction in household size is that a larger number of homes are needed to support the population. In this context, an increase in housing supply in rural areas is linked to the economic maintenance of rural businesses and services. A contraction in rural population contributes to the decline of local services and can then have a secondary effect on the sustainability and economy of rural areas as places to live.
- 10.73 A housing approach that properly addresses the needs of all communities in West Sussex should be adopted. It is our view that this should include a managed and balanced approach to growth in rural centres, and in some areas outside of rural centres where brownfield opportunities arise, to counterbalance the emphasis on urban housing provision and meet local housing need. This growth should focus on an increased affordable housing provision and low-cost market housing with an appropriate level and choice of market housing to maintain supply and a balanced social mix.
- 10.74 This approach should include a positive stance to increasing the supply of higher value market housing as well as meeting affordable housing needs. While this trend has met resistance nationally in terms of its perceived effect of increasing second home ownership and 'rural lifestyle migration', in West Sussex it should be seen as a controlled policy approach to maintaining the attractiveness and economic viability of rural settlements as part of a wider approach to local economic development. The authorities Local Development Frameworks will need to conclude how best to apply this balanced market approach at the local level in conjunction with local area housing need analysis.

**Key Messages: Housing Requirements of Other Groups**

- This section considers the housing requirements of specific groups including older people, students, black and minority ethnic (BME) households, gypsies and rural areas.
- By 2026, it is expected there will be a major shift in the proportion of people aged 65 and over within the Housing Market area, with a 46% increase. The ageing population structure is set to have a significant influence on future housing needs and requirements. The Government is promoting the Lifetime Homes Strategy, which strives to ensure older people can remain living in their own homes and maintain their independence and quality of life. A co-ordinated support and advice service is also critical to meeting the needs of an ageing population.
- The only Further Education College in the Northern West Sussex Housing Market area is Crawley College. The majority of students at Crawley College are part time and therefore would be expected to be existing local residents. The supply of students housing is not expected to have any particular impacts on the Northern West Sussex Housing Market other than supporting demand in the local private sector in the immediate area of Crawley College campuses.
- The population of the BME groups in the Northern West Sussex housing market area is relatively small but has been growing. There is evidence of movement of BME households from London and EU Accession countries in Eastern Europe into the Housing Market area. Local authorities across the housing market must engage with BME communities to identify their particular housing and support needs and take action to ensure that these are being met through working with communities and partner agencies.
- There is a need for an additional 71 gypsy and traveller pitches in the Housing Market area up to 2011. This calculation is based on ideal locations, using modelling techniques within the West Sussex Gypsy and Traveller Study.
- There is a severe shortage of affordable housing in rural areas across the County, with rural housing skewed towards larger properties and at 2004 house prices in rural areas were 7.4 times above average household incomes.
- The growth in rural areas should focus on increased affordable housing provision and low cost marketing housing with an appropriate level and choice of market housing to maintain supply and a balanced social mix.

## 11. HOUSING VIABILITY

- 11.1 An assessment of housing needs is a statutory requirement to inform policies for affordable housing. Its purpose is to establish that the 'need' for affordable housing cannot be met by existing or planned supply; and hence that new affordable housing should be built to meet needs.
- 11.2 Over the last five or more years, the growing differential between house prices and earnings has made access to market housing and particularly to home ownership more difficult. This has been reflected in growing levels of need and increasing housing waiting lists.
- 11.3 This SHMA demonstrates substantial need for affordable housing. Even using our low estimate figures and addressing the backlog of need over a significant ten year period, annual requirements for affordable housing in Northern West Sussex range between 719 and 1054 homes (low and high estimates Figure 9.19). This equates to between 38% and 56% (low and high estimates) of the annualised housing requirements set out in the Government's Proposed Changes to the South East Plan. It is extremely unlikely that the existing short-term market and funding context will support this level of affordable housing delivery, particularly under the high estimate scenario.
- 11.4 The local authorities need to set out clear policies for affordable housing in their Local Development Framework Core Strategies (and through Affordable Housing SPDs in some areas) as the basis for securing affordable housing on development sites through planning obligations.
- 11.5 Planning Policy Statement 3: Housing (CLG, Nov 2006) provides clear guidance that:

*"Local planning authorities should ...*

*Set out an overall (i.e. plan-wide) target for affordable housing to be provided. The target should reflect the definition of affordable housing [in PPS3]. It should also reflect an assessment of the likely economic viability of land for housing within the area, taking account of risks to delivery and drawing on an informed assessment of the level of finance available for affordable housing.*

*Set out the range of circumstances in which affordable housing will be required ... Local planning authorities will need to undertake an informed assessment of the economic viability of any thresholds and proportions of affordable housing proposed, including their likely impact on the overall levels of housing delivery and creating mixed communities."*

- 11.6 PPS3 is also clear that in seeking developer contributions, the presumption is that affordable housing will be provided on the application site so that it contributes towards creating a mix of housing.
- 11.7 Affordable housing policies must be justified in terms of the level of need identified through the Housing Needs Assessment. They however must be realistic and deliverable; and set against the wider objectives of maintaining an adequate supply of market housing to meet demand and delivering mixed income and tenure communities at a local level.
- 11.8 PPS3 sets out that targets should be informed by the level of funding available through the National Affordable Housing Programme administered by the Homes and Communities Agency; and a realistic assessment of their effect on residual land values.

## NATIONAL AFFORDABLE HOUSING PROGRAMME

- 11.9 The Homes and Communities Agency's South East Investment Statement (April 2008) sets out National Affordable Housing Programme funding allocations for each local authority in West Sussex for the 2008-11 period. These are shown in Figure 11.1 below and represent a snapshot in time as the Homes and Communities Agency work on the basis of continuous market engagement. The requirements for Affordable Housing investment from the HCA will therefore vary depending upon the schemes that are submitted to the HCA for funding; the support that individual local authorities may give to HCA grant through S106 agreements; and the influence local authorities have through their relationship with the HCA about whether grant should be allocated at all.

**Figure 11.1: National Affordable Housing Programme Allocations 2008-11**

2008-11	Rent			LCHO			Total Value (£m)	Total Units
	Value (£m)	Homes	Grant per Unit (£k)	Value (£m)	Homes	Grant per Unit (£k)		
Crawley	3.6	84	42.86	0.12	8	15	3.72	92
Horsham	0.76	16	47.58	0.04	2	20	0.8	18
Mid Sussex	2.41	52	46.25	0.2	43	4.54	2.61	95

Source: Homes and Communities Agency (April 2008)

- 11.10 A significant proportion of affordable housing subsidy is delivered and funded through developer contributions. The Homes and Communities Agency emphasises that on private development schemes, funding through the National Affordable Housing Programme is intended to result in additional outcomes rather than to subsidise the land value.

- 11.11 Clearly developer contributions through Section 106 agreements are likely to continue to make the much more substantial contribution to provision of affordable housing in the future than HCA grant funding.

## POTENTIAL DEVELOPER CONTRIBUTIONS

- 11.12 In the current policy and funding context, increasing affordable housing targets will impact on the value of land suitable for residential development. Reducing site size thresholds at which affordable housing is triggered or requiring a financial contribution to affordable housing from sites which would previously not have had to make any contribution, will also affect the value and viability of these sites.
- 11.13 It is important that revised affordable housing policies do not reduce the supply of land being brought forward for residential development. If residential land values (the prices developers will offer to landowners) fall too low, the landowner may not sell the land, may continue with an existing use or may consider alternative uses of the land. An appropriate policy must therefore strike a balance between increasing delivery of affordable housing, and maintaining incentives for landowners to release land and for developers to bring forward schemes. This will maximise affordable housing delivery. Too stringent a policy stance risks deterring development activity, which may have the opposite effect in terms of reducing delivery of new market and affordable housing, worsening affordability.

## CURRENT POLICY

- 11.14 Residential land values will reflect to some degree current affordable housing policies. A key consideration in assessing potential changes to affordable housing policies is the impact of these changes on development viability and land values in relative terms.
- 11.15 In 2005 the local authorities across West Sussex had a consistent requirement for 30% affordable housing provision over specified site size thresholds of either 15 or 25 units.
- 11.16 Since this time, some local authorities have a revised policy in an adopted LDF Core Strategy; while others have published interim policy statements or recommended changes to policy in an emerging LDF Core Strategy. The table below sets out affordable housing policies across West Sussex.

**Figure 11.2: Current Affordable Housing Policies**

Local Authority	Current Threshold	Current Percentage Requirement	Policy Basis
Crawley	15 units/ 0.5 ha	40%	Adopted Core Strategy
Horsham	15 units/ 0.5 ha	40%	Adopted Core Strategy
Mid Sussex	15 units	30%	Current Local Plan

## CURRENT EVIDENCE BASE

- 11.17 The current evidence base for affordable housing policies comprises housing needs assessments, prepared or updated at various points by David Couttie Associates; together with viability assessments undertaken by Adams Integra.
- 11.18 Adams Integra prepared a county-wide study assessing the *Financial Viability Impacts of Affordable Housing Policy Options* in 2005. Several of the Districts have commissioned further analysis or updates to this work including Horsham District Council (2005 and 2006); Crawley Borough Council (Feb 2006); Chichester District Council (May 2006); and Arun District Council (2007). GVA Grimley has reviewed each of these studies.
- 11.19 The County-wide Study explored the impact on residual land values of potential changes to affordable housing policies, including increasing proportional requirements from 30% to 35% or 40%; and of lowering site size thresholds potentially down to 5 units. This was based on a free and serviced land model for affordable housing delivery.
- 11.20 The Study modelled these impacts across five defined value-band areas, named A-E. It demonstrated the significant impact on residual land values of increasing requirements for affordable housing, particularly on small sites which had not previously been subject to affordable housing requirements.

11.21 The Study concluded that:

- 30% affordable housing looks to be a viable target in the lower Value Band Areas A and B. This is likely to apply to many areas in Arun, Adur but also Crawley and Worthing together with parts of coastal Chichester.
- Band C might be regarded as a transition point where in many cases 40% should be a viable target. This is likely to cover the coastal plain and other areas of Chichester District, higher value areas in Adur and large parts of Horsham.
- At Band D and above [they felt that] 40% becomes a viable target, and should be achievable in many cases. Example locations are likely to be Chichester City and particularly the north of that District; Haywards Heath, East Grinstead and Mid Sussex rural, and much of Horsham rural.

11.22 The Study identified a number of practical concerns relating to very low thresholds. However if implementation of thresholds as low as 5 units, and potentially 10, is to be considered it recommended that thought might be given to lower proportions and perhaps even of 20% on those sites, or alternatively a graduated policy. It recommended the possibility of collection of payments in lieu of on-site provision should be considered on small sites.

11.23 Various local updates to this study have been undertaken. A Study for Crawley Borough Council (February 2006) found an increase in the Council's affordable housing requirement to 40% to be sustainable based upon evidence of recent and current development schemes achieving significantly higher prices than the general tone of values in the Borough which are influenced by the nature of the New Town housing stock.

## IMPLICATIONS OF A CHANGING MARKET CONTEXT

11.24 Since these development viability assessments were undertaken the market context has changed significantly. A notable and sustained downturn in the housing market is currently underway, impacting on sales values for new homes and market activity. A number of factors are increasing the costs of building new housing, including increasing finance costs together with sustainability and infrastructure requirements. This includes implementation of the Code for Sustainable Homes. The market downturn is also affecting sales rates altering the cashflow and financing of development schemes.

11.25 There is not sufficiently robust data available now at a local level to allow us to accurately track the degree to which the prices of comparable property types have declined given the lack of market activity during 2008.

- 11.26 The Halifax House Price Index indicates that house prices in West Sussex continued to grow throughout 2007 but peaked in October 2007 at £186,044. Data for December 2008 indicates a drop in prices of -17.7%. Data on sales values achieved for new-build properties across West Sussex indicates that prices achieved have fallen by -15.7% by December 2008 relative to their peak in Q4 2007. Sales prices continue to decline through Q1 of 2009 (see Section 4 – Active Market).
- 11.27 However it is not just declining sales values which are impacting on viability, but the increase in finance costs and a dearth of sales activity.
- 11.28 Over the last decade we have seen a sustained trend in rising house prices which has fed through to growth in residential land values. This has supported the potential to increase requirements for affordable housing through developer contributions without impacting on the viability of residential development or the likelihood of sites being brought forward. Now that residential land values are falling, the situation is fundamentally different.
- 11.29 The market context, in which viability is being squeezed by other factors, will not support any increase in affordable housing contributions or other Section 106 costs in the short term. There is significant potential that an increase in S106 requirements through policy changes will deter developers and landowners from bringing schemes forward in the short term.
- 11.30 Regulatory changes to housing development standards will also have an impact. The phased implementation of the Code for Sustainable Homes (CSH) will have an impact on building costs at all levels of the Code and particularly so at the higher levels (5 and 6). Work by Cyril Sweet (November 2007) for a standard terrace property shows an average £5,000 per unit increase to build costs from movement to Code Level 4 in 2010. For Code Level 5, the additional build costs are estimated at £18,000 per unit and Code Level 6 £31,000 per unit. These costs are already having an impact of housing viability and will do so far more substantially as the higher Code Levels are required from 2013 and 2016.
- 11.31 The key question is whether the current affordable housing policy positions are regarded as achievable in the current market and funding context.
- 11.32 A range of factors impact on development viability including affordable housing, build costs, finance costs and other S106 contributions (possibly the Community Infrastructure Levy as well in future if enacted by Government). There is a need to consider affordable housing and other S106 costs in aggregate, with policy choices needed to determine the local priorities between affordable housing contributions and contributions to other infrastructure. Infrastructure costs are often large, upfront development costs that are expended prior to any cashflow coming in from the housing development. These

infrastructure costs therefore have a strong bearing on the overall ability of a proposed scheme to make affordable housing contributions, particularly in the early phases of development.

- 11.33 In the immediate short term market, affordable housing may assist development finances to some degree, helping schemes in terms of providing a guaranteed revenue stream. However, in the longer term this is not a tenable position or one supported by developers.
- 11.34 There are growing concerns that credit issues are significantly affecting the potential market for shared ownership (those who qualify for shared ownership on low incomes, are often viewed as higher financial risk by lenders). This risk is compounded by the difficulties in selling houses at present for those who can no longer afford their repayments.
- 11.35 On this basis, a cascading mechanism for tenure mix has to be the right approach for the short-term. The established policy position is the starting point but will need to be the basis for negotiation (there are current examples in the South East Region of a negotiated approach becoming more prevalent). We urge that a high degree of flexibility is given in the short-term to enable housing schemes to come forward post signing the S106 agreement given the volatile issues of development viability and ability to sell housing units in the market.

## LOWERING SITE SIZE THRESHOLDS

- 11.36 The level and nature of housing need in Northern West Sussex supports the thresholds of site size both in order to maximise delivery of affordable housing and to deliver new provision in a range of settlements. The current national standard of 15 dwellings/0.5 ha has been adopted in Mid Sussex and is also being proposed in Crawley and Horsham.
- 11.37 We consider that affordable housing policies should strongly incentivise and give first credit to the direct delivery of affordable housing. Financial contributions in lieu of direct provision on small sites should be regarded as the exception rather than the rule. They should only be taken forward where there are sound planning reasons for doing so.
- 11.38 In terms of housing tenure mix, there are distinct differences in value attached to social rented and to intermediate housing. In the short term it is highly unlikely that the house-builders will wish to develop intermediate housing as the value of social rented housing grants will ensure that these are more attractive (in viability terms) to develop. Over the longer term, the differential values between social rented and intermediate housing should re-balance as value returns to the housing market.

- 11.39 For small sites, particularly those currently not subject to affordable housing requirements, the impact of planning obligations (including affordable housing and other infrastructure requirements) is particularly significant. The viability of small sites is particularly sensitive. Smaller schemes are generally more expensive to develop on a per unit basis than larger ones. These cost differentials are not reflected in higher sales prices. Most practitioners also believe that smaller developments also have lower profit margins. A lower affordable housing contribution (either in kind or in lieu) from smaller sites is hence appropriate to reflect their lower overall profitability.
- 11.40 There are also practical issues regarding affordable housing on smaller sites. This is particularly the case for social rented provision, with smaller numbers of affordable houses on individual sites often impractical from a management perspective.
- 11.41 This does not mean that there is not the potential to increase the 'capture' from planning obligations. It does mean that a delicate balance is required in order to increase development contributions to delivering affordable housing; whilst ensuring that economic viability and incentives to bring sites forward are maintained.
- 11.42 **Short term** policy options for the district authorities to aid flexibility include:
- Adopting a reduced and flexible approach to affordable housing provision
  - Using Social Housing Grant to support delivery;
  - Providing a more flexible approach to allow developers to improve scheme viability by developing social rented units rather than Intermediate Housing as part of the overall housing mix..
- 11.43 We believe that once the market recovers, there is scope to potentially reduce site size thresholds in Horsham and Mid Sussex to encourage 20% affordable housing on sites where between 5 and 14 units are proposed. In these circumstances, we would recommend that the local authorities assess the practicalities in terms of the time and resource costs incurred by the Council, RSLs and developers in securing affordable housing provision on sites below the 15 dwelling threshold national standard, rather than a contribution in lieu. The existing viability studies and housing needs analysis support the reductions in thresholds.

**Key Messages: Housing Viability**

- This SHMA demonstrates a substantial need for affordable housing. The emphasis is on providing affordable housing across the Northern West Sussex Housing Market through developer contributions.
- Affordable housing policies must strike the balance between increasing the delivery of affordable housing and maintaining incentive for landowners to release land and for developers to bring forward schemes.
- A notable and sustained downturn in the housing market is currently underway, impacting on sales values for new homes and market activity. This market context will not support any increase in affordable housing contributions in the short term. Therefore there is a need to consider affordable housing and other S106 costs in aggregate, and determine local priorities between affordable housing contributions and contributions to other infrastructure.
- There are growing concerns that the credit issues are significantly affecting the potential market for shared ownership. On this basis, a cascading mechanism for tenure mix is the right approach for the short term with more emphasis on social rented provision than Intermediate Housing to aid scheme viability. Overall, a high degree of flexibility is needed to ensure housing schemes come forward post signing of S106 agreements

## 12. CONCLUSIONS & RECOMMENDATIONS

### INTRODUCTION

- 12.1 Strategic Housing Market Assessments are intended to improve understanding of both need and demand for affordable and market housing; of the current housing stock; of market conditions; and of drivers of change both over long and short-term horizons. This Northern West Sussex SHMA is intended to form an evidence base to inform planning and housing policies at both the regional and local levels.
- 12.2 The timing of publication of this SHMA for Northern West Sussex as part of the overall West Sussex Sub-Regional Housing Market Assessment coincides with a significant downturn in housing market conditions following a strong and sustained period of market growth. The recommendations address this short-term context, but also the underlying economic and policy drivers which point to continued demand for housing over the medium-to-long term.
- 12.3 This section sets out our conclusions and recommendations for the Northern West Sussex Housing Market.

### OVERALL HOUSING REQUIREMENTS

- 12.4 The SHMA forms one of the inputs into determining housing requirements and residential land supply in Local Development Frameworks (LDFs). Local Planning Authorities also need to consider what level of suitable land can be brought forward for development, informed by Strategic Housing Land Availability Assessments (SHLAA). They will also need to take account of the Regional Spatial Strategy (RSS), as general conformity with the RSS is one of the tests of soundness for LDFs. This will be tested by an independent Inspector at the Examination in Public into LDF Core Strategies and other Development Plan Documents (DPD).
- 12.5 The draft South East Plan Regional Spatial Strategy was published and submitted to Government by the South East Regional Assembly in March 2006. Following Examination in Public, the Government published its Proposed Changes to the Plan in July 2008 and the public consultation period for this ended in late October 2008. The final South East Plan was published in May 2009 with the housing targets for the districts, boroughs and sub regions for West Sussex remaining unchanged from the earlier Proposed Changes version. This document sets the overall scene for housing across the South East Region and makes specific housing delivery target allocations to each of the Plan's defined Sub-

Regions and districts. The South East Plan, in all of its versions, makes provision for larger numbers of new homes to be built in the period 2006-2026 than the preceding Regional Planning Guidance it will replace when adopted.

- 12.6 The Government's Proposed Changes to the South East Plan (and indeed the final South East Plan published in May 2009) have taken on many of the Panel Report's recommendations but with further housing target changes. The principal differences for the Northern West Sussex Housing Market from the original South East Plan include a 7% increase in the housing target requirement for Crawley above the Draft South East Plan figures; 5% for Horsham and 21% for Mid Sussex. There are further increases proposed for surrounding areas that will impact upon the Northern West Sussex Housing Market including Brighton & Hove as well as the identification of a new major allocation of up to 10,000 dwellings at Shoreham Harbour straddling Adur and Brighton & Hove. In addition, the proposals for Ford EcoTown in the Coastal West Sussex Housing Market Area would potentially provide a further 5,000 homes.
- 12.7 In the Northern West Sussex Housing Market the influence of the Gatwick Diamond Economic Strategy coupled with town centre and new urban extension regeneration programmes and the enhancement of commuting infrastructure will, in the long term, continue to drive strong housing demand.
- 12.8 There is a reciprocal relationship between housing growth, economic growth and transport/commuting patterns. Long term job growth and productivity improvements within the economy will support the Housing Market overall and it is on this basis that we believe that the housing targets established in the RSS will be required. The downside risk is that if economic growth cannot remain on previous trends then housing demand will be adversely affected.
- 12.9 The South East Plan sets out a robust and sustainable strategy for the future regeneration, development and growth of West Sussex. A central element to this is the reduction in out-commuting through an economic strategy and housing delivery programme that improves the balance between homes and jobs, predicated on the Smart Growth concepts of enhanced productivity and reduced land take where possible. It has national policy support. Northern West Sussex has a central position to play in delivering this.
- 12.10 Our assessment of housing and economic growth in London suggests that supply constraints on housing growth will ensure that the South East Region and particularly those areas, such as Northern West Sussex, which are well connected to it with strong overall quality of life, are likely to continue to play a role in supporting the London economy by providing residential environments housing people who work in the Capital. We expect this to contribute to demand pressures in the most accessible areas in the long term.

- 12.11 It is important that local authorities and housing partners recognise the reality of demand pressures across the greater South East linked to strong economic performance and demographic growth and how these align with the demands on West Sussex as a whole and Northern West Sussex Housing Market within this. However the appropriate policy response is at the national and regional levels. A national and regional solution is required.
- 12.12 The National Housing and Planning Advice Unit has highlighted that a significant increase in housing delivery will be necessary in the South East and other regions, such as the East of England, to meet market demand and to stabilise and improve affordability over the longer-term.
- 12.13 The appropriate forum to address this is through the review of the South East Plan. Partners should proactively engage in the process to establish a sustainable strategy for the development of the West Sussex sub-region, accounting for environmental and infrastructure capacity. Any increase in development targets must be supported by investment in supporting physical, social and community infrastructure.
- 12.14 While we expect effective demand over the long-term to remain strong; in the short-term however, we expect levels of housing delivery to fall significantly.

## MAINTAINING HOUSING DELIVERY RATES

- 12.15 In the short-term the potential to maintain or improve rates of housing delivery may be curtailed by the current housing market and economic climate. The reasons behind this have been explored and catalogued for the Northern West Sussex Housing Market in this Report. While the affordability of market housing may remain stable or improve, there is a continued need to maintain housing supply to address the structural imbalance between housing supply and demand.
- 12.16 There are limited tools available to the three Northern West Sussex local authorities allowing them to maintain or drive forward delivery rates in the short-term given the current economic climate and housing market conditions. We recommend that local authorities adopt a comprehensive and proactive approach to managing housing supply, through:
- R1. **Clarity and Coherence** - Working to bring forward a clear and coherent planning policy framework through LDF Core Strategy and Site Allocations DPDs as quickly as possible to provide a strong policy framework to support housing land allocations and planning applications;
  - R2. **Mix and Range of Sites** - Seeking to deliver a range and mix of sites through LDFs which allow different housing products to be brought forward by different developers

across local areas. This is also advisable given policy and infrastructure requirements which can further hold up the delivery of larger sites;

- R3. **Proactive Work to Support the Five Year Housing Land Supply** - Maintaining a five year supply of deliverable sites as required through PPS3, and working proactively with landowners and developers to address site and infrastructure constraints to development in partnership;
  - R4. **Realistic Viability Approach** - Take a realistic approach to the viability testing of housing schemes in the short term and in the negotiation of S106 developer contributions to affordable housing in order to ensure delivery continues to occur as far as possible;
  - R5. **Annual Monitoring** - Proactive annual monitoring of delivery progress and timescales at a site level, including through proactive engagement with developers. A programme of research, foresight and intelligence will need to be generated to ensure that annual monitoring is effective and the results utilised both in deriving policies but also in shaping intervention in housing developments by the public sector.
- 12.17 We recommend that a co-ordinated approach is adopted to driving forward housing delivery in Northern West Sussex, recognising inter-dependencies between housing, infrastructure and quality of place. This is important in retaining the integrity of the functional housing market in the long term. Investment in quality of place and regeneration, in social and community infrastructure and in cultural and leisure facilities helps to create attractive places to live and provide houses. The local authorities should work to ensure that this approach is embedded within and across proposed development schemes.
- 12.18 We also argue that there is a case for further contingency planning. This is being taken forward by local authorities elsewhere in the greater South East, and looks to identify additional contingency sites to support housing delivery where there are notable delivery risks.

## AFFORDABLE HOUSING

### AFFORDABLE HOUSING SUPPLY

- 12.19 An assessment of housing needs is a statutory requirement to inform policies for affordable housing. Its purpose is to establish that the 'need' for affordable housing cannot be met by existing or planned supply; and hence that new affordable housing must be built to meet

needs. Chapter Nine of this Report considered Housing Needs in the Northern West Sussex Housing Market.

- 12.20 Over the last five years, the growing differential between house prices and earnings has made access to the market housing sector increasingly difficult. This has been reflected in growing levels of 'need' identified through Housing Needs Studies nationally.
- 12.21 The current situation in the Northern West Sussex Housing Market is one in which there is an acute estimated level of need between 38% and 56% (the low and high estimate scenarios) of anticipated levels of house building, taking into account past delivery levels and RSS targets. It is unlikely that the existing market and funding context will support this level of affordable housing delivery in the short term and will be pushed into the medium and longer term even as the Housing Market regains its underlying value.
- 12.22 We recommend that local authorities across the Northern West Sussex Housing Market work to stimulate the supply of new affordable housing. There are a range of policy tools which can be used to achieve this:
- R6. **Encourage all Sources of Delivery** - Direct delivery of affordable housing by RSLs and potential Local Authorities (or ALMOs) must be encouraged once more;
  - R7. **Public Sector Land Assets** – Working with the Homes and Communities Agency and SEEDA, public sector land could be utilised to bring forward new affordable housing, based on land value subsidy (e.g. the local authority accepts a reduced site receipt for enhanced delivery of affordable housing);
  - R8. **Optimising Contributions** - optimising and stimulating developer contributions to affordable housing through planning policies in LDFs and S106 negotiations where a realistic testing of viability in the current market has been undertaken;
  - R9. **Rural Sites** - Identification of exceptions sites in rural areas specifically for affordable housing to meet local needs; and
  - R10. **Returning Vacant Stock into Effective Use** – identification of further resources and targeted research to support the use of Empty Dwelling Management Orders, where resources allow, to bring vacant private sector housing back into use to meet housing need.
- 12.23 The three Northern West Sussex local authorities should set out clear policies for affordable housing in their Local Development Framework Core Strategies and Affordable Housing SPDs as the basis for securing affordable housing on (private) development sites through planning obligations. At paragraph 29, PPS3 provides clear guidance as to the establishment of a plan-wide target for affordable housing (taking into consideration likely economic viability for housing in the area) and the need to set out the range of

circumstances in which affordable housing will be required (including assessing the thresholds or proportions of affordable housing proposed).

- 12.24 Affordable housing policies must be justified in terms of the level of need identified through Housing Needs Assessment. They must be realistic and deliverable; and set against wider objectives of maintaining an adequate supply of market housing to meet demand and delivering mixed income and tenure communities at a local level.
- 12.25 PPS3 sets out that targets should be informed by the level of funding available through the National Affordable Housing Programme administered by the Homes and Communities Agency (HCA), and a realistic assessment of their effect on residual land values.
- 12.26 Current affordable housing policies are for 40% provision of sites on 15 dwellings/ 0.5Ha in Crawley; for 40% on sites of 15 dwellings/ 0.5Ha or more in Horsham; and 30% on sites in Mid Sussex of 15 or more units.
- 12.27 It is for the local planning authorities to consider appropriate affordable housing policies in their areas taking evidence of housing need and viability into consideration alongside the requirements to create and sustain balanced communities. We are of the view that a consistent approach to establishing and viability testing the trigger thresholds for affordable housing across the Northern West Sussex Housing Market area would be advisable. In our view, evidence of housing need can justify the adoption of a 40% affordable housing target across the three local authorities with a consistent basis of approach to thresholds for its application. This recommendation is made on the basis that affordable housing requirements must not jeopardise the overall viability of residential development especially in the short term where more flexibility is particularly necessary to deal with adverse economic and housing market circumstances. PPS3 is clear that affordable housing policies must reflect the economics of residential development in the area.
- 12.28 It is not therefore advisable to revise policies against the context of the current market downturn, recognising these will further impact upon development viability in a context in which build costs and infrastructure requirements have been rising, and returns from the sale of homes are now falling. We are aware that local authorities must review and revise their policies to accord with their LDS programmes for the preparation of Local Development Frameworks. In this instance authorities should adopt the 40% affordable housing target but take a flexible approach to it as a negotiation position in the immediate short term to ensure sensitivity to current housing market conditions.

## AFFORDABLE HOUSING VIABILITY

- 12.29 Adams Integra has modelled the financial viability of residential development in West Sussex and we believe this continues to form a sound basis for understanding the impacts of affordable housing policy on viability. We consider that, given current market conditions, there are significant risks to increasing affordable housing requirements in the Northern West Sussex Housing Market. This is a short term view only.
- 12.30 Within development viability analyses, it is not possible to take account of every eventuality; hence allowance must be made for exceptional development costs and, where relevant, current use value. We would argue that this influences how the affordable housing policies should be applied both in the short and longer terms.
- 12.31 Generally in higher value areas the cost of planning obligations is passed back to landowners, depending on the value of the prevailing existing use and amount of surplus value generated by the development scheme. The developer's returns from risk and profit are largely unaffected.
- 12.32 Greenfield sites may be able to contribute more than brownfield, although for larger greenfield schemes there may be costly strategic infrastructure requirements to support the delivery of the scheme overall.
- 12.33 In lower value areas, development is more likely to be deterred, because of the low return to the landowner and less prospect of uplift in property values to compensate the developer for the risk incurred. The ability of developers of small and medium sites in particular to pass the charge back to the landowner may be circumscribed, unless the developer is also either the landowner or future occupier.
- 12.34 Based on this, our recommendations are:
- R11. **Clear policy** - Clear and unambiguous affordable housing policies based on a 40% affordable housing requirement be established in each of the Local Development Frameworks in the long term. This is effectively recommending that Mid Sussex raises its affordable housing requirement from 30%.
- R12. **Standardised Approach to Thresholds** – Site and unit thresholds for the application of the affordable housing policies should be approached in a more standardised manner to avoid overly distorting the differential values that will be ascribed to each of the districts; particularly at the administrative boundaries. However, district policies should recognise that there are differentials in land values, costs and affordable housing requirements in their individual negotiations. It is particularly important to consider the implications of lower thresholds that may be applied in urban and rural settlements for residential schemes of less than 15 units.

In situations where 5-14 residential units are proposed, it is recommended that a more flexible affordable housing requirement be applied.

- R13. **Ensuring Short-Term Flexibility** - Ensure that there is flexibility in the application of policies in the short-term to fully recognise the unique viability/ delivery challenges that currently exist. It may be appropriate to adopt lower, interim affordable housing requirements across the Housing Market if conditions continue to strongly restrain housing delivery. Flexibility in policy application can be addressed through varying the tenure mix and timing of affordable housing delivery in larger schemes. Re-negotiation of S106 agreements on current sites where viability is an issue is a short-term flexibility measure, although these must be conducted through open book negotiations.
- R14. **Account for Wider Planning Obligations** - Policies will need to take account of wider planning obligation costs (to fund/ deliver other infrastructure either through S106 or the Community Infrastructure Levy) and other factors which will increase development costs, including the phased implementation of the Code for Sustainable Homes and Lifetime Home standards. Site location and underlying land value are further cost issues to consider. These all impact upon viability as they have a direct implication on build costs and profit margins. An agreed, more standardised and open book approach to the range, type and extent of planning obligations sought by each of the three Northern West Sussex local authorities will assist development appraisals and help reduce distortions that differential requirements have on the housing market. There is a need for further testing of this through the LDF processes related to the specific future residential allocation sites that each propose.
- R15. **Longer Term Flexibility** - Where a developer has negotiated site acquisition on the basis of the current affordable housing policy, flexibility may be required in applying new policies. This can be addressed through negotiation case-by-case. A similar approach will be required to address abnormal site costs and sites where market conditions are impacting significantly on the viability of the scheme. In the case of brownfield sites, the Councils will need to take into account the existing use value in negotiating affordable housing policies. If the affordable housing requirement reduces the site value for the development scheme proposed below that for the existing use, the site will not come forward. In these circumstances, the Council will need to exercise flexibility in applying its affordable housing policies, tailoring its requirements to specific circumstances on a case-by-case basis.

## SIZES OF AFFORDABLE HOUSING

- 12.35 The Northern West Housing Market local authorities must look to set out specific policies regarding the size of affordable housing provision required. We set out below, recommendations regarding the sizes of affordable housing to be sought. This is based on an appraisal of the scale of current waiting lists (reasonable preference in Crawley and Horsham, and the complete list in Mid Sussex) for different property types together with the

levels of lettings and turnover for different property stock sizes. It also takes into account the particular difficulties in meeting larger housing needs (four bedroom and larger) which must be incentivised further to allow greater flexibility to manage affordable housing stock and meet household expectations.

R16. **Planning for a range of affordable housing sizes** - We recommend that a range of different sizes of affordable housing are planned for. Whilst the majority of households on waiting lists often require smaller properties, those in need of larger properties often have to wait much longer for a home, reflecting the limited current supply of larger properties and lower turnover rates. Provision of larger, family-sized affordable housing meets both this need and allows social housing provision to better use existing stock by creating a 'chain of lettings' to right size households to their housing requirements. Figure 12.1 sets out our recommended housing size mix.

**Figure 12.1: Indicative Affordable Housing Provision by Bedroom Size**

	1-Bed	2-Bed	3-Bed	4+Bed	Total
Crawley	20%	35%	35%	10%	100%
Horsham	25%	30%	35%	10%	100%
Mid Sussex	25%	30%	35%	10%	100%

## AFFORDABLE HOUSING MIX

- 12.36 There is a clear demand for all social housing within Northern West Sussex. Within this, there is a clear latent demand for Intermediate Housing (both ownership and rental) demonstrated across each of the three Northern West Sussex Housing Market local authority areas. The Wilcox Report data shows a strong overall requirement based on recent data (2006 and 2007) and gives a sense of the relative variances in requirements for Intermediate Housing products across West Sussex. This analysis is further supported at the local level through appraisal of the Zone Agent's own data on waiting lists and demand.
- 12.37 We are recommending that partners undertake further work to raise the profile of Intermediate Housing products and assess how the role of Intermediate Housing could be developed in the longer term to meet the needs of households who cannot afford to buy but can afford to pay more than social rents. There are a range of housing options available to those who cannot afford to buy, which includes intermediate rent, shared ownership models and discounted market sale housing (where subsidy is recycled).

12.38 Our key recommendations are:

- R17. **Stimulate choice and access in the Intermediate Housing Market** – A more flexible approach to affordable housing mix in West Sussex should be provided in the immediate period to aid scheme viability. A target of 20% of all affordable housing should be developed on an intermediate basis (ownership, equity and rent) at a District level in the short term, with this increasing to a minimum of 30% in the longer term (this position should be reviewed five years from the adoption of the SHMA) as the viability of the Northern West Sussex Housing Market improves over time. This aligns with the Regional Housing Strategy that envisages a 70:30 split overall in the longer term. Within this recommended mix it will be for Districts to determine the proportion of rented and intermediate housing within each property size. It is likely that a higher proportion of smaller properties will be required for Intermediate Housing tenures as these are likely to comprise much of the demand from newly forming households.
- R18. **Raising the Profile of Intermediate Housing** – Despite the evident demand for intermediate housing products, there remains a need to raise awareness and perceptions of Intermediate Housing opportunities in West Sussex. A concerted, long term effort is required to promote Intermediate Housing to households, although the short-term market will restrain new Intermediate Housing products from being developed.
- R19. **Review Intermediate Housing Eligibility** – eligibility criteria for intermediate and shared ownership housing need to be reviewed to avoid these housing products only being accessible to defined key worker groups. Intermediate Housing offers an extra level of housing opportunity for those able to afford rent but who cannot afford to purchase outright.

## PRIVATE RENTED SECTOR

### ROLE OF THE PRIVATE SECTOR

12.39 Many households with insufficient income or equity to purchase housing may choose to meet their needs in the private sector, rather than seek affordable housing provision. There is evidence of individuals sharing housing, and the private rented sector plays an important role in the Northern West Sussex Housing Market alongside specific intermediate housing provision. It plays a particular role in catering for the needs of younger households, or those who are attracted by the flexibility which renting provides (particularly in the short-term housing market). Private renting is an attractive option for many households who cannot afford to buy in West Sussex.

12.40 Through the research undertaken, we have explored the role which creation of Higher Education and expansion of Further Education Colleges in West Sussex may have. Our conclusions are that the impacts are likely to be focused in the immediate localities of FE and any future HE provision but are likely to be relatively small in scale. We do not consider that there is a need for a particularly proactive policy response given the scale of expansion proposed at this time in the Northern West Sussex Housing Market. This is however something to keep under review.

12.41 There is a potential enhanced role of the private rented sector in the housing market in the future. However action is required to improve the condition of private rented properties, to address overcrowding (particularly in Crawley which has the largest proportion of overcrowded housing in West Sussex – Figure 3.20) and to maximise the role which the sector plays in meeting housing need. To support this role, we recommend that:

R20. **Developing One-Stop Shop Services** - Partners should explore examples of best practice in providing a one-stop shop service that matches available properties and landlords to tenants on housing waiting lists. The “Opening Doors” scheme in Worthing has been identified as a possible example of good practice within the County.

## IMPROVING STANDARDS

12.42 Existing housing will comprise the majority of the housing stock for the foreseeable future. In this context, it is important that investment is made in ensuring that it is fit-for-purpose. Local partners must work to achieve this through the implementation of the Regional Housing Strategy 2008-2011 that includes actions to:

- Improve existing dwellings to Decent Homes Standard through current public sector programmes and through equity release schemes to allow continued investment in private housing stock;
- Invest in improving energy efficiency in existing homes as part of the overall improvement in housing sustainability;
- Support adaptations to existing homes to meet the changing needs of residents throughout their lifetime.
- Use existing tools such as Empty Dwelling Management Orders where resources allow, grants and loans to bring empty homes back into beneficial use.

R21. **Targeting Investment in Private Rented Homes Standards** – continue to improve standards of housing in the private rented sector, bringing homes up to the Decent Homes Standard through targeted investment; use of equity release products where appropriate; through the licensing of Houses in Multiple Occupation; through advice

and training to landlords, including Landlord Accreditation Schemes; and through enforcement action where appropriate.

## OTHER PARTICULAR GROUPS

### OLDER PERSONS HOUSING

12.43 With changes in the demographic structure it is particularly important to provide suitable housing to support an increasing older population in their own homes in Northern West Sussex. Planning policies should support the provision of homes for older people (including supported housing and extra care housing) across the Northern West Sussex Housing Market. Older persons housing should be provided at locations where there is good access to local facilities and services and where public transport is strong. The town centres and major planned urban extensions will form the principal locations for this provision.

12.44 Based upon the research undertaken, we recommend that there is clear demand across the Northern West Sussex Housing Market for additional housing for older people (including extra care housing) over the next twenty years. This is the case in each of the three local authorities.

**R22. Promoting Housing for Older People** – We recommend that the three local authorities promote delivery of homes for older people including Lifetime Homes through planning policies and work to develop support services for older persons housing including advice services and provision of direct or financial support to help older households adapt housing to their changing needs. This will be delivered in conjunction with West Sussex County Council.

**R23. Develop Older Persons Registers of Accessible Housing** – The local authorities may wish to consider developing specific registers of accessible housing; and managing a separate waiting list for older persons on a consistent basis. This could be fed into future iterations of the housing needs analysis. Where this is considered to be too costly, emphasis could be placed on RSL's providing more ready access to details of all their stock and encouraging all providers (private and affordable) to place their details on the Elderly Accommodation Counsel's website.

**R24. Support Older Persons Accommodation in Market and Affordable sectors** – New provision for older persons accommodation should be supported in both the market and affordable sectors in line with the West Sussex County's Supported Housing research (2008). Specific housing provision for older persons should be integrated into major development schemes across Northern West Sussex and into existing monitoring of the housing supply pipeline.

R25. **Develop Shared Equity Models for Older Persons** – We consider that there is a role for developing shared equity models targeted at older households who may wish to release some of the equity in their home. We recommend bespoke research is undertaken to explore the potential market for this and to develop the right product, marketing strategy and support mechanisms. We are of the view that shared equity models are more likely to be successful than shared ownership as rental requirements will be difficult to manage for those with a limited regular income, common amongst the older population.

## STUDENTS

12.45 The student population in Northern West Sussex Housing Market is focused on Crawley College which is part of Central Sussex College with campuses in Haywards Heath and Crawley. The College has some 10,000 further education students most of whom are existing local residents. The housing requirements arising from this are limited to a modest effect on the immediate local private rental sector. A specific policy approach towards student accommodation in the Northern West Sussex Housing Market is not considered necessary unless a Higher Education facility opens in future drawing in students from external areas with specific accommodation requirements. The situation should be monitored over time.

## BME COMMUNITIES

12.46 The population of BME groups in the Northern West Sussex Housing Market is relatively small but has been growing. There is anecdotal evidence of movement of BME households from London into the Housing Market area and of an increasing migrant population from EU Accession countries in Eastern Europe with some of the latter group living in intensively multi-occupancy households. The increasing migrant population from EU Accession countries is potentially likely to decline in the UK in the medium and longer term as other EU countries such as France and Germany open their labour markets<sup>24</sup> from 2011 onwards to EU Accession countries populations’.

12.47 Of the three Northern West Sussex Housing Market local authorities, Crawley has the most significant proportion of BME groups (particularly Asian) most likely linked to proximity to the Gatwick Airport labour market, with Horsham and Mid Sussex having smaller BME populations similar to the SE regional levels. The characteristics of tenure are strongly biased towards owner occupation for Asian groups with other BME groups tending to show a wider spread of tenures. Black and Mixed groups are proportionally more likely to be in social rented accommodation. There are localised examples of over-crowding in BME

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<sup>24</sup> UK Housing Review 2008/09

communities, specifically in Crawley that will require further work to overcome through improving access to housing support services and improved research at the very local level.

12.48 Differences in ethnicity do not mean that socio-economic characteristics or housing requirements necessarily differ from the White British population. Future housing provision must however broadly reflect the characteristics of the communities in terms of household size and particularly ensure that there is adequate access to the ladder of housing opportunity for those groups that are currently more prevalent in the social or private rented sectors.

R26. **Review and improve research and understanding** – there is a need to improve the level of understanding of BME group housing requirements, particularly in relation to the role of the Gatwick Airport labour market as it affects localised housing requirements.

R27. **Review and improve access to housing support for BME groups** – there is a need to engage further with BME groups to identify and target housing support needs more effectively and to ensure that these are being effectively delivered by partner agencies.

## GYPSIES AND TRAVELLERS

12.49 Local authorities are required to make provision for gypsies and travellers sites/pitches to meet identified needs. The West Sussex Gypsy and Travellers Study from 2006 provides the basis for establishing the additional supply of pitches in the Northern West Sussex Housing Market. The analysis shows that 69-71 new pitches are required in the period to 2011, with further growth required beyond that period to 2016. SEERA's recent consultation on sites/pitches in the period to 2016 *Somewhere to Live: Planning for Gypsies, Travellers and Travelling Showpeople in the South East* (2008) identifies a regional need for an additional 1,064 spaces in total. For West Sussex County, SEERA's preferred option has a total of 89 new residential pitches.

R28. **Provision of Gypsies and Traveller Sites** – Local authorities must make adequate provision to protect existing and provide new gypsies and travellers sites within their areas through the appropriate Local Development Framework DPDs. Monitoring and review of utilisation of sites and pitches should inform future location allocations and policy support.

## SECOND & HOLIDAY HOMES

- 12.50 The level of current second home ownership is low in the Northern West Sussex Housing Market. It represents a very small proportion of the total housing stock (some 568 dwellings) accounting for just 17% of all second homes in West Sussex and has shown little sign of change over time. Second home ownership remained below 1% of total stock in each of the urban areas in the Housing Market. We make no specific policy recommendations in light of this situation in the Northern West Sussex Housing Market area.

## HOUSE SIZE, DENSITY AND DESIGN

### GENERAL MARKET HOUSING

- 12.51 As we have established, there is not a direct relationship between household size and housing size, particularly in the market sector. It is appropriate to establish broad requirements for different types and sizes of new market housing in relation to the existing stock context, taking account of existing pressures and market signals of shortage; as well as broader economic and demographic changes.
- 12.52 The majority of household growth is expected to result from increasing single person households. However a high proportion of these are existing older households who already have housing. There is some, albeit limited, potential to support older households to downsize, releasing supply of larger housing for other groups. We recommend that the Northern West Sussex Housing Market Local Authorities establish specific policies through Local Development Frameworks which support provision of aspirational, flexible and specialist housing appropriate for older persons, through both public and private sector provision. This will help to release supply of larger housing for younger households and improve use of the existing stock.
- 12.53 A range of different types of sites will be required to provide for the range of housing requirements needed. The local authorities should work to improve the supply of land and enhance the development pipeline across the Northern West Sussex Housing Market area.
- 12.54 We recommend that on larger sites the local authorities look to achieve a mix of housing to deliver mixed communities and support regeneration. This would include a mix of house types and sizes, as well as housing for older persons. Design should include integrated planning of community facilities, service provision, open space and other infrastructure.

12.55 We do not consider it appropriate to provide specific targets for the sizes of general market housing required through Local Development Frameworks. In the market sector, the market itself is quite effective at matching the size of dwellings to market demand at a local level.

R29. **Provision of Market Housing** - Our recommendations for the characteristics of market housing that will be needed in the Northern West Sussex Housing Market area are:

- Broadening the Mix: Family Housing Focused - The Northern West Sussex SHMA identifies that much of the existing housing provision is of two and three-bedroom properties. It sets out that demand for family housing remains strong across all of the districts within the Housing Market. This, rather than flats/apartments, we feel, should remain the mainstay of housing delivery in the Housing Market. Delivery of family sized housing will need to be through infill developments, new urban extensions, rural settlement expansion and town centre regeneration. The larger development sites provide the best opportunity to deliver larger homes. We recommend particularly in new urban extension areas that within the overall housing size mix a proportion of 30% of new homes should be four or more bedroom properties to adequately cater for future housing demands. This will depend upon overall sustainability and design principles for the development in question.
- A Developed Urban Living Offer - there is potential for a continued development of the urban living offer in the longer term, particularly associated with higher density development in town centres. The market for town centre residential development must consider the opportunities to create family sized housing as well as flatted developments. This is however an area which has been particularly affected by the market downturn, linked particularly to a decline in investor purchasing and first-time buyers. Furthermore the market for town centre/ urban living in Northern West Sussex is somewhat under-developed in the sub-region. There is however a strong rationale for implementing a suitable strategy to address this over time, to enhance the housing offer and support town centre renaissance.
- Phasing Market Housing - We consider that the provision of homes in the future will need to be phased carefully, with suitable floorspace standards to create stable populations and to be supported by broader regeneration and place-making programmes that create attractive residential environments, and develop related leisure and local amenity offers. These will be critical to the success and delivery rates of this market in the long term. It should support an uplift in values

over the course of the urban extension and town centre regeneration programmes identified in each local authority area.

## HOUSING DENSITIES

- 12.56 PPS3 sets a national minimum density for residential development of 30 dwellings per hectare but provides some flexibility in the application of density standards at the local level. Density policies, in our view, should reflect the role and function of the local area and aspirations for how the local authority would expect the housing offer to develop. Development densities relate to the character and setting of the site and surrounding area.
- R30. **Optimising Densities** - We assess that a density of 70 dph or more is appropriate for urban locations with high public transport accessibility and strong access to services. This includes town centres. In other urban and suburban environments density standards of 40-50 dph should be achievable and provide a suitable minimum benchmark. However in locations where provision of higher value/detached housing is appropriate and achievable, greater flexibility will be required. It will though be possible to achieve a high proportion of detached housing whilst still achieving a density of at least 30 dph across a development on larger sites.
- R31. **Protecting Residential Character** - We recommend that planning policies are developed and refined to protect certain elements of the housing offer. Local Development Frameworks should, where appropriate, look to limit the scope for subdivision of properties or redevelopment of plots where this could result in over-development or residential cramming that can be considered detrimental to the local character of an area or to the mix of housing available locally.

## HOUSING SUSTAINABILITY & DESIGN

- 12.57 Local authorities across the sub-region should look to embed policies regarding the environmental sustainability and design credentials of new development in their Local Development Frameworks. Northern West Sussex local authorities, as part of West Sussex County, have a duty to improve standards of energy, water and waste water efficiencies through the timely implementation of the Government's Code for Sustainable Homes. Delivery of sustainability standards is likely to be most realistic in the short-to-medium term on larger housing sites and a significant level of flexibility will be required to ensure that sustainability expectations do not erode scheme viability.
- 12.58 With respect to housing design, there is an extensive suite of design policy guidance and design appraisal tools relating to new housing. These range from Design and Access Statements that are now mandatory requirements as part of any planning application, alongside the role of Design Codes for larger and particularly phased development

schemes. The Commission for Architecture and the Built Environment (CABE) has a leading role in developing and enabling good housing design. Through CABE's Building for Life programme and Awards there is now a clear and systematic way to appraise the design qualities of new housing developments, using an objective scoring approach to assess housing design against twenty principal criteria.

R32. **Housing sustainability** – we recommend and support the timely implementation of the Code for Sustainable Homes in accordance with the Government's stated timeframe for its implementation.

R33. **Building for Life** - the local authorities should consider how best to embed Building for Life design approach and assessment within their Local Development Frameworks and through active use of the Building for Life assessment process as part of developer negotiations and planning decision-making. The local authorities should discuss the use of Building for Life with CABE and ensure that officers and members are effectively equipped to assess housing design as resources allow.

## RURAL AREAS

- 12.59 Analysis of the rural areas of West Sussex County has demonstrated that the prices and mix of housing contribute to identified need and affordability pressures in many rural areas. There is limited current provision for new housing development in the rural areas of Northern West Sussex Housing Market and high resident mobility contributes to declining local service provision.
- 12.60 Local residents and workers can be excluded by the housing affordability issues impacting on the sustainability of local rural settlement communities and of the rural economy. As we have identified, the managed growth of rural communities through housing development in appropriate settlements can help to support local service provision and their economies which is vital to the overall quality of life and place-making needed to support the housing market across all of West Sussex.
- 12.61 There is a need for both new market and affordable housing linked to quality of place in the rural settlements; this will include, larger and higher value homes where appropriate. This will have some potential economic benefits insofar as it serves to attract more skilled and wealthy households to the area, however as the urban areas will remain the main centres of employment growth and service provision the overall effect is to re-inforce unsustainable patterns of commuting and ready access to services as well as precluding those on lower incomes from accessing the housing market effectively in rural areas.
- 12.62 The provision of suitable affordable housing, particularly family housing, can broaden the social and age mix, also serving to limit commuting of higher skilled residents from rural

areas to urban centres (particularly outside the Northern West Housing Market) and of the lower skilled from the urban centres (where lower value housing and a more extensive rental offer is available) to rural areas.

12.63 In addressing a balanced approach to rural housing supply, our key recommendations are:

- R34. **Identify More Housing Sites** - More rural housing sites capable of providing a mix of housing, including family homes, should be identified through the LDF Development Plan process in appropriate rural settlements across the Northern West Sussex Housing Market. These sites should include brownfield sites, formerly in employment or other uses, that may be appropriate for housing as well as infill and limited extensions subject to appropriate planning considerations. Sites should be identified in settlements that are capable of supporting sustainable communities taking account of social, economic and environmental factors in each community. Development management should seek to be flexible and responsive to local needs as housing development proposals arise.
- R35. **Identify Sites Specifically for Affordable Housing** - Specific sites should be identified for affordable housing in rural settlements through the LDF processes to safeguard the provision of affordable housing although there is a risk to delivery in terms of viability for individual sites and the ease of bringing such sites forward. A hybrid approach taking a one+one+one (one market, one social rent, one intermediate home) model could also be supported to ease viability concerns and to support the creation of balanced rural communities.
- R36. **Use Of Exception Policies** - Make proactive, positive use of exception sites identified by local authorities or developers by framing policies that allow affordable housing on sites that would otherwise not be granted planning permission in order to address poor delivery in many rural areas.
- R37. **Progress Work With Parish Plans/ Local Needs Assessments** - Continue to work with Parish Councils to produce Parish Plans and Local Housing Needs Surveys, as a way of effectively targeting new provision at localised need. Rural Housing Enablers are a key tool in supporting this work.
- R38. **Investigate Potential of Other Models To Deliver Rural Housing** - Investigate alternative models of delivering affordable housing in addition to that captured through affordable housing requirements and RSL provision. One possible model is the Community Land Trust (CLT). The CLT model takes land out of the market and separates it from its economic use so that the impacts of land appreciation are removed. This reduces the cost of providing affordable housing. The land and housing are held in perpetuity through a charitable trust and houses are available to rent or buy by members of the local community. Examples of Community Land Trusts that have been set up in other parts of the country include:

- The Cornwall Rural Housing Association was formed in 1985 as a charitable Housing Association under the Industrial and Provident Societies Act 1965-1978. It was set up with the specific aim of building houses in the rural areas of Cornwall and the Isles of Scilly for let to local people in housing need. Further to the formation of the CRHA, a county-wide 'umbrella' Community Land Trust (CLT) was registered in 2007 to take an active role in setting up a Trust capable of building houses that meet a wider range of housing need. Since then a number of local CLTs have been registered which are in the process of purchasing rural housing sites.
  - Homes and Communities Agency have been involved in a Community Land Trust and mutual home ownership project being managed by Gloucestershire Land for People, a local group, and CDS Co-operatives to deliver a 77 home development, which includes 50 homes that will remain as affordable housing in perpetuity, cross-subsidised by the sale of a further 27 properties on the open market.
- R39. **Investigate Removal of Council Tax Discounts to Second Home Owners** - In 2004 the Government introduced legislation which enables local authorities to reduce the Council Tax discount granted to second home owners from 50% to 20%. It is not yet mandatory for local authorities to implement this reduction, however where it has been implemented it has commonly been used to raise additional revenue used to fund housing related initiatives, for example housing research and other housing related services (additional staff). In cases where the revenue had been used to directly fund housing provision, it has been used by local authorities to develop private sector leasing scheme and to increase their housing enabling resource. West Sussex local authorities should investigate the uses other authorities have applied these additional revenues to.

## WAITING LISTS, MONITORING & REVIEW

- 12.64 The three Northern West Sussex Councils must work together, and with affordable housing providers, to improve the quality and robustness of information on housing needs. We advise that housing providers should work together across West Sussex (and the Northern West Sussex Housing Market in particular) to develop a common approach to their waiting lists for general needs and older persons housing. The functioning of the Northern West Sussex Housing Market includes the ability to provide greater access to information on affordable housing choices. The district by district approach will however remain the mainstay approach to affordable housing provision.
- 12.65 A more standardised approach and the greater sharing of information will provide a conduit to improve the quality and robustness of waiting list data and trends and a more effective

approach to resolving local housing requirements where individuals have made applications to each individual authority.

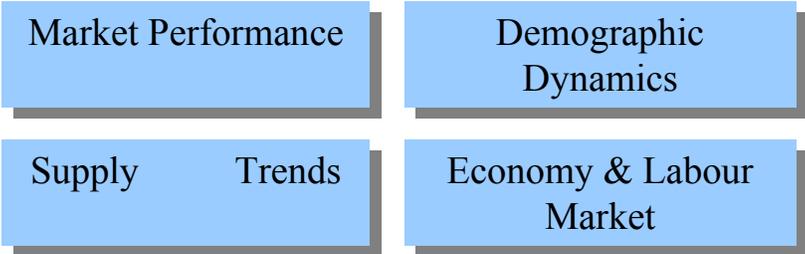
- 12.66 We recommend that the local authorities continue to work together to monitor development activity and the housing pipeline. This should address both market and affordable housing, and provide details on the type of housing, including details on the number of bed spaces and specialist housing provision. Planning application forms and monitoring systems may need to be improved to address this.
- 12.67 We would recommend that the local authorities engage with developers in compiling and maintaining housing trajectories, particularly in the current poor market climate. Judgements regarding the phasing of development schemes should be based on discussions with developers regarding their intentions and expected build-out rates. This is now best practice in other Growth Areas across the South and Eastern regions.
- 12.68 The Strategic Housing Market Assessment provides an overview of the current dynamics of the housing market and projections of future housing requirements. However, as the current market dynamics and experience over the last five years indicate, the situation can change fast. A 'plan, monitor and manage' approach becomes particularly important in this context.
- R40. **Improve Waiting List Information Sharing** – the three Northern West Sussex local authorities should work to enhance the sharing of waiting list information to identify key trends and potential responses based on a common understanding and more standardised approach.
- R41. **Adopt the proposed monitoring and performance framework** - GVA Grimley has set out a framework for monitoring change in the Northern West Sussex Housing Market (in the following section). Partners will need to assess appropriate mechanisms to take this forward together. This should be adopted as the future monitoring framework across all of the West Sussex districts in the Sub-regional Housing Market.

## 13. FRAMEWORK FOR MONITORING AND REVIEW

- 13.1 The West Sussex Strategic Housing Market Assessment presents a robust analysis of the functioning of housing markets across the sub-region. It has benchmarked performance, assessed trends and identified key drivers of change. This has then been drawn together to consider, based upon the best evidence available now, a future trajectory for housing demand which recognises external economic and market drivers. This provides a fit-for-purpose basis upon which to develop strategic policies to achieve a balanced housing market.
- 13.2 Housing markets are though, by their very nature, dynamic. The local authority partners will therefore need to monitor trends and activity in the housing market. This reflects the Government's 'plan, monitor and manage' approach to the planning system.
- 13.3 The objectives of monitoring are similar to those of this assessment: it is about establishing what is happening now and considering what may happen in the future. Again it will be important to make a distinction between short and long-term trends where possible. It is intended to be a **continuous and proactive process** which informs policy development and how policies are implemented.
- 13.4 However it needs to be recognised that monitoring can be a time and resource-intensive process. This promotes an emphasis on efficiencies and we consider that this is possible at two levels:
- Achieving clarity between what is monitored respectively at the regional and local levels; and
  - Ensuring that co-ordinated monitoring systems are developed between local authorities and departments, and ideally with RSLs and other key housing stakeholders.
- 13.5 This framework has informed our suggested approach and identification of indicators which should be monitored. We consider the best approach to be the development of a co-ordinated system for monitoring changes in the housing market, together with demographic and economic drivers, at a central sub-region-wide level which is linked to and informs preparation of Annual Monitoring Reports across the Local Authority Areas.
- 13.6 The remainder of this section presents the monitoring framework. It sets out the indicators which should be monitored, data sources and monitoring periods. The monitoring framework is structured around the key drivers of change in the housing market.

13.7 A key element of the approach adopted is in considering wider demographic and economic trends which influence the operation of the housing market alongside changes in market dynamics (including supply, demand, need and price variables) and housing land availability.

**Figure 13.1: Monitoring Framework Structure**



13.8 Figure 13.2 establishes the monitoring framework. Through a proactive monitoring process it will be possible to maintain and develop understanding of the housing market, building on the outcomes of this West Sussex SHMA. It will allow the implementation of policies to be tailored to evolving circumstances and inform future policy evolution.

Figure 13.2: Monitoring Framework

Theme	Indicator	Geography	Data Source	Monitoring Frequency
Demographic Dynamics	Total Population	Region; Housing Market; Local Authority	ONS Mid-Year Population Estimates, ONS Projections and Local Authority Projections	Annual
	Population by Age Cohort	County; Local Authority	ONS Mid-Year Population Estimates, ONS Projections and Local Authority Projections	Annual
	Components of Population Change (I.e. Natural Change/Migration Balance)	Region; Housing Market; Local Authority	ONS Mid-Year Population Estimates	Annual
	Household Growth	Region; Housing Markets; Local Authority	CLG Housing Statistics/ Projections and Local Authority Projections	
	International and Domestic Migration	Region; Housing Markets; Local Authority	ONS	Annual
Economy & Labour Market	GVA Annual Growth	Region; NUTS3	ONS	Annual
	GVA per Head	Region; NUTS3	ONS	Annual
	Total Employment	Region; Housing Market; Local Authority	Annual Business Inquiry	Annual
	Economic Activity Rates	Region; Local Authority	Annual Population Survey	Annual
	Employment by Sector	Region; Housing Market; Local Authority	Annual Business Inquiry	Annual
	Workplace-based Earnings	Region; Housing Market; Local Authority	Annual Survey of Hours & Earnings	Annual
	Residence-based Earnings	Region; Housing Market; Local Authority	Annual Survey of Hours & Earnings	Annual
	Household Incomes	Region; Housing Market Local Authority	CACI Paycheck	Annual
	Jobseekers Claimant Count	Region; Housing Market; Local Authority	NOMIS	Annual
	Incapacity Benefit/Severe Disability Allowance Claimants - Joint Measure	Local Authority	Department for Work & Pensions	Annual
Housing Supply Trends	Housing Land Supply	Housing Market; Local Authority	Planning Departments/ Annual Monitoring Reports	Annual
	Completions	Region; Housing Market; Local Authority	Planning Departments/ Annual Monitoring Reports	Annual
	Completions by Tenure	Region; Housing Market; Local Authority	Planning Departments/ Annual Monitoring Reports	Annual
	Housing Trajectory	Region; Housing Market; Local Authority	Planning Departments/ Annual Monitoring Reports	Annual

	Affordable Housing Trajectory	Housing Market; Local Authority	Housing and Planning Departments/ Annual Monitoring Reports	Annual
Housing Market Performance	Average House Prices	Region; Housing Market; Local Authority	HM Land Registry	Annual
	Lowest Quartile House Prices	Region; Housing Markets; Local Authority	DCLG	Annual
	Private Sector Rents	Region; Local Authority	Dataspring	Annual
	Vacancy by Tenure	Region; Housing Market; Local Authority	HSSA	Annual
	Social Sector Turnover	Region; Housing Market; Local Authority	RSLs/ CORE & HSSA	Annual
	Qualitative Information on market performance and trends	Housing Market; Local Authority	Local Estate Agents	Annual
	Affordability Ratios	Region; Housing Market; Local Authority	DCLG	Annual
	Housing Waiting Lists	Housing Market; Local Authority	Local Authority Housing Register	Annual

N.B. 'Housing Market' is defined as the composite of the three Northern West Sussex Housing Market area local authorities and the four Coastal West Sussex local authorities.

- 13.9 It is important though that monitoring does not just become a 'data collection exercise' – it will be important to use time-series analysis to identify trends; and to move beyond the data to distil genuine foresight and intelligence about what the data indicates and the implications of this for policy development implementation. Maintaining an understanding of the dynamics of the two West Sussex Housing Markets will ensure that a robust evidence base exists to evaluate planning applications for housing development and ensure that policy is pro-active rather than reactive to change.
- 13.10 The data collection exercise could be 'led' by existing research/ information staff. There is likely to be strong overlap with information which is collected currently, including preparing LDF Annual Monitoring Reports or as part of other housing/ planning/ economic development functions.
- 13.11 However this information will need to be drawn together at the two Housing Market area levels and will require consistent analysis to identify inter-relationships, messages and implications. This then needs to be fed through and understood across individual housing and planning departments. We therefore need to think about three steps: data collation; analysis/ messages; dissemination. Partners should consider the appropriate groupings to take these forward efficiently and effectively.

## UPDATING

- 13.12 It is not possible to assess precisely when it will become necessary to update the SHMAs for Northern West Sussex and Coastal West Sussex. This is likely to depend on the degree of change in the housing markets and the prevailing economic conditions, and the level to which actual trends deviate from those forecast in the Assessments. However we would envisage that this could be taken forward in three to five years time. An interim review may be helpful within a two year window given the difficult and complex nature of the overall West Sussex Housing Market in the immediate period.
- 13.13 It will be particularly important to ensure that the housing needs analysis reflects current market conditions and delivery of affordable housing. It will also be useful to compare and assess future population/ household or economic forecasts. In due course, it may therefore be necessary to commission partial or full updating of the SHMAs.
- 13.14 How updating is addressed, in practical terms, may depend upon what needs to be reviewed. If it simply provides new forecasts, this may be possible through preparation of a Briefing Paper. If a more detailed reassessment of housing needs is required, this is likely to be more resource intensive and require input from a range of individuals from various organisations. Partners may wish to draw on specialist expertise to help with certain technical elements of the Assessments such as housing needs, viability or forecasting, however many of the other elements of the work are relatively straight-forward.