Worthing Housing Study Summary Report

Worthing Borough Council

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Prepared by

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1 INTRODUCTION

1.1 This report summarises the findings and recommendations of the Worthing Housing Study. The Housing Study has been prepared by GL Hearn for Worthing Borough Council to quantify the future need for housing in Worthing Borough.

1.2 Following the requirements of the NPPF, the report sets what the "objectively assessed need" (OAN) for housing in Worthing Borough would be, in the absence of any development constraints. The approach adopted is guided by the requirements of the National Planning Policy Framework (NPPF), and Planning Practice Guidance (PPG) which set out how assessments such as this should be undertaken.

1.3 The Planning Practice Guidance requires assessments to be undertaken in this way, not least so that any shortfall in housing provision can be quantified. What the report does not do is set a housing target.

1.4 Worthing Borough forms part of a wider Sussex Coast Sub-Regional Housing Market Area (HMA). The HMA stretches from Lewes in the east to Chichester in the West, and contains the local authorities of Chichester, Arun, Worthing, Adur, Brighton and Hove, and Lewes. The Coastal West Sussex authorities have been working together with the Brighton and Hove Council to consider housing need and provision across the wider Sussex Coast Housing Market Area (HMA).

1.5 This report builds on and updates this previous work. It takes account of the 2012-based Sub-National Population Projections issued by ONS in March 2014 and the 2012-based Household Projections published in February 2015. It also takes into account recent academic research regarding the impact of the recession and housing market downturn on household formation rates; and associated improvements in GL Hearn's modelling approach. The report also seeks to look more specifically at local dynamics affecting future housing need in Worthing Borough.

2 OVERALL NEED FOR HOUSING

2.1 The Planning Practice Guidance (PPG) effectively describes a process whereby the latest population and household projections are a starting point to considering housing need. A number of "tests" then need to be considered to examine whether it is appropriate to consider an upward adjustment to housing provision. These can be summarised as follows:

- Is there evidence that household formation rates in the projections have been constrained? Do market signals point to a need to increase housing supply?

- How do the demographic projections 'sit' with the affordable housing needs evidence, and should housing supply be increased to meet affordable needs?
- What do economic forecasts say about job growth? Is there evidence that the level or spatial distribution of housing needs to be adjusted to support economic growth?

Trend-based Demographic Projections

2.2   The most up-to-date projections are the 2012-based CLG Household Projections published in February 2015. These projections were underpinned by ONS (2012-based) subnational population projections (SNPP) – published in May 2014. These are shown below.

Table 1:   Projected Populaiton Growth, 2013-33 – 2012-based SNPP

	Population 2013	Population 2033	Change in population	% change
Worthing	106,117	124,252	18,135	17.1%
West Sussex	820,600	949,700	129,100	15.7%
South East	8,784,800	10,092,800	1,308,000	14.9%
England	53,843,600	61,022,500	7,178,900	13.3%

2.3   The higher level of future population growth in Worthing than other locations is interesting given that analysis of past trends suggests past population growth to have been broadly in line with other locations. The figures for Worthing are likely to be driven by migration patterns - with a growing older population which is typically less likely to be migrant (therefore reducing levels of out-migration relative to areas with a younger population structure).

2.4   New 2012-based Household Projections were published by CLG in February 2015. These rates are considered to be more positive than the previous set (2011-based) and typically suggest higher rates of household growth for a given population. The expected household growth from the 2012-based projections is shown below.

Table 2:   Projected household growth (2013-2033)

	Households 2013	Households 2033	Change in households	% change from 2013
Worthing	47,865	60,017	12,152	25.4%
West Sussex	353,134	434,332	81,198	23.0%
South East	3,631,482	4,386,939	755,457	20.8%
England	22,499,536	26,797,826	4,298,290	19.1%

2.5   The table below brings together outputs in terms of household growth and housing need using the 2012-based household projection headship rates. To convert households into dwellings the data includes an uplift to take account of vacant and second homes (a figure of 3.5% has been used, derived from 2011 Census data). The baseline demographic projections indicate a housing need of 629 dwellings per annum from 2013 to 2033.

Table 3:   Projected Household Growth 2013-33 – 2012-based Household Formation Rates

	Worthing
Households 2013	47,865
Households 2033	60,017
Change in households	12,152
Per annum	608
Dwellings (per annum)	629

Housing Need and Economic Growth

2.6   In deriving conclusions on the Objectively Assessed Need for Housing, the PPG sets out that employment trends should be taken into account. The next stage of the projection process was therefore to make estimates about how employment levels would change under each of our projections and also to consider the demographic implications of different levels of employment growth.

Table 4:   Employment Trends and Forecasts, 2014-33

Projection	Jobs (2013)	Jobs (2033)	Change (2013-33)	% change from 2013
Past trend	55,200	59,200	4,000	7.2%
Experian	54,184	61,822	7,639	14.1%

2.7   The outputs from the economic based projection shows that for the resident workforce to increase in line with the forecast number of jobs would require 429 homes per annum to be delivered with the past trend forecast and a higher figure of 580 when linking to the Experian forecast. This is shown in the table below.

**Table 5:   Jobs Growth and Change in Resident Workforce (2013-33)**

	Trend-based	Experian
Households 2013	47,865	47,865
Households 2033	56,162	59,074
Change in households	8,297	11,210
Per annum	415	560
Dwellings (per annum)	429	580

2.8   The level of housing provision which would be required to support these job growth scenarios is lower than the 629 dwellings per annum required by the baseline demographic projections. A delivery rate of 629 dwellings per annum would therefore likely not constrain economic growth and would be sufficient to support the projected economic growth in the Borough.

Affordable Housing Needs

2.9   The Study includes an assessment of the need for affordable housing. The approach follows the Basic Needs Assessment Model, in accordance with the Planning Practice Guidance. This model is summarised in Figure 5.

2.10   The model considers households who are currently living in unsuitable housing, the proportion of newly-forming households who cannot afford to buy or rent market housing without financial support, and existing households that will fall into housing need. Households with affordable housing need includes those households that are overcrowded or at risk of becoming homeless due to being unable to afford their housing costs. The need for affordable housing is compared against the current affordable housing supply, which is principally related to the re-letting of existing affordable housing. This is used to derive a net need for affordable housing.

Figure 1:   Overview of Basic Needs Assessment Model
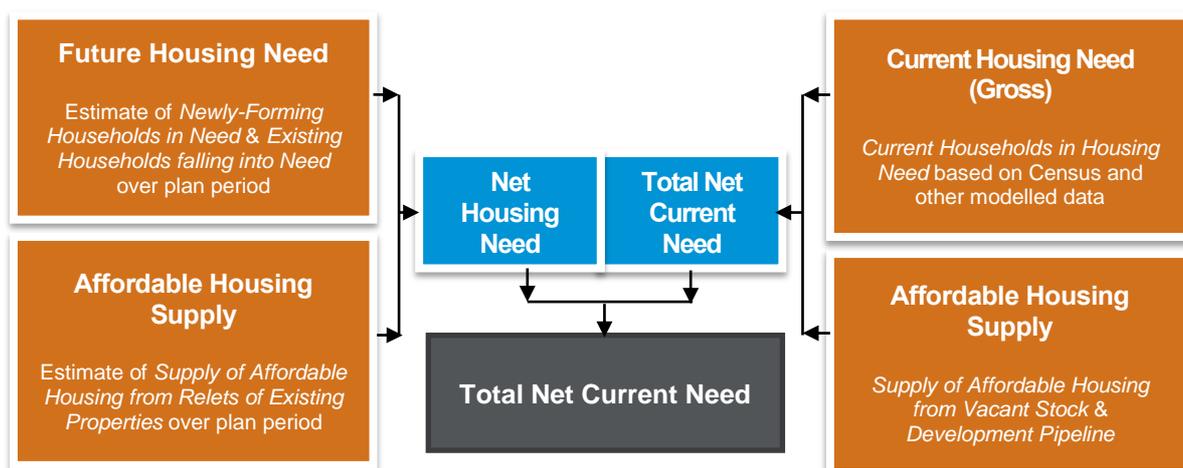
2.11   The table below shows our overall calculation of housing need. The analysis has been based on meeting housing need over the 20-year period from 2013 to 2033. This calculates a net need for affordable housing of 435 units per annum – 8,700 units over the 20 year plan period.

Table 6:   Estimated level of Housing Need (2013-33)

	Per annum	20-years
Current need	46	930
Newly forming households	463	9,258
Existing households falling into need	118	2,360
Total Gross Need	627	12,548
Supply	192	3,846
Net Need	435	8,702

2.12   Whilst the affordable housing evidence indicates that in the absence of development constraints, there is a need to consider the affordable housing need alongside the evidence of market signals and potentially consider an uplift to help improve overall affordability for younger households seeking to enter the housing market for the first time. However, this must be considered within the wider context of how the housing market operates and is should be recognised that a notable proportion of the affordable need is expected to arise from households who are already living in accommodation (existing households), and the role of the private rented sector in meeting affordable need.

2.13   The study therefore recommends a modest uplift to the overall housing need figure, in accordance with the housing market signals analysis set out in the following section, in order to improve overall affordability.

Market Signals and Affordability

2.14   Responding to Government planning policy and guidance, the SHMA considers whether there is a case for adjusting the level of housing need identified in the demographic projections to take account of market signals.

2.15   House prices in Worthing grew substantially between 1998 and 2007, with the median house price increasing by £133,000 over this period. House prices fell following the economic downturn in 2008, and have slowly risen since. The median house price in Worthing reached pre-recession peak levels in the second quarter of 2013. By comparison, nationally there was a 3% increase during this period. Sales volumes also remain notably below pre-2007 levels, which was a trend seen across the HMA and nationally, although there has been improved growth through 2013 and 2014.

2.16   Affordability in Worthing is better than seen elsewhere in Coastal West Sussex and indicates slightly more affordability at the lower end of the market. Median house prices in the borough are 7.8 times median earnings. While residential values and affordability in Worthing are lower than the Coastal West Sussex average – which is influenced by high prices in Chichester especially, they are still well above national averages in these aspects.

2.17   Overall the market signals suggest that over the 2001-11 decade we saw:

- A notable increase in housing costs, overall and relative to earnings;
- A deterioration in the affordability of market housing for sale;
- An substantial increase in the proportion of people renting privately;
- Growth in the number of overcrowded and shared homes within the Borough.

2.18   Relating this across to demographic trends, household formation rates fell – particularly for younger households in their 20s and 30s.

2.19   Housing delivery in Worthing in recent years has exceeded the housing target. However, it is noted that due to significant constraints to land supply Worthing's housing target is considerably below its objectively assessed housing need (OAN).

2.20   Housing market conditions are improving, albeit gradually. Earnings growth at the time of writing in Autumn 2014 remains modest and coupled with increased mortgage market regulation and the potential for interest rate rises, is likely to result in a continued gradual recovery in housing market conditions.

2.21   The gradual recovery in the housing market can be expected to feed through into household formation rates. This notwithstanding, the evidence presented in this section and the previous section shows that there are modest issues of affordability in the Worthing housing market which has constrained household formation rates in the Borough. In accordance with the PPG this justifies an upwards adjustment to the housing requirement identified by the demographic projections.

2.22   Taking the affordable housing and housing market signals into account the study recommends a very modest uplift beyond the number identified in the demographic projections. All other things being equal, the sensitivity scenarios show that an uplift of around 6-7 homes per annum across the Borough would support an improvement in affordability and household formation rates amongst younger households.

2.23   The core demographic projection plus the uplift to account for housing market signals thus indicates a need for **636 dwellings per annum over the 2013-33 period**. This level of provision is considered to represent the full Objectively Assessed Need for housing in the Borough.

3   NEED FOR DIFFERENT TYPES OF HOMES

3.1   There are a range of factors which influence housing demand. Whilst the demographic projections provide a good indication of how the population and household structure will develop it is not a simple task to convert the net increase in the number of households in to a suggested profile for additional housing to be provided. The main reason for this is that in the market sector households are able to buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided.

3.2   The general methodology is to use the information derived in the projections about the number of household reference persons (HRPs) in each age and sex group and apply this to the profile of housing within these groups. This analysis specifically looks at the implications of demographic

drivers. It uses a demographic-driven approach to quantify demand for different sizes of properties over the 20-year period from 2013 to 2033 to meet the housing need of 636 dwellings per annum (12,720 for the whole 2013-33 period).

3.3   The table below shows estimates of the sizes of market housing required from 2013 to 2033. The data suggests a requirement for an additional 8,909 market dwellings with the majority of these being two- and three-bedroom homes.

3.4   The table below also shows estimates of the sizes of affordable housing required over the period. This shows a need of 3,818 affordable dwellings, with around three-quarters of the requirement for homes with one- or two-bedrooms with around a quarter of the requirement being for larger homes with three or more bedrooms.

Table 7:   Profile of Need for Different Sizes of Homes, 2013 to 2033

Number of bedrooms	Market			Affordable		
	Households	Dwellings	% of dwellings	Households	Dwellings	% of dwellings
1 bedroom	1,165	1,206	13.5%	1,783	1,845	48.3%
2 bedrooms	3,571	3,696	41.5%	1,072	1,110	29.1%
3 bedrooms	3,065	3,172	35.6%	773	800	20.9%
4+ bedrooms	807	835	9.4%	61	63	1.7%
Total	**8,607**	**8,909**	**100.0%**	**3,689**	**3,818**	**100.0%**

3.5   Whilst the outputs of the modelling provide estimates of the proportion of homes of different sizes that should be provided there are a range of factors which should be taken into account in setting policies for provision. This is particularly the case in the affordable sector where there are typically issues around the demand for and turnover of one bedroom homes, and the very low turnover of four or more bedroom properties.

3.6   It should also be recognised that local authorities have statutory homeless responsibilities towards families with children and would therefore prioritise the needs of families over single person households and couples. On this basis the profile of affordable housing to be provided would be further weighted to two or more bedroom housing. In the short-term however there may be a need to increase the supply of one-bedroom homes due to the social sector size criteria.

3.7   There are thus a range of factors which are relevant in considering policies for the mix of affordable housing sought through development schemes. At the Borough level, the analysis would support policies for the mix of affordable housing of:

- 1-bed properties: 40%
- 2-bed properties: 30%

- 3-bed properties: 25%
- 4-bed properties: 5%

3.8   In the market sector we would suggest a profile of housing that closely matches the outputs of the modelling. On the basis of these factors we consider that the provision of market housing should be more explicitly focused on delivering smaller family housing for younger households. On this basis we would recommend the following mix of <u>market housing</u> be sought:

- 1-bed properties: 15%
- 2-bed properties: 40%
- 3-bed properties: 35%
- 4-bed properties: 10%

Requirements for Specialist Housing for Older People

3.9   Given the Worthing's ageing population and generally higher levels of disability and health problems amongst older people there is likely to be an increased requirement for specialist housing options moving forward. 'Specialist housing' covers both sheltered and extra-care housing for people aged 75 and older.

3.10   At present it is estimated that there are 1,618 household spaces in Worthing; this is equivalent to 136 household spaces per 1,000 people aged 75 and over. The majority (57%) of this housing is in the market sector, although given that generally the majority of retired households are owner-occupiers, the proportion being affordable housing (at 43%) is significant. This figure is lower than the national average of about 170.

3.11   To maintain the current level of provision there would need to be a further 1,055 units provided – this figure increases to 1,723 if the level of provision were to get to the national average. A mid-point of the two estimates would suggest a need for around 1,389 additional specialist household spaces for older people which would represent about 10% of the overall housing need shown through demographic modelling.

Types and tenures of specialist housing

3.12   The data shows that pensioner households are relatively likely to live in outright owned accommodation (76%) and are also about as likely as other households to be in the social rented sector. The proportion of pensioner households living in the private rented sector is relatively low (6% compared with 19% of all households in the Borough).

3.13 The figure below shows that using this proportion of home ownership along with the current supply of different tenures of specialist housing it would be expected that there is a need for around 1,326 household spaces of market specialist housing and 63 in the affordable sector.

Table 8: Projected need for older persons accommodation (including specialist housing) – by broad tenure (2013-33)

	Market	Affordable	Total
Need	2,255	752	3,007
Supply	929	689	1,618
Net need	1,326	63	1,389

Registered care housing

3.14 As well as the need for specialist housing for older people the analysis needs to consider Registered Care – spaces in nursing and residential care homes. The demographic modelling includes estimates of the number of people expected to be living in 'institutions'. Between 2013 and 2033, this number (based on the population aged 75+) is expected to increase by 859 people (43 per annum) in net terms. This figure is important to note if the Council intend to include C2 class uses in their assessment of 5-year housing land supply as it will be necessary to include figures on both the need and supply side of the equation.