

Coastal West Sussex

Strategic Housing Market Assessment

Final Report: May 2009



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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 Coastal West Sussex Housing Market.
- 1.2 The Coastal West Sussex Housing Market extends along the South Coast from Hove to Hayling Island and inland to the A283 Corridor and Midhurst. This includes the four local authority districts of Adur, Arun, Chichester and Worthing.

PURPOSE OF THE SHMA

- 1.3 PPS3: Housing¹ 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 2007² (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.

- 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.
- 1.6 This SHMA has been prepared at a time of significant flux in housing market conditions. It both considers and addresses these short-term dynamics. The document is however intended to inform planning policies which adopt a long-term perspective and provide a framework for development for fifteen years or more. It therefore rightly focuses on understanding potential housing demand over the longer-term to provide a basis for this, accepting that there are uncertainties and risks to predicting future changes.

SHMA AIMS AND OBJECTIVES

- 1.7 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.

¹ CLG (November 2006) *Planning Policy Statement 3 (PPS3): Housing*

² CLG (March 2007) *Strategic Housing Market Assessments: Practice Guidance*

Figure 1.1: SHMA Core Output Requirements²

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

1.8 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.

1.9 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 Questions²

Stage	Step	Research Questions
Current Housing Market	1. The demographic and economic context	<ul style="list-style-type: none"> • What is the current demographic profile of the area? • What is the current economic profile? • How have these profiles changed over the last 10 years?
	2. The housing stock	<ul style="list-style-type: none"> • What is the current housing stock profile? • How has the stock changed over the last 10 years?
	3. The active Market	<ul style="list-style-type: none"> • What do the active market indicators tell us about current demand, particularly house prices/affordability? • How has demand changed?
	4. Bringing the evidence together	<ul style="list-style-type: none"> • How are market characteristics related to each other geographically? • What do the trends in market characteristics tell us about the key drivers in the market area? • What are the implications in terms of the balance between supply and demand access to housing?

		<ul style="list-style-type: none"> • What are the key issues for future policy/strategy?
Future Housing Market	1. Indicators of future demand	<ul style="list-style-type: none"> • How might the total number of households change in the future? How are household types changing, e.g. is there an aging population? • How might economic factors influence total future demand? • Is affordability likely to worsen or improve?
	2. Bringing the evidence together	<ul style="list-style-type: none"> • What are the key issues for future policy/strategy?
Housing Need	1. Current housing need	<ul style="list-style-type: none"> • What is the total number of households in housing need currently (gross estimated)?
	2. Future need	<ul style="list-style-type: none"> • How many newly arising households are likely to be in housing need (gross annual estimate)?
	3. Affordable housing supply	<ul style="list-style-type: none"> • What is the level of existing affordable housing stock? • What is the likely level of future annual supply?
	4. Housing requirements of households in need	<ul style="list-style-type: none"> • What is the current requirement for affordable housing from households in need? • What are the requirements for different sized properties? • How is the private rented sector used to accommodate need?
	5. Bringing the evidence together	<ul style="list-style-type: none"> • What is the total number of households in need (net annual estimate)? • What are the key issues for future policy/strategy? • How do the key messages fit with the findings from analysis of the current and future housing market?
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"> • What are the housing requirements of specific groups of local interest/importance?
	Low Cost Market Housing	<ul style="list-style-type: none"> • What is the scope for addressing demand through the provision of low cost market housing? • What is the scope for addressing need through the provision of intermediate affordable housing?
	Intermediate Affordable Housing	<ul style="list-style-type: none"> • What is the scope for addressing need through the provision of intermediate affordable housing?

1.10 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

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

- **Section 2: Defining the Housing Market Area** – summarises work undertaken to define the Coastal 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 Coastal 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 Coastal 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 from the first six sections of analysis together to set out key characteristics of the Coastal 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 and sets the scene for the following chapters considering the future housing market and housing needs;

- **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.
- 1.12 A separate **Appendix** provides an overview of the strategic policy context, from national and regional to local levels.
- 1.13 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 with consequent difficulties in drawing our more localised housing issues. GIS mapping of key indicators has however been used to explore lower level dynamics.

2. DEFINING THE HOUSING MARKET AREA

- 2.1 In this section we spatially define the Coastal 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 Coastal 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 Steering 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 in the South-West of the County, and Burgess Hill, Haywards Heath, East Grinstead, Horsham 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

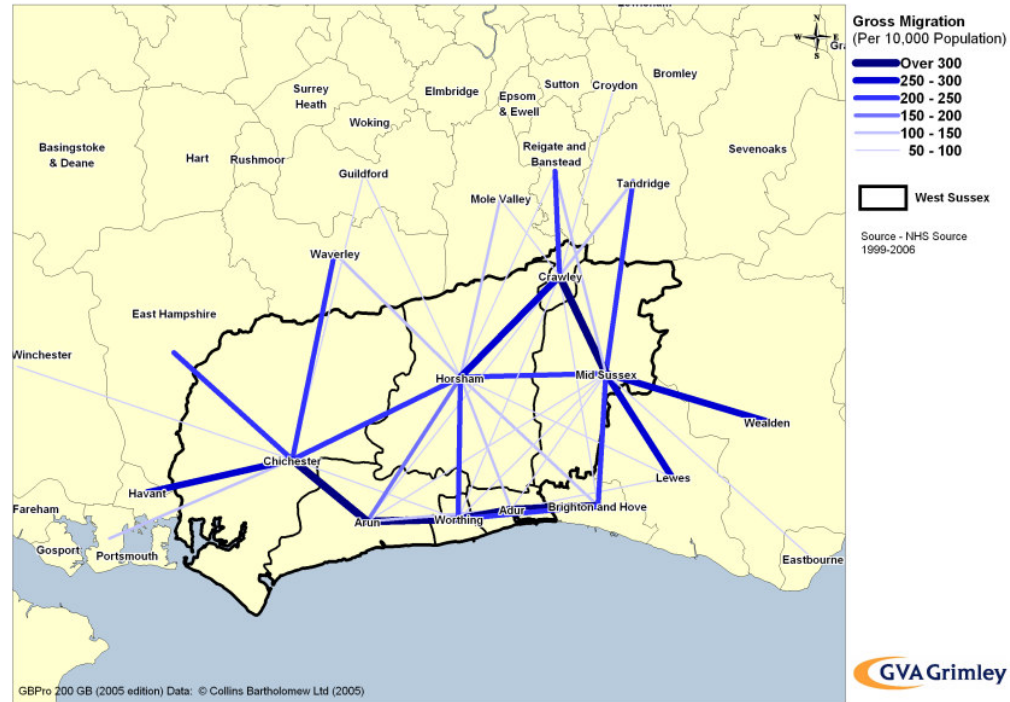
- 2.16 DTZ Pidea Consulting were commissioned in May 2004 by the South East of England Regional Assembly (SEERA) and Homes and Communities Agency to provide advice to the South East Regional Housing Board on the strategic pattern of sub-regional housing markets in the region.
- 2.17 The DTZ Study analysed 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 mainly falls within two housing market areas: the first covering the Sussex Coast, the second the Crawley-Gatwick Sub-Region.
- 2.20 Their analysis suggested that “the Sussex Coast area can be seen as operating as a single sub-region, with a concentration of significant household and travel to work movements from Chichester in the west to Lewes in the east (DTZ, 2004, p7).” Within this linear housing market, it was suggested that a number of distinct and overlapping sub-markets operated, centred on Brighton, Worthing and Chichester, with little competition between the two extremities of the area.
- 2.21 The Study suggested that the local authorities of Adur, Arun, Brighton & Hove, Chichester, Lewes and Worthing should work together to prepare Strategic Housing Market Assessments. It however noted that Horsham and Mid Sussex districts overlap with the Crawley Housing Market.

- 2.22 From our further research we however believe that this area is too large to form a single sub-regional housing market; and believe that its definition in fact reflects some quite short-distance inter-relationships which happen to transcend administrative boundaries. The DTZ Study analysed inter-relationships only at a local authority level. We consider instead that there are two markets: one in West Sussex which stretches from Hove to Chichester, while Brighton relates more strongly to areas in East Sussex including Lewes and Newhaven. There is a degree of overlap between the two, particularly from Brighton and Hove into Adur.
- 2.23 The influence of long-distance retirement migration to the South Coast is a notable characteristic of the Coastal West Sussex Housing Market.

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 Havant and Chichester (and to a lesser extent with East Hampshire and Waverley, which are likely to be from the north of the district). It also shows strong flows between Adur and Brighton.

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 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 Worthing has the highest level of self-containment of the Coastal West Sussex districts, with Chichester the lowest with a significant 40% moves to outside of West Sussex.
- 2.30 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/From	Adur	Arun	Chichester	Crawley	Horsham	Mid Sussex	Worthing
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

- 2.31 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: NHSCHR

- 2.32 We have also considered flows from West Sussex to London, Brighton & Hove and the Partnership for Urban South Hampshire (PUSH) area (includes the principal urban areas of Southampton, Portsmouth and Havant). There is clearly a strong level of interaction between Adur and Brighton and Hove (indeed 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

- 2.33 Figures 2.7 and 2.8 consider flows in the opposite direction, looking at where people are moving to West Sussex districts from. Figure 2.6 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 3.5% of moves to Arun and Worthing 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

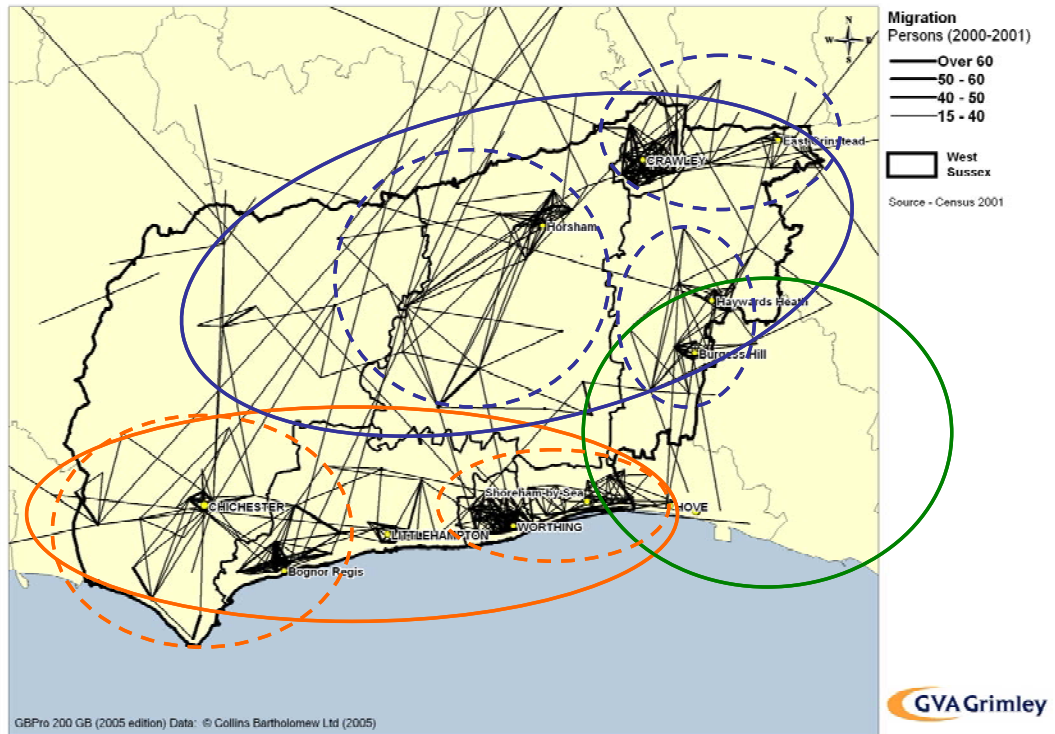
Figure 2.8: Migration Flows to West Sussex, 2000-1

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

- 2.34 The analysis supports the identification of a Coastal West Sussex Housing Market which includes the local authority areas of Adur, Arun, Chichester and Worthing. It however suggests that Adur falls within an area of overlap with the Brighton and East Sussex Housing Market. It is clear however that there are external influences on the east of this area from Brighton and East Sussex, from the PUSH area to the west, from the Northern West Sussex Housing Market to the north, and from London.
- 2.35 Using data from NHS Patient Re-registrations over the seven year 1999/0 -2005/6 period, we have calculated that there is a net annual flow of 2360 persons from London to the Coastal West Sussex Housing Market (compared to 1740 to the Northern West Sussex Housing Market), and of 4,100 to West Sussex as a whole. There is also a significant net annual flow from Brighton and Hove (1360 ppa) and from Surrey (1220 ppa). There are smaller net flows from Hampshire (200 ppa) with 100 ppa overall moving from the PUSH area and 20 ppa from East Sussex.
- 2.36 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.
- 2.37 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:
- Strong links between Bognor Regis and Chichester and weaker but significant links with Littlehampton;
 - Significant movement between Worthing, Lancing and Shoreham-by-Sea, with further movement to/from Hove;
 - Movement up/ down the A286 from Chichester-Midhurst;
 - Cross-boundary movement between Fernhurst and Haslemere/Liphook; and between Southborne and Havant.

Figure 2.9: Migration Flows between Wards, 2000-1

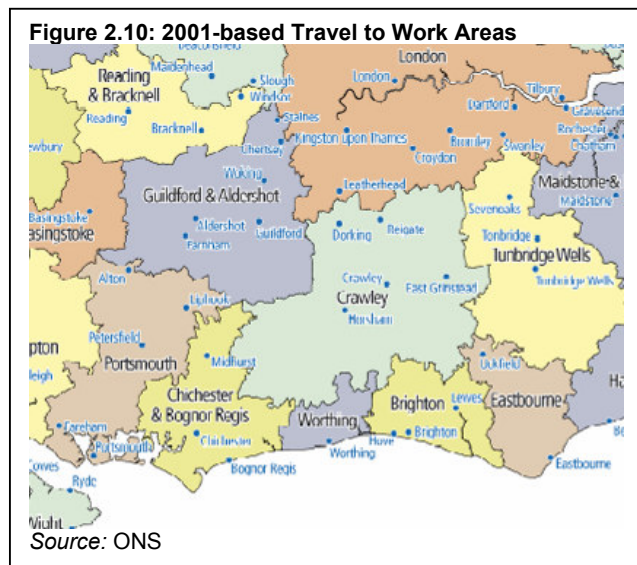


COMMUTING PATTERNS

2.38 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.

2.39 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.

2.40 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 Chichester and Bognor Regis TTWA extends north to Midhurst and Fernhurst along the A286 Corridor, west to Southbourne and east to Arundel. Worthing's TTWA extends to Littlehampton and Lancing. Shoreham falls within the Brighton TTWA which extends to Newhaven and Lewes.

- 2.41 We 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.
- 2.42 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 Worthing and Chichester

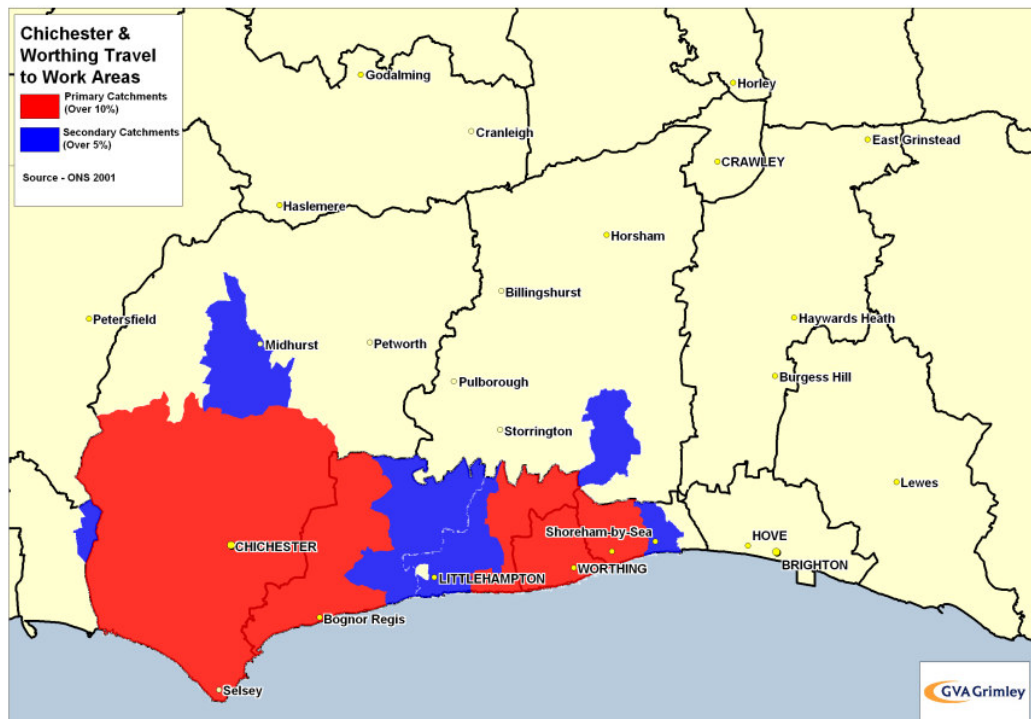
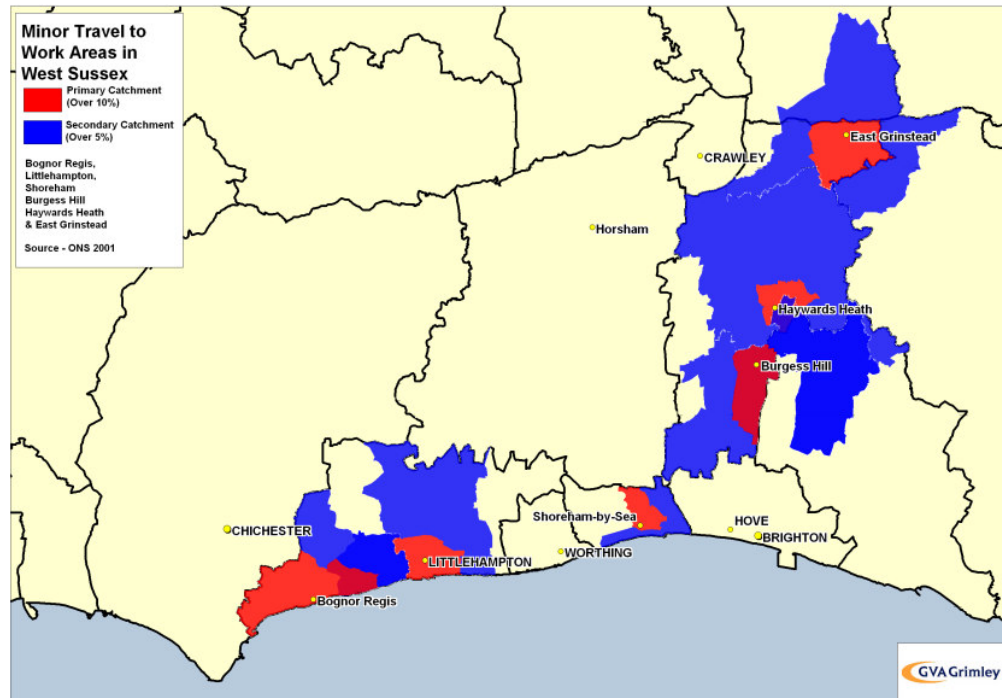


Figure 2.12: TTW Catchment Areas of Smaller Towns in West Sussex

2.43 We have used 5% and 10% travel to work thresholds (meaning the proportion of people resident and working in the catchment area) to assess the primary and secondary 'areas of influence' of these key centres. The 5% threshold provides a sensible means of defining the functional area associated with the centre.

2.44 Our analysis indicates that:

- Brighton's catchment area extends to Seaford, Lewes, Burgess Hill and Worthing;
- Worthing's catchment area includes Shoreham-by-Sea and Littlehampton;
- Chichester's catchment extends north to Midhurst.

2.45 The results confirm and are consistent with the Government's defined TTWAs. Catchment areas for Littlehampton, Shoreham and Bognor Regis are contained within wider-catchment areas. There is also commuting to both Brighton and Worthing from Shoreham.

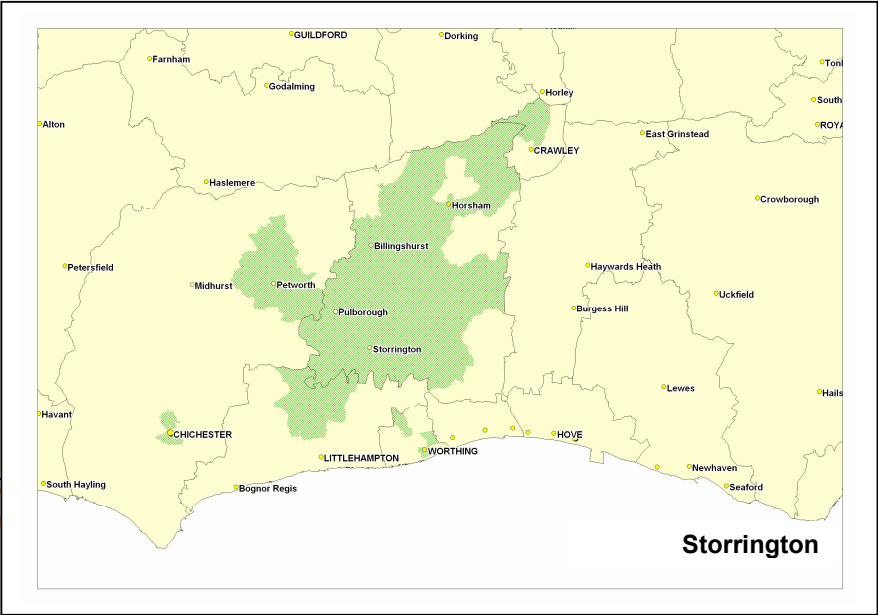
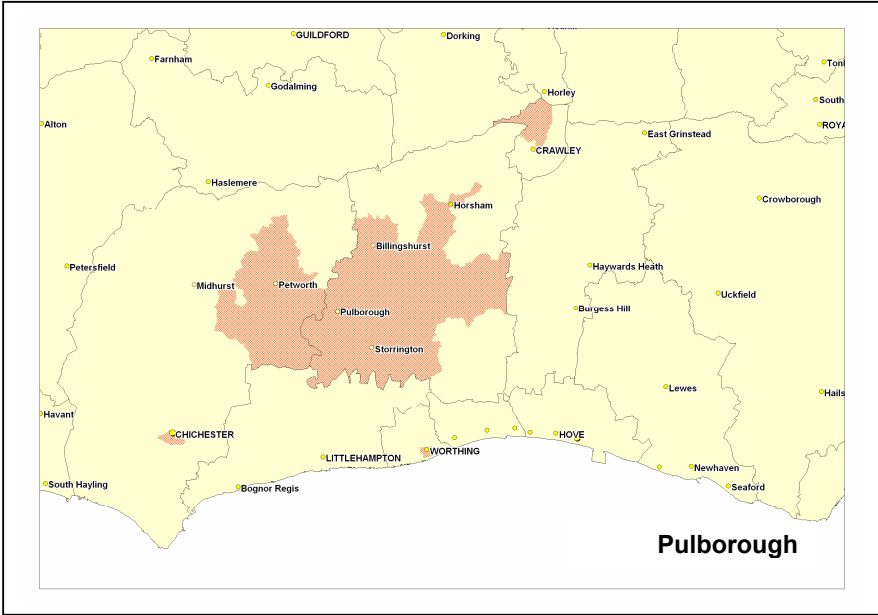
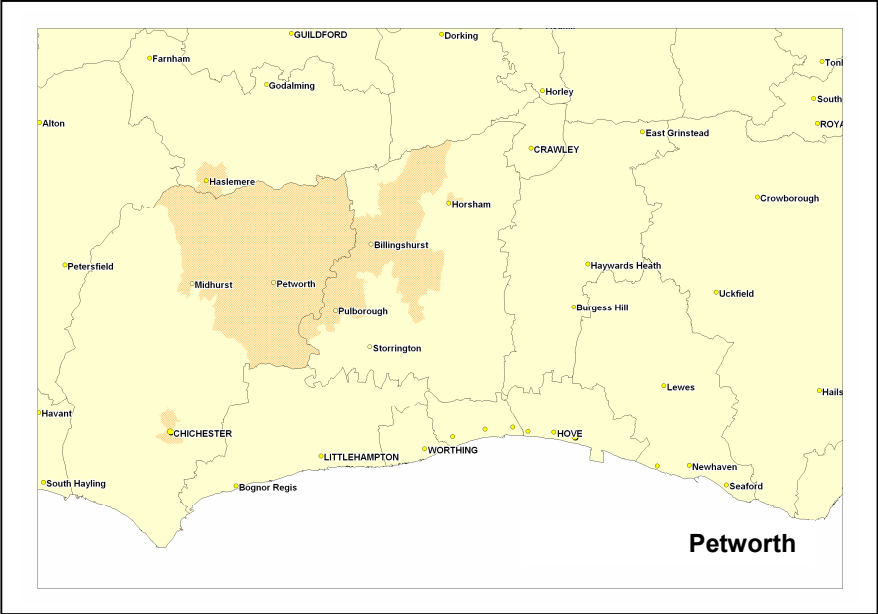
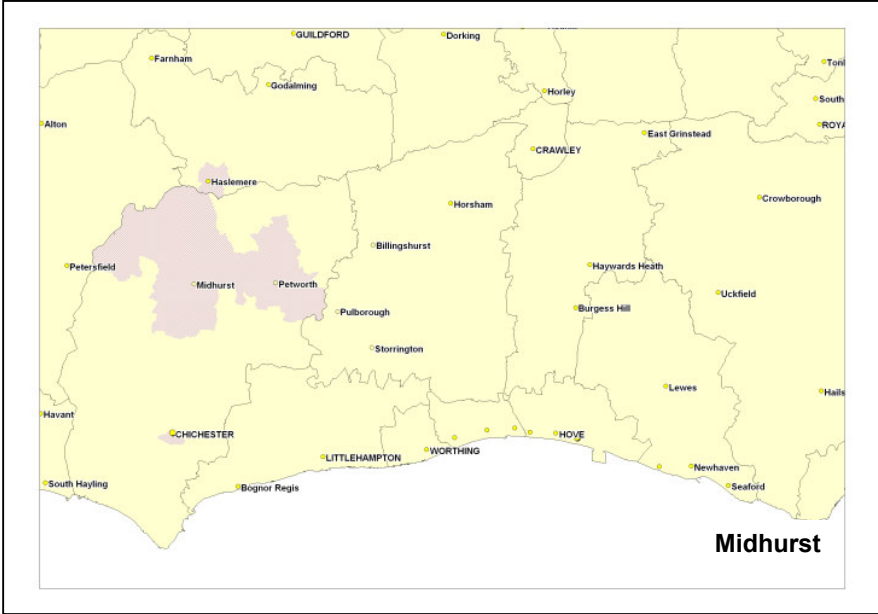
2.46 While most of the smaller settlements fall within another larger travel to work area, we have used the Travel to Work data to fine tune our definitions of Housing Market Areas for

some of the smaller settlements in Chichester and Horsham Districts and to develop our understanding (Figure 2.13). Our findings are as follows:

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

2.47 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



2.48 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 Coastal West Sussex Housing Market are:

- Levels of commuting from the Coastal Housing Market to London are quite limited;
- 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;
- The Urban South Hampshire TTW area primary catchment includes Southbourne, while Chichester, East Wittering and Selsey fall within the secondary catchment area.

2.49 Overall our analysis of travel patterns supports the identification of a Coastal West Sussex Housing Market Area, which extends from Hove to Chichester and Hayling Island along the south Coast, and north to Midhurst recognising housing market and economic links along the A286 Corridor.

Figure 2.14: Brighton and Hove TTW Catchment Area

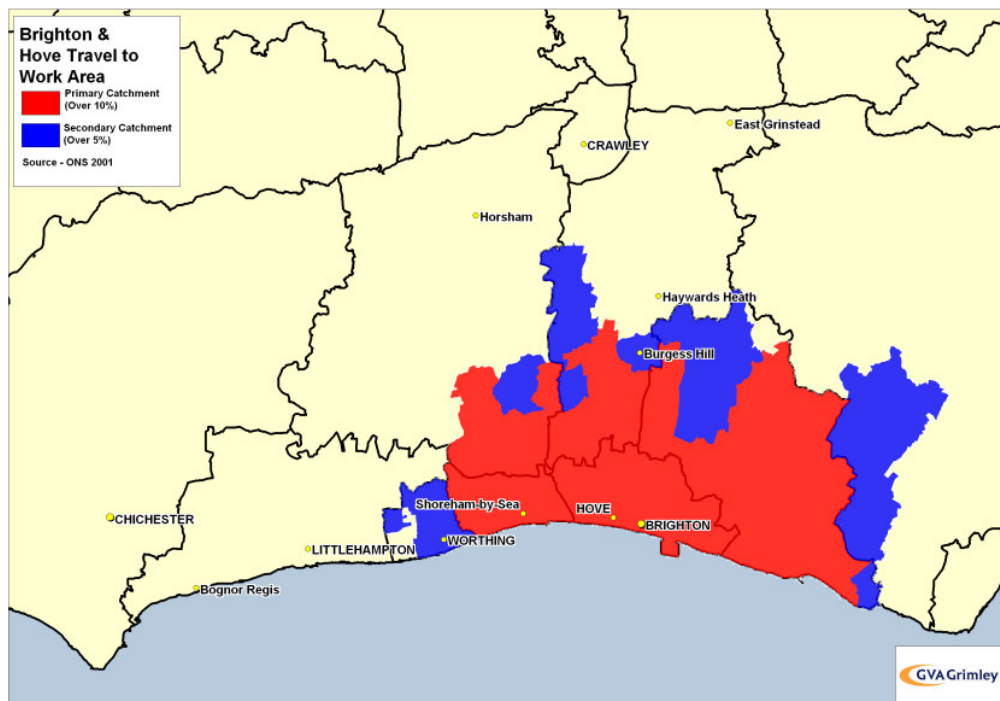


Figure 2.15: London TTW Catchment Area

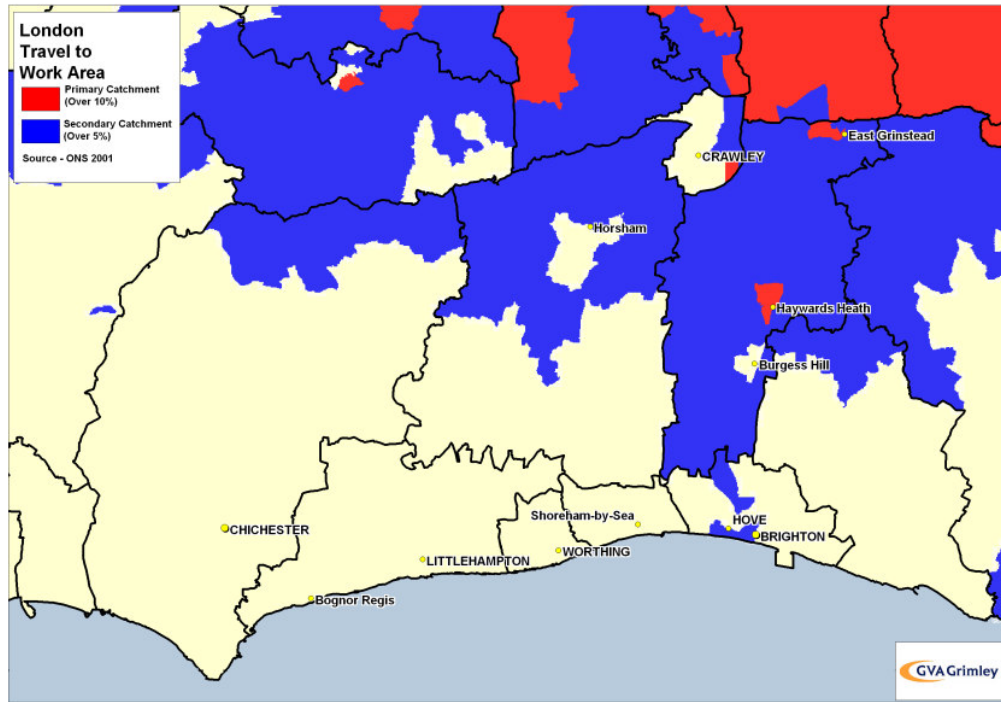
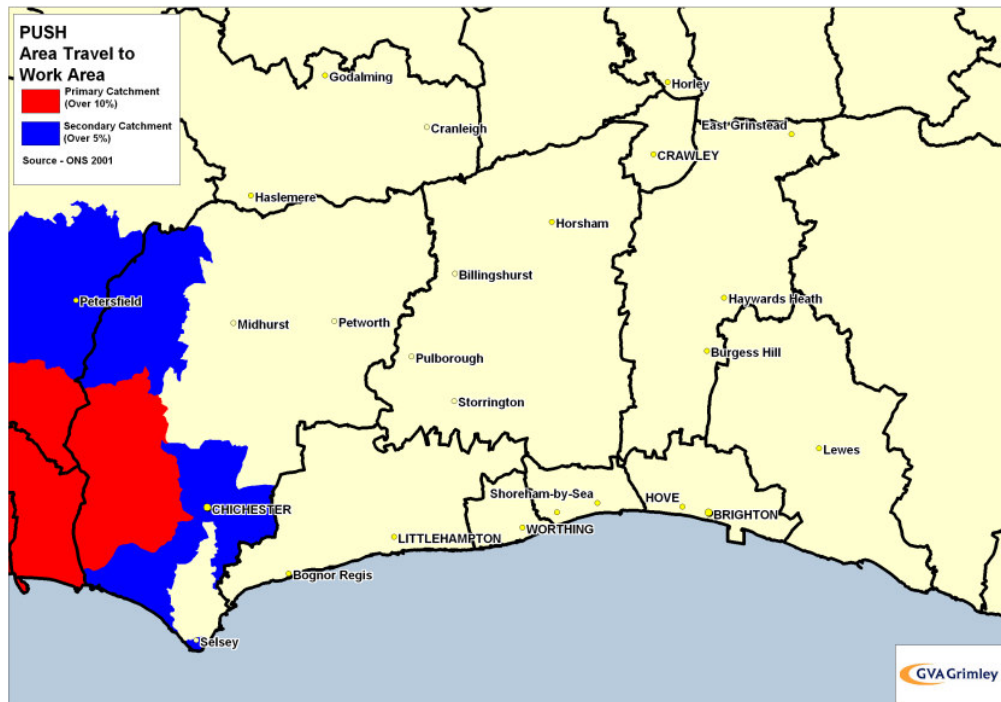


Figure 2.16: PUSH Area Catchment Area



HOUSE PRICES

- 2.50 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.
- 2.51 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).
- 2.52 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. Worthing and Littlehampton have witnessed lower growth in absolute terms, although Chichester has performed notably more strongly.

Figure 2.17: 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 (Data for other towns not available)

- 2.55 Figure 2.17 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).

Figure 2.18: Overall Average House Prices, 2007

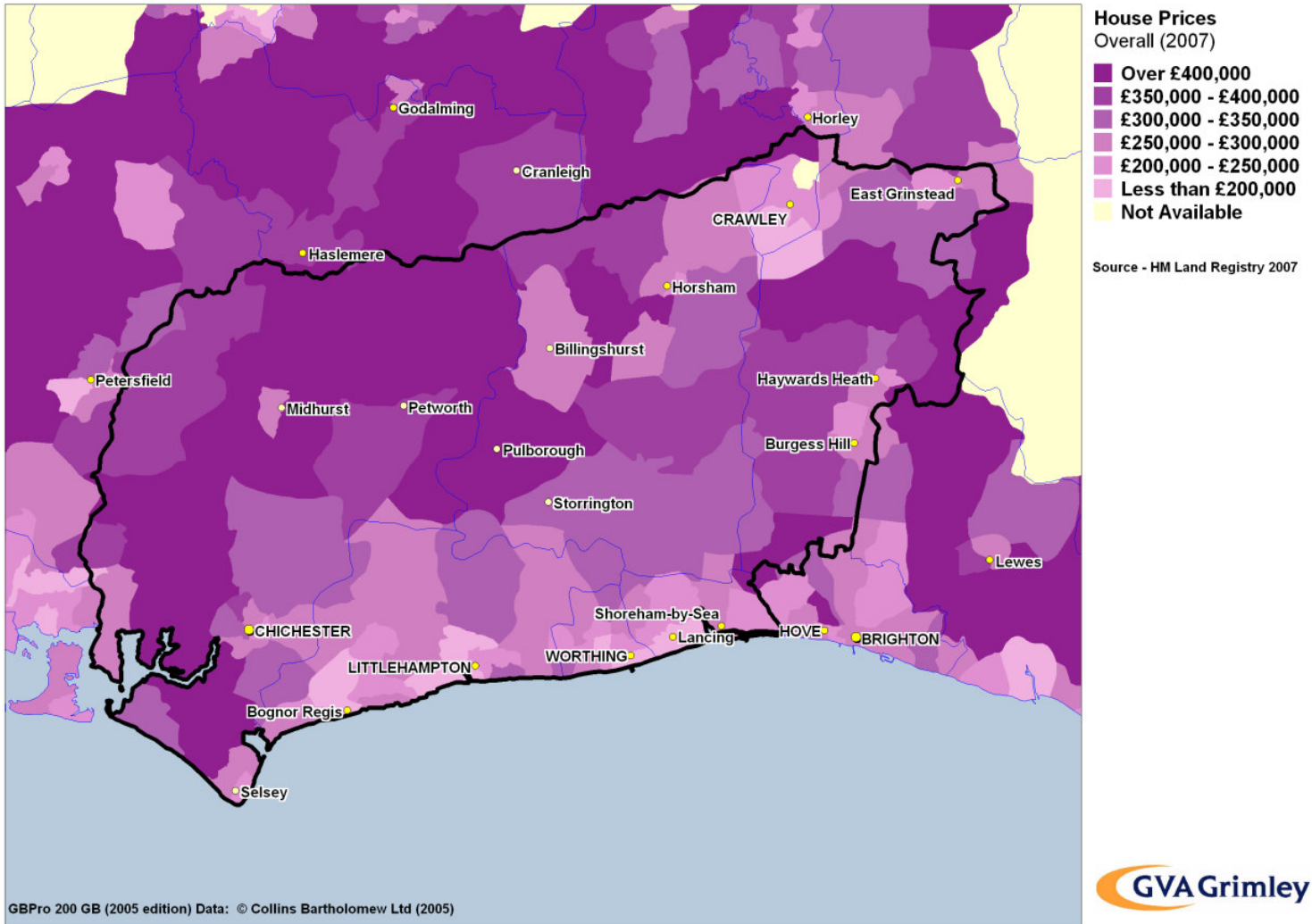


Figure 2.19: Detached House Prices, 2007

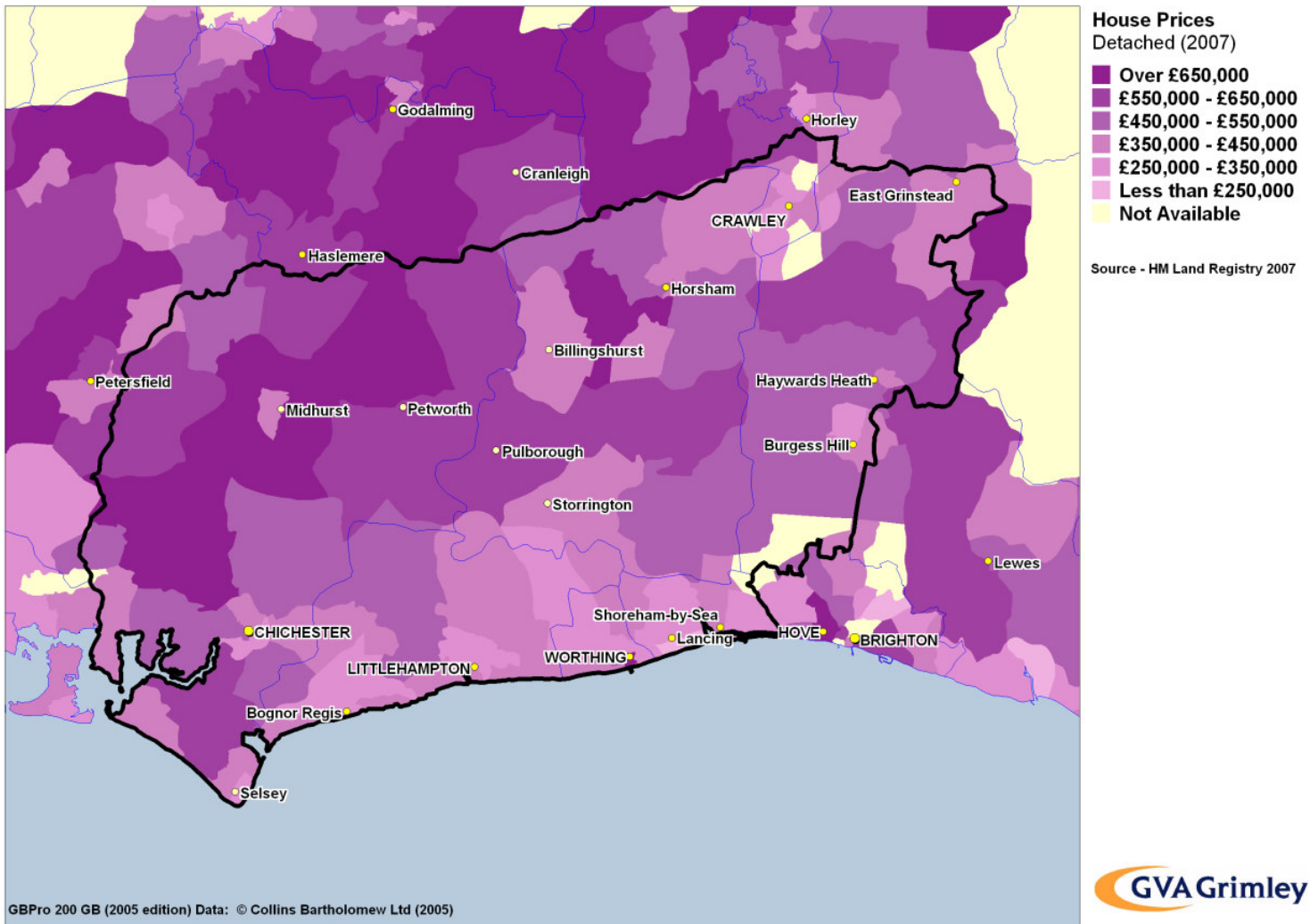


Figure 2.20: Semi-Detached House Prices, 2007

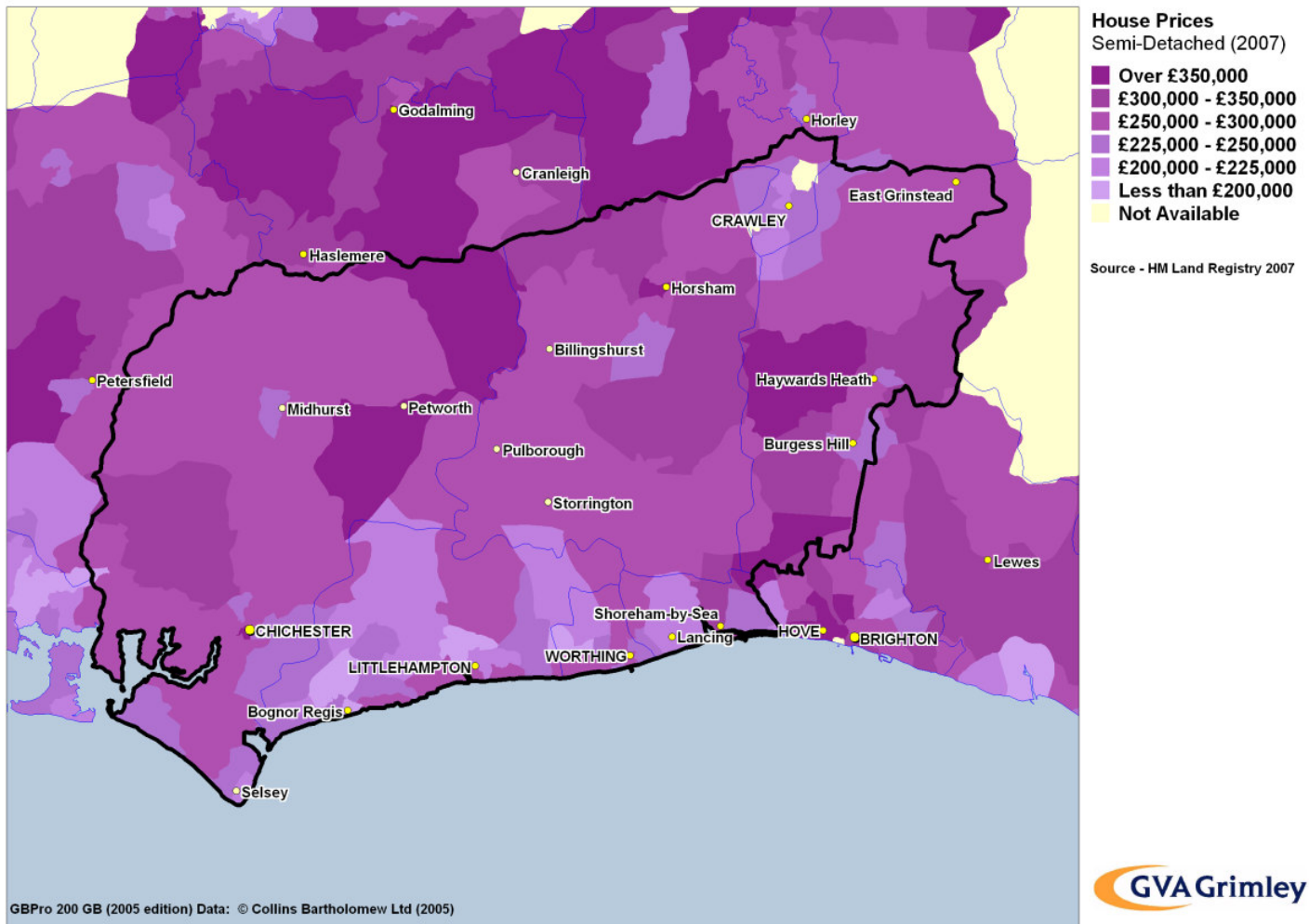


Figure 2.21: Terraced House Prices, 2007

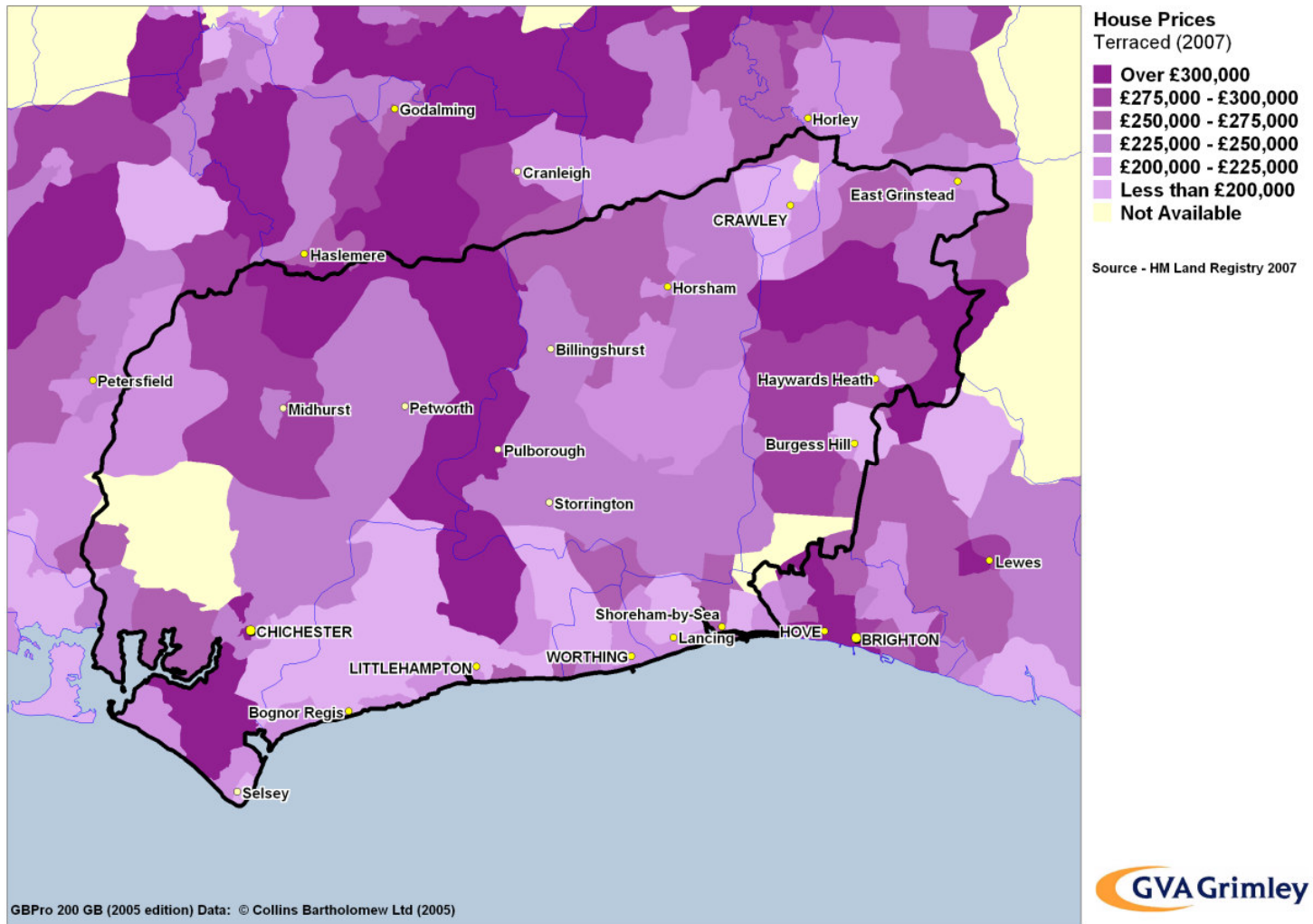


Figure 2.22: Flat/Maisonette Prices, 2007

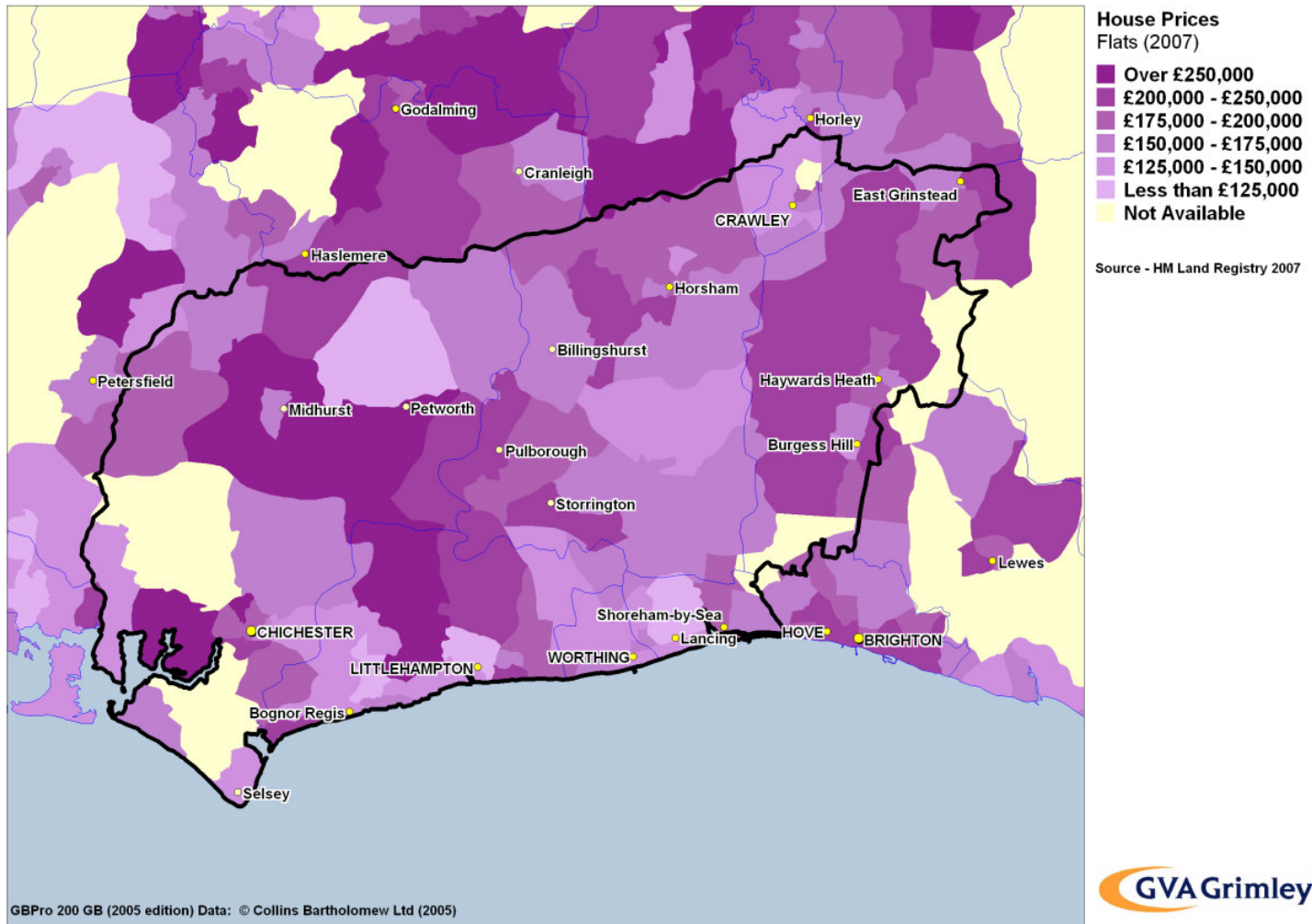


Figure 2.23: Price Inflation, Overall Average House Prices, 2002 – 2007

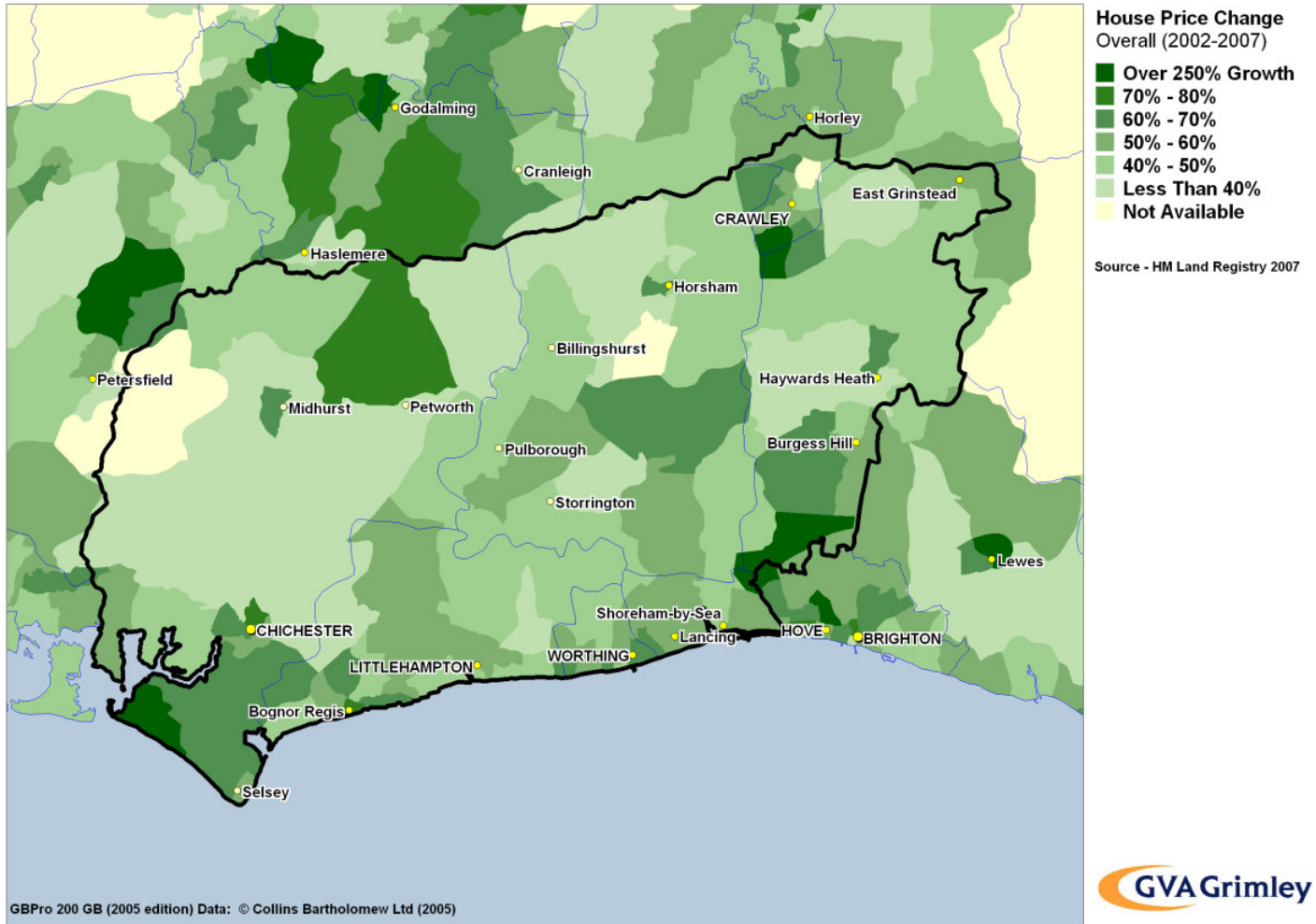


Figure 2.24: Price Inflation, Detached House Prices, 2002 – 2007

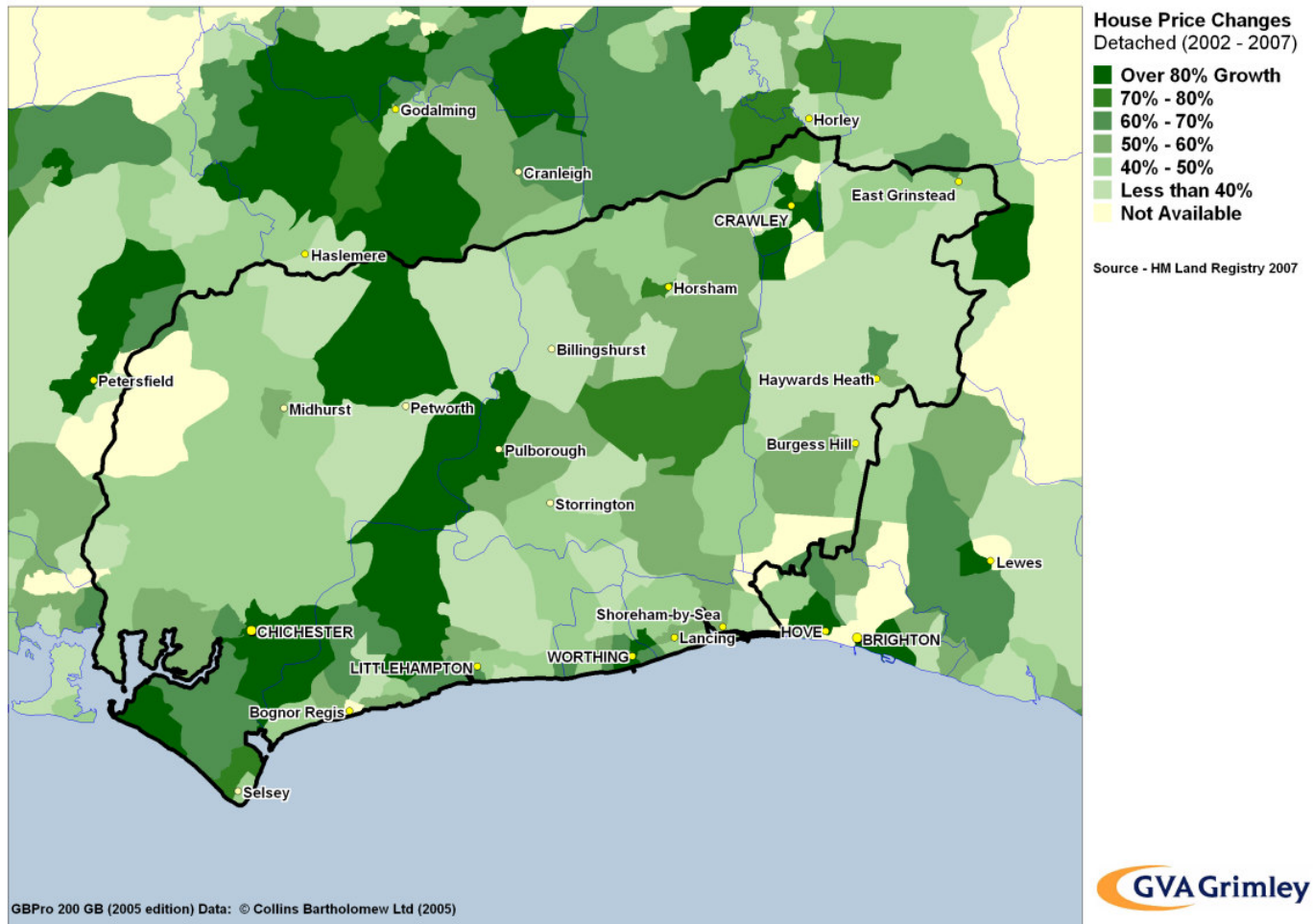


Figure 2.25: Price Inflation, Semi-Detached House Prices, 2002 – 2007

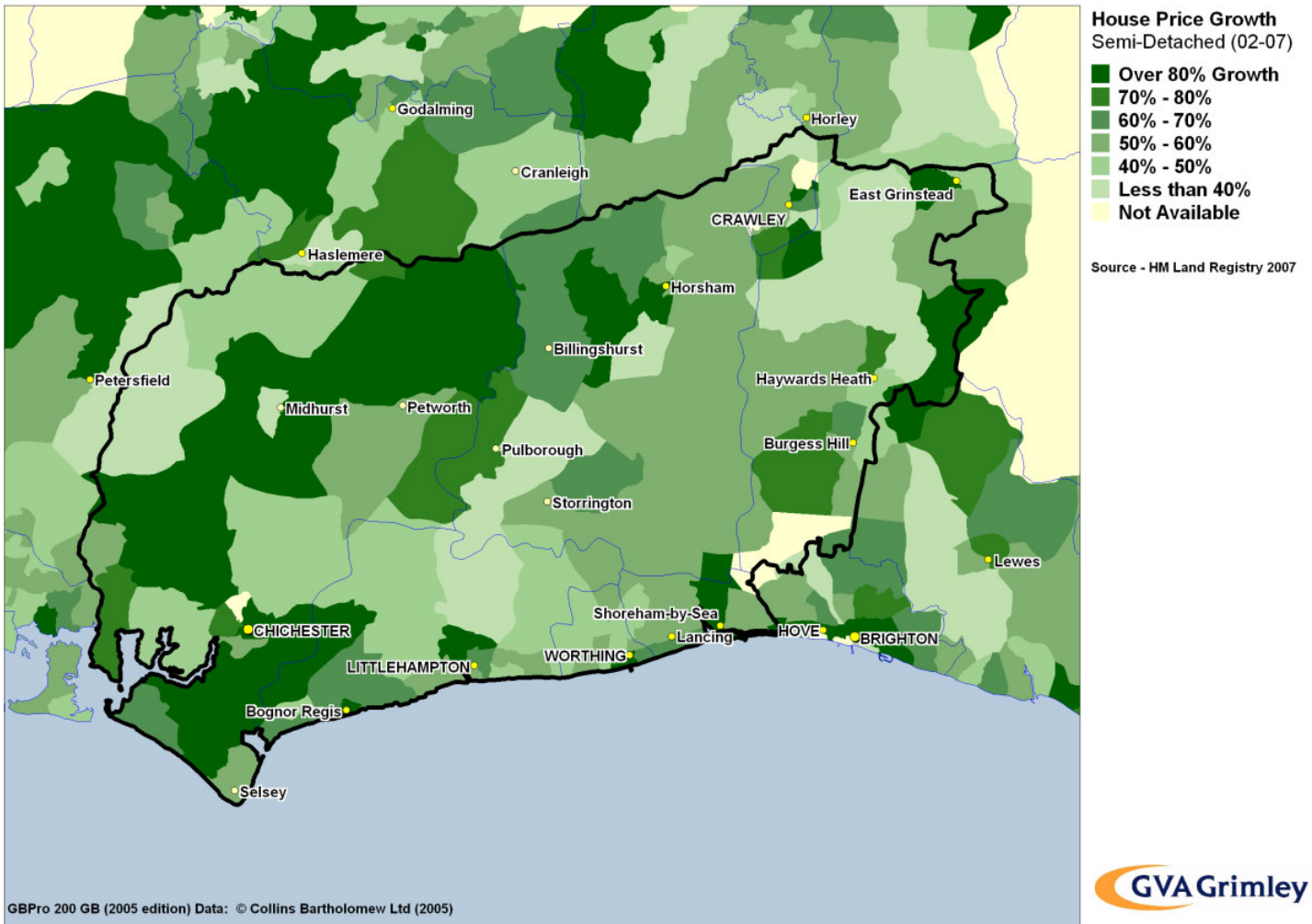
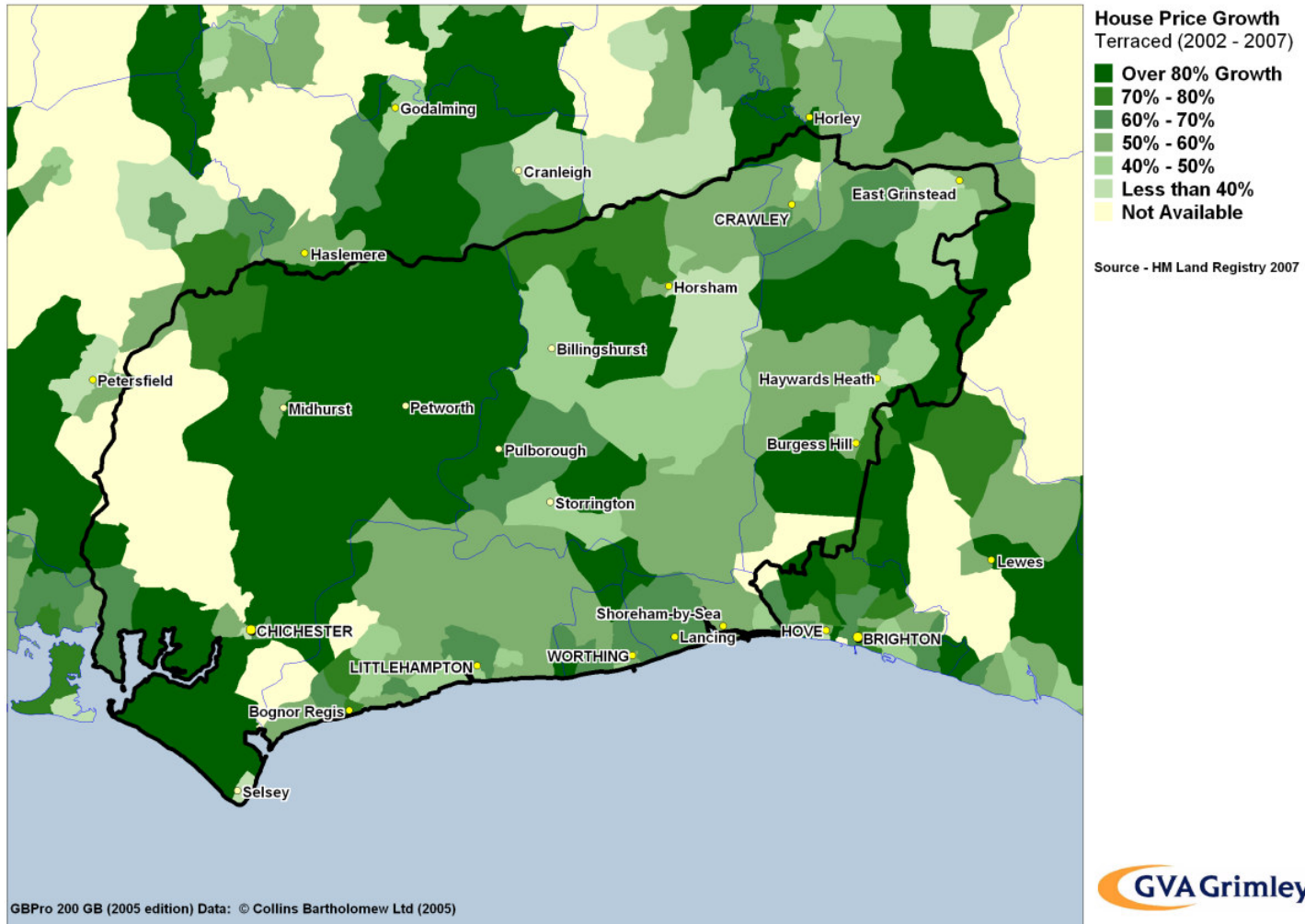


Figure 2.26: Price Inflation, Terraced House Prices, 2002 – 2007



- 2.56 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 West Wittering area. The latter is 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 relatively the lower value economic base and greater peripherality of the area in a regional context and relative to higher-value economic centres.
- 2.57 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

- 2.58 We have analysed a range of other indicators to provide a broader contextual understanding of the housing market.
- 2.59 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 Worthing is a main shopping destination for the west of Adur and east of Arun districts' as well as for Worthing itself. They show that people travel to Chichester City Centre from the north of Chichester District and from parts of East Hampshire. All of Adur District falls within Brighton's Shopping Catchment, along with Burgess Hill and to a lesser extent Haywards Heath.
- 2.60 Assessing wider socio-economic indicators reveals a particular concentration of flats in the urban centres of Chichester, Bognor Regis, Littlehampton and Worthing. Levels of owner occupation are strong particularly along the South Coast, although there are higher levels of private renting in the cores of the urban areas and of social renting in specific neighbourhoods. Levels of private and social renting are higher across Chichester district.
- 2.61 Levels of economic activity and skills levels are below average. There are concentrations of deprivation in Bognor, Littlehampton, Central Worthing, Angmering, Shoreham and Lancing. These areas have higher levels of unemployment/ under-employment and below

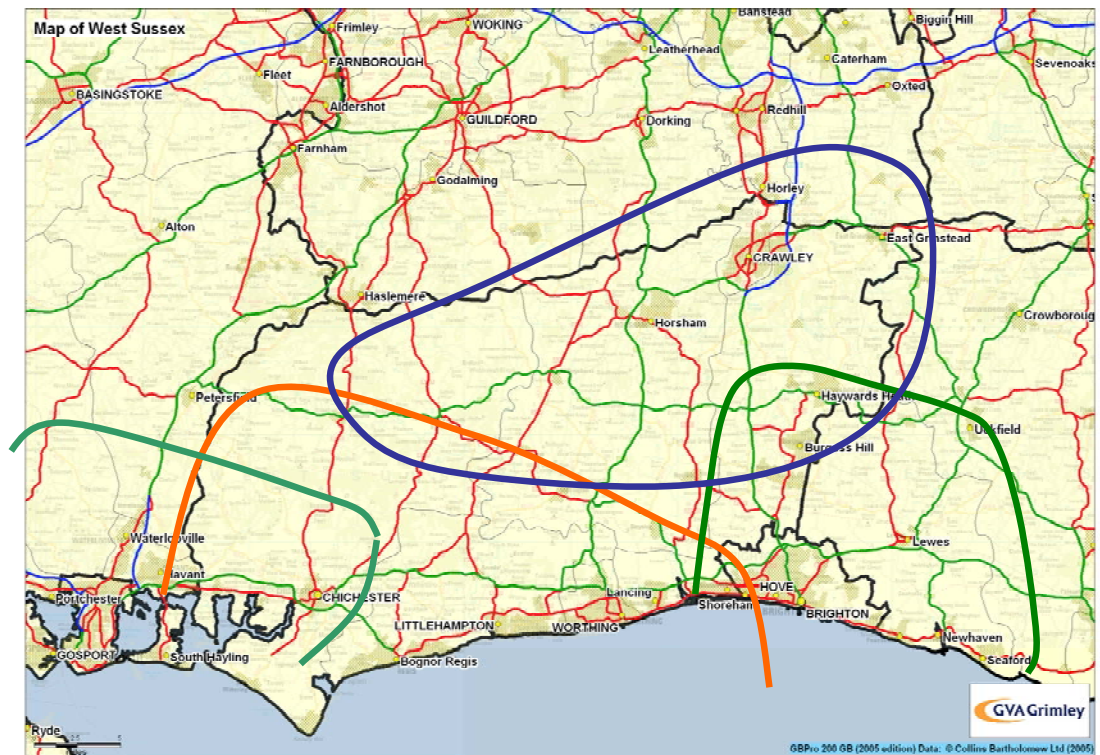
average economic activity. Employment in tourism/retail and manufacturing is above average.

- 2.62 BME populations are concentrated in central Chichester and Worthing.

DEFINING THE COASTAL WEST SUSSEX HOUSING MARKET

- 2.63 From the analysis undertaken we have identified that there are two main housing markets in West Sussex, one which is centred on Crawley, Horsham and Haywards Heath, and the second on the Coastal Urban Area (Figure 2.27).

Figure 2.27: Defined Housing Market Areas and Areas of Market Overlap



- 2.64 The Housing Market includes Coastal areas stretching along the South Coast and the City of Chichester. The area is predominantly rural. Key road and rail links provide stronger east-west than north-south connections, and this contributes to greater peripherality in a regional context and to lower housing demand. There are important housing market and economic flows at each end of the sub-region to the PUSH area and to Brighton and Hove; as well as inter-relationships north to the Northern West Sussex Housing Market.

- 2.65 Adur District very much falls in an area of overlap between the Coastal West Sussex and Brighton/ East Sussex Housing Markets.
- 2.66 A strong quality of life offer makes the area attractive to older households and the population of retirement age is above average. There are particular dynamics associated with Chichester; the Wittering/Selsey area; the coastal area; and the A286 corridor. Deprivation in some parts of the Coastal towns is however above average, and there are notable economic challenges which are explored further through this Report.

Key Messages: The Housing Market Area

- We have defined a Coastal West Sussex Housing Market which extends along the South Coast from Hove to Hayling Island and inland from Chichester to Midhurst along the A286 Corridor. It includes the four local authority districts of Adur, Arun, Chichester and Worthing.
- The Housing Market overlaps notably with a Brighton/East Sussex Housing Market, with Shoreham and Lancing in Adur District falling within an area of market overlap. This is reflected in both migration patterns and commuting flows. The west of the Housing Market is influenced by Urban South Hampshire (the PUSH area). Over 10% of moves to Adur District are from Brighton and Hove, with 5% of moves to Chichester District from the PUSH area.
- The influence of long-distance retirement migration to the South Coast is a notable feature of the Coastal West Sussex Housing Market. There is a net annual flow of 2360 persons from London to the area, and significant net flows from Brighton and Hove (1360 pa) and Surrey (1220 pa).
- Midhurst, Selsey and other settlements in Chichester District show strong links to the City in terms of travel for employment and services.
- The South Coast towns are characterised by below average prices in a regional context; a large elderly population; and higher levels of flats. Economic activity and skill levels are average, with above average seasonal employment, and there are concentrations of deprivation in Bognor, Littlehampton, Worthing, Angmering, Shoreham and Lancing. The area is more peripheral to major economic centres in the region, with stronger east-west than north-south connections. Quality of life is high and attracts older households.
- The rural areas, particularly in Chichester District, demonstrate higher house prices and strong demand for larger detached housing. Chichester District has higher levels of moves from London and the PUSH area which are attracted by the housing-quality of place offer.

3. STRUCTURE AND COMPOSITION OF THE HOUSING OFFER

- 3.1 This section examines the current housing stock profile and supply trends in the Coastal 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 Coastal West Sussex Housing Market and those areas around it, including Brighton and Hove and East Sussex to the east; the PUSH area to the west; East Hampshire and the Northern West Sussex Housing Market. 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.

CURRENT HOUSING STOCK

NUMBER OF DWELLINGS

- 3.3 The Coastal West Sussex Housing Market contains 194,410 dwellings, of which 35% are in Arun District, 27% in Chichester District, 24% in Worthing and 14% in Adur.

Figure 3.1: Total Dwellings, April 2007

Area	All Dwellings	% of the Coastal Housing Market Area
Adur	27,130	14%
Arun	68,237	35%
Chichester	52,226	27%
Worthing	46,817	24%
Coastal West Sussex	194,410	

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

- 3.4 The 2001 Census recorded 185,900 dwellings across the Housing Market Area. The major urban area stretches along the coast from Brighton to Worthing and Littlehampton. It contains 219,200 dwellings. Other major towns include Bognor Regis (29,100 dwellings)

and Chichester (13,000 dwellings). Smaller towns and settlements include Arundel, East Wittering, Midhurst, Selsey, and Pulborough (Figure 3.2).

Figure 3.2: Main Urban Settlements

Urban Area	Households	Persons	Dwellings
Arundel	1,611	3,297	1,670
Pulborough	1,692	3,904	1,731
East Wittering	2,355	5,128	2,760
Midhurst	2,854	6,125	2,914
Selsey	4,336	9,725	4,712
Bognor Regis	27,837	62,138	29,114
Brighton/Worthing/ Littlehampton	211,306	461,186	219,193
Chichester	12,387	27,475	13,054

Source: Census 2001

TENURE

- 3.5 Across the Coastal West Sussex Housing Market, 89% of the housing stock is in private sector ownership. This is above the regional (86%) and national (82%) averages. Private sector housing dominates the tenure mix in each local authority.
- 3.6 Chichester district contains the greatest levels of social sector properties, with public sector housing accounting for 15% of its total housing stock. This is above the regional average (14%) but below the national average (18%). In Adur 13% of properties are in social sector ownership. In Worthing and Arun, social housing falls below 10%: notably below regional and national benchmarks.

Figure 3.3: Tenure Profile, April 2007

Location	Public Sector	%	Private Sector	%	Total
Adur	3,457	13%	23,673	87%	27,130
Arun	6,554	10%	61,683	90%	68,237
Chichester	8,069	15%	44,157	85%	52,226
Worthing	4,220	9%	42,597	91%	46,817
Coastal West Sussex Housing Market	22,300	11%	172,110	89%	194,410
South East	512,246	14%	3,053,105	86%	3,565,351
England	4,086,873	18%	18,192,427	82%	22,279,300

Source: HSSA 2006/7

- 3.7 The 2001 Census provides a more detailed breakdown of tenure including information on the size of the private rented sector, albeit that this is likely to have changed post 2001. The Census indicates that 79% of households are owner-occupiers and 12% 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 nationally³.
- 3.9 Private renting in Coastal West Sussex is consistent with regional and national averages. It is lowest in Adur (8%) and highest in Worthing (13%) and Chichester (15%).

Figure 3.4: Tenure Profile, April 2001

	Owner Occupied	Social Rented	Private Rented or Rent Free
Adur	79%	14%	8%
Arun	80%	9%	11%
Worthing	77%	10%	13%
Chichester	71%	15%	15%
Coastal West Sussex	77%	11%	12%
West Sussex	76%	13%	11%
South East	74%	14%	12%
England and Wales	69%	19%	12%

Source: Census 2001

- 3.10 Private renting is highest in the Worthing-Brighton-Littlehampton Urban Area (18%). It is above the national average in Petworth (19%), Midhurst (16%), Chichester (15%) and Arundel (15%). It is also above average in many of the rural parishes in Chichester District, partly linked to renting from large landed estates and house prices. The size of the social rented sector is above average in Petworth (29%), Chichester (20%), Midhurst (20%), and Storrington (15%).

³ 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
Arundel	73%	13%	15%
Bognor Regis	78%	9%	13%
Brighton/Worthing/ Littlehampton	69%	13%	18%
Chichester	65%	20%	15%
East Wittering	79%	9%	13%
Midhurst	64%	20%	16%
Selsey	83%	8%	9%
Petworth	54%	29%	16%

Source: Census 2001

- 3.11 Owner occupation was above average across the housing market in 2001. A particular characteristic of the Coastal West Sussex Housing Market is the high proportion of households who own their home outright at 39% compared to 31% across the South East and 29% nationally. This is a characteristic of all four districts.

Figure 3.6: Owner Occupation, 2001

	Owned: Owns outright	Owned: With a mortgage or loan	Owned: Shared ownership	Owner Occupied Total
Adur	37%	41%	0.3%	79%
Arun	42%	37%	0.9%	80%
Chichester	39%	31%	0.4%	71%
Worthing	37%	40%	0.4%	77%
Coastal West Sussex HM	39%	37%	0.6%	77%
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

- 3.12 Owner occupation includes shared ownership and other intermediate housing products. Shared ownership is very low in each of the four local authorities, representing 0.34% of the housing stock at the housing market level, which is consistent with the regional and national picture.
- 3.13 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

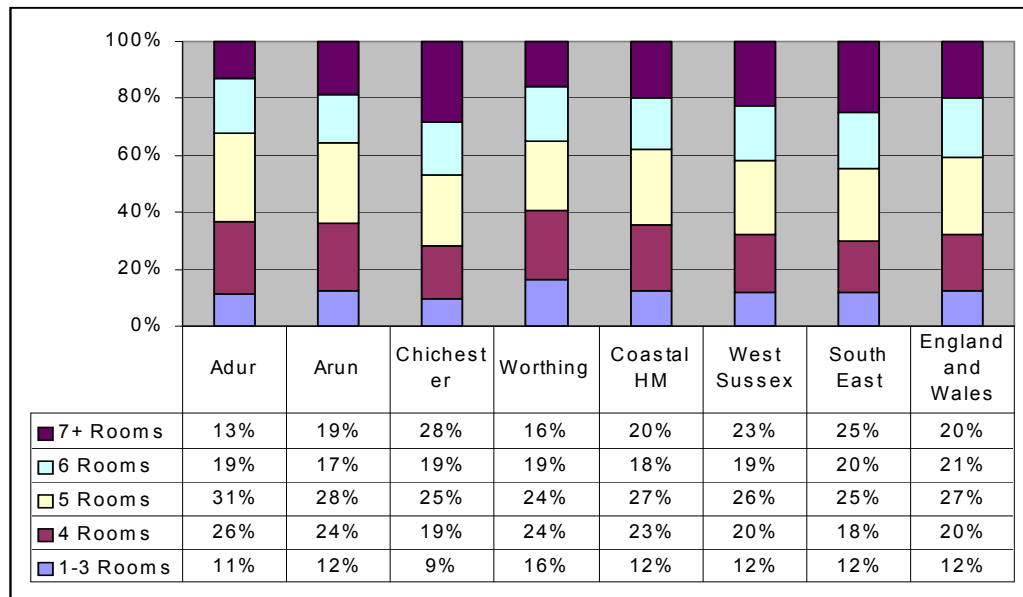
	Shared Ownership Properties	% All Housing Stock
Adur	71	0.26%
Arun	290	0.42%
Worthing	101	0.22%
Chichester	202	0.38%
Coastal West Sussex	664	0.34%

Source: RSR/ Dataspring

HOUSE SIZE

- 3.14 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 (drawing on common practice) 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.
 - 4-6 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.
- 3.15 Across the Coastal West Sussex Housing Market, two and three-bed properties (4 to 6 room dwellings) are the most abundant housing being around 68% of all households. This is consistent with the regional picture. The Housing Market has a slightly above average proportion of smaller dwellings particularly along the South Coast: while 30% of dwellings across the South East have between 1-4 rooms, this rises to 36% in Arun, 37% in Adur and 40% in Worthing. The situation in Chichester District is very different, with only 28% of dwellings having 1-4 rooms. Conversely the number of larger properties with an estimated 4+ beds (7+ rooms) is below average except in Chichester District where 28% of properties have an estimated 4 or more rooms compared to 25% across the South East.

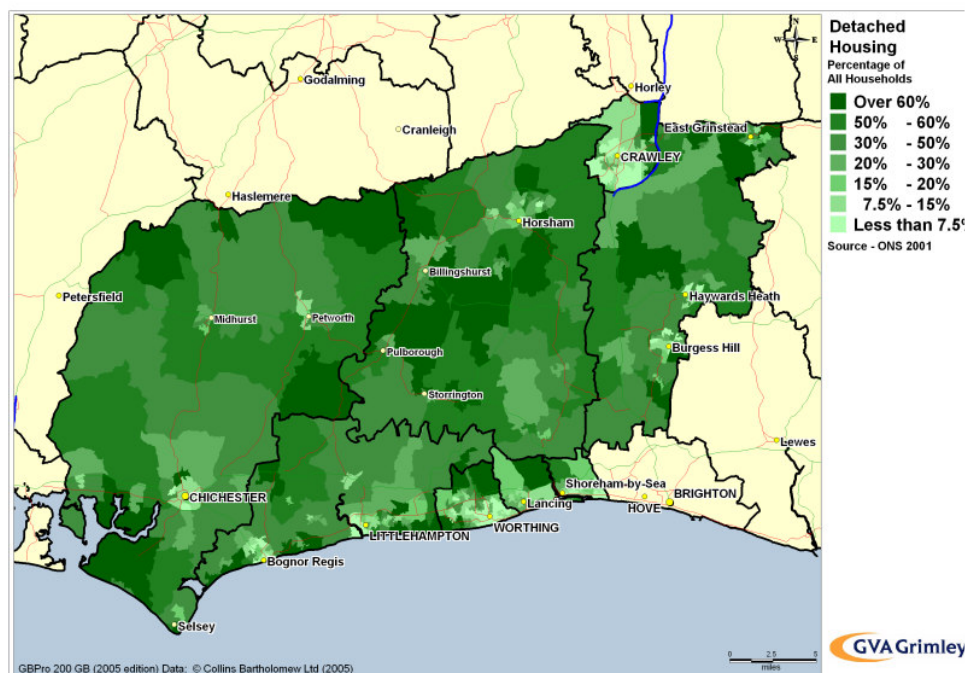
Figure 3.8: Size of Dwellings



Source Census 2001

3.16 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

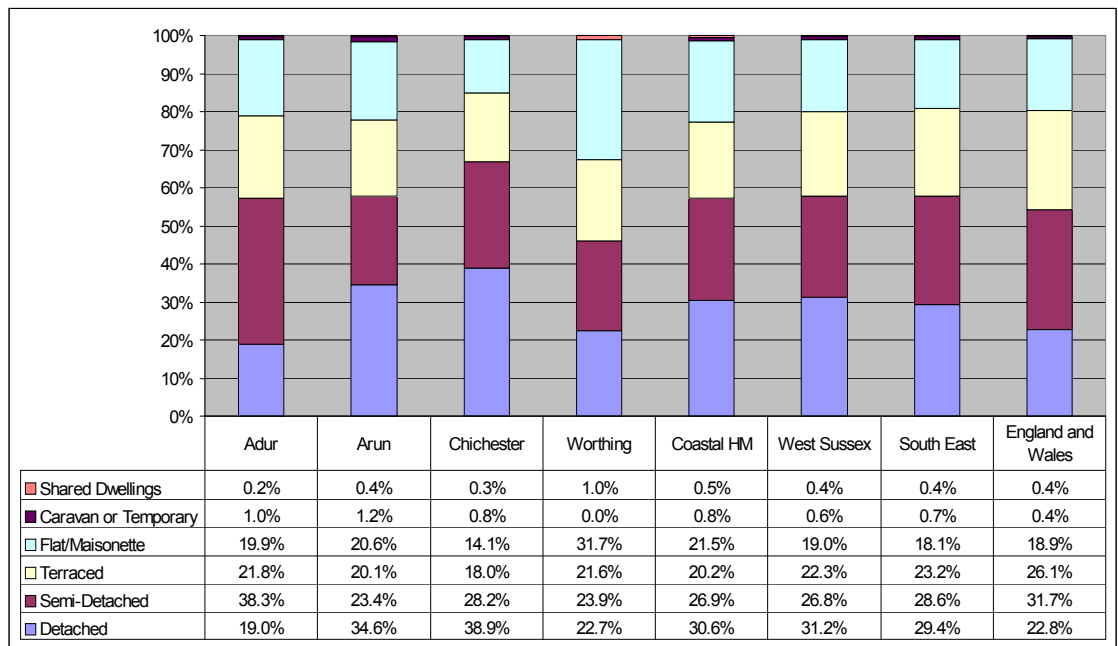


- 3.17 Looking at the mix of housing in adjoining authorities, we estimate that one and two-bed properties (1-4 rooms) house 52% households in Brighton and Hove, representing a strong focus of the housing offer on smaller properties. In the PUSH area, two and three bed homes predominate, with a below average proportion of properties with four or more bedrooms (18% with 7+ rooms).
- 3.18 We consider that Chichester District and parts of Hampshire may play a role in providing larger housing for those who may work or have previously lived in the PUSH area. This is evidenced by commuting patterns. Similarly there is anecdotal evidence of families moving out of Brighton and Hove (10% of moves) to the Coastal West Sussex Housing Market to access larger family housing.

HOUSE TYPE

- 3.19 The Coastal West Sussex Housing Market contains an above average proportion of detached properties: detached housing (inc. bungalows) is the most prevalent house type, accounting for 30% of all unshared dwellings in 2001, followed by semi-detached housing (27%). Flats and maisonettes represent 22% of the housing stock which is above the South East average of 18%.

Figure 3.10: House Type Profile



- 3.20 Flats are the dominant house type in Worthing, accounting for almost one-third of its total housing stock (unshared dwellings). This is significantly higher than regional (18%) and national (19%) levels.
- 3.21 Chichester (39%) and Arun (35%) have the greatest amounts of larger, detached housing. This is significantly above average compared to West Sussex (31%), the South East region (29%) and England (23%).
- 3.22 East Wittering (50%) and Selsey (43%) have the largest concentrations of detached housing. Arundel (37%) is dominated by terraced housing.
- 3.23 Flats are most abundant in the Brighton/Worthing/Littlehampton Urban Area with 37% of its housing stock consisting of flats. More than 20% of the housing stock is also flatted in Bognor Regis and Arundel. Overall the housing offer in the coastal towns is focused more towards flats and terraced housing (Figure 3.11).

Figure 3.11: Flats & Terraced Housing, 2001

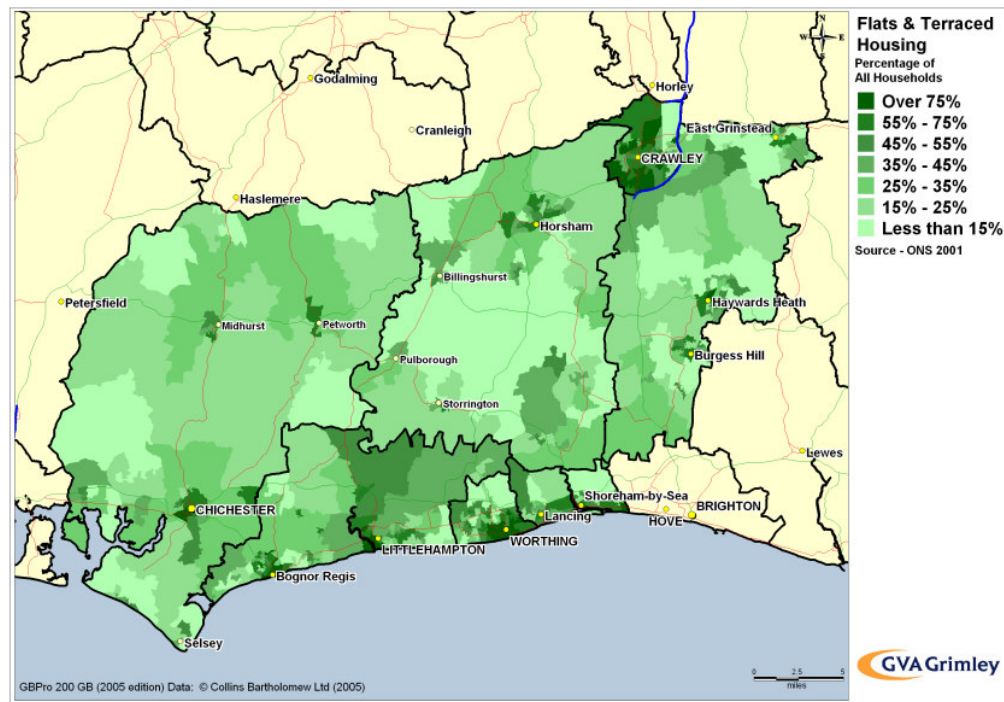
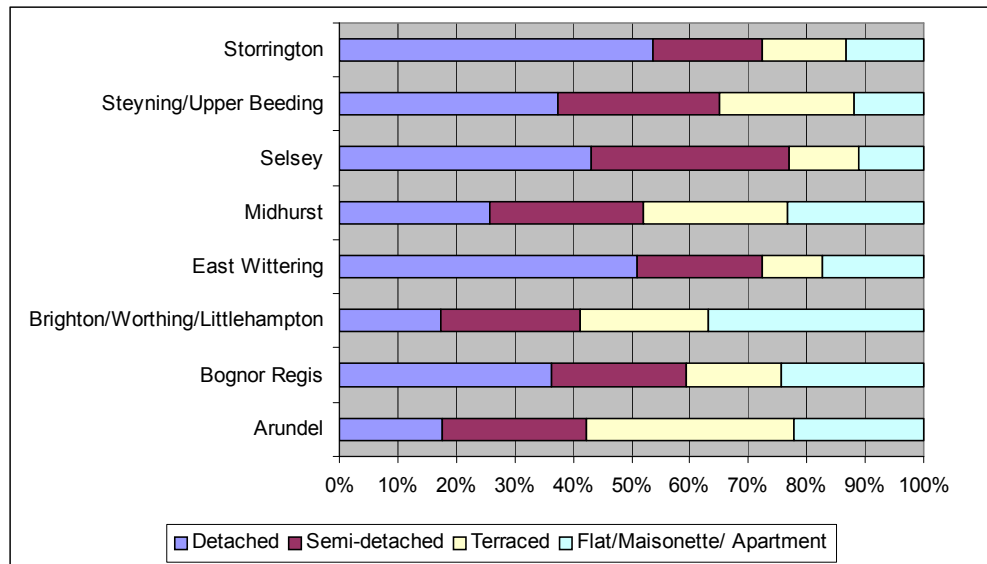
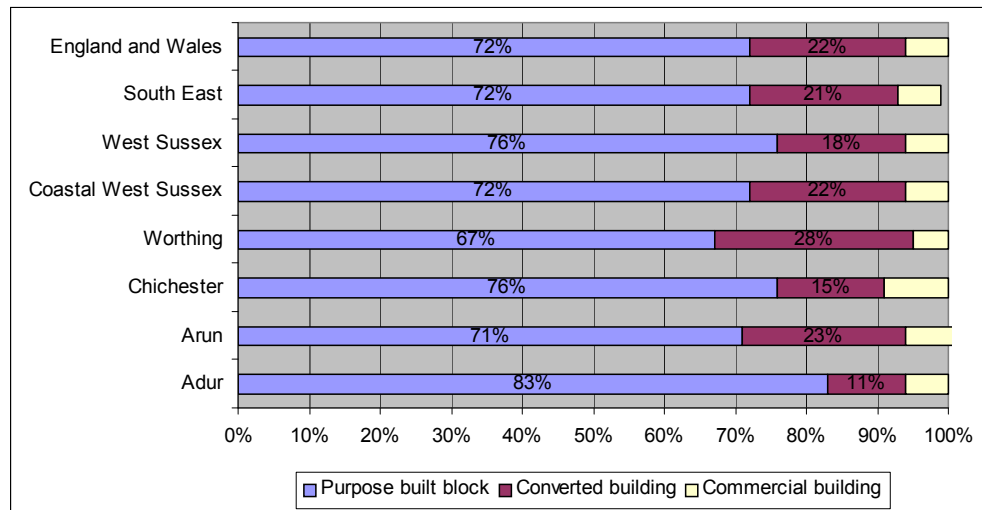


Figure 3.12: House Type Profile – Urban Areas

Source Census 2001

- 3.24 Across the Housing Market 0.5% of occupied dwellings are shared, rising to 1.0% in Worthing. This compares with 0.4% across the South East region. 0.8% of households lived in a temporary or mobile home in 2001 compared to 0.7% across the region.
- 3.25 The majority of flats are in purpose built blocks (70%). This is consistent with wider benchmarks. The proportion of flats in a converted building rises to 24% in Arun and 30% in Worthing, potentially resulting from the sub-division of larger Victorian properties.

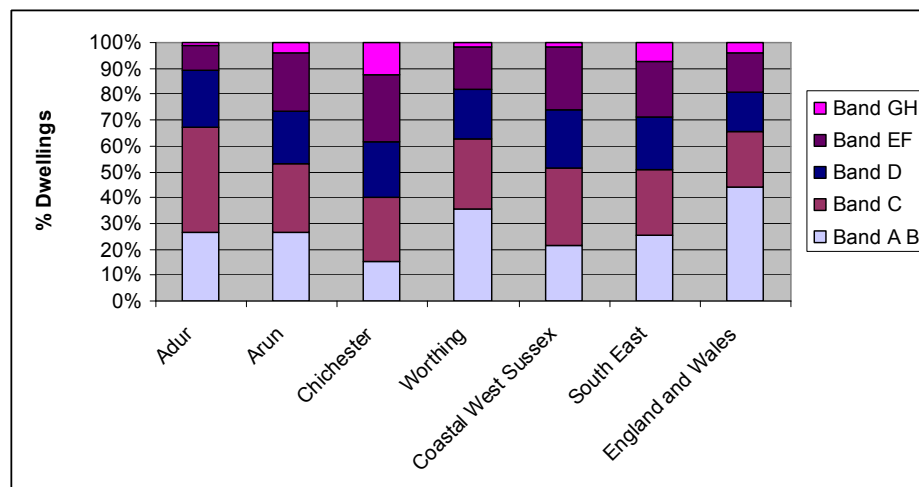
Figure 3.13: Profile of Flats



Source Census 2001

3.26 Figure 3.14 shows the distribution of dwellings by Council Tax Band across the Coastal 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 3.15: Dwellings by Council Tax Band



Source: VOA, March 2006

3.27 At the Housing Market level, Coastal West Sussex has a below average proportion of lower value housing (Bands A and B) and very expensive housing (Bands G and H). A high proportion of the housing stock is in Band C and Bands E and F.

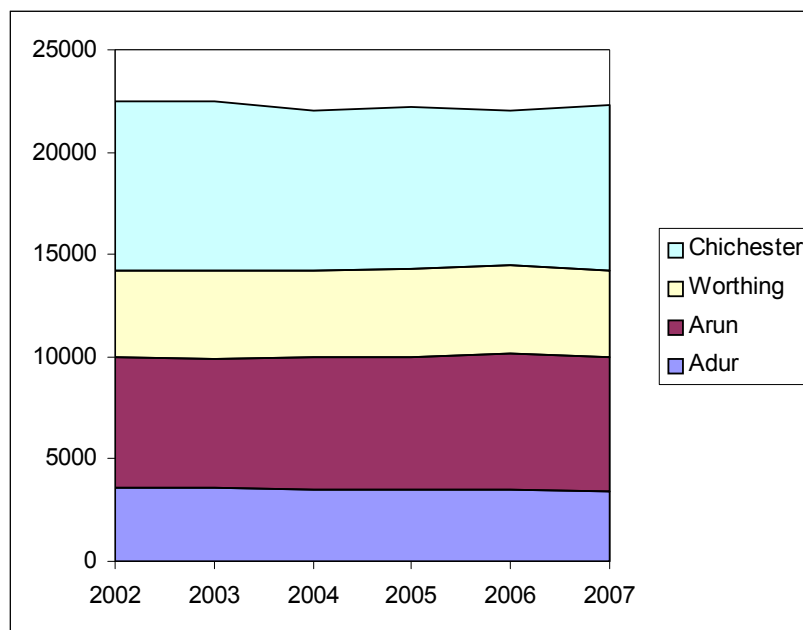
3.28 Chichester has the largest proportion of properties in bands E/F (26%) and G/H (13%) in the Housing Market, reflecting a housing offer more biased towards expensive housing. Alternatively, Worthing and Adur have the greatest amount of lower value properties (Bands A-C). Worthing had the most significant proportion of dwellings in bands A and B and Adur had the greatest amount of properties in band C. The profile in Arun District is the most similar to the region.

SOCIAL HOUSING STOCK

3.29 Across the Housing Market there are some 22,300 properties in social sector ownership (HSSA returns as at April 2007). Chichester has the highest level of stock (8,100 properties) followed by Arun (6,500), Worthing (4,200) and Adur (3,500).

3.30 Across the Housing Market the social sector has been relatively stable in size; it has shrunk marginally by -0.9% over the last five years (2002 – 2007). At a local authority level, the number of properties has grown in Arun by 3.4%, but shrunk by -1.2% in Worthing, -2.4% in Chichester and -4.8% in Adur.

Figure 3.16: Social Sector Properties



Source: HSSA

ARUN

- 3.31 In Arun District there are 6,554 properties in social sector ownership of which 52% (3,421 properties) are owned by the local authority. The remaining 48% of properties are owned by Registered Social Landlords (RSLs). There are 23 RSLs operating in the District.
- 3.32 The Council maintains a housing register and is part of the sub-regional *Homemove* Choice-Based Lettings (CBL) scheme. The register is not common to RSLs.
- 3.33 Of the local authority stock, there are 363 bungalows, 1308 houses and 1752 flats/maisonettes which include 169 bedsit flats and 84 maisonettes. 41% of the stock comprises 1-bed properties, 27% 2-bed, 30% 3-bed and 2% with 4 or more bedrooms. High right-to-buy sales have reduced the stock considerably, particularly in rural areas. There remain high numbers of 1-bed flats and 3-bed houses relative to other types.
- 3.34 23% of the Council's housing stock is non-decent but they are confident that they can meet the 2010 Decent Homes Standard.

ADUR

- 3.35 There are 3,457 properties in social sector ownership in Adur District as at April 2007, representing 13% of the total housing stock. Of this social housing stock, 52% is owned by the local authority and a significant 48% by Registered Social Landlords (RSLs). 12 RSLs operate in the District, with the main providers being Guinness Trust (224 properties) and Southern Housing Group (187).
- 3.36 Of the local authority's stock, 5% is bedsits, 29% 1-bedroom properties, 35% 2-bed properties, 30% 3-bed properties, and a small 1.3% with 4 or more bedrooms. Around 50 properties annually have been lost through right-to-buys.
- 3.37 The Council maintains the Housing Register and is part of the sub-regional *Homemove* Choice-based Lettings (CBL) scheme. Applicants are required to re-register annually.
- 3.38 The Council estimate that there are around 20 sheltered bedsit units which are difficult to let in Adur District.

WORTHING

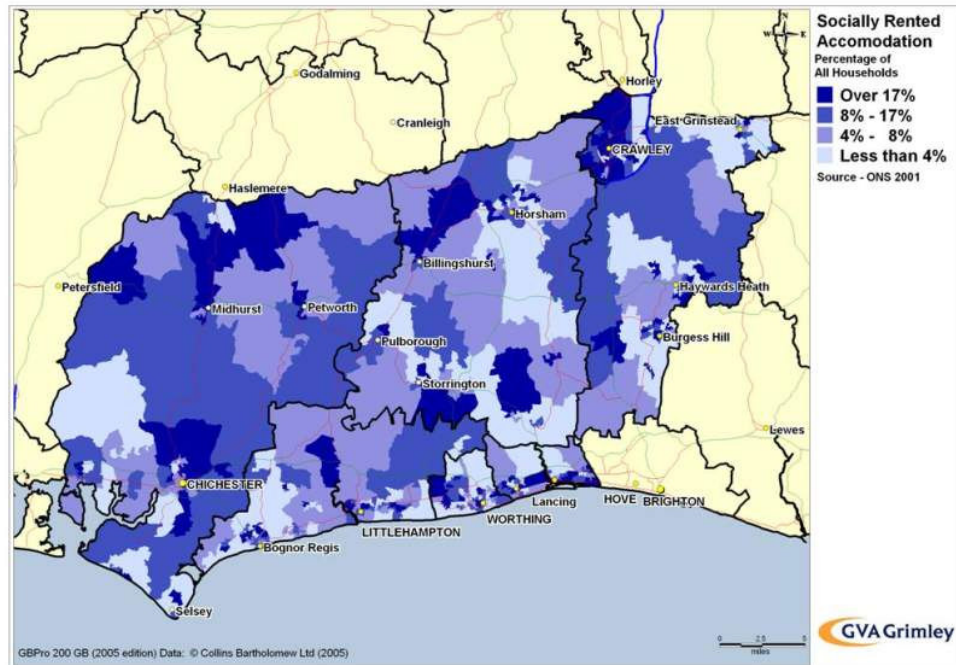
- 3.39 There are 4,096 properties in Worthing Borough in social sector ownership, almost all of which are owned by Registered Social Landlords (99%). There are 23 main RSLs

operating in the district of which the main providers are Worthing Homes (2551 properties, 61%), Southern (482, 12%), Servite (7%), Downland (3%), Sanctuary (3%), Bourne and Reglan (2% each).

- 3.40 Of the total properties for rent, 84% are for general needs lettings, 14% for sheltered and 1.8% supported housing. Of the general needs social rented stock, 39% are flats, 42% houses and 4% bungalows. In terms of bed-sizes, 5% of properties are bedsits, 26% 1-bed properties, 29% 2-bed, and 38% 3-bed with just 2% of properties with four or more beds.
- 3.41 The Council maintains a common housing register with RSLs but does not participate in the *Homemove* Choice-based Lettings scheme.

CHICHESTER

- 3.42 There are 8,069 properties in Chichester District in social sector ownership (HSSA Return, 2007), of which again almost all are owned by Registered Social Landlords (99%). The Council transferred its stock to Hyde Martlet Housing Association in 2001, which now owns 67% of the social stock in the District. Other main RSLs include Downland (670 properties, 9%), Dominion (6%), Home Group, Raglan and North British.
- 3.43 The Council participates (as of July 2007) in the sub-regional *Homemove* Choice-based Lettings (CBL) scheme, and maintains a common Housing Register with RSLs.
- 3.44 There are few hard-to-let properties in the District, the possible exception being a few first-floor sheltered flats where there are no lifts, and a couple of blocks of bedsits.
- 3.45 Across the Housing Market, social housing provision is concentrated in the main urban areas and some of the smaller settlements in Chichester District as Figure 3.17 indicates.

Figure 3.17: Social Housing Provision, 2001

STOCK CONDITION AND ENERGY EFFICIENCY

3.46 The condition and energy efficiency of housing in the Coastal West Sussex Housing Market has been assessed through House Condition Surveys commissioned by each of the four 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

- 3.47 In **Adur** a Private Sector House Condition Survey was undertaken by David Adamson and Partners Ltd and was published in 2004. This found that 3.7% of dwellings in Adur are unfit, which is below the national average (4.1%), whilst 3.4% of homes exhibited Category 1 hazards for HHSRS. Unfitness was not evenly distributed across the District but was found to be higher in particular areas and housing sectors, including: Southwick, vacant housing stock, pre-1919 dwellings and flats in converted buildings. The most common reasons for unfitness were disrepair, dampness and kitchen arrangements.
- 3.48 20.5% of the private sector housing in Adur failed to comply with the Government's Decent Homes Standard, which compares favourably to the national rate of 31.2% for private sector dwellings. The reasons for non compliance with the Decent Home Standard in the District include the failure to: meet minimum statutory standards, be in reasonable repair and provide reasonable modern amenities and or thermal comfort. Non-decent housing is not evenly distributed across the district but is more highly concentrated in the Lancing area where 29.4% of private dwellings are non-decent. The average cost of repair is of £3,064 per non decent dwelling.
- 3.49 In **Arun** a Housing Conditions Survey was carried out by Michael Howard Associates in 2004.
- 3.50 The report states 3.78% of Arun's private housing stock is classified as unfit compared to the national average of 4.10%. 3.21% of Arun District's owner occupied stock is unfit compared to the national figure of 3.20%. 2.31% of the RSL sector stock was estimated to be unfit compared to 3.40% nationally in 2004.
- 3.51 The majority of unfitness is restricted to older houses. The main reasons for properties being classified as unfit include condensation and dampness.

- 3.52 In terms of energy efficiency, the average SAP rating for properties in Arun is 55, which suggests the area has 'quite good' energy efficiency according to the SAP energy rating scale.
- 3.53 In the District, £15.23 million is needed to remedy unfitness. The average cost to deal with unfitness alone is £6,322.83 per unfit dwelling. The costs of remedying unfitness in Arun District are lower than the national average. The highest costs to bring properties up to the fitness standard occur in Bognor Regis.
- 3.54 In **Worthing**, a Housing Condition Survey was carried out by Michael Howard Associates in 2004. This found that 4.17% of Worthing's housing stock across tenures was unfit, compared to a national average of 4.20%.
- 3.55 Unfitness varied between 1.95% in the owner occupied sector and 3.0% for RSL properties which were both below the national averages (3.2% and 3.4% respectively) to 16.04% for properties in the Private Rented Sector (relative to a national average of 10.9%). The majority of unfit properties were older houses, with condensation and dampness most prevalent in older houses and rented stock.
- 3.56 In terms of non-decency, the Survey estimated that 43.74% of all private sector stock in Worthing Borough is estimated to be non-decent. This compares to 32.0% for the private sector nationally. It is suggested causes of properties not achieving the decent home standard include: unfitness, serious disrepair, amenity provision and thermal discomfort.
- 3.57 The cost to improve all those private sector dwellings to the Decent Homes standard would amount to £73.50 million; with an average cost to make unfit private sector dwellings fit in Worthing Borough of £8,851.
- 3.58 In **Chichester** District, a Private Sector House Condition Survey was conducted by Michael Howard Associates in 2005/2006.
- 3.59 2.4% of Chichester private sector housing stock is classified as unfit compared to the national rate of 4.4%. In the owner-occupied sector, 1.3% of Chichester's housing is unfit compared to the national figure of 3.2%. Unfitness is significantly higher in the private rented sector, at 10.3% locally compared to 10.9% nationally. The majority of unfitness is in older housing. Condensation and dampness are the most prevalent explanations for the housing stock being classified as unfit.
- 3.60 The survey results estimated that 25.9% of dwellings in Chichester have at least one Category 1 hazard, and that a further 22.9% have at least one Category 2 hazard.

- 3.61 A key finding was a high proportion of homes in the private rented sector (including in large country estates) which were in poorer condition relative to homes which were owner-occupied. Category 1 hazards were found to be twice as likely in private rented sector accommodation (48.7%) relative to owner-occupied properties (20.3%).
- 3.62 In the District the cost to remedy backlog repairs is set at £8.70 million. The average cost to deal with unfitness and backlog repairs alone is £8,135 per dwelling.
- 3.63 Against the Decent Homes Standard, nearly one third (31.1%) of occupied homes in the private sector fail to meet the Decent Homes standard. The principal reasons for not meeting the standard are that the home fails to provide a reasonable degree of thermal comfort (75%) and or is not in a reasonable state of repair (66%).
- 3.64 Overall the energy efficiency of the housing stock is better than the average for England with an average SAP of 51 compared to 52.
- 3.65 Overall, the stock condition surveys undertaken indicate that the condition of properties and their energy efficiency is generally above average compared to national benchmarks, albeit with localised evidence of poor stock.

VACANT DWELLINGS

- 3.66 There were a total of 3,823 vacant dwellings across the Coastal West Sussex Housing Market in April 2007. Chichester contained the most vacant dwellings at 1558, followed by Worthing (1036), Arun (623) and Adur (576).
- 3.67 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'.
- 3.68 As Figure 3.18 indicates, vacancy rates are at or below 2.5% except in Chichester District where they are 3.0%; with the lowest levels of 0.9% in Arun. Vacancy is slightly higher for RSL-managed properties in Adur (2.4%) and for private sector properties in Chichester (3.5%) but of little cause for concern. Overall, 96% of vacant dwellings are in the private sector.

Figure 3.18: Vacancy Rates, April 2007

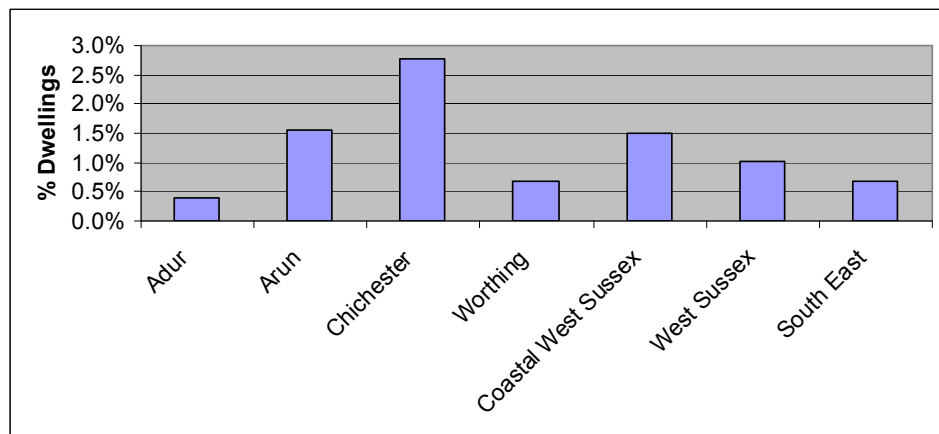
Vacancy %	LA	RSL	Other Public Sector	Private Sector	Total
Adur	0.5%	2.4%	0.0%	2.3%	2.1%
Arun	0.4%	0.3%	0.0%	1.0%	0.9%
Worthing	0.0%	1.0%	0.0%	2.3%	2.2%
Chichester	0.0%	0.8%	0.0%	3.5%	3.0%
Coastal West Sussex	0.4%	0.8%	-	2.1%	2.0%
South East	1.6%	1.5%	6.3%	2.5%	2.3%
England	2.1%	1.9%	8.8%	3.2%	3.0%

Source: HSSA 2007

- 3.69 The analysis indicates very limited potential for existing vacant housing as a source to meet current or future demand.

SECOND HOME OWNERSHIP

- 3.70 Second home ownership is notably higher in the Coastal West Sussex Housing Market compared to the regional profile. Second home ownership accounted for 1.5% homes across the Housing Market, rising to 1.6% in Arun and 2.8% in Chichester compared with an average of 0.7% second homes across the South East.

Figure 3.19: Second Home Ownership

Source Census 2001

- 3.71 83% of all second homes in West Sussex fall within this Housing Market Area. Across the four local authorities, the number of second homes was highest in Chichester (1358) and Arun (1026), with lower levels in Worthing (314) and Adur (107).

COMMUNAL ESTABLISHMENTS

- 3.72 Figure 3.20 shows the number of communal establishments and residents inhabiting communal establishments⁴ across the Coastal Housing Market Area in 2001.
- 3.73 The table shows that there are a relatively higher number of communal establishments in this area, representing 72% of the total across West Sussex and 9% of the total across the region. Total residents of communal establishments comprised 8,891 persons in 2001 representing 2.2% of the total population.

Figure 3.20: Communal Establishments

	All Communal Establishments	Number of residents
Adur	34	813
Arun	364	3104
Chichester	125	2670
Worthing	161	2304
Coastal West Sussex Housing Market	684	8891
West Sussex	949	14627
South East	7798	176436
England and Wales	46431	858098

Source: Census 2001

- 3.74 Arun has the largest amount of residents (3104, 2.2% population) living in communal establishments. In Worthing and Chichester districts however, the proportion of the population living in communal establishments is higher at 2.4% and 2.5% respectively. It is lowest in Adur (1.4%).

OVERCROWDING AND UNDEROCCUPATION

- 3.75 There are various measures used to assess overcrowding and under-occupation of housing. Figure 3.21 shows levels of overcrowding and under-occupation using the Census-based measure, the occupancy rating.

⁴ 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 3.21: Overcrowding and Under-Occupation, 2001 (Occupancy Rating)

Location	Total Households	% Overcrowded	% Under-Occupied
Adur	25870	5.1%	76.2%
Arun	62733	5.3%	77.6%
Chichester	45796	4.3%	81.0%
Worthing	44128	7.1%	74.0%
Coastal West Sussex	178527	5.4%	77.4%
West Sussex	320915	5.3%	78.1%
South East	3287489	5.9%	77.2%
England and Wales	21660475	7.0%	75.0%

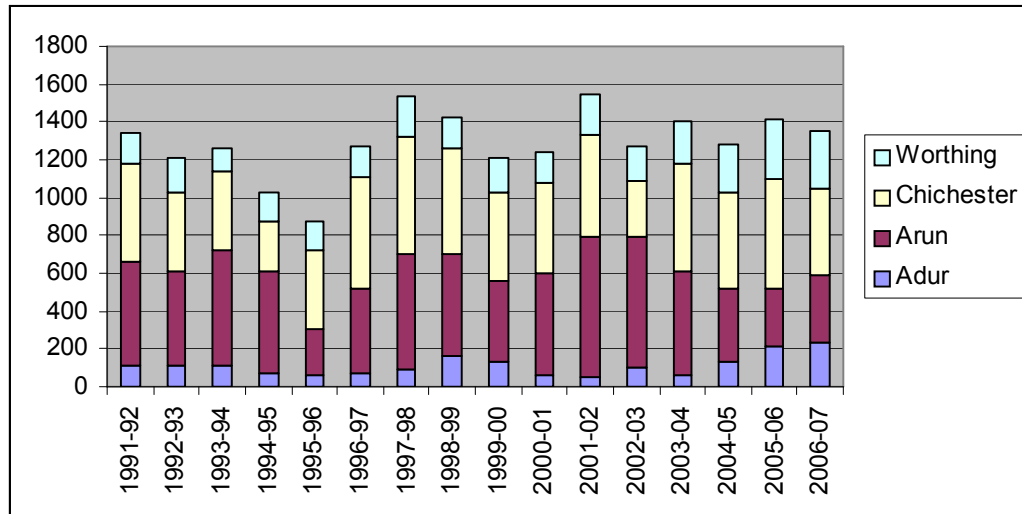
Source: Census 2001

- 3.76 Across the Housing Market, 77% of the housing stock was under-occupied in 2001; while just 5.4% 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. Overcrowding is however higher than in the Northern West Sussex Housing Market.
- 3.77 Overcrowding is notably higher in Worthing than in other parts of the housing market area, and at 7.1% is notably above average for the Region. In contrast, under-occupation is particularly high in Chichester District.
- 3.78 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

- 3.79 Figure 3.22 presents the number of new dwellings completed in the Coastal West Sussex Housing Market since 1991. It indicates a reasonably consistent level of housebuilding at around 1300 homes per annum since the early 1990s. The exception to this was a notable drop-off in completions in 1994-6, albeit with a strong recovery immediately thereafter. Over the last five years there has been a gradual upward trend in completions, but they have not matched the peak performance of 1548 in 2001/2.

Figure 3.22: Housing Completions, 1991 – 2007

Source: WSCC Monitoring

3.80 Figure 3.23 provides an analysis for five year periods over the last 15 years. It indicates a long-term upward trend in development in each district and across Coastal West Sussex; but shows that levels of housebuilding in Chichester over the 2001-6 period falling below levels in the previous period between 1996-2000.

Figure 3.23: Housing Completions by Five Year Period

	1991-1996	1996-2001	2001-06
Adur	476	524	559
Arun	2433	2571	2685
Chichester	2044	2712	2481
Worthing	755	831	1200
Coastal Housing Market	5708	6685	6925

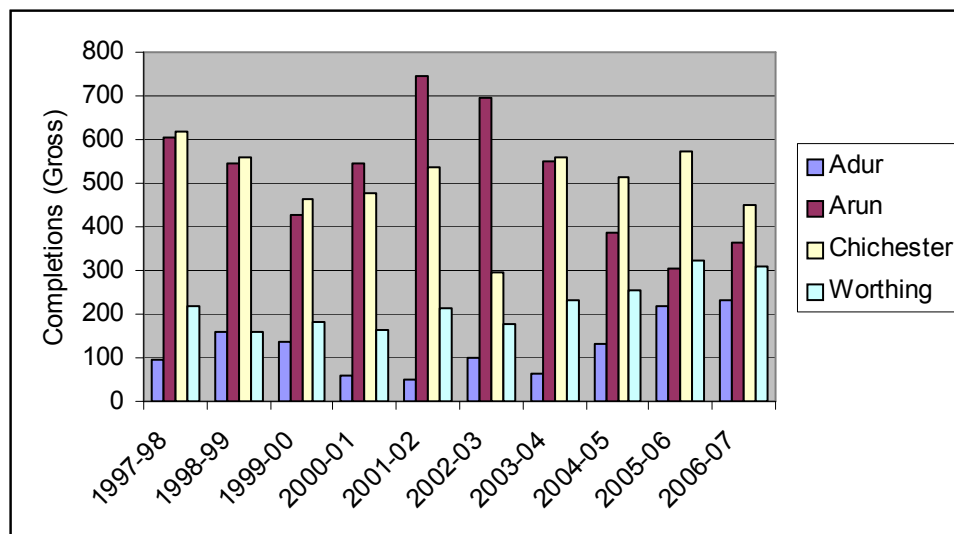
Source: WSCC Monitoring

3.81 The largest level of housing growth has been in Arun has however seen the most completions overall, with 7,689 new homes built in the last 15 years.

3.82 It is instructive to compare completions to current targets at a local authority level. Comparing to the housing requirements set out in the West Sussex Structure Plan, annual housing delivery per annum for the 2001-2 to 2006-7 period averages 92% of targets across Coastal West Sussex. Adur has been delivering at an above-target rate (114%, 132 pa). Chichester has delivered 489 homes per annum equating to 95% of the housing requirement; with Arun at 88% (508 pa) and Worthing 87% (252 pa).

- 3.83 It is also instructive to compare performance since 2001 against the final South East Plan targets. Across Coastal West Sussex the annual average of 1380 homes delivered represents 113% of the annualised requirement in the draft South East Plan and 102% of the requirement put forward in the final South East Plan (excluding Shoreham Harbour SDA).
- 3.84 Each of the four local authorities has been performing strongly relative to targets set out in the draft South East Plan with delivery ranging from 101% of the annualised target in Adur to 114% in Chichester and 126% in Worthing. Compared to the final South East Plan, housing delivery still remains above target in Chichester (102%) and Worthing (126%) as well as in Adur (126%), but falls below target in Arun (90%).
- 3.85 Figure 3.24 looks in more detail at the last decade, exploring trends on a local authority basis over the last decade. Over the observed time period Arun and Chichester produced the largest quantity of housing (>5000 dwellings each). Adur has produced the smallest quantity of housing (1242, 9%).
- 3.86 We have seen an upward trend in housing completions in Adur and Worthing since 2000/1. In contrast there has been a general downward trend in development in Arun since 2001/2. Completions in Chichester District have remained relatively consistent, except for a notable dip in 2002/3.

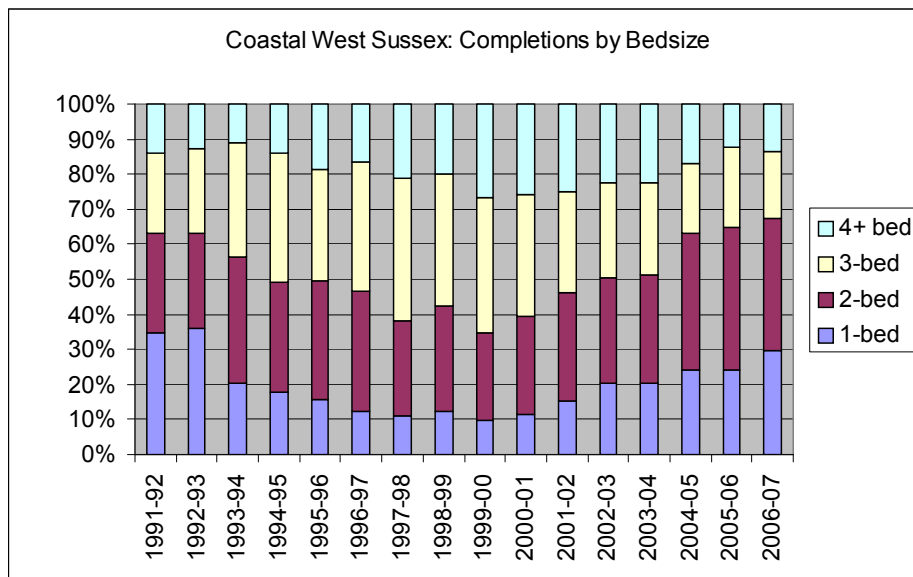
Figure 3.24: Housing Completions by District, 1997/8 – 2006/7



Source: WSCC Monitoring

3.87 Figure 3.25 considers rates of housing completions for different sizes of dwellings. In 1992/3 63% of completions were of one and two-bed properties. This then declines to 35% in 1999/00 but has since grown year-on-year to 67% of total completions in 2006/7. The level of construction of three or more bedroom homes has correspondingly declined from two-thirds to one-third of total housebuilding over the last seven years.

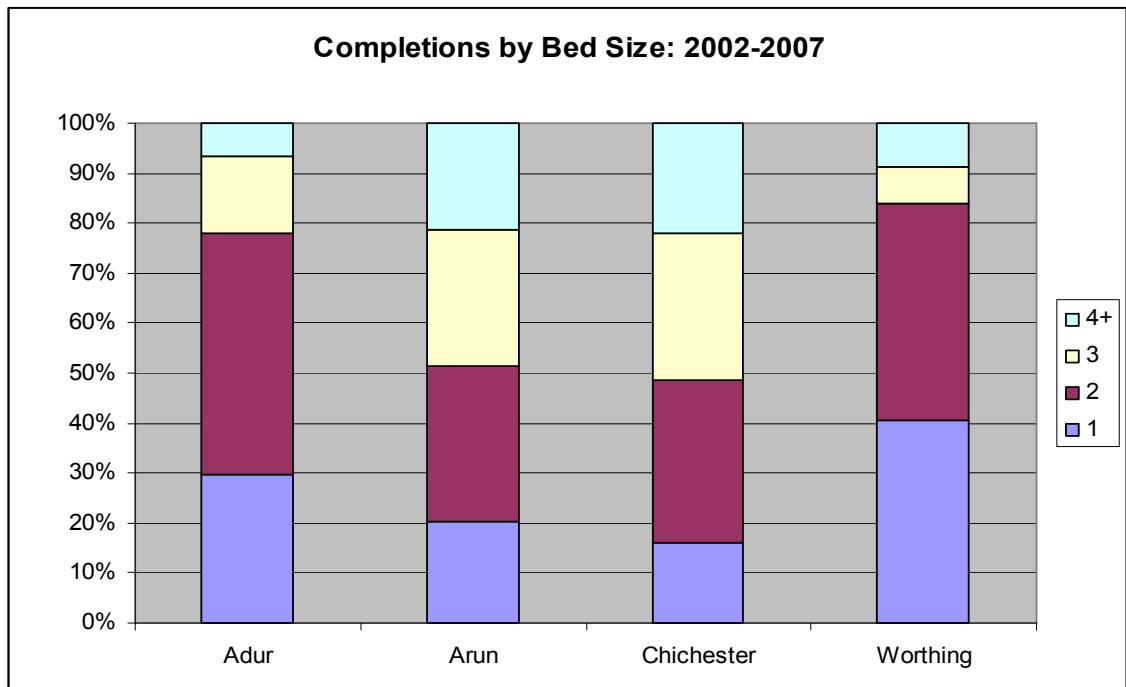
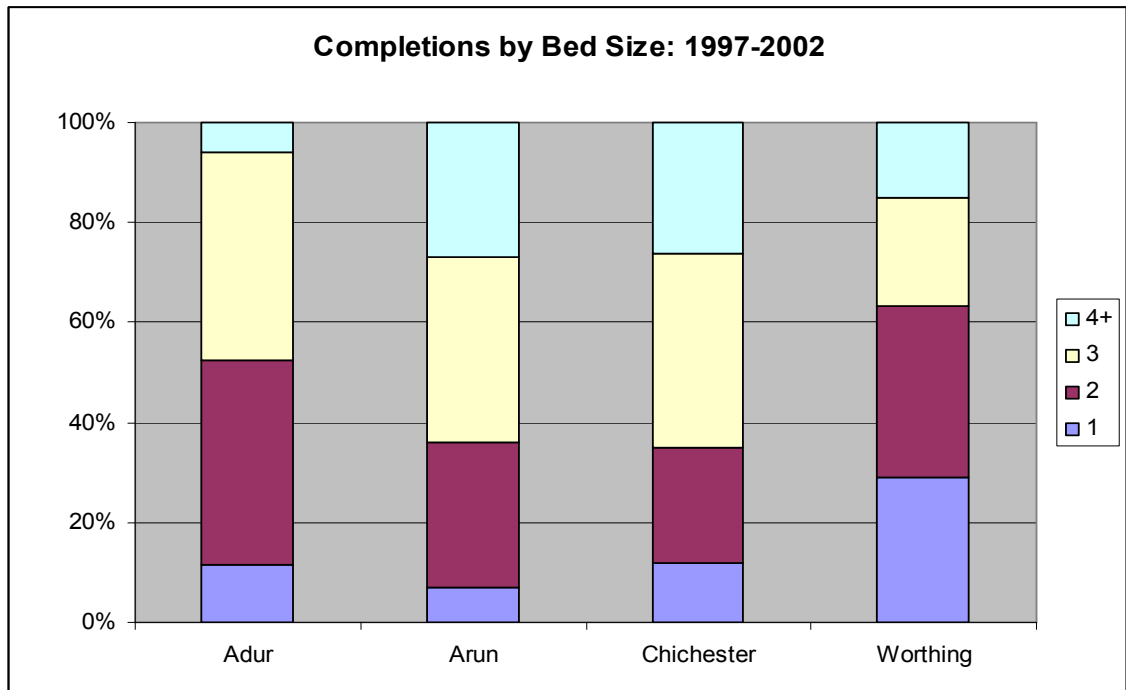
Figure 3.25: Completions by Bed Size, 1991 – 2007



Source: WSCC Monitoring

3.88 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 that a shift towards construction of one and two-bedroom properties is a trend in each of the four districts, but the shift has been most substantial in Adur and Worthing with 78% and 84% of new homes respectively being one or two-bedroom properties over the last five years.

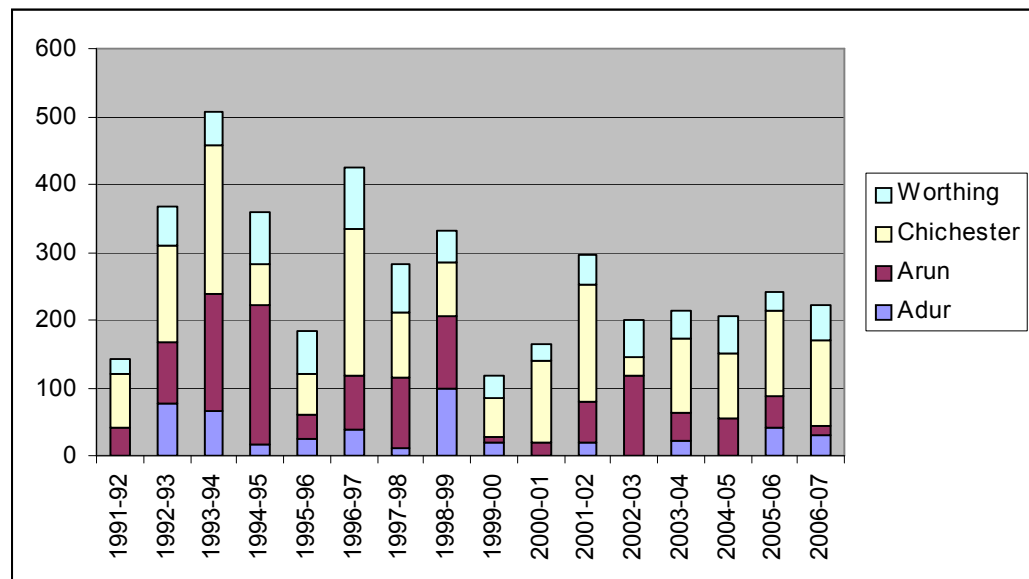
Figure 3.26: Completions, 1997 – 2002 and 2002 – 2007



Source: WSCC Monitoring

- 3.89 In Arun and Chichester Districts, larger homes with three or more bedrooms accounted for about half of the new dwellings completed 2002-2007. In Arun the proportion of new properties with four or more bedrooms has though fallen from 27% to 21%; with the proportion of three beds falling from 37% to 27%. In Chichester District, construction of three-bed properties has fallen from 39% in 1997-2002 to 29% in 2002-2007, but the proportion of properties built with four or more bedrooms has only fallen slightly from 26% to 22%.
- 3.90 Over the last decade about 17% of new housing completions have been of social housing provision, albeit that this varies from 11% in Arun to 19-20% in the other districts. Looking more specifically at the last five years, Chichester and Worthing have achieved about 20% affordable housing delivery compared to 12% in Arun and Adur.
- 3.91 We have seen a gradual upward trend in social housing completions over the last five years in absolute terms, but completions level remain notably below those achieved in the 1990s.

Figure 3.27: Social Housing Completions



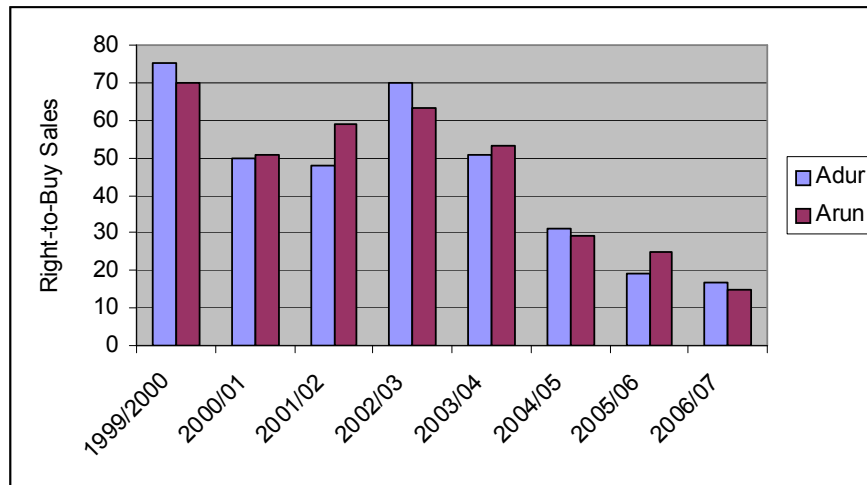
Source: WSCC Monitoring

RIGHT TO BUY SALES

- 3.92 Worthing Borough and Chichester District have both undergone stock transfer; transferring the Council's housing stock to a Registered Social Landlord. Figure 3.28 indicates trends in right-to-buy sales since 2001/2. 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. Sales levels in Chichester and Worthing are to the Councils' pre stock transfer tenants.

Figure 3.28: Right-to-Buy Sales in Adur and Arun



Source: CLG

- 3.93 Compared to levels in 1998/9, right-to-buy sales have dropped by 65% in Adur and 71% in Arun. In the other two districts, sales levels have also fallen but are influenced by the transfer of stock.

HOUSING TRAJECTORY

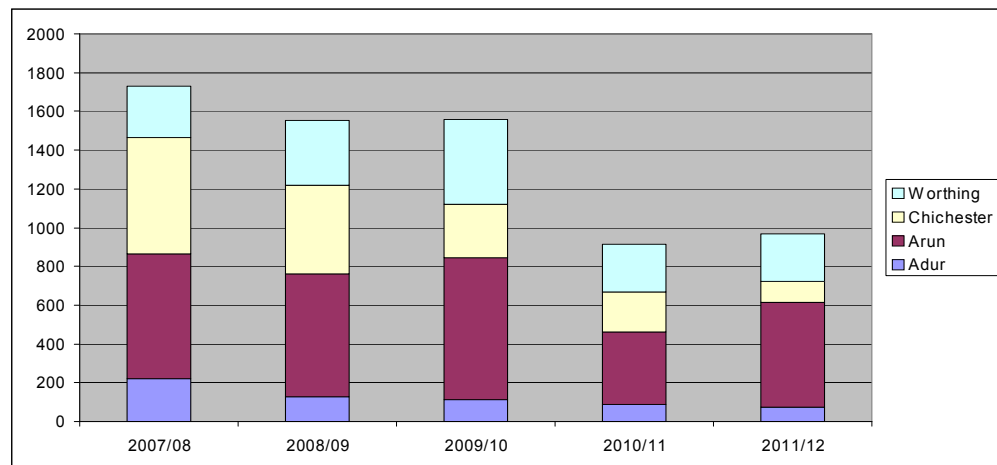
- 3.94 Across the Coastal West Sussex Housing Market there are 239 hectares of potential residential land available for development, 24% of the committed units were already under construction in April 2007, with a further 57% on sites with planning permission.
- 3.95 The total 239 hectares represents 37% of the total residential land supply in West Sussex. In terms of distribution, 39% is in Arun District, 37% in Chichester District with 20% in Worthing and 5% in Adur.

Figure 3.29: Housing Land Supply, April 2007

District	Started		Permitted		Available		Total commitment	
	Units	Hectares	Units	Hectares	Units	Hectares	Units	Hectares
Adur	176	4.10	170	3.50	130	3.60	476	11.20
Arun	721	13.40	2791	79.37	0	0.00	3512	92.77
Chichester	810	24.93	1211	59.21	79	3.27	2100	87.41
Worthing	324	4.44	719	10.41	1389	32.70	2432	47.55
Coastal West Sussex	2031	46.87	4891	152.49	1598	39.57	8520	238.93
West Sussex	3566	89.89	8353	255.2	11968	298.26	23887	643.35

Source: WSCC Monitoring

- 3.96 The 239 Ha of land provide capacity for an estimated 8,520 dwellings, suggesting an average density of 36 dph (in comparison to 38 dph in the Northern West Sussex Housing Market). Based on current (RSS Panel) housing targets this represents a notional 6 year supply.

Figure 3.30: Housing Trajectory 2007/8 – 2011/12

Source: Local Authority Annual Monitoring Returns/ WSCC/ GVA Grimley

- 3.97 Figure 3.30 above provides a housing trajectory, setting out levels of expected housing delivery over the next five years compared with housing targets (based on Government's Proposed Changes figures). Our analysis excludes any allowance for likely completions on unidentified sites emerging after 1st April 2007.
- 3.98 While housing delivery across the Housing Market has been strong to-date relative to RSS housing targets, compared to the Government's proposed figures it is currently expected that delivery will fall back in 2010/11 before recovering somewhat in 2011/12. Clearly there are a number of further 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 in the short term. However, it is likely that completions will be delayed rather than lost, with construction rates picking up again when the current market difficulties have resolved.

Key Messages: The Housing Offer

- The Coastal West Sussex Housing Market contains 194,400 dwellings of which the vast majority (89%) are in private sector ownership. The social sector is relatively small, ranging from below 10% in Worthing and Adur to 15% in Chichester.
- Within the market sector, owner occupation is above average (77% in 2001) and a high proportion of households (39%) own their homes outright. Private renting is below average overall (8% in 2001) but higher in the main towns. We would expect this sector to have grown in size since 2001.
- Two and three-bedroom properties (4-6 roomed dwellings) are the most abundant housing, being around 68% of all households. The market is characterised by an above average proportion of smaller properties along the South Coast, but with a higher proportion of larger 4+ bed properties (7+ rooms) in Chichester District. Detached housing and bungalows are the most prevalent house type (31%) although levels of flats and maisonettes (22%) are above average. Flats are most prevalent in Worthing (32%) which may partly be borne out in higher levels of overcrowding (7.1%).
- Assessing the housing mix in surrounding areas, we consider that the availability of larger family housing attracts households from the PUSH area (particularly for 4+ bed properties) and from Brighton and Hove (in which an estimated 52% properties have 1 or 2 bedrooms).
- Despite the bias of the housing offer towards smaller properties, 77% of the housing stock is under-occupied which is above wider benchmarks. There may be some opportunities to release supply of family housing by providing better housing choices and support, particularly for older people. Vacancy levels (2%) offer little opportunity to better use existing stock.
- Affordability issues are significant across the market and reflect a combination of market conditions, a low earnings bias and a small existing social sector. Over the last five years the social sector, comprising 22,300 properties, has remained relatively stable in size. Levels of social housebuilding (17% of completions 1997-2007) have compensated for losses through right-to-buy sales. Across all authorities a low proportion of social properties have 4 or more bedrooms.
- Second home ownership is notably higher at 1.5% of homes compared to 0.7% across the South East. It is highest in Chichester and Arun Districts.
- Levels of housebuilding have been relatively consistent at around 1300 homes per annum since the early 1990s. Since 2000/1 we have seen an upward trend in delivery in Adur and Worthing, with a downward trend in Arun since 2001/2. Delivery has been strong relative to South East Plan targets: 8280 homes have been delivered since 2001 which represents 113% of the draft South East Plan requirement (annualised) and 97% of the minimum required recommended by the Panel Report. Adur has though performed less well.
- We have seen notable shifts in delivery of different sizes of homes. In 1992/3 63% of completions were of one and two-bed properties. This then declined to 35% in 1990/0 but has since grown year on year to 67% of total completions in 2006/7. The shift towards construction of smaller properties in recent years is a trend across the four local authorities, but has been most substantial in Adur and Worthing where 78% and 84% of new homes respectively have been one or two-bed properties. This shift is likely to reflect a combination of factors including trends in household size, affordability pressures and density policies. We need to consider as we move forward what a suitable mix of properties is to support the local economy and sustainable, mixed communities and what this means for the location and size of sites.
- Identified sites provide capacity for an estimated 8,520 dwellings representing a notional 6 years supply based on past build-out rates. Housing trajectories (before the impact of the market downturn is accounted for) indicated an expected drop-off in delivery in 2010 and 2011 indicating short-term challenges to maintaining delivery momentum.

4. ACTIVE MARKET

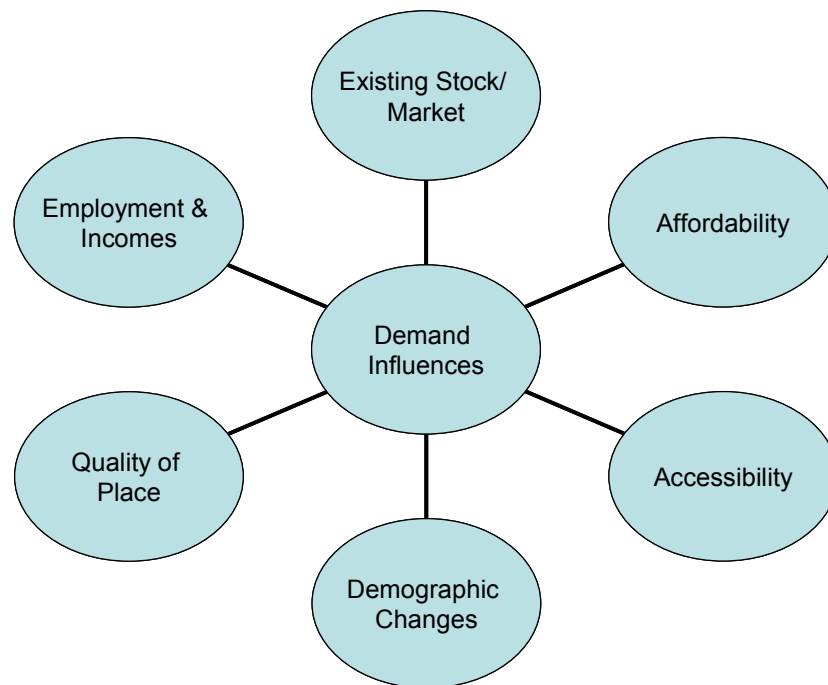
4.1 One of the key recommendations of the Barker Review of Housing Supply (Barker, 2004) was that the planning system needed to be more responsive to market signals. This section reviews the performance of the housing market. It considers what market signals, including house prices and affordability, 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

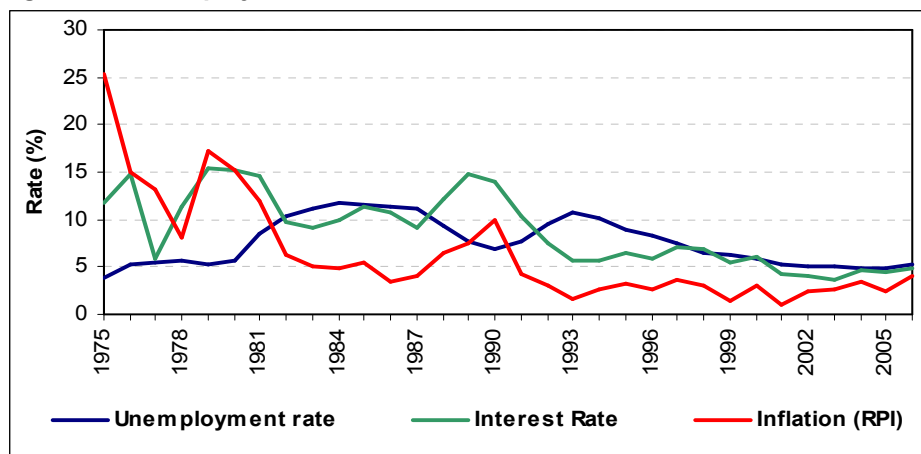


- 4.4 Housing demand is influenced by levels of new household formation and by migration movements. New household formation is influenced by the local population structure. It is also influenced by the availability and affordability of suitable housing. There is a close inter-relationship between housing 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 has 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 has supported strong performance of the housing market.

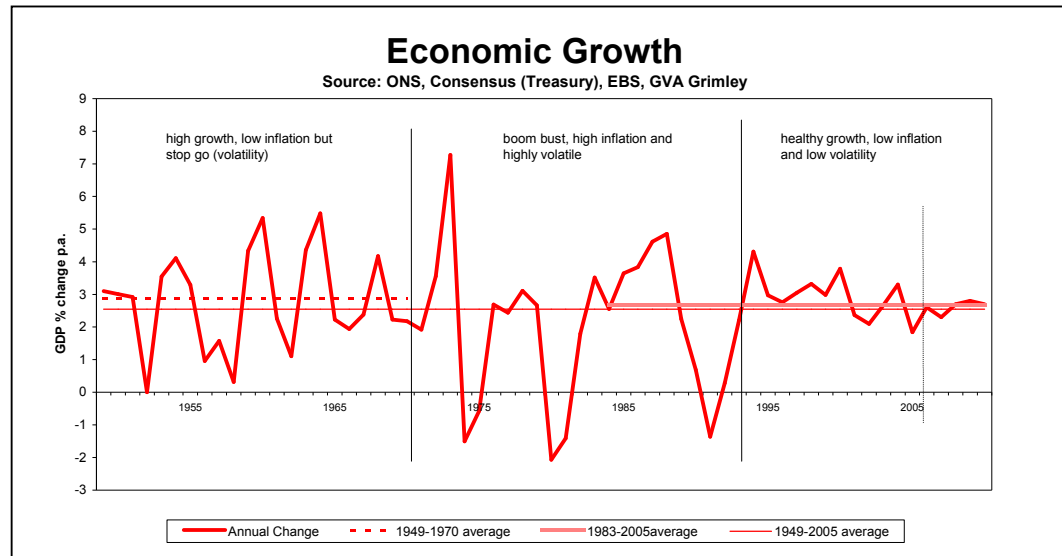
Figure 4.2: Unemployment, Interest rates and Inflation 1975 – 2006



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).

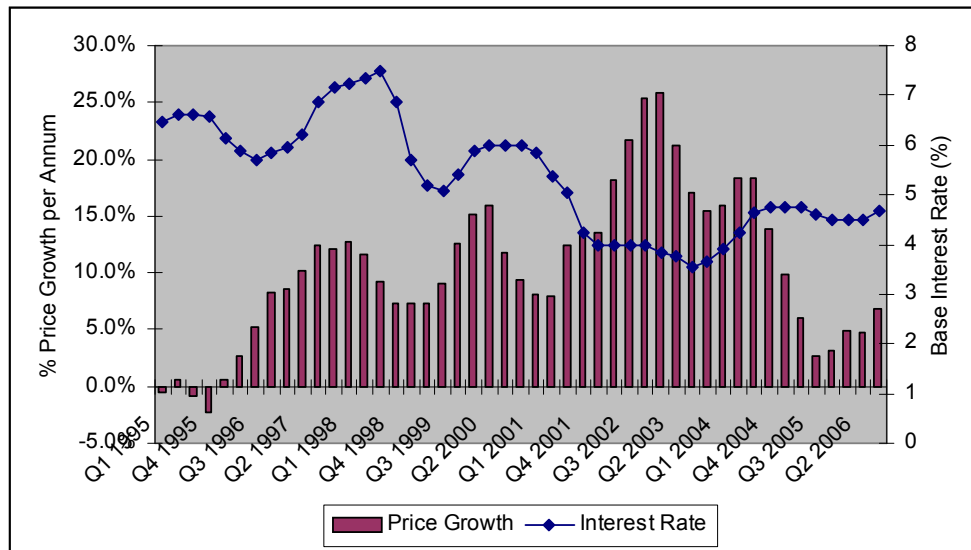
Figure 4.3: Historic Trends in GDP Growth



- 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. 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 supported continued market confidence, have made home ownership accessible to 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 had 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 inaffordability 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 six months to a 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 in 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 economic recession is due to continue 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 banks willingness to lend to each other.
- 4.24 This change in lender behaviour has been further compounded by the increased scrutiny of lending practices now taking place from organisations such as the Financial Services Authority and the Royal Institute of Chartered Surveyors.

- 4.25 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.
- 4.26 The inaffordability 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.
- 4.27 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.
- 4.28 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, and lending and valuation practices.
- 4.29 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.
- 4.30 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;⁵
 - 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);

⁵ House Builders Federation Housing Market Report January 2008

- Forward order books amongst the major listed developers are falling; Bellway by 10-15%, Taylor Wimpey by 26%, Redrow by 27%, Persimmon by 24%.⁶
- 4.31 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.
- 4.32 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.
- 4.33 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.

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 re-mortgage. 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

- 4.34 In this section we review the longer-term performance of the housing market in West Sussex and the Coastal Housing Market more specifically.

⁶ Q2 2008 Reports

- 4.35 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 by a significant decline.
- 4.36 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.
- 4.37 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 as this is not influenced by the stock mix.

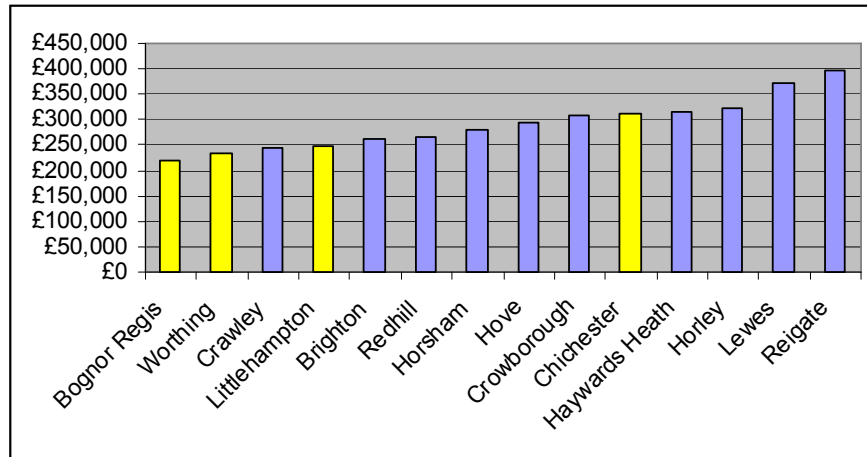
Figure 4.5: Average House Prices and House Price Growth, Postal Towns

	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

- 4.38 As Figure 4.7 shows, house prices in Coastal West Sussex are below the South East average except in Chichester where they are 21% above it. They have though grown comparatively strongly in all cases over the last five years and indeed over the shorter-term between 2006/7.
- 4.39 As Figure 4 5 indicates, over the last decade the main towns have witnessed similar rates of price growth of between 213-226%. Over the last five years and indeed the last year, Chichester has performed strongest.
- 4.40 Relative prices in the towns along the South Coast offer are notably cheaper than other areas in West Sussex and surrounding areas.

Figure 4.6: Average House Prices, 2007

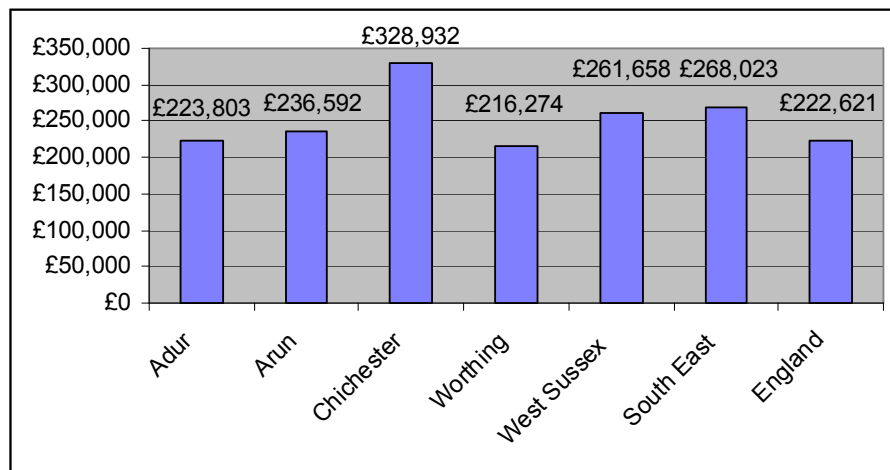


Source: Halifax House Price Index

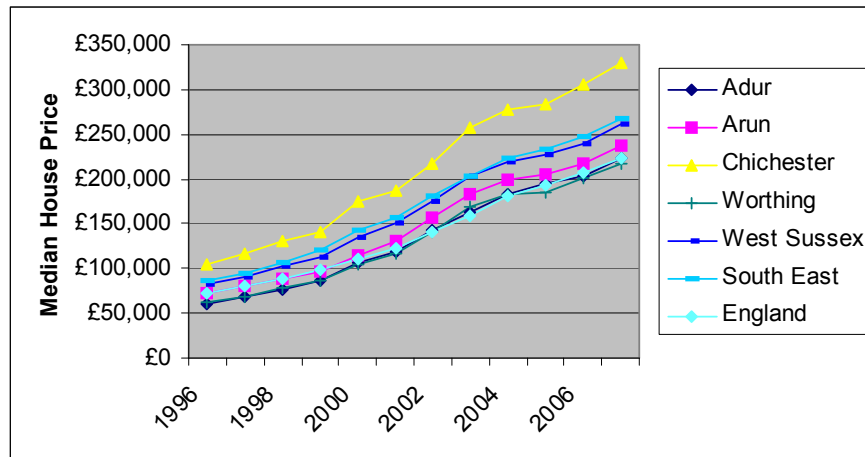
4.41 HM Land Registry provides data on mean and median house prices and sales volumes for all properties sold in an area, and allows sub-division into different types of property. We use this to provide an analysis of house prices and house price change at a district level.

4.42 Figure 4.7 profiles median house prices. It indicates that at a district level, Chichester District has notably higher average house prices than in the other local authorities at £329,000. Prices in the other local authorities range from £216,300 in Worthing (-19% below the regional average) to £236,600 in Arun (-12% below the regional average).

Figure 4.7: Median House Prices, 2007



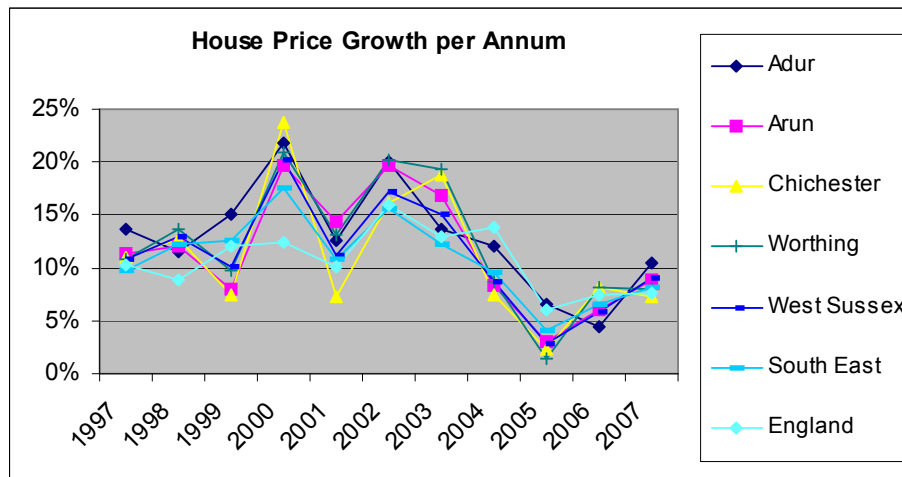
Source: HMLR

Figure 4.8: House Price Trends, 1997 – 2007

Source: HMLR

- 4.43 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 Adur and Worthing has closely tracked the national average, with Arun performing slightly better since 2000. Growth in Chichester has been more substantial in absolute terms than both the region and the country as a whole.
- 4.44 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 in most years 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. Price growth in Chichester has been more significantly affected by downturns in performance.

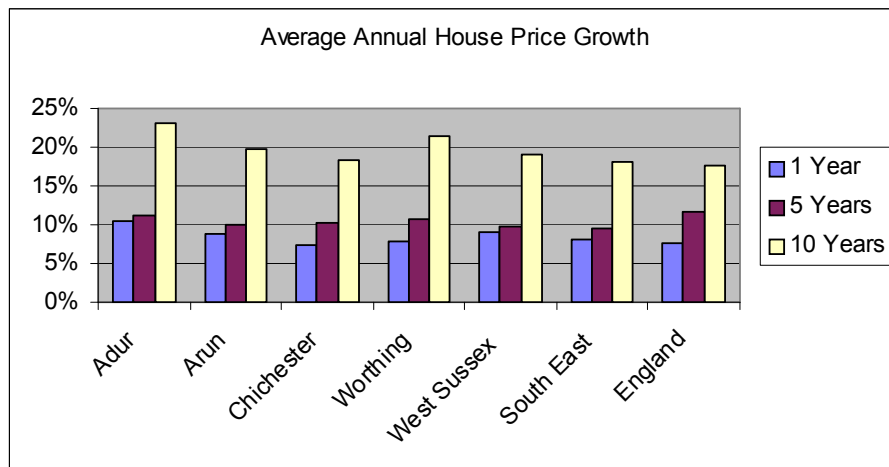
Figure 4.9: Annual House Price Inflation



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

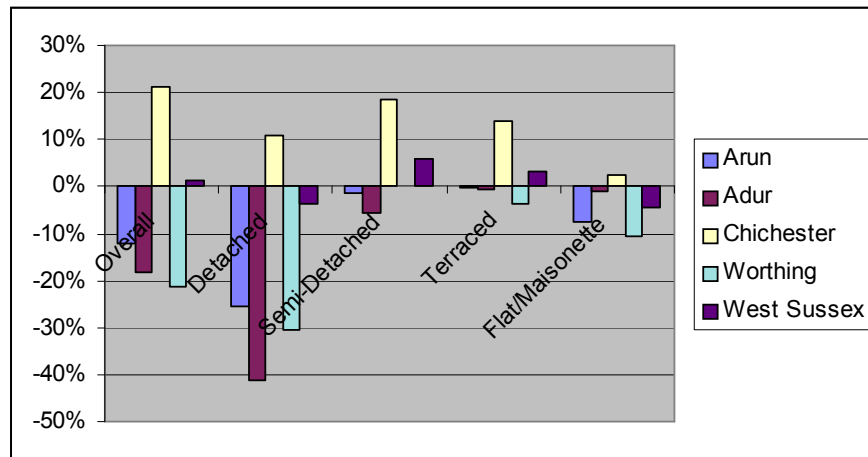
- 4.46 Relative to the County (and hence to the Northern West Sussex Housing Market) the market has performed more strongly in Coastal West Sussex over the last five years, but less well over the last year (2006/7).
- 4.47 Over the last ten years, Adur has witnessed the strongest proportional growth in house prices (23% annualised), marginally above levels in Arun (20%) and Worthing (21%) and the region as a whole (18%). In the last five years the four authorities have witnessed similar growth of 10-11%. Between 2006-07, it was again Adur that saw the strongest growth (11%) and Chichester the weakest (7%).
- 4.48 We next consider relative house prices and rates of price growth for different types of properties across the Housing Market Area.
- 4.49 Relative to the regional average and the other districts, prices for houses in Chichester District are above average across house types, but particularly for semi-detached (19%), terraced (14%) and detached (11%) housing. There is a particular price premium for detached and semi-detached housing. In relative terms, demand is strong.
- 4.50 The strongest growth in prices in Chichester District has been for semi-detached housing (62%) over the last five years, followed by detached housing (39%). There has been relatively limited growth in prices of flats (9%) although current values are above the regional average and other areas. We would expect the market for flats to be particularly within the City which is focus for employment.

Figure 4.11: Average House Prices by Type, Q1 2008

Q1 2008	Overall	Detached	Semi-Detached	Terraced	Flat/Maisonette
Arun	£235,208	£361,187	£244,460	£206,271	£157,372
Adur	£222,799	£320,630	£235,150	£205,440	£167,477
Chichester	£335,225	£508,488	£304,383	£239,848	£173,710
Worthing	£217,674	£347,072	£248,648	£199,166	£153,298
West Sussex	£267,392	£436,335	£263,335	£213,555	£161,891
South East	£263,740	£452,795	£247,918	£206,767	£169,248

Source: HMLR

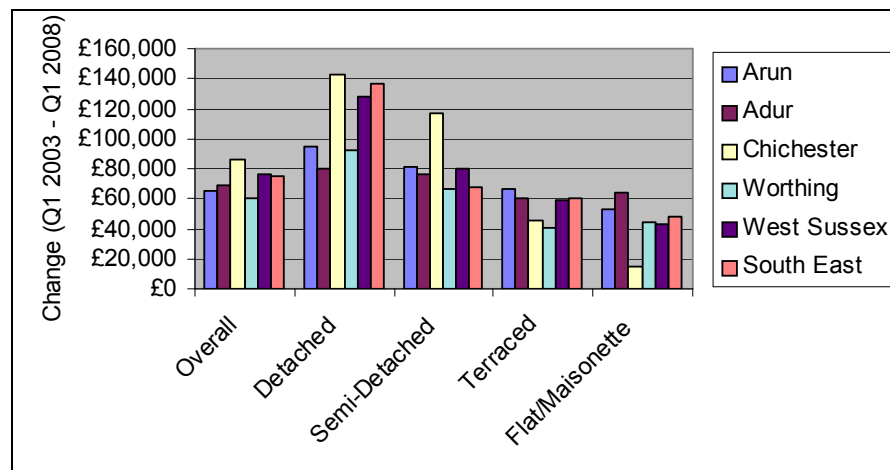
- 4.51 In Arun, Adur and Worthing overall prices are below average and this is particularly the case for detached housing. The market for detached housing appears less strong.
- 4.52 Values of semi-detached and terraced housing in Arun District are consistent with South East averages, but relative prices are notably lower for detached housing (-25%) and flats (- 8%). Price growth has been strongest for semi-detached housing and flats (c. 50%) followed by terraced housing (47%).

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

Differentials	Overall	Detached	Semi-Detached	Terraced	Flat/Maisonette
Arun	-12%	-25%	-1%	0%	-8%
Adur	-18%	-41%	-5%	-1%	-1%
Chichester	21%	11%	19%	14%	3%
Worthing	-21%	-30%	0%	-4%	-10%
West Sussex	1%	-4%	6%	3%	-5%

Source: HMLR/ GVA Grimley

- 4.53 Prices in Adur are below the regional average across house types but only marginally for terraced housing and flats (-1%) and semi-detached housing (-5%). The differential is significantly greater for detached properties (-41%). The strongest price growth has been for flats (63%) with semi-detached price growth also above average for the region (48%). Again price growth for detached properties has been more subdued.
- 4.54 While values of semi-detached and detached properties in Worthing are above those in Adur, they are lower for terraced properties and flats. In all cases values are below average for the region. Price growth has been strongest for flats/maisonettes in proportional terms, although in absolute terms growth has been stronger for detached and semi-detached properties.
- 4.55 Overall, price signals hence suggest relatively stronger demand in Chichester District. In Arun, Adur and Worthing it suggests a strong demand for mid-market terraced and semi-detached homes than for larger detached housing. It should be noted however that this may be influenced by the type and quality of existing provision. Demand for flats has grown strongly over the last five years in Adur and Arun particularly as well as Worthing.

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

Change	Overall	Detached	Semi-Detached	Terraced	Flat/Maisonette
Arun	£65,261	£95,212	£81,802	£66,171	£52,842
Adur	£69,320	£79,950	£76,114	£59,757	£64,437
Chichester	£86,513	£142,877	£117,061	£45,760	£14,879
Worthing	£60,089	£92,887	£66,521	£40,704	£44,712
West Sussex	£76,046	£128,212	£80,440	£59,445	£42,709
South East	£74,558	£136,856	£67,704	£60,085	£48,065

Source: HM Land Registry

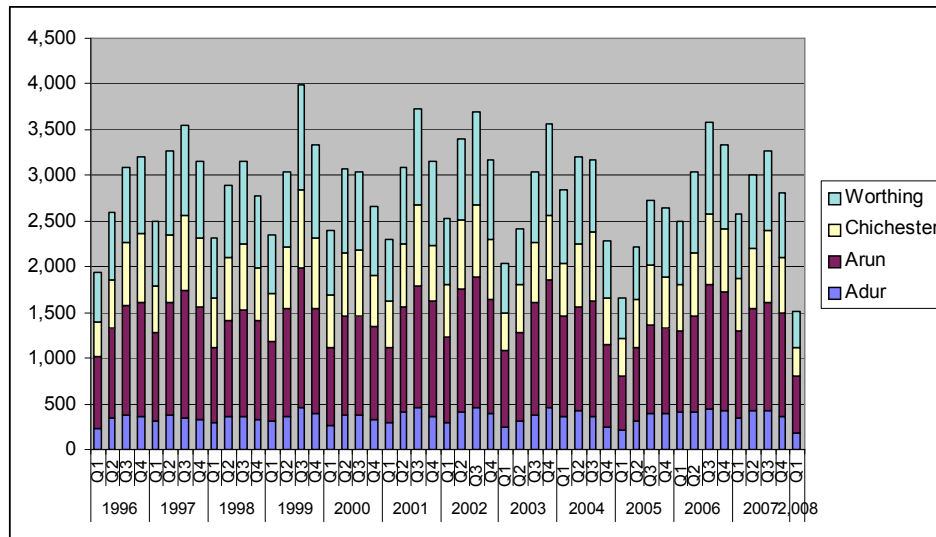
- 4.56 It is appropriate to note at this point that the while the market for flatted schemes has performed very strongly over the last few years (as demonstrated in the price performance), this has been supported by an investment market alongside occupier demand. The flatted market is an area which is 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.

SALES TRENDS

- 4.57 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 since mid 2007.
- 4.58 The short-term picture is particularly gloomy. Sales in Q1 2008 in the Coastal West Sussex Housing Market were -46% down on previous quarter and -42% down on same quarter the

previous year. Indeed sales in Q1 2008 were the lowest recorded since 1996, and a significant -9% below level in previous low point in Q1 2005.

Figure 4.14: Sales Trends, 1997 – Q1 2008



Source: HMLR

MARKET PERCEPTIONS

- 4.59 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.
- 4.60 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.
- 4.61 In our view, it is possible to segment the market with different dynamics at play for in the purchase market for housing; for flats; and then in the rental market.
- 4.62 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’.

- 4.63 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 falling 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.
- 4.64 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.
- 4.65 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.
- 4.66 In the sales market, there is a particular current dynamic affecting new-build properties and particularly flats. New build properties, and particularly flats and on large development schemes, are witnessing a particular slowdown in sales. This is linked to a marked retrenchment in demand for one and two-bed properties. It relates particularly to very low and falling levels of first-time buyers and of investment purchases.
- 4.67 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.
- 4.68 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.
- 4.69 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 Chichester District, with median house prices above average for the region. Overall prices remain below average in a regional context.
- Comparative prices for flats have grown relatively strongly in Adur, Arun and Worthing but we consider this market to be particularly sensitive to the market downturn. Adur and Arun have also seen strong growth in prices for semi-detached and terraced housing. Prices across the board are above average in Chichester District with a premium for detached housing. Demand for detached housing in the South Coast authorities appears less strong.
- 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

- 4.70 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.
- 4.71 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.
- 4.72 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

- 4.73 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.
- 4.74 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 Coastal 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 more easily afford to rent in the private rented sector.
- 4.75 In relative terms, rents are higher in Arun and Chichester than average for the region. In Worthing, rental levels are 25% below average for the region. Note that comparable data for Adur District was not available within the Hometrack/Wilcox Report.

Figure 4.15: Private Rents compared with Mortgage Costs, 2006⁷

	Monthly Rent	Monthly Mortgage Cost	Rents as a % of Mortgage Costs
Adur	N/A	£1206	N/A
Arun	£817	£1189	68.7
Chichester	£821	£1414	58.1
Worthing	£590	£1139	51.8
South East	£791	£1233	64.1
England	£697	£1084	64.3

Source: Hometrack/ Wilcox

- 4.76 Figure 4.15 indicates rental costs as a proportion of mortgage costs for similar properties ranged from 52% in Worthing to 68% in Arun, indicating that private renting offers a potential option for many households who cannot afford to purchase suitable property.

INVESTOR INFLUENCE

- 4.77 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.
- 4.78 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

⁷ 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

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.

- 4.79 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 2008. 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.
- 4.80 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 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.
- 4.81 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

- 4.82 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.
- 4.83 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

⁸ ARLA Members Survey of the Buy to Let Sector, Fourth Quarter 2007

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.

- 4.84 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.
- 4.85 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 rural areas.

Dynamics in the Private Rented Sector

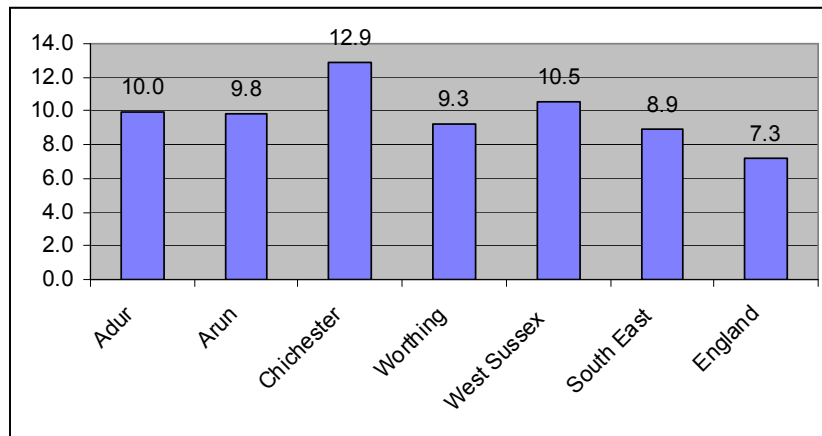
- The private rented sector is traditionally supply driven and there is anecdotal evidence that strong housing market conditions since 2001 have supported growth in the size of the sector with landlords buying both cheaper terraced properties and new-build flats. There is a rental market in the main towns in each District.
- Rental costs are above average for the region in Arun and Chichester, but represent 52-68% 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

- 4.86 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.

- 4.87 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.
- 4.88 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 Coastal West Sussex Housing Market than in the South East as a whole. In Chichester District, entry level housing costs are thirteen times nominal earnings of entry-level households.

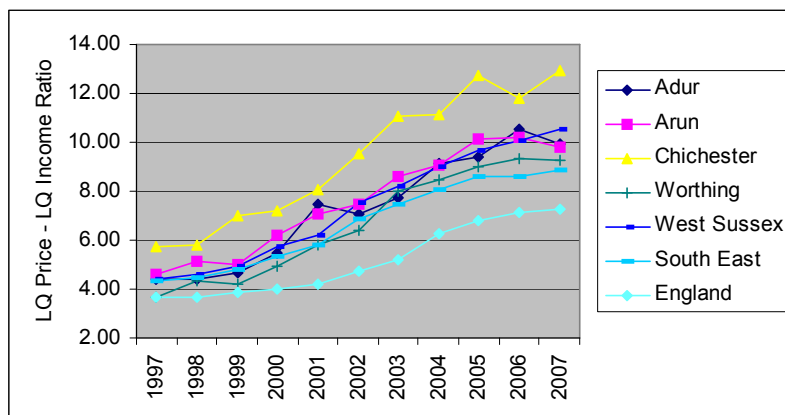
Figure 4.16: Lowest Quartile Incomes-House Prices Ratio, 2007



Source: CLG

- 4.89 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 but particularly in Chichester District.

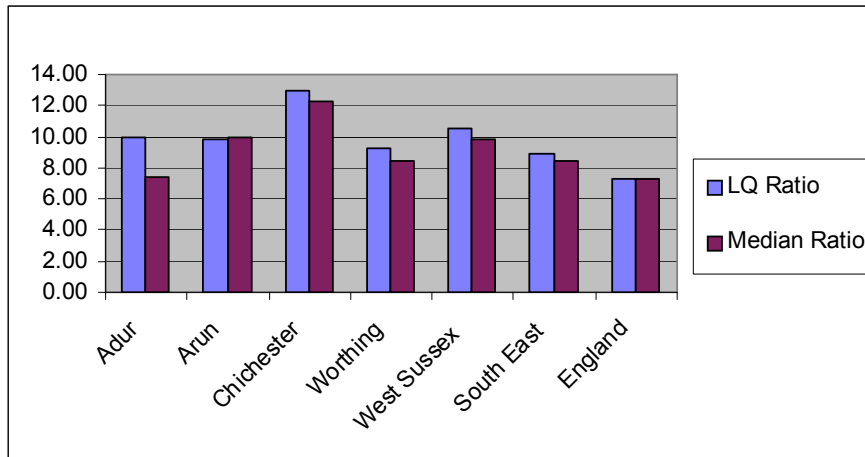
Figure 4.17: Lowest Quartile Price to Income Ratio 1997 – 2007



Source CLG

4.90 Figure 4.18 compares the ratios of median prices to incomes as against lower quartile prices to incomes. In Adur, Chichester and Worthing, the lower quartile ratio is higher indicating entry-level housing is relatively less affordable.

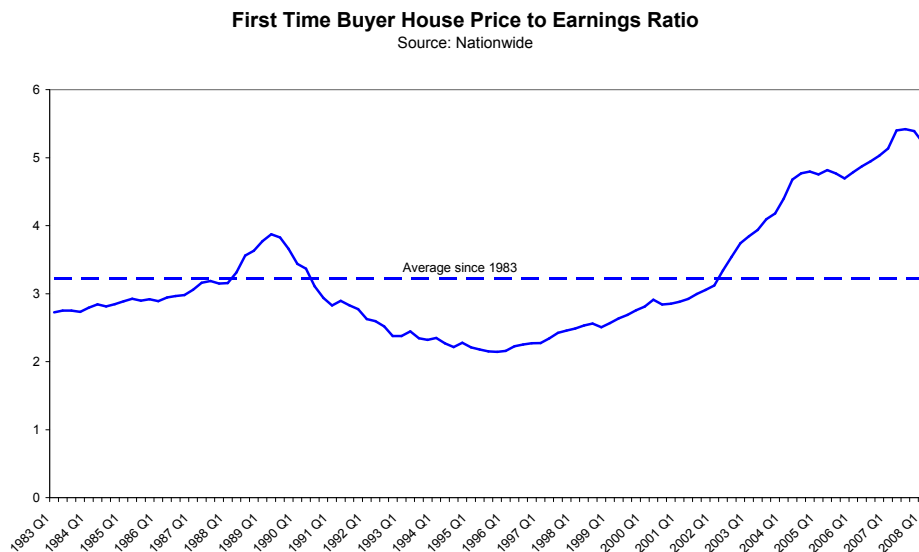
Figure 4.18: Lower Quartile and Median House Price to Income Ratios, 2007



Source CLG

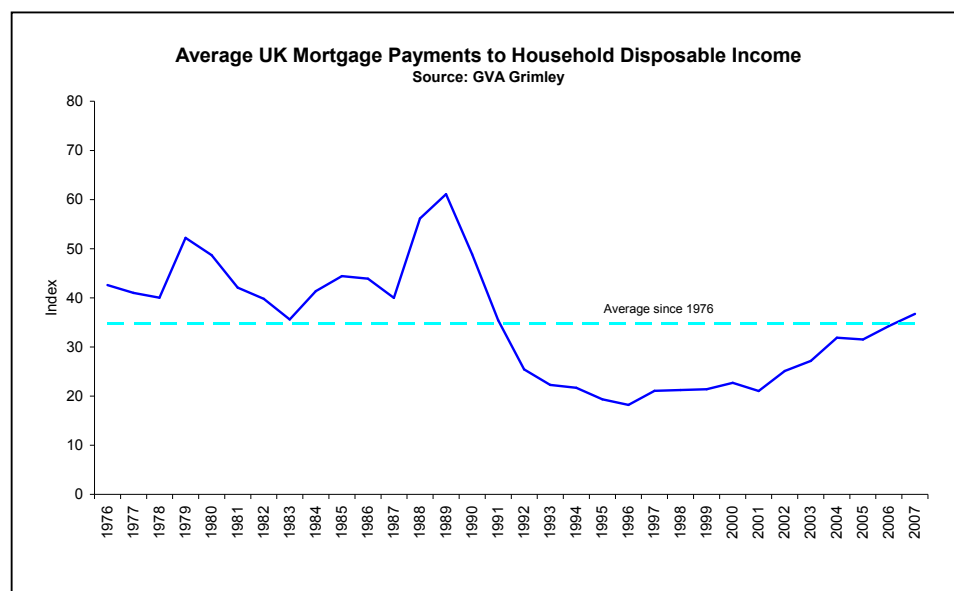
4.91 If we look at house prices to earnings ratios in a longer-term context, it is clear that they climbed steeply during the late 1990s and early 2000s and by the end of 2003, had reached a historically high level throughout most of the UK. They have since continued to rise to a peak in Q1 of 2007 with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

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



- 4.92 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 prices to payments rather than earnings.
- 4.93 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



- 4.94 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 Worthing to thirteen in Chichester District.
- Rising price-income ratios have 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 though has been in the retrenchment in the availability and financial accessibility 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 Coastal Housing Market and how this has changed over the last ten years.

POPULATION

- 5.2 The estimated population of the Coastal West Sussex Housing Market Area in mid 2006 is 413,600 representing 54% of the total population of West Sussex. This compares to a population of 404,404 recorded by the 2001 census. The largest district in the Housing Market Area was Arun (140,759) and the smallest Adur (59, 627).

Figure 5.1: Population of Coastal West Sussex Housing Market

	2001	2006
Adur	59,600	60,300
Arun	140,800	145,700
Chichester	106,500	108,900
Worthing	97,600	98,700
Coastal Housing Market	404,400	413,600
% West Sussex	54%	54%

Source: Nomis Mid-Year Estimates 2006

- 5.3 The majority of the population lives in the urban areas of Shoreham-by-Sea, Lancing, Worthing, Littlehampton, Bognor Regis and Chichester.
- 5.4 The Coastal West Sussex Housing Market had a density of 3.81 persons per hectare in 2005. This is slightly lower than the county as a whole (3.85). 10.3% of the total population lives in rural areas within the Housing Market with another 8.1% in the Urban Fringe (

Figure 5.2). The most densely populated district was Worthing with 30.22 persons per hectare and the most sparsely populated was Chichester at 1.38 persons per hectare.

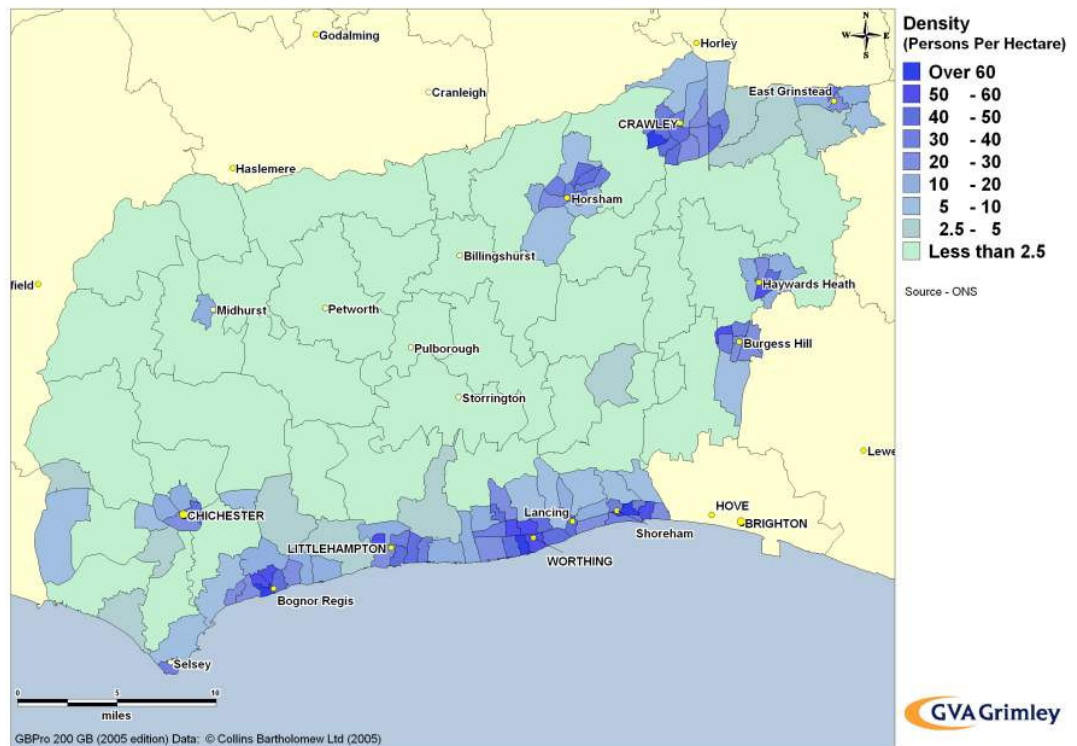
Figure 5.2: Urban Rural Split in Coastal Housing Market Area

District	Rural		Urban		Urban Fringe ⁹	
	#	%	#	%	#	%
Adur	0	0.0	59625	100.0	0	0.0
Arun	0	0.0	135326	96.1	5432	3.9
Chichester	41540	39.0	37609	35.3	27302	25.6
Worthing	0	0.0	97570	100.0	0	0.0
Coastal Housing Market	41540	10.3	330130	81.6	32734	8.1

Source: ONS 2001 Census

5.5 Overall, 35% of the total population across the four districts lives in Arun with, 26.% in Chichester, 24% in Worthing and 15% in Adur District.

Figure 5.3 – Population Density

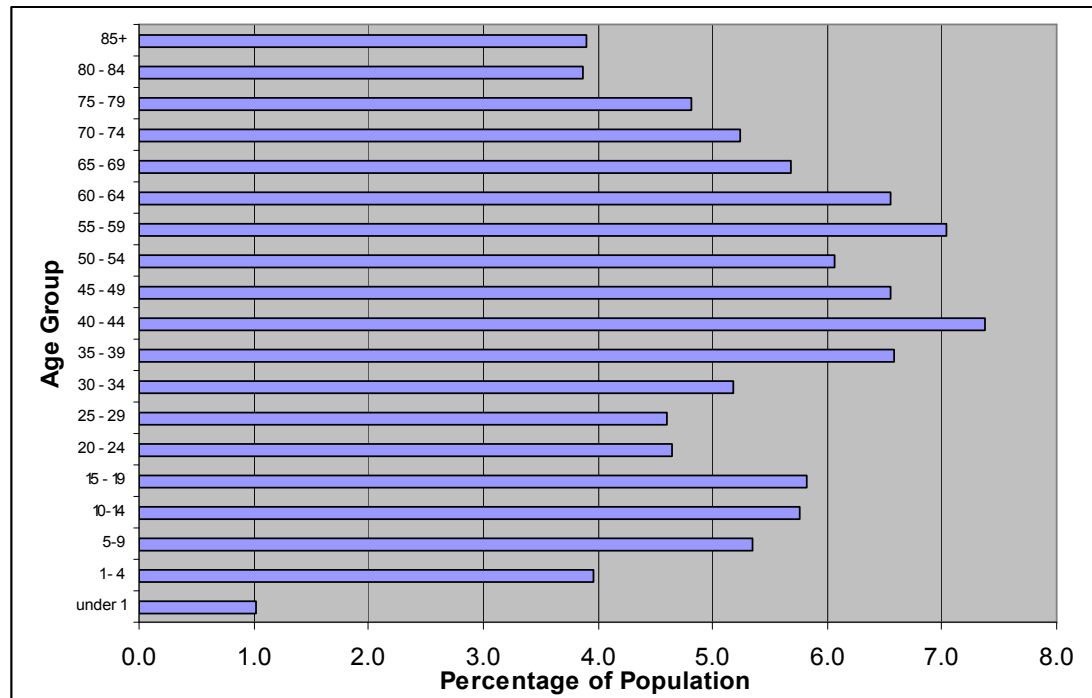


⁹ Urban fringe is defined in the Rural and Urban Areas Classification (ONS, ODP, CA, DEFRA, et al). It uses settlement form and sparsity calculations to identify the urban/rural split at Output and Super Output levels

AGE STRUCTURE

- 5.6 The Coastal West Sussex Housing Market has an older population structure than average: the largest 5 year age groups are those aged 40-44 and 55-59 both of which contribute over 7% to the total population.

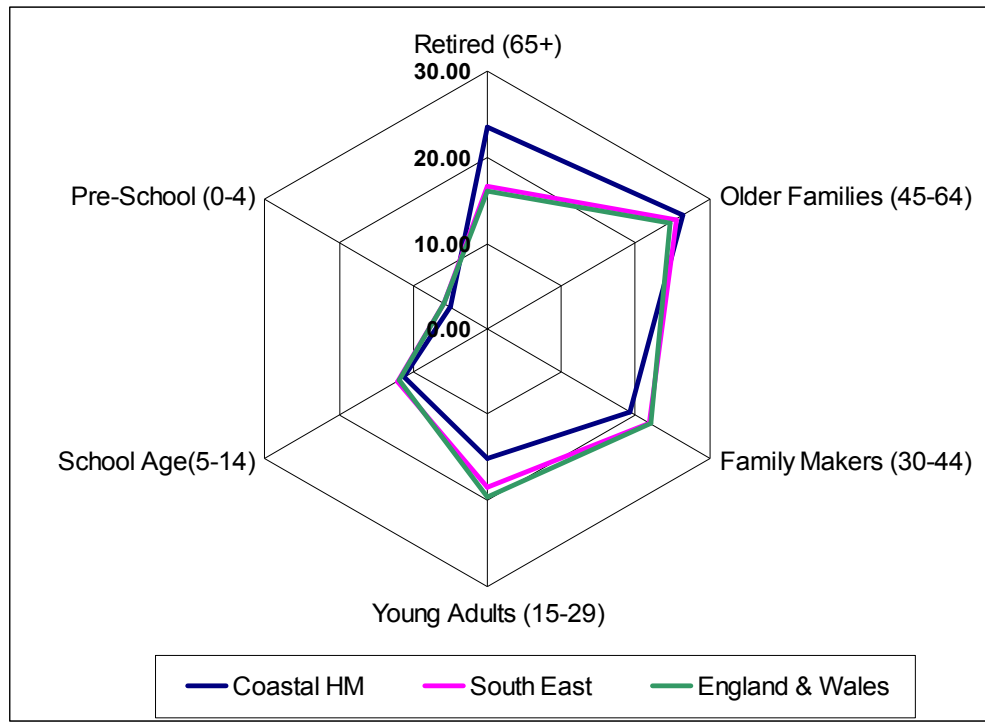
Figure 5.4: Age Structure – Coastal West Sussex Housing Market



Source – ONS Mid-Year Population Estimate 2006

- 5.7 Those of retirement age (65+) account for 23.5% of the population across the Coastal West Sussex Housing Market: significantly exceeding the South East figure of 16.5%. Those aged younger than 44 are under-represented. Young adults aged 15-19 account for 15.1% of the total population in the Coastal Housing Market compared to 18.5% in the South East and 19.6% in England and Wales. A particularly low proportion of the population is aged 20-34 as Figure 5.4 demonstrates.
- 5.8 Rural areas in the Coastal Housing Market have lower levels of elderly population (65+, 19.8%) when compared to the Housing Market's urban areas (24.0%), although the elderly population is still higher than the rest of the South East (16.4%) and compared to rural areas in the Northern West Sussex Housing Market (17.0%). The high proportion of elderly population in urban areas is likely to be concentrated in the coastal towns.

Figure 5.5: Age Structure of West Sussex Coast



Source - ONS Mid-Year Population Estimate 2006

5.9 The rural areas in the Housing Market conversely have higher percentages of both pre-school and school aged children. (18.4% combined compared to 16.7%), although when compared against the South East (18.7%) these figures are slightly lower than normal (Figure 5.6). This we would expect to be partly influenced by the availability of family housing.

5.10 The urban areas of the Housing Market are marked by the high levels of elderly population and a comparatively low working age population. This is particularly the case in the coastal towns. Those aged 15-65 account for 59.3% of the total population in the urban areas compared to 61.8% in the rural areas of the Housing Market, although both fall behind the South East where this age group equates to 65% of the total population.

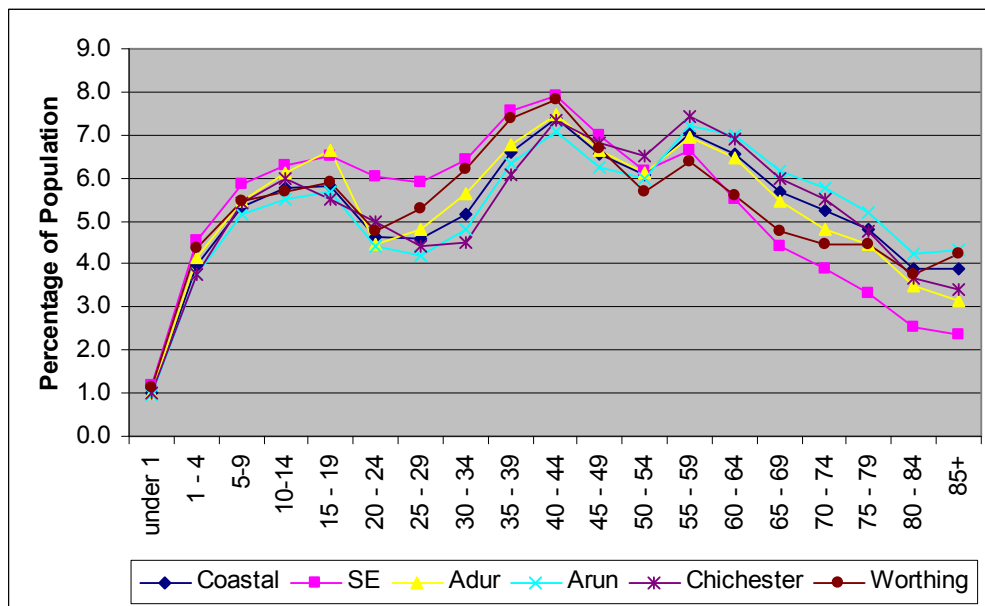
Figure 5.6: Age Structure, Urban - Rural Areas in Coastal Area HMA

	0-4	5-14	15-29	30-44	45-64	+65
Urban	5.2	11.5	15.1	19.9	24.3	24.0
Rural	5.3	13.1	13.6	20.1	28.1	19.8
Urban Fringe	4.4	10.5	12.3	17.3	27.3	28.0
South East	5.9	12.8	18.1	22.6	24.3	16.4

Source: Census 2001

- 5.11 Adur at 21.4% has the lowest levels of elderly population (over 65) in the Coastal West Sussex Housing Market with Arun the highest proportion in each 5-year age group over 65 equating to 25.7% of the district's total population.
- 5.12 Worthing (26.7%) has a substantially higher proportion of its population aged between 25-44 compared to the other districts in the Housing Market area, particularly Chichester (22.3%), although it still falls behind the South East average of 27.8%.

Figure 5.7: Age Structure by 5 Year Age Group, 2006



Source: ONS Mid-Year Population Estimates 2006

ETHNIC COMPOSITION

- 5.13 The Coastal West Sussex Housing Market does not have a particularly diverse population with only 3.6% of the total population in 2005 coming from a Black or minority ethnic background (BME) although this has grown since 2001. The Asian population is the largest BME group in the Coastal Housing Market accounting for 1.3% of the total population.

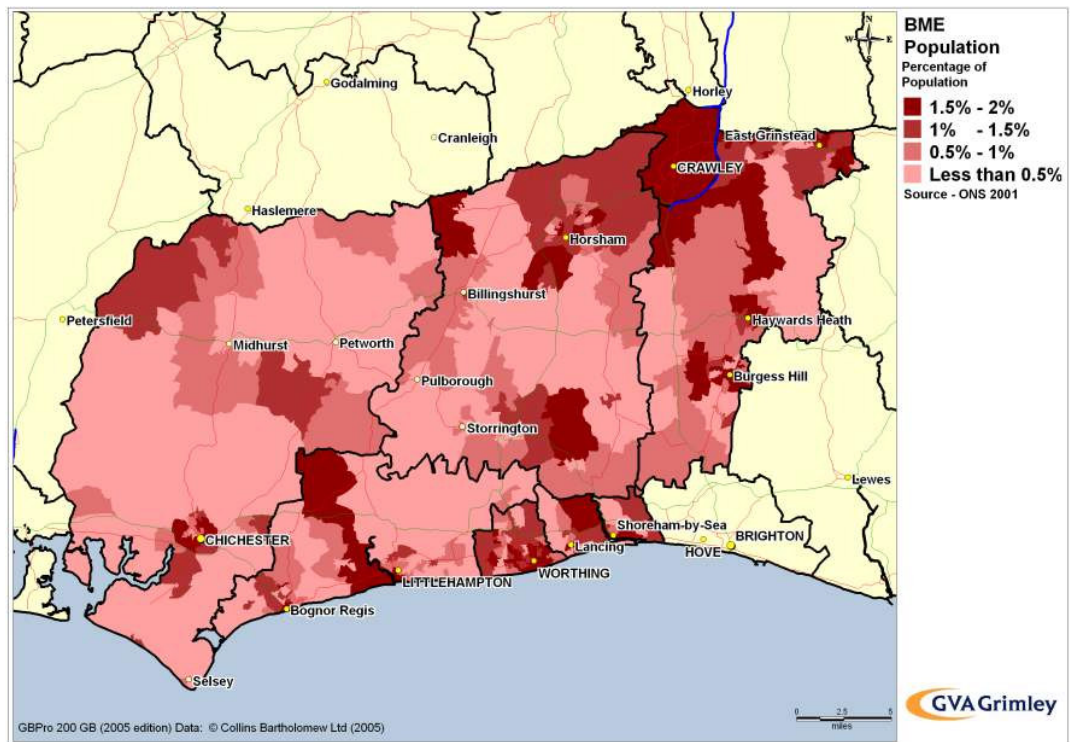
Figure 5.8: Ethnicity of Coastal Housing Market Population

	Population	White	Mixed	Asian	Black	Chinese	BME
England	50,465,600	89.1	1.6	5.3	2.7	1.3	10.9
South East	8,184,600	93.0	1.4	3.1	1.3	1.2	7.0
West Sussex	766,600	94.8	1.1	2.3	0.9	0.8	5.2
Adur	59,700	96.0	1.0	1.3	0.5	0.8	3.7
Arun	145,200	96.7	0.8	1.2	0.8	0.6	3.4
Chichester	108,500	96.7	0.8	0.9	0.6	0.7	3.1
Worthing	99,800	95.3	1.2	1.8	0.7	0.8	4.6
Coastal HM	355,000	96.3	0.9	1.3	0.7	0.7	3.6

Source: ONS 2005 Population Estimates by Ethnic Group

- 5.14 Worthing is the most ethnically diverse local authority area with a BME population equating to 4.6% of the total population. Chichester is the least diverse of the districts in the Housing Market Area with just 3.1% of the population classed as BME.

Figure 5.9: Black and Minority Ethnic Population



GENDER

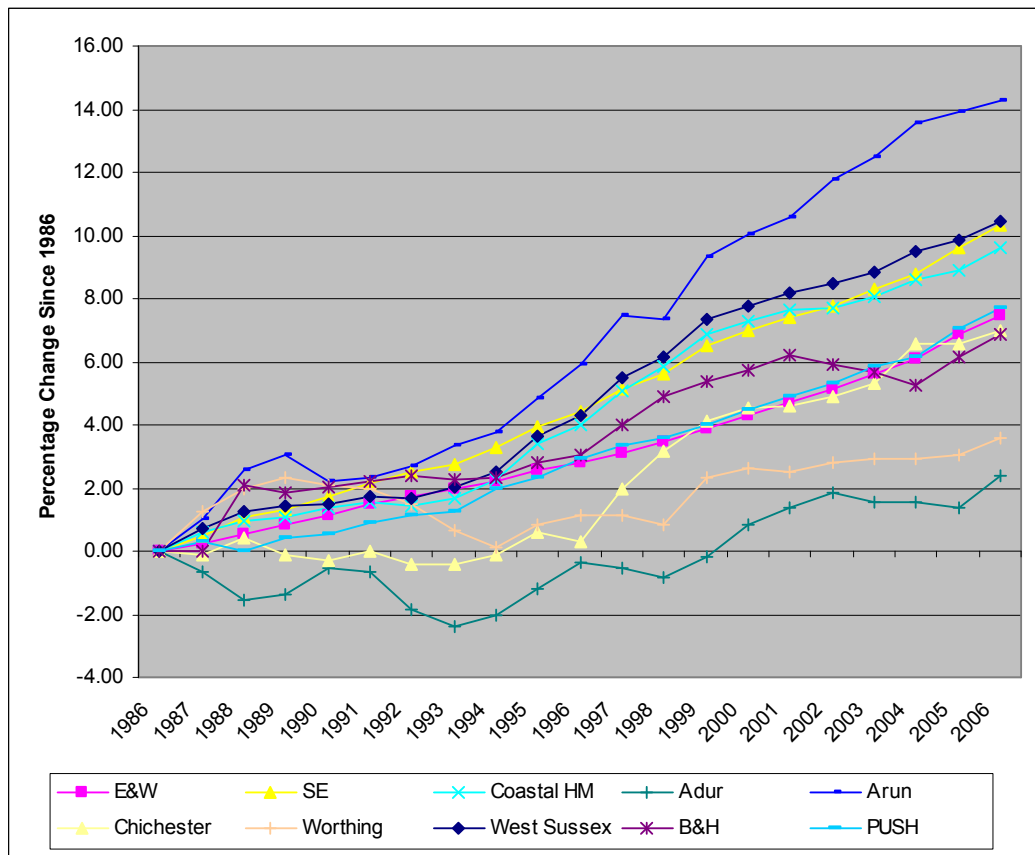
- 5.15 The Gender split in the West Sussex Coastal HM has an unusually high level of female residents at 52.4% compared to 50.9% nationally and 51.1% across the South East. Both Arun and Chichester Districts have a female population of 52.5%.¹⁰
- 5.16 The Coastal West Sussex Housing Market has a slightly more imbalanced gender split compared to the Northern West Sussex Housing Market where the female population equates to 51.2%.
- 5.17 These differences in the gender split reflect differentials in the age structure of the population.

POPULATION GROWTH

- 5.18 In the twenty years between 1986 and 2006 the population of the Coastal West Sussex Housing Market Area grew by almost 8%. Although this figure (7.8%) is slightly higher than the national rates of growth (7.5%), it falls short of the rates of growth experienced across the South East as a whole (10.3%).
- 5.19 When compared to the neighbouring PUSH (7.7%) and Brighton and Hove (6.8%) areas, the Coastal HM has increased slightly more over this twenty year period, although it has grown at a slightly slower rate than the whole of West Sussex (10.4%).

¹⁰ Mid-Year Population Estimates Nomis

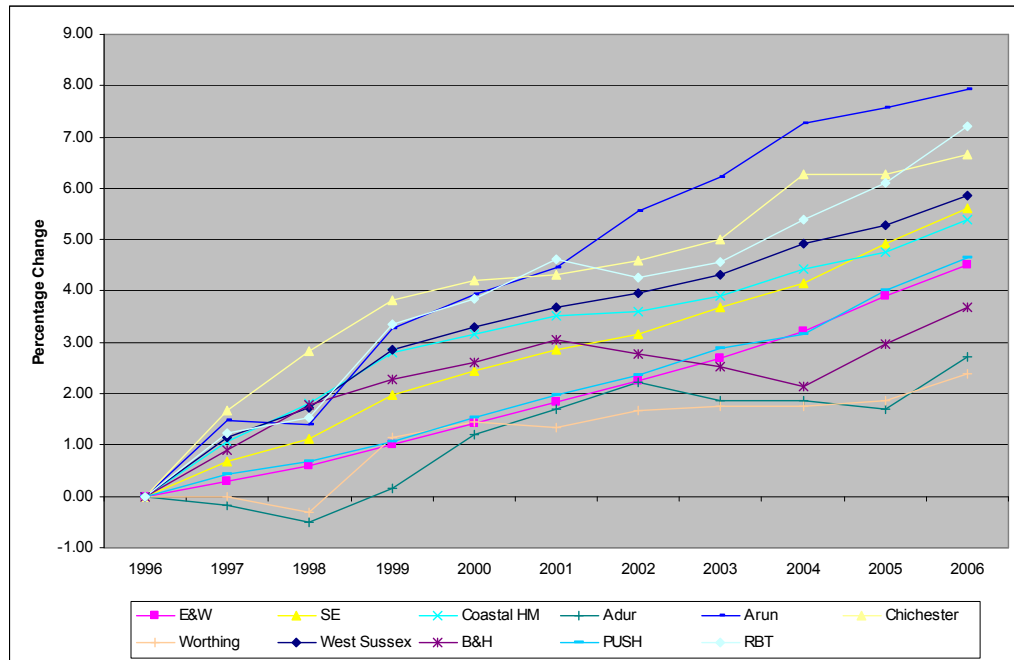
Figure 5.10: Population Growth (1986-2006)



Source: ONS Mid Year Population Estimates

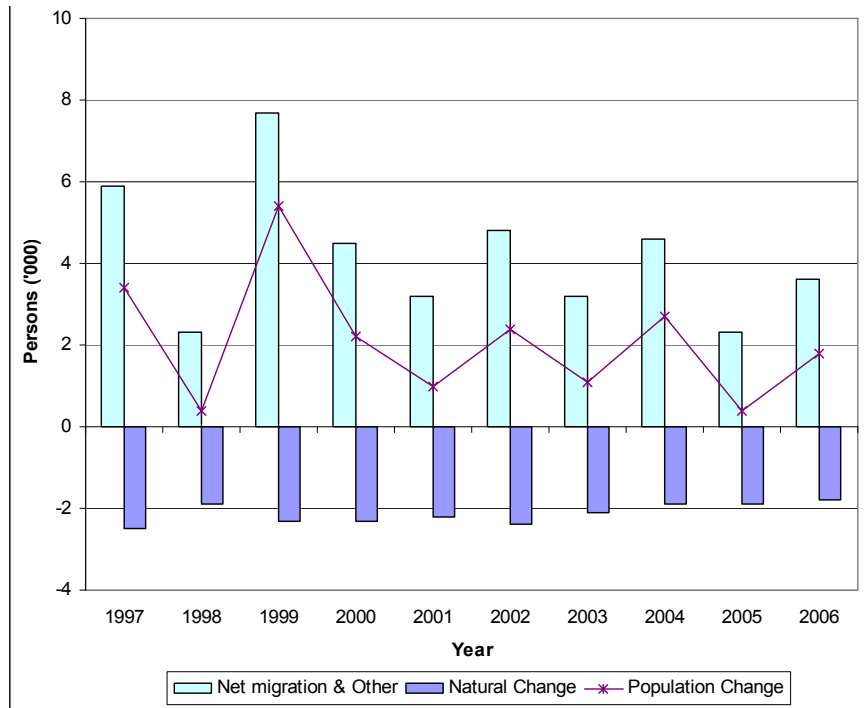
5.20 Arun District has seen the highest levels of growth in the last twenty years with 14.3%. The slowest rates of growth were seen in Adur which only surpassed its 1986 population in 2000 and had a population 2.4% larger in 2006 than in 1986.

5.21 Over the ten year period the Coastal HM (5.4%) has not grown as fast as the South East (5.6%) although it has continued to grow at a faster rate than England and Wales (4.5%). In comparison to Brighton and Hove (3.7%) and the PUSH (4.7%) the Coastal HM has again seen higher levels of growth but again it falls short of the levels of growth seen in the County as a whole (5.9%).

Figure 5.11: Population Growth (1996 – 2006)

Source: ONS Mid-Year Population Estimates

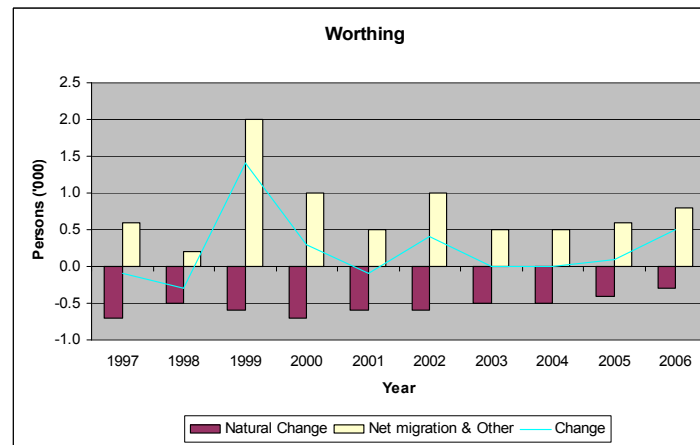
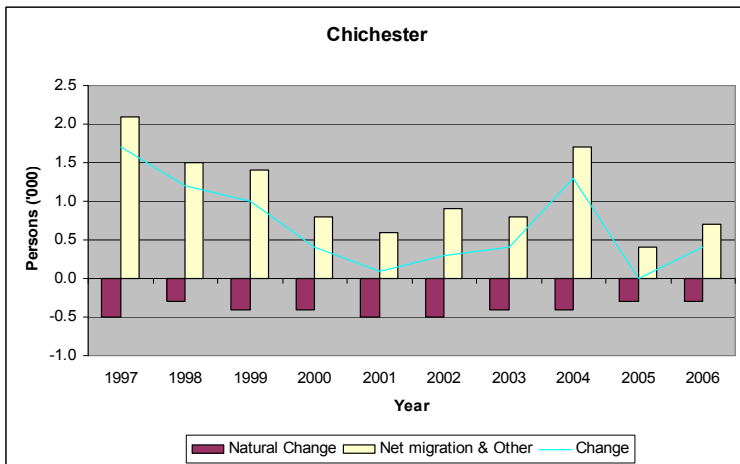
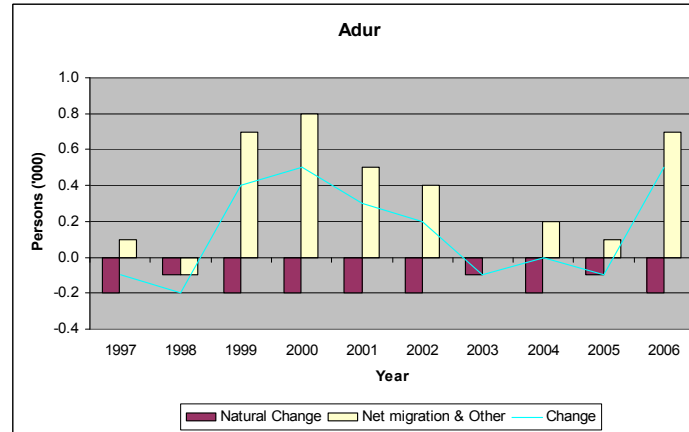
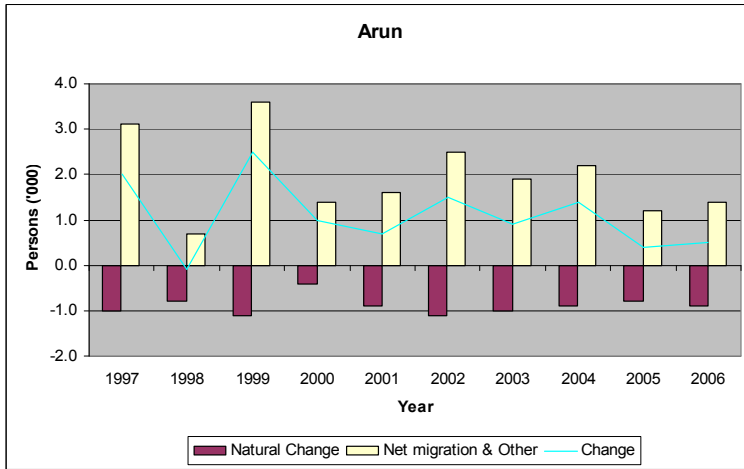
- 5.22 Arun has experienced the highest levels of growth in the last 10 years with an increase of 7.9%. The slowest rate of growth was seen in Worthing with only 2.4% growth since 1996.
- 5.23 Over the last 10 years migration has been the main component of population growth. Natural decrease in the Coastal West Sussex Housing Market has been counteracted by large scale in-migration (averaging over 3000 persons per annum).
- 5.24 Indeed in-migration is necessary to each of the four Districts to prevent the population from declining.

Figure 5.12: Components of Population Change 1997-2006

Source: ONS 2006 Population Estimates: Components of Population Change

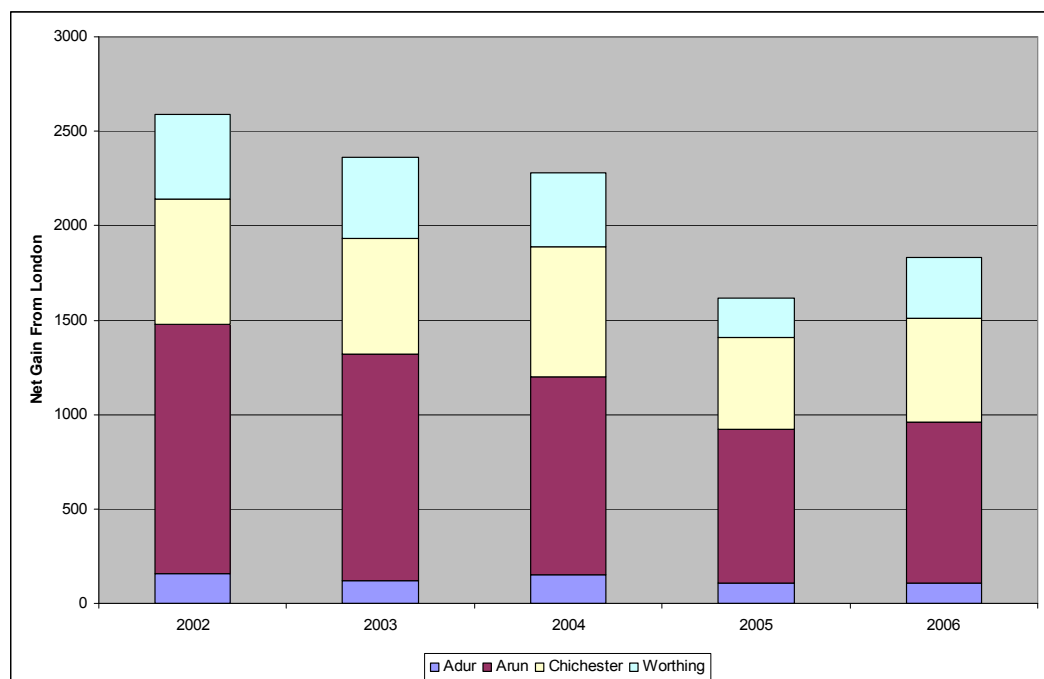
- 5.25 The largest levels of in-migration have been to Arun District with over 20,000 people moving to the area in the ten years to mid 2006, driven, at least in part by migrant workers. Adur has the lowest net in-migration since 1997 with only 3,400 added to the population over this period.
- 5.26 We have analysed migration patterns using NHS data to consider where people are moving to the Coastal West Sussex Housing Market from. The largest level of net in-migration to the West Sussex Coastal Housing Market area is from Brighton and Hove which added 9,500 people in the period 1999-2006, with Adur and Worthing the most likely destinations. The destination with the highest net gain from the Coastal Housing Market is Torridge District which has received 230 people from the area mostly from Arun District.

Figure 5.13: Components of Population Change District Level, 1997-2006



- 5.27 A key driver of population dynamics has been of older households relocating to the Coast.
- 5.28 London is a key driver of change for all of West Sussex and as such it is worthwhile analysing the patterns of migration between London and the Coastal Housing Market Area. In the 5 year period 2001-2006 almost 18,000 people have moved from London the Coastal West Sussex Housing Market, this has been countered by 7,000 moving in the opposite direction.
- 5.29 Figure 5.14 provides an analysis of net migration from London to the Coastal Housing Market between 2001/2 – 2005/6. On average 2,249 net people move from London to the Coastal Housing Market Area. There has though been a downward trend as Figure 5.14 indicates.

Figure 5.14: Net Flows From London to the Coastal West Sussex Housing Market



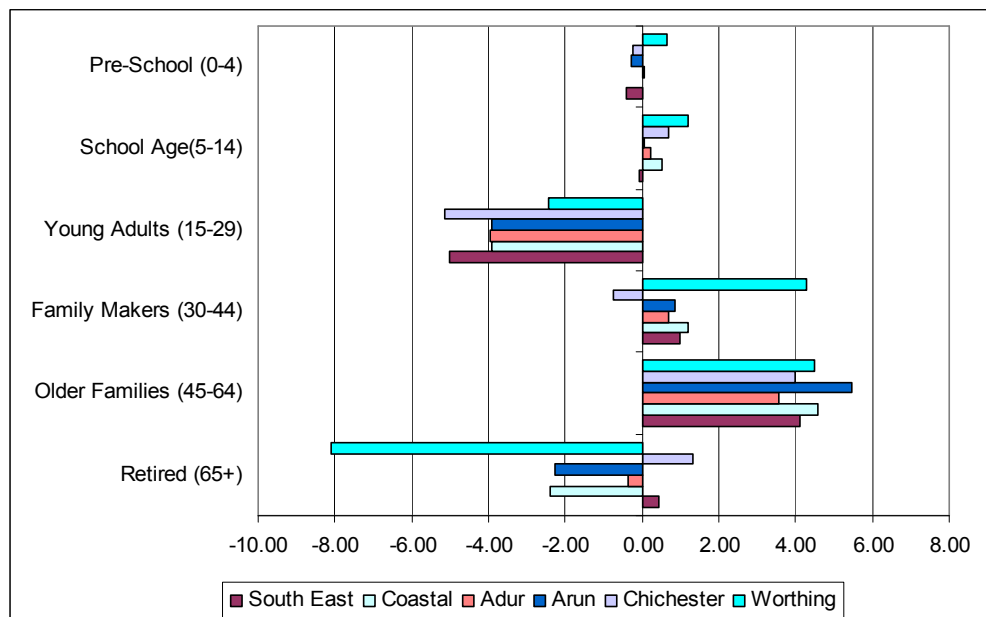
Source: NHS Migration Statistics 2002-2006

- 5.30 The number of people moving from London to the Coastal Housing Market Area increased over the 2002-2006 period although the net gain actually reduced in size.
- 5.31 Arun District has been the most popular destination for migrants moving from London with around 7,500 moving to the District. The majority of people moving from London are originating from Boroughs to the South of the city, particularly the London Boroughs of Wandsworth, Croydon and Sutton.

CHANGING AGE STRUCTURE

5.32 The age structure in the Coastal Housing Market Area has changed dramatically over the last 20 years and can be traced back to past birth rate trends. Both the retired age group (65+ years old) and young adults (15-29 years old) have seen a decline in their proportion of the total population, although the latter may see growth in future if the inward trend for migrant workers to the South Coast continues. The largest growing age groups have been older families (45-64) and family makers (30-44). This trend is repeated in the shorter 10 year period although to a lesser extent.

Figure 5.15: Percentage Change in Age Structure 1986-2006



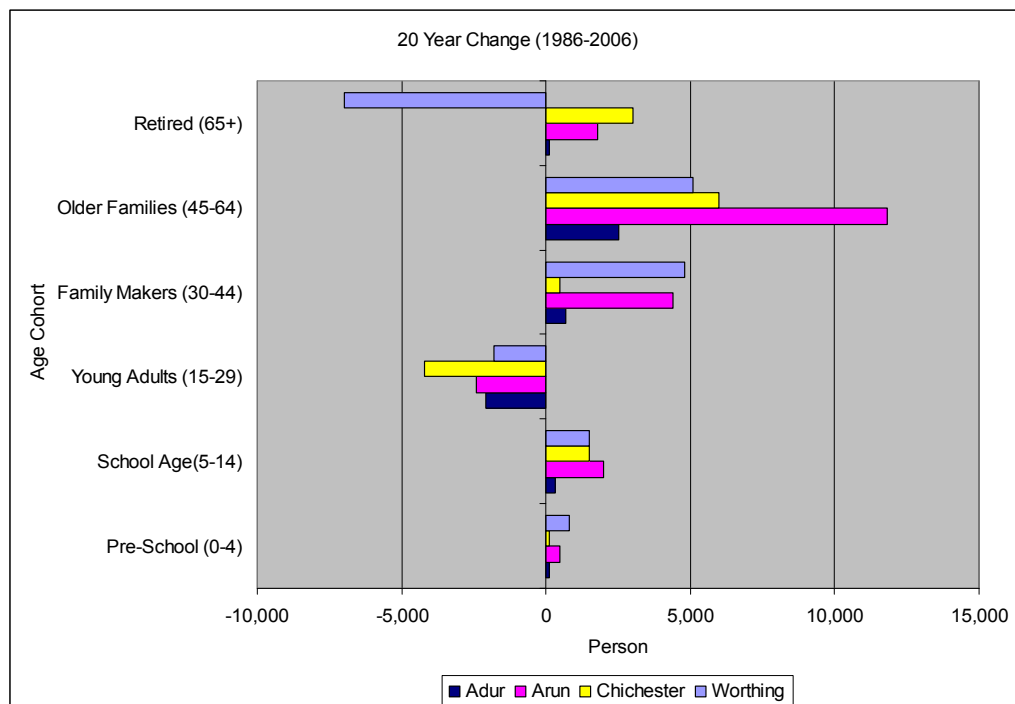
Source: Mid-Year Population Estimates

5.33 Worthing has seen the sharpest decline in its retirement age population with its proportion of the total population falling by 8.1% (7,000 in real terms), at a time when the age group has actually grown across the South East. We have also seen a declining proportion of the population of retirement age in Arun and Adur but with growth in real terms over the last 20 years.

5.34 In the last 20 years Arun District has seen the largest growth in population in late middle ages (45-64) exceeding rates seen in all of the other districts as well as the South East region. In real terms this equated to a 11,800 increase.

- 5.35 Adur has seen the least changes in its population structure of all the districts in the Housing Market although the District has seen a significant fall in the proportion of young adults (15-29), down almost 4.0%, which in real terms was a reduction by 2,100.
- 5.36 Chichester District has seen a proportional increase in the two eldest age groups: (45-64 and 65+) the only district with an increase in retirement age population as a proportion (1.3% increase). In real terms this amounted to an increase of 9,000 people across the two age groups.

Figure 5.16: Absolute Change by Age Cohorts (1986 -2006)



Source: Mid-Year Estimates 2006

HOUSEHOLDS

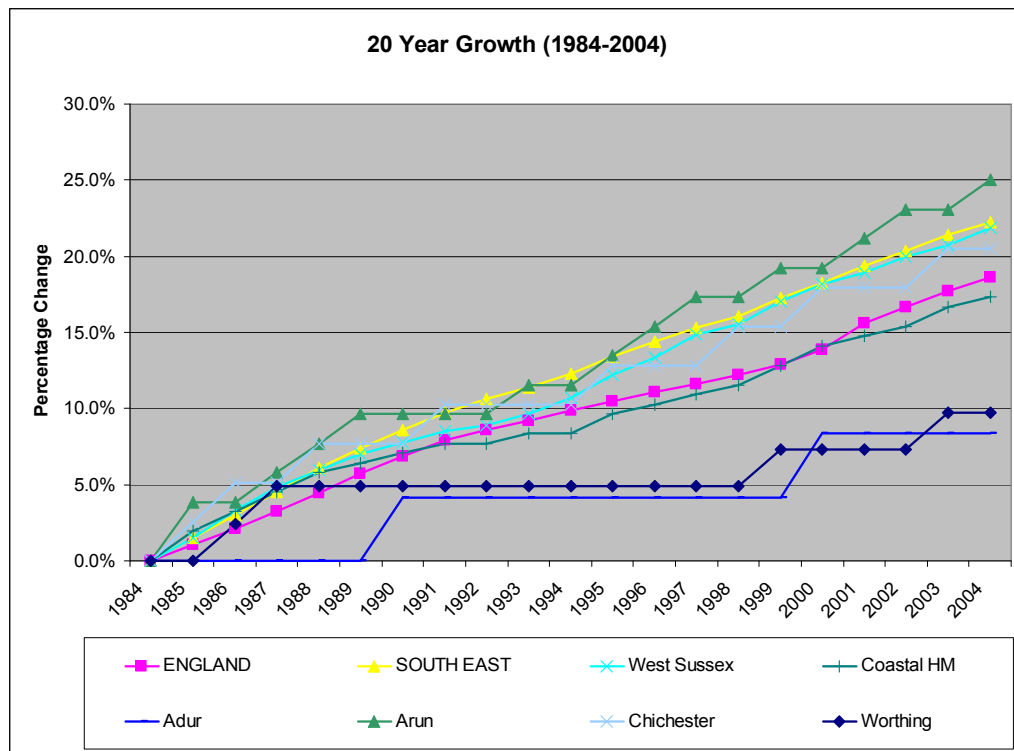
HOUSEHOLD GROWTH

- 5.37 The number of households in the Coastal West Sussex Housing Market was an estimated 183,000 in 2004¹¹. This is approximately 55% of the total households in West Sussex. At the last census the official number of households in the Coastal HM stood at 178,527.

¹¹ ONS Household Estimates by Districts

- 5.38 The largest number of households is found in Arun which has around 65,000, followed by Chichester 47,000, Worthing 45,000 and 26,000 in Adur.
- 5.39 The number of Households has grown 17.3% since 1984. This is slightly below average for England (18.6%) the South East region (22.3%) and West Sussex (21.9%).
- 5.40 At a local authority level the largest growth has been seen in Arun District which has grown by 25% and the lowest levels of growth in Adur (8.3%). Chichester household numbers have also grown substantially (20.5%) since 1984 whereas Worthing has only grown by 9.8% in the same period.

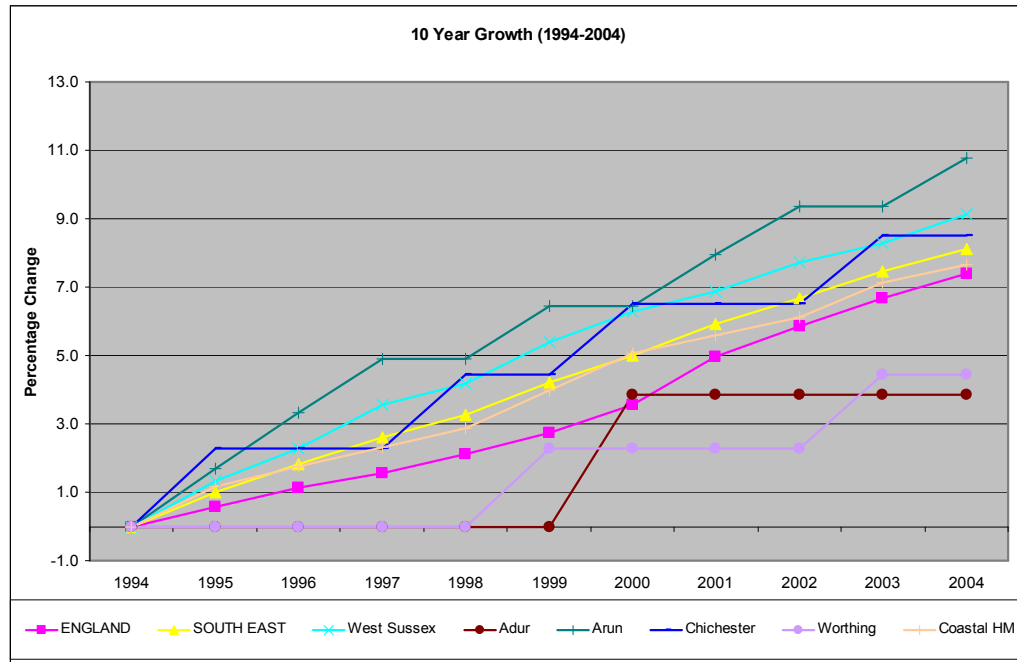
Figure 5.17: Housing Growth (1984-2004)



Source: ONS 2004 Household Estimates by District

- 5.41 In the last ten years similar patterns of growth have occurred but with the Coastal HM (7.7%) experiencing levels of growth slightly higher than the national level (7.4%), but below the regional (8.1%) and County (9.1%) levels. While the Coastal HM has grown faster than its urban neighbours of Brighton and Hove (6.1%) and the PUSH area (6.9%) in the last decade; measured over a twenty year period the latter has had higher levels of household growth.

Figure 5.18: Household Growth (1994-2004)



Source: ONS 2004 Household Estimates by District

HOUSEHOLD COMPOSITION

5.42 The Coastal Housing Market has significant levels of all pensioner households at 34.0%: much higher than for the rest of the South East (24.6%). There are a high proportion of all pensioner households in Adur, Arun and Chichester Districts.

Figure 5.19: Household Composition, 2001

	All Pensioner	Single Person Households	Dependent Children	Married/Cohab Couples	Single Parent	All Student
Adur	32.0	31.1	20.9	35.1	8.3	0.02
Arun	36.5	32.8	18.6	33.3	7.2	0.11
Chichester	33.1	30.1	20.2	36.7	6.8	0.39
Worthing	32.4	36.4	19.5	31.3	7.6	0.08
Coastal HM	34.0	26.8	19.6	33.9	7.3	0.16
West Sussex	29.5	30.1	22.1	37.4	7.5	0.09
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

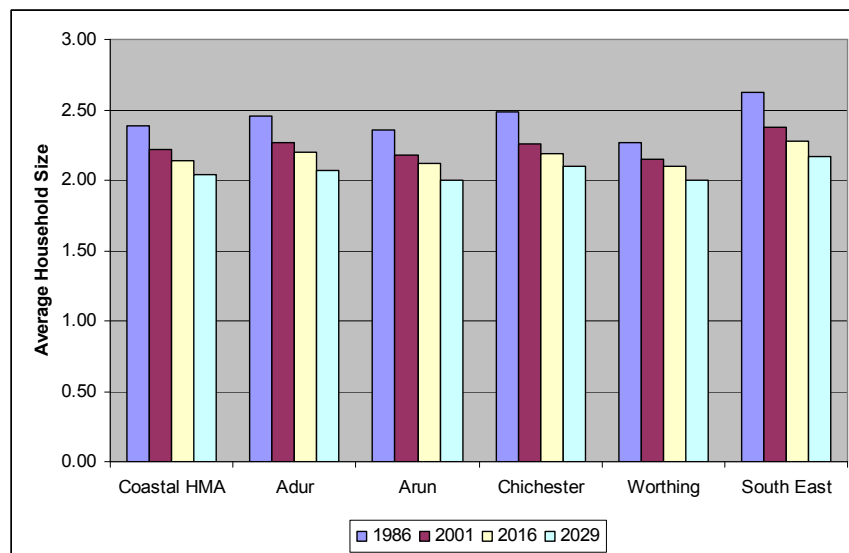
5.43 In Worthing these are above average proportion of single person and pensioner households. The proportion of family households is below average.

- 5.44 Both Arun and Adur have a high proportion of single person households and pensioner households.
- 5.45 Chichester District has an above average proportion of pensioner households but also a higher level of student households than other districts. The level of student households in the district as a whole is in line with the national and slightly above the South East average.
- 5.46 The number of all pensioner households in the Coastal HM has actually reduced between 1991 and 2001 Census, as has the number of married couple households.

HOUSEHOLD SIZE

- 5.47 Current average household size in the Coastal West Sussex Housing Market is 2.22 persons per household living in an average of 5.29 rooms per house. The equivalent figures for the South East are 2.38 persons across 5.57 rooms. This indicates that the Coastal Housing Market residents on the whole live in larger confines than the rest of the South East¹², in that household size is below average with a housing stock that is slightly below average in size.

Figure 5.20: Average Household Size



Source: ONS and GVA Grimley

¹² Calculated Household size using Household and Population projections

- 5.48 The average household size in the Coastal HM has decreased from 2.4 in 1986 and is expected to decrease further to 2.04 by 2029. Both Arun and Worthing are expected to have an average household size in 2.02 of just 2 persons per household. In the same period, average household size across the South East is expected to fall to 2.17.
- 5.49 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.

Key Messages

- The Housing Market has a population of 413,600 residents in some 183,000 households (2004). 82% of the population lives in urban areas, 8% in the urban fringe and 10% in rural areas.
- The demographic profile is particularly orientated towards older people, with an above average population in all age groups over 45, albeit that this has not been significantly growing over the last 20 years. Rural areas are slightly more family-orientated, attracting working households with higher housing wealth. There is a particularly low proportion of the population aged 20-34, impacting on new household formation.
- Population and household growth over the last 20 years have been more moderate than in the Northern West Sussex Housing Market, with population growth marginally below average for the South East but above levels in Brighton and Hove and the PUSH area. Growth has been driven by in-migration, particularly from economic migrant workers, with levels of 3000 p.a. since 1999. This has compensated for natural decrease and helped to maintain and increase the population base. Population growth has been strongest in Arun.
- There has been a decline in the retirement age population (65+) and young adults (15-29) over the last 20 years. Affordability barriers, the availability of suitable employment and lifestyle barriers may have contributed to a declining population of young adults. The area has been attractive to middle-aged households, with growth in those aged 30-44 and 45-64.
- Worthing has the most diverse population structure with more persons aged 25-44 than other areas, and a more balanced mix of household types.
- 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 of older households into the area is likely to remain an important influence on the housing market. 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.
- We recognise policy ambitions to retain younger working households and this will require a co-ordinated response across the economic and housing domains.

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 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

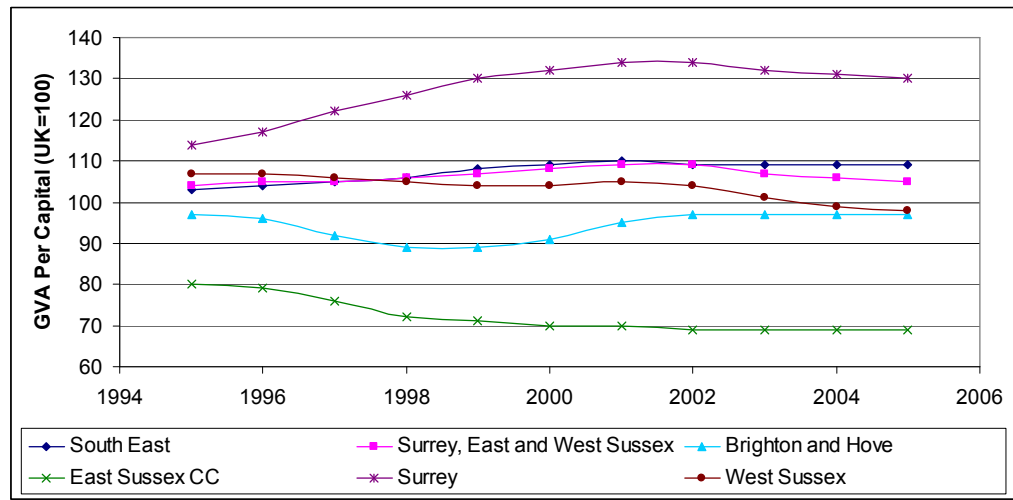
- 6.4 The UK economy, which had been stable and experienced strong growth over the last decade, is now slowing into recession (as we have described). Q4 2007 UK economic growth indicated that in Q4 only a gradual economic slowdown was underway. Growth was a slightly below trend 0.6%, or 2.3% annualised, 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. Since that time, the economy has slid into sustained negative growth that is forecast to continue through 2009 and 2010 at least.
- 6.5 There are two key areas where the decline has been 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 now of the sustained housing market decline with Halifax reporting that house prices fell by significantly during 2008, the biggest decline since 1992. Mervyn King, governor of the Bank of England, predicted "marked slowing of growth" and "very weak" consumer spending in 2008 and 2009. This, coupled with a weak pound and higher commodity prices has driven a multi-faceted economic recession.

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 average¹³.
- 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.

¹³ ONS, 2005 data

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

EMPLOYMENT LEVELS

CURRENT EMPLOYMENT

- 6.10 Employee numbers currently stand at 156,921 in Coastal West Sussex according to the latest Annual Business Inquiry (ABI). This represents 46% of total employment West Sussex and 9% of those in the South East. This is shown in Figure 6.2 below:

Figure 6.2: Employee Numbers in Coastal West Sussex

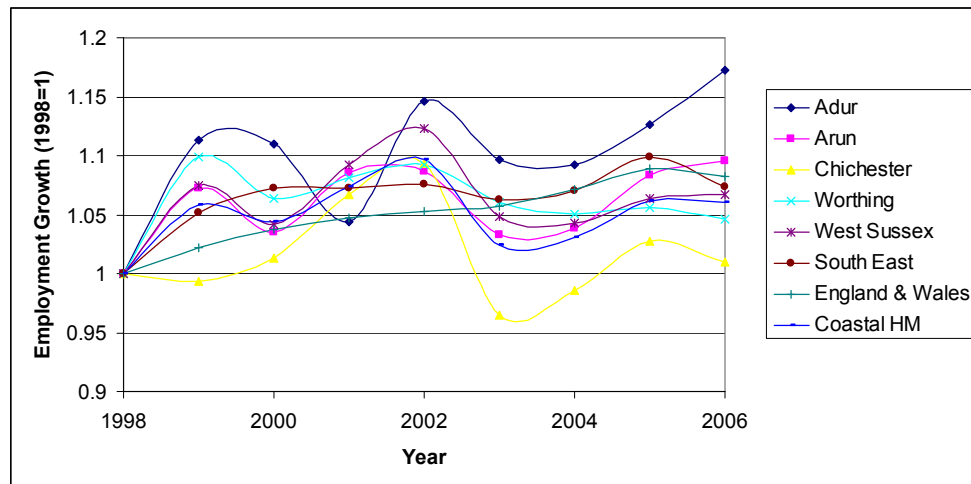
Area	Employees	% of Relevant Area
Adur	19,088	12% (of Coastal West Sussex)
Arun	42,596	27%(of Coastal West Sussex)
Worthing	44,805	29%(of Coastal West Sussex)
Chichester	50,432	32%(of Coastal West Sussex)
Coastal West Sussex	156, 921	46% (of West Sussex)
West Sussex	338,955	9% (of South East)
South East	3,642,021	15% (of South East)
England & Wales	23,812,586	

Source: ABI/GVA Grimley

- 6.11 It is evident that Adur is the smallest local authority in employment terms, which reflects its size. Chichester is the largest with 32% of total employees in Coastal West Sussex followed by Worthing and Arun.

- 6.12 Employment growth in Coastal West Sussex between 1998 and 2006 was 6% which is slightly below that of West Sussex County (7%), the South East (7%) and England & Wales (8%).
- 6.13 In particular, Adur and Arun have experienced comparatively high rates of economic growth compared to the selected areas. Chichester has achieved comparatively low rates of employment growth since 1998, which may reflect the relocation of a number of businesses. Employment growth was only 1%: significantly below our selected averages. This is shown in Figure 6.3 below.
- 6.14 A jobs density of one equates to an equal number of filled jobs to working-age residents. Chichester in fact has more jobs than residents with a job density of 1.04 while the jobs density in Worthing at 0.91 is above average for the region (0.88). These are the larger economies. The jobs density is 0.69 in Adur and 0.68 in Arun in comparison.

Figure 6.3: Employment Growth in Coastal West Sussex areas 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 (28,300), health and social care (26,400), business activities (23,600) and manufacturing (15,100).

Figure 6.4: Sectoral Composition of Employment, 2006

	D. Manufacturing	F. Construction	G. Wholesale & Retail Trade	H. Hotels & Restaurants	I. Transport, Storage & Communication	J. Financial Intermediation	K. Business Activities	L. Public Administration	M. Education	N. Health & Social Work	O. Other Service Activities
Adur	14%	6%	21%	5%	3%	1%	17%	3%	11%	14%	4%
Arun	10%	4%	20%	10%	3%	1%	14%	3%	11%	17%	5%
Chichester	9%	4%	17%	8%	3%	2%	15%	7%	12%	15%	6%
Worthing	8%	3%	16%	6%	3%	9%	15%	7%	9%	20%	4%
Coastal HM	10%	4%	18%	7%	3%	4%	15%	6%	11%	17%	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 analysts show 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 Coastal West Sussex has a comparatively large public sector compared to the South East. It also has slight locational advantages in the financial intermediation, hotels and restaurants and manufacturing. This is a good spread and indicates some strength in tourism and some aspects of the financial sector. Business Activities, a major driver of the UK economy and typically incorporating high value employment, is comparatively less well represented in Coastal West Sussex.
- 6.19 This overall picture masks notable differences in the employment profile across the four local authority areas. Adur has an above average level of employment in manufacturing (which is likely to include employment at Shoreham Harbour) and in a lesser extent in the retail distribution, health and education sectors. Arun has a high presence in relative terms in agriculture, as well as in tourism and health care.

- 6.20 Similarly Chichester has a high relative level of employment in agriculture as well as in public administration (including the County and district Councils), in education and healthcare.
- 6.21 Worthing shows the strongest representation in financial intermediation, reflecting the presence of a number of larger employers in this sector including Lloyds TSB and HGM Assurance, Public administration is also strongly represented, which includes the Borough Council and HM Revenue and customs; as are the health and education sectors.
- 6.22 Overall the economy of the Housing Market Area is orientated towards lower-value services and agriculture.

Table 6.5: Location Quotient of selected sectors v South East in Coastal West Sussex

	Agriculture	Mfg	Retail	Hotels etc	Transport	Financial Intermediation	Business Activities	Public Administration	Education.	Health & Social Work
Adur	0.2	1.6	1.2	0.7	0.5	0.3	0.8	0.8	1.2	1.2
Arun	5.3	1.1	1.1	1.5	0.6	0.4	0.7	0.7	1.2	1.4
Chichester	3.5	1.0	0.9	1.2	0.4	0.7	0.7	1.6	1.3	1.3
Worthing	0.1	1.0	0.9	0.8	0.4	2.5	0.7	1.7	0.9	1.8
Coastal HM	2.6	1.1	1.0	1.1	0.5	1.1	0.7	1.3	1.1	1.1
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 Business Activities 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 Coastal West Sussex since 1998 have been Business Services and Education, in both cases increasing by relatively more than West Sussex as a whole. This highlights the increase of the high value business service sector in Coastal West Sussex. Major growth in the Business Services sector occurred in Adur (77.2%) and Chichester (71.4%) while Worthing did not achieve high growth by comparison (1.1%). Arun achieved the highest levels of growth in education, experiencing a 63.2% increase between 1998 and 2006. The decline in manufacturing was less pronounced in Adur compared to the other Districts within Coastal West Sussex. This is shown in Figure 6.6.

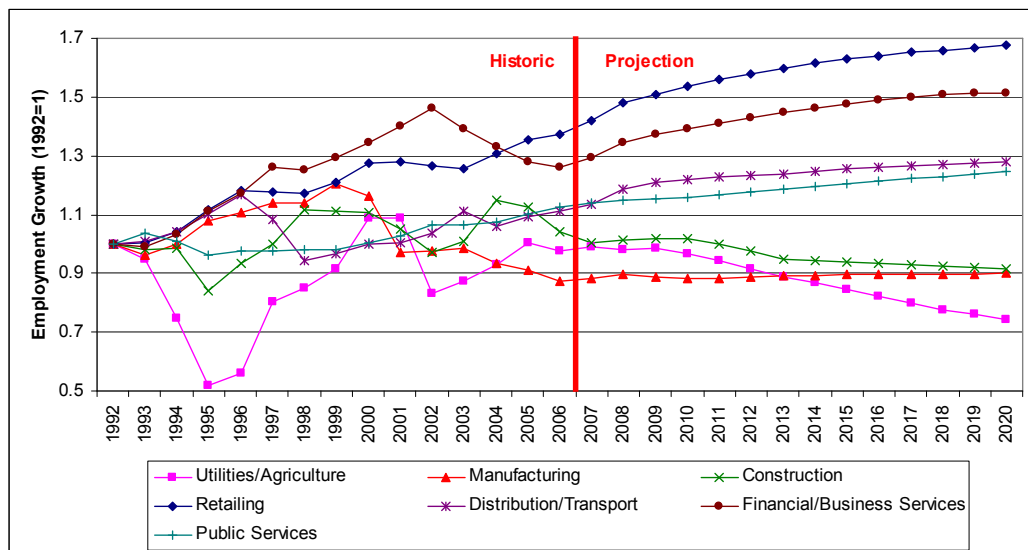
Figure 6.6: % Change 1998 – 2006 by Sector in West Sussex and Selected Areas

Change 98-2006	Agriculture	Manufacturing	Retail	Hotels	Transport	Financial Intermediation	Business Activities	Public Administration	Education	Health & Social Work
Adur	6.7%	-6.9%	19.5%	9.7%	-16.9%	26.9%	77.2%	21.3%	28.5%	-4.7%
Arun	6.6%	-26.2%	-7.6%	-2.1%	12.7%	12.3%	45.8%	7.6%	63.2%	25.3%
Chichester	3.6%	-20.8%	5.5%	3.4%	-16.6%	-14.9%	71.4%	17.9%	9.8%	-29.6%
Worthing	25.0%	-11.8%	5.3%	9.9%	-10.5%	-19.4%	1.1%	2.6%	33.1%	23.7%
Coastal HM	5.4%	-18.4%	2.8%	3.1%	-7.3%	-14.9%	37.9%	10.2%	29.4%	-0.2%
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)

- 6.25 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 recession is affecting performance in analyses of future growth, forecasts within West Sussex demonstrate that the sectors predicted to grow are Retail and Finance/Business Services (albeit recognising that the current economic conditions are severely affecting both). To a lesser extent Distribution/Transport and Public Services are also set to grow. This is shown in Figure 6.7 below.
- 6.26 Economic risks include high levels of employment in agriculture/horticulture and tourism which are low paid, seasonal and vulnerable to contraction; and to an above average degree of employment in larger companies in Worthing (albeit that the Housing Market's economy overall is more small-business focused).
- 6.27 There are opportunities in future to grow both the small business base and home working, and to develop niche higher-value manufacturing / light engineering.

Figure 6.7: Sector Growth in West Sussex 1992 to 2020



Source: Experian/GVA Grimley (2006)

OCCUPATIONAL STRUCTURE

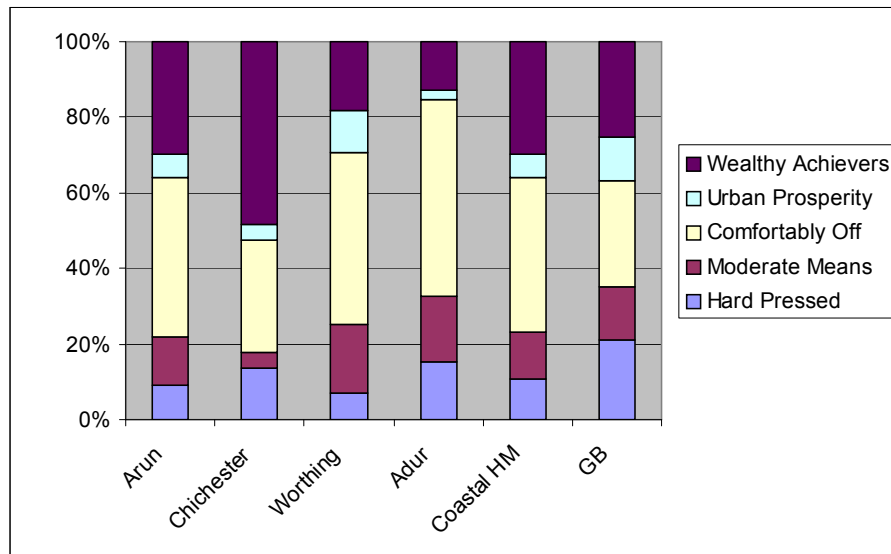
- 6.28 We have analysed the occupational structure of those who live in West Sussex, based on the ACORN classification. This divides the population into broad categories for occupations as follows:

- Wealthy Achievers
- Urban Prosperity

- Comfortably Off
- Moderate Means
- Hard Pressed
- Unclassified

6.29 Figure 6.8 below shows how the occupational profile varies across districts.

Figure 6.8: ACORN Classification of Households

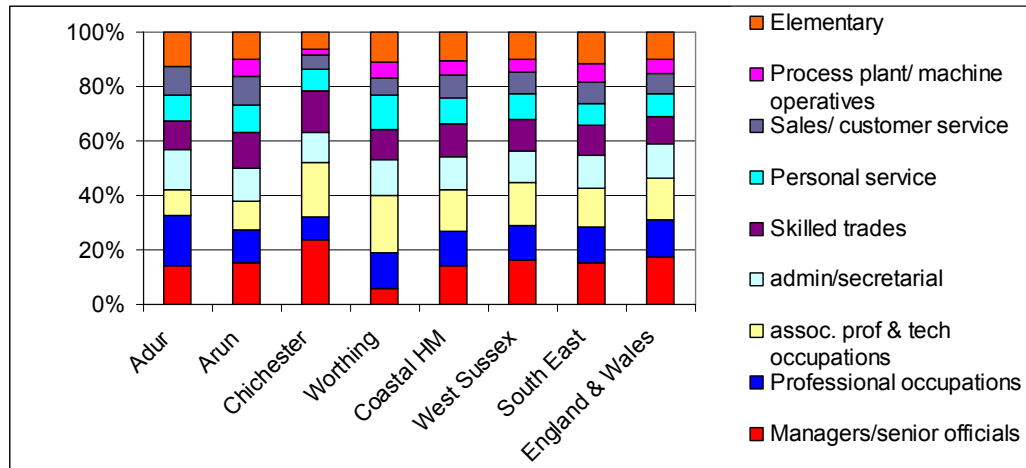


Source: EGI/CACI 2006

6.30 It is clear from Figure 6.8 above that Chichester has the most affluent population with 48% classed as wealthy achievers, followed by Arun at 30%, Worthing with 18% and Adur with 13%. This reflects the attractiveness of both the City and rural areas on places to live and the housing offer. The focus in Arun, Worthing and Adur is on middle-class households who are comfortably off.

6.31 The analysis of occupations set within the context of West Sussex, South East and England & Wales shows that Coastal West Sussex has a lesser proportion of people in top level occupations (managers/professional occupations) than West Sussex, South East and England & Wales. It also has a slightly larger proportion of people in low skilled jobs (elementary/process plant). Chichester is the District with the highest proportion of its population in “high value” jobs and the lowest proportion in “low value” jobs. Worthing is particularly low in top end jobs indicating its relatively poor position within Coastal West Sussex. Data for Adur is skewed but using information from 6.8 we assume that the occupational profile is lower high end jobs. These figures are shown in 6.9 below.

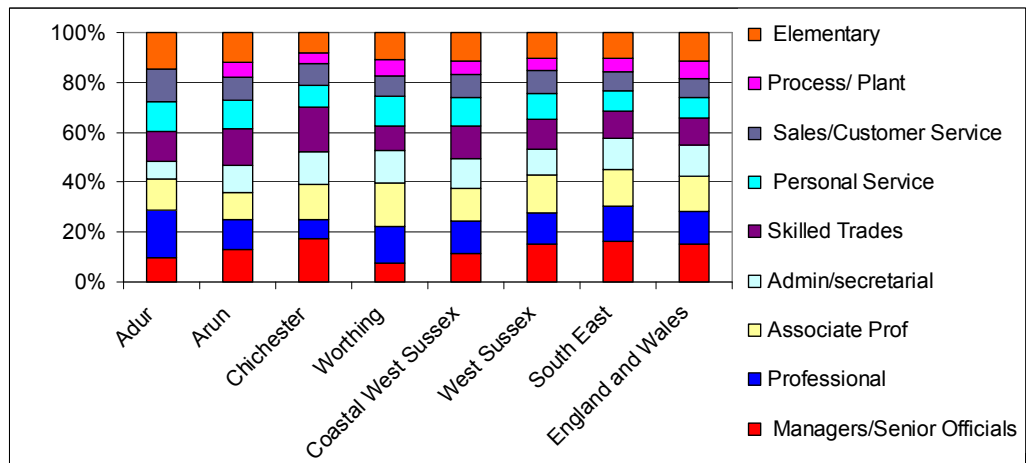
Figure 6.9: Occupational Classification



Source: APS 2006 *= data on process plant/machine operatives missing for Adur

6.32 The occupational profile of those who work in the Coastal West Sussex Housing Market is similar to the residents' profile. However, an analysis at the District level interestingly shows that Chichester has more residents in high level jobs, relative to workplace jobs in the District. This indicates that Chichester attracts high achieving residents who do not necessarily work in the District. Worthing again has the lowest proportion of those in high-level jobs, demonstrating its relatively poorer position within Coastal West Sussex. This is shown in Figure 6.10 below.

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



Source: LFS 2006

COMMUTING PATTERNS

- 6.33 The Coastal Housing Market has quite a dynamic population in terms of travelling to work with 77% level of self containment. Arun and Chichester are the most popular location for employment with each having around 24% of all Coastal Housing Market employees travelling to work in that District.
- 6.34 The Coastal Housing Market Area has particularly strong links to Brighton and Hove District where 5.7% of residents find employment. Other important locations for employment are the PUSH area (3.0%) and London (2.4%).

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

	From Coastal HM		To Coastal HM	
	Journeys	% of Total	Journeys	% of Total
Adur	15542	8.7	16680	10.3
Arun	43052	24.0	51625	32.0
Chichester	41411	23.1	35197	21.8
Worthing	38164	21.3	34667	21.5
Coastal HM	138169	77.1	138169	85.7
Northern West Sussex HM	10042	5.6	4701	2.9
West Sussex	148211	82.7	142870	88.6
London	4360	2.4	555	0.3
Brighton and Hove	10207	5.7	6532	4.1
PUSH	5432	3.0	5162	3.2
Reigate Bandstead and Tandridge	615	0.3	125	0.1
Total	179229	100.0	161258	100.0

Source: Census 2001

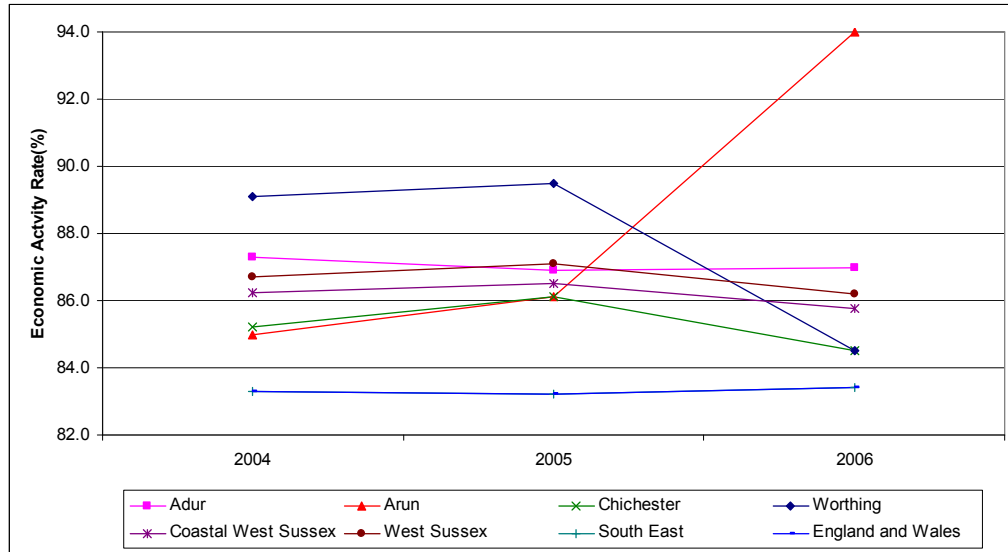
- 6.35 Those travelling to the Coastal Housing Market include 4.1% from Brighton and Hove District, 3.0% from the PUSH area as well as 2.9% from the Northern West Sussex Housing Market Area.

LABOUR MARKET

ECONOMIC ACTIVITY

- 6.36 The Coastal West Sussex Housing Market has a lower economic activity rate than West Sussex though the actual difference is small at 0.4%. These rates are higher than the national rate, but slightly below the regional rate, so it is certainly not over-performing in this measure. There has been a slight downward trend in economic activity recorded. This is shown in Figure 6.12 below:

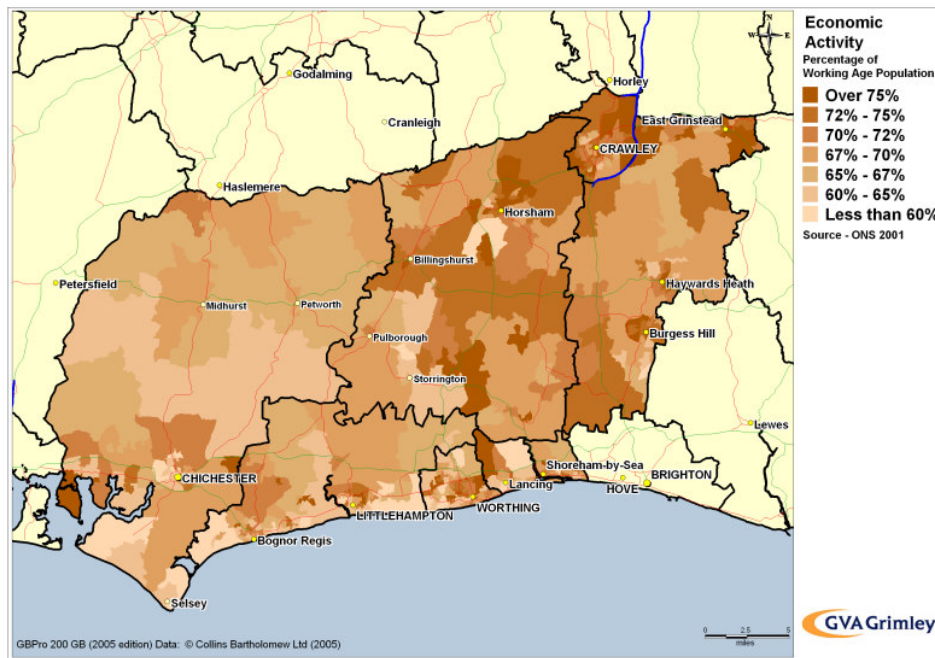
Figure 6.12: Economic Activity Rates in Coastal West Sussex



Source: APS 2006

6.37 The map shows economic activity rates in 2001 at a finer level of detail.

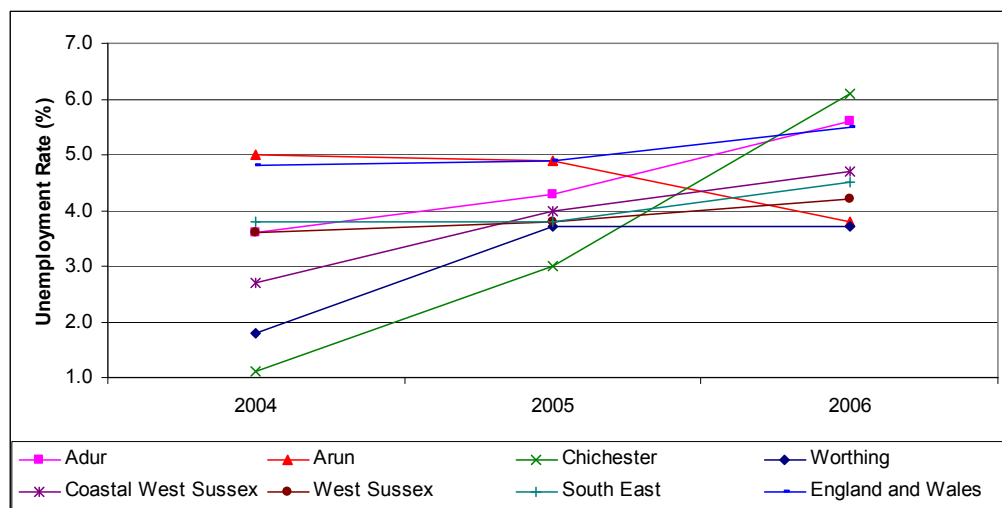
Figure 6.13: Economic Activity, 2001



UNEMPLOYMENT

- 6.38 The unemployment rates from the Annual Population Survey show similar results to the economic activity rates with West Sussex and Coastal West Sussex having unemployment rates below regional and national averages. It shows that Chichester's unemployment rate has increased which correlates with the fall in economic activity. Adur also has comparatively high rates of unemployment within Coastal West Sussex. This is set out in Figure 6.14 below.

Figure 6.14: Unemployment Rates



Source: APS 2006

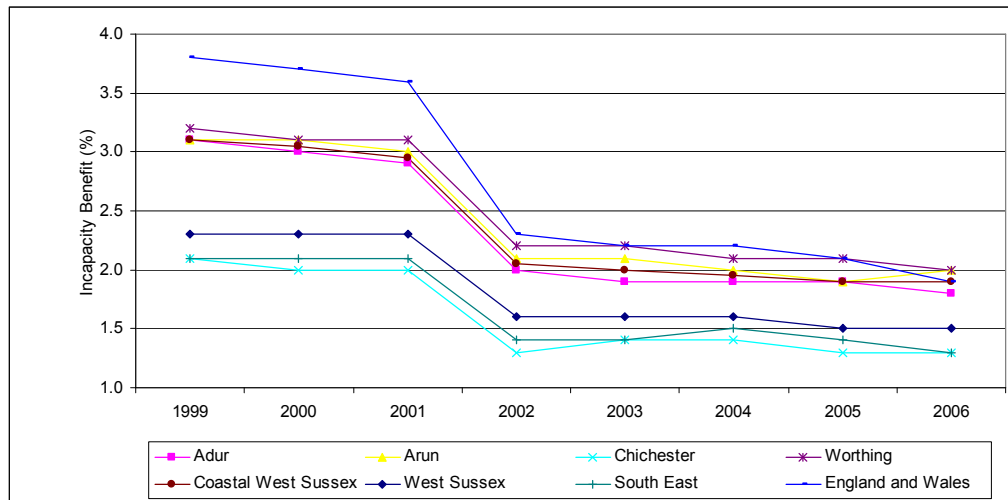
- 6.39 Unemployment refers to people without a job who were available to start work in the two weeks following their interview and who had either looked for work in the four weeks prior to interview or were waiting to start a job they had already obtained. The unemployment measure used differs from the Job Seekers Allowance Claimant Count but this is included as an input into the APS figures provided.

BENEFITS DEPENDENCY

- 6.40 Analysing benefit dependency provides an indication of the prosperity of the Coastal West Sussex Housing Market, and also influences need for affordable housing or housing benefit.
- 6.41 Coastal West Sussex has a slightly higher level of Incapacity Benefit claimants than West Sussex and the South East with Chichester again showing its relatively lower position in

benefit claimants, reflecting its relative affluence a noticeable downward trend is evident over the last seven years. This is shown in Figure 6.15 below.

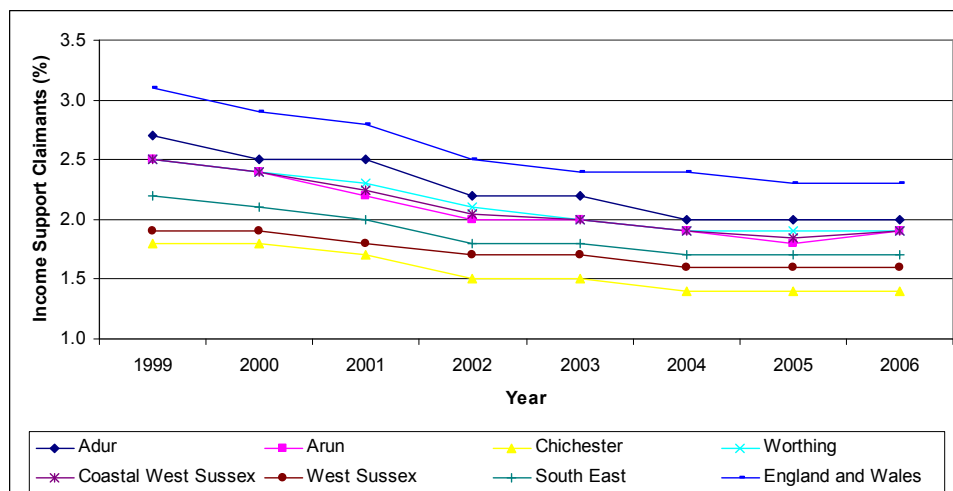
Figure 6.15: Incapacity Benefit Claimants



Source: WPLS 2006

6.42 The Income Support claimants show similar patterns to incapacity benefit claimants with Coastal West Sussex having higher proportion of residents claiming this benefit compared to West Sussex as a whole and the South East. Chichester again has the lowest proportion of people claiming benefit while Adur has the highest number within Coastal West Sussex. This is shown in Figure 6.16 below:

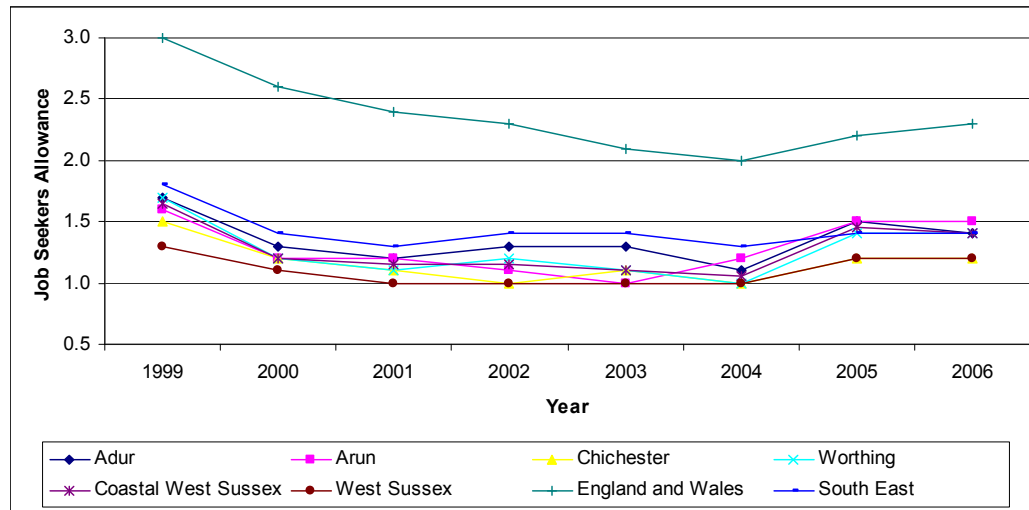
Figure 6.16: Income Support Claimants



Source: WPLS 2007

- 6.43 Job Seekers Allowance data shows that Coastal West Sussex has less claimants than the national average. The rate of job seekers has remained broadly steady between 1999 and 2006 and West Sussex has a particularly low rate of claimants along with Chichester. This is shown in Figure 6.17 below:

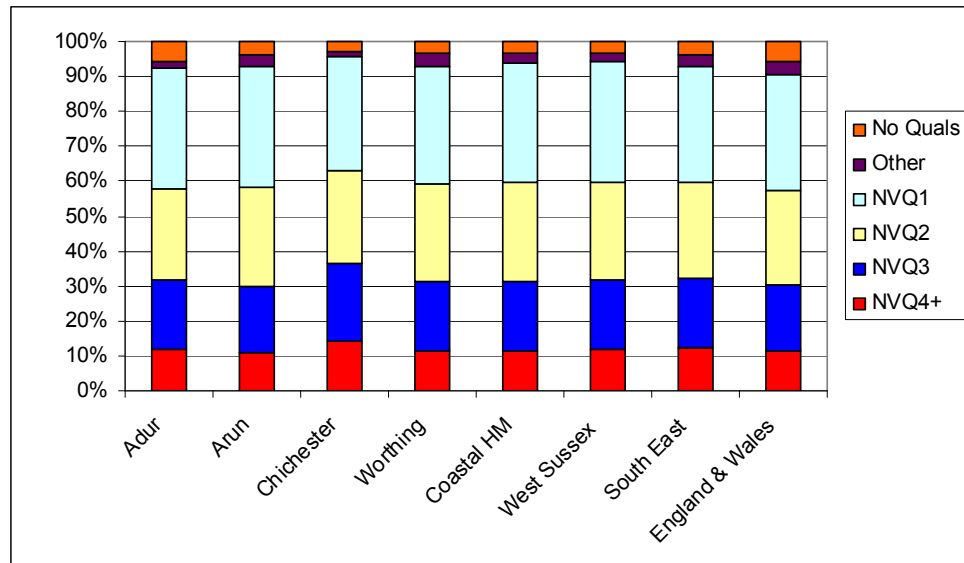
Figure 6.17: Job Seekers Allowance Claimants



Source: WPLS 2007

QUALIFICATIONS

- 6.44 Qualifications in Coastal West Sussex are high (measured by those with NVQ3/NVQ4 +) compared to England & Wales and very similar to West Sussex as a whole. The level of those with low qualifications (no qualifications and other) is comparatively low in both the Coastal Housing Market and West Sussex. Chichester is the highest performing local authority having comparatively more people with high level qualifications and a smaller proportion of people with poor qualifications. This is shown in Figure 6.18.

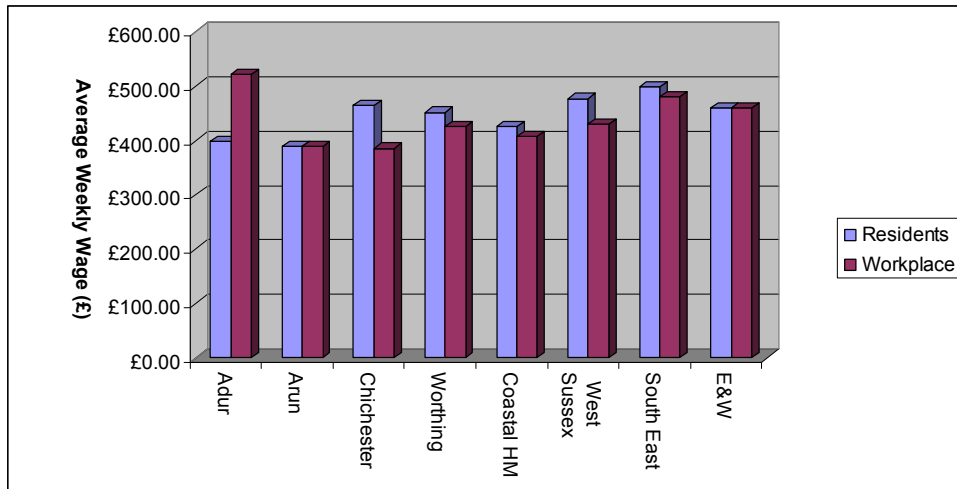
Figure 6.18: Qualification Levels

Source: APS 2007

EARNINGS

- 6.45 Average weekly earnings in both resident and workplace measures show that the Coastal Housing Market has lower levels of pay compared to West Sussex as a whole and the South East. Within the housing market Worthing and Adur have the highest workplace earnings, indicating the propensity for higher value jobs in these areas. As a proxy for productivity, it suggests that the economy in this area is higher value than in Chichester or Arun. In fact, Adur is the only ward where workplace earnings actually exceed resident earnings indicating greater higher-value employment.
- 6.46 Residents earnings are higher in Chichester and Worthing (at £465 and £452 per week respectively) reflecting the higher wealth of the resident working population. Residents earnings in Adur (£399) and Arun (£390) are notably lower. This is shown in Figure 6.19.

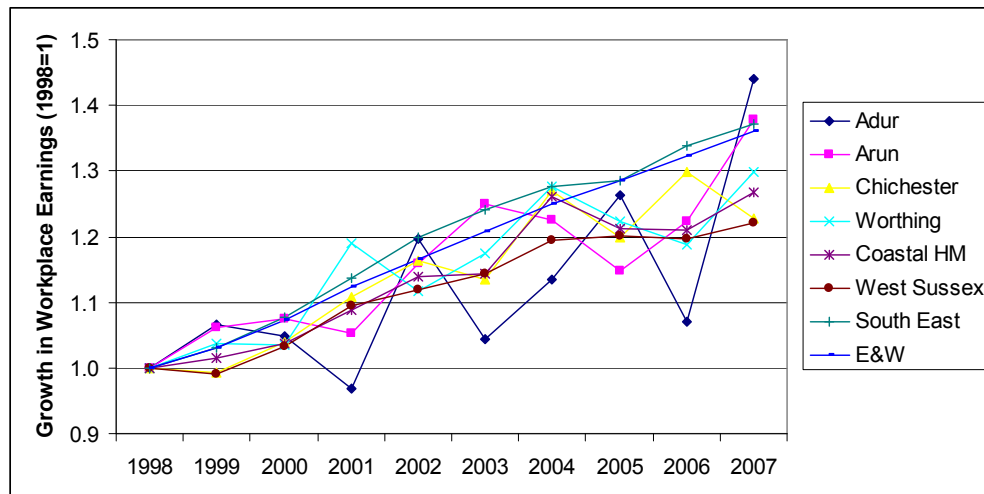
Figure 6.19: Resident & Workplace Earnings, 2007



Source: ASHE (2007)

6.47 Coastal West Sussex has experienced higher workplace earnings growth than West Sussex, however growth was below average for the South East between 1998 and 2006. Adur and Arun are the districts which have experienced highest earnings growth since 1998 (above regional and national averages). This is shown in Figure 6.20.

Figure 6.20: Workplace earnings Trends 2001-7

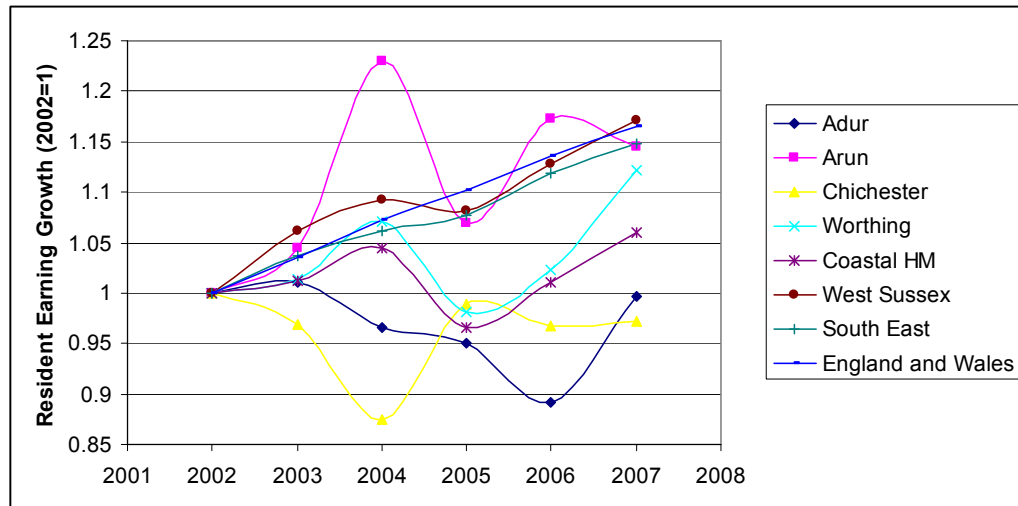


Source: ASHE 2007

6.48 Coastal West Sussex has experienced less growth in residents earnings than West Sussex as a whole. The gap in earnings growth is significant with West Sussex experiencing 17% growth compared to 6% in the Coastal Housing Market. It was Arun that

experienced highest growth with Chichester experiencing the lowest rate of growth. This is shown in Figure 6.21 below:

Figure 6.21: Resident Earning Trends, 2001-7



Source: ASHE 2007

DEPRIVATION

- 6.49 The Coastal towns in West Sussex are relatively more deprived compared to other parts of the South East region. The Coastal Housing Market Area has 7% of its ward areas classed as deprived.

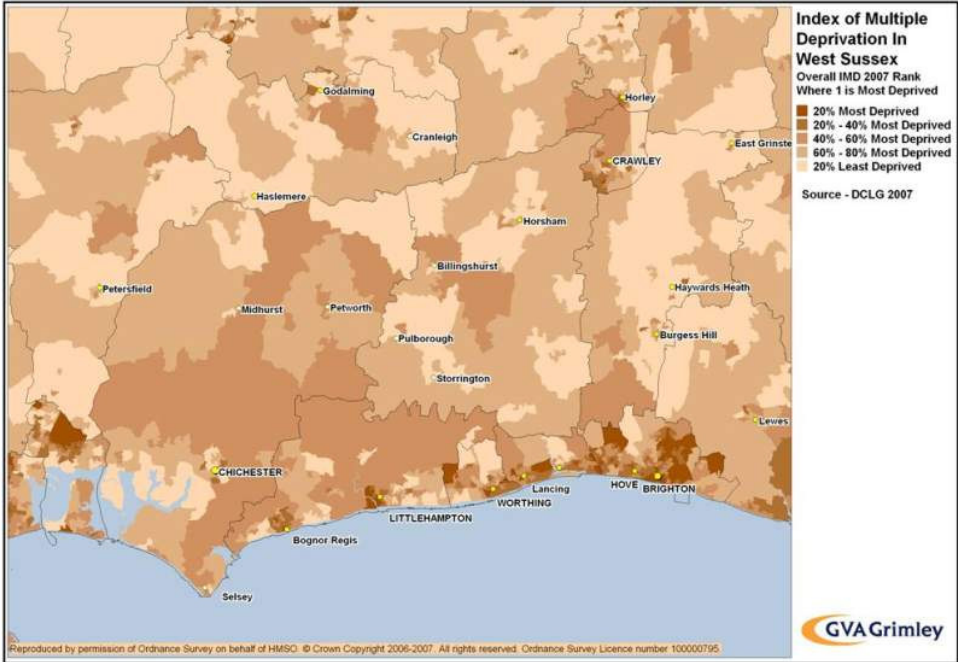
Figure 6.22: Index of Multiple Deprivation by Percentile

	OVERALL	LIVING ENVIRONMENT	CRIME & DISORDER	BARRIERS TO HOUSING & SERVICES	EDUCATION, SKILLS & TRAINING	HEALTH DEPRIVATION	EMPLOYMENT	INCOME
Adur	46	40	53	21	30	55	55	54
Arun	56	57	58	38	47	60	56	55
Chichester	67	47	74	39	66	78	72	64
Worthing	55	39	59	47	52	52	53	56
Coastal HM	57	47	62	38	51	62	59	57

Source: DCLG 2007

- 6.50 Across the four districts there are 18 areas which are in the most deprived 20% nationally (although none are in the 10% most deprived). These comprise: Northbrook, Heene, Central and Broadwater in Worthing; Bersted, Hotham, Orchard, Pevensey and Marine in Bognor Regis; Ham, River and Wick with Toddington in Littlehampton; Peverall and Mash Barn in Lancing; and Eastbrook, Southlands and Hillside in Shoreham.
- 6.51 Outside of the Coastal towns, deprivation is particularly related to barriers to housing and services.

Figure 6.23: Map of Overall Deprivation in West Sussex



Key Messages

- Economic productivity and earnings across the Coastal West Sussex Housing Market appear to be below average compared to both regional and national benchmarks. Within the area, Adur and Worthing appear to perform slightly better, with above average employment in manufacturing, finance, IT and healthcare.
- The area has 157,000 employees with employment concentrated across the main towns. There is evidence of significant levels of commuting between Bognor Regis and Chichester, and between Littlehampton, Lancing and Worthing. Worthing and particularly Chichester are net importers of labour from surrounding areas.
- Employment growth between 1998-2006 has been below average in the Housing Market. The larger economies of Chichester and Worthing Districts have performed weakly, with stronger service-orientated growth in Adur and Arun. The overall picture is of slipping economic performance in terms of employment and productivity.
- Economic specialisms in the area include agriculture, tourism and financial services. There is however significant variance within the area, with above average employment in manufacturing and retail/ distribution in Adur, in financial services and public administration in Worthing, in tourism and agriculture in Arun and in public administration and agriculture in Chichester. Employment in health and education is strong across a number of districts.
- 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 grown strongly in recent years, as has employment in education and health linked to strong public spending.
- Key potential growth sectors moving forward include retail and financial and business services, as well as potential in healthcare. There are however short-term risks associated with the economic downturn (which is currently affecting the financial, property, retail and manufacturing sectors particularly).
- The occupational profile indicates a focus on middle-income 'comfortably off' households in Adur, Arun and Worthing. High-earning 'wealthy achievers' are dominant in Chichester District, but also above average in Arun. Related to this the skills profile is relative average for the region, but with a stronger skills-base in Chichester. Deprivation is concentrated in specific wards in the Coastal Towns.
- Levels of economic participation are slightly below average for the South East, but still remain close to conditions of almost full employment. Workplace earnings are below average, except in Adur with a notable proportion of people commuting out of Chichester and Worthing to access higher-value employment. Below average earnings growth is also likely to have contributed to increasing housing affordability pressures.

7. BRINGING THE EVIDENCE TOGETHER

- 7.1 In this short section we to bring together the research undertaken in the earlier chapters to identify the key characteristics and drivers of change in the Coastal 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 The Coastal West Sussex Housing Market extends along the South Coast from Hove to Hayling Island and inland from Chichester to Midhurst along the A286 Corridor. The South Downs and the Coast form a natural boundary for much of the area, but the inclusion of Midhurst and other settlements in Chichester District reflects the relationship of these to the City of Chichester in terms of employment, shopping and house moves. In Adur district in the east of the area, there is a strong overlap with Brighton-East Sussex Housing Market, with evidence of both economic links to Brighton and Worthing as employment centres, and movement of households out of Brighton particularly to access larger family housing (with a net flow of 1360 persons annually).
- 7.3 The South Coast towns provide a tranquil seaside setting and amenities which are particularly attractive to older households and this is borne out in long-distance migration patterns. There is a net annual flow of 2360 persons from London and 1220 from Surrey to the housing market. This is supported by the availability of smaller properties and cheaper than average house prices in a regional context which will allow some households to release equity from their homes to support their retirement. It is reflected in a high proportion of existing households in the housing market, at 37%, who own their homes outright.
- 7.4 In economic terms, the decline of the tourism industry has resulted in a degree of economic restructuring in the South Coast towns. These places developed as seaside resorts in the eighteenth and nineteenth centuries and employment in tourism remains above average in Arun District. With a large elderly population the healthcare sector is well represented. Other key sectors include agriculture in Chichester and Arun, reflecting the rural nature of the area, public administration in Chichester, the county town, and in Worthing; and financial intermediation. Reflecting the location, which is less accessible to London, the M4 Corridor or the Oxford-Cambridge Arc – the stronger economic locations in the region – higher-value service-based businesses are under-represented. Overall there is a lower skill and wage bias to the employment profile and a degree of seasonality related to concentrations of employment in tourism and horticulture/agriculture. This is reflected in the skills base which is average and earnings which are below average, and

concentrated deprivation in some wards in the coastal towns. There has been a notable trend for in-migration of economic migrants in more recent years, taking employment opportunities in agricultural, horticulture, tourism, catering and care service sectors.

7.5 Together with the employment base and housing (in)affordability, the character of main towns, with the possible exception of Chichester, in the Housing Market is less appealing to younger people, particularly in terms of the nature and range of leisure and cultural opportunities. A particularly low proportion of the population is aged 20-34. The corollary of this is a high representation of households aged over 45 who are attracted by the tranquil environment and quality of life. A stronger, more diverse employment base; more vibrant town centres and a stronger leisure offer; and higher education facilities would be key components of a strategy to attract and retain younger households. Housing provision to effectively support the influx of economic migrants to the area is also an important requirement. New in-migrant workers have, to date, tended to occupy temporary accommodation, lower value properties or drive over-crowding and the growth of concealed households.

7.6 Housing in the rural areas is expensive: affordable for middle-aged households with higher housing wealth attracted by the quality of life. The housing mix is correspondingly biased towards larger family housing, and we see for instance a higher proportion of 4+ bed properties in Chichester District. Reflecting the attractiveness of these areas, prices are high and affordability pressures severe. This makes it difficult for younger households to buy homes and there is a long waiting list for the social rented properties available. Provision of affordable homes, including intermediate housing options, should be able to support the sustainability of these areas by facilitating a balanced community in terms of the age and earnings profile, managing unsustainable commuting patterns (including urban to rural) and supporting the rural economy. In our view this could be balanced with some provision of larger homes which recognise market signals and the role which this high housing-quality of place offer has in supporting the County's economy. This question however is not just about mix, but about numbers and the distribution of new homes albeit recognising that planning policies need, rightly, to balance a range of factors including environmental and sustainability objectives.

MARKET CHARACTERISTICS

7.7 Overall, the Housing Market has an offer focused towards smaller properties. Two- and three-bedroom properties are most abundant (est. 68%) with levels of flats/maisonettes above average, particularly in Worthing. The situation in Chichester is very different with only 28% of dwellings having 1-4 rooms. Detached housing (including bungalows) is the most prevalent house type (31%). Owner-occupation is above average at 77% with a small

social sector overall which has been stable in size over the last five years. Private renting is below average, but we would expect this sector to have grown in recent years.

- 7.8 We have witnessed strong demand for housing over the last decade. This reflects a sustained period of strong macro-economic stability and growth, population growth and changing household structures, and low interest rates which have supported home ownership. House prices for a typical property have grown by 208% in West Sussex over the last decade which has been notably stronger than performance across the region (168%). Price signals indicate that demand is relatively stronger in Chichester City and Chichester District which reflects the residential offer and quality of place.
- 7.9 Housing affordability is a significant issue now across the greater South East and the country more widely. Housing supply has not been able to keep pace and the affordability of market housing has reduced as a result. This has resulted in growth in the need for affordable housing. The private rented sector also plays an important role in meeting demand from those who cannot afford to buy and our wider market understanding suggests that this sector will have increased in size since 2001.
- 7.10 The ability to service affordable housing need is influenced by levels of affordable housing supply. Across the Coastal Housing Market, just 11% of the housing stock (22,300 properties) is in social sector ownership. Over the last five years, construction of new affordable homes – which has actually been quite strong – has managed only to maintain rather than grow the quantity of social housing, as a result of losses through the right-to-buys. Across all authorities a low proportion of social housing has 4 or more bedrooms. Provision of affordable housing has been constrained, in many locations, and especially in Arun District through lack of larger sites within the housing land supply portfolio.
- 7.11 Levels of housebuilding in Coastal West Sussex have been relatively consistent at around 1300 homes per annum since the early 1990s. Since 2000/1 we have seen an upward trend in delivery in Adur and Worthing, with a downward trend in Arun since 2001/2. Delivery has actually been relatively strong compared to South East Plan targets with 8,280 homes delivered since 2001 which represents 113% of the draft South East Plan requirement (annualised) and 97% of the minimum required if the Panel Report figures are used. Arun has though performed notably less well than other local authorities.
- 7.12 We have seen a notable shift in delivery of different sizes of homes. In 1992/3 63% of completions were of one and two-bedroom properties. This then declined to 35% in 1990/0 but has since grown year on year to 67% of total completions in 2006/7. The shift towards construction of smaller properties is a trend across the four local authorities, but has been most substantial in Adur and Worthing where 78% and 84% of new homes respectively have been one- and two-bed properties. If this continues, it could limit movement from Brighton and Hove and result in inflationary pressures for larger properties in these areas.

The shift is likely to reflect a combination of factors including trends in household size, affordability pressures, density policies and 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 and is currently at particular risk from the market downturn.

SHORT-TERM DRIVERS OF CHANGE

- 7.13 Over the course of 2008 and into early 2009 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. At a national level, sales in Q1 2008 were -42% below the previous year and the lowest level for over a decade and this trend has continued in the later months of 2008 and into 2009. Effective demand is falling.
- 7.14 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.
- 7.15 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, including through the re-negotiation of the housing mix to bring forward an increased social housing component. 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.
- 7.16 Changing market conditions are supporting demand for private rental properties for those deferring or 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.
- 7.17 A further characteristic has been the reduction in demand for traditional shared ownership provision of affordable housing and the potential for increasing demand for intermediate rent. This is driven by two factors: difficulties for RSL's in selling shared ownership properties with a move to them converting these to intermediate rent; and developers starting to offer their own forms of shared ownership.

- 7.18 RSLs are facing increasing difficulties in accessing funding from the private sector for schemes that are not already supported by the financial institutions.

LONG-TERM DRIVERS OF CHANGE

- 7.19 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 particularly levels of migration from elsewhere in the region) and economic performance as well as investments in improvements to quality of place (particularly in town centres) and transport links.
- 7.20 The population has been growing, but with in-migration counterbalancing natural decrease. 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 (77%) and without intervention this is likely to increase. We believe that there will be some opportunities to better use some of the existing housing stock by providing better housing choices and support for older people.
- 7.21 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. The economy is also less growth-orientated than in the Northern West Sussex Housing Market. Relationships in this context with 'growth diamonds' in the PUSH area, Brighton and Hove and Crawley and how these develop may influence housing demand in Coastal West Sussex, alongside internal economic upgrading.
- 7.22 The level and type of housing development in the areas surrounding the Coastal West Sussex Housing Market are likely to have an influence on housing demand within it. The PUSH area to the West has been designated a Growth Point; while a high proportion of new development in Brighton and Hove is expected to be of smaller properties.

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 outstrip 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. We also assess how delivery rates can be driven forward to meet demand over the long-term. This includes ensuring that robust policy frameworks are in place. Product differentiation (through delivery of a range of types/ sizes and by a number of different developers) will also be important to drive delivery rates. It is also 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.

8. FUTURE HOUSING MARKET

- 8.1 In the preceding sections we have explored the profile of the housing stock and trends in the Coastal West Sussex and wider West Sussex County Housing Markets 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 Coastal 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. Unemployment has grown 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 and 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 to live 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 2008-20 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 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 which 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 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 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 demand for market housing. However in the long-term it is still going to be necessary to meet need and 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 Coastal 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 be mitigated, in part, 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;

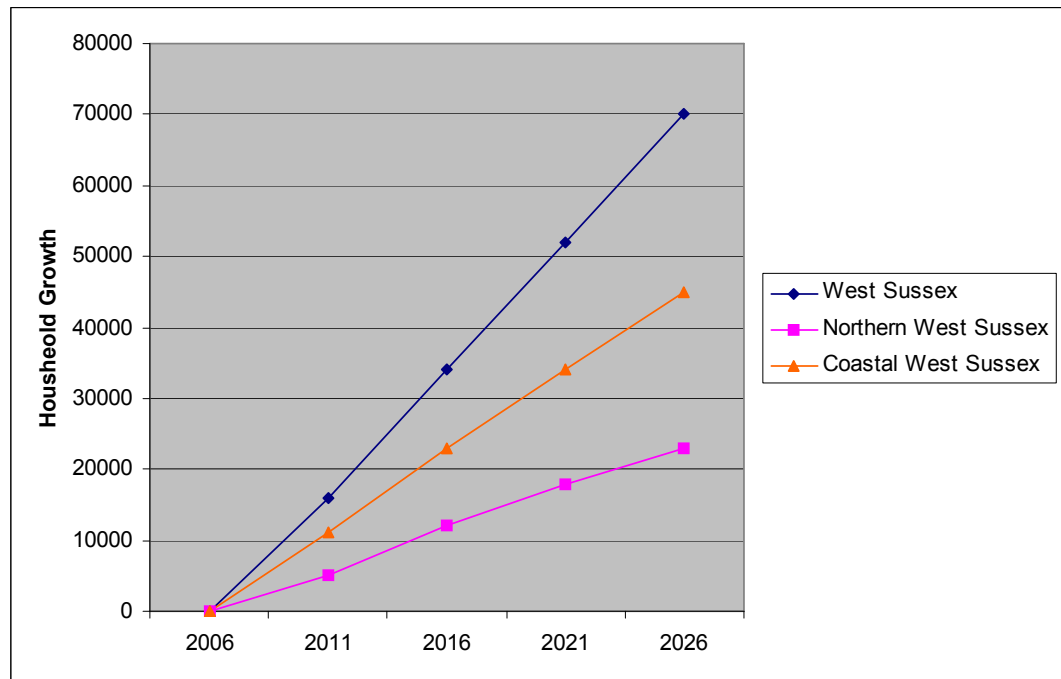
- Investment in capacity in the transport network (both public transport and roads) which affect the relative accessibility of different areas to economic centres influencing future commuting patterns.
- 8.35 We have used a scenarios-based approach, working with a range of stakeholders, to develop our 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 dwelling-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 household 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. It indicates that the rate of household growth is expected to be fairly consistent over the twenty year period in Coastal West Sussex.
- 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 and 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

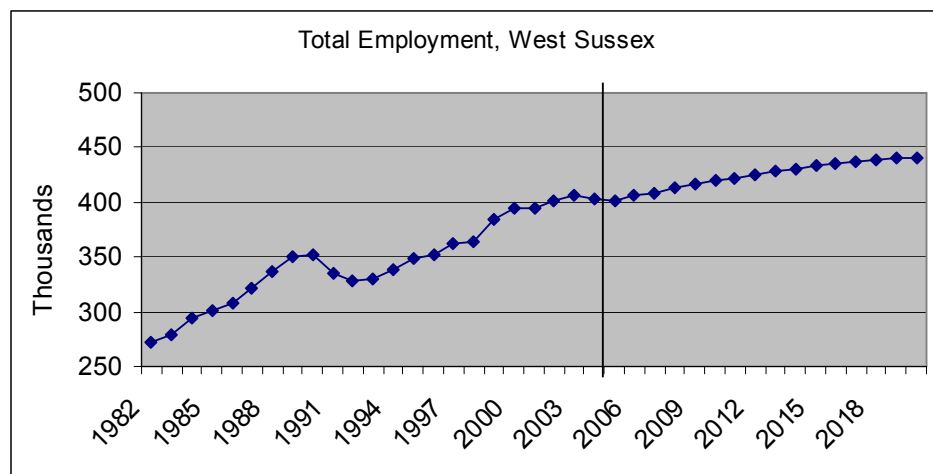
however, the rate of growth has slowed very significantly: from 2.7% per annum between 1997-2002 to just 0.4% per annum between 2002-5. This rate of growth between 2002-5 was the slowest in the region. Only three other sub-regional economies in the whole of the UK showed a slower rate of growth than 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 4/5th 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 West Sussex 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 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 reflecting forecast growth of 6.2% across the South East region.

Figure 8.2: Forecast Total Employment, 2006-20



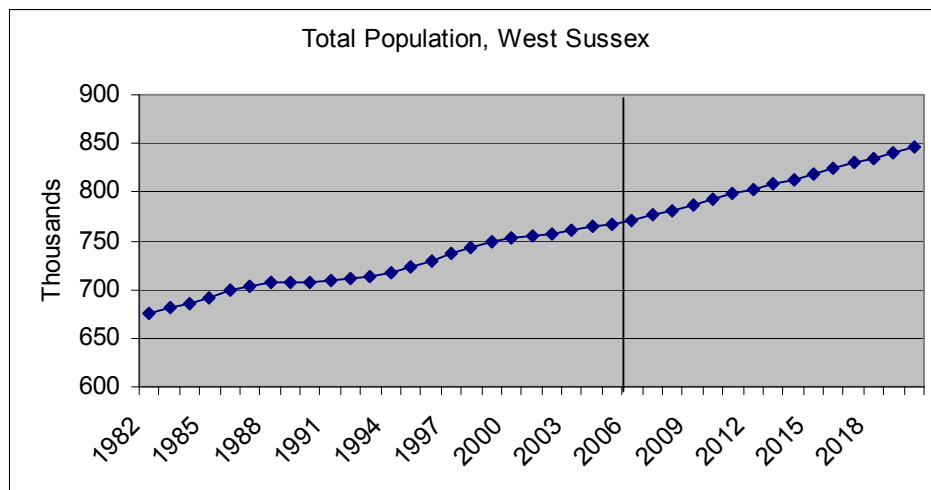
Source: Experian Business Strategies/ GVA Grimley

- 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 related to the emerging economic downturn which can be expected to subdue growth in a range of sectors, 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 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 2006-21¹⁴ 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.

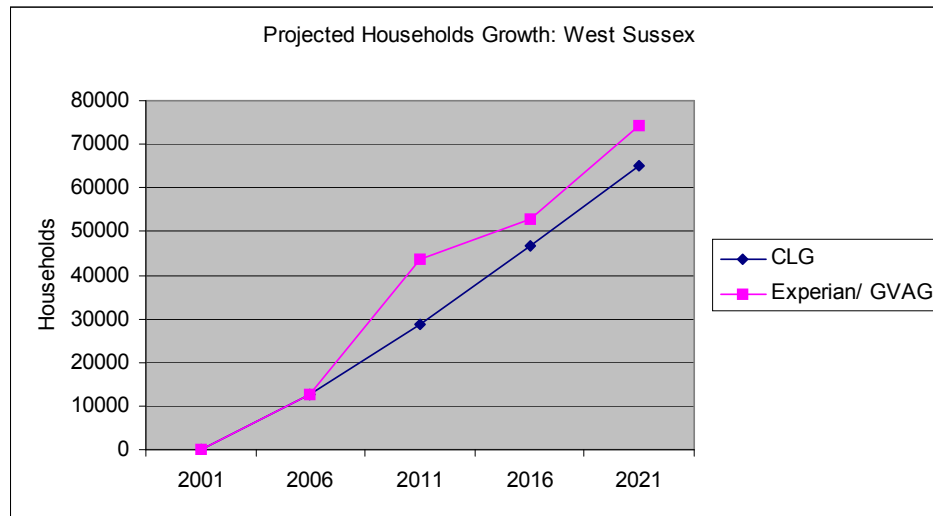
Figure 8.3: Forecast Population Growth – Experian Forecast, 2006-20



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.

¹⁴ 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 between the two Housing Markets.
- 8.59 In the Coastal West Sussex 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.

ECONOMIC OPPORTUNITIES AND INTERVENTIONS

- 8.64 There is a less clear set of economic drivers in Coastal West Sussex relative to Northern West Sussex. The Coastal West Sussex economy, as we have described, is characterised by:
- Below average productivity and earnings with below average employment growth relative to the region. The larger economies of Chichester and Worthing have witnessed particularly weak employment growth;
 - Economic participation levels which are below the regional level with evidence that levels fell between 2005 and 2006 (albeit that levels still remain close to conditions of full employment);
 - Key issues around unemployment, deprivation, access to affordable housing, transport, town centres, economic base (with declining tourism and manufacturing employment).
- 8.65 There are also key challenges to the delivery of new commercial development which affect economic growth potential. Coastal West Sussex lacks a large economic centre with a strong commercial property market and values significant enough to support speculative development or modernisation of existing commercial space. The local authorities have struggled to some degree to deliver new employment development and there have been losses of employment sites to housing development. Increasing levels of commercial investment is a key challenge made more difficult by the current economic climate.
- 8.66 Transport provision is a key issue in the Coastal West Sussex Housing Market. The main towns are relatively poorly connected to larger economic centres by both road and rail. Rail links to London and other major economic centres are relatively slow; while the arterial A27 Trunk Road suffers quite severe congestion, particularly at peak hours around Chichester, Arundel and through Worthing. Capacity issues on the A27 are a key potential constraint to residential development in the area. Furthermore, north-south road and rail links are not particularly fast.
- 8.67 At present, there does not appear to be a coherent economic/ spatial strategy for Coastal West Sussex to address these economic and transport challenges, although there has been some project-based investment through the Single Area Investment Framework

(funding for which has now ceased). SEEDA are promoting an education-led approach to economic development and regeneration. Partnership working currently appears less well advanced than in Northern West Sussex.

TOWN CENTRES AND KEY HOUSING SITES

- 8.68 Masterplan proposals are being brought forward in each of the main towns of Coastal West Sussex. These are at different stages of implementation, but broadly focus on diversifying and upgrading the retail and tourism offer, improving environment and public realm. They provide opportunities to deliver some new commercial development within mixed-use schemes which include residential provision.
- 8.69 Progress in preparing Local Development Frameworks currently varies. A good range of housing sites is being proposed or brought forward, including mixed-use town centre schemes, infill development, and larger development sites or urban extensions. The larger sites include Site 6 (North Bersted/Felpham) north of Bognor Regis, the Hospital and Barracks sites in Chichester, Shoreham Harbour (where a Joint AAP with Brighton & Hove is in preparation). These provide some good opportunities to deliver new employment through mixed use development.
- 8.70 The range of sites provides a good opportunity to deliver a range of house types. There are however a number of development constraints which could potentially affect delivery, including environmental constraints to Ropetackle North in Adur, traffic management issues related to town centre and seafront sites in Worthing, and major infrastructure and flood mitigation requirements to development at Shoreham Harbour. More broadly the capacity of the A27 will affect larger residential developments across the area. We would recommend a coordinated approach to addressing these capacity and infrastructure constraints.
- 8.71 A more sophisticated approach still would be for local partners in West Sussex to work with those in adjacent areas, including in South Hampshire and Brighton & Hove, to consider some of the key infrastructure capacity issues across a wider area and potential high-level interventions which could be brought forward to address these. There are examples of this approach being successfully deployed elsewhere in the South East.
- 8.72 Broader potential measures to support the economy in Coastal West Sussex include for local authorities to work together and with businesses to support the development and growth of existing businesses, alongside measures to improve skills development and retention.

SHOREHAM & FORD

- 8.73 We expect the major supply-side interventions on the economic side to be linked to proposals at Shoreham Harbour and Airport. There is potential for employment expansion at both to support Shoreham's growth as an employment hub in the sub-region as part of a wider Brighton and Hove-centred economy. We understand that there are emerging plans for the development of office and flexible workspace provision at Shoreham Airport. At Shoreham Harbour, a Growth Point designation has been successfully secured with potential identified for a maximum of 10,000 new homes (4,000 above previous suggested figures, spanning Adur and Brighton and Hove local authorities). Given a lack of other significant opportunities for employment development, the success of these interventions will be particularly important to the sub-regional economy and help to support housing provision. Partners will need to work together to resolve transport/ accessibility and other infrastructure issues to bring forward new employment and housing in Shoreham.
- 8.74 We see Shoreham contributing to a Brighton and Hove-based economy as well as West Sussex. Brighton and Hove has a limited supply of land for employment development and Shoreham Harbour and Airport will be important in supporting growth in this functional local economy. In housing terms, it will also play a key role in enabling a more diverse mix of housing to be provided to meet market demand. Given the nature of sites expected to be brought forward in Brighton and Hove, a high proportion of development is expected to be of higher-density flatted schemes despite the political will to deliver improved provision of family housing. Shoreham Harbour will play some role in addressing this.
- 8.75 Ford Airfield Vision Group and Ford Enterprise Hub are also jointly promoting designation of an EcoTown of 5,000 homes at Ford in Arun District. This is being considered by the Government (the recent draft PPS EcoTowns Consultation confirms this); the current expectation being that the successful EcoTowns will be designated in Spring 2009. It is one of thirteen currently short-listed to be brought forward as exemplar green developments with high sustainability standards. Arun District Council is currently resisting the proposal, with particular concerns regarding the impact on the A27 and regeneration of Bognor Regis and Littlehampton.
- 8.76 From the research undertaken, our particular concerns relate to whether the level of economic growth potential across in the Coastal West Sussex Housing Market can support the delivery of an additional 5,000 homes or more; and the impact of bringing forward a new development of 5,000 homes at Ford on the potential to deliver the scale of growth including planned urban extensions in Bognor Regis, Littlehampton, Chichester and Worthing, which have been previously mooted through Local Plans and Local Development Frameworks, or in the case of Worthing are well advanced through the planning process. We would recommend that the potential phasing of these be carefully

considered in assessing the EcoTown proposal and that the economic case for additional housing provision (if this is to be additional to existing proposed housing requirements) needs to be made.

- 8.77 There are a number of key risks which arise from our analysis of the Coastal West Sussex Housing Market. Firstly, there is the potential that relatively low levels of economic growth could lead to out-migration of economically active, working households; these being replaced by migration of an older population to the Coastal Housing Market. Second, there is a risk of increased reliance on economic centres surrounding the Coastal West Sussex Housing Market, including Brighton and Hove, Crawley-Gatwick, and South Hampshire. These could potentially result in an increasing older population (with resultant pressures for retirement living developments over time), challenges to development of town centre/urban living housing offer (as young people migrate to jobs elsewhere) and increasing pressure on the transport network (as people commute to destinations outside the area).
- 8.78 We consider that there is a positive choice for the four local planning authorities to make in driving forward the development of the local economy through a proactive and coordinated strategy for intervention, to bring forward new employment development; improve the workforce skills base; and improve the strategic accessibility of the area. We consider that this is the preferable strategy in retaining diverse, sustainable and mixed communities.

EVOLVING RELATIONSHIP WITH EXTERNAL DRIVERS

BRIGHTON AND HOVE

- 8.79 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.
- 8.80 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.
- 8.81 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

- 8.82 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.
- 8.83 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).
- 8.84 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.
- 8.85 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

- 8.86 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.

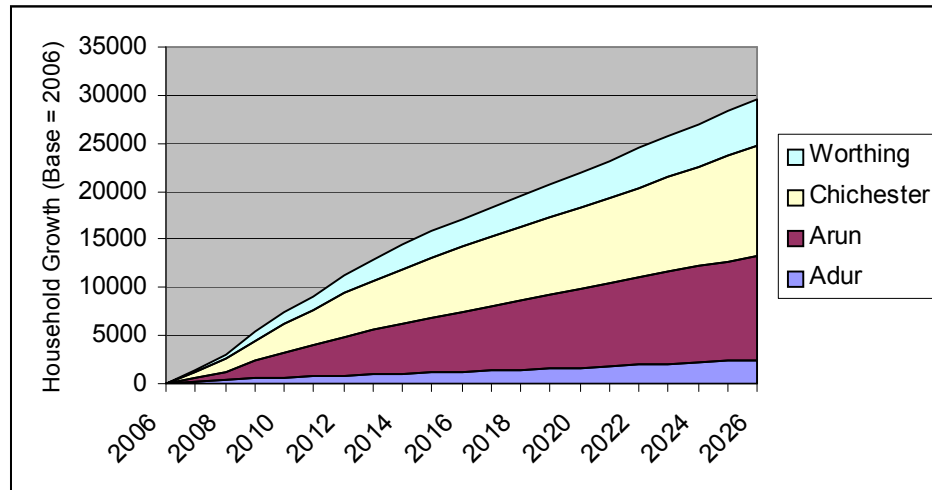
- 8.87 The area is a designated Growth Point with proposals to deliver a programme of regeneration focused on the cities of Portsmouth and Southampton and adjoining urban areas; planning for provision of two million square foot of new employment floorspace; and delivery of some 80,000 homes including 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.
- 8.88 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.
- 8.89 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

- 8.90 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. If approved, the housing provisions contained in the Secretary of State's Proposed Changes (July 2008) would need to be incorporated in revised population and household projections. These revised projections would be expected to show larger population increases in all districts except Worthing.
- 8.91 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 and hence not a true projection or forecast of housing demand particularly in areas in which there are land supply constraints.

8.92 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 the Coastal West Sussex Housing Market is expected to contribute to household growth across the Housing Market.

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



Source: WSCC

KEY FINDINGS OF THE SCENARIOS PROCESS / COMPARISON OF SCENARIOS

8.93 The Coastal West Sussex Housing Market has performed well in recent years in terms of housing delivery. This has, at least in part been driven by continued retirement migration to the South Coast. Nevertheless, without a coherent and effective economic strategy there are risks to the sustainability and deliverability of a balanced housing market and overall quality of life in the Housing Market area in future.

8.94 There is not a clear economic position for the Housing Market area. Future direction, roles and functions, or the opportunities to be exploited are not coherently identified across the area. This is a key challenge to be brought forward to support and sustain housing delivery rates, ensure growth is sustainable, and that sustainable communities are achieved. The alternative is increasing polarisation with an expanding role for an older and more economically inactive population; continued low value employment reducing relative incomes; and therefore continued housing affordability pressures.

8.95 The scenarios analysis demonstrates that the policy focus in the Coastal West Sussex Housing Market area should be on driving forward economic development including

through policies for mixed use development to address the lack of strong existing commercial markets (through cross-subsidy as necessary) and through supporting infrastructure improvements (particularly the east-west road and rail connections to improve strategic and local accessibility).

- 8.96 The Housing Market in Coastal West Sussex should focus on developing the housing offer to support economic development. Mid market family housing is needed to retain and attract the working age, economically active population. There is a role for a managed delivery of a modern 'urban living' offer within the town centres. Finally there is a need to secure affordable housing (particularly Intermediate Housing) to attract and retain skilled young people providing them with a ladder of housing opportunity within the Coastal West Sussex market.
- 8.97 In this context the provision of housing for the growing older age population needs to be carefully managed. There is a need to maintain a balanced profile in all communities and in doing so, we would expect some provision of lifetime and adaptable homes for older people in all larger development schemes as part of creating mixed communities.
- 8.98 A Sub-regional Economic Growth Strategy should be developed which identifies the roles and functions and opportunities of different places; consider how to develop transport/ connectivity and look at wider strategic infrastructure issues across the Coastal West Sussex area. The area needs to be more outward looking, recognising and exploiting links to the major economic centres that surround it in PUSH, Brighton & Hove, and more widely the Gatwick Diamond. It is quite possible that inter-relationships with these areas may strengthen over time if positively fostered through economic complementarity, quality of life and housing offer.
- 8.99 Shoreham Harbour Growth Point provides a major opportunity to develop an economic hub to support the wider eastern area of the Coastal West Sussex Housing Market. In this regard, the economic component to this major development is particularly important. In housing terms, Shoreham Harbour must contain a mix of housing, including family housing recognising the limited supply likely to come forward in Brighton and Hove and through sites in Adur and Worthing districts. The number of homes proposed and the coastal location of Shoreham Harbour suggest a higher density of housing and economic development overall if the best use of the land is to be made and investment in infrastructure is to prove viable. We believe there is a need for growth at Shoreham Harbour to align more widely with the proposed urban extensions to Worthing (Durrington) and also to future housing growth in Brighton and Hove so that each location plays an important role in providing a mix of family oriented housing.
- 8.100 The proposed Ford EcoTown (if it is to be approved) should have a focus on its economic role rather than simply housing supply. Given other housing growth allocations and

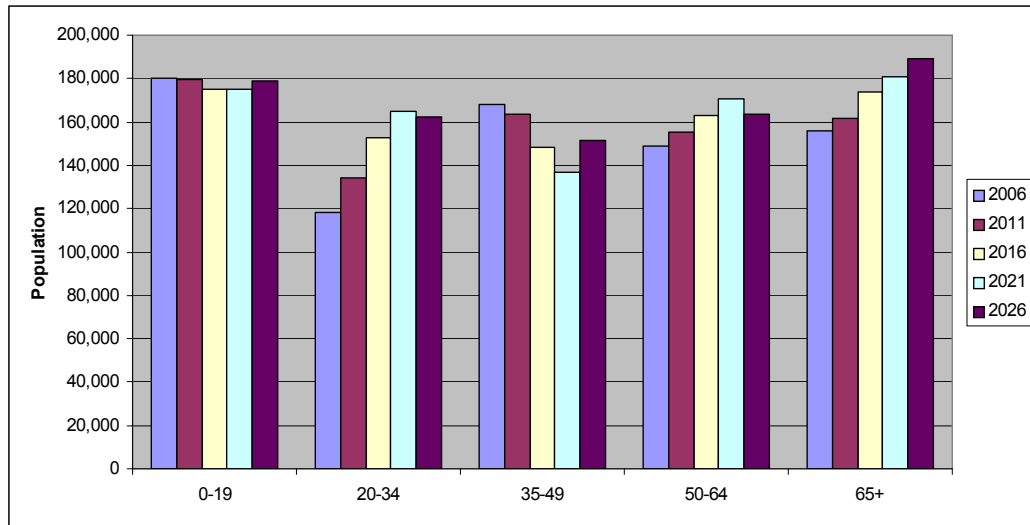
proposals in the Coastal West Sussex Housing Market area there is limited need in this market for the additional level of housing growth proposed at Ford. The critical question for the Coastal Housing Market is therefore over the deliverability and timescales for development in relation to other sites; and ensuring that the development programme brings forward new employment opportunities alongside housing development.

- 8.101 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 Coastal West Sussex Housing Market's quality of life and place offer and will directly 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

- 8.102 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.
- 8.103 Our approach to considering housing mix integrates an analysis and understanding of market signals, economic and demographic trends with affordability drivers.
- 8.104 West Sussex County Council population projections indicate growth in the population in most age groups over the period 2006 to 2026, 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 aged 65 years 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 65 is a key trend and housing market signal.

Figure 8.6: Population Change by Age Cohort, West Sussex

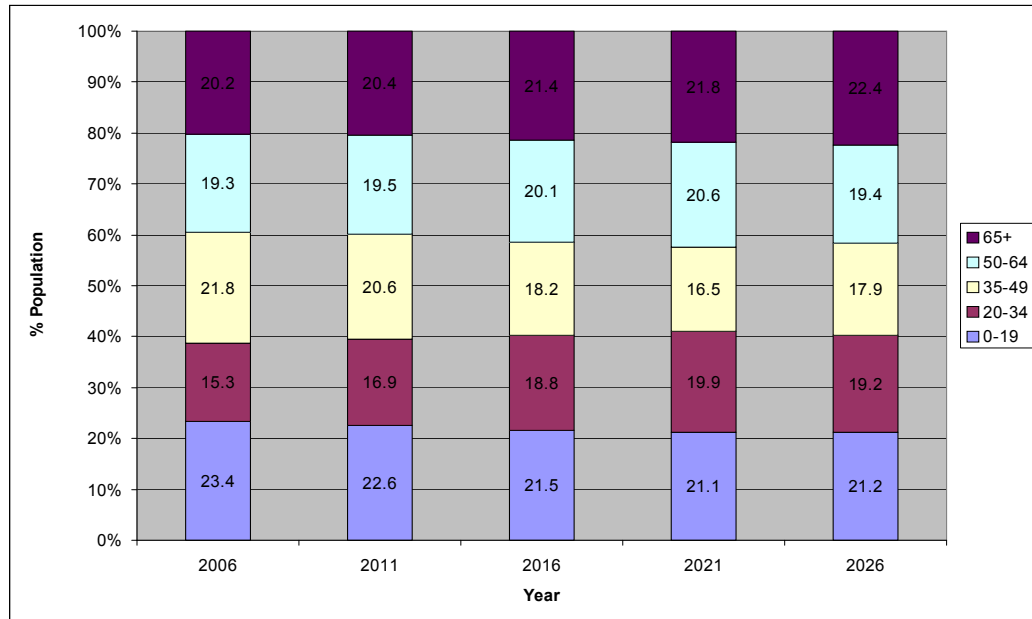


Source WSCC

8.105 As Figure 8.7 demonstrates, projected demographic trends are expected to alter the age profile of residents in the West Sussex Housing Market. West Sussex County Council population 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.

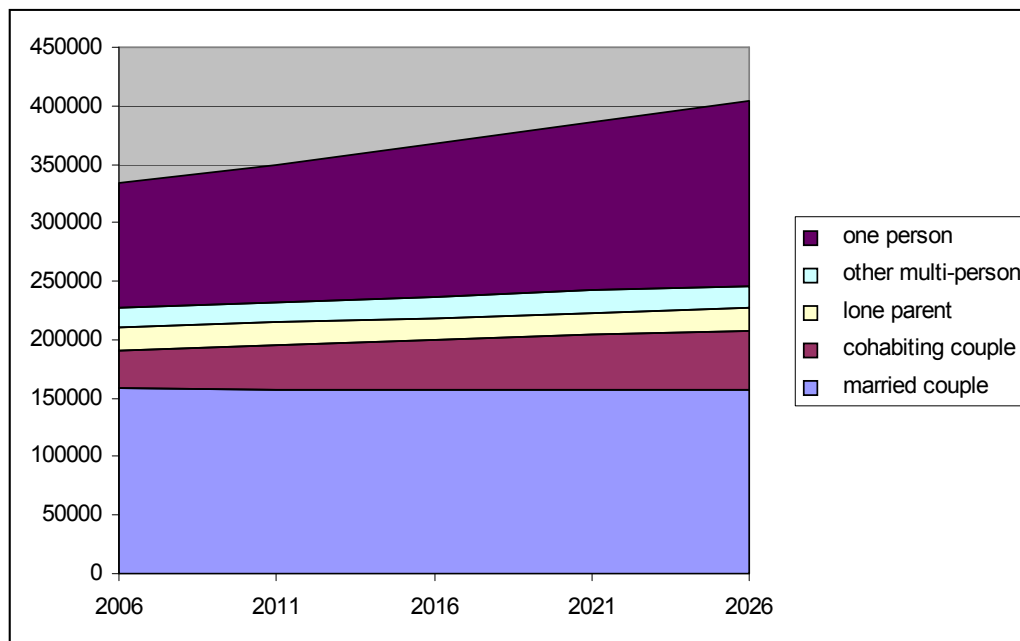
8.106 In reality, stronger housing supply, effective place-making and economic growth in key sectors may support in-migration of younger households which may moderate the projected changes set out. Economic and place-making measures are important to encourage younger, economically active households to balance the household composition in relation to growth in older age population due to natural change and retirement in-migration.

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



Source: WSCC

8.107 The Government’s Revised 2004-based household projections indicate how household size and structures are expected to change to 2026. Average household sizes across the Coastal West Sussex Housing Market are projected to fall from 2.18 in 2006 to 2.02 in 2026.

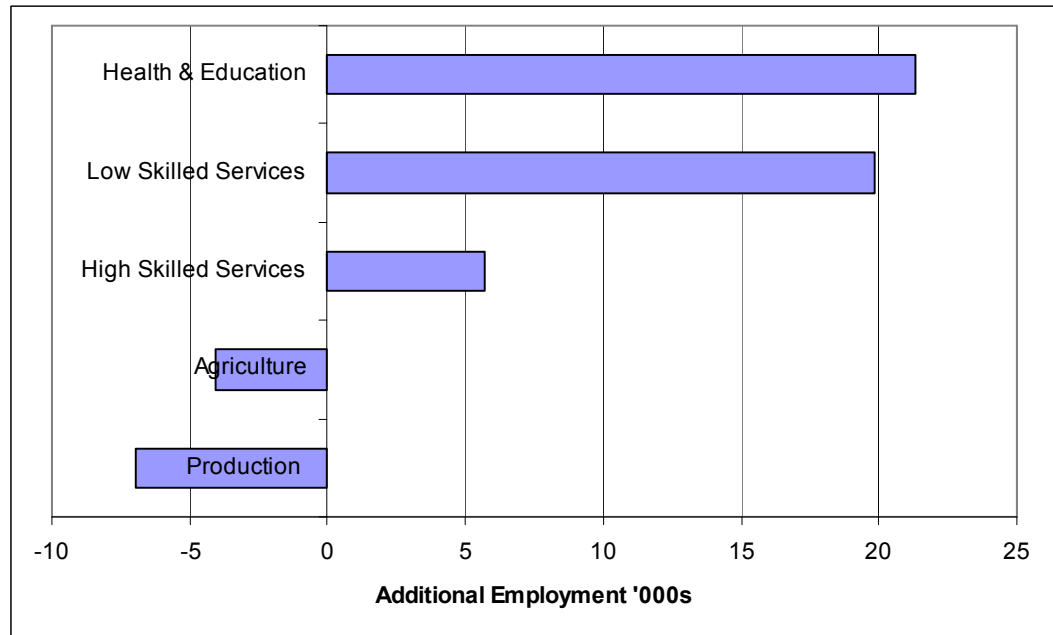
Figure 8.8: Changing Household Structures, West Sussex County 2006-2026

Source: WSCC CLG Revised 2004 Trend Based Household Projections

- 8.108 The changing household structures for West Sussex clearly show the significant growth in single person households over time. 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%.
- 8.109 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.
- 8.110 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); 77% in the Coastal 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 (defined as more than one bedroom not in use) larger housing particularly in the private sector.

- 8.111 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.
- 8.112 That said, there is merit on looking at providing a choice of appropriate housing for older people that may encourage some to downsize or move into accommodation more appropriate for their needs (the Lifetime Homes Standard will assist in this respect), thereby releasing a supply of larger existing housing for younger households to occupy. This will help make the best use of the existing stock supply. It must 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 overriding factor.
- 8.113 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 the Coastal West Sussex Housing Market , with an overview of what the economic direction may mean for the occupational mix and what opportunities this offers for developing the housing offer.
- 8.114 Figure 6.8 in the earlier Local Economic Trends section indicated the existing occupational profile of households in the Coastal West Sussex Housing Market. It is based on CACI's ACORN Classification. The analysis demonstrated that Coastal West Sussex Housing Market has a higher proportion of people in top level occupations (managers/professional occupations) than Great Britain as a whole and 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 that higher earning individuals live. Chichester is particularly highlighted as having a larger proportion of top level occupations compared to Adur, Arun and Worthing.
- 8.115 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

- 8.116 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.
- 8.117 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.
- 8.118 Market signals and economic requirements indicate that the focus of demand in Coastal West Sussex remains for family housing delivered through proposed urban extensions as well as in developing more of a town centre urban living offer aimed at younger, aspirational and economically active households. The demands of the retirement age market will remain and are considered to encompass a variety of house types, sizes and prices with emphasis on supported housing and provision of extra-care to assist more elderly households. Areas of higher value housing, particularly in rural settlements remain in demand (even in the current housing market) from those in well paid managerial and professional occupations but must have counterpart investment in more affordable family oriented housing also.

- 8.119 There are plans across the Coastal West Sussex Housing Market for place-based regeneration, including the regeneration of coastal centres such as Bognor Regis, Littlehampton, Worthing and Shoreham. These regeneration programmes encompass the town centre urban living offers associated with creating a wider mix of housing uses and should be supported as part of an overall strategy to raise the economic proposition of the Housing Market area and support quality of life.
- 8.120 There is also a role for the proposed urban extensions to play in each district, except Adur, in providing larger and higher value housing to support the growth of a more successful economy and to help continue to balance the housing market stock away from an over-production of one and two bedroom homes. For these larger site opportunities (particularly Shoreham Harbour and Ford EcoTown) 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.
- 8.121 Place-making interventions across Coastal West Sussex are critical to supporting housing demand and attracting people to live and work in the area's 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 will be critical to providing a diversified housing mix in the long term.
- 8.122 Our overall conclusion is that the Coastal West Sussex Housing Market is predominantly for a range of housing sizes to cater for family, older and younger people. The market for flats has been developed over time and is now suffering especially in the current housing market downturn. There remains a valid role for high quality flats to play in the future housing mix and particularly as part of the regeneration initiatives focused on the various coastal centres where land supply may be tight, but flats 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 regeneration programmes envisaged by each of the local authorities, the identification of a new Growth Point at Shoreham Harbour and more widely the role of the PUSH area and of the Gatwick Diamond as regional economic drivers and a return of macro-economic stability across key sectors will drive demand for new housing across the Coastal 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 Coastal West Sussex Housing Market has a challenging and narrow economic base, and strong competition from other areas such as Portsmouth and Southampton, Brighton & Hove and more widely the London market.
- To adequately address the future housing market in Coastal 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 Coastal 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.

9. HOUSING NEEDS ASSESSMENT

INTRODUCTION

- 9.1 GVA Grimley has worked with each of the four local authorities in the Coastal 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 and 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 other local authorities and 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. The low estimate figures are presented through Figures 9.12-9.16, with both high and low estimate results set out in Figures 9.17 - 9.21.

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.

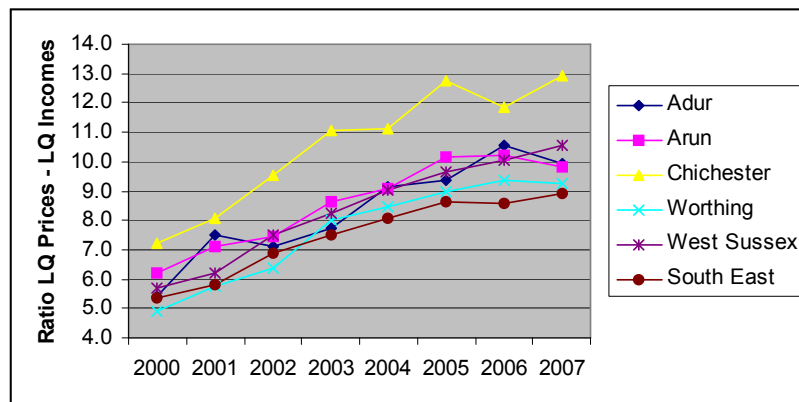
Figure 9.1: Housing Needs Model & Data Sources

Step	Calculation	Data Sources & Assumptions
Stage 1 – Current Housing Need (Gross)		
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	
Stage 2 – Future Need		
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	
Stage 3 – Affordable Housing Supply		
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. Low Estimate includes only social rented housing.
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	
Stage 5 – Bringing the Evidence Together		
5.1 Total Net Need	= 1.4 – 3.5	
5.2 Annual Flow	= 20% 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 in West Sussex from 5.7 in 2000 to 10.5 in 2007. In Chichester the entry-level house prices are almost 13 times earnings of young households.

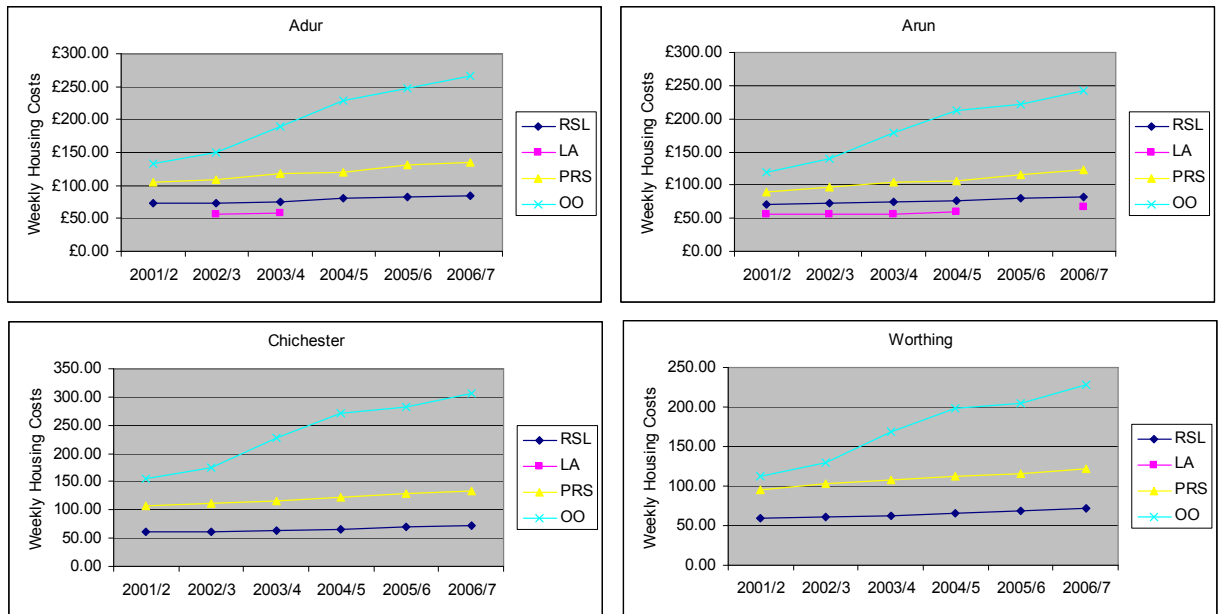
Figure 9.2: Lower Quartile Price to Income Ratios



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 four 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

9.27 An analysis of differences in weekly 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 Weekly Housing Costs across Tenures, 2001/2 and 2006/7

Difference in Weekly Housing Costs		Adur	Arun	Chichester	Worthing
RSL Rent - Private Rent	2001/2	£33.29	£18.63	£48.10	£35.43
	2006/7	£50.60	£39.79	£60.68	£48.96
	Growth	£17.31	£21.16	£12.58	£13.53
Private Rent - Owner Occupation	2001/2	£27.46	£29.95	£46.31	£17.44
	2006/7	£130.35	£119.62	£171.72	£106.22
	Growth	£102.89	£89.67	£125.41	£88.78

Source: Dataspring

9.28 Private rental costs are notably higher than rents in the social sector in all four districts, with the differential largest in Chichester and lower in Arun than the other authorities. Rents in Arun have though grown to a more significant degree since 2001/2 than the other three authorities.

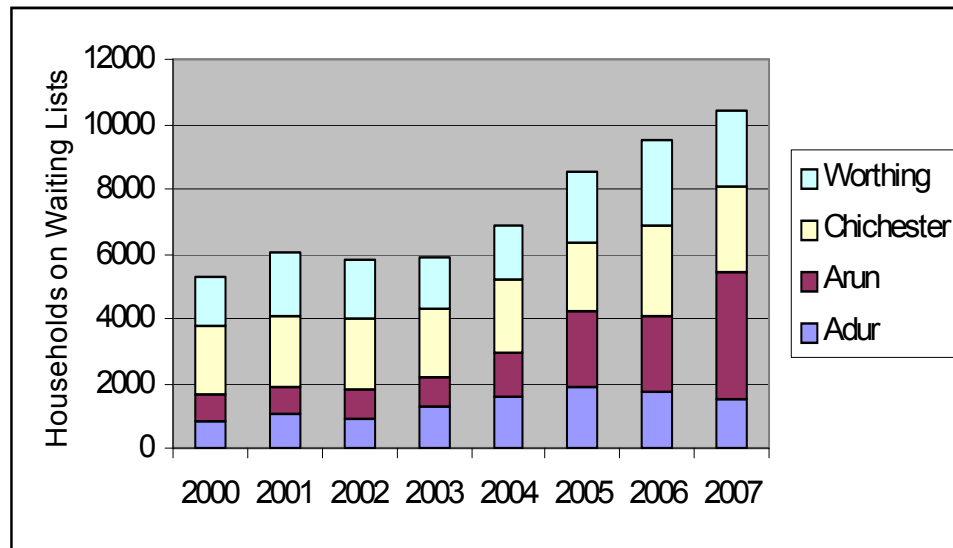
- 9.29 The costs of owner occupation have increased substantially in all four authorities. The differentials between house purchase and private rental costs have increased by some £90 in Arun and Worthing and more significantly in Adur (£100) and in Chichester (£125). Weekly housing costs of house purchase are over £100 greater in all authorities relative to private rental costs, rising to over £170 per week in Chichester District.
- 9.30 The growing differential in housing costs across tenures and particularly the substantial increase in costs of owner occupation, have resulted in increasing numbers of 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. However the ability to meet this need has been affected by the supply of affordable housing. Figure 9.5 indicates that across Coastal West Sussex and each of the local authorities (other than Arun District), the stock of affordable housing has fallen. This has affected the ability of social housing providers to meet growing need.

Figure 9.5: Affordable Housing Properties

	Apr-02	Apr-07	% Change
Adur	3632	3457	-5%
Arun	6339	6554	3%
Chichester	8264	8069	-2%
Worthing	4273	4220	-1%
Coastal West Sussex	22508	22300	-1%

Source: HSSA 2002 and 2007

- 9.32 Sales of social housing through right-to-buy and right-to-acquire legislation are the principal drivers of a declining stock of properties in the social sector. Development of new social housing has not been able to keep pace with the levels of losses.
- 9.33 With increasing levels of new applicants for social housing and a declining stock of properties, waiting lists (excluding transfers) have increased in Coastal West Sussex since 2003. This is shown in Figure 9.6 below. Across the area, waiting lists have grown by 77% between April 2003 and April 2007.

Figure 9.6: Growth in Local Authority Waiting Lists

Source: HSSA Returns

- 9.34 These trends of an increasing backlog of housing need, strong affordability barriers to purchasing or renting housing privately, and a lower stock of affordable housing are borne out in the assessment of housing needs.
- 9.35 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 (urban 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.
- 9.36 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.

- 9.37 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

- 9.38 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.
- 9.39 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.

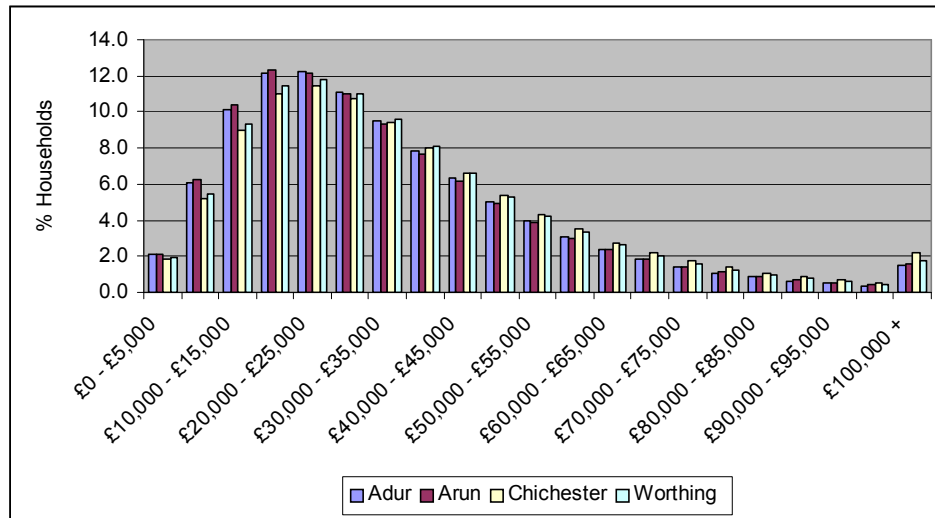
Figure 9.7: Entry-Level Monthly Housing Costs and Annual Income Thresholds

	Monthly Housing Costs		Private Rental as % Purchase Costs	Income Thresholds (Annual)	
	Purchase	Private Rental		Purchase	Rental
Adur	£973	£590	61%	£46,718	£28,320
Arun	£850	£817	96%	£40,794	£39,216
Chichester	£1030	£821	80%	£49,451	£39,408
Worthing	£773	£590	76%	£37,125	£28,320

Source: Halifax

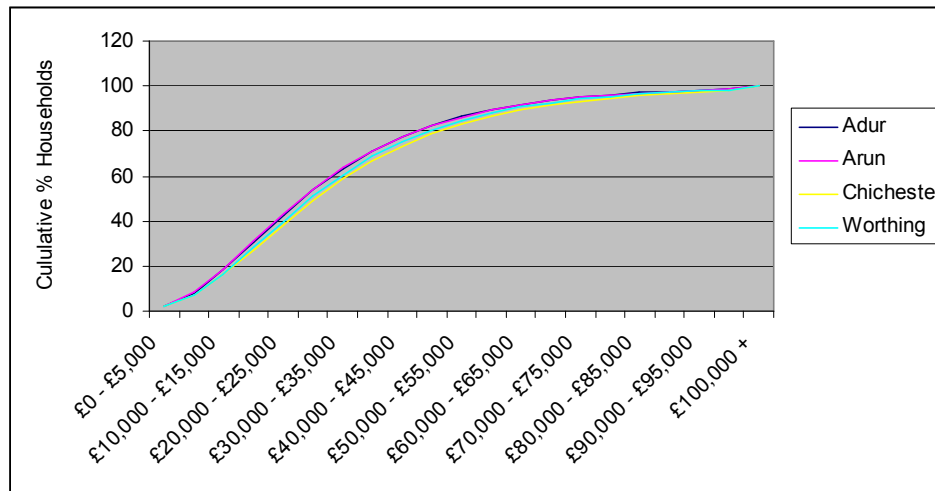
- 9.40 Monthly housing costs are lower for private renting than home ownership (at lowest quartile prices) in each of the local authorities. The differences in costs however vary. Rental costs offer a noticeable discount in Adur, however in Arun the difference is marginal.
- 9.41 Using data from CACI 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.
- 9.42 Figures 9.8 and 9.9 indicate the distribution of household earnings by income band across each of the local authorities.

Figure 9.8: Household Earnings by Income Band, 2008



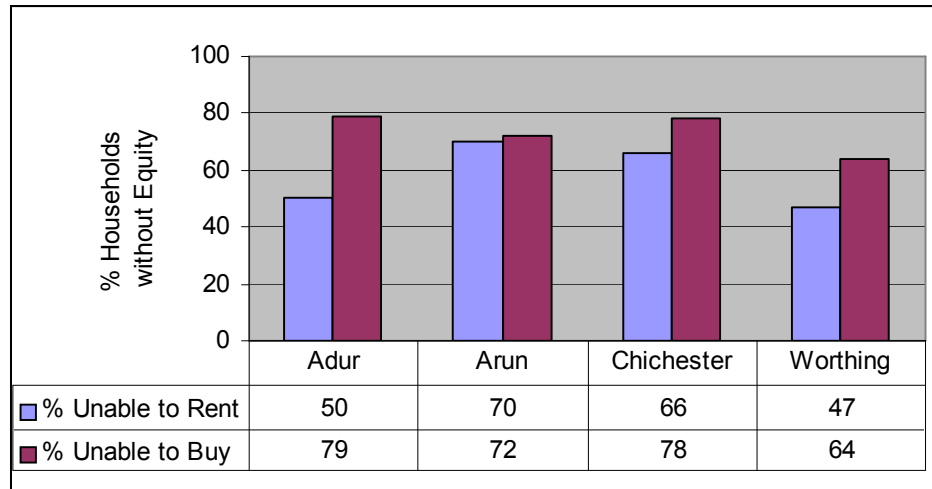
Source: CACI Paycheck

Figure 9.9: Cumulative Household Earnings Distribution, 2008



Source: CACI Paycheck

9.43 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

- 9.44 The proportion of households without equity in their existing homes who cannot afford to rent housing in the private sector without support varies from 47% and 50% in Adur to 66% in Chichester and 70% in Arun (Figure 9.10). For those unable to buy, the proportion of households ranges from 64% in Worthing, to 72% in Arun, 78% in Chichester and 79% in Adur.

BASIC NEEDS ASSESSMENT MODEL

STAGE 1: CURRENT HOUSING NEED (GROSS BACKLOG)

- 9.45 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
- 9.46 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.

- 9.47 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).
- 9.48 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).
- 9.49 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 effect on housing need.
- 9.50 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)

	Adur	Arun	Chichester	Worthing	Coastal West Sussex
High Estimate (All Households on Waiting List)	1393	3471	4938	2205	12007
Low Estimate (Households with Reasonable Preference)	1020	1237	1425	1109	4791
% In Reasonable Preference Categories	73%	36%	29%	50%	40%

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

STAGE 2: FUTURE NEED

- 9.51 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
- 9.52 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 (this is unchanged in the final South East Plan – May 2009).

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.

- 9.53 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)

	Adur	Arun	Chichester	Worthing	Coastal West Sussex
2.1 New Household formation (gross per year)	305	565	480	200	1550
2.2 Proportion of households unable to rent	50%	70%	66%	47%	
Newly-Forming Households in Housing Need (Per Annum)	152	395	317	94	957

- 9.54 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).
- 9.55 CORE lettings data¹⁵ can be used to estimate existing households falling into need by discounting newly-forming households and transfers.¹⁶ 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.
- 9.56 Figure 9.13 sets out estimates of existing households falling into need.

¹⁵ 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.

¹⁶ 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

	Adur	Arun	Chichester	Worthing	Coastal West Sussex
2.3 Existing Households falling into Need	131	272	302	223	928

9.57 Drawing the analysis together from Figures 9.12 and 9.13, Figure 9.14 provides estimates of total newly-arising need per annum.

Figure 9.14: Total Newly-Arising Housing Need Per Annum

	Adur	Arun	Chichester	Worthing	Coastal West Sussex
Newly-Forming Households in Housing Need (Per Annum)	152	395	317	94	957
Existing Households in Housing Need (Per Annum)	131	272	302	223	928
Total Newly-Arising Need (Per Annum)	284	668	619	317	1887

STAGE 3: AFFORDABLE HOUSING SUPPLY

9.58 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

9.59 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).

- 9.60 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.
- 9.61 Figures for surplus stock, units to be taken out of management and committed supply of affordable housing (using committed completions and permissions data for the Low Estimate and LAA targets for the High Estimate) have been provided by each of the local authorities.
- 9.62 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.
- 9.63 Units to be taken out of management include affordable housing which is to be either demolished, redeveloped or disposed of.
- 9.64 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.
- 9.65 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

	Adur	Arun	Chichester	Worthing	Coastal West Sussex
3.2 Surplus Stock	0	1	1	0	2
3.3 Committed supply of new affordable housing (low estimate figures used which include only social rented units)	104	224	159	139	626
3.4 Units to be taken out of management	0	0	130	0	130
3.5 Total affordable housing stock available	104	225	30	139	498

- 9.66 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.
- 9.67 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.

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

Figure 9.16: Estimated Annual Supply of Affordable Housing

	Adur	Arun	Chichester	Worthing	Coastal West Sussex
3.6 Annual supply of social re-lets (net)	142	293	378	243	1056
3.7 Annual supply of intermediate affordable housing available for re-let or resale at sub market levels	7	29	20	10	66
3.8 Annual supply of affordable housing	149	322	398	253	1122

STAGE 5: NET ANNUAL HOUSING NEED

9.69 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.

9.70 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).

9.71 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

	Adur	Arun	Chichester	Worthing	Coastal West Sussex
Total net need	1239	3120	4781	1971	11111
Annual flow (10% Total Net Need)	124	312	478	197	1111
Net annual housing need	258	658	699	261	1876

Figure 9.18: Net Annual Housing Need – Low Estimate

	Adur	Arun	Chichester	Worthing	Coastal West Sussex
Total net need	916	1012	1395	970	4293
Annual flow (10% Total Net Need)	92	101	140	97	429
Net annual housing need	226	447	360	161	1194

9.72 Estimates of net annual housing need are thus as follows 226-258 households in Adur District; 447-658 households in Arun District; 360-699 households in Chichester District; and 161-261 households in Worthing. The overall estimates of net annual housing need for Coastal West Sussex Housing Market are 1194-1876. 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

	Adur	Arun	Chichester	Worthing	Coastal West Sussex HM
Net Annual Housing Need (High)	258	658	699	261	1876
Net Annual Housing Need (Low)	226	447	360	161	1194
RSS Housing Target	305	565	480	200	1550
% Low (High)	74% (84%)	116% (79%)	75% (146%)	81% (131%)	77% (121%)

Figure 9.20: Overall Housing Needs Assessment: High Estimate

Step	Comments	Adur	Arun	Chichester	Worthing	Coastal HM	Crawley	Horsham	Mid Sussex	NW Sussex HM
Stage 1 - Current Housing Need (Gross)										
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
Stage 2 - Future Need										
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
Stage 3: Affordable Housing Supply										
3.1 Affordable dwellings occupied by households in need	Assume zero	-	-	-	-	-	-	-	-	-
3.2 Surplus Stock	Current vacancies 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
Total net need	1.4 - 3.5	1239	3120	4781	1971	11111	1904	943	1899	4746
Annual flow	10% of total net need (Assume ten year period to relieve backlog of need)	124	312	478	197	1111	190	94	190	475
Net Annual Housing Need	(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%		Crawley	375	67%		
		565 Arun		116%		Horsham	650	50%		
		480 Chichester		146%		Mid Sussex	855	56%		
		200 Worthing		131%		Total	1880	56%		
		1550 Total		121%						

Figure 9.21: Overall Housing Needs Assessment: Low Estimate

Step	Comments	Adur	Arun	Chichester	Worthing	Coastal HM	Crawley	Horsham	Mid Sussex	NW Sussex HM
Stage 1 - Current Housing Need (Gross)										
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
Stage 2 - Future Need										
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
Stage 3: Affordable Housing Supply										
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
Total net need	1.4 - 3.5	916	1012	1395	970	4293	435	267	697	1399
Annual flow	10% of total net need (Assume ten year period to relieve backlog of need)	92	101	140	97	429	44	27	70	140
Net Annual Housing Need	(2.4 + Annual flow) - 3.8	226	447	360	161	1194	103	260	357	719
Summary of Housing Requirements										
		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
Annual Need as % Housing Requirement		74.1%	79.1%	75.1%	80.5%	64.5%	27.5%	40.0%	41.7%	38.3%

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

- 9.73 Under either high or low estimate scenarios, the levels of housing need in absolute terms are highest in Chichester and Arun, with a lesser need identified in Adur and Worthing (albeit still a very significant requirement). 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.
- 9.74 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.
- 9.75 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).
- 9.76 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.
- 9.77 Across the Coastal West Sussex 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

- 9.78 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 (51% and 31% respectively), with 15% requiring three beds and 3% four bedrooms or more.

9.79 **Figure 9.22: Overall Housing Size Requirements, Coastal West Sussex Housing Market**

	1-Bed	2-Bed	3-Bed	4-Bed	Total
Adur	833	468	217	30	1548
Arun	1684	1544	701	159	4088
Chichester	2711	1366	798	146	5021
Worthing	1411	640	216	28	2295
Coastal West Sussex HM	6639	4018	1932	363	12952
% of Total	51.3%	31.0%	14.9%	2.8%	100%

9.80 To provide an indication of pressures in the social sector and the need for new affordable housing of different sizes, it is 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 set out below in Figures 9.23 to 9.26 for general needs properties. This is based on available data.

Figure 9.23: Requirements by Bed Size in Adur – General Needs

	1-Bed	2-Bed	3-Bed	4+Bed	Total
Waiting List	833	468	217	30	1548
Lettings Per Annum	54	55	28	0	137
Ratio	15.4	8.5	7.7	100	11.3

9.81 In Adur, the greatest pressures remain on smaller properties, particularly one-bedroom, with relatively similar requirements in ratio terms for two and three-bed housing. Letting requirements for 4+ bedroom properties are more critical with no lettings in 2007/08 compared to a waiting list of 30 households. Indeed, the turnover of larger, family sized accommodation is low, which is a significant issue for the Adur Housing Market to address through provision of appropriate affordable housing.

Figure 9.24: Requirements by Bed Size in Arun – General Needs

	1-Bed	2-Bed	3-Bed	4+Bed	Total
Waiting List	1684	1544	701	159	4088
Lettings Per Annum	89	106	48	4	247
Ratio	18.9	14.5	14.6	39.7	16.5

- 9.82 The figures for Arun District show that the greatest pressures are on 4+ bedroom housing which exhibits a very high ratio of waiting list to lettings per annum. Again there are requirements on smaller properties, particularly one-bedroom, with similar requirements in ratio terms for two and three-bed housing.

Figure 9.25: Requirements by Bed Size in Chichester – General Needs

	1-Bed	2-Bed	3-Bed	4+Bed	Total
Waiting List	2711	1366	798	146	5021
Lettings Per Annum	110	158	46	5	319
Ratio	24.6	8.6	17.3	29.2	15.7

- 9.83 In Chichester the most significant requirements are for one bed and 4+ bedroom properties which both exhibit strong requirements. There also remain outstanding requirements for two and three bed accommodation. More two and three bedroom units would reduce overcrowding, allow more transfers and release one bedroom units to applicants on the waiting list.

Figure 9.26: Requirements by Bed Size in Worthing – General Needs

	1-Bed	2-Bed	3-Bed	4+Bed	Total
Waiting List	1411	640	216	28	2295
Lettings Per Annum	114	77	38	3	232
Ratio	12.4	8.3	5.7	9.3	9.9

- 9.84 Requirements by bed-size in Worthing indicate pressure for all sizes of housing, with relatively the greatest pressure on the one and four bedroom homes.
- 9.85 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 conclusions and recommendations chapter.

MEETING AFFORDABLE HOUSING NEED

- 9.86 The housing needs analysis demonstrates a clear, significant need for additional affordable housing across Coastal 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).

- 9.87 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.
- 9.88 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.
- 9.89 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.
- 9.90 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.
- 9.91 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.
- 9.92 We believe that it is helpful to consider the concept of a housing ladder which includes a range of housing tenure options.

Figure 9.27: Housing Ladder Concept

TOWARDS AFFORDABLE HOUSING POLICIES IN LDFS

NEW-BUILD AFFORDABLE HOUSING

- 9.93 In 2005 the local authorities across West Sussex had a consistent requirement for at least 30% affordable housing provision over specified site size thresholds of either 15 or 25 units.
- 9.94 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 9.28: Current Affordable Housing Policies

Local Authority	Current Threshold	Current Percentage Requirement	Policy Basis
Adur	15 units	30%	PPS3 and Interim SPG for Affordable Housing, 2004
Arun	Variable	20% 15-24 dwellings 40% 25+ dwellings	Interim Policy Statement
Chichester	Variable	20% 5 - 9 dwellings 40% 10+ Dwellings	Interim Policy Statement
Worthing	Variable	10% 6-10 dwellings 20% 11-14 dwellings 30% 15+ dwellings/ 0.5ha	Emerging Core Strategy

ROLE OF INTERMEDIATE & PRIVATE RENTED SECTORS IN MEETING HOUSING NEED

- 9.95 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

- 9.96 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 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.
- 9.97 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.
- 9.98 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 (Intermediate Rent)** – providing new homes to rent at a subsidised rate, this product is targeted predominantly at public sector key workers. Rents are no more than 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.

9.99 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.

9.100 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.

- 9.101 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.
- 9.102 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.
- 9.103 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

- 9.104 Research by Steve Wilcox for the Joseph Rowntree Foundation and most recently for Hometrack¹⁷ 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.
- 9.105 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.
- 9.106 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.
- 9.107 The potential scale of the Intermediate Housing market (using the narrow definition) in Coastal West Sussex Housing Market is clearly demonstrated by Figure 9.29 which demonstrates the range from 29% In Arun to 45% in Adur against a South East Regional level of 30%.

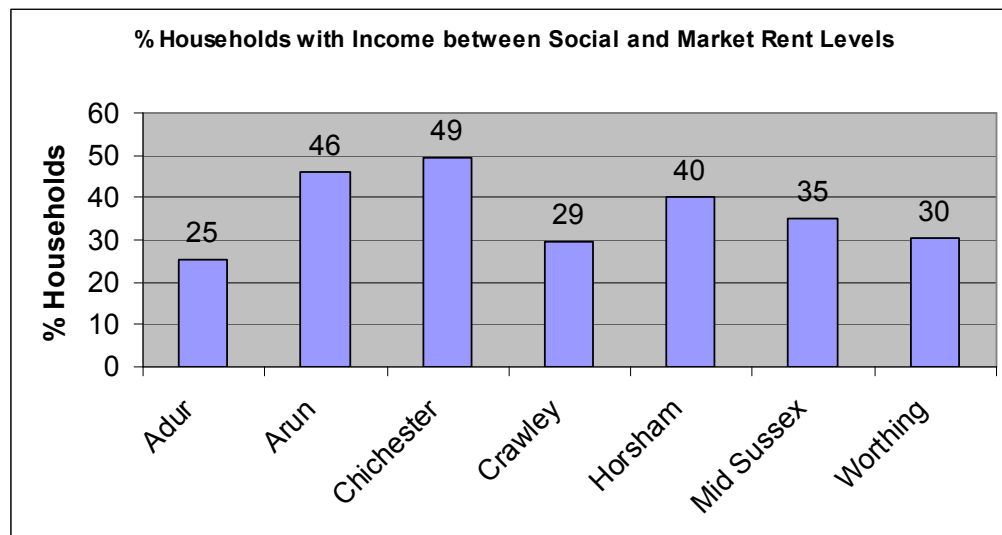
¹⁷ Can't Buy: Can't Rent – the Affordability of Private Housing in Great Britain (Hometrack, 2007)

Figure 9.29: Potential Scale of Intermediate Housing Market

	% Unable to Afford Social Rents	Narrow Intermediate Housing Market	Total Intermediate Housing Market
Adur	21.8%	45.0%	75.6%
Arun	16.2%	29.1%	52.5%
Chichester	18.2%	36.7%	63.7%
Worthing	11.5%	40.2%	58.7%
South East Region	12.6%	30.2%	50.0%

Source: Wilcox, S (2007)

- 9.108 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.
- 9.109 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 9.30 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 9.30: West Sussex Households with Incomes between Social and Market Rent Levels

EVIDENCE OF DEMAND FOR INTERMEDIATE HOUSING AT LOCAL LEVEL

- 9.110 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.
- 9.111 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.
- 9.112 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, albeit smaller than the demand for social rented housing
- 9.113 Current applications for intermediate housing just from defined key worker households across West Sussex (as defined by the Zone Agent) are shown in Figure 9.31. There is a clear strength of demand across each of the individual local authority areas, with a total of 163 household applicants on the waiting list in Coastal West Sussex. Strongest demand is evident in Chichester (76) and Worthing (56) with Adur (16) and Arun (15) showing significantly less current demand. Savings deposits averaged £11,320 for West Sussex County as a whole. 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 9.31.

Figure 9.31: Current Intermediate Key Worker Housing Applicant Households (August 2008)

Local Authority Area	Number of Applicants
Adur	16
Arun	15
Chichester	76
Worthing	56
Coastal West Sussex HM	163
West Sussex	266

Source: Moat

- 9.114 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 9.32 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 9.32: Number of Current Key Worker Applicants, Intermediate Rent Only (August 2008)

Local Authority Area	Number of Applicants
Adur	6
Arun	8
Chichester	23
Worthing	2
Coastal West Sussex HM	39
West Sussex County	83

Source: Moat

- 9.115 In terms of the type of housing stock supported under intermediate housing initiatives, the analysis of Moat's data from 2006 to 2008 shows a significant bias towards the provision of intermediate housing as flats (89 flats in total), particularly in Crawley and Horsham leading to a balance of supply significantly greater in the Northern West Sussex Housing Market area than the Coastal West Sussex Housing Market. The provision of houses through intermediate housing schemes is much more limited with a total of 32 units across West Sussex (20 in the Coastal Housing Market and 12 in Northern West Sussex) (Figure 9.33).

Figure 9.33: Intermediate Rent Housing Stock, Completed Schemes 2006-2008

	Flat	Maisonette	House
Adur	3	1	1
Arun	6	0	9
Chichester	4	0	6
Worthing	9	1	4
Coastal West Sussex HM	22	2	20
Crawley	33	1	8
Horsham	28	0	0
Mid Sussex	6	1	4
Northern West Sussex HM	67	2	12
West Sussex	89	4	32

- 9.116 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.
- 9.117 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.
- 9.118 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.
- 9.119 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.
- 9.120 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.

- 9.121 Drawing the analysis of Intermediate Housing together, a number of overarching conclusions can be identified.
- 9.122 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.
- 9.123 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.
- 9.124 We believe that the short term difficulties with access to credit and financial products will 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.
- 9.125 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.
- 9.126 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.

- 9.127 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 Coastal 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

- 9.128 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 a 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.
- 9.129 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 DHS 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.
- 9.130 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 negotiating 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.

- 9.131 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 Coastal 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 each of the four districts in the Coastal 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 (low and high estimates) are as follows: 226-258 homes in Adur; District; 447-658 homes in Arun; 360-699 homes in Chichester; and 161-261 in Worthing. The overall estimates of net annual housing need for the Coastal West Sussex Housing Market range from 1194 to 1876.
- Across the Coastal West Sussex Housing Market, demand remains strong for all sizes of affordable housing with continued pressure on one and two bedroom properties as well as larger 3+ bedroom properties. A mix of sizes is essential to ensure the effective matching of needs to affordable housing supply in each of the districts and across the Housing Market as a whole.
- The Local Authorities across Coastal West Sussex each have individual affordable housing target policies. The local authorities across Coastal West Sussex have a requirement for at least 30 % affordable housing provision for developments over 15-25 units, although there are differences in unit and site size thresholds to which different affordable housing proportions apply,
- 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 latent demand for intermediate properties across each of the individual local authority areas.
- 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 better 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 Coastal 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 and an ageing society poses one of the greatest housing challenges to our society. Households where the main householder 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 Coastal West Sussex Housing Market the population aged 65 and over was 97,200 in 2006. By 2026 there are expected to be 6,000 more people aged 65 and over, representing a growth of 6%. Whilst this growth rate of over 65s is not very large, the total number of people aged 65 and over in the Coastal West Sussex Housing Market is significant as a proportion of the population of this Housing Market overall and therefore the emphasis for housing policy will be on how to continue to meet the needs of these groups.

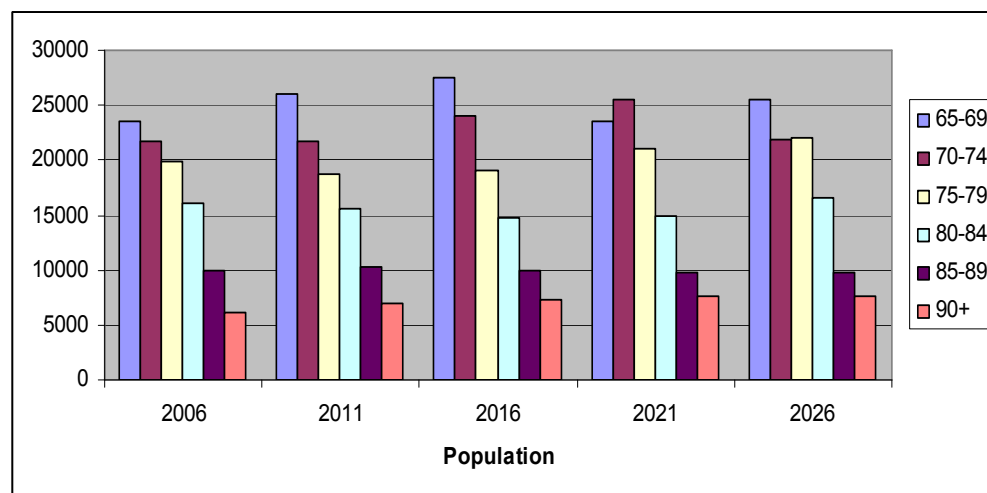
- 10.4 Population projections for the Coastal West Sussex Housing Market show some noteworthy cohort patterns in the over 65 population between 2006 and 2026. The projections are shown in Figures 10.1 and 10.2.
- 10.5 The projections show that strong growth (11%) is expected in the 65-69 age group between 2006 and 2011 which then translates into growth in the 70-74 year olds between 2011 and 2016, 75-79 year olds between 2016 and 2021 and 80-84 year olds between 2021 and 2026. Another significant trend is the surge in the 90+ age group (13%) between 2006 and 2011. Overall there will be an increase in population aged over 65 in the Coastal West Sussex Housing Market Area up to 2026. 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 Cohort, Coastal West Sussex Housing Market (Rounded)

	2006-11	2011-16	2016-21	2021 -26
65-69	11%	6%	-14%	8%
70-74	0%	11%	6%	-15%
75-79	-6%	1%	11%	4%
80-84	-3%	-6%	1%	11%
85-89	2%	-3%	-2%	0%
90+	13%	6%	4%	0%
Totals	2%	3%	0%	1%

Source: West Sussex County Council

Figure 10.2: Growth in the Population of Older Persons, Coastal Housing Market



- 10.6 Figure 10.3 shows a local authority-level analysis of the population aged 65 and over within the Coastal West Sussex Housing Market. Between 2006 and 2026 Adur and Chichester are predicted to have significant increases in the number of over 65s, with

changes of 12% and 14% predicted respectively; Worthing is expected to have a 4% increase in its population aged over 65 and Arun is expected to have no change.

- 10.7 Figure 10.3 also shows the expected change in population aged over 85s for each local authority area. This shows that Adur and Chichester are also expected to experience significant increases in these age cohorts with predicted increases of 21% and 30% respectively; Arun is expected to experience an increase of 8% in its population aged over 85 and Worthing is predicted to experience a reduction in its population of over 85s.

Figure 10.3: Projected Population Growth aged 65 + and 85 +

2006-2026	65+		85+	
	Change	%	Change	%
Adur	1,600	12%	400	21%
Arun	-100	0%	500	8%
Chichester	3600	14%	1,100	30%
Worthing	900	4%	-800	-19%

Source: West Sussex County Council

HOUSING REQUIREMENTS

- 10.8 The ageing population structure 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.
- 10.9 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 some 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.
- 10.10 While there are a range of specific housing products which target an elderly 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%).

- 10.11 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.
 - Extending the period of time in which people, and in particular older people, can live independently in their home.
- 10.12 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.
- 10.13 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.
- 10.14 There are a number of providers offering supported housing schemes in West Sussex. The 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 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.
- 10.15 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.
- 10.16 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.

- 10.17 The relative level of existing residential provision against older populations in West Sussex 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
Adur	60,300	22	682	113
Arun	145,700	131	3,177	218
Chichester	108,900	64	1,806	166
Worthing	98,700	107	2,412	244
Coastal West Sussex	413,600	324	8,077	195

Source: GVA Grimley/WSCC

Figure 10.5: Number of Units per 1,000 Population Over 85

Local Authority	Population 85+	Total Number of Bed Spaces	Bed spaces per 1000 over 85
Adur	1,900	682	359
Arun	6,300	3177	504
Chichester	3,700	1806	488
Worthing	4,200	2412	574
Coastal West Sussex	16,100	8,077	502

Source: GVA Grimley/WSCC

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

Local Authority	Population at 2006	No. of Extra Care Schemes	Number of Units	Bed spaces Per 10,000 Population
Adur	60,300	1	50	8
Arun	145,700	3	34	2
Chichester	108,900	3	126	12
Worthing	98,700	3	77	8
Coastal West Sussex	413,600	10	287	7

Source: GVA Grimley/WSCC

Figure 10.7: Number of extra care units per 1,000 Population over 85

Local Authority	Population 85+ at 2006	No. of Extra Care Schemes	Number of Units	Units Per 1000 85+
Adur	1,900	1	50	26
Arun	6,300	3	34	5
Chichester	3,700	3	126	34
Worthing	4,200	3	77	18
Coastal West Sussex	16,100	10	287	18

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
Adur	8	113	1:14
Arun	2	218	1:109
Chichester	12	166	1:14
Worthing	8	244	1:31
Coastal West Sussex HM	7	195	1:28
West Sussex County	10	160	1:16

Source: GVA Grimley/WSCC

- 10.18 The number of people in receipt of social care service in West Sussex has increased considerably over recent years. 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 this is expected to grow to 14,010 by 2026.
- 10.19 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 of England at 71 and England at 80 per 1000 Adult population.
- 10.20 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. 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.

- 10.21 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 supply of larger family housing for younger families and reduce levels of under-occupancy (77% in the Coastal 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.
- 10.22 Coastal areas generally attract higher levels of retired households who migrate from other areas and the provision of smaller high quality housing should be encouraged that will be attractive to these groups and prevent larger properties being under-occupied by older age groups.
- 10.23 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.
- 10.24 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.
- 10.25 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, we would expect a 6% increase in dementia sufferers between 2006 and 2026 across the Coastal West Sussex Housing Market area with an increase in sufferers of about 489. Although this percentage increase in the number of people with dementia does not seem significant, the total numbers of people with dementia between 2006 (7,626) and 2026 (8,115) in the Coastal West Sussex Housing Market is substantial given the age profile of the area which will result in increased need for supported housing and assisted living housing services.

Figure 10.9: Prevalence of Dementia, Coastal West Sussex Housing Market

	Population 2006	Population 2026	Prevalence Rate	Estimated Persons With Dementia, 2006	Estimated Persons With Dementia, 2026	Total Increase
65-69	23,500	25,600	1.4%	329	358	29
70-74	21,700	21,800	2.8%	607	610	3
75-79	19,900	22,000	5.6%	1114	1232	118
80-84	16,000	16,500	11.1%	1776	1831	55
85+	16,100	17,300	23.6%	3799	4083	283
Total	97,200	103,200		7626	8115	488

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

Figure 10.10: Prevalence of Cognitive Impairment, Coastal West Sussex Housing Market

	Population 2006	Population 2026	Prevalence Rate	Estimated Cognitive Impairment, 2006	Estimated Cognitive Impairment, 2026	Total Increase
65-74	45200	47400	2.3%	1039	1090	51
75-84	35900	38500	7.2%	2584	2772	187
85+	16100	17300	21.9%	3525	3788	263
Total	97200	103200		7,150	7,650	500

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

10.26 Figure 10.10 demonstrates that we might expect a 7% increase in persons with cognitive impairment across the Coastal West Sussex Housing Market; an increase of 500 persons over the 2006-2026 period. Once again this does not seem a sizeable increase in the number of people with cognitive impairment, however the total number of people with cognitive impairment is considerable, which will result in increased need for supported housing.

10.27 The key conclusions to draw from this analysis are:

- There is currently a good level of residential care beds relative to the overall population in the Coastal West Sussex Housing Market at a rate of 195 bed spaces per 10,000 population;
- There is a good level of residential care beds across all local authority areas within the Coastal West Sussex Housing Market in relation to its population aged over 85;
- The Coastal West Sussex Housing Market has a relatively low level of supported housing bed spaces per 10,000 head of population and relative to its population aged over 85 and therefore a significant increase in supply is required in these forms of housing to promote a greater degree of independent living and choice for the elderly.

ADAPTABLE HOUSING

- 10.28 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.
- 10.29 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.
- 10.30 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.
- 10.31 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.
- 10.32 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

- 10.33 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.

- 10.34 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).
- 10.35 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

- 10.36 This sub-section provides an analysis of the scale and characteristics of the existing student population in Coastal West Sussex, the existing levels of provision with regards student accommodation, and areas of impact on the local housing market.

STUDENT POPULATION

- 10.37 The University of Chichester is the only Higher Education establishment in the Coastal Housing Market Area. The University has 5,000 full-time students split across its two campuses in Chichester and Bognor Regis..
- 10.38 The Further Education establishments in the Coastal West Sussex Housing Market Area are Chichester College, Northbrook College and Worthing College. Chichester College has 14,968 students of which some 4,000 are part-time.
- 10.39 The University and the Further Education Colleges each have expansion plans. The University offers a range of undergraduate courses leading to degree qualifications and a number of post graduate courses including teaching. Chichester College accommodates a wide range of students from school leavers to mature students. While the largest

proportion (54% of students) is aged 16-25, the College has a significant mature student intake with 6,417 students aged between 26 and 80+.

- 10.40 Worthing and Northbrook FE Colleges are relatively small and offers a wide range of A/AS Level, BTEC and GCSE qualifications as well as evening and professional development courses. The majority of these College students are drawn from the immediate local area.

EXISTING LEVELS OF STUDENT ACCOMMODATION

- 10.41 Chichester University has 895 places available in student halls of residence, 647 of which are provided within the Chichester (Bishop Otter) campus and 212 places are provided within the Bognor Regis campus. Students generally expect to spend two years in non-University accommodation.
- 10.42 Chichester College currently has a total of 350 bed spaces in halls of residence on the college campus or in close proximity.
- 10.43 The University vets all private accommodation. The rise in accommodation standards since the introduction of the Housing Act 2004 has seen some potential and existing landlords withdraw from working with the University and Colleges however the majority have adapted and are acquiring new properties to meet standards and student expectations.
- 10.44 Currently around 1,000 (25%) of students at Chichester University are accommodated through its Accommodation Service. Around 80% of these students are from overseas, with the balance made up of UK students who are unable to live at home, usually because their home is located too far away or quite commonly their parents are serving in the armed forces. The University are currently considering the opportunity to develop some 300 new bedspaces of new student accommodation within the City.
- 10.45 While Chichester College reports that a shortage of student accommodation is not a significant issue, it would welcome a further 50 bed space hall of residence based on its existing student intake. Approximately 600 students lodge with a residential owner or family on a self catering or half board basis. In addition, the College currently leases 12 houses from private landlords.
- 10.46 Worthing College does not have any of its own student accommodation and most students would be expected to live at home with their own families. The College has an extant planning consent for the development of new educational facilities which may support an increase in student numbers, potentially generating a need for student accommodation in the future.

- 10.47 Northbrook College also has planning permission for the development of new educational facilities, which will also assist in increasing student numbers in future.

FUTURE SUPPLY ISSUES AND IMPACT ON HOUSING MARKET

- 10.48 Both the University of Chichester and Chichester College have relatively low levels of student accommodation relative to their student populations. While this is not currently perceived to be causing difficulties in housing students, the situation could change if the demand for private rented accommodation increases more generally, increasing rents and saturating supply.
- 10.49 The concentration of students from two growing educational establishments within Chichester and expansion in Bognor Regis could cause pressure and distortions on local supply in the lower value quartile of the market unless a steady supply of private rented accommodation is maintained and the College and the University increase their levels of student accommodation as student numbers increase. The number of students in Chichester and Bognor Regis are still relatively low compared with other towns with significant Higher and Further Education facilities. The situation should be kept under review as the HE and FE provision expands in future. The need to monitor the situation is further compounded by increases in the numbers of migrant workers within the Chichester and Bognor Regis areas (as there is likely to be an overlap in housing requirements for lower value rental and purchase properties).

BME GROUPS

- 10.50 Figures 5.8 and 5.9 in Section 5 show the percentage of non-white population in each of the local authority areas in the Coastal West Sussex Housing Market Area compared against the South East Region and England. As these figures showed the population of BME groups in the Coastal West Sussex Housing Market is relatively small at 3.6% and below the regional average of 7% and the national average of 10%. Figure 5.8 showed that Worthing is the most ethnically diverse local authority area with a BME population equating to 4.6% of the total population. Figure 10.11 shows the tenure distribution for BME groups in the Coastal Housing Market and that levels of home ownership are higher amongst the Asian Group than other BME groups and are lower amongst the Black Group.

Figure 10.11: BME Group Tenure Distribution, Coastal West Sussex Housing Market

	Owned (%)	Soc Rented (%)	Private rented (%)	Living Rent Free (%)
Mixed	63.8	15.8	17.4	3.0
Asian	65.7	19.3	13.1	1.9
Black	52.4	20.9	24.8	1.9
Chinese	62.6	10.1	23.8	3.5

Source: ONS, 2005

- 10.51 While the relative size of BME populations across the Coastal West Sussex Housing Market Areas is small, all groups 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. 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 indicates that these groups may have some quite specific impacts on local housing market dynamics.
- 10.52 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 intensively, which is borne out by analysis of overcrowding in the owner occupied and private rental sectors.
- 10.53 Much of the increase in international migration to the South East Region is due to migration from the eight Eastern European countries which acceded to the European Union in 2004, most notably Poland. Of a total of 84,000 in-migrants to the SE Region in 2007, most were under 34 years of age. The major destinations of migrants to West Sussex are Chichester and Arun Districts, with smaller recorded numbers in the other local authority areas. There is an alignment between the migrant destinations and the type of work opportunities available. Chichester and Arun have been attractive to migrant Eastern European workers because of extensive horticultural/agricultural industry work

opportunities. In housing terms, the increasing migrant population generally exhibit low levels of household income and therefore are only able to access the housing market through the lowest value private rental sector properties and in many cases are housed in temporary accommodation in close proximity to their places of employment.

- 10.54 The housing requirements of BME groups in Coastal West Sussex are not strongly understood. 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 four Coastal 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.

GYPSIES AND TRAVELLERS

- 10.55 Local authorities are required to make provision for sites/ pitches to meet identified needs Gypsies/ Travellers.
- 10.56 The *West Sussex Gypsy and Travellers Study* (2006) along with Chichester District's own *Assessment of the Accommodation Needs of Gypsies and Travellers in the District of Chichester* (2007) formed the basis for the SEERA assessment of the need for additional supply of gypsy and travellers pitches for the local authority areas in the Coastal West Sussex Housing Market. 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 spaces in total. Various options for this provision at the County level are put forward in SEERA's consultation. For West Sussex County, the range is 153-201 new residential pitches in the period 2006-2016. This data is shown in Figure 10.12.

Figure 10.12: Existing and Projected Need for Gypsy and Traveller Pitches 2006-16

	Existing Authorised Pitches	SEERA Preferred Option on New Sites/Pitches 2006-2016
Adur	12	15
Arun	17	17
Chichester	64	54
Worthing	0	2
Coastal West Sussex HM	93	88

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

- 10.57 There are 93 pitches in Coastal West Sussex Housing Market Area. There is a need for 24 additional pitches in the Housing Market area up to 2011 based on existing locations and a need for 22 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 Coastal West Sussex Housing Market between 63 and 105 new pitches. SEERA's proposed Preferred Option has moved the analysis forward and identifies a requirement for 88 new pitches (with an additional 6 for travelling show people). This is a relatively high number of additional pitches across the Housing Market area and may require the identification of new sites in order to be delivered.

RURAL HOUSING

- 10.58 Economic and non-economic factors such as environmental and social sustainability influence the Housing Market in rural areas of Coastal 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.
- 10.59 Our analysis of house prices across the Coastal West Sussex Housing Market Area in Section 3, showed that housing affordability is significantly worse in Chichester District than other towns along the South Coast. Figure 4.7 showed that house prices in Chichester District are 21% above the South East average whereas house prices across Coastal West Sussex as a whole are below it. These price signals suggest relatively strong demand in Chichester District and there is a particularly strong price premium attached to detached and semi-detached housing. These price dynamics can be expected to have a significant impact on the dynamics of rural parts of Chichester District and

particularly around towns and village centres such as Petworth and Midhurst which attract price premiums.

- 10.60 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. The affordability of entry level housing is a particular problem in Chichester District, with lower quartile income-house price ratios reaching highs of 12.9 in 2007.
- 10.61 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.
- 10.62 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".

- 10.63 In relation to house prices, this picture is borne out by analysis of the rural housing market in Coastal West Sussex (particularly in Chichester District) 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 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).

- 10.64 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 nationally¹⁸. Further, agriculture 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.
- 10.65 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%) averages¹⁹.
- 10.66 These economic influences have meant that rural economies are now to a significant degree supported by people living in urban centres 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.
- 10.67 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 of the affordability of housing for people on lower wages in rural areas.
- 10.68 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 and Coastal West Sussex Housing Market areas.
- 10.69 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.

¹⁸ ECOTEC Rural Profile 2006

¹⁹ ECOTEC Rural Profile 2006

ROLE OF THE PLANNING SYSTEM

- 10.70 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.
- 10.71 The fact that land for housing development is often more readily 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.
- 10.72 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.
- 10.73 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.
- 10.74 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.
- 10.75 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.

PROPOSED SOUTH DOWNS NATIONAL PARK

- 10.76 Proposals for the designation of a new South Downs National Park have been advanced since 2002 when a Designation Order was made (subsequently amended in 2004 to include Arundel in Arun District). A Public Inquiry held from 2003 to 2005 resulting in a series of variations to the boundaries. In early 2008, the Public Inquiry was re-convened in order to assist in concluding whether the National Park should be created and if so, to confirm its extent. A decision from the relevant Minister is anticipated in 2009.
- 10.77 The National Park, if designated under the original 2002 boundary proposals, would stretch along the South Downs from Eastbourne in East Sussex through much of West Sussex and as far as Winchester in Hampshire to the West. The National Park boundaries as

proposed would abut to the existing built boundaries of the South Coast settlements such as Worthing, Arundel, and Chichester. The northern extent of the National Park would encompass much of Chichester District including Midhurst, as well as settlements such as Pulborough and Sturington. Indeed the boundaries proposed extend as far as Liphook in Hampshire and Haslemere in Surrey.

- 10.78 The implications for rural housing provision within the National Park are potentially significant. The role of the National Park designation includes the protection and conservation of the qualities of landscape and character. While from an environmental and sustainability position these objectives are welcome, there is a need to ensure that rural settlements that lie within the proposed National Park boundaries are allowed sufficient flexibility to grow in future and support balanced and sustainable communities. However, if the National park designation is utilised in a proactive manner, there is an excellent opportunity to ensure that new housing in rural settlements is developed in a manner that supports local housing needs and affordability issues. It could also serve to prevent unnecessary housing sprawl and guard against the loss of the essential character and qualities of those settlements that have made them important contributors to the overall quality of life and attraction of West Sussex.

CHANGING HOUSEHOLD SIZE AND IMPACT ON RURAL SERVICES

- 10.79 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.
- 10.80 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.
- 10.81 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 approach to growth in rural centres in Arun and Chichester districts (Adur and Worthing have no defined 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.

10.82 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 local 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.

SECOND HOME OWNERSHIP

10.83 Second home ownership was found to be notably higher in the Coastal West Sussex Housing Market than the South East Region as a whole (see Section 3). 83% of all second homes in West Sussex fall within the Coastal West Sussex Housing Market area. Across the four local authorities, the number of second homes was highest in Chichester (1,358) and Arun (1,026), with lower levels in Worthing (314) and Adur (107).

10.84 The impact on rural affordability of second home ownership has been discussed and the greatest impacts are likely to be felt in rural areas where there is less choice in the housing market overall and where greater demand for housing will push prices out of the reach of those looking for entry level or larger family housing.

10.85 Demand for second homes is not likely to decrease given the attractiveness of much of the Coastal West Sussex Housing Market area to those in other parts of the South East and London as an easily accessible location that offers quality housing in attractive rural and coastal settings. The current market conditions may relieve the pressure of demand for second homes, however this is unlikely to prove a long-term trend and housing policies need to be sufficiently adaptable to withstand temporary market fluctuations. We would support policies that seek to increase the supply of affordable housing in rural locations that are particularly attractive to second home purchasers as a means of supporting the local economy and providing sufficient choice for people looking specifically to buy in those areas.

Key Messages: Housing Requirements of Other Groups

- By 2026, it is expected there will be a growth of 6% in the proportion of people of retirement age within the Housing Market area. The ageing population structure is set to continue 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 University of Chichester is the only higher education institution in the Coastal West Sussex Housing Market area with campuses in Chichester itself and Bognor Regis in Arun District. There are also a number of FE Colleges including Worthing and Northbrook Colleges. Each of the HE and FE institutions are expanding in terms of their subject ranges and student numbers. While the University has a limited accommodation provision, most of the students live in private sector accommodation in close proximity. Students of the FE colleges tend to live in the family home, or in private rented accommodation close by. The implications for the housing market are not considered to be particularly significant currently, although it will be appropriate to continue to review the distribution, quality and choice of student accommodation as the various institutions expand over time.
- The population of the BME groups in the Coastal 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, particularly to Arun and Chichester relating to agricultural employment opportunities. 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 64-105 additional gypsy and traveller pitches in the Housing Market area up to 2016 (depending upon the final outcomes of SEERA consultation on various gypsy and traveller site option scenarios). SEERA's Preferred Option is for 88 new pitches.
- There is a severe shortage of affordable housing in rural areas across the County, with rural housing skewed towards larger properties and higher prices. Future housing growth in rural areas should focus rural settlements in terms of providing an increased level of affordable housing and low cost marketing housing with an appropriate level and choice of market housing to maintain supply and ensure a balanced social mix within rural settlements.
- The impact of the proposed South Downs National Park is uncertain, although evidence from other existing National Parks suggests that housing opportunities and choices will become more limited as the National Park designation restricts more significantly the expansion of rural settlements within its designated area. Nevertheless, it will remain appropriate for the local authorities to identify rural settlement locations where new housing can be developed even accounting for any

National Park designation in future and use the designation to protect local character and quality of life.

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 Coastal West Sussex 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 Coastal West Sussex range between 1194 and 1876 homes (low and high estimates Figure 9.19). This equates to between 77% and 121% (low and high estimates) of the annualised housing delivery target set out in the final 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)		
Adur	1.07	31	34.67	1.02	32	31.77	2.09	63
Arun	3.19	57	55.93	0.52	26	20	3.71	83
Chichester	9.55	211	54.27	0.61	30	20.17	10.16	241
Worthing	0.41	10	40.3				0.41	10

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. The policies set out currently form the basis of negotiations.

Figure 11.2: Current Affordable Housing Policies

Local Authority	Current Threshold	Current Percentage Requirement	Policy Basis
Adur	15 units	30%	PPS3 and Interim SPG for Affordable Housing, 2004
Arun	Variable	20% 15-24 dwellings 40% 25+ dwellings	Interim Policy Statement
Chichester	Variable	20% 5 - 9 dwellings 40% 10+ Dwellings	Interim Policy Statement
Worthing	Variable	10% 6-10 dwellings 20% 11-14 dwellings 30% 15+ dwellings/ 0.5ha	Emerging Core Strategy

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 the north of the 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 five units, and potentially ten, 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 also be considered on small sites.

11.23 Adams Integra published an update of their 2006 Study for Arun District Council in July 2007, which supported the Council's proposed policy of 20% affordable housing on developments of 15-24 dwellings; and 40% on developments of 25 or more dwellings. Their updated assessment argued that development viability then looked marginally better than their original review, reinforcing previous conclusions. The Study identified further potential to request payments in lieu of affordable housing on smaller sites of 5-14 dwellings, potentially based on a 10% level as a basis for contributions on sites of 5 and 6 dwellings; and 20% on sites of 10 or 11 dwellings.

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 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 Coastal West Sussex would support a lowering of site size thresholds both in order to maximise delivery of affordable housing and to deliver new provision in a range of settlements. Policies in Adur, Arun, Chichester and Worthing have all proposed thresholds at the current national standard of 15 dwellings/ 0.5Ha.
- 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 flexible approach to affordable housing provision appropriate to each local authorities specific circumstances;
 - 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 each of the local authorities to encourage affordable housing on-site 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 Coastal 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. 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 Coastal 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 Coastal 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 Coastal 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 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 increases. The principal differences for the Coastal West Sussex Housing Market from the original Draft Plan include a separate allocation for Shoreham Harbour from the Adur District figure of 2,100 new dwellings. A new, separate allocation for up to 10,000 dwellings at Shoreham Harbour (which spans Adur and Brighton & Hove Council boundaries) has been made (which if fully realised would deliver affordable housing which would help to meet identified housing needs within the District). Other changes from the Draft South East Plan figures are a 22% increase to 11,300 dwellings for Arun; and 12% for Chichester (to 9,600 dwellings). There are further increases proposed for surrounding areas that will impact upon the Coastal West Sussex Housing Market including Brighton & Hove as well as the PUSH area (more than 80,000 new homes). In addition, the proposals for Ford EcoTown in Arun which are not currently included in the South East Plan would potentially provide a further 5,000 homes.
- 12.7 Potential housing demand could be higher than the levels established in the South East Plan RSS with the various regeneration and economic development plans in place across Coastal West Sussex (particularly the proposed EcoTown and Shoreham Harbour provisional Growth Point) that could act to draw people into the area. The influence of the PUSH strategy to the west of Chichester coupled with town centre, coastal and new urban extension development programmes in Arun and Worthing will, in the long term, continue to support housing demand within the Coastal West Sussex Housing Market.
- 12.8 There is a reciprocal relationship between housing growth, economic growth and transport/commuting patterns at the boundaries of this Housing Market area (to PUSH, Brighton & Hove and to London). Long term job growth and productivity improvements within the wider economy will support the housing market overall, as well the attractiveness of the districts in the Coastal West Sussex Housing Market area for retirement and second homes. Nevertheless there are structural infrastructure deficiencies (especially road and rail transport infrastructure) as well as social infrastructure improvements (education, training and skills development particularly) that will need to be addressed if the Coastal West Sussex economy is to be successful in the future. 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 the West Sussex sub-region. 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. Coastal West Sussex has a role to play in delivering this, albeit we believe the area will require an Economic Strategy in order to:

- Clarify the future economic role and function of the main towns;
- Address delivery barriers; transport/ accessibility issues;
- Support employment and skills development strategy;
- Set the economic context for mixed use developments proposed in the town centres and for larger development sites;
- Promote economic development and upskilling to address housing affordability;
- Emphasise the mix of economic and housing land uses on key development sites (especially the proposed EcoTown and Shoreham Harbour Growth Point locations).

12.10 It is important that local authorities and housing partners recognise the reality of demand pressures across the greater South East linked to strong overall economic performance and demographic growth and how these align with the demands on West Sussex as a whole and the future of the Coastal West Sussex Housing Market within this. However the appropriate policy response is at the national and regional levels.

12.11 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.

12.12 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.

12.13 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.

R1. **Prepare a Coastal West Sussex Economic Growth Strategy** – A co-ordinated and coherent Economic Growth Strategy is required encompassing each of the four local authorities in the Coastal West Sussex Housing Market. The Economic Strategy is required to bring coherence to the overall economic and employment

offer in future identifying how town centre and coastal regeneration programmes underway in each of the individual authorities will be aligned with wider economic drivers and with the proposed scale and locations for housing growth. We believe this is a critical early action to support the creation of a balanced housing market in the Coastal West Sussex area.

MAINTAINING HOUSING DELIVERY RATES

- 12.14 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 Coastal 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.
- 12.15 There are limited tools available to the four Coastal 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, realistic and proactive approach to managing housing supply, through:
- R2. **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;
 - R3. **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;
 - R4. **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;
 - R5. **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;
 - R6. **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;

- 12.16 We recommend that a co-ordinated approach is adopted to driving forward housing delivery in Coastal 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 and that the timing of delivery of housing with associated infrastructure improvements is at the centre of this approach.
- 12.17 We also argue that there is a case for further contingency planning, particularly given the infrastructure and economic deficits in the Coastal West Sussex Housing Market area. 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

- 12.18 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 Coastal West Sussex Housing Market.
- 12.19 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.
- 12.20 The current situation in the Coastal West Sussex Housing Market is one in which there is an acute estimated level of need representing between 77% and 121% (the low and high estimate scenarios) of anticipated levels of house building, taking into account past delivery levels and RSS targets. It is highly unlikely that the existing market and funding context will support this level of affordable housing delivery in the short term and will be pushed in the longer term even as the housing market regains its underlying value.

- 12.21 We recommend that local authorities across the Coastal West Sussex Housing Market work to stimulate the supply of new affordable housing as far as possible. There are a range of tools which can be used to help achieve this:
- R7. **Encourage all Sources of Delivery** - Direct delivery of affordable housing by RSLs and potential Local Authorities (or ALMOs) must be encouraged once more;
 - R8. **Public Sector Land Assets** – Working with the Homes and Communities Agency and SEEDA, public sector land should 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);
 - R9. **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;
 - R10. **Rural Sites** - Identification of exceptions sites in rural areas specifically for affordable housing to meet local needs; and
 - R11. **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.
- 12.22 The four Coastal 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).
- 12.23 Affordable housing policies must be justified in terms of the level of need identified through Housing Needs Assessment. They however 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.
- 12.24 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.
- 12.25 Figure 11.2 sets out the current affordable housing policies. 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 however of the view that a consistent approach to establishing and viability testing the trigger thresholds for affordable housing across the Coastal West Sussex Housing Market area would be advisable. In our view, evidence of housing need could justify the continuation of 40% affordable housing target across Arun and Chichester local authorities with Adur and Worthing's targets increasing to 35% in the short term (as the housing market recovers) and both Adur and Worthing adopting a 40% affordable housing target in the longer term to come in line with the others. A consistent basis of approach to thresholds for its application will be beneficial to ensure clarity in approach. 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.

- 12.26 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.

AFFORDABLE HOUSING VIABILITY

- 12.27 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 Coastal West Sussex Housing Market. This is a short term view only.
- 12.28 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.
- 12.29 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 return from risk and profit is largely unaffected.
- 12.30 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.

- 12.31 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.
- 12.32 Based on this, our recommendations are:
- R12. **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 Adur and Worthing raise their affordable housing requirement from 30% to 35% in the shorter term (as the housing market recovers) and that both authorities further raise their targets to 40% in the longer term.
- R13. **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, although the ultimate proportion will be for the local authority to determine considering viability and other local planning, sustainability and delivery factors.
- R14. **Ensuring Short-Term Flexibility** - Ensure that there is flexibility in the application of policies in the short-term to fully recognise the viability/ delivery challenges that currently exist. 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.
- R15. **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 four Coastal 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..

- R16. **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

- 12.33 The Coastal West Sussex 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 both the scale of current waiting lists for different property types together with the levels of lettings and turnover for different property 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.

- R17. **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. This is the foundation for creating more balanced communities. Figure 12.1 sets out our recommended housing size mix. Within this recommended mix it will be for the Districts to determine the proportion of rented and intermediate housing within property size. It is likely that a higher proportion of smaller properties will be required for Intermediate tenures as these are likely to be demanded from newly forming households.

Figure 12.1: Indicative Affordable Housing Provision by Bedroom Size

	1-Bed	2-Bed	3-Bed	4+Bed	Total
Adur	20%	30%	30%	20%	100%
Arun	20%	40%	30%	10%	100%
Chichester	20%	30%	30%	20%	100%
Worthing	20%	30%	35%	15%	100%

AFFORDABLE HOUSING MIX

- 12.34 There is a clear demand for all social housing within the Coastal West Sussex Housing Market. Within this, there is clear, latent demand for Intermediate Housing (both ownership and rental) demonstrated across each of the four Coastal 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.
- 12.35 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 this group, which includes intermediate rent, private renting, shared ownership models and discounted market sale housing.
- 12.36 Our key recommendations are:
- R18. **Stimulate Choice and Access in the Intermediate Housing Market** – a minimum of 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, with this increasing to 30% in the longer term (this position should be reviewed five years from the adoption of the SHMA) as the viability of the housing market improves over time. This aligns with the Regional Housing Strategy that envisages a 70:30 split overall in the longer term.
- R19. **Raising the Understanding and Profile of Intermediate Housing** – Despite the evident demand for Intermediate Housing products, there remains a need to raise awareness, understanding 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.

R20. **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

12.37 Many households with insufficient income or equity to purchase housing may choose to meet their needs in the private rental 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 Coastal West Sussex Housing Market alongside specific intermediate housing provision. It plays a particular role in catering for the needs of younger households (who may not choose to register for social housing in the belief that it is either too long a waiting list or that they are not eligible), 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.

12.38 Through the research undertaken, we have explored the role which the expansion of Higher Education and Further Education provision in Coastal West Sussex may have. Our conclusions are that the impacts are likely to be focused in the immediate localities of FE Colleges and the University of Chichester campuses but are likely to be relatively small in scale with housing requirements distributed across the urban centres rather than concentrated in 'student' neighbourhoods at this time. We do not consider that there is a need for a particular policy response given the limited scale of growth in student housing requirements at this time in the Coastal West Sussex Housing Market. This is however something the local authorities must keep under review especially in relation to competition with migrant workers for low cost private rental housing in Chichester and Arun.

12.39 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 Worthing at 7% of total households) and to maximise the role which the sector plays in meeting housing need. To support this role, we recommend that:

R21. **Developing One-Stop Shop Services** - Partners should explore examples of best practice in providing a one-stop shop service which 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 and could be expanded to cover more of the Coastal West Sussex Housing Market area.

IMPROVING STANDARDS

12.40 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. The condition of private housing (sale and rent) is of concern across the Coastal Housing Market, but particularly in Adur and Worthing (20.5% and 43% respectively of all private sector stock was estimated to be non-decent). Local partners must work to ensure that existing housing is fit for purpose 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.

R22. **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 Landlord Accreditation Schemes; and through enforcement action where appropriate.

OTHER PARTICULAR GROUPS

OLDER PERSONS HOUSING

12.41 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 Coastal West Sussex. Planning policies should support the provision of homes for older people (including, supported housing and extra care housing) across the Coastal West Sussex Housing Market. Older persons housing, particularly care homes/villages should be

provided at locations where there is good access to local facilities and services and where public transport is strong, which follow existing patterns of provision. The town centres and major planned urban extensions will form the principal locations for this provision.

12.42 Based upon the research undertaken, we recommend that there is clear demand across the Coastal West Sussex Housing Market for maintaining a steady supply of housing for older people (including extra care housing) over the next twenty years. This is the case in each of the four local authorities.

R23. **Promoting Housing for Older People** – We recommend that the four local authorities promote delivery of homes for older people, including Lifetime Homes through planning policies. The authorities must 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.

R24. **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.

R25. **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). Where possible, specific housing provision for older persons should be integrated into major development schemes across Coastal West Sussex and into existing monitoring of the housing supply pipeline.

R26. **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

12.43 The student population in Coastal West Sussex Housing Market is focused on Chichester and Bognor Regis in Arun where the University of Chichester has two campuses. Chichester College is also situated in Chichester City itself. Worthing and Northbrook

Colleges in Worthing District are also substantial FE Colleges. These institutions combined have more than 10,000 full-time students, many of whom will be existing local residents and some of whom are only resident in the area while studying at one or other of the institutions. The institutions offer a degree of accommodation and there are plans for further expansion in bedspace provision, however the majority of student housing needs are met by the local private rented sector and family lodgings. While the level of students attending both institutions is not considered to be having a significant impact on supply currently, we are recommending that this situation is kept under review as the HE and FE institutions implement expansions plans.

R27. Monitor Student Housing Requirements – the HE and FE institutions are expanding and ongoing consultation is recommended with each of them to ensure that housing shortages or ‘student ghettos’ are not created either through an under-provision of accommodation in halls or with private landlords. This situation should be actively monitored with the HE and with the FE Colleges to ensure that a continued supply of suitable accommodation is available.

BME COMMUNITIES

12.44 The population of BME groups in the Coastal West Sussex Housing Market is relatively small and is not expected to have a major impact on housing market dynamics across the Housing Market Area as a whole. 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 markets²⁰ from 2011 onwards to EU Accession countries populations’

12.45 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. For example Black and Asian groups within the Housing Market Area have a higher dependency on social housing than other BME groups and further work needs to be carried out to make sure the needs of these groups are understood and accounted for.

R28. Review and Improve Research and Understanding – there is a need to improve the level of understanding of BME group housing requirements.

²⁰ UK Housing Review 2008/09

- R29. **Review Migrant Worker Housing** – European Accession country migrants have been attracted in significant numbers to work in the agricultural sector. Planning policies should be developed that ensure that there is a suitable regulatory environment to support migrant worker housing needs, but also ensure that migrant worker ‘ghettos’ are not created. This is particularly critical in Chichester and Arun districts where the alignment of migrant worker and student housing needs must be proactively examined over time given that both groups have common housing needs.
- R30. **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

- 12.46 Local authorities are required to make provision for gypsies and travellers sites/pitches to meet identified needs. The *West Sussex Gypsy and Travellers Study* (2006) and Chichester District’s own Study from 2007 provided the basis for SEERA to establish the additional supply of pitches in the Coastal West Sussex Housing Market. The analysis shows that between 22 and 24 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, the range is 153-201 new residential pitches in the period 2006-2016. The options that are consulted on combined give a range of new additional provision for the Coastal West Sussex Housing Market between 63 and 105 new pitches (2006-2016). For Coastal West Sussex, SEERA’s forthcoming Preferred Option indicates a requirement for 88 additional pitches.
- R31. **Provision of Gypsies and Traveller Sites** – The SEERA analysis of the amount and distribution of gypsy and traveller sites should form the basis for future provision in the period to 2016. 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

- 12.47 The level of second home ownership is higher in the Coastal West Sussex Housing Market (1.5% of all homes) than other parts of West Sussex. 83% of all second homes in West Sussex are in the Coastal Housing Market with a particular focus in Chichester (2.8% of all

homes) and Arun (1.6%) districts. This compounds issues relating to housing affordability, particularly in sought-after locations in rural parts of Chichester. In line with our recommendations on addressing rural housing affordability, policies should support targeted development of affordable housing in rural locations where there are shortages of entry level and other forms of affordable housing. This will serve to support housing need in these locations and allow local communities to benefit from the economic benefits of attracting higher earning and retired buyers into the area.

HOUSE SIZE, DENSITY AND DESIGN

GENERAL MARKET HOUSING

- 12.48 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.
- 12.49 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 somewhat limited, potential to support older households to downsize, releasing supply of larger housing for other groups. We recommend that the Coastal 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.
- 12.50 A range of different types of sites will be required to provide for the mix of housing requirements needed. The four local authorities should work to improve the supply of land and enhance the development pipeline across the Coastal West Sussex Housing Market area.
- 12.51 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.
- 12.52 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.

R32. **Provision of Market Housing** - Our recommendations for the characteristics of market housing that will be needed in the Coastal West Sussex Housing Market area are:

- Broadening the Mix: Family Housing Focused - The Coastal West Sussex SHMA identifies that much of the existing housing provision is of two and three-bedroom properties (45%), with some 80% of the stock being of one, two or three bedrooms. It sets out that demand for larger properties also remains across all of the districts within the Housing Market, with stronger demand for larger, family sized properties in areas with a high quality of place such as Chichester. This, 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 consideration is given within the overall housing size mix to a proportion of 30% of new homes to 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. 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. Opportunities to achieve this are evident in each of the districts with particular focus on town centre regeneration plans in Worthing, Bognor Regis, Littlehampton and at Shoreham Harbour for instance.
- 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

12.53 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.

R33. **Optimising Densities** – To make best use of sites and land we assess that a density of 70 dph or more is appropriate where possible for urban locations with high public transport accessibility and strong access to services. This includes the most accessible and sustainable parts of existing town centres, the Growth Point at Shoreham Harbour. The proposals for the Ford EcoTown (should it be promoted in the appropriate LDF) will also need to consider closely the use of higher densities where efficient use of land coupled with appropriate green infrastructure will be essential. In urban and suburban environments density standards of 40-50 dph should be achievable and provide a suitable minimum benchmark (in line with the South East RSS). 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 35 dph across a development on larger sites. Overall, density will need to be considered in conjunction with achievement of suitable space, quality and layout standards.

R34. **Protecting Residential Character** – Where it is appropriate to do so, we recommend that planning policies investigate protection of certain elements of the housing offer. Local Development Frameworks should, where local evidence supports, 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. This will be a decision for each of the districts individually.

HOUSING SUSTAINABILITY & DESIGN

12.54 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. Coastal 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.

12.55 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.

R35. **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.

R36. **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

12.56 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 rural areas. There is limited current provision for new housing development in the rural areas of Coastal West Sussex Housing Market and high resident mobility contributes to declining local service provision.

12.57 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 plays a part in the overall quality of life and place-making needed to support the housing market across all of West Sussex.

12.58 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.

12.59 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 and of the lower skilled from the urban centres (where lower value housing and a more extensive rental offer is available) to rural areas.

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

R37. **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 Coastal West Sussex Housing Market. These sites should include brownfield sites, including those formerly in employment or other uses (subject to ensuring a balance with economic development objectives), 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.

R38. **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. While there is a risk to delivery in terms of viability for individual sites and the ease of bringing such sites forward, the experience in Horsham where a 100% affordable housing requirement has already been implemented in planning policy for their Category 2 settlements could be reflected through similar policies within the other authorities LDFs. 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.

R39. **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.

R40. **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.

- R41. **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.
- R42. **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 and that they consider ring-fencing these funds specifically for housing related projects, with an element being dedicated to rural housing initiatives.

WAITING LISTS, MONITORING & REVIEW

- 12.61 The four Councils across the Coastal West Sussex Housing Market 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 Coastal West Sussex Housing Market in particular) to develop a common approach to their waiting lists for general needs and older persons housing (indeed Adur, Arun and Chichester already have a common approach through a Choice Based Lettings system – Worthing is expected to follow suit in the near future). The functioning of the Coastal 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.
- 12.62 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..
- 12.63 We recommend that the four local authorities continue to work together to monitor development activity and the housing pipeline drawing on the established County Council monitoring systems where appropriate. 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.
- 12.64 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.
- 12.65 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.
- R43. **Improve Waiting List Information Sharing** – the four Coastal 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.

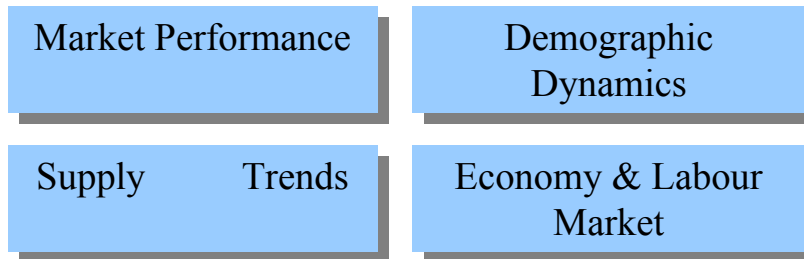
- R44. **Adopt the Proposed Monitoring and Performance Framework** - GVA Grimley has set out a framework for monitoring change in the Coastal West Sussex Housing Market (in the following section). Partners will need to assess appropriate mechanisms to take this forward. This should be adopted as the 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 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; Local Authority projections	Annual
	Population by Age Cohort	County; Local Authority	ONS Mid Year Population Estimates; ONS projections; 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; 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	Planning and Housing 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

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 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 and 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 needs to be fed through and understood across individual housing, planning and economic development/regeneration 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 is simply 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. While many elements of the work are relatively straight forward, partners may wish to draw on specialist expertise to help with certain technical elements of the Assessments such as housing needs, viability or forecasting.