



## MID SUSSEX DISTRICT COUNCIL

### Assessing the Scale and Nature of Starter Homes in Mid Sussex District

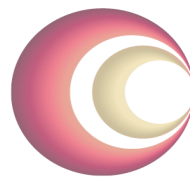
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**Chilmark Consulting Ltd**

T: 0330 223 1510

E: [info@chilmarkconsulting.co.uk](mailto:info@chilmarkconsulting.co.uk)

[chilmarkconsulting.co.uk](http://chilmarkconsulting.co.uk)



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# CONTENTS

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<b>1. INTRODUCTION</b>	<b>3</b>
OVERVIEW	3
SCOPE OF WORK	3
STRUCTURE OF THE REPORT	4
<b>2. BACKGROUND CONTEXT</b>	<b>5</b>
INTRODUCTION	5
NATIONAL POLICY	5
LOCAL POLICY	9
<b>3. SCALE AND COMPOSITION OF STARTER HOMES ELIGIBILITY IN MID SUSSEX DISTRICT</b>	<b>11</b>
INTRODUCTION	11
DATA SOURCES AND ASSUMPTIONS	11
SCALE OF ELIGIBLE HOUSEHOLDS	11
PRICES FOR STARTER HOMES	17
<b>4. EFFECTS OF STARTER HOME PROVISION ON AFFORDABLE HOUSING</b>	<b>28</b>
INTRODUCTION	28
EFFECTS ARISING FROM AN IMPOSED STARTER HOMES TARGET	29
EFFECTS ARISING FROM MEETING POTENTIAL EFFECTIVE DEMAND	32
<b>5. CONCLUSIONS</b>	<b>39</b>
INTRODUCTION	39
SUMMARY FINDINGS	39
FINAL CONCLUSIONS	44

# 1. INTRODUCTION

## Overview

- 1.1 In January 2016 Chilmark Consulting Ltd. (CCL) was instructed by Mid Sussex District Council (MSDC) to undertake a focused analysis of the overall potential scale and characteristics of delivering Starter Homes in the District.
- 1.2 The Government's objectives to deliver new Starter Homes is articulated through the *Housing and Planning Bill* currently subject to its Committee Stage in Parliament together with a *Written Ministerial Statement* by the Secretary of State for Communities and Local Government and through changes to the *National Planning Policy Framework* (NPPF) that are the subject of public consultation at the time of writing.
- 1.3 These various strategy, policy and legal documents show a clear commitment to support the delivery of Starter Homes for sale in England.
- 1.4 The Government's intentions are to ensure that there is a greater emphasis on the construction and delivery of Starter Homes for first time buyers under the age of 40 years.
- 1.5 The emerging legislation establishes that the provision of Starter Homes has the following eligibility criteria:
  - First time buyers under the age of 40 years;
  - Starter Homes must be priced at a minimum 20% discount to the average market purchase price for a first time buyer; and
  - a price cap mechanism restricts the upper price for a Starter Home. The *Housing and Planning Bill* establishes the price cap at £250,000 outside Greater London and is the relevant cap for Mid Sussex District.
- 1.6 The Government is currently consulting on changes to national planning policy, including changes to the definition of Affordable Housing to include Starter Homes and other, as yet, undefined home ownership products. The NPPF consultation indicates that Government will publish subsequent details on how local authorities should secure Starter Homes including the scale thresholds of sites where Starter Homes will be required and possibly the proportion of Starter Homes necessary within the overall housing mix for sites of different sizes.

## Scope of Work

- 1.7 To support the robustness and currency of the District Plan, the Council is seeking an analysis of the scale and nature of Starter Homes requirements in the District.
- 1.8 To achieve this, three inter-related objectives form the principal scope of work:

- identify the current scale and composition of households in Mid Sussex that may be eligible to purchase a Starter Home;
  - assess the future scale of households eligible for Starter Homes over the District Plan period 2014 – 31;
  - review the potential effects of the provision of Starter Homes on meeting the full range of affordable housing needs of Mid Sussex.
- 1.9 The work undertaken in this Report is in accordance with the relevant planning policy guidance and emerging legal framework for the delivery of Starter Homes as described in greater detail at Section 2 of the Report.
- 1.10 As a separate exercise, the District Council has instructed consultants to undertake an assessment of the development viability implications for Starter Homes in the District. It is therefore important that this Report is read in conjunction with that viability analysis.

## Structure of the Report

- 1.11 Following this introductory section, the Report is set out as follows:
- **Section 2** – summarises the relevant national and local policy and legal context for Starter Homes;
  - **Section 3** – sets out an assessment of the current and future scale and composition of households eligible for Starter Homes in Mid Sussex;
  - **Section 4** – considers the potential effects and impacts of delivering Starter Homes for the wider provision of other forms of Affordable Housing in the District; and
  - **Section 5** – draws the work together with relevant summary conclusions and recommendations arising.

## 2. BACKGROUND CONTEXT

### Introduction

- 2.1 This section of the Report summarises the relevant national policy and emerging legal framework for the delivery of Starter Homes. The section also offers an overview of the relevant local policy in the Mid Sussex District Plan and its supporting evidence base.
- 2.2 It is not the intention of this section to provide a comprehensive recitation of all policy and legal requirements, but rather to aid the reader to understand the principal matters concerning Starter Homes and the basis for considering the nature and scale of the potential market for such a housing product.

### National Policy

#### Current Policy

- 2.3 The Government has set an objective to create 200,000 new Starter Homes for purchase by 2020/21 across the country and has allocated some £2.3bn to support delivery. The recent HM Treasury *Autumn Statement and Comprehensive Spending Review* (November 2015) has re-affirmed the Government's commitment to securing new Starter Homes.
- 2.4 Current planning policy on Starter Homes is included in:
- the National Planning Practice Guidance at Section 55;
  - *Fixing the Foundations: Creating a More Prosperous Nation (the Productivity Plan)*; and
  - *Written Ministerial Statement (Secretary of State for Communities and Local Government)*.

#### National Planning Practice Guidance

- 2.5 Starter Homes are defined in the *National Planning Practice Guidance* (NPPG) at section 55 (updated in March 2015) at paragraph 002, as new homes for sale to first time buyers under the age of 40 years (at the date of purchase), at a minimum discount of 20% to the open market value of the area. An upper value cap for Starter Homes has been set at £250,000 (£450,000 in London). The NPPG states:

*“A Starter Home is expected to be well designed and suitable for young first time buyers. Local planning authorities and developers should work together to determine what size and type of Starter Home is most appropriate for a particular Starter Home exemption site reflecting their knowledge of local housing markets and sites. A Starter Home is not expected to be priced after the discount significantly more than the average price paid by a first time buyer. This would mean the discounted*

*price should be no more than £250,000 outside London and £450,000 in London”.*

- 2.6 The NPPG also advises at paragraph 005 that there should be appropriate restrictions to ensure that Starter Homes are not resold or let at their market value for five years following the initial sale. The restrictions of eligibility and resale are to be secured by way of planning obligations.

#### Fixing the Foundations: Productivity Plan

- 2.7 The Government published *Fixing the Foundations: Creating a More Prosperous Nation* (the Productivity Plan) in July 2015. Amongst many matters covered in this document, it sets out the Government’s intention to bring forward proposals to extend the rural site exception policies and strengthen the presumption in favour of Starter Homes developments.
- 2.8 The document indicated that unviable, underused brownfield land would be the initial focus of Starter Home developments with policy changes to ensure that un-needed commercial land could be released for housing.
- 2.9 Changes to the *National Planning Policy Framework* now proposed (see below) are intended to make it clear that employment land should be released unless there is significant and compelling evidence to justify why such land should be retained for employment use.

#### Written Ministerial Statement

- 2.10 The *Starter Homes Written Ministerial Statement* (Secretary of State for Communities and Local Government, Brandon Lewis MP) (2<sup>nd</sup> March 2015) forms part of the current national planning policy. The Ministerial Statement confirmed the use of exception site planning policy to release land for Starter Homes.
- 2.11 The Written Ministerial Statement confirmed that:

*“Local planning authorities should work in a positive and proactive way with landowners and developers to secure a supply of sites suitable for housing for first- time buyers. In particular, they should look for opportunities to create high quality, well designed starter homes through exception sites on commercial and industrial land that is either under used or unviable in its current or former use, and which has not currently been identified for housing.*

*Where applications for starter homes come forward on such exception sites, they should be approved unless the local planning authority can demonstrate that there are overriding conflicts with the national planning policy framework that cannot be mitigated.*

*Planning obligations should be attached to permissions for starter homes on starter homes exception sites, requiring that the homes are offered for sale at a minimum of 20% below open market price, to young first- time buyers who want to own and occupy a home. They should also prevent the re-sale and letting of the properties at open market value for a five-year period.*

*In view of their contribution to meeting housing needs, starter homes exception sites should not be required to make section 106 affordable housing or tariff-style contributions.*

*Exception sites may include a small proportion of market homes, at the planning authority's discretion, where this is essential to secure the required level of discount for the starter homes on the site.*

*Starter homes developments are expected to be well- designed and of a high quality, contributing to the creation of sustainable places where people want to live, work and put down roots to become part of the local community. A new design advisory panel set up by the Government, involving leading industry experts, is developing an initial set of exemplar designs for starter homes which we expect to publish shortly for wider comment. While recognising the need for local flexibility, we would expect these designs over time to become the default approach to design to be considered for starter homes developments.*

*This new national planning policy should be taken into account in plan-making and decision-taking, and should be read alongside other policies in the national planning policy framework”.*

### **Emerging Policy and Statutory Requirements**

- 2.12 Starter Homes are the subject of two, parallel, policy and legal approaches at the time of writing:
- *The Housing and Planning Bill; and*
  - *Consultation on Proposed Changes to National Planning Policy.*

#### The Housing and Planning Bill (2015/16)

- 2.13 Part I (New Homes in England) of the *Housing and Planning Bill (2015/16)* is concerned with Starter Homes at Chapter 1. This highlights the Government's intention to promote the supply of Starter Homes in England.
- 2.14 Paragraph 2 defines a Starter Home as a building or part of a building that:
- a) is a new dwelling;
  - b) is available for purchase by qualifying first time buyers only;
  - c) is sold at a discount of at least 20% of the market value;
  - d) is to be sold for less than the price cap;
  - e) is subject to any restrictions on sale or letting specified in regulations made by the Secretary of State.
- 2.15 Paragraph 3 defines a 'qualifying first time buyer' as an individual who:
- a) Is a first time buyer
  - b) Is under the age of 40; and
  - c) Has other characteristics specified in regulations made by the Secretary of State (for example, relating to nationality or minimum age).

- 2.16 Paragraph 6 sets out the 'price cap' which is £250,000 outside Greater London and £450,000 in Greater London.
- 2.17 Paragraph 7 allows the Secretary of State to amend the definition of 'first time buyer', while paragraph 8 allows regulations to amend the 'price cap' for different areas inside and outwith Greater London (i.e. offering greater granularity and variation over price caps to align with local market conditions).
- 2.18 In paragraph 4, at Clause 4, the Bill allows local planning authorities to grant planning permission only if a person has entered into a planning obligation to provide a certain number of Starter Homes, or to pay a sum to be used by the authority for their provision (i.e. off-site contributions in lieu).

#### Consultation on Proposed Changes to National Planning Policy

- 2.19 The Department for Communities and Local Government (DCLG) has commenced a public consultation (closing on 22<sup>nd</sup> February 2016) focused on changes to national policy in order to support affordable housing delivery and the provision of Starter Homes.
- 2.20 Paragraphs 6 – 12 of the NPPF Consultation are concerned with affordable housing. Paragraph 9 sets out the Government's intention to amend the definition of Affordable Housing in Annex 2 of the NPPF to include:
  - "a fuller range of products that can support people to access home ownership"*.
- 2.21 The definition will continue to include products for rent and for ownership by households whose needs are not met by the market, but critically this will now include low cost market housing, intermediate rent and discount market sales as well as rent-to-buy products.
- 2.22 Paragraph 11 establishes that the Housing and Planning Bill will introduce a statutory duty on local authorities to promote the delivery of Starter Homes and a requirement for a proportion of Starter Homes to be delivered:

*"on all suitable reasonably-sized housing developments"*.

The level at which the requirement for Starter Homes to be provided on-site is to be set, is indicated to be the subject of a further consultation process.

- 2.23 In paragraph 41 of the NPPF Consultation, the Government sets out proposals to modify the NPPF to offer greater certainty that planning permission will be granted for suitable Starter Home proposals on exception sites. The policy amendments are suggested to include clarity that:
  - "planning applications can only be rejected if there are over-riding design, infrastructure and local environmental (flood risk) considerations that cannot be mitigated"*.
- 2.24 Paragraphs 43 and 44 of the NPPF Consultation are concerned with encouraging Starter Homes within mixed-use commercial developments. The proposals include bringing Starter Homes into town centres to help drive regeneration and shopper footfall as a benefit to the wider community.



- 2.25 In paragraphs 45 to 47, Starter Homes in rural areas are supported. The NPPF Consultation considers that Starter Homes can provide a valuable source of housing in rural areas and that if they are classified as Affordable Housing then it is possible for them to be delivered through the existing rural exception site policy.
- 2.26 At paragraph 47, the consultation suggests that Starter Homes on rural exception sites should be subject to five-year minimum resale limits to ensure that local people are able to maximise the value of the home and secure a long term place in the local housing market. The consultation proposes that there would be local flexibility and discretion to require a 'local connection' test to reflect the particular needs of some rural areas.
- 2.27 Finally, in paragraphs 48 and 49, the NPPF Consultation confirms that Neighbourhood Plans present a further opportunity to provide housing for young people and that the Government supports the role of Neighbourhood Plans to consider such opportunities. The Government intends to modify national policy so that Neighbourhood Plans can allocate small-scale sites in the Green Belt specifically for Starter Homes, and offer discretion to determine the scope of a small-scale site.

## Local Policy

### Planned Housing Requirements

- 2.28 The Draft *Mid Sussex District Plan* (November 2015) has recently finished a period of consultation on the *Focused Amendments to the Pre-Submission Draft Plan*. The District Plan is shortly to be submitted for public examination by the District Council.
- 2.29 The Focused Amendments include a number of modifications to the previous Consultation Draft District Plan. Of most importance and relevance to this study is a proposed increase in the planned housing requirement from 650 to 800 dwellings per annum (dpa) (13,600 dwellings over the plan period 2014 – 31). Modifications to policy DP5 (Housing), the supporting text and consequential amendments to other policies/paragraphs are therefore proposed.
- 2.30 The District's future employment target has also been amended with alterations to draft policy DP2 (Sustainable Economic Development). The revised employment target is for 330 new jobs per annum over the plan period (5,610 net new jobs).
- 2.31 The increase to the District's requirement is above its calculated Objectively Assessed Housing Need (OAN), and has been proposed in order to better reflect and accommodate un-met housing needs arising in other local authority areas through the Duty to Co-operate. In order to secure the additional dwellings, the Focused Amendments also include changes to local density policy and additional residential site allocations (including a strategic site for 600 new dwellings to the east of Pease Pottage).

### Affordable Housing Needs

- 2.32 The District's current *Housing and Economic Development Needs Assessment* (HEDNA) was published in November 2015. It establishes an overall affordable housing need between **191** and **294** dwellings per annum. The need for affordable housing therefore remains significant as a proportion of the total OAN for the District.
- 2.33 The Draft District Plan sets out the Council's approach to securing affordable housing. Policy DP29 (Affordable Housing) requires 30% affordable housing on all sites (no threshold) and that generally 75% is for Affordable Rent and 25% for Intermediate (mainly shared ownership) housing. The policy does not include provision for Starter Homes as, at the time of its preparation, such housing products were not actively promoted by Government nor were they included within the definition of Affordable Housing set out in the NPPF.
- 2.34 The current affordable housing needs assessment set out in the *Northern West Sussex Housing Market Assessment* and particularly the *Affordable Housing Needs Update* (October 2014) considers the levels of households who cannot afford access to the private housing market without financial assistance. The evidence in the Affordable Housing Needs Update found that some 63% of newly forming households could not afford to buy, and that 44% could not afford to rent in Mid Sussex (see Figure 19, page 67, October 2014).

### 3. SCALE AND COMPOSITION OF STARTER HOMES ELIGIBILITY IN MID SUSSEX DISTRICT

#### Introduction

- 3.1 In this section the scale and composition of households eligible for Starter Homes is identified and assessed. The section also considers house prices in the District in order to understand the market average and therefore the Starter Home discounted price level within the statutory price cap. Household eligibility and house prices are then considered together, both as at 2016, and then inflated over the plan period to 2031, in order to understand the scale and composition of eligibility for Starter Homes.

#### Data Sources and Assumptions

- 3.2 The analysis set out herein uses published secondary source data and information available from a variety of public sources including DCLG, ONS, HMLR and TPDL. All data sources are shown and the calculations or manipulations undertaken are described in each sub-section as necessary.
- 3.3 Given that there is relatively little detailed information about the nature of provision and expectations from Government concerning Starter Homes delivery, it has been necessary to make a series of assumptions concerning both household eligibility and the definition of average house prices against which the market cap and discount can be established for Mid Sussex. The assumptions and limitations are detailed in the relevant sub-sections that follow.

#### Scale of Eligible Households

- 3.4 The approach to assessing the potential scale of 'eligible households' to the Starter Homes initiative has used the following broad 'cascade' structure:
- what is the current and projected total number of households in Mid Sussex? This was used as a reference point for the data analysis;
  - how many households are in the 20-40 age group category within Mid Sussex? This identified the theoretical 'maximum' market for Starter Homes;
  - what proportion of households in the 20-40 age group category **do not** already own a dwelling in some form? This identified the theoretical 'effective maximum' market for Starter Homes;

- what proportion of the above 'non-owning' households can afford to buy a Starter Home? This identified the 'maximum affordability' market based on reasonable assumptions about house price and income levels; and
- in addition, as an alternative approach, an analysis of the potential market for Starter Homes based on sales transaction evidence was assessed.

3.5 Table 3.1 summarises the current and projected total number of households in Mid Sussex District and those in the 20-40 age cohort. In terms of the 20-40 age group, the number of households in 2016 is identified as 12,711. An additional 604 households are expected to be added to this total by 2031<sup>1</sup>.

3.6 In total, therefore, the theoretical maximum market for Starter Homes in mid Sussex is 13,315, or an annual equivalent of 888 households. It should be emphasised that this is the **theoretical** maximum. It takes no account of 20-40 year olds who already own a property, and does not take into account affordability factors.

**Table 3.1: Mid Sussex Household Projections, 2016 - 31**

	2016	2031	Net Change 2016-31	Potential Starter Home Market
All Households	60,636	70,507	9,871	-
20-40 Age Group	12,711	13,315	604	13,315

Source: 2012 CLG Household Components Projections, March 2015

- 3.7 Table 3.2 examines the issue of existing home-ownership in the 20-40 age group in Mid Sussex in more detail. This is developed from the household data summarised in Table 3.1. The number of 20-40 year olds living with parents is identified (3,305). In addition, 25% of households in Mid Sussex rent in some form, and it is assumed that this proportion applies to the 20-40 years' cohort group as well. Arguably, the proportion may be higher, but a cautious approach has been taken; this equates to 3,178 households.
- 3.8 In total it is estimated that 6,483 of households in the 20-40 age group in 2016 are not property owners, and therefore qualify as first-time buyers. It is further assumed that all of the net additions to households over the 2017-31 period (604) will be potential first time buyers.

<sup>1</sup> The 604 may be a slight under-recording of potential demand as it is a net figure (i.e. people entering the 20-40 age group and people leaving this group). There may be a higher number of people entering the 20-40 age group who would be technically eligible for the Starter Home initiative, whilst a proportion of those leaving the 20-40 age group may have purchased a residential property by that stage.

- 3.9 This gives an overall ‘effective maximum’ total of 7,087 households in the 20-40 age group would could theoretically qualify for the Starter Home initiative. This is an annual equivalent of 472.

**Table 3.2: Mid Sussex Home Ownership in the 20-40 Age Group**

Assumption	Households (2016)
1. 26% of 20-40 Age Group live with parents <sup>2</sup>	3,305
2. 25% households in Mid Sussex rent <sup>3</sup>	3,178
3. Assuming 25% ratio applies to 20-40 age group and 26% living with parents is additional	6,483
4. Assuming <b>ALL</b> net addition of 20-40 age group households are eligible for Starter Home	604
5. Effective maximum potential Starter Home market 2016-31	7,087
<b>6. Annual equivalent (2016-31)</b>	<b>472</b>

Source: ONS, *Young Persons Living with Parents Release (January 2014)*; ONS, 2011 Census.

- 3.10 As a cross-check on the ‘home ownership’ aspect, an alternative approach to assessing this was undertaken, and the results are summarised in Table 3.3 below.
- 3.11 The alternative approach looked at home ownership by age groups, as recorded by the *English Housing Survey*. In particular, the age groups 25-34 and 35-44 were examined and particularly the proportion who were identified as home owners. These proportions were then applied to Mid Sussex District, with an adjustment to include those aged 20-24 and discount those over the age of 40 years.
- 3.12 The results of the analysis indicate an overall ‘effective maximum’ total of 7,168 households in the 20-40 age group that could theoretically qualify for the Starter Home initiative in Mid Sussex. This is an annual equivalent of 478 households. This is consistent with the figures of 7,087 households, and an annual equivalent of 472 households summarised in Table 3.2 above.

<sup>2</sup> Source: Young Persons Living with Parents Release (January 2014). Nationally 26% 20-34 age cohort lived with parents (2013). Assume same rate applies to 35-40 age group.

<sup>3</sup> Source: 2011 Census (Table QS405EW: Tenure - Households). Identifies 75% of households in Mid Sussex as owning a residential property in some form. Therefore, 25% are renting in some form.

**Table 3.3: Mid Sussex Home Ownership, 20-40 Age Group – Sensitivity**

<b>% Households in each age group that are home owners<sup>4</sup></b>				
	<b>25-34</b>	<b>35-44</b>	<b>Total 20-40</b>	<b>Overall 20-40 Total</b>
England	42.8%	63.6%	-	-
	<b>25-34</b>	<b>35-44</b>	<b>Total 25-44</b>	<b>Overall 20-40 Total</b>
Mid Sussex – No. H/Holds (2016)	6,968	10,369	17,337	12,711
	<b>25-34</b>	<b>35-40</b>	<b>Total 25-40</b>	<b>Overall 20-40 Total</b>
Mid Sussex – No. H/Holds (2016)	6,968	4,933	11,901	12,711
Mid Sussex - No. H/Holds in 20-25			810	(11,901+810 = 12,711)
	<b>Based on % H/Holds in 25-40 category, Home Ownership is:</b>			
	<b>25-34</b>	<b>35-40</b>		
	2,982	3,137	6,120	
	<b>Assuming 20-24 Age Category Home Ownership is half the 25-34 Age Category</b>			
		810 x 21.4%	27	
Mid Sussex – No. H/Holds 20-40 Home Owners (2016)			<b>6,147</b>	
<b>% Households in 20-40 age group that are NOT home owners</b>				
6,147 as % 12,711 = 48% are Home Owners. Therefore residual 52% are potentially Starter Home eligible			6,564	
Assuming <b>ALL</b> net addition of 20-40 age group households 2017-31 are eligible for Starter Home			604	
<b>Total</b>			<b>7,168</b>	
<b>Annual Equivalent</b>			<b>478</b>	

Source: English Housing Survey (EHS) 2012 to 2013, Table FC2101, DCLG; EHS 2001/02, Table S106, DCLG (January 2015)

<sup>4</sup> Source: English Housing Survey (EHS) 2012 to 2013, Table FC2101, DCLG. Data for 2011/12

- 3.13 It is important to recognise that the analysis in Tables 3.2 and 3.3 does **not** take account of household affordability. This is considered below, but the overall effect would be to reduce the 'potential market' figures.
- 3.14 An alternative approach to the 'demand-based' scenarios was also undertaken. This considered house sale and new build transactions levels in Mid Sussex and the proportion that were purchased by first time buyers in the 20-40 age group. This may provide a proxy as to actual number of Starter Home transactions although it is more of a 'supply constrained' approach than the scenarios discussed above.
- 3.15 Table 3.4 summarises the results of this approach. This provides an idea of the potential starter home market based on new build transaction levels. The overall result for Mid Sussex is a potential demand figure of 1,205 Starter Homes in total over the period 2016-31, or 80 homes per annum. This is appreciably lower than the previous analysis results, which realistically ranged from 7,087 households (472 per annum) to 7,168 (478 per annum) households.

**Table 3.4: Starter Home Market Based on New Build Transaction Levels**

<b>Component</b>	<b>Assumption / Result</b>
1. % of housing transactions that are from First-Time Buyers <sup>5</sup>	30%
2. % First-Time Buyers Aged 25-44 <sup>6</sup>	77%
3. Annual average number of <b>ALL</b> sales in Mid Sussex <sup>7</sup>	2,776
4. Annual average New Build rates in Mid Sussex <sup>8</sup>	326
5. New Build as % All Transactions	12%
6. Assuming annual average <b>ALL</b> sales levels 2016-31 same as 2000-12 and that New Build proportion same. Assuming 30% of New Build Transactions are from First Time Buyers, and 77% are aged 20-40. Then total New Build 20-40 age group demand	1,205
<b>7. Annual Equivalent</b>	<b>80</b>

<sup>5</sup> Source: Mortgage Solutions (March 2015).

<sup>6</sup> Source: Mortgage Solutions (January 2014). Identified First Time Buyers in the 25-44 age group made up 67% of the First Time Buyer market in 2003, expected to increase to 87% by 2023. The mid-point range of 77% was taken to apply for the period 2016-31. These assumptions were applied to Mid Sussex and assumed to apply in the 20-40 age group.

<sup>7</sup> Source: CLG Live Table 588 (April 2014). This was based on the period 2000-2012.

<sup>8</sup> Source: CLG Live Table 253 (November 2015).

Source: CCL calculation

- 3.16 As a final element of the eligible household's analysis, an assessment of likely affordability levels was undertaken. This uses data on house prices in Mid Sussex set out later in this section.
- 3.17 Table 3.5 provides a breakdown of household incomes in Mid Sussex. This is based on detailed CACI data for the District from mid-2014 and as used in the *Northern West Sussex Affordable Housing Needs Update* report (October 2014). This data has been adjusted for forecast inflation to 2016, and annually to 2031. It provides the baseline benchmark of affordability for households in Mid Sussex, and this profile is assumed to apply to the 20-40 age group.
- 3.18 An assumed mortgage multiplier of 3.5 times income has been applied to these household income levels. This is in order to identify the proportion of 20-40 year households that could meet the 'affordability' criteria likely to be applied to Starter Homes by mortgage finance lenders.

**Table 3.5: Household Income Profile in Mid Sussex**

Average Household Income	No. of Households	% Split	2014	2016	2031 <sup>9</sup>
£2,500	725	1.20%	£2,500	£2,602	£3,182
£7,500	3,253	5.50%	£7,500	£7,806	£9,547
£12,500	4,712	8.00%	£12,500	£13,011	£15,912
£17,500	4,719	8.00%	£17,500	£18,215	£22,277
£22,500	4,311	7.30%	£22,500	£23,419	£28,641
£27,500	4,201	7.10%	£27,500	£28,624	£35,006
£32,500	4,169	7.10%	£32,500	£33,828	£41,371
£37,500	3,816	6.50%	£37,500	£39,032	£47,736
£42,500	3,752	6.40%	£42,500	£44,236	£54,100
£47,500	3,317	5.60%	£47,500	£49,441	£60,465
£52,500	2,986	5.10%	£52,500	£54,645	£66,830
£57,500	2,620	4.40%	£57,500	£59,849	£73,195
£62,500	2,168	3.70%	£62,500	£65,054	£79,559
£67,500	1,877	3.20%	£67,500	£70,258	£85,924
£72,500	1,705	2.90%	£72,500	£75,462	£92,289
£77,500	1,381	2.30%	£77,500	£80,666	£98,654
£82,500	1,315	2.20%	£82,500	£85,871	£105,018
£87,500	1,169	2.00%	£87,500	£91,075	£111,383
£92,500	980	1.70%	£92,500	£96,279	£117,748

<sup>9</sup> 2031 figure is adjusted for forecast inflation over the period 2016 - 2031



Average Household Income	No. of Households	% Split	2014	2016	2031 <sup>9</sup>
£97,500	877	1.50%	£97,500	£101,484	£124,113
£110,000	2,451	4.20%	£110,000	£114,494	£140,025
£130,000	1,162	2.00%	£130,000	£135,312	£165,484
£150,000	692	1.20%	£150,000	£156,129	£190,943
£170,000	385	0.70%	£170,000	£176,946	£216,402
£190,000	128	0.20%	£190,000	£197,763	£241,861
£225,000	98	0.20%	£225,000	£234,193	£286,414

Source: Office for Budget Responsibility (Nov 2015); CACI, 2014

### Prices for Starter Homes

- 3.19 An assessment of relevant house price levels has been undertaken in parallel with the affordability analysis.
- 3.20 Current house prices and recent trends in prices can be assessed at the local authority level using the most current data drawn from the HM Land Registry (HMLR) by The Property Database Ltd (TPDL).
- 3.21 Table 3.6 using TPDL data sets out current housing prices for Mid Sussex District as at 30<sup>th</sup> September 2015. The table also shows the mean and median average sale prices in the District and the lower quartile (LQ) mean average price. The data is based on 1,787 total sales during the nine-month period Q1 – Q3 2015.
- 3.22 The table highlights that the mean average market sale price was £356,509 and that the LQ sale price was £274,366 for all housing purchased (new and second hand).

**Table 3.6: Summary All House Prices in Mid Sussex District, 2015**

<b>All Sales</b>	
<b>Mean</b>	<b>£356,509</b>
Median	£320,000
Mode	£250,000
<b>LQ Average</b>	<b>£274,366</b>
Lowest Price Paid	£100,000
Highest Price Paid	£2,675,000
Total Sales: 01 Jan - 30 Sept 15	1781
LQ Sales Count	445

Source: TPDL 2015 and CCL calculation, 2016

- 3.23 The proposed definition of Starter Homes set out in the Housing and Planning Bill (2015/16) includes a requirement that the dwelling is a new-build (i.e. not previously occupied).
- 3.24 Table 3.7 provides a more refined analysis of residential sale prices, focused on new-build sales only in the District. The Table shows a mean average new build sale price of £413,214 and an LQ sale price average of £252,231.
- 3.25 The price data in this table are those used subsequently in calculating the current Starter Home discounted price in Mid Sussex.

**Table 3.7: New Build House Prices in Mid Sussex District, 2015**

<b>New Build Only</b>	
<b>Mean</b>	<b>£413,214</b>
Median	£393,000
Mode	£385,000
<b>LQ Average</b>	<b>£252,231</b>
Lowest Price Paid	£100,000
Highest Price Paid	£1,320,000
Total Sales: 01 Jan - 30 Sept 15	202
LQ Sales Count	50.5

Source: TPDL 2015 and CCL calculation, 2016

- 3.26 Using the data on house prices in Mid Sussex, two Starter Homes price points have been derived for the District as shown in Table 3.8 below. This analysis uses two scenarios:
- a Starter Home discount of 20% on the lower quartile house values (Q1 – Q3 2015) in Mid Sussex District (£252,000 minus 20% = £201,600); and

- an assumed maximum-priced Starter Home of £250,000 in accordance with the capped level set in the current *Housing and Planning Bill*.
- 3.27 A mortgage deposit of 10% is assumed including the £3,000 maximum through the Help to Buy ISA savings scheme. This identifies the potential house price affordability level of 20-40 age group households.
- 3.28 In addition, a ‘flat rate’ scenario for the Starter Home initiative is assumed (i.e. the Starter Home discount remains at a maximum of 20% on a ceiling house price figure of £250,000).
- 3.29 In order to ensure the longevity of this analysis of house prices and the discounted price for Starter Homes it is appropriate to inflate residential sale prices over the plan period in order to better understand the possible average prices by 2031. A scenario which adjusts house prices for inflation over the period to 2031 has therefore been included.
- 3.30 In order to achieve this, the current average prices for new build properties have been inflated using longer term house price inflation data published by the Office for Budget Responsibility (OBR).
- 3.31 The bottom two rows of Table 3.8 effectively identify the maximum price of a Starter Home as at 2016 and 2031, either at a ‘flat rate’ (i.e. the price eligibility criteria remain unchanged through this period) or adjusted for house price inflation over the period to 2031.

**Table 3.8: Starter Home Market Based on New Build Transaction Levels**

Price Basis	Flat Rate		Inflation Adjusted	
	LQ Median House Price Mid Sussex	Max Starter Home Discount Price	LQ Median House Price Mid Sussex	Max Starter Home Discount Price
Value	£252,000	£250,000	£252,000	£250,000
Minus 20% Starter Home Discount	£201,600	-	£201,600	-
Assuming 10% Deposit (including Help to Buy ISA)	£20,160	£25,000	£20,160	£25,000
Discounted Sale Price 2016	£181,440	£225,000	£181,440	£225,000
Discounted Sale Price 2031	£181,440	£225,000	£291,158	£361,059

Source: TPD and CCL calculation

3.32 Appendix A1 sets out a brief and indicative summary of what types of market property are currently (March 2016) available in Mid Sussex that could be purchased either at the LQ or Starter Homes market cap purchase price points.

### **Starter Homes Market Price and Affordability**

3.33 The previous analysis has been combined to identify the likely proportion of 20-40 age group households that could afford Starter Homes.

3.34 The year by year profile of 20-40 age group households 'mortgage potential' income (i.e. household income multiplied by 3.5) has been compared with the various Starter Home house price levels summarised in Table 3.8. From this matching of datasets the proportion of 20-40 year old households that could afford a Starter Home across the period 2016-31 was identified.

3.35 There are two ways to consider the scale of affordability for Starter Homes for households:

- An '**Unconstrained Market**' approach where all those eligible households that can afford a Starter Home, or could potentially purchase a property on the open market are included; and
- A '**Restricted Market**', or narrow approach where only those eligible households that can afford to purchase a Starter Home, but could not afford to purchase on the open market are included.

3.36 The following sub-sections examine both in turn.

#### 'Unconstrained Market'

3.37 The 'Unconstrained Market' scenarios include all households eligible for Starter Homes with an ability to afford to purchase. There is effectively no upper end to the ability to purchase under these scenarios; i.e. the eligible households included can afford to purchase a Starter Home, but could equally afford to purchase a home on the open market. In this respect the Unconstrained Market includes households that would fall within the definition of being in affordable housing need as well as those that would not. This is illustrated, diagrammatically in Appendix A2.

3.38 The average proportion of 20-40 year old households that could afford a Starter Home under the various house price scenarios and the 'demand-based' and 'supply constrained' scenarios (as summarised in Table 3.1 to 3.4), is illustrated in Tables 3.9 to 3.12. Four headlines scenarios for this analysis are considered:

- **A: Flat Rate Lower Quartile House Price Basis;**
- **B: Flat Rate, Max Capped House Price Basis;**
- **C: Inflation Adjusted LQ House Price Basis; and**
- **D: Inflation Adjusted Max Capped House Price Basis.**

**Table 3.9: Scenario A – Flat Rate Lower Quartile House Price Basis**

Starter Home Market Scenario	Flat Rate Lower Quartile House Price Basis			
	Total H/Hold 20-40	% Income Based Qualifying H/Holds	Total Eligible H/Holds	Annual Average
Based on maximum demand potential 2016-31	13,315	45.10%	6,005	400
Based on effective maximum demand potential 2016-31	7,168	45.10%	3,233	216
Based on new build transaction levels 2016-31	1,205	45.10%	543	36

Source: CCL calculation

**Table 3.10: Scenario B – Flat Rate Max Capped House Price Basis**

Starter Home Market Scenario	Flat Rate Max Capped House Price Basis			
	Total H/Hold 20-40	% Income Based Qualifying H/Holds	Total Eligible H/Holds	Annual Average
Based on maximum demand potential 2016-31	13,315	32.30%	4,301	287
Based on effective maximum demand potential 2016-31	7,168	32.30%	2,315	154
Based on new build transaction levels 2016-31	1,205	32.30%	389	26

Source: CCL calculation

**Table 3.11: Scenario C – Inflation Adjusted Lower Quartile Median House Price Basis**

Starter Home Market Scenario	Inflation Adjusted Median House Price Basis			
	Total H/Hold 20-40	% Income Based Qualifying H/Holds	Total Eligible H/Holds	Annual Average
Based on maximum demand potential 2016-31	13,315	30.69%	4,087	272
Based on effective maximum demand potential 2016-31	7,168	30.69%	2,200	147
Based on new build transaction levels 2016-31	1,205	30.69%	370	25

Source: CCL calculation

**Table 3.12: Scenario D – Inflation Adjusted Max Capped House Price Basis**

Starter Home Market Scenario	Inflation Adjusted Max Capped House Price Basis			
	Total H/Hold 20-40	% Income Based Qualifying H/Holds	Total Eligible H/Holds	Annual Average
Based on maximum demand potential 2016-31	13,315	20.20%	2,690	179
Based on effective maximum demand potential 2016-31	7,168	20.20%	1,448	97
Based on new build transaction levels 2016-31	1,205	20.20%	243	16

Source: CCL calculation

- 3.39 Table 3.13 provides a summary of the above scenarios A – D and highlights an Unconstrained Market range of potential Starter Home demand of 97 to 216 households per annum. The ‘effective maximum demand’ basis of eligibility over the 2016-2031 period is used as the most realistic of the various approaches to household eligibility.

**Table 3.13: Summary of Starter Home Potential Demand Scenarios A – D (Effective Maximum Demand)**

Starter Home Market Scenario	Total H/Hold 20-40	% Income Based Qualifying H/Holds	Total Eligible H/Holds	Annual Average
<b>A:</b> Flat Rate, LQ House Prices	7,168	45.10%	3,233	<b>216</b>
<b>B:</b> Flat Rate, Max Capped House Prices	7,168	32.30%	2,315	<b>154</b>
<b>C:</b> Inflation Adjusted LQ House Prices	7,168	30.69%	2,200	<b>147</b>
<b>D:</b> Inflation Adjusted Max Capped House Prices	7,168	20.20%	1,448	<b>97</b>

Source: CCL calculation

‘Restricted Market’

- 3.40 The ‘Restricted Market’ analysis examines the potential demand for Starter Homes arising from a narrow group of eligible households.
- 3.41 It is focused on those households that are eligible for a Starter Home (in terms of age and first-time buyer status) and would be able to purchase a Starter Home, but could not afford to purchase on the open market. The households in this ‘Restricted Market’ have household incomes capable of supporting a mortgage of between £181,440 and £250,000 at the outset of the analysis period (2016). This is illustrated, diagrammatically in Appendix A2. This affordability level has been kept constant under the Flat Rate Scenarios, and adjusted for inflation under the Inflation Adjusted Scenarios.
- 3.42 Effectively this ‘Restricted Market’ comprises a narrower group of households who are in affordable housing need (in accordance with the NPPG approach to calculating such needs; and assuming that the current consultation on changes to the NPPF that include widening the definition of affordable housing to include Starter Homes is eventually adopted).
- 3.43 In order to assess the scale of this ‘Restricted Market’, sensitivity analysis has been undertaken to Scenarios A-D set out previously. The results of this is shown in Scenarios A1, B1, C1 and D1 below (Tables 3.14 – 3.17):

- **A1:** Flat Rate Lower Quartile House Price Basis (Afford to Buy Starter Home and in Affordable Housing Need);
- **B1:** Flat Rate, Max Capped House Price Basis (Afford to Buy Starter Home and in Affordable Housing Need);
- **C1:** Inflation Adjusted LQ House Price Basis (Afford to Buy Starter Home and in Affordable Housing Need); and
- **D1:** Inflation Adjusted Max Capped House Price Basis (Afford to Buy Starter Home and in Affordable Housing Need).

**Table 3.14: Scenario A1 – Flat Rate Lower Quartile House Price Basis (Afford to Buy Starter Home and in Affordable Housing Need)**

Starter Home Market Scenario	Flat Rate Lower Quartile House Price Basis			
	Total H/Hold 20-40	% Income Based Qualifying H/Holds	Total Eligible H/Holds	Annual Average
Based on maximum demand potential 2016-31	13,315	10.6%	1,418	95
Based on effective maximum demand potential 2016-31	7,168	10.6%	763	51
Based on new build transaction levels 2016-31	1,205	10.6%	128	9

Source: CCL calculation



**Table 3.15: Scenario B1 – Flat Rate Max Capped House Price Basis (Afford to Buy Starter Home and in Affordable Housing Need)**

Starter Home Market Scenario	Max Capped House Price Basis			
	Total H/Hold 20-40	% Income Based Qualifying H/Holds	Total Eligible H/Holds	Annual Average
Based on maximum demand potential 2016-31	13,315	5.4%	720	48
Based on effective maximum demand potential 2016-31	7,168	5.4%	388	26
Based on new build transaction levels 2016-31	1,205	5.4%	65	4

Source: CCL calculation

**Table 3.16: Scenario C1 – Inflation Adjusted LQ Median House Price Basis (Afford to Buy Starter Home and in Affordable Housing Need)**

Starter Home Market Scenario	Inflation Adjusted LQ Median House Price Basis			
	Total H/Hold 20-40	% Income Based Qualifying H/Holds	Total Eligible H/Holds	Annual Average
Based on maximum demand potential 2016-31	13,315	9.2%	1,222	81
Based on effective maximum demand potential 2016-31	7,168	9.2%	658	44
Based on new build transaction levels 2016-31	1,205	9.2%	111	7

Source: CCL calculation

**Table 3.17: Scenario D1 – Inflation Adjusted Max Capped House Price Basis (Afford to Buy Starter Home and in Affordable Housing Need)**

Starter Home Market Scenario	Inflation Adjusted Max Capped House Price Basis			
	Total H/Hold 20-40	% Income Based Qualifying H/Holds	Total Eligible H/Holds	Annual Average
Based on maximum demand potential 2016-31	13,315	3.9%	528	35
Based on effective maximum demand potential 2016-31	7,168	3.9%	284	19
Based on new build transaction levels 2016-31	1,205	3.9%	48	3

*Source: CCL calculation*

- 3.44 Table 3.18 provides a summary of the above scenarios A1 – D1 and highlights a Restricted Market range of potential Starter Home demand of 19 to 51 households per annum. The ‘effective maximum demand’ basis of eligibility over the 2016-2031 period is used as the most realistic of the various approaches to household eligibility.

**Table 3.18: Summary of Starter Home Potential Demand Scenarios A1, B1, C1, D1 (Effective Maximum Demand and Restricted Market)**

Starter Home Market Scenario	Total H/Hold 20-40	% Income Based Qualifying H/Holds	Total Eligible H/Holds	Annual Average
<b>A1:</b> Flat Rate, LQ House Prices	7,168	10.6%	763	<b>51</b>
<b>B1:</b> Flat Rate, Max Capped House Prices	7,168	5.4%	388	<b>26</b>
<b>C1:</b> Inflation Adjusted LQ House Prices	7,168	9.2%	658	<b>44</b>
<b>D1:</b> Inflation Adjusted Max Capped House Prices	7,168	3.9%	284	<b>19</b>

Source: CCL calculation

## 4. EFFECTS OF STARTER HOME PROVISION ON AFFORDABLE HOUSING

### Introduction

- 4.1 In this section, the effects of making provision for Starter Homes on the wider provision of affordable housing in Mid Sussex District is examined.
- 4.2 This section considers the effects of the provision of Starter Homes on Mid Sussex District's current planned housing requirement (drawing from the *Focused Amendments District Plan*, November 2015) and the *Housing and Economic Development Needs Assessment* (February 2015) and Update (November 2015) (HEDNA) that sets out the affordable housing needs of the District.
- 4.3 It is the Government's intention that the delivery of Starter Homes forms part of the supply-side response to meeting affordable housing needs. The expectation, as described in the NPPF consultation document, is that Starter Homes (together with as yet other undefined housing products) will be used to meet affordable needs (see paragraph 6, et seq.).
- 4.4 Simply put, Starter Homes are to become a part of the supply-led response alongside other existing housing products/mechanisms to meeting housing needs that "*are not met by the market*" through the widening definition proposed at Annex 2 of the NPPF. This means that Starter Homes will be a form of affordable housing in addition to:
- **Social Rent;**
  - **Intermediate Housing (part equity and rent); and**
  - **Affordable Rent.**
- 4.5 At this time, there is no specific direction from Government to secure a particular target proportion of Starter Homes in any individual local authority area. There is however the possibility that such targets may be set in future regulations or national policy.
- 4.6 In order to provide a meaningful analysis, this section therefore examines the effects of:
- **a Government imposed (top-down) proportional target for Starter Homes delivery in Mid Sussex District based on the full planned housing requirement); and**
  - **meeting the potential effective demand for Starter Homes (on the 'Restricted' household incomes basis which reflects some of those households within the HEDNA's definition of affordable housing need) in Mid Sussex as calculated in the previous section.**

## Effects Arising from an Imposed Starter Homes Target

- 4.7 At the time of writing there is no clear guidance from Government as to whether a specific proportion of all affordable housing in the District must be provided as Starter Homes. Neither the current consultation on changes to the NPPF nor the Housing and Planning Bill set a specific target proportion.
- 4.8 There is an expectation within the housing industry that further Government regulations/directions will follow that establish specific target proportions for Starter Home delivery. In this respect, a target proportion of 15% has been suggested and this is used herein as the basis to consider the effects arising.
- 4.9 The Mid Sussex *Focused Amendments District Plan* identifies a planned housing requirement (OAN + contribution to un-met needs arising in other local authority areas) of 800 dwellings per annum (dpa).
- 4.10 The District Plan's proposed affordable housing policy seeks to secure 30% affordable housing contributions from the total planned requirement. This equates to 240 dpa.
- 4.11 The Mid Sussex District HEDNA establishes the most recent evidence on affordable housing needs. It concludes that there is a range of affordable housing needs from 191 – 294 dpa (depending on the basis of the calculation).
- 4.12 Table 4.1 below sets out the effects of the imposition of a top-down, blanket proportion of Starter Homes to be delivered.
- 4.13 The Table shows the analysis based on the overall planned housing requirement in Mid Sussex (800 dpa). As the table highlights, if a 15% Starter Home requirement were imposed on the District, then this would equate to 120 dpa based on the full planned housing requirement (800 dpa).
- 4.14 The table also shows the effects of an increasing imposed, blanket target. At a 30% target Starter Homes requirement, this would result in a need to deliver 240 Starter Homes per year based on the full planned housing requirement. At a 50% target level, the supply of Starter Homes would be increased to 400 dwellings per annum under the various targets.

**Table 4.1: Starter Homes to be Delivered Per Annum in Mid Sussex, Based on Imposed % Targets**

Starter Homes % Requirement (Imposed Target)	Starter Homes to be Delivered DPA
	Planned Requirement 800 <sup>10</sup>
10	80
15	120
20	160
25	200
30	240
40	320
50	400

Source: MSDC Focused Amendments District Plan; MSDC HEDNA; CCL calculation

- 4.15 If the Government were to apply a blanket Starter Homes target based on the full planned housing requirement of Mid Sussex (as Table 4.1 outlines above), then it is appropriate to consider the effects of this against the District's potential supply of affordable housing (based on a 30% affordable housing supply target set out in draft policy DP29).
- 4.16 Table 4.2 shows the outcomes of this for various imposed proportions of Starter Homes delivery (ranging from 10% - 30% of the total planned housing requirement).
- 4.17 Assuming that the delivery of the requisite proportion of Starter Homes is a priority, the table models the resulting 'residual' affordable housing supply available. It also shows how this would be pro-rated on a 75:25 sub-split (to account for the District's current policies seeking 75% Affordable Rent and 25% Intermediate tenure affordable housing).
- 4.18 With a 15% imposed Starter Homes target on a total planned requirement of 800 dpa, the table highlights that this would result in the delivery of 120 dpa of Starter Homes (column C) and leave a 'residual' affordable housing supply of between 120 dpa to be delivered as either Affordable Rent or through Intermediate Housing. Columns F and G of the table then pro-rate the 'residual' supply according to the current District affordable housing type split (75:25).

<sup>10</sup> 800 dpa is the planned housing requirement set out in the Focused Amendments of the draft Mid Sussex District Plan

**Table 4.2: Effects of Imposed Starter Homes Targets on Other Forms of Affordable Housing Delivery in Mid Sussex – 30% Affordable Housing Supply**

A	B	C	D	E	F	G
District Planned Housing Requirement (DPA)	Starter Homes Target Level Imposed	Starter Homes Delivered (DPA)	Supply of Affordable Housing (30% Policy)	Residual Supply to Meet other Affordable Housing Needs	Supply Available for Affordable Rent (75% of Residual Supply)	Supply Available for Intermediate (25% of Residual Supply)
		A x B	A x 30%	D - C	E x 75%	E x 25%
800	10%	80	240	160	120	40
	15%	120	240	120	90	30
	20%	160	240	80	60	20
	30%	240	240	0	0	0

Source: MSDC Focused Amendments District Plan; HEDNA; CCL calculation

- 4.19 To model the effects if the District's supply of affordable housing was increased to either 35% or 40% of the planned housing requirement, Appendix A3 sets out the same analysis as for Table 4.2 but based on an increased affordable housing supply policy target at 35% and 40% respectively.

### **Effects Arising from Meeting Potential Effective Demand in Mid Sussex**

- 4.20 The analysis set out above considers the effects of a blanket, imposed target being applied to the full planned housing requirement.
- 4.21 The alternative way is to look at the effects of meeting the potential effective demand for Starter Homes in Mid Sussex as calculated in Section 3 of this Report, set against the overall affordable housing needs set out in the HEDNA affordable housing needs range.
- 4.22 As previously noted, the Government has not imposed a household income cap on eligibility for Starter Homes, however it is possible that this may occur. The 'Restricted' (i.e. household incomes restrained) market provides the critical test as it is those households who are both eligible to purchase a Starter Home and also fall within the HEDNA's definition of affordable housing needs in the District.
- 4.23 The 'Unconstrained' market Effective Demand includes households both within the definition of affordable housing needs from the HEDNA, but also those who are not. Meeting the 'Unconstrained' market demand would therefore provide Starter Homes to those households both within and outside affordable housing needs definitions.
- 4.24 For the purposes of this analysis of the potential effects, it is considered appropriate to focus on the 'Restricted' market in order to examine the potential impacts on other forms of affordable housing supply.
- 4.25 Table 4.3 shows the effects for all four 'Restricted' Market scenarios. However, either scenarios A1 (Flat Rate, LQ House Price) or C1 (Inflation Adjusted LQ House Prices) are likely to be the most realistic (as they are based on the lower quartile average purchase prices in Mid Sussex, rather than the maximum Starter Homes price cap set out in the Housing and Planning Bill). The LQ house prices indicate in real terms, the house price situation in the District at present, particularly for those households for whom Starter Homes are intended to help.
- 4.26 Table 4.3 establishes the effects on affordable housing provision in the District of applying the four 'Restricted Market' scenarios A1, B1, C1 and D1 to the HEDNA range of affordable housing needs.
- 4.27 Table 4.3 shows the effects for all four 'Restricted Market' scenarios with the underlying assumption that scenarios A1 (Flat Rate, LQ House Price) or C1 (Inflation Adjusted LQ House Prices) are likely to be the most realistic.
- 4.28 Considering the effects of these two scenarios (A1 and C1) shows:



- **A1** would require 51 Starter Homes per annum (equating to between 17% and 27% of the HEDNA range). With the delivery of 51 Starter Homes, there would be a 'residual' affordable housing supply of 140 – 243 dpa to be met by Affordable Rent or Intermediate tenures.
- **C1** would require 44 Starter Homes per annum (representing 15 and 23% of the HEDNA's identified affordable needs. The 'residual' affordable housing supply would equate to 147 – 250 dpa.

**Table 4.3: Effects of Delivering Starter Homes ('Restricted' Household Incomes - Effective Demand Potential) on District Affordable Housing**

A	B	C	D
Effective Demand Scenarios - (Restricted Household Incomes)	Starter Homes Delivered (DPA)	HEDNA Affordable Need Range Low and High Estimates (DPA)	Residual Need if Starter Homes Need met from HEDNA Total
From Table 3.18			C - B
<b>A1</b>	51	191	140
		294	243
<b>B1</b>	26	191	165
		294	268
<b>C1</b>	44	191	147
		294	250
<b>D1</b>	19	191	172
		294	275

Source: CCL calculation

\* - Total Starter Homes Effective Potential DPA figures are drawn from Table 3.18

### Effects Measured Against a Changing Affordable Housing Policy Target

- 4.29 If Mid Sussex District sought to ensure that its modelled affordable housing needs (as set out in the HEDNA) were met in full, then the District would need to ensure the delivery of between 191 and 294 affordable dwellings per annum.
- 4.30 This sub-section explores the effects of meeting Starter Homes demand if the District's affordable housing policy target were altered.
- 4.31 The analyses are therefore set against a variety of possible affordable housing policy targets (30% rising to 50%) and against meeting the HEDNA's calculated range of affordable needs combined with the delivery of Starter

- Homes (based on 'Restricted' Market effective demand scenarios: A1 and C1).
- 4.32 The analysis focuses on the 'Restricted' Effective Demand market as this represents those eligible households who can afford a Starter Home but could not buy on the open market, and thus reflects those households that would be in need of affordable housing and therefore fit within the HEDNA's calculation of households in affordable need.
- 4.33 Analysis of the effects in Table 4.4 below assumes that:
- Starter Home effective demand (column C) is **delivered in full** as a 'top slice' of the affordable housing policy target; and
  - 'Residual' affordable housing needs (column D) (i.e. other forms of affordable housing provision – Affordable Rent and Intermediate) **form the balance** of the affordable housing policy target requirement less the Starter Homes to be delivered (effectively column B minus column C).
- 4.34 The table then identifies the residual affordable housing supply to meet other affordable needs (column E); and the level of potential over or under-supply of Affordable Rent/Intermediate housing that would result from each scenario (column F).
- 4.35 Table 4.4 therefore considers the impact of an imposed 15% Starter Homes target (as a proportion of the total planned housing requirement) based on the HEDNA affordable housing needs assessment, that includes the 'Restricted Market' potential demand for Starter Homes.
- 4.36 This identifies that a 30% affordable housing policy target (240 dpa) with an imposed 15% Starter Homes provision would not deliver sufficient affordable housing to meet the HEDNA's low-end range estimate (191 dpa) (effectively those households in 'Reasonable Preference' categories). There would be a significant level of annual under-provision with regards to the HEDNA's high-estimate of affordable housing need.
- 4.37 If the affordable housing policy target was increased to 35% then there would just be sufficient provision to meet the HEDNA low estimate (those in Reasonable Preference) but still would be too little to meet the HEDNA high-range estimate of affordable housing needs (294 dpa).
- 4.38 A similar position exists if the affordable housing policy target was increased to 40%, albeit with a greater level of provision for meeting the needs of those on the Housing Register.
- 4.39 It would only be at 50% affordable housing policy target that there would be sufficient supply of affordable housing to meet the delivery of Starter Homes together with meeting the HEDNA's high range estimate of need.

**Table 4.4: Effects of Changing Affordable Housing Policy Targets and Delivery of Affordable Housing with Starter Homes Delivery (15% Target Imposed)**

	A	B	C	D	E	F
Affordable Housing Policy Target (% of 800 DPA total planned requirement)	Potential Affordable Housing Supply (DPA)	HEDNA Affordable Need Range (DPA)	Starter Homes Need - 'Restricted' Effective Demand (Scenario C1 or A1) (DPA)	Residual Affordable Housing Need if Starter Homes Need met from HEDNA Total (DPA)	Residual Affordable Housing Supply to Meet Other Affordable Needs (Assuming Starter Homes Delivered at 15% of Total Planned Housing Requirement) (DPA)	Over/Under Supply for Affordable Rent and Intermediate
			From Table 3.18	B - C	A - 120 (from Table 4.1)	E - D
30%	240	191	44	147	120	-27
			51	140		-20
		294	44	250	120	-130
			51	243		-123
35%	280	191	44	147	160	13
			51	140		20
		294	44	250	160	-90
			51	243		-83

	A	B	C	D	E	F
Affordable Housing Policy Target (% of 800 DPA total planned requirement)	Potential Affordable Housing Supply (DPA)	HEDNA Affordable Need Range (DPA)	Starter Homes Need - 'Restricted' Effective Demand (Scenario C1 or A1) (DPA)	Residual Affordable Housing Need if Starter Homes Need met from HEDNA Total (DPA)	Residual Affordable Housing Supply to Meet Other Affordable Needs (Assuming Starter Homes Delivered at 15% of Total Planned Housing Requirement) (DPA)	Over/Under Supply for Affordable Rent and Intermediate
			From Table 3.18	B - C	A - 120 (from Table 4.1)	E - D
40%	320	191	44	147	200	53
			51	140		60
		294	44	250	200	-50
			51	243		-43
50%	400	191	44	147	280	133
			51	140		140
		294	44	250	280	30
			51	243		37

Source: CCL calculation

- 4.40 The analysis is a modelling exercise and is theoretical insofar as affordable housing policy targets are not simply set against the identified affordable housing needs, but also must reflect development viability considerations that are outside the scope of this particular study.
- 4.41 As noted previously, the Government's policies indicate that Starter Homes form part of the supply-response to help meet the modelled affordable housing needs. On this basis, the District's affordable housing needs target policy (30% - 240 dpa) should be met by a combination of affordable housing including Starter Homes, as well as Affordable Rent and Intermediate Housing.
- 4.42 Policy DP29 of the Draft District Plan anticipates a 75:25 split of Affordable Rent to Intermediate Housing within the overall affordable housing need supply. Broadly, this means that of a total affordable housing policy delivering 240 dpa, some 180 dpa would be Affordable Rent, and 60 dpa would be Intermediate Housing.
- 4.43 The draft District Plan policy was prepared prior to the Government revealing its intentions to support the delivery of Starter Homes. It is clear that the Government's expectations are that affordable housing needs will be met through a range of housing products. It is also equally evident that in Mid Sussex there is an existing need for both Affordable Rent and Intermediate Housing. Starter Homes also need to form part of the response to affordable housing need and Government has signalled its expectation that this form of provision be prioritised.
- 4.44 Table 4.5 highlights potentially how the delivery of Starter Homes might effect the sub-split of provision of Affordable Rent and Intermediate Housing. It again assumes that Starter Home provision is achieved in full and the Affordable Rent and Intermediate provision are pro-rated from the remainder in a 75:25 proportional split.
- 4.45 The table shows that at a 30% affordable housing policy target and subject to the local authority being able to target Starter Homes at those within the 'Restricted' market scenario, it would be possible to meet the needs of those households in 'Reasonable Preference' categories (effectively the HEDNA's low-range estimate – 191 dpa).
- 4.46 If, as an alternative, the 'Unrestricted' Effective Demand scenarios were used in place of the 'Restricted' market (in column C), then the level of Starter Homes demand, and therefore provision required, would be significantly greater (see Table 3.13) resulting in the inability of the District to meet either affordable needs for those in 'Reasonable Preference', or the wider Housing Register (i.e. either the HEDNA's low or high estimates of need) with under-supply of either Affordable Rent or Intermediate tenure housing.
- 4.47 The likeliest scenario is that a blanket target proportion of Starter Homes will be imposed for the District with reference to a national minimum level of Starter Homes provision on appropriate sites. If such a blanket percentage of Starter Homes was required on all sites at 15% (of the total District OAN figure) as Table 4.5 shows, the District's ability to meet other affordable housing needs would be significantly curtailed.

**Table 4.5: Summary of Effects of Starter Home Provision ('Restricted' Effective Demand Based) on Affordable Housing Needs Sub-Split (Affordable Rent and Intermediate)**

A	B	C	D	E	F	G	H	I
Affordable Housing Policy Target	Potential Affordable Housing Supply (DPA)	Starter Homes Need - 'Restricted' Effective Demand (Scenario C1 or A1) (DPA)	HEDNA Affordable Need Range (DPA)	Residual Need if 'Restricted' Effective Demand Starter Homes need met from HEDNA total	Residual Supply to meet other Affordable Housing Need	Supply Available for Affordable Rent (75% of residual supply)	Supply Available for Intermediate (25% of residual supply)	Over/Under Supply for Affordable Rent and intermediate
		From Table 3.18		D – C	B – C	F x 75%	F x 25%	F - E
30%	240	51 or 44	191	140 or 147	189 or 196	142 or 147	47 or 49	49 to 56
			294	243 or 250				-54 to -61
35%	280	51 or 44	191	140 or 147	229 or 236	172 or 177	57 or 59	89 to 96
			294	243 or 250				-14 to -21
40%	320	51 or 44	191	140 or 147	269 or 276	202 or 207	67 or 69	129 to 136
			294	243 or 250				26 to 19

Source: CCL calculation

## 5. CONCLUSIONS

### Introduction

- 5.1 This section of the report brings together the analysis and findings set out previously. It provides a brief summary of the main findings and then draws relevant conclusions and recommendations for your consideration.

### Summary Findings

#### Government Objectives for Starter Homes

- 5.2 The Government's objectives to deliver new Starter Homes is articulated through the *Housing and Planning Bill* currently subject to its Committee Stage in Parliament together with a *Written Ministerial Statement* by the Secretary of State for Communities and Local Government, and through changes to the *National Planning Policy Framework* (NPPF) that are the subject of public consultation at the time of writing.
- 5.3 These various strategy, policy and legal documents show a clear commitment to support the delivery of Starter Homes for sale in England.
- 5.4 The Government's intentions are to ensure that there is a greater emphasis on the construction and delivery of Starter Homes for first time buyers under the age of 40 years.
- 5.5 The emerging legislation establishes that the provision of Starter Homes has the following eligibility criteria:
- First time buyers under the age of 40 years;
  - Starter Homes must be priced at a minimum 20% discount to the average market purchase price for a first time buyer; and
  - a price cap mechanism restricts the upper price for a Starter Home. The *Housing and Planning Bill* establishes the price cap at £250,000 outside Greater London and is the relevant cap for Mid Sussex District.
- 5.6 The Government is currently consulting on changes to national planning policy, including changes to the definition of Affordable Housing to include Starter Homes and other, as yet, undefined home ownership products. The NPPF consultation indicates that Government will publish subsequent details on how local authorities should secure Starter Homes including the scale thresholds of sites where Starter Homes will be required, and possibly the proportion of Starter Homes necessary within the overall housing mix for sites of different sizes.
- 5.7 It is the Government's intention that the delivery of Starter Homes forms part of the supply-side response to meeting affordable housing needs. The expectation, as described in the NPPF consultation document, is that Starter

Homes (together with as yet other undefined housing products) will be used to meet affordable needs.

5.8 Starter Homes are to become a part of the supply-led response alongside other existing housing products/mechanisms to meeting housing needs that “are not met by the market” through the widening definition proposed at Annex 2 of the NPPF. This means that Starter Homes will be a form of affordable housing in addition to:

- Social Rent;
- Intermediate Housing (part equity and rent); and
- Affordable Rent.

### Local Planning Policy in Mid Sussex

5.9 The Draft *Mid Sussex District Plan* (November 2015) has recently finished a period of consultation on the *Focused Amendments to the Pre-Submission Draft Plan*. The District Plan is shortly to be submitted for public examination by the District Council.

5.10 The Focused Amendments include a number of modifications to the previous Consultation Draft District Plan. Of most importance and relevance to this study is a proposed increase in the planned housing requirement from 650 to **800** dwellings per annum (dpa) (**13,600** dwellings over the plan period 2014 – 31).

5.11 The District’s current *Housing and Economic Development Needs Assessment* (HEDNA) was published in November 2015. It establishes an overall affordable housing need between **191** and **294** dwellings per annum. The need for affordable housing therefore remains significant as a proportion of the total OAN for the District.

5.12 The Draft District Plan sets out the Council’s approach to securing affordable housing. Policy DP29 (Affordable Housing) requires 30% affordable housing on all sites (no threshold) and that generally 75% is for Affordable Rent and 25% for Intermediate (mainly shared ownership) housing. The policy would deliver a total of 240 dwellings per annum based on 30% of the total planned housing requirement.

5.13 The District Plan policies do not include provision for Starter Homes as, at the time of its preparation, such housing products were not actively promoted by Government nor were they included within the definition of Affordable Housing set out in the NPPF.

### Scale and Composition of Starter Homes Eligibility

5.14 The approach to assessing the potential scale of ‘eligible households’ to the Starter Homes initiative has used a broad ‘cascade’ structure:

- what is the current and projected total number of households in Mid Sussex?
- how many households are in the 20-40 age group category within Mid Sussex?



- what proportion of households in the 20-40 age group category **do not** already own a dwelling in some form? This identified the theoretical 'effective maximum' market for Starter Homes;
  - what proportion of the above 'non-owning' households can afford to buy a Starter Home? This identified the 'maximum affordability' market based on reasonable assumptions about house price and income levels; and
  - in addition, as an alternative approach, an analysis of the potential market for Starter Homes based on sales transaction evidence was assessed.
- 5.15 The analysis undertaken in Section 3 showed that there was an effective maximum potential Starter Homes market (with reference to all of the appropriate eligibility criteria other than affordability) over the 2016-31 period of **7,087** households. This equates to some **472** households per annum. This analysis was cross-checked by a sensitivity analysis looking at household composition and eligibility from English Housing Survey and other national data. The sensitivity analysis concluded that there was a total of **7,168** households eligible over the period (**478** households per annum).

### **Starter Home Prices and Market Cap**

- 5.16 Section 3 sets out evidence on the average purchase prices for housing in the District. The data was compiled from HM Land Registry information and take into account the period up to the end of Q3, 2015.
- 5.17 The mean average market sale price was **£356,509** and that the LQ sale price was **£274,366** for all housing purchased (new and second hand).
- 5.18 Noting that the *Housing and Planning Bill* includes a requirement for Starter Homes to be new build properties (i.e. not second hand stock) a more detailed analysis of prices for new build properties in the District was also undertaken. This showed at Table 3.7, an average new build sale price of **£413,214** and a lower quartile (LQ) sale price average of **£252,231**.
- 5.19 Using the data on house prices in Mid Sussex, two Starter Homes price points were derived for the District (Table 3.8). This analysis used two scenarios:
- a Starter Home discount of 20% on the lower quartile house values (Q1 – Q3 2015) in Mid Sussex District (£252,000 minus 20% = **£201,600**); and
  - an assumed maximum-priced Starter Home of **£250,000** in accordance with the capped level set in the current *Housing and Planning Bill*.
- 5.20 In order to ensure the longevity of this analysis of house prices and the discounted price for Starter Homes, it was also appropriate to inflate residential sale prices over the plan period in order to better understand the possible average prices for Starter Homes by 2031. A scenario which adjusts house prices for inflation over the period to 2031 was therefore included as Table 3.8 highlighted.

### Starter Homes Affordability

- 5.21 The analyses of eligible households and house prices were combined to identify the likely proportion of 20-40 age group households that could afford Starter Homes.
- 5.22 The year by year profile of 20-40 age group households 'mortgage potential' income (i.e. household income multiplied by 3.5) has been compared with the various Starter Home house price levels summarised in Section 3 at Table 3.8. From this matching of datasets, the proportion of 20-40 year old households that could afford a Starter Home across the period 2016-31 was identified.
- 5.23 Two approaches were considered and assessed:
- An '**Unconstrained Market**' approach where all those eligible households that can afford a Starter Home, or could potentially purchase a property on the open market are included; and
  - A '**Restricted Market**', or narrow approach where only those eligible households that can afford to purchase a Starter Home, but could not afford to purchase on the open market are included.
- 5.24 The assessment for both the 'Unconstrained Market' and 'Restricted Market' considered a series of price and income scenarios (A – D and A1 – D1):
- **A: Flat Rate Lower Quartile House Price Basis;**
  - **B: Flat Rate, Max Capped House Price Basis;**
  - **C: Inflation Adjusted LQ House Price Basis; and**
  - **D: Inflation Adjusted Max Capped House Price Basis.**
- 5.25 In summary these were to allow a consideration of Starter Homes prices caps and household incomes remaining static over the plan period (Flat Rate); and to also evidence the outcomes should price caps and incomes be inflated over the period (Inflation Adjusted).
- 5.26 The 'Unconstrained Market' scenarios (A, B, C and D) shows a range of potential Starter Homes demand ranging from 97 – 216 households per annum over the plan period (as set out in summary at Table 3.13).
- 5.27 The 'Restricted Market' scenarios (A1, B1, C1 and D1) highlighted a narrower range of potential Starter Homes demand from 19 – 51 households per annum over the plan period (as set out in summary at Table 3.18). As noted, the 'Restricted Market' scenarios are focused on those households that would fall within the definition of affordable housing need (in accordance with the guidance in the NPPG) and therefore represent perhaps the most relevant group for which Starter Homes products are intended, although the Government has not established a household income eligibility cap at this time.

### Effects of Starter Homes Provision on Affordable Housing Provision

- 5.28 In Section 4, the effects of making provision for Starter homes on the wider delivery of affordable housing in Mid Sussex was considered.

- 5.29 The effects of the provision of Starter Homes was assessed against Mid Sussex District's current planned housing requirement (drawing from the *Focused Amendments District Plan*, November 2015) and the *Housing and Economic Development Needs Assessment* (February 2015 and updated in November 2015) that sets out the affordable housing needs of the District.
- 5.30 Analysis of the effects of Starter Homes provision were undertaken using two different approaches:
- a Government imposed (top-down) proportional target for Starter Homes delivery in Mid Sussex District; and
  - meeting the potential effective demand for Starter Homes in Mid Sussex calculated in the previous section based on the 'Restricted' market Effective Demand.

#### Imposed Starter Homes Target

- 5.31 There is no clear guidance from Government as to whether a specific proportion of all affordable housing in the District must be provided as Starter Homes. Neither the current consultation on changes to the NPPF nor the Housing and Planning Bill set a specific target proportion.
- 5.32 If a 15% Starter Home requirement were imposed on the District by Government, then this would equate to **120** dpa based on the full planned housing requirement (800 dpa).

#### Effects Arising from Meeting Potential Effective Demand for Starter Homes

- 5.33 The second approach to considering the effects of Starter Homes on wider affordable housing is more complex. It is based on the outputs from Section 3 where the analysis determined the potential, effective demand for Starter Homes under various scenarios. This approach estimates the likely effects if the District is allowed to consider its own local circumstances in determining the level of Starter Home provision rather than having a top-down target imposed.
- 5.34 The analysis was conducted based on the 'Restricted' Effective Demand scenarios (A1 – D1 as set out in Section 3) and described previously as these scenarios represent households who fall within the HEDNA's definition of affordable housing needs that Starter Homes provision is intended to assist.
- 5.35 The most realistic of these various scenarios was considered to be either A1 (Flat Rate, LQ House Price) or C1 (Inflation Adjusted LQ House Prices) and these formed the basis for the assessment of effects shown in Tables 4.3, 4.4 and 4.5, finding that:
- **Scenario A1** based on an effective demand for **51** Starter Homes per annum (equating to between **17% - 27%** of the HEDNA range). With the delivery of **51** Starter Homes, there would be a 'residual' affordable housing supply of **140 – 243** dpa to be met by Affordable Rent or Intermediate tenures.
  - **Scenario C1** based on an effective demand for **44** Starter Homes per annum (15 - 23% of the HEDNA's identified affordable needs). The 'residual' affordable housing supply would equate to **147 – 250** dpa.

- 5.36 Section 4 also examined the ability of the District to meet modelled affordable housing needs based on the HEDNA's identified range of needs (191 – 294 dpa).
- 5.37 Table 4.2 considered the effects of an imposed target for Starter Homes provision in the District if the Starter Homes target set was varied either to 10% or increased up to 30%. Appendix A3 set out similar analyses but considering the effects if the District's policy for the supply of affordable housing was increased up to 35% and 40%.
- 5.38 Table 4.4 provided the assessment with respect to the 'Restricted' market Effective Demand scenario and assumed that Starter Home demand was delivered in full (as a 'top slice' of the affordable housing policy target) and that 'residual' affordable housing needs (i.e. other forms of affordable housing provision – Affordable Rent and Intermediate) formed the balance of the affordable housing policy target requirement. The analysis in Table 4.4 found as follows:
- a 30% affordable housing policy target (240 dpa) with an imposed 15% Starter Homes provision would not deliver sufficient affordable housing to meet the HEDNA's low-end range estimate (191 dpa - effectively those households in 'Reasonable Preference' categories). There would be a significant level of annual under-provision with regards to the HEDNA's high-estimate of affordable housing need.
  - if the affordable housing policy target was increased to 35%, then there would just be sufficient provision to meet the HEDNA low estimate (those in Reasonable Preference) but still would be too little to meet the HEDNA high-range estimate of affordable housing needs (294 dpa).
  - if the affordable housing policy target was increased to 40%, a similar position would persist, albeit with a greater level of provision for meeting the needs of those on the wider Housing Register (i.e. the HEDNA's higher range estimate of 294 dpa).
  - it would only be at 50% affordable housing policy target that there would be sufficient supply of affordable housing to meet the delivery of Starter Homes together with meeting the HEDNA's high range estimate of need.
  - only if a 50% affordable housing policy target were adopted (400 dpa) would the HEDNA affordable housing requirement be met in full at the higher bookend of identified affordable needs (294 dpa).
- 5.39 Table 4.5 highlighted how the delivery of Starter Homes might effect the sub-split of provision of Affordable Rent and Intermediate Housing. It assumed that Starter Home provision is achieved in full and the Affordable Rent and Intermediate provision are pro-rated from the remainder in a 75:25 proportional split (according to the draft District Plan policy).

## Final Conclusions

- 5.40 The analysis undertaken in this Report reflects a modelling exercise based on a considerable number of variables and assumptions. These have been necessary in light of the emerging nature of the Government's proposals to

boost the supply of Starter Homes and the lack of detailed guidance as to the nature of how that supply should be provided and measured over time.

- 5.41 The Government's policies indicate that Starter Homes **form part of the supply-response** to help meet the modelled affordable housing needs as the District's HEDNA clearly identifies.
- 5.42 The modelled analyses set out herein and summarised previously does show that, depending upon the scenario selected, there is potential for Starter Homes to be delivered to meet the 'Restricted' market Effective Demand but not to meet an imposed target of 15% of planned housing requirement alongside other forms of affordable housing.
- 5.43 An increased affordable housing policy target (at or above 35% broadly) would therefore be needed in order to just meet the HEDNA's low estimate ('Reasonable Preference' households needs – 191 dpa). In order to meet the HEDNA high estimate need (294 dpa), the affordable housing policy target would have to increase to 40% or more, or there would have to be a reduction in the level of any Starter Homes imposed target.
- 5.44 There are, however, many uncertainties and assumptions that have had to be made in constructing and conducting the Starter Homes analysis in this report including with respect to *inter alia*:
- household eligibility;
  - income levels and the potential for an income cap;
  - the treatment of household incomes and house prices over time – whether fixed or subject to inflation;
  - the basis for calculating the 'average local house price; and
  - the potential for an imposed target for Starter Homes in the District and the basis against which such a target might be set (either the total housing planned, or against the locally derived affordable housing needs requirement).
- 5.45 It is therefore suggested that the analyses are kept under review and updated as the *Planning and Housing Bill* and the proposed changes to the *National Planning Policy Framework* are settled. Until such time, there is insufficient clarity to recommend either that the District's current affordable housing policy target should be modified or that the current 30% target will ultimately be sufficient.
- 5.46 It is concluded that:
- The District's identified affordable housing needs should be met **through a combination of affordable housing supply including Starter Homes as well as Affordable Rent and Intermediate Housing**.
  - The affordable housing policy target should be retained at the current level until there is further clear guidance from Government as to how the national Starter Homes objectives and eligibility requirements are to be treated. At such time, the potential for Starter Homes and the effects of their delivery should be reviewed further. This is particularly important given the potential for further, technical guidance or direction on Starter

Homes targets at the District-level, or with regard to how price caps and eligibility may change over time.

## **APPENDIX A1**

# **Indicative Summary of Types of Property Available in Mid Sussex for Purchase at Starter Homes Market Cap**

This Appendix is concerned with the types of housing available on the market in Mid Sussex that could be purchased within the LQ and market capped prices (£201,600 and £250,000 respectively).

The types of housing available has been examined using HMLR data (from The Property Database Ltd – TPD) for completed sales (rather than asking prices for stock currently available for sale). The data has been sifted to include only new build properties (in accordance with the requirements for eligibility as a Starter Home).

In the period Q1 to end Q3 (January to September) 2015, there was a total of:

- **202 new build residential sales completed;**
- **1,579 second hand residential sales completed;**
- **1,781 total residential sales completed.**

Of the 202 new build sales completed:

- **10 properties were priced at <£201,600, of which 9 were leasehold flats (of which 5 were 1-bed flats in the Felbridge Gate development at Furze Lane) and 1 a terraced freehold (Mill Road in Burgess Hill).**
- **24 properties were priced at <£250,000, of which 19 were flats, 3 terraced and 2 were semi-detached properties.**

To give an indication of the current position (as at March 2016), and to include more detail on the number of bedrooms available at various asking price points, analysis of new-build properties for sale currently in Mid Sussex from Zoopla and Rightmove data indicates the following broad price ranges:

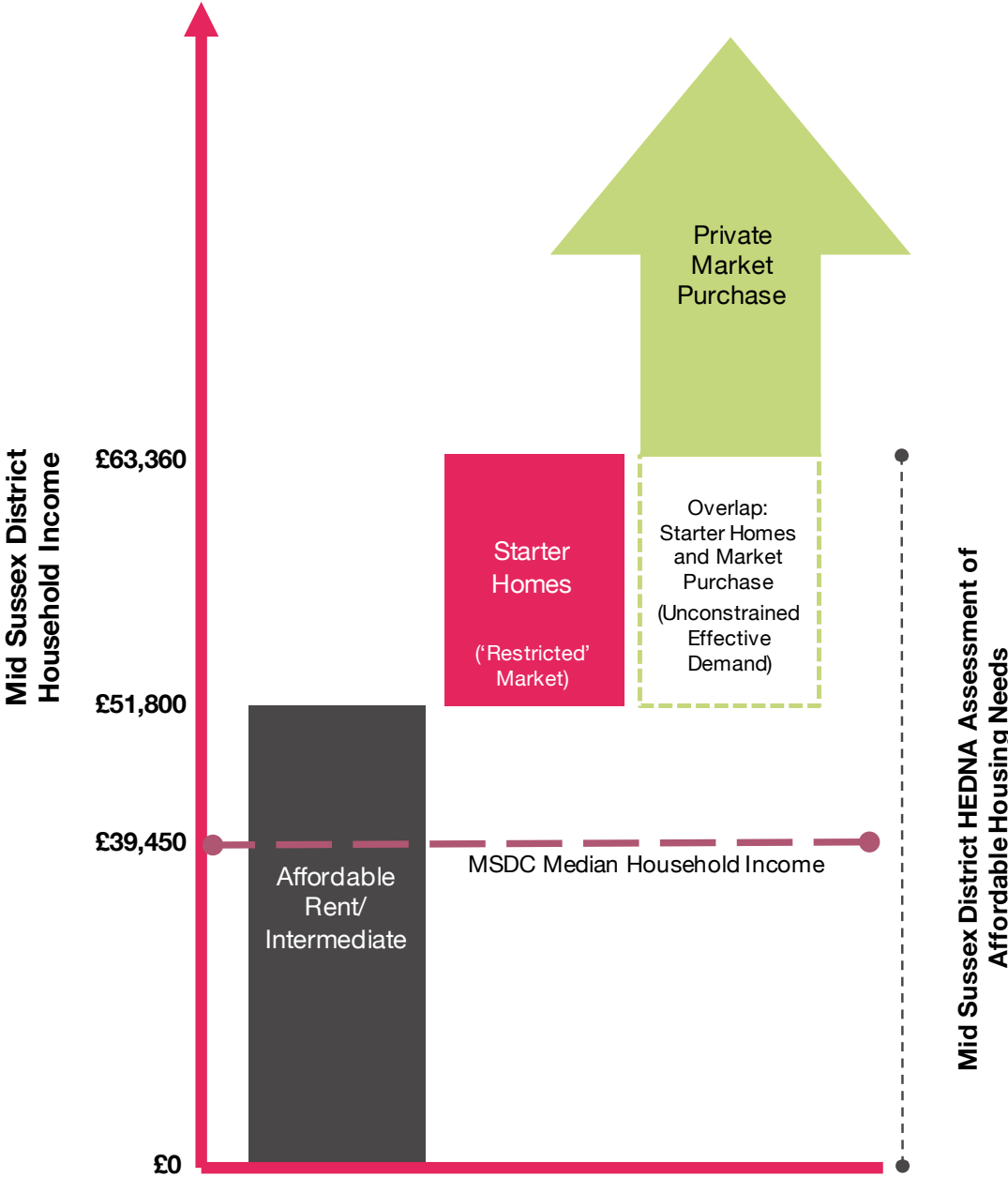
- **£177,500 - £220,000** guide price for a new build 1-bed flat (e.g. Burrell Road development in Haywards Heath);
- **£279,950 - £304,950** guide price for a new build 2-bed flat (e.g. Renfields in Haywards Heath or Rolfe Drive, Burgess Hill);
- **£394,000 - £429,000** guide price for a new build 3-bed house (such as Grainger Way, Haywards Heath; or Summerfold Place in Burgess Hill);
- **£464,950+** guide price for a new 4-bed house (Rolfe Drive, Burgess Hill; Rocky Lane, Haywards Heath).

It is interesting to note that, of the new-build properties currently advertised on Zoopla and Rightmove, all those of 2-beds or a larger size would be priced above the maximum capped Starter Homes price of £250,000. Effectively, the type of property available now in Mid Sussex as a Starter Home would be 1-bed flats.



## **APPENDIX A2**

# **Household Incomes Related and Ability to Purchase Starter Homes**



\* Household Incomes assume max mortgage borrowing of 3.5 x household income

## **APPENDIX A3**

# **Effects of Imposed Starter Homes Targets with Increasing Affordable Housing Supply Targets**

**Table A3.1: Effects of Imposed Starter Homes Targets on Other Forms of Affordable Housing Delivery in Mid Sussex – 35% Affordable Housing Supply**

A	B	C	D	E	F	G	H	I
District Planned Housing Requirement (DPA)	Starter Homes Target Level Imposed	Starter Homes Delivered (DPA)	Supply of Affordable Housing (35% Policy)	Residual Supply to Meet other Affordable Housing Needs	Supply Available for Affordable Rent (75% of Residual Supply)	Supply Available for Intermediate (25% of Residual Supply)	HEDNA Affordable Housing Needs minus Starter Homes Needs Met	Over/Under Supply for Affordable Rent and intermediate
		A x B	A x 35%	D - C	E x 75%	E x 25%	HEDNA Needs minus 44 to 51 dpa ( <i>Table 3.18</i> )	E - H
800	10%	80	280	200	150	50	140 - 250	+60 to -50
	15%	120	280	160	120	40	140 - 250	+20 to -90
	20%	160	280	120	90	30	140 - 250	-20 to -130
	30%	240	280	40	30	10	140 - 250	-100 to -210

**Table A3.2: Effects of Imposed Starter Homes Targets on Other Forms of Affordable Housing Delivery in Mid Sussex – 40% Affordable Housing Supply**

A	B	C	D	E	F	G	H	I
District Planned Housing Requirement (DPA)	Starter Homes Target Level Imposed	Starter Homes Delivered (DPA)	Supply of Affordable Housing (40% Policy)	Residual Supply to Meet other Affordable Housing Needs	Supply Available for Affordable Rent (75% of Residual Supply)	Supply Available for Intermediate (25% of Residual Supply)	HEDNA Affordable Housing Needs minus Starter Homes Needs Met	Over/Under Supply for Affordable Rent and intermediate
		A x B	A x 40%	D - C	E x 75%	E x 25%	HEDNA Needs minus 44 to 51 dpa (Table 3.18)	E - H
800	10%	80	320	240	180	60	140 - 250	+100 to -10
	15%	120	320	200	150	50	140 - 250	+60 to -50
	20%	160	320	160	120	40	140 - 250	+20 to -90
	30%	240	320	80	60	20	140 - 250	-60 to -170