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The 2017 London Strategic Housing Market Assessment

EIP technical seminar – 6 November 2018



Outline

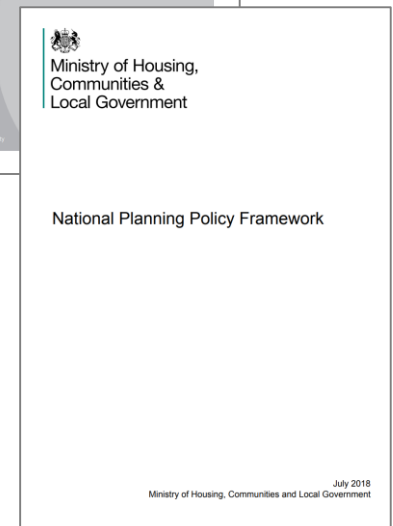
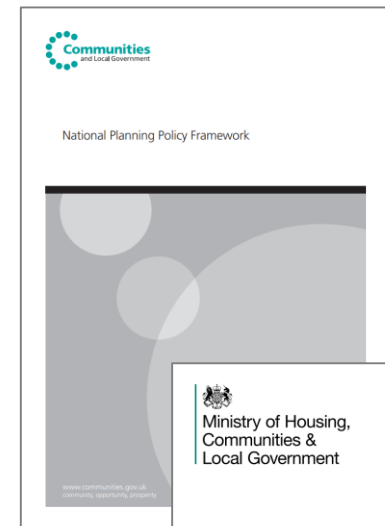
- Background to the SHMA
- Main elements of the method
- Housing needs analysis
- Final results
- Scenarios and sub-groups
- MHCLG standard method

Background to the 2017 SHMA

- Closely follows methodology of the 2013 London SHMA
- ‘Net stock’ approach, comparing the number of homes required in future with current provision
- 2013 SHMA identified requirement for 49,000 homes a year, of which 52% should be affordable
- 2013 SHMA was approved at the Examination in Public of the Further Alterations to the London Plan and reflected in the updated Plan published in 2015

SHMA timeline and Government guidance

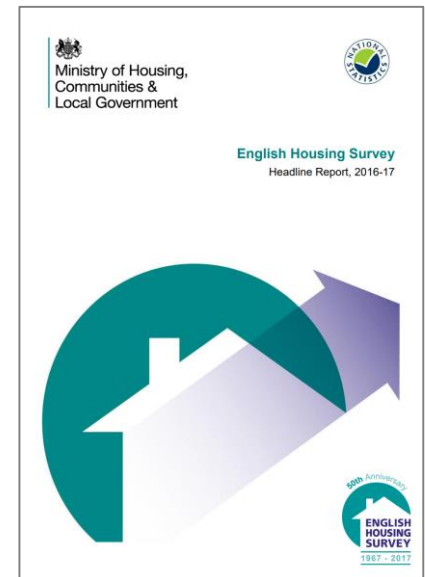
- SHMA produced between late 2016 and autumn 2017
- Produced in line with National Planning Policy Framework (2012 edition) and accompanying Planning Practice Guidance
- Government consultation on new standard method for calculating housing need in September 2017 – finalised in March 2018
- PPG update in July 2018 to incorporate standard method, and again in September 2018 to reflect revised NPPF
- Standard method sits alongside pre-existing content in PPG on affordable housing and housing for particular groups
- MHCLG recently announced intention to revise standard method in light of new (lower) ONS household projections (discussed later)



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SHMA data sources

- As in 2013 study, main source is English Housing Survey
- Latest three years available at the time: 2012/13 to 2014/15
- EHS provides details of household structure, income, savings, housing costs, attitudes, size requirement etc
- Other data sources used:
 - ONS house price statistics
 - DCLG homelessness and social housing lettings
 - CORE lettings data



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Main elements of the method

- Household growth: Projected change in the number and type of households over time (in this case from 2016 to 2041)
- Affordability: Tenure and size of home that each type of household requires and can afford, taking into account housing costs (to rent and buy), incomes, savings/equity, bedroom requirement and any assumptions around under-occupation
- Backlog need: Households who already lack a suitable home and need additional accommodation over and above the rate of household growth. Includes homeless and 'concealed' households

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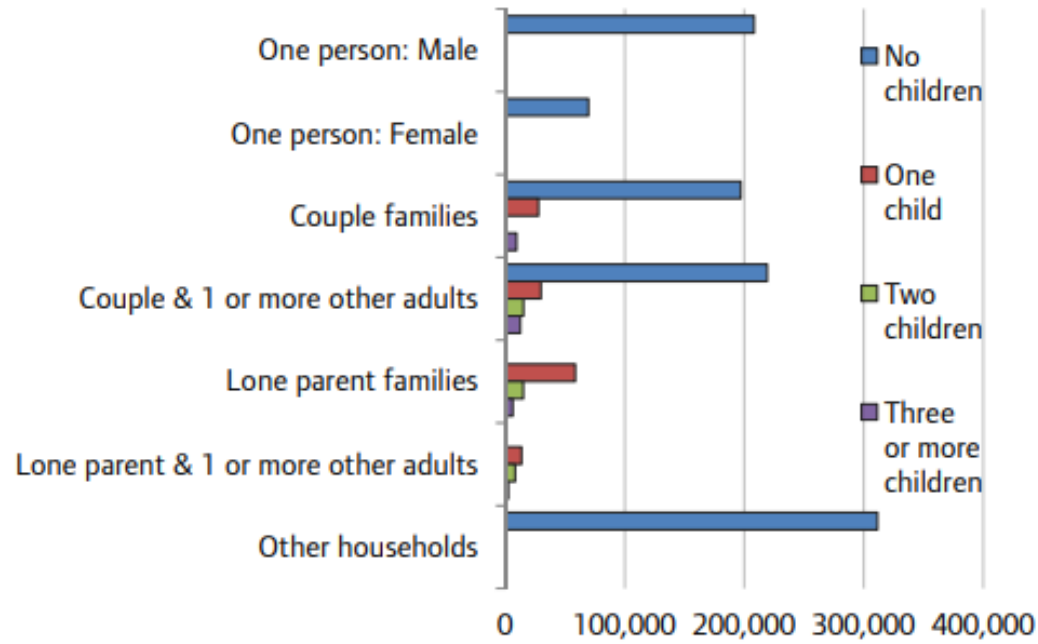
First step: Household growth

- Projected number and mix of households in 2041 (from the GLA's central projection) to estimate the size and tenure of homes required
- Mix of homes required is based on the mix that each household currently occupies
- Results in gross requirement of 4.79 million homes in 2041 (unadjusted for affordability or backlog need)
- *Projected* number of households in 2016 is 3.58m (so annual growth of 48,200 to reach 4.79m)
- In reality there were only 3.40m households in 2016 (due to under-supply of housing), so growth of 55,500 households a year required to reach 4.79m in 2041

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Household growth by type and number of children

Fig 69: Projected annualised household growth 2016-2041 by type and number of children



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Net requirement based on current mix

Table 7: Net annualised requirement 2016-41 based on household growth and current occupancy only

	1b	2b	3b	4b+	Total	% of total
Market	4,885	11,099	14,659	9,416	40,059	72%
Intermediate	25	-10	150	-4	161	0%
Low cost rent	4,676	5,888	3,892	864	15,320	28%
Total	9,585	16,977	18,702	10,276	55,540	100%

This table shows net annualised requirement for new homes between 2016 and 2041 based on the current allocation of household types to housing types, ignoring second/vacant homes, affordability and backlog need

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Details of affordability tests

Tenure	Details of test
Owner occupation	<p>Existing outright owner occupiers are assumed to be able to afford to continue to own. Other households can afford owner occupation if:</p> <ul style="list-style-type: none">(i) the sum of (a) 3.5 times the income of single earner or 2.9 times the income of joint earners and (b) available savings plus equity exceeds the lower quartile price, and(ii) savings plus equity exceeds 10% of the purchase price.
Private rent	<p>Households can afford private rent if the lower quartile private rent does not exceed 25% of gross household income for households with incomes of less than £40,000 per annum, or 30% for households with incomes of more than £40,000 per annum.</p>
Intermediate	<p>Households are allocated to this category if: (i) they can afford to pay more than the London Affordable Rent (LAR) benchmarks but cannot afford to buy or rent market housing, or (ii) they can afford market rents <u>but</u> are not satisfied with their current tenure <u>and</u> they expect to eventually buy their own home</p>
Low cost rent	<p>Households are allocated to this category if they are unable to afford market housing or intermediate housing.</p>

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Affordability tests – assumptions and changes from 2013 SHMA

- Households assumed to require intermediate housing if they can afford market rents but are not satisfied with their current tenure and they expect to eventually buy their own home
- As in 2013, households are filtered out of affordability test if outright owners, headed by full-time student or say they're satisfied with their accommodation
- Housing Benefit assumed to be available at current levels (a slight under-estimate when compared to DWP data)
- Renting households assumed not to under-occupy (discussed later)

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Break for questions

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Backlog housing need

- **Net backlog** (concealed households, households without basic facilities, homeless in non-self-contained TA): 209,000, who need additional housing
- **Tenure backlog** (homeless in PSL, private sector households who need to move to affordable housing due to overcrowding, disability or arrears): 147,000, who need affordable housing
- **Size backlog** (overcrowded households in affordable housing): 97,000, who need to move within affordable housing

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Backlog housing need

- Backlog clearance is annualised over the 25 years of the SHMA
- This choice of period inevitably involves some judgement, but seems justified by:
 - the size of the backlog,
 - its growth since the previous SHMA
 - the difficulty of clearing it while also meeting needs of demographic growth
- Nevertheless, clearing London's backlog of need in 25 years is still hugely ambitious
- Does *not* assume any individual households remain in backlog need for 25 years

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More detail on concealed households

- Relatively cautious definition applied: only those aged 25+ who say they would prefer their own place but can't afford it OR who say they expect to move soon
- Mostly single people and couples, hence the predominant requirement for smaller units.
- Many members of this group would not be on council waiting lists as they are currently not considered a high priority, but they do represent an unmet need
- Census data on concealed 'families' (i.e. excluding single people and households comprising unrelated adults) indicates that only a minority have more than one child

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Size mix

- Homeowners assumed to under-occupy at same rate, but renters assumed to occupy only the size of home they require by 2041
- This assumption adopted due to both cost pressures (particularly in the private rented sector) and social housing landlords' current practice (driven by scarcity) of allocating tenants to the size of home they currently require
- Chapter 9 sets out results of alternative assumption (same as in 2013) of continuing under-occupation in PRS

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Final requirements after taking 2nd / vacant homes into account

	1b	2b	3b	4b+	Total	% of total
Market	10,682	2,043	4,101	6,210	23,037	35%
Intermediate	4,334	3,434	2,409	1,693	11,869	18%
Low cost rent	21,318	5,311	2,462	1,881	30,972	47%
Total	36,335	10,788	8,971	9,783	65,878	100%

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Alternative scenario allowing for under-occupation in PRS

	1b	2b	3b	4+b	Total	% of total
Market	4,402	4,354	7,015	7,266	23,037	35%
Intermediate	1,921	5,042	2,820	2,087	11,869	18%
Low cost rent	20,631	5,506	2,706	2,129	30,972	47%
Total	26,953	14,902	12,540	11,482	65,878	100%

Needs of other groups - Students

- **Students** are included in the GLA's population projections, but their needs can be met by either conventional or purpose-built housing.
- Gross need for Purpose Built Student Accommodation (PBSA) bedspaces estimated (based on number and profile of future student population) to be 171,000 in 2041.
- Existing provision estimated by University of London Housing Services to be 83,000 in 2016.
- Therefore a net requirement for 88,000 additional PBSA bedspaces between 2016 and 2041, or 3,500 a year.

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Needs of other groups

- **Older people:** Separate research carried out by Three Dragons identified a total potential demand across all tenures for just over 4,000 'C3' specialist homes for older people (both extra-care and sheltered housing) every year between 2017 and 2029.
- **Gypsies and travellers:** No London-wide estimates given uneven nature of need and bottom-up research approach required, but Plan gives a strong steer for new local evidence
- **Also covered in this chapter:** Families, accessible homes, armed forces

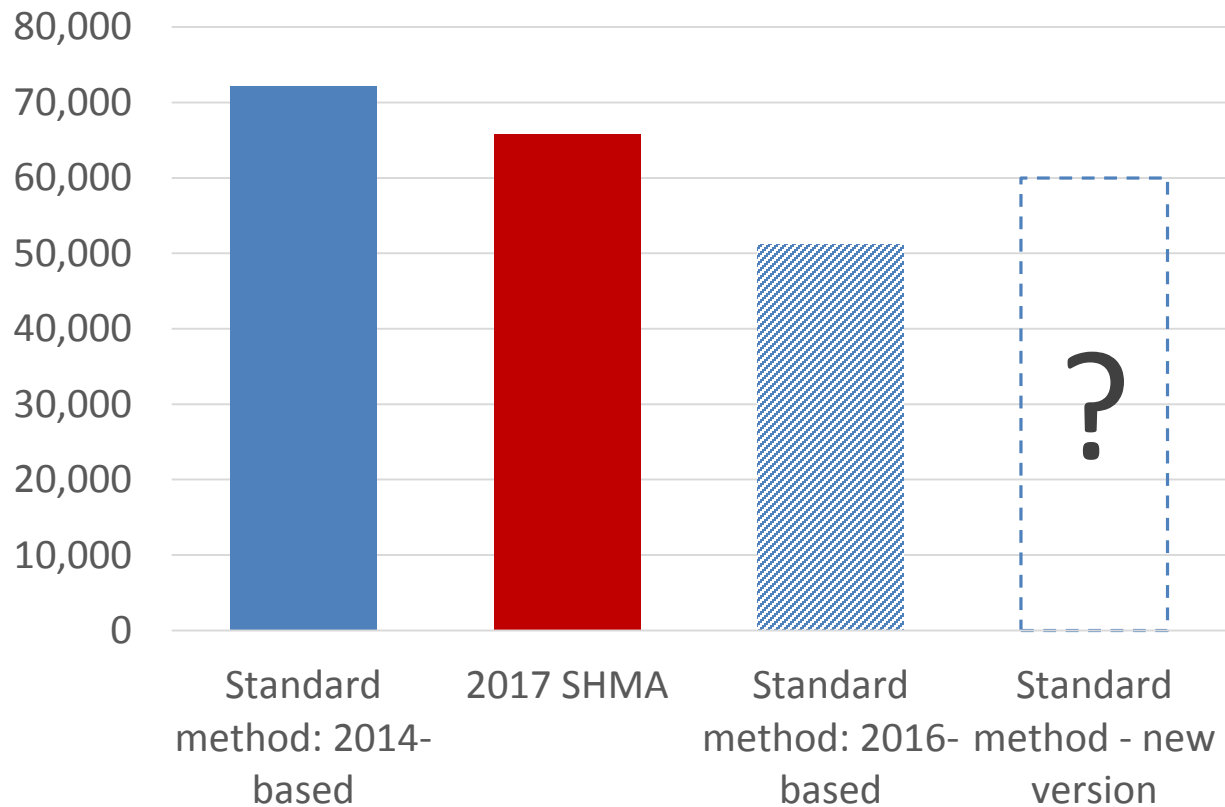
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Other scenarios

- Ch 9 of the SHMA report sets out the results of a number of variant scenarios.
- If we did not take household satisfaction and Housing Benefit into account, affordable housing need would be much higher – see Table 17
- Short-term demographic projection (higher growth) results in annualised need for 69,558 homes
- Long-term projection (lower growth) produces a figure of 59,876 homes a year

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MHCLG standard method



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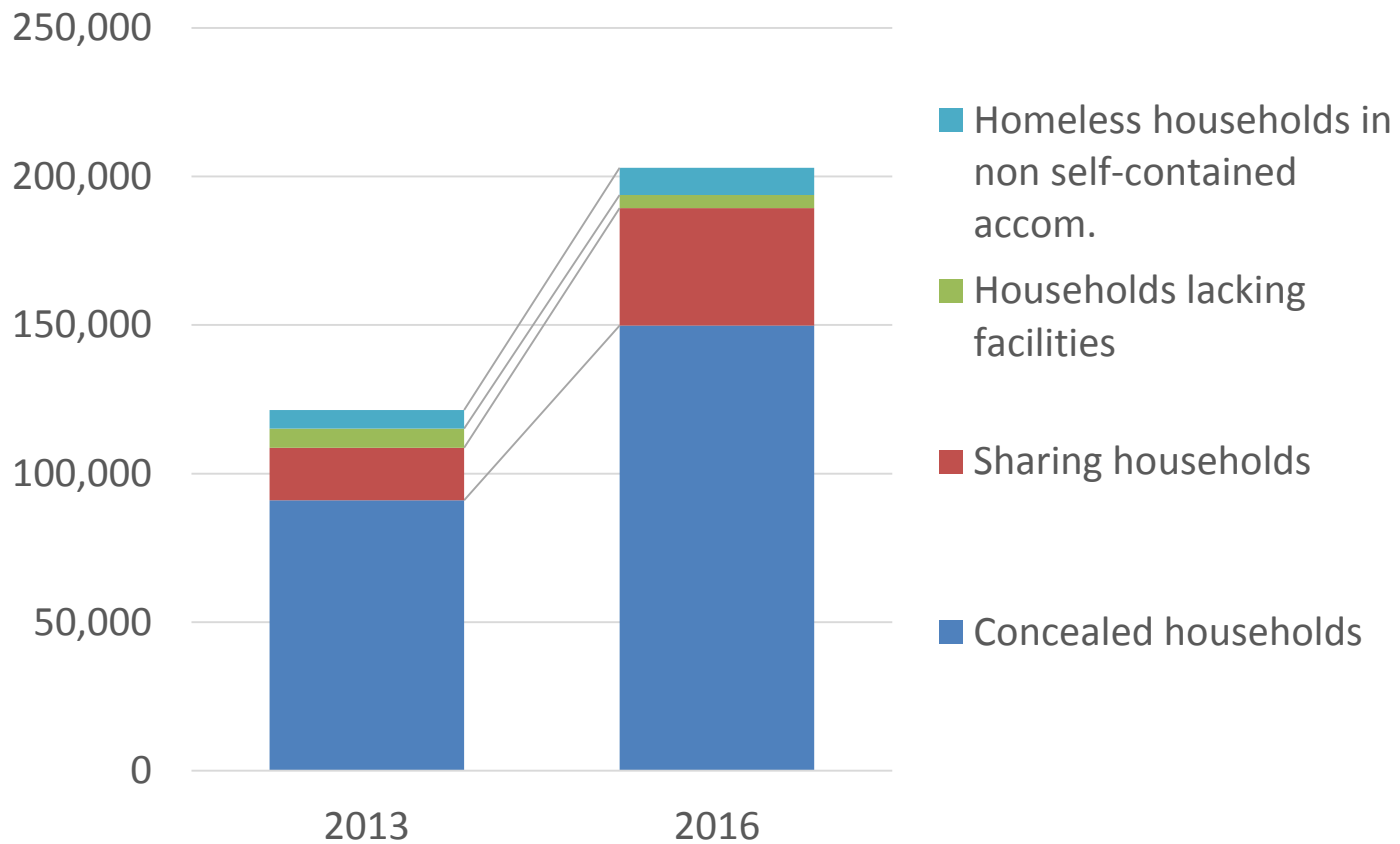
Thank you – Questions or comments?

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Additional slides follow with more detail on
backlog need

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Change in net backlog between 2013 and 2016



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Backlog summary (from Table 11)

	Number of bedrooms				Total
	One	Two	Three	Four+	
<u>Net backlog total (excluding annual flows)</u>					
Low cost rent	147,575	14,020	870	162	162,627
Intermediate	536	3,520	0	0	4,056
Market	37,653	3,620	0	666	41,938
Total	185,764	21,159	870	827	208,621
<u>Tenure backlog total</u>					
Low cost rent	25,635	46,176	32,205	16,203	120,219
Intermediate	0	6,480	4,688	15,125	26,293
Market	-54,495	-52,103	-32,225	-7,689	-146,512
Total	-28,860	553	4,668	23,639	0
<u>Size backlog total (overcrowded households in affordable housing)</u>					
Low cost rent	-23,875	-24,693	22,312	26,255	0
Intermediate	-817	-1,433	1,821	429	0
Market	0	0	0	0	0
Total	-24,692	-26,126	24,133	26,684	0