



GL Hearn

Objectively Assessed Need for Housing: Brighton & Hove

Brighton & Hove Council

June 2015

Prepared by

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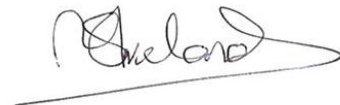
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EXECUTIVE SUMMARY

This report considers housing need within Brighton & Hove. It builds on and updates previous work considering housing need, to take account of the 2012-based Household Projections and Planning Practice Guidance. It considers the objectively assessed need for housing in Brighton & Hove, leaving aside issues related to land supply, development constraints and infrastructure – as Government policy requires. These factors are however relevant in translating an assessment of need into a housing target within the City Plan.

2012-based Sub-National Population Projections expect the City's population to grow by 42,200 persons between 2010-30 (15.7%). This is consistent with projected growth across the South East, and is above the national average.

The CLG 2012-based Household Projections make more positive assumptions on future household formation than those in the CLG 2011-based Interim Household Projections. The 2012-based Household Projections indicate a need for 26,600 homes (1333 per annum), taking account of 2013 Mid-Year Population Estimates. This represents a “starting point” for considering housing need, based on the demographic evidence.

The report considers how housing need might be influenced by employment growth. It models the housing implications of Experian economic forecasts which form part of the Council's evidence base. These project employment growth of between 1000 - 1160 jobs per year between 2010-30. This would require between 1000 - 1112 homes per annum between 2010-30. The report queries the realism of these levels of employment growth, taking account of the likely lower population growth and constrained employment land supply. Overall it concludes that there is no evidence of a need to adjust upwards the assessed housing need to support economic performance.

The analysis identifies a need for 2105 affordable homes per year (2014-30) if all households who could not meet their housing needs without financial support were to be provided with an affordable home. This nominally represents 133% of the need derived from the demographic projection. Once account is taken of existing households (who would release homes by moving to another property), a net need of 810 per annum is identified which is 61% of the projected need from the demographic projections.

The evidence suggests a shortfall in the need for and supply of affordable housing, justifying policies seeking new provision. The Private Rented Sector currently supports around 1623 lettings to households who would be defined as having an affordable housing need. With delivery of 30% -

40% affordable housing in line with policies in the draft City Plan Part I, there would continue to be a reliance on the Private Rented Sector.

There are choices to be made regarding how the housing needs of those who cannot afford market housing could be met. However the affordable needs evidence provides a clear justification for considering higher housing provision in order to enhance affordable housing delivery, leaving aside policy constraints.

The report considers market signals. It identifies that a median house price in the City of £275,000. House prices have grown over the last five and ten year periods; and are above those in other parts of the HMA. This is also true for rental levels, with rental costs increasing above inflation since 2011. The market evidence points to a supply/demand imbalance, as might be expected for urban area which sits between a national park and the sea.

Housing delivery over the period since 2003/4 in the City has exceeded planned provision by 2%, albeit that targets for housing provision have been influenced by land availability. The 2011 Census indicated that over-occupation of housing and numbers of Homes in Multiple Occupation are significant and have both increased between 2001-11.

Market housing is not that affordable within the City, with entry-level house prices 9.6 times earnings of younger households. This ratio has increased modestly over the last decade; but is still significant.

The report provides evidence of a supply/ demand imbalance over the 2001-11 decade, and growing house prices; which correlated with a decline in household formation over this period.

Taking account of the evidence of market signals, of affordable housing need and from the demographic projections analysis, GL Hearn considers that adjustments should be made to the assessed housing need to improve affordability for younger households over the plan period. The scale of this is calculated by adjusting household formation rates of the 25-34 age group back to 2001 levels by 2030.

This sensitivity analysis indicates that an uplift of 173 homes per annum across the City would support an improvement in affordability and household formation rates amongst younger households. This increases the assessed need to 1506 homes per annum. **GL Hearn consider that this, equivalent to a need for 30,120 homes over the 2010-30 period, represents the full Objectively Assessed Need for Housing leaving aside policy issues (1,506 homes per annum).**

This represents a “policy off” assessment of housing need. Land supply within the City, and the geographical constraints of its location, mean that it is highly unlikely that this assessed need can be met in full.

Need for Different Sizes of Homes

There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households’ ability to save; economic performance and housing affordability. Our analysis linked to long-term demographic change concludes that the following represents an appropriate mix of affordable and market homes:

Recommended Strategic Mix of Homes, Brighton & Hove 2010-30

	1-bed	2-bed	3-bed	4+ bed
Market	15%	35%	35%	15%
Affordable	40-45%	30-35%	15-20%	5-10%
All dwellings	25%	35%	30%	10%

The mix identified above should inform strategic City-wide policies. In applying these to individual development sites regard should be had to the nature of the development site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.

Based on the evidence, we would expect the focus of new market housing provision to be on two and three-bed properties. This reflects continuing demand for housing from younger persons and young families. There may also be some demand for medium-sized properties (2 and 3 beds) from older households downsizing and looking to release equity in existing homes, but still retain flexibility for friends and family to come and stay.

The analysis of an appropriate mix of dwellings should also inform the ‘portfolio’ of sites which are considered through the Local Plan process, including: Site Allocations, Neighbourhood Plans and other planning documents. Equally it will be of relevance to affordable housing negotiations.

Specialist Housing Needs

This report suggest a need for around 1,290 additional specialist units for older people in Brighton & Hove between 2010-30 (64 per annum). This identified need for specialist housing for older persons of 64homes per annum falls within a C3 Use Class, and would thus contribute to meeting housing targets based on the demographic projections.

Specialist housing for older persons includes extra care and sheltered housing. The report identifies that the majority of the need is expected to be for market housing.

A small surplus of residential care accommodation is identified for the 2010-30 period. This falls within a C2 use class, and thus should be treated separately from the need identified for housing (and conclusions drawn on OAN which are for a C3 use).

1 INTRODUCTION

- 1.1 This report provides updated advice on the Objective Assessment of Need (OAN) for housing in Brighton & Hove to take account of the release of 2012-based Household Projections by Government in February 2015. It has been prepared to accord with the requirements of the NPPF and the PPG, and to support the on-going examination of the Submission Brighton & Hove City Plan Part I. It considers housing need over the 2010-30 plan period.
- 1.2 Brighton & Hove falls within the Sussex Coast Housing Market Area (HMA) which includes the local authorities of Adur, Brighton & Hove, Brighton & Hove, Chichester, Lewes, and Worthing. It also includes parts of the South Downs National Park. Spatial planning activities across the HMA are coordinated by the Coastal West Sussex and Greater Brighton Strategic Planning Board. There is also a functional relationship northwards with parts of the Northern West Sussex Housing Market Area.
- 1.3 The local authorities across the HMA have worked together to consider issues regarding housing provision for a number of years. The Coastal West Sussex Strategic Housing Market Assessment Update was published in 2012. Subsequent work has been undertaken to consider development constraints across the HMA; and to review the Objectively Assessed Need (OAN) for housing to take account of new information (including new demographic data) and Guidance (including the Planning Practice Guidance). This report draws on and updates parts of this collective evidence base.

Chronology of Studies

- 1.4 This report follows on and updates previous studies. A number of studies have been prepared over the last five years to consider issues regarding housing need in the HMA. The chronology of these is set out below:
- Brighton & Hove Locally-Generated Needs Study (GL Hearn, May 2010)
 - Adur Locally-Generated Needs Study (GL Hearn, May 2011)
 - Lewes Local Housing Needs Assessment (NLP, April 2011)
 - Brighton & Hove Housing Requirements Study (GL Hearn, June 2011)
 - Chichester Local Housing Requirements Study (DTZ, July 2011)
 - Brighton & Hove Housing Requirements Study Update (GL Hearn, November 2012)
 - Coastal West Sussex SHMA Update (GL Hearn, November 2012)
 - Brighton & Hove Affordable Housing Needs Assessment (GL Hearn, December 2012)
 - Housing (Duty to Cooperate) Report (GL Hearn, May 2013)
 - Updated Demographic Projections for Sussex Coast HMA Authorities (GL Hearn, October 2013)
 - Assessment of Housing Development Needs Study: Sussex Coast HMA (GL Hearn, April 2014)

- 1.5 The Coastal West Sussex Strategic Housing Market Assessment 2012 drew together an assessment of housing need for all of the authorities within the HMA.
- 1.6 The assessment of housing need was subsequently updated in May 2013, taking account of additional demographic information including the outputs of the 2011-based interim Sub-National Population Projections (SNPP), the 2011 Census as well as consequent revisions to, and rebasing of, Mid-Year Population Estimates (MYEs) and components of change. The 2013 report, the Housing (Duty to Cooperate) Study also considered land supply across the HMA to draw high-level conclusions regarding supply-demand balance for housing provision. It identified that geography of the area, comprising principally a coastal belt lying between a National Park and the sea and subject to a range of environmental, landscape and infrastructure constraints, was likely to constrain the ability to meet housing need across the HMA.
- 1.7 The government published new Planning Practice Guidance in March 2014 on *Housing and Economic Development Needs Assessments*. This outlined in further detail the approach and methodology expected to be used in identifying the OAN for housing. The April 2014 Study updated the assessment in the 2013 Report, taking account of this Guidance and the Updated Demographic Projections Report, dated October 2013.

Purpose of this Report

- 1.8 The purpose of this report is to provide a further update to the assessment of housing need (OAN) for Brighton & Hove taking account of the release of 2012-based Population and Household Projections. Planning Practice Guidance is clear that assessments of OAN should take account of the latest official projections.
- 1.9 It also provides an updated assessment of affordable housing need and market signals. As with the previous April 2014 Study, the approach used herein to define OAN follows that set out by Government in Planning Practice Guidance.
- 1.10 It should be borne in mind that OAN is not a plan target. This was emphasised in the letter, dated 19th December 2014, from Planning and Housing minister Brandon Lewis to the chief executive of the Planning Inspectorate. In this letter Mr Lewis states that SHMAs are untested and “should not automatically be seen as a proxy for a final housing requirement in local plans”. It continues:

‘Councils will need to consider Strategic Housing Market Assessment evidence carefully and take adequate time to consider whether there are environmental and policy constraints, such as Green Belt, which will impact on their overall final housing requirement’.
- 1.11 The soundness test for local plans is that they meet objectively assessed development needs for their areas, and unmet need from adjoining authorities, where it is reasonable to do so and

consistent with achieving sustainable development. This report focuses on what the OAN is, not what the housing target should be.

National Policy and Guidance

National Planning Policy Framework (NPPF)

- 1.12 The National Planning Policy Framework (NPPF) was published in March 2012. The Framework sets a presumption in favour of sustainable development whereby local plans should meet objectively assessed development needs, with sufficient flexibility to respond to rapid change, unless the adverse impacts of doing so would significantly or demonstrably outweigh the benefits or policies within the Framework indicate that development should be restricted.
- 1.13 The NPPF highlights the Strategic Housing Market Assessment (SHMA) as a key piece of evidence in determining housing needs. Paragraph 159 in the Framework outlines that this should identify the scale and mix of housing and the range of tenures which the local population is likely to need over the plan period which:
- Meets household and population projections, taking account of migration and demographic change;
 - Addresses the need for all types of housing, including affordable housing and the needs of different groups in the community; and
 - Caters for housing demand and the scale of housing supply necessary to meet this demand.
- 1.14 This is reaffirmed in the NPPF in Paragraph 50. The SHMA is intended to be prepared for the housing market area, and include work and dialogue with neighbouring authorities where the HMA crosses administrative boundaries.
- 1.15 Paragraph 181 sets out that LPAs will be expected to demonstrate evidence of having effectively cooperated to plan for issues with cross-boundary impacts when their Local Plans are submitted for examining.
- 1.16 Paragraph 158 of the NPPF also emphasises the alignment of the housing and economic evidence base and policy. Paragraph 17 in the NPPF reaffirms this, and outlines that planning should also take account of market signals, such as land prices and housing affordability. However it also makes clear that plans must be deliverable.

Planning Practice Guidance

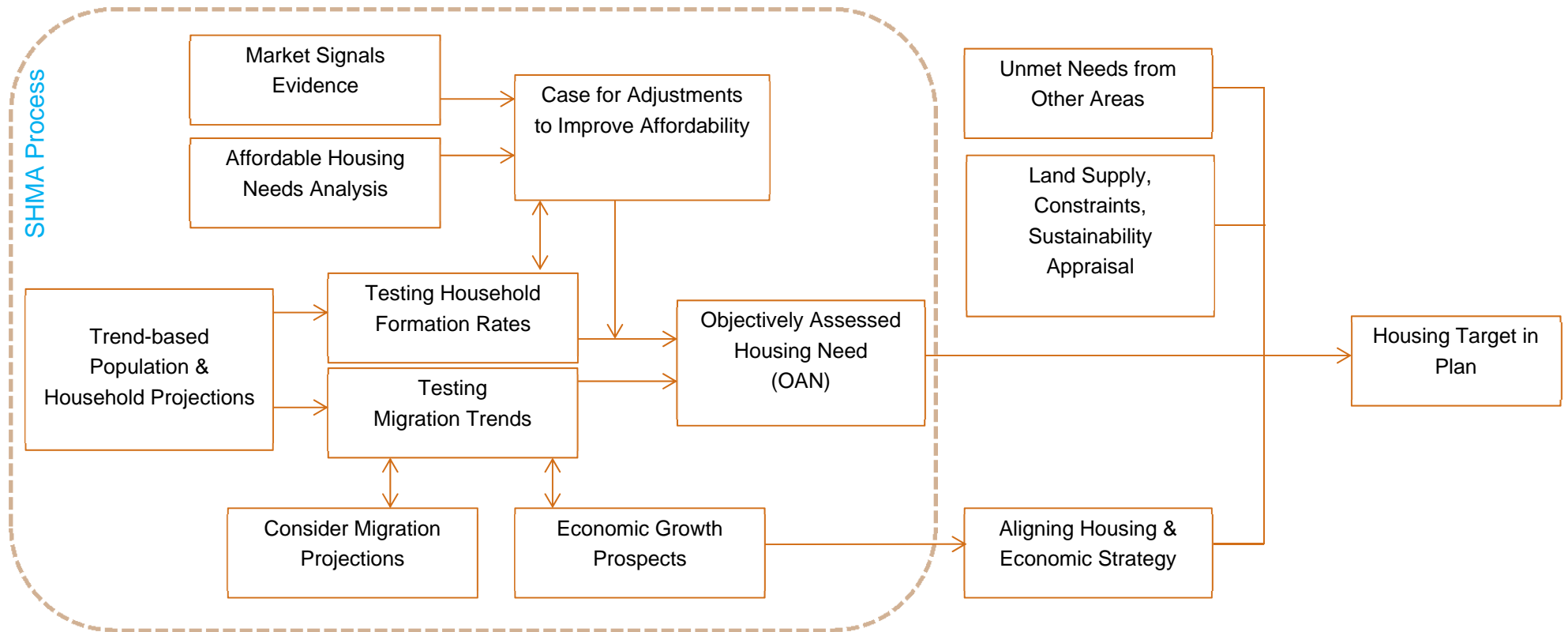
- 1.17 Planning Practice Guidance was issued by Government in March 2014 on 'Assessment of Housing and Economic Development Needs'. This is relevant to this report in that it provides clarity on how key elements of the NPPF should be interpreted, including the approach to deriving an objective assessment of the need for housing. The approach in this report takes account of this Guidance.
- 1.18 The Guidance defines "need" as referring to
- "the scale and mix of housing and the range of tenures that is likely to be needed in the housing market area over the plan period – and should cater for the housing demand of the area and identify the scale of housing supply necessary to meet this need."*
- 1.19 It sets out that the assessment of need should be realistic in taking account of the particular nature of that area, and should be based on future scenarios that could be reasonably expected to occur. It should not take account of supply-side factors or development constraints. Specifically the Guidance sets out that:
- "plan makers should not apply constraints to the overall assessment of need, such as limitations imposed by the supply of land for new development, historical under performance, infrastructure or environmental constraints. However these considerations will need to be addressed when bringing evidence bases together to identify specific policies within development plans."*
- 1.20 The Guidance outlines that estimating future need is not an exact science and that there is no one methodological approach or dataset which will provide a definitive assessment of need. However, the starting point for establishing the need for housing should be the latest household projections published by the Department for Communities and Local Government (CLG). This report takes account of 2012-based Household Projections published by CLG in February 2014.
- 1.21 It sets out that there may be instances where these national projections require adjustment to take account of factors affecting local demography or household formation rates, including where there is evidence that household formation rates are or have been constrained by supply. It suggests that proportional adjustments should be made where the market signals point to supply being constrained relative to long-term trends or to other areas in order to improve affordability.
- 1.22 Evidence of affordable housing needs is also relevant, with the Guidance suggesting that the total affordable housing need should be considered in the context of its likely delivery as a proportion of mixed market and affordable housing. In some instances it suggests this may provide a case for increasing the level of overall housing provision.
- 1.23 In regard to employment trends, the Guidance indicates that job growth trends and/or economic forecasts should be considered having regard to the growth in working-age population in the housing market area. It sets out that where the supply of working age population that is

economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility and other sustainable options such as walking and cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing and infrastructure development could help to address these problems.

Overview of the Approach to Deriving OAN

- 1.24 The NPPF and Practice Guidance set out a clear approach to defining OAN for housing. We have sought to summarise this within the diagram overleaf, Figure 1. This summarises the approach we have used to considering OAN.
- 1.25 This report does not seek to set out what the housing target should be. It focuses on assessing housing need which will be an important consideration for the Council in determining its housing requirement.
- 1.26 In addition to OAN, the Council should consider land supply, development constraints and infrastructure provision / requirements when considering whether the housing need can be met, and informing targets set out for housing provision within the plan.
- 1.27 The distinction between household projections, an objective assessment of housing need, and a 'policy on' housing requirement are set out in Paragraph 37 of the High Court judgement in the case of *Solihull MBC vs. Gallagher Estates*.

Figure 1: Overview of Approach



Report Structure

1.28 The remainder of this report is structured as follows:

- Section 2: Trend-based Demographic Projections;
- Section 3: Economic-Driven Projections;
- Section 4: Affordable Housing Need;
- Section 5: Market Signals;
- Section 6: Need for Different Types of Homes;
- Section 7: Conclusions.

2 TREND-BASED DEMOGRAPHIC PROJECTIONS

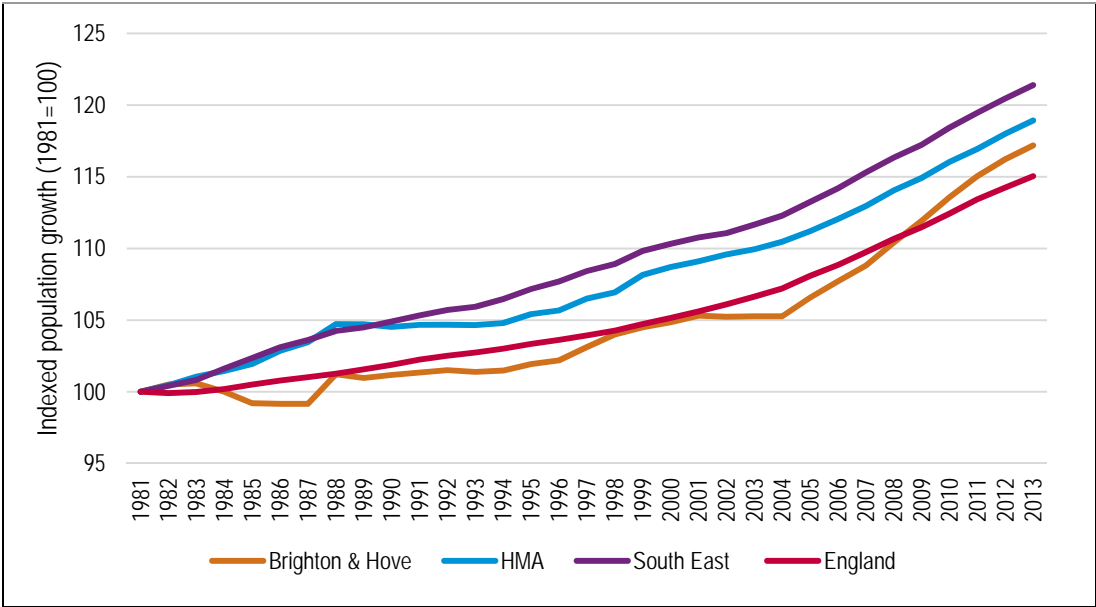
2.1 Demographic projections are presented in this section in the period from 2010 to 2030 to be consistent with the timeframe of the draft Brighton and Hove City Plan Part I. Data about the population size and structure is available up to mid-2013 and so within the projections developed, the data for the 2010-13 period is based on published data (from ONS).

Demographic profile of Brighton & Hove

2.2 The population of Brighton & Hove in 2013 is estimated to be 278,100. This is an increase of 28,200 people since 2001 – an 11.3% increase over the 12-year period. This level of population growth is somewhat above that seen across the HMA (9.0 %), the South East (9.6%) and England (8.9%).

2.3 We can also consider longer-term trends in population growth, with data being available back to 1981. Figure 2 below shows that population growth in Brighton & Hove was relatively weak up until the mid-2000s but has since been increasing at a notable rate. Overall, the rate of population growth in the City from 1981 has been slightly above the national average but some way below equivalent data for the HMA and the South East. The City has seen comparatively stronger population growth since 2004.

Figure 2: Indexed Population Growth (1981-2013)



Source: ONS

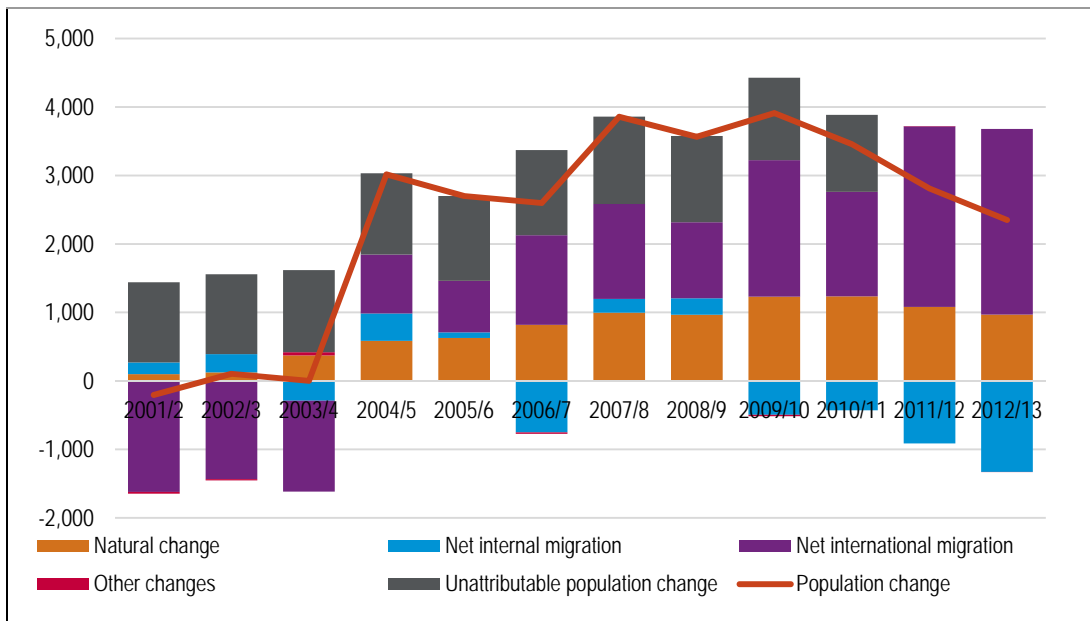
2.4 Figure 3 and Table 1 overleaf considers the drivers of population change in the City. Population change is largely driven by natural change (births minus deaths) and migration although within ONS data there is also a small ‘other changes’ category (mainly related to armed forces and prison

populations) and unattributable population change (UPC). The latter reflects an adjustment made by ONS to Mid-Year Population Estimates where Census data has suggests that population growth had either been over- or under-estimated in the inter-Censal years. Because UPC links back to Census data, figures are only provided for the 2001 to 2011 period. Whilst UPC is distributed by ONS over the inter-Censal period, in reality it is not entirely clear over which years population growth has been under/ over-estimated.

- 2.5 Figure 3 shows that migration is the key driver of population change in Brighton & Hove, and in particular international migration. The data also generally shows a positive natural change (i.e. there are more births than deaths). Net migration (combining internal (i.e. moves from one part of the country to another) and international migration) shows figures varying from a net out-migration of 1,618 in 2003/4 to a net in-migration of 1,724 in 2011/12 – net migration has been positive for all years since 2004. The average level of migration for the whole of the period studied is 567 people per annum – made up of net international in-migration of 825 people each year and net internal out-migration of 238.
- 2.6 Other changes are quite small whilst UPC can be seen to be positive for those years where data is available. This suggests that the ONS components of change may have under-estimated past growth compared with what actually happened. However it is difficult to be precise as to whether UPC relates to under-recording of migration or to issues regarding the accuracy of Census data (and particularly if the 2001 Census under-recorded the City's population). The ONS report dealing with Unattributable Population Change¹ sets out ONS' view that UPC is unlikely to seen in continuing sub-national trends.

¹ ONS (Jan 2014) *2012-based Sub-National Population Projections for England – Report on Unattributable Population Change*

Figure 3: Components of Population Change, mid-2001 to mid-2013 – Brighton & Hove



Source: ONS

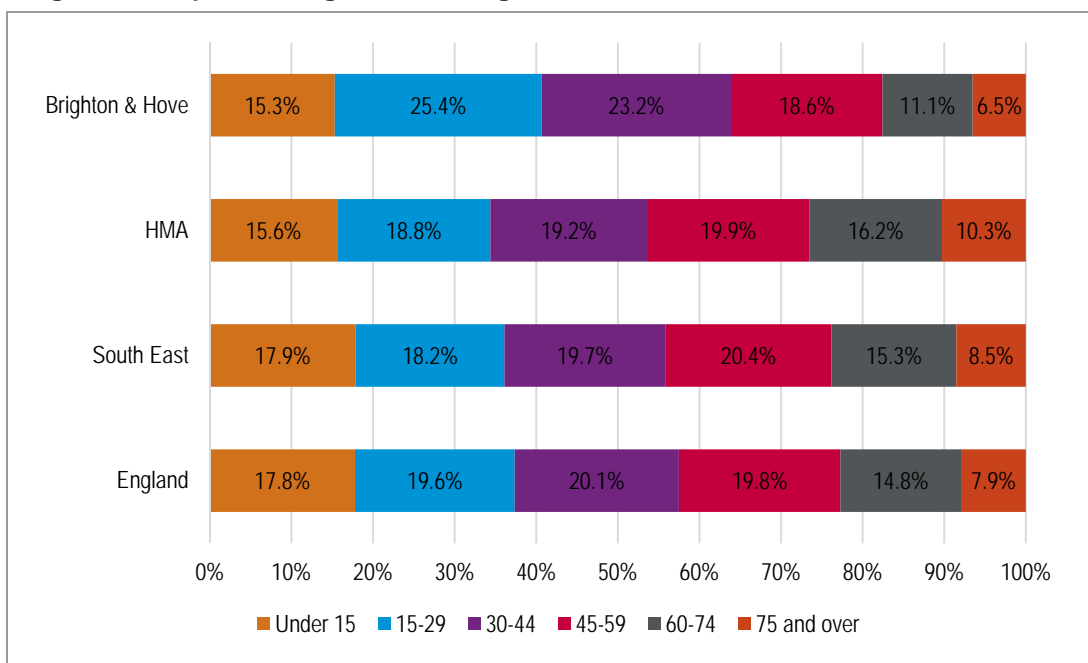
Table 1: Components of Population Change, 2001-13 – Brighton and Hove

Year	Natural change	Net internal migration	Net international migration	Other changes	Other (unattributable)	Total change
2001/2	99	170	-1,622	-25	1,172	-206
2002/3	124	268	-1,436	-18	1,165	103
2003/4	372	-290	-1,328	47	1,200	1
2004/5	586	399	859	-16	1,188	3,016
2005/6	627	81	751	2	1,240	2,701
2006/7	819	-752	1,309	-22	1,243	2,597
2007/8	996	201	1,387	-1	1,275	3,858
2008/9	967	240	1,110	-13	1,261	3,565
2009/10	1,230	-496	1,994	-21	1,204	3,911
2010/11	1,235	-429	1,523	3	1,125	3,457
2011/12	1,081	-913	2,637	5	-	2,810
2012/13	968	-1,330	2,713	-1	-	2,350

Source: ONS

2.7 The profile of the population in Brighton & Hove is somewhat different to that seen in other areas with a particularly high proportion of younger people (particularly aged 15-44). As shown in Figure 4, some 49% of the population is in the 15-44 age bands, compared with 38% in the HMA, 38% regionally and 40% for the whole of England. As a consequence, Brighton & Hove has a relatively small population in older age groups.

Figure 4: Population Age Profile, Brighton & Hove 2013



Source: 2013 Mid-Year Population Estimates

2.8 Table 2 below shows how the age structure of the population has changed over the 2001 to 2013 period. The data shows the most significant growth to have been in the 15-29 and 45-59 age groups. The decline in the number of people aged 75 and over is considered to be slightly surprising given national and regional trends towards an ageing population.

2.9 The last row of the table shows the population aged 18-24 – this shows a significant increase of 12,100 (44%) and accounts for 43% of the total increase in the population in the 2001-13 period. Much of this increase is likely to be linked to the student population.

Table 2: Change in Population Age Structure in Brighton & Hove, 2001 to 2013

Age group	2001	2013	Change	% change
Under 15	38,800	42,600	3,800	9.8%
15-29	57,100	70,500	13,400	23.5%
30-44	62,100	64,500	2,400	3.9%
45-59	41,000	51,600	10,600	25.9%
60-74	29,600	30,800	1,200	4.1%
75 and over	21,300	18,100	-3,200	-15.0%
Total	249,900	278,100	28,200	11.3%
18-24	27,300	39,400	12,100	44.3%

Source: Mid-year population estimates (ONS)

2.10 Student population growth in the City has been significant. The number of full-time students at the University of Brighton increased 4,300 (37%) between 2001-13, although it should be noted that this will not all have been at Brighton as it has campuses at Eastbourne and Hastings as well. The

University of Sussex has seen growth in full-time students of 4,020 (49%) over this period. In both cases this is based on data from the Higher Education Statistics Agency.

2.11 To some extent the ethnic makeup and age structure of Brighton & Hove's population are interlinked, with Black and Minority Ethnic (BME) groups tending to be younger. 2011 Census data indicates that around 18% of the population of Brighton & Hove came from a non-White (British/Irish) background. This figure is significantly above that found across the HMA and the South East region (and only slightly below the average for England).

2.12 The key BME group in Brighton & Hove is Other-White (which is likely to contain a number of Eastern European migrants). The Other-White population made up 7.1% of all people in the City in 2011, which is significantly higher than any other group (and is higher than seen in any of the comparator areas).

Table 3: Black and Minority Ethnic Population (2011)

Ethnic Group	Brighton & Hove	HMA	South East	England
White: British	80.5%	90.6%	85.2%	79.8%
White: Irish	1.4%	0.7%	0.9%	1.0%
White: Gypsy or Irish Traveller	0.1%	0.1%	0.2%	0.1%
White: Other White	7.1%	3.7%	4.4%	4.6%
Mixed: White and Black Caribbean	0.8%	0.4%	0.5%	0.8%
Mixed: White and Black African	0.7%	0.2%	0.3%	0.3%
Mixed: White and Asian	1.2%	0.5%	0.7%	0.6%
Mixed: Other Mixed	1.0%	0.3%	0.5%	0.5%
Asian: Indian	1.1%	0.7%	1.8%	2.6%
Asian: Pakistani	0.2%	0.1%	1.1%	2.1%
Asian: Bangladeshi	0.5%	0.2%	0.3%	0.8%
Asian: Chinese	1.1%	0.4%	0.6%	0.7%
Asian: Other Asian	1.2%	0.9%	1.4%	1.5%
Black: African	1.1%	0.5%	1.0%	1.8%
Black: Caribbean	0.3%	0.2%	0.4%	1.1%
Black: Other Black	0.2%	0.1%	0.2%	0.5%
Other ethnic group: Arab	0.8%	0.1%	0.2%	0.4%
Any other ethnic group	0.7%	0.2%	0.4%	0.6%
Total	100.0%	100.0%	100.0%	100.0%
Total population	273,369	639,841	8,634,750	53,012,456
% non-White (British/Irish)	18.1%	8.7%	13.9%	19.3%

Source: 2011 Census

2.13 Since 2001, the BME population in the City has increased significantly as can be seen in Table 4 below. We have condensed some categories together due to a slightly different list of potential groups being used in the 2011 Census when compared with 2001 data. The data shows that whilst the overall population of Brighton & Hove has increased by 25,600 over the 10-year period, there has been a notable increase in BME groups (all groups other than White (British/Irish)) of 23,900.

The White (British/Irish) population has increased by 0.8% compared to an increase of 93% in BME groups.

- 2.14 In terms of the absolute numbers of people, the strongest growth has been in the White Other group. We would expect the growth in White Other population to relate in part to the migration of Eastern European migrants to work in the area.

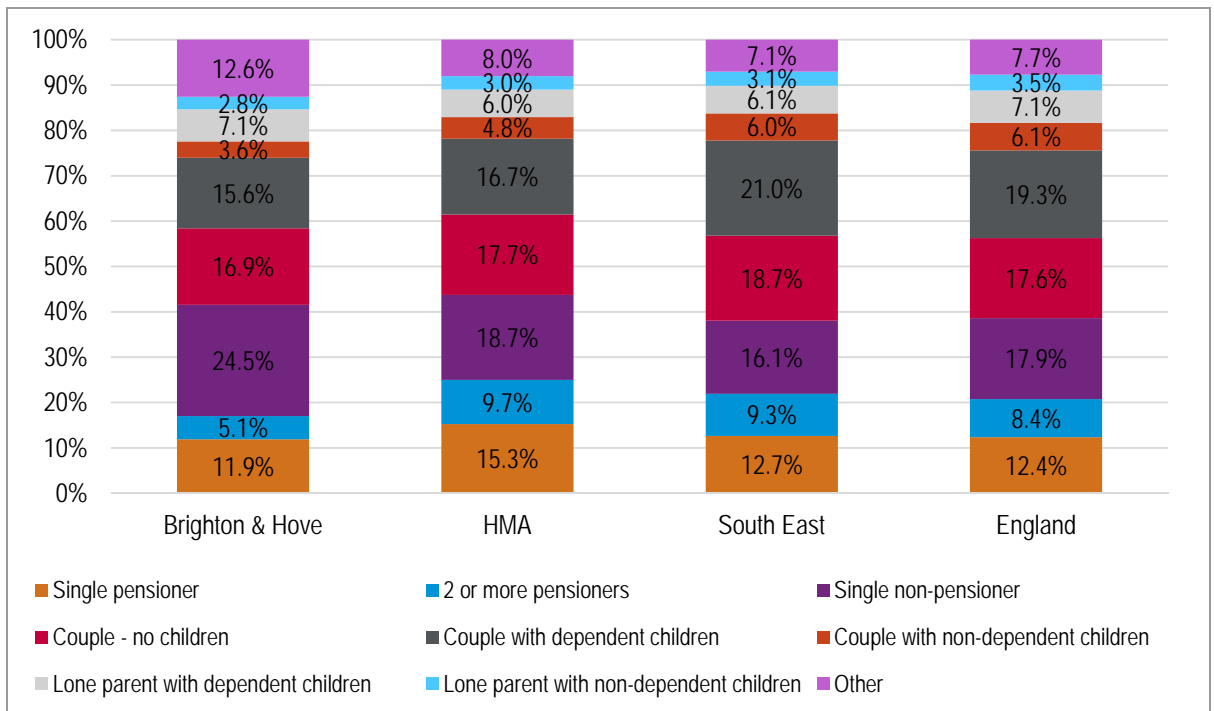
Table 4: Change in Population in BME Groups in Brighton & Hove, 2001-11

Ethnic Group	2001	2011	Change	% change
White (British/Irish)	222,099	223,790	1,691	0.8%
White – Other	11,483	19,722	8,239	71.7%
Mixed	4,799	10,408	5,609	116.9%
Asian or Asian British	5,844	11,278	5,434	93.0%
Black or Black British	1,992	4,188	2,196	110.2%
Other	1,600	3,983	2,383	148.9%
Total	247,817	273,369	25,552	10.3%
Non-White (British/Irish)	25,718	49,579	23,861	92.8%

Source: Census (2001 and 2011)

- 2.15 Figure 5 below shows the household structure in the City according to the Census in 2011, compared with the HMA, regional and national profiles. The data shows that Brighton & Hove has a lower proportion of pensioner only households and also relatively few households with dependent children. The key household types in Brighton & Hove when compared with other areas are single non-pensioners (25% of households) and other households (in Brighton & Hove there are a large proportion of multi-adult and student-only households).

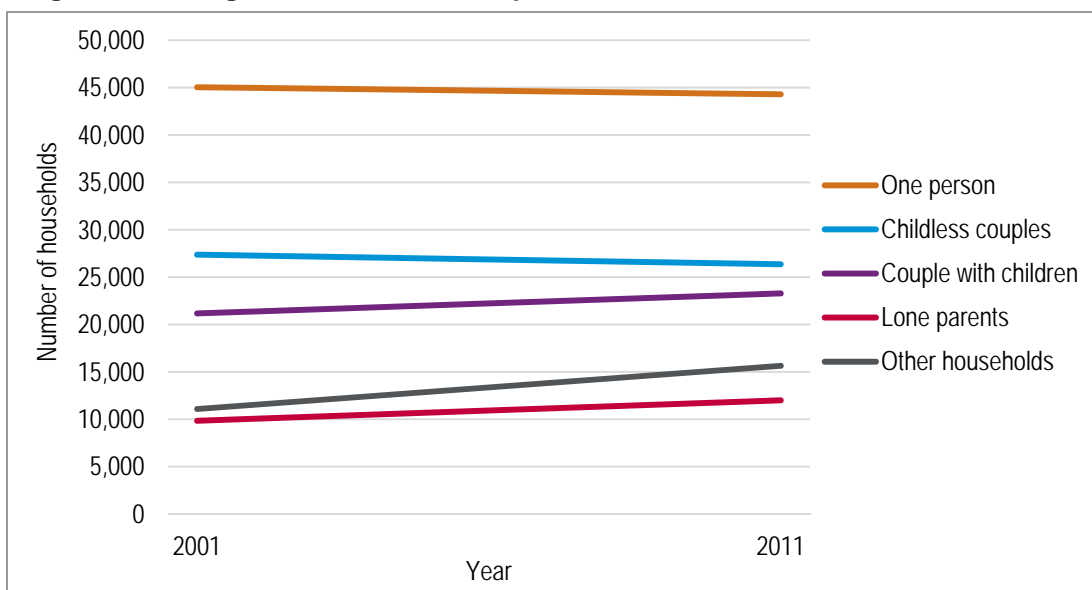
Figure 5: Household Composition, 2011



Source: 2011 Census

2.16 The structure of households changed over the decade to 2011. There have been notable increases in couple households with children (both dependent and non-dependent children) along with increases in lone parents and 'other' households. By comparison there has been a decline in the number of childless couples and also single person households.

Figure 6: Changes in Household Composition, 2001-11



Source: Census (2001 and 2011)

Demographic-based Projections

- 2.17 The Planning Practice Guidance sets out that ‘household projections published by the Department for Communities and Local Government should provide the starting point estimate of demographic housing need. The household projections are produced by applying projected household representative rates to the population projections published by the Office for National Statistics.
- 2.18 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) Sub-National Population Projections (SNPP) – published in May 2014.

2012-based Sub-National Population Projections

- 2.19 On the 29th May 2014 ONS published a new set of Subnational Population Projections (SNPP). They replace the 2010- and 2011-based Projections. Subnational population projections provide estimates of the future population of local authorities, assuming a continuation of recent local trends in fertility, mortality and migration (which are constrained to the assumptions made for the 2012-based national population projections).
- 2.20 The SNPP are not forecasts and do not attempt to predict the impact that future government or local policies, changing economic circumstances or other factors might have on demographic behaviour. The primary purpose of the SNPP is to provide an estimate of the future size and age structure of the population of local authorities in England. These are used as a common framework for informing local-level policy and planning in a number of different fields, as they are produced in a consistent way.
- 2.21 Table 5 below shows projected population growth from 2010 to 2030 in Brighton & Hove, the HMA, the South East and England. The data shows that the population of Brighton & Hove is expected to grow by around 42,200 people; this is a 16% increase – above the expected increase nationally and in-line with figures for the HMA and the region.
- 2.22 It should be noted that the data presented for Brighton & Hove has been updated to take account of mid-2013 population estimates whereas the data for the other areas is as published in the SNPP – this does not have a significant impact on the findings. We have estimates for the 2013 population and have therefore taken account of these, as the PPG advises.

Table 5: Projected Population Growth in 2012-based SNPP, 2010-30

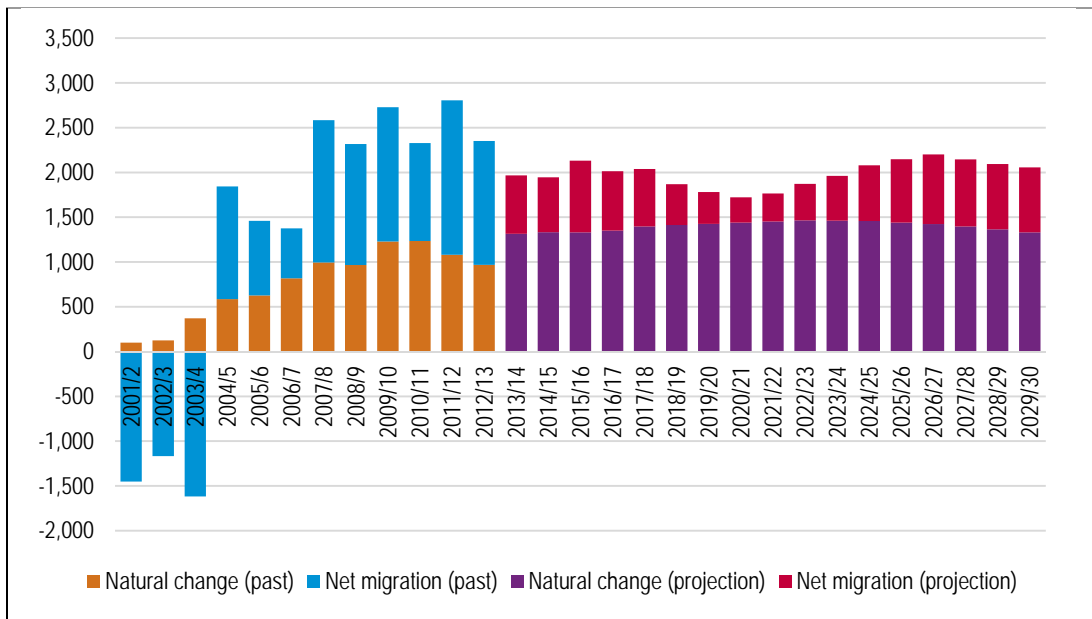
	Population 2010	Population 2030	Change in population	% change
Brighton & Hove	269,495	311,689	42,194	15.7%
HMA	794,500	924,300	129,800	16.3%
South East	8,577,800	9,921,700	1,343,900	15.7%
England	52,642,500	60,106,500	7,464,000	14.2%

Source: ONS

Components of Population Change

- 2.23 Figure 7 provides a summary of the components of population change along with past trends back to mid-2001. Overall, the data shows a higher level of natural change in the future than has typically been recorded in the past, with net migration looking to be slightly lower than recent trends.
- 2.24 Over the past 12-years, net migration has averaged 587 people per annum with a somewhat higher figure of 1,410 if considering the past 5-years. The projected levels of net migration are 674 per annum (average) over the first five years of the projection which is consistent with longer-term trends, decreasing slightly to 588 persons per annum if the whole of the period to 2030 is considered (as a result of changes in age structure).
- 2.25 Natural change is less influenced by past trends; being largely driven by age structure changes. In Brighton & Hove, natural change is expected to average about 1,400 per annum in the 2013-30 period (more births than deaths) – this compares with 1,096 over the last 5-years and just 759 if a 12-year trend is considered.

Figure 7: Projected Components of Population Change, mid-2001 to mid-2030 – Brighton & Hove



Source: ONS

- 2.26 Taking both natural change and net migration together, the analysis shows a future growth of 1,988 people per annum (2013-30). This compares to a higher figure (of 2,506) over the past 5-years and a lower figure (of 1,346) over the 12-year period from 2001. The future projections thus see population growth which sits between trends over the short- and medium-term.

Age Structure Changes

- 2.27 With growth in the population will also come age structure changes. Table 6 summarises the findings for key (15-year) age groups in the 2012-based SNPP. Data is presented for the 2010 to 2030 plan period.
- 2.28 The data shows that largest growth will be in people aged 60 and over. It is estimated that there will be 68,100 people aged 60 and over in 2030. This is an increase of 19,900 from 2010, representing growth of 41%. Looking at the other end of the age spectrum, the data shows that there are projected to be around 9% more people aged under 15; with increases shown for all other age groups. Whilst the strongest growth is expected in some of the older age groups, it should be stressed that the level of population change in these age bands is fairly moderate when compared with regional and national data.
- 2.29 The last row of the table shows projected growth in the population aged 18-24 (which will have a link to the student population). This shows growth of about 5,400 people (a 15% increase). This level of growth is substantially lower than was observed in the 2001-13 period (where the population of this age group grew by 44% in just 12-years).

Table 6: Population Change 2010 to 2030 by Fifteen Year Age Bands (2012-based SNPP)

Age group	Population 2010	Population 2030	Change in population	% change from 2010
Under 15	41,411	45,217	3,806	9.2%
15-29	67,194	73,518	6,324	9.4%
30-44	65,580	68,463	2,883	4.4%
45-59	47,089	56,415	9,326	19.8%
60-74	29,783	43,396	13,613	45.7%
75+	18438	24680.5	6,243	33.9%
Total	269,495	311,689	42,194	15.7%
18-24	35,936	41,321	5,385	15.0%

Household Growth

- 2.30 Having studied the population size and the age/sex profile of the population, the next step in the process is to consider estimates for household growth. To do this the concept of headship rates is

used. Headship rates can be described in their most simple terms as the number of people who are counted as heads of households (or in this case the more widely used Household Reference Person (HRP)).

- 2.31 Our projections methodology applies age-specific headship rates to the population projections, to project growth in households. It thus takes account of both how household formation rates are expected to change; and changes in the age structure of the population.
- 2.32 With the publication of new 2012-based CLG Household Projections, a new set of headship rates is now available. 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. At a national level (in the 2012-21 period considered by CLG), the new projections show 10% higher growth in households than the 2011-based Projections on a like-for-like basis (i.e. applying the headship rates to a consistent projection for population). For Brighton & Hove the figure is slightly higher (at 16%).
- 2.33 Table 7 below shows expected household growth in the 2012-based projections from 2010 to 2030 for Brighton & Hove and a range of other areas. The figures for Brighton & Hove do not exactly match the CLG projections as we have included population data for 2013. All other areas show the data as published. The data suggests an increase in households of about 25,500 over the 20-year period – this is a 21% increase; the same as expected across the South East region, slightly below the figure for the HMA and slightly above that expected across England.

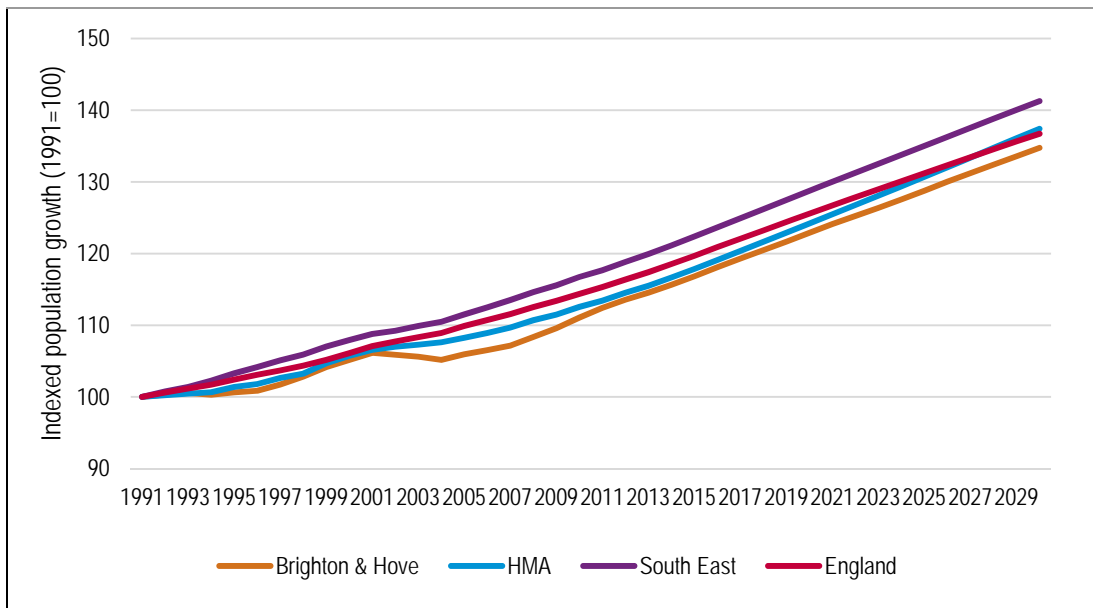
Table 7: Projected Household Growth, 2010-2030

	Households 2010	Households 2030	Change in households	% change from 2010
Brighton & Hove	119,812	145,358	25,546	21.3%
HMA	351,756	429,469	77,713	22.1%
South East	3,534,917	4,278,281	743,364	21.0%
England	21,919,025	26,201,868	4,282,843	19.5%

Source: ONS

- 2.34 Figure 8 shows household growth since 1991 and projected forward to 2030. The analysis shows that growth in Brighton & Hove was relatively weak in the period to the mid-2000s with stronger growth thereafter. Since the mid-2000s the level of household growth has been slightly stronger than in other areas and moving forward from 2013, the expected level of growth is at a similar rate to that expected in other areas.

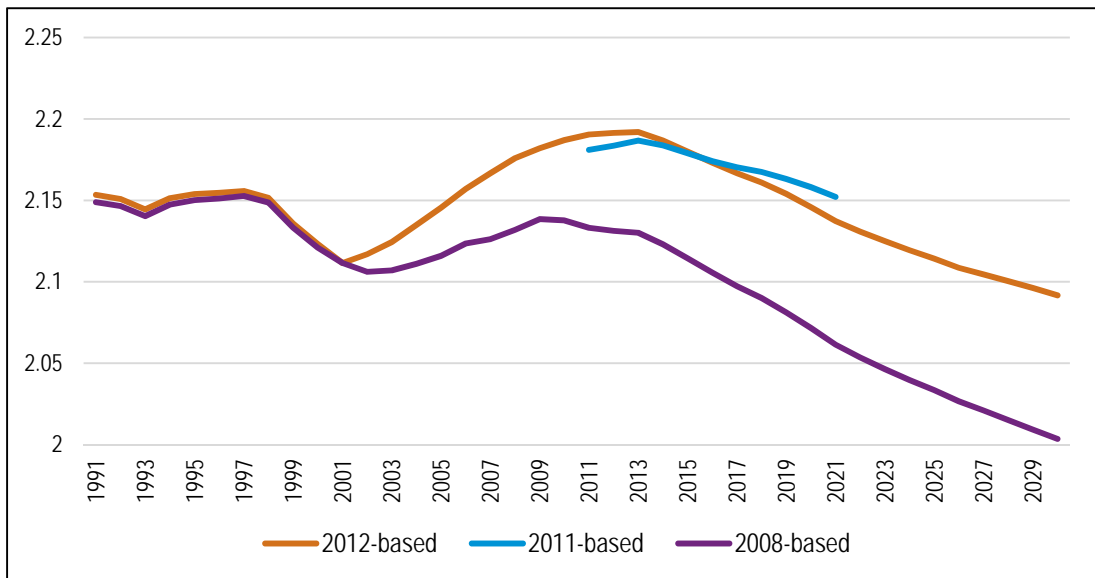
Figure 8: Indexed Household Growth (1991-2030)



Source: ONS

- 2.35 To provide a headline assessment of the impact of the 2012-based household projections, we can make a comparison of average household sizes. Figure 9 shows this, based on each of 2012-, 2011- and 2008-based CLG household projection data. The data indicates that household formation in the 2012-based figures is expected to be stronger than in the 2011-based version. This can be seen by the newer projections expecting a greater decrease in average household sizes over time – this would be more noticeable if we were to continue the 2011-based ‘trend’ beyond 2021 (as undertaken in previous 2013/ 2014 reports considering housing need in the City).
- 2.36 The data does however shows an increase in household sizes from 2001 to 2011. This is likely to reflect in part the age and ethnic structure changes within the population (as described above some of the strongest population growth has been of those aged 15-29 and within BME groups), but could also reflect some ‘suppression’ of household formation linked to housing market circumstances. The issue of suppressed household formation is considered further in Section 5.
- 2.37 Data from the 2008-based projections has also been included. This shows that average household sizes are above what might have been expected from this earlier release of data. However, looking at the period from 2013, the data suggests that the future trajectory in the 2012-based version is not much different.

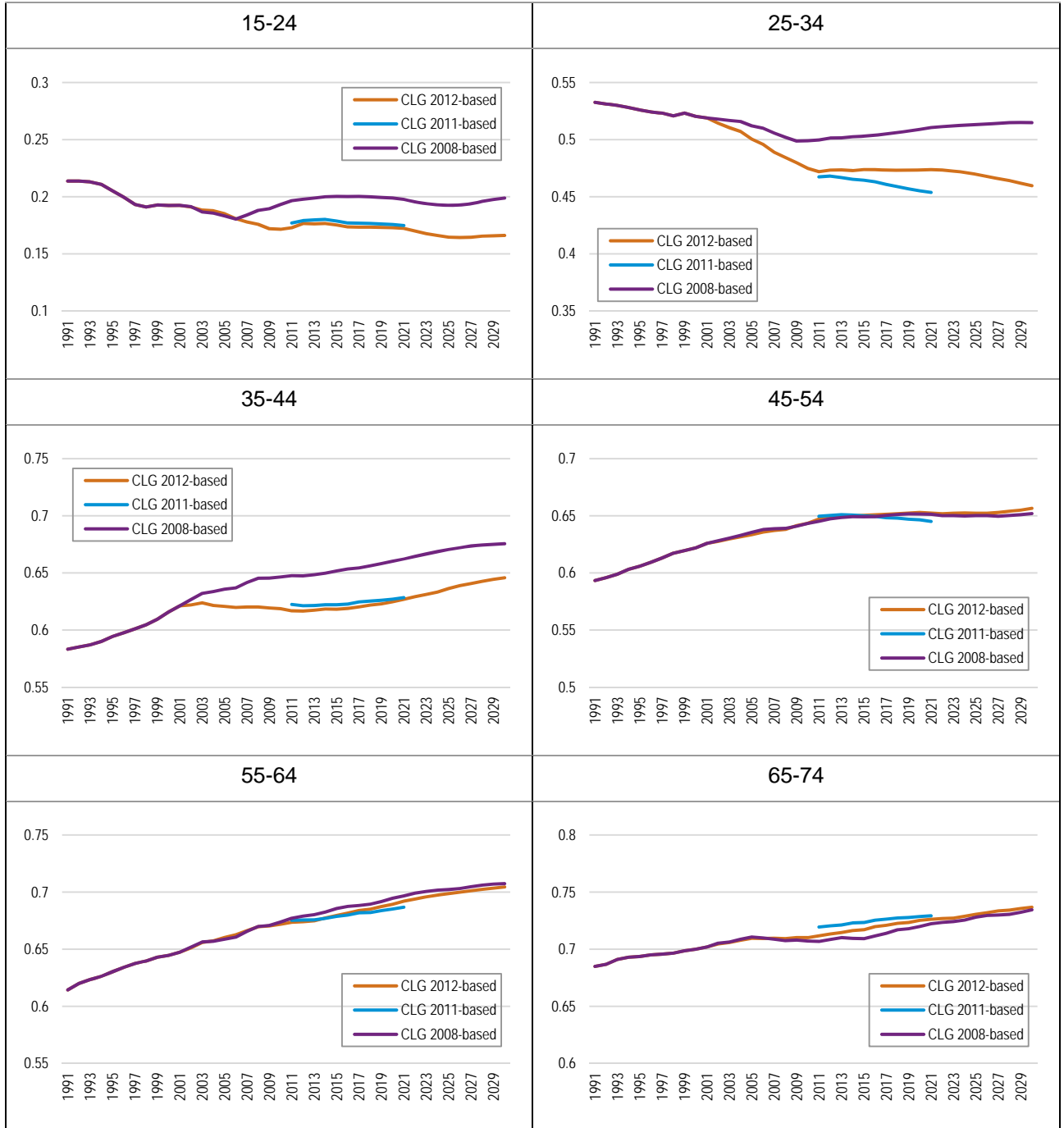
Figure 9: Past and Projected trends in Average Household Size – Brighton & Hove

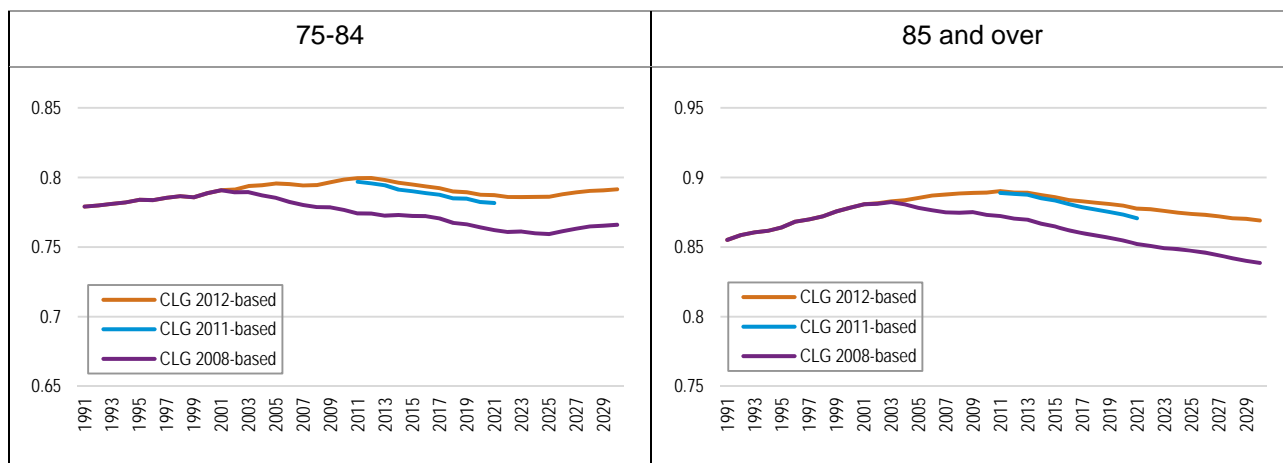


Source: Derived from ONS and CLG data

- 2.38 In interrogating the household projections, it is particularly useful to understand how the different CLG projections project household formation for different age groups. Projections for household growth in this report are not based on applying average household sizes – they take account of age-specific household formation rates and how these are expected to change over time.
- 2.39 Figure 10 shows the household formation (headship) rates used in each of the projections. Overall the 2012-based projections look fairly sound with levels and future rates of change being not dissimilar to those in the earlier (pre-recession) 2008-based projections.
- 2.40 The one age group of concern is people aged 25-34, where the latest projections show quite a movement away from the figures in the 2008-based projections. Particularly in the 2001-11 period, the 2012-based projections do appear to be indicating some degree of suppressed household formation. Whilst the rate of decline is expected to be more moderate post-2012, it still leaves the rate some way below typical historical figures (e.g. those recorded for 2001 – the time before the rate started to substantially decline). We return to this in Section 5.

Figure 10: Projected Household Formation Rates by Age of Head of Household – Brighton & Hove





Source: Derived from CLG data

Housing Need arising from Trend-based Projection

- 2.41 Table 8 brings together outputs in terms of household growth and housing need using the 2012-based household projection headship rates.
- 2.42 To convert households into dwellings the data includes an adjustment to take account of vacant and second homes. A Figure of 4.4% has been used, derived from 2011 Census data. This is a standard approach.
- 2.43 Applying the 2012-based rates to the 2012-based SNPP, there would be a need for 1,333 dwellings per annum.

Table 8: Projected Housing Need 2010-30 – Demographic Scenario

	2012-based SNPP
Households 2010	119,812
Households 2030	145,358
Change in households	25,546
Per annum	1,277
Dwellings (per annum)	1,333

Conclusions on Demographic-Led Housing Need

- 2.44 It is appropriate at this point to draw conclusions at this point on the demographic evidence, and projections of housing need based on this.
- 2.45 The 2012-based SNPP indicates population growth of 15.7% over the 2010-30 period. This is slightly below the projected growth across the HMA (16.3%), the same as in the South East and above the figure for England (14.2%). This results in a housing need for 1,333 homes per annum, using 2012-based CLG Household Projection headship rates.

- 2.46 GL Hearn considers that household formation rates contained in the 2012-based CLG projections are generally sound - although there is some evidence of suppressed household formation in the 2001-11 decade for younger people (particularly those aged 25-34). The implications of this are considered further in Section 5.
- 2.47 A projected need for 1,333 dwellings per annum in the 2010-30 period is higher than has been suggested by projections previous run by GL Hearn (which have typically suggested a need roughly in the range of 800 to 1,200 dwellings per annum). The higher need in this assessment looks to be driven by two main reasons; firstly the latest (2012-based) SNPP uses a trend period where migration (particularly international migration) was higher than in earlier projections, and secondly, the 2012-based CLG household projections are taking a more positive view about household formation. If the 2012-based SNPP are run using old (2011-based) headship rates then the assessed level of need would be 12% lower than shown above (at 1,174 dwellings per annum).

3 ECONOMIC DRIVEN PROJECTIONS

- 3.1 This section of the report considers the inter-relationship between population and employment growth.
- 3.2 The Council's economic evidence base is set out in the Brighton and Hove Employment Land Study 2012, prepared by Nathaniel Lichfield and Partners (NLP). This included projections for growth in employment of 20,080 between 2010-30. This was based on 2012 Experian forecasts. It is equivalent to 1,000 jobs per annum.
- 3.3 The Assessment of Housing Development Needs Study: Sussex Coast HMA (GL Hearn, April 2014) drew on 2013 Experian forecasts. This forecast stronger employment growth of 23,200 jobs over the plan period. This is equivalent to 1,160 jobs per annum.
- 3.4 In relating growth in jobs and population, it is necessary to consider:
- The relationship between jobs and people in work (double jobbing) as some people hold down more than one job;
 - Commuting patterns, which influence the balance between where people live and work and spatial relationship between jobs growth and housing need; and
 - Employment rates, which describe the proportion of people in employment; and how these might change over time, including as a result of changes to pensionable age.

Commuting Patterns

- 3.5 We can first consider commuting patterns to understand whether or not the growth in the working population might be expected to be higher (or lower) than the job growth figures. To study this we have looked at the relationship between the number of residents in employment and the number of people who work in the area. Information about this is shown in the table below and has been taken from the 2011 Census.
- 3.6 The data shows that there are around 4% more people who live in the area (and are working) than currently work in the area. Brighton & Hove therefore sees a small amount of net out-commuting.

Table 9: Calculating the Commuting Ratio for Brighton & Hove, 2011

Brighton & Hove	
Live and work in City	72,648
Home workers	17,665
No fixed workplace	13,015
Out-commute	37,310
In-commute	31,915
Total working in City	135,243
Total living in City (and working)	140,638
Commuting ratio	1.04

Source: 2011 Census

- 3.7 We have assumed that this commuting ratio is held constraint in the future projections. This is a “policy off” assumption.

Relationship between Jobs and People

- 3.8 As well as commuting patterns we can also consider that a number of people may have more than one job (double jobbing). This can be calculated as the number of people working in the City divided by the number of jobs. Data from the Annual Population Survey (available on the NOMIS website) suggests that around 5.5% of workers have a second job (data averaged from the last four periods for which data is available). This gives a double jobbing ratio of 0.945 (i.e. the number of jobs can be discounted by 5.5% to estimate the required change in the workforce).

- 3.9 Hence to work out the change in the resident workforce required to match the forecast number of jobs we can multiply the commuting ratio by the amount of double jobbing and in turn multiply this by the number of jobs – this is shown in the table below. Overall, the figures show a range of changes to the resident workforce from 18,978 persons using the 2012 forecast and stable commuting up to 22,802 persons with the 2013 forecast and current commuting patterns.

Table 10: Scenarios for Growth in Employment and the Resident Workforce in Brighton & Hove, 2010-30

	Change in jobs	Change in resident workforce
2012 – current commuting	20,080	19,735
2012 – stable commuting	20,080	18,978
2013 – current commuting	23,200	22,802
2013 – stable commuting	23,200	21,927

Source: Derived from Experian data, 2011 Census and Annual Population Survey

Employment Rates

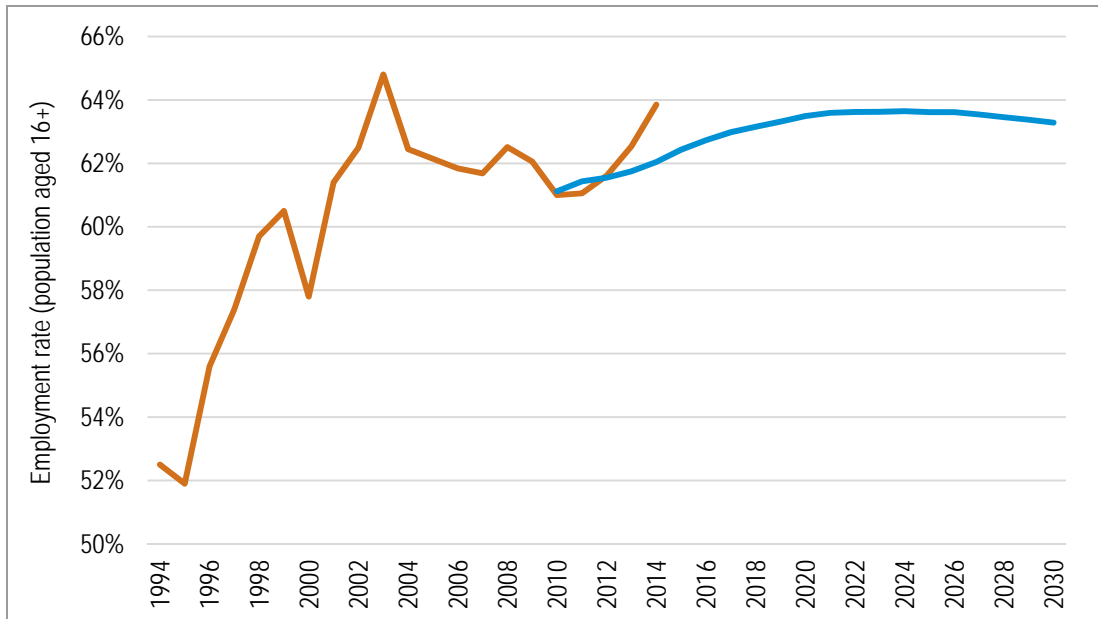
- 3.10 As well as studying commuting levels and double jobbing, the analysis needs to consider how economic participation and employment rates will change in the future. Although the past few years have seen an increase in unemployment there have generally been increases in the proportion of people who are economically active (particularly for females and people aged over 50). In the future we may see a continuation of these trends – particularly in relation to people working longer (partly linked to pensionable ages) and have modelled for there to be some increase in employment rates as we move through to 2030.
- 3.11 Table 11 below shows the age/sex specific rates assumed in the analysis. These have been based on consideration of a range of different forecasting houses forecasts and also take account of the 2011 Census and trends over the period since 2001. It should be stressed that these figures reflect what we would consider to be a reasonable set of assumptions, although there would be a case for alternatives (both in an upwards and downwards direction). Projecting future trends in economic participation, given the complexity of potential influences, is evidently not an exact science.

Table 11: Employment Rates by Age and Sex – Brighton & Hove

Sex	Year	Aged 16 to 24	Aged 25 to 34	Aged 35 to 49	Aged 50 to 64	Aged 65 and over
Male	2010	42.9%	84.6%	85.7%	71.0%	14.4%
	2030	42.9%	84.9%	87.0%	76.9%	20.8%
Female	2010	46.0%	77.9%	77.7%	63.5%	9.0%
	2030	46.0%	85.3%	84.8%	75.9%	14.9%

- 3.12 Figure 11 below shows how the overall employment rate in Brighton & Hove is expected to change over time, data is also provided about past trends from the Annual Population Survey and Labour Force Survey (although this data should be treated with caution given the survey-based nature of the information (with relatively high error margins). The employment rate is based on the number of people in employment divided by the population aged 16 and over. The analysis shows a small increase in the rate to about 2022 followed by a period where the rate is expected to level off and begin to decline slightly. The trend data tends to show an increase in the employment rate in the past.

Figure 11: Projected Change in Employment Rate (16+) in Brighton & Hove



Source: Annual Population Survey, Labour Force Survey and demographic projections

3.13 The outputs from the economic based projections are shown in Table 12 below. For the resident workforce to increase in line with the forecast number of jobs would require between 1,000 – 1,112 homes per annum. In both cases, these figures are below the level of need suggested by the demographic projections (regardless of which projection is used).

Table 12: Housing Need in Economic-based Scenarios

	2012 Experian	2013 Experian
Households 2010	119,812	119,812
Households 2030	138,996	141,127
Change in households	19,184	21,315
Per annum	959	1,066
Dwellings (per annum)	1,001	1,112

Setting the Economic-led Projections in Context

3.14 GL Hearn considers that these economic forecasts are likely to over-estimate employment growth potential for two reasons:

- The Experian model includes assumptions on population growth (based on the then latest SNPP) which are likely to over-estimate what is likely to occur, taking account of the available land supply. Employment growth in population driven sectors, such as education, health and retail, is not likely to be as strong as forecast; and
- There is a shortfall in the available supply of employment land in the City, which could potentially constrain employment in B-class sectors.

- 3.15 The Employment Land Study identified a shortfall of employment floorspace. Based on the then latest evidence (as set out in the 'alternative supply position') it estimated that there would be a shortfall of 39,930 sq.m of industrial (B2/B8) floorspace and 32,180 sq.m of office (B1) floorspace over the plan period. On this basis the forecast growth in distribution employment is unlikely to take place (the forecasts showing 420 net jobs growth); whilst for office-related sectors expected supply can be expected to be 35% lower than that forecast as needed, with an associated *pro rata* reduction in employment growth supported (in net terms) of 2,790 jobs.

Conclusions on Economic Evidence

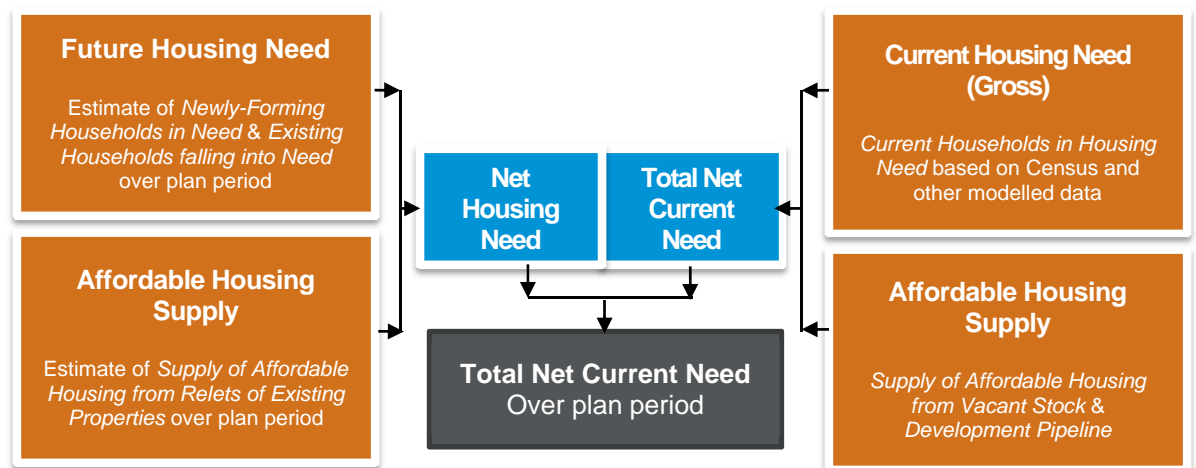
- 3.16 The demographic evidence considered in Section 2 concluded by identifying a baseline level of housing provision of 1,333 homes per annum (2010-30). Baseline econometric projections indicate housing need of between 1000 – 1112 homes per annum. The evidence does not suggest that, leaving aside land supply, there is a need to increase the assessed housing need to support economic performance.
- 3.17 Indeed the evidence suggests that taking account of policy, weaker population growth and employment land supply constraints, the Experian forecasts could be considered overly optimistic.

4 AFFORDABLE HOUSING NEED

4.1 Affordable housing need in Brighton & Hove was assessed in the 2012 Coastal West Sussex Strategic Housing Market Assessment (SHMA). GL Hearn and JGC have sought to undertake a selective update to the affordable housing needs model, taking account of more recent information including the demographic projections.

4.2 Affordable housing need has been assessed using the Basic Needs Assessment Model, in accordance with the CLG Practice Guidance. This model is summarised in the chart below.

Figure 12: Overview of the Affordable Housing Needs Assessment Model



4.3 Essentially the model considers the need arising from households who cannot afford market housing without some form of subsidy or support; and compares this against the supply arising from existing affordable housing and that within the development pipeline. The model is influenced by the differences between housing costs and incomes at the time of the assessment, and by the existing supply of affordable housing (which is influenced by past investment decisions). It is a somewhat theoretical model in that it assumes that all households who require support in meeting their housing needs will be provided with affordable housing – in reality, a significantly proportion of households live in the Private Rented Sector and receive financial support from Government through Local Housing Allowance.

4.4 In interpreting figures arising from the model it needs to be borne in mind that the need for affordable housing identified reflects need not just from additional households; but need arising from existing households who are currently housed, but might need alternative accommodation – such as those needing larger homes or those of a different tenure. Meeting the needs of these households does not necessarily require additions to the overall housing stock. Care must thus be

taken in comparing figures arising from the Basic Needs Assessment Model with demographic projections – it is not comparing “apples” with “apples.”

Incomes and Housing Costs

- 4.5 The affordable housing needs model takes account of information regarding housing costs, and compares this to the profile of incomes in Brighton & Hove. Data on rental costs has been taken from the Valuation Office Agency (VOA) Private Rental Market Statistics for the year to March 2015. Lower quartile house prices have been calculated from HM Land Registry Price Paid Data. These are shown below.

Table 13: Entry-Level Rental Costs – Brighton & Hove, Year to March 2015

Dwelling size	Monthly rent
Room only	£400
Studio	£550
1 bedroom	£700
2 bedrooms	£925
3 bedrooms	£1,200
4+ bedrooms	£1,646
All dwellings	£725

Source: VOA Private Rental Market Statistics

Table 14: Lower Quartile House Prices, 2014

Dwelling Type	Purchase Price
Detached	£322,400
Semi-Detached	£265,000
Terraced	£273,000
Flat/Maisonette	£178,000
All dwellings	£215,000

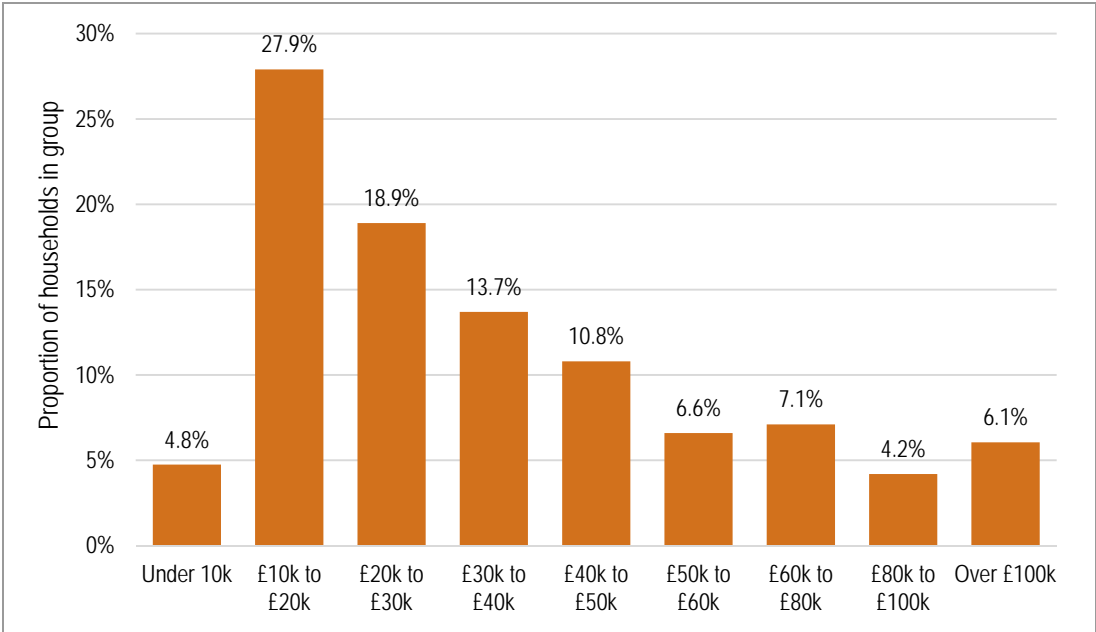
Source: HMLR Price Paid Data

- 4.6 The distribution of incomes for households within the City in 2014 has been modelled based on the following data sources:

- CACI from *Wealth of the Nation 2012* – to provide an overall national average income figure for benchmarking
- English Housing Survey (EHS) – to provide information about the distribution of incomes (taking account of variation by tenure in particular)
- Annual Survey of Hours and Earnings (ASHE) – to assist in looking at how incomes have changed from 2012 to 2014 (a 2% increase was identified from this source for the South East)
- ONS modelled income estimates – to assist in providing more localised income estimates for Brighton & Hove.

4.7 The analysis indicates that around a third (33%) of households in Brighton & Hove have an income below £20,000; with a further third in the range of £20,000 to £40,000. The overall average (median) income of all households in the City was estimated to be around £29,100 with a mean income of £38,300.

Figure 13: Income Distribution – Brighton & Hove



Source: Derived from ASHE, EHS, CACI and ONS data

4.8 The income distribution is compared against private sector housing costs, considering entry-level costs for rent and purchase (whichever is the cheaper) to assess the proportion of households who cannot meet their housing needs without financial support. This is considered further in the relevant parts of the modelling below.

Current Affordable Housing Need

4.9 A total backlog need for affordable housing across Brighton & Hove of 7,890 was estimated in the 2012 *Assessment of Affordable Housing Need Report*. This was based on information available from the Council's Housing Register at that time, and applying an affordability test.

4.10 The latest evidence from the Council's Housing Register indicates that the level of households on the Council's Housing Register seeking affordable housing has increased. As at April 2014 there were 13,319 households on the housing register and in a reasonable preference category (i.e. in need).

4.11 Consistent with the methodology used in the 2012 *Assessment of Affordable Housing Need*, an affordability test has been applied taking account of the difference between the overall income

profile and that expected for concealed households and those living in unsuitable housing. An estimated 87% of households with a current need are expected to have insufficient income to afford market housing. We therefore estimate a current need from 11,528 households.

Table 15: Estimated Current Affordable Housing Need, 2014

Area	On register and in need	% Unable to Afford	Gross Current Housing Need
Brighton & Hove	13,319	86.6%	11,528

Newly-Arising Need

- 4.12 Newly-arising need is made of two components: that arising from newly-forming households, and from existing households falling into need.
- 4.13 Based on the demographic modelling is estimated that *gross* new household formation will be of 2,786 households per year. This is calculated using the 2012-based SNPP and 2012-based CLG headship rates (along with a small updating to take account of 2013 mid-year population estimates), considering the growth in households in specific 5 year age bands over a five year period compared to those in the age band below, up to the age of 45. The approach is consistent with that recommended in the CLG 2007 SHMA Guidance which set out how gross household formation should be calculated.
- 4.14 The average income of newly-forming households is modelled to be 84% of that of all households. This takes account of survey data, including from the English Housing Survey. Comparing incomes to housing costs in Brighton & Hove, it is estimated that 58% of newly-forming households will not be able to afford entry-level market housing costs without support. Applying this to the estimated gross new household formation, it is calculated that 1,629 newly-forming households per year will have an affordable housing need.

Table 16: Estimated Annual Need Arising from Newly-Forming Households

Area	Gross Annual New Household Formation	% Unable to Afford	Total Newly-Forming Households in Need
Brighton & Hove	2,786	58.5%	1,629

Source: Projection Modelling/Income Analysis

- 4.15 Estimates of existing households falling into need have been derived from the Continuous Online Recording System (CoRe), considering households who have fallen into need over the past five years and been housed; and then discounting newly-forming households (e.g. those currently living with family) as well as those who have transferred from another social / affordable home. An affordability test has been applied, although relatively few households are estimated to have

sufficient income to afford market housing. **The analysis identifies a need arising from 590 existing households each year.**

- 4.16 The approach for assessing existing households falling into need is consistent with that recommended in the 2007 SHMA Guidance which says on page 46 that '*Partnerships should estimate the number of existing households falling into need each year by looking at recent trends. This should include households who have entered the housing register and been housed within the year as well as households housed outside of the register (such as priority homeless households applicants)*'.

Supply of Affordable Housing

- 4.17 The future supply of affordable housing is the flow of affordable housing arising from the existing stock that is available to meet future need. It is split between the annual supply of social/affordable rent relets and the annual supply of relets/sales within the intermediate sector.
- 4.18 The PPG suggests that the estimate of likely future relets from the social rented stock should be based on past trend data which can be taken as a prediction for the future. We have used information from the Continuous Recording system (CoRe) to establish social housing turnover. Our figures include general needs and supported lettings over the last two years, but exclude lettings of new properties plus an estimate of the number of transfers from other social rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing stock. Additionally an estimate of the number of 'temporary' supported lettings have been removed from the figures (the proportion shown in CoRe as being lettings in direct access hostels or foyer schemes (of which there are very few identified in Brighton & Hove)).
- 4.19 On the basis of past trend data it has been estimated that 802 units of social/affordable rented housing are likely to become available each year moving forward through relets of existing stock.

Table 17: Estimated Annual Supply from Relets of Social / Affordable Rented Homes

Brighton & Hove	
Total lettings	1,548
% as non-newbuild	96.2%
Lettings in existing stock	1,489
% non-transfers	55.8%
Sub-total	832
% non-temporary housing	96.5%
Total lettings to new tenants	802

Source: CoRe/ JGC

- 4.20 The supply figure is for social/affordable rented housing only and whilst the stock of intermediate housing in Brighton & Hove is not significant compared to the social/affordable rented stock, it is likely that some housing does become available each year (e.g. resales of shared ownership). For the purposes of this assessment, data from CoRe has again been utilised about the number of sales of homes that were not new-build. From this it is estimated that around 17 additional properties might become available per annum. The total supply of affordable housing from re-lets is therefore estimated to be 819 per annum.

Table 18: Estimated Total Annual Supply of Affordable Housing from Re-lets of Existing Stock in Brighton & Hove

Area	Social/affordable rented relets	Intermediate housing 'relets'	Total Annual Supply from Relets
Brighton & Hove	802	17	819

Source: CoRe/ JGC

- 4.21 The third component of supply identified in the PPG is that arising from the committed supply of new affordable units at the point of the assessment. This is expected to be subtracted from the current affordable housing need. The City Council's monitoring data indicates that at the time of this assessment there are 254 affordable housing units with planning permission which are yet to be completed.

Overall Affordable Housing Need

- 4.22 Table 19 brings together the analysis to provide an overall assessment of affordable housing need, using the Basic Needs Assessment Model. The model compares the balance between newly-arising need (from newly-forming households and existing households falling into need) against supply (from re-lets of existing stock). The committed supply of affordable housing is subtracted from the current affordable housing need, and converted into an annual flow over the remainder of the plan period (to support comparison with demographic projections), following the approach advocated in the PPG.

4.23 The analysis identifies that taking account of the current and pipeline stock of affordable housing, there is a net need from 2,120 households per annum requiring support to meet their housing needs.

Table 19: Affordable Housing Need

		Brighton & Hove
A	Current Gross Affordable Need	11,528
B	Committed Supply of Affordable Housing	254
C	Total Net Current Affordable Need	11,274
D	Total Net Need per Annum to 2030 (C / 16)	705
E	Annual Need from Newly-Forming Households	1,629
F	Annual Need from Existing Households Falling into Need	590
G	Total Annual Gross Newly-Arising Need (E + F)	2,219
H	Annual Supply from Relets of Social & Affordable Rented Homes	802
I	Annual Supply from Relets of Intermediate Housing	17
J	Total Future Annual Supply from Re-Lets (H + I)	819
K	Annual Net Need for Affordable Housing (D + G - J)	2,105

4.24 The table below provides a summary comparison between the outputs of the modelling in this report and a similar analysis carried out in December 2012. In the earlier analysis, affordable needs were considered over a 5-year period (2012-17) rather than the 16-year period in this report – this impacts on the current annual need within the modelling and to ensure consistency the current need estimate in the 2012 work has been divided by 16 to align with a 16-year period in this analysis.

4.25 Overall the analysis suggests a lower level of need in this report than the earlier assessment (2,105 per annum compared with 2,523). Looking at the detail it can be seen that the current need has increased (consistent with an increase in the size of the Housing Register), existing households falling into need is roughly the same and the estimated supply is identical (albeit with a slightly different split between social/affordable rented and intermediate housing).

4.26 The key difference between the assessments is therefore down to the estimated number of newly forming households falling into need – where the figure has gone from 2,226 to 1,629 per annum. This difference is driven by a different assessed level of affordability rather than the number of newly forming households expected (2,786 per annum in this assessment and 2,724 in 2012). The assessed proportion of newly forming households unable to afford has dropped from 81.7% in 2012 down to 58.5% in this report – this difference is partly due to the assessment of entry-level housing costs (based in this assessment on VOA data and in the earlier work using a local market survey (which tends to show higher cost)) and partly due to moving from a 25% to a 30% threshold for

affordability. A 30% threshold is considered appropriate in Brighton & Hove due to relatively high private rental costs.

4.27 Overall, however, it is clear from both assessments that there is a significant need for affordable housing in the City.

Table 20: Estimated level of Affordable Housing Need (per annum)

	This assessment	2012 assessment
Current need (net)	705	493
Newly forming households	1,629	2,226
Existing households falling into need	590	622
Supply from relets	819	819
Net Need	2,105	2,523

Relating Affordable Housing Need and OAN

4.28 The analysis above identifies a need for 2,105 affordable homes per year if all households who could not meet their housing needs without financial support were to be provided with an affordable home.

4.29 Over the last six years (2008/9 – 2013/14) for which monitoring data is available, delivery of affordable housing has averaged 105 dwellings per annum. This represents an average of 25% of net annual housing completions.

4.30 The core demographic projection identify a need for 26,660 homes per annum between 2010-30. 1,402 net completions were delivered between 2010-14. This results in a need to deliver 25,258 homes per annum over the remaining period to 2030 (1579 per annum).

4.31 The affordable housing need thus nominally represents 134% of the need derived from the demographic projection. However, a direct comparison between these numbers is not considered to be robust way to understand the link between affordable need and OAN. This point was very clearly picked up in the PAS guidance of June 2014 where it is stated (in para 2.12) that '*affordable housing need is a different kind of number from total need (the OAN), so the two numbers are not directly comparable*'. In understanding the link between affordable need and the OAN there are two important considerations:

- To understand the extent to which households in need are already living in housing; and
- To understand the role played by the private rented sector in meeting need

Households Already Living in Housing

- 4.32 The first issue to consider is to note that a proportion of those included in the model will already be living in housing (albeit not housing that it suitable for them for some reason (such as size or cost)). If these households were to move to an affordable home then their current dwelling would become available for another household and there would be no net need for an additional dwelling.
- 4.33 This point is made in the recent Planning Advisory Service (PAS) Technical advice note (Objectively Assessed Need and Housing Targets) – June 2014. In Section 7 (para 7.3), it recognises that:

‘As defined in the PG, affordable need also includes housing for existing households – including those that are currently in unsuitable housing and those who will ‘fall into need’ in the plan period (i.e. their housing will become unsuitable for them). For the most part the needs of these households are not for net new dwellings. Except for those who are currently homeless or ‘concealed’. If they move into suitable housing they will free an equivalent number of existing dwellings, to be occupied by people for whom they are more suitable. If the affordable needs of existing households are included in the OAN, the resulting figure will too large’.

- 4.34 Looking on this basis at the need for affordable housing it can be seen that the net need for affordable homes in the City is 810 per annum (E – J). This represents 61% of the projected need (2014-30) arising from the demographic projections, taking account of completions to date.

The Role of the Private Rented Sector (PRS)

- 4.35 A notable number of households who are identified within the Basic Needs Assessment Model as having an affordable housing need secure accommodation in the Private Rented Sector, supported by Local Housing Allowance (LHA). Government legislated through the 2011 Localism Act to support this.
- 4.36 Whilst the role of the PRS is not specifically mentioned in the NPPF or PPG, it was recognised in previous CLG SHMA Guidance. The 2007 Guidance outlined that that “*some households in need may choose to live in the private rented sector (possibly with the use of housing benefit) or housing that would be classified as unsuitable, even though they are eligible for affordable housing*”. [p49]. The same page continues by posing a ‘research question’ of ‘*how is the private rented sector used to accommodate housing need?*’
- 4.37 Therefore it is clear that CLG does recognise the role played by the Private Rented Sector and would expect this to be considered in analysis. Whilst the 2007 Guidance has now been replaced by the PPG, there is no clear evidence that there has been any change in approach to this topic. Indeed it is clear that Central Government does see a role for the Private Rented Sector, as the Localism Act identifies. If it didn’t then there would be no benefit system available for those unable

to access the market and local authorities would not be able to discharge their homelessness duties into the sector. In short, the Private Rented Sector cannot be ignored as a source of supply as it is an integral part of the overall operation of a housing market.

- 4.38 Data from the Department of Work and Pensions (DWP) has been used to look at the number of LHA supported private rented homes. As of February 2015 it is estimated that there were 12,483 benefit claimants in the Private Rented Sector. What this information does not show is how many lettings are made each year to tenants claiming benefit as this will depend on the turnover of stock. From English Housing Survey it is estimated that the proportion of households within the private sector who are “new lettings” each year (i.e. stripping out the effect of households moving from one private rented property to another) is around 13%. Applying this to the number of LHA claimants in the Private Rented Sector gives an estimate of 1,623 private sector lettings per annum to new LHA claimants in the City. This figure is derived from claimants rather than households and it is possible that there are a number of multiple LHA claimant households (i.e. in the HMO sector).
- 4.39 Relating this to the affordable housing needs modelling, it is clear that currently the PRS is playing a substantial role in accommodating lower income households who cannot meet their needs in the wider market without support. It is more than catering for the shortfall in affordable housing provision.
- 4.40 With 30% and 35% affordable housing delivery from a residual requirement for 737 homes per year, between 221 – 258 affordable homes might be delivered. This would imply that between 1847 - 1884 households would continue to have their needs met per annum through PRS lettings, supported by Local Housing Allowance. This is above the current level, and indicates a need to increase the OAN to ensure that it meets full housing needs.

Implications

- 4.41 The analysis identifies a need for 2105 affordable homes per year if all households who could not meet their housing needs without financial support were to be provided with an affordable home. This nominally represents 133% of the need derived from the demographic projection (2014-30). Once account is taken of existing households (who would release homes by moving to another property), a net need of 810 per annum is identified which is 61% of the projected need from the demographic projections.
- 4.42 The evidence suggests a shortfall in the need for and supply of affordable housing, justifying policies seeking new provision. The Private Rented Sector currently supports around 1623 lettings to households who would be defined as having an affordable housing need. With delivery of 30% - 40% affordable housing in line with policies in the Draft City Plan Part I, and continuing supply from the Private Rented Sector, the evidence still points to a need for higher housing provision.

4.43 There is clearly a high affordable housing need in the City, and particular affordability pressures. The affordable needs evidence provides justification for considering higher housing provision in order to enhance affordable housing delivery. This is considered further, alongside evidence of market signals, in the next section.

5 HOUSING MARKET DYNAMICS AND MARKET SIGNALS

5.1 In line with the Planning Practice Guidance, we have sought to analyse in detail the housing market dynamics.

5.2 Planning Practice Guidance sets out that the “market signals” should be considered to assess affordability levels and whether this is deteriorating, and provide information regarding the supply/demand balance for housing. The PPG outlines that:

“The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings. Prices or rents rising faster than the national/local average may well indicate particular market undersupply relative to demand.”

5.3 Market signals provide information on the supply/demand balance for market housing. Relevant market signals identified in the PPG include:

- Land Prices;
- House Prices;
- Rents;
- Lower Quartile House Price to Income Ratios;
- Rates of Development; and
- Levels of overcrowded, concealed and shared households.

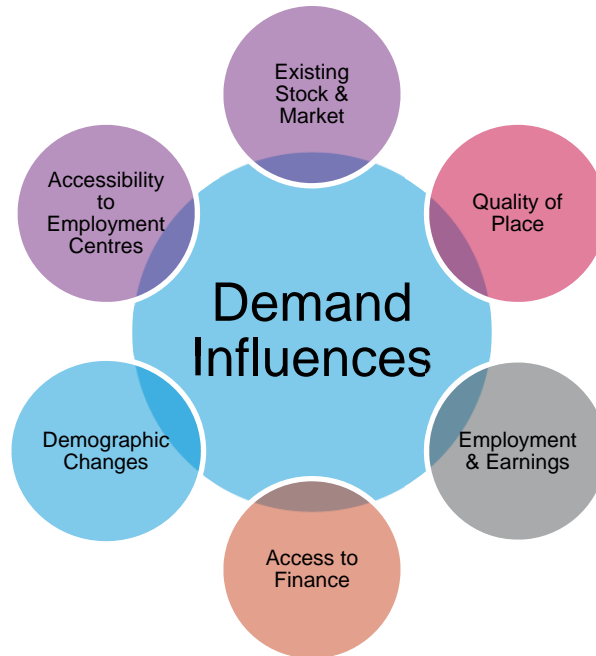
5.4 GL Hearn considers that sales trends are also an important indicator of effective demand for market housing. Whilst land values are identified in the PPG, up-to-date published data on land values is not available.

Overview of the Housing Market and Economy

Conceptual Framework

5.5 It is important to understand that the housing market is influenced by macro-economic factors, as well as the housing market conditions at a regional and local level. There are a number of key influences on housing demand, which are set out in the diagram below:

Figure 14: Understanding Housing Demand Drivers



Source: GLH

- 5.6 At the macro-level, the market is particularly influenced by interest rates and mortgage availability, as well as market sentiment (which is influenced by economic performance and prospects at the macro-level). In the recent recessionary period, these macro conditions have been particularly prominent in driving the housing market.
- 5.7 The market is also influenced by the economy at both regional and local levels, recognising that economic employment trends will influence migration patterns (as people move to and from areas to access jobs) and that the nature of employment growth and labour demand will influence changes in earnings and wealth (which influences affordability).
- 5.8 Housing demand over the longer-term is particularly influenced by population and economic trends: changes in the size and structure of the population directly influence housing need and demand, and the nature of demand for different housing products.
- 5.9 There are then a number of factors which play out at a more local level, within a functional housing market and influence demand in different locations. The importance of these local factors is perhaps more pronounced in stable or healthy economic times, when mortgage availability and market liquidity are far less of a constraint on activity. Local factors include:
- quality of place and neighbourhood character;
 - school performance and the catchments of good schools;

- the accessibility of areas including to employment centres (with transport links being an important component of this); and
- the existing housing market and local market conditions.

5.10 These factors influence the demand profile and pricing within the market. At a local level, this often means that the housing market (in terms of the profile of buyers) tends to be influenced and consequently reinforce to some degree the existing stock profile. However, regenerative investment or delivery of new transport infrastructure can influence the profile of housing demand in a location, by affecting its attractiveness to different households.

5.11 Local housing markets or sub-markets are also influenced by dynamics in surrounding areas, in regard to the relative balance between supply and demand in different markets; and the relative pricing of housing within them. Understanding relative pricing and price trends is thus important.

Local Demand Indicators and Market Signals

House Prices

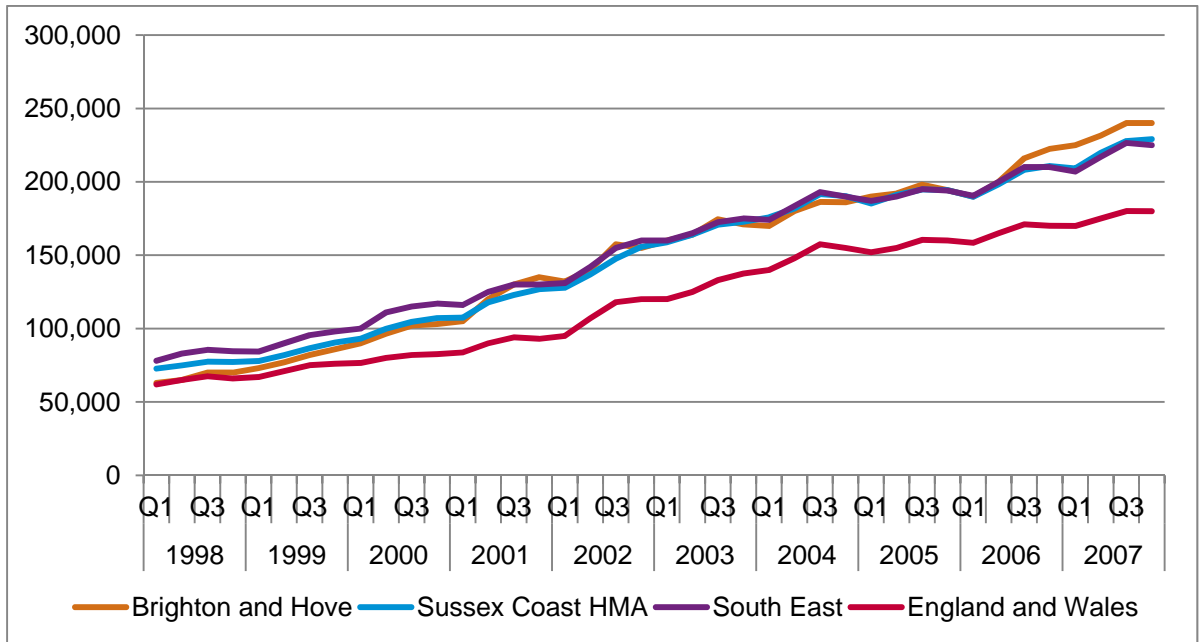
5.12 The mean house price in Brighton and Hove in 2014 was £331,000 whilst the median was £275,000. On average, prices in Brighton and Hove are higher than the average seen across the Sussex Coast Housing Market Area (HMA). Of the Sussex Coast authorities, only Chichester has higher average house prices with a mean of £380,000 and a median of £292,000.

5.13 Average house prices in all of the other HMA authorities are lower: in Lewes the mean price is £302,000 and the median is £250,000; in Adur the mean price is £266,000 and the median is £242,000; in Arun the mean price is £260,000 and the median is £228,500; and in Worthing the mean price is £241,000 and the median is £225,000.

5.14 Figure 15 profiles median house prices from 1998 to 2007 (i.e. the pre-recession decade). It shows median values for Brighton and Hove along with the average of the Sussex Coast HMA authorities, and the South East region, and England and Wales figures.

5.15 Over this period the median house price in Brighton and Hove grew from £63,000 in Q1 1998 to £240,000 by Q4 2007 – an increase of £177,000 (280%). This increase is the highest of the Sussex Coast HMA authorities over this period. By comparison the HMA saw an overall increase of £165,500 (215%) over this period. The South East saw a £147,000 (188%) increase, and England and Wales saw a 118% (190%) increase over this period.

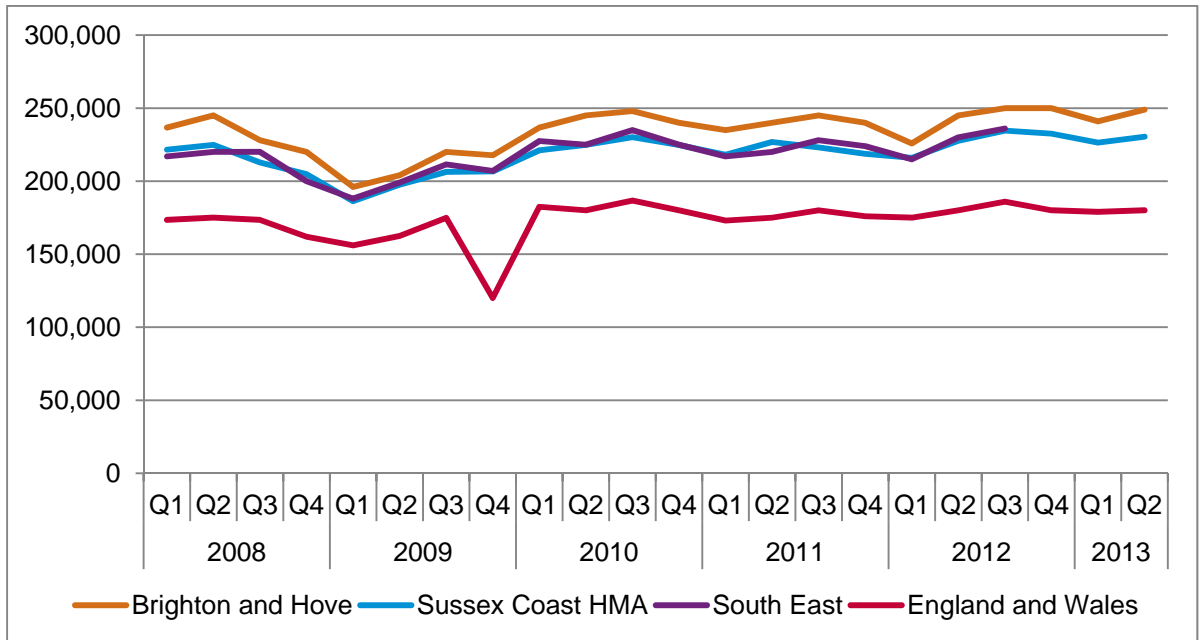
Figure 15: Median House Price (1998-2007)



Source: DCLG Live Tables: Land Registry Data

- 5.16 Since 2007, national trends in house prices have been very different due to the economic backdrop. Prices in Brighton and Hove experienced notable price falls in late 2008 / early 2009 at the onset of the recession, as was the case regionally and nationally, followed by a period of growth throughout the second half of 2009 and into 2010. Prices have remained roughly level since.
- 5.17 As of Q2 2013 median house prices in Brighton were £249,000 – up 5% on 2007 figures. By comparison Sussex Coast HMA saw a 4% increase which is in line with the national trend.

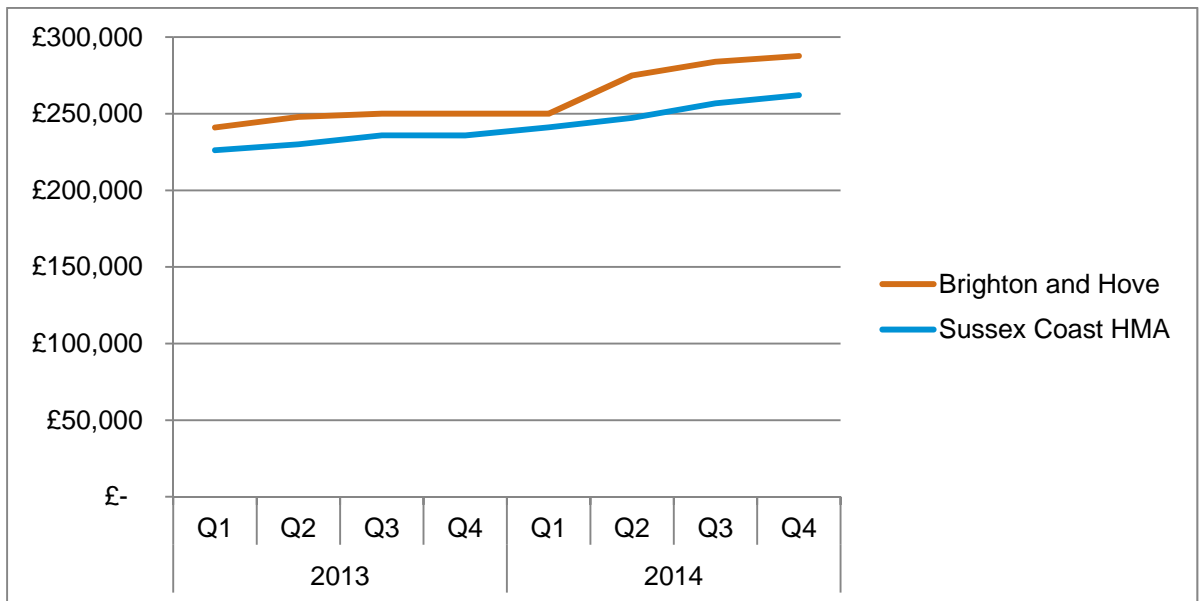
Figure 16: Median House Price (2008-2013)



Source: DCLG Live Tables: Land Registry Data

5.18 Although taken from a different source, Figure 18 shows median house prices over the past 2 years (2013 – 2014). This shows an upward trend in average house price in Brighton and Hove and the Sussex Coast HMA. The median price in Brighton and Hove increased by £47,000 (19%) over this period. The Sussex Coast HMA saw an increase of £36,000 (16%).

Figure 17: Median house prices (2013-2014)

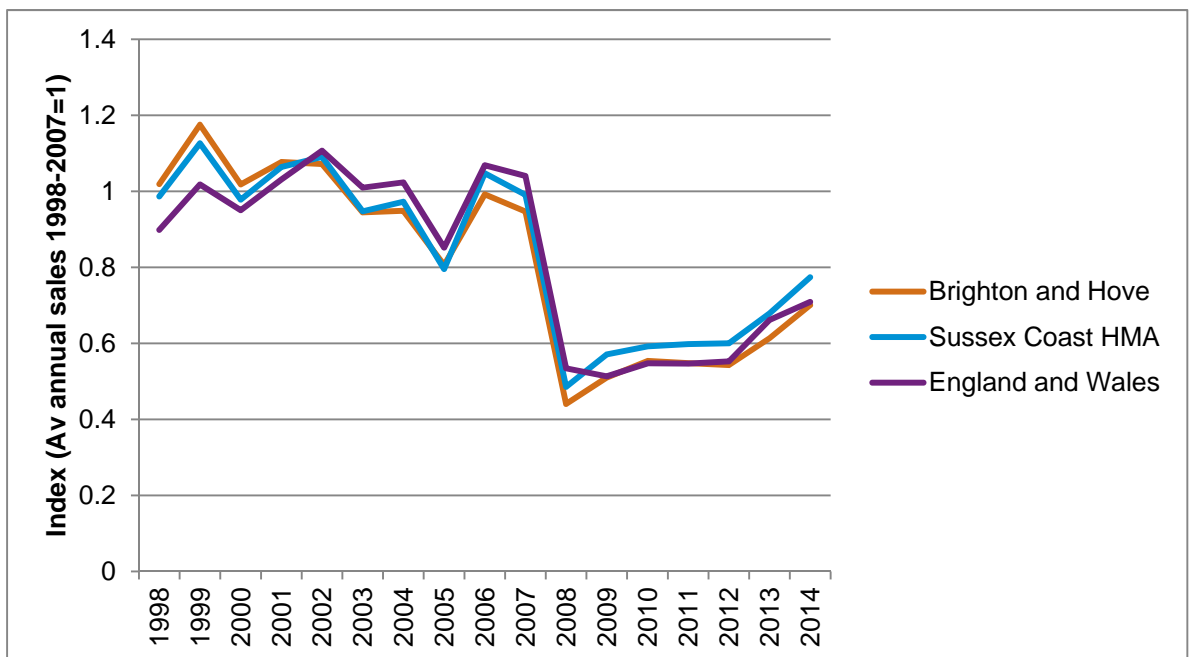


Source: GLH Analysis: Land Registry Price Paid Data

Sales Volumes and Effective Demand

- 5.19 Sales volumes are an important indicator of effective demand for market housing. We have benchmarked sales performance against long-term trends to assess relative demand. Figure 19 benchmarks annual sales in Brighton and Hove and comparator areas over the period 1998 to 2014. It uses an index where 1.00 is the average annual sales over the 1998-2007 pre-recession decade.
- 5.20 As illustrated in Figure 18, the impact of the 2008 recession was experienced across all geographical areas with sales volumes experiencing a significant drop between 2007 and 2008. Following the recessionary slump, sales volumes have remained well below pre-recession levels. Brighton and Hove has followed this national trend.
- 5.21 Although taken from a different data set, sales volumes in 2013 and 2014 appear to have strengthened in all areas, although they remain well below pre-recession levels. As of 2014, sales volumes in Brighton and Hove remain at 70% of the pre-recession average. This is notably lower than the rates across the Sussex Coast HMA which is at 77% of pre-recession levels.

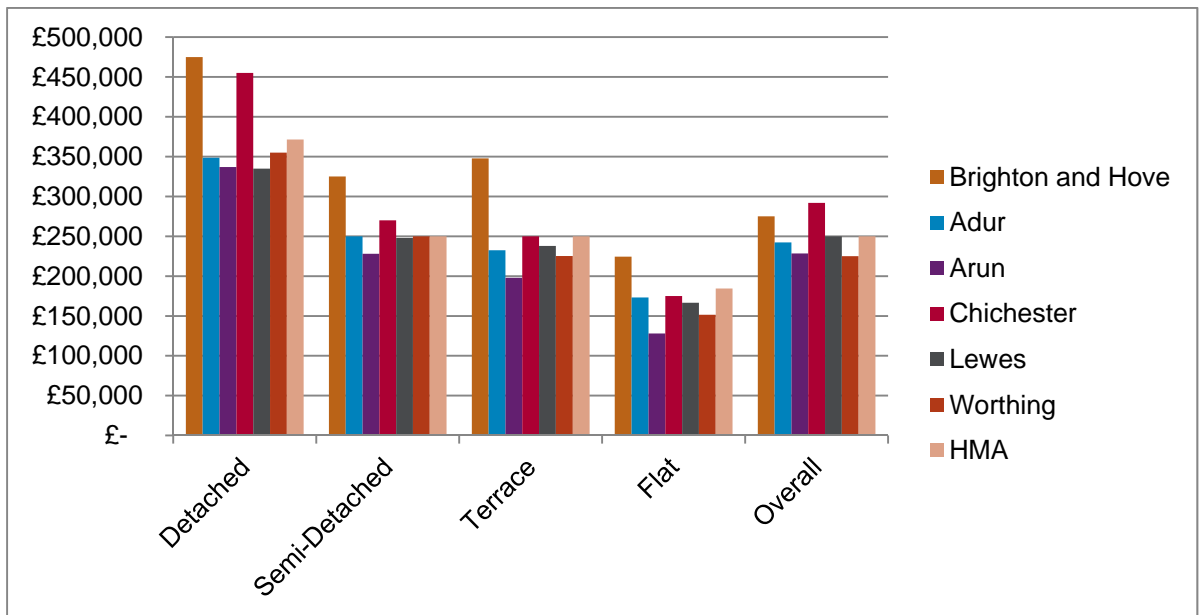
Figure 18: Indexed Analysis of Sales Trends (1998 – 2014)



Source: DCLG and Land Registry Price Paid Data

- 5.22 We have also analysed house prices achieved over past year (January to December 2014 incl.) in more detail to gain an understanding of the latest dynamics for different property types within the local housing market. This is shown in the figure overleaf.

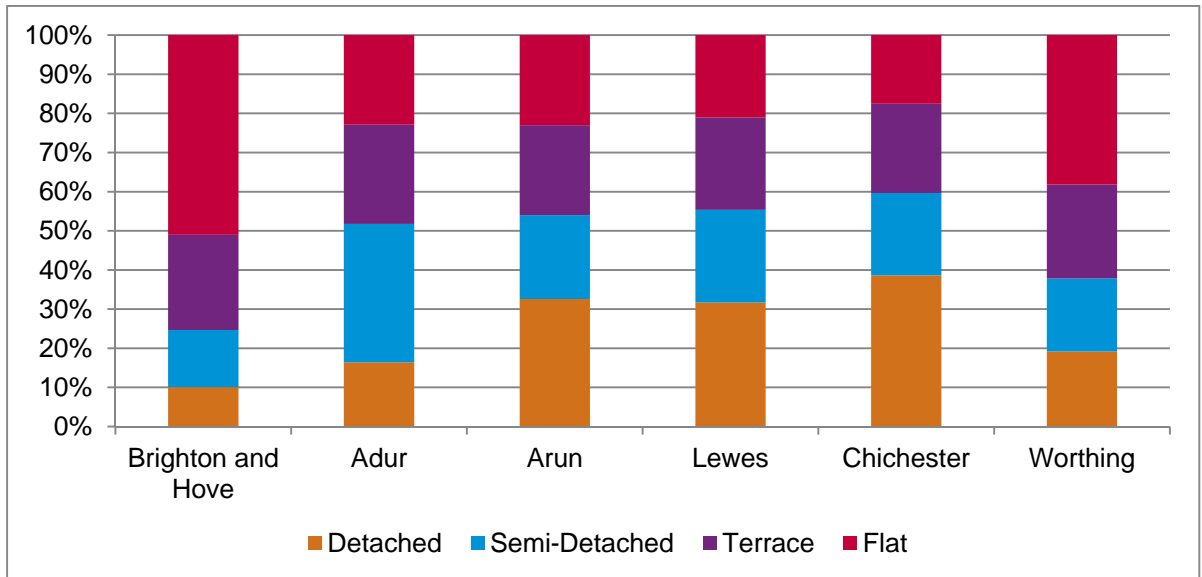
Figure 19: Median House Prices (Jan–Dec 2014)



Source: GLH Analysis: Land Registry Price Paid Data

- 5.23 Figure 19 shows median house prices by different dwelling types. For each dwelling type the median price is higher in Brighton and Hove than any of the other HMA authorities.
- 5.24 The median price for detached houses in Brighton and Hove is £475,000. This is £20,000 more than median prices in Chichester, with prices in the other HMA authorities well below this. The median price for Semi-detached in Brighton and Hove is £325,000 – well above prices in the other authorities. Terrace house prices in Brighton and Hove are considerably higher than elsewhere in the HMA. The Brighton and Hove median of £348,000 almost £100,000 higher than the HMA average. Again the median price for flats at £225,000 is higher in Brighton and Hove than elsewhere.
- 5.25 The overall median house price in Brighton does not reflect the high prices of the type for type comparison above. This is due to the proportion of each house type in each of the districts. The proportion of sales in 2014 by dwelling type is shown overleaf. This shows that over half (51%) of sales in Brighton and Hove were for flats – a much higher proportion than elsewhere (the HMA average is 33%). Conversely only 10% of sales were detached houses – a much lower proportion than elsewhere (HMA average is 23%).
- 5.26 This higher proportion of sales of cheaper dwelling types in Brighton skews the overall median house price making the city appear more affordable in comparison to the rest of the HMA than the type by type comparison suggests is the case.

Figure 20: Sales Volume by Dwelling Type (Jan–Dec 2014)

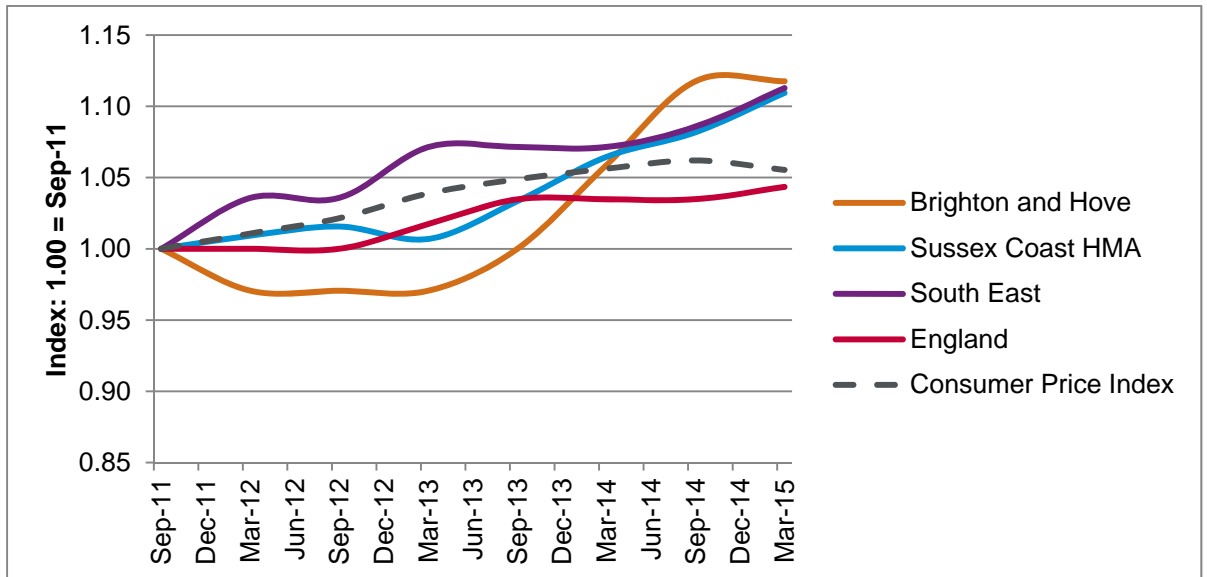


Source: GLH Analysis: Land Registry Price Paid Data

Rental trends

- 5.27 The most recent VOA private rental data (March 2015) shows the median rental price in Brighton and Hove is £950pcm. This is considerably higher than the Sussex Coast HMA median of £803pcm, the South East median of £779pcm, and the England median of £600pcm.
- 5.28 Figure 21 below shows the median rental values benchmarked to September 2011 values. Also shown in Figure 22 is the Consumer Price Index (CPI). This shows that the median private rental value in Brighton and Hove has grown by 12% over this period. Growth has been particularly strong since March 2013, well exceeding the trends seen in other areas.
- 5.29 The 12% growth seen in Brighton and Hove over this period is considerably above the inflation rate of 6% meaning that house prices have increased in real terms. This is the case across the Sussex Coast HMA and the South East. However nationally the 4% increase has been below inflation.

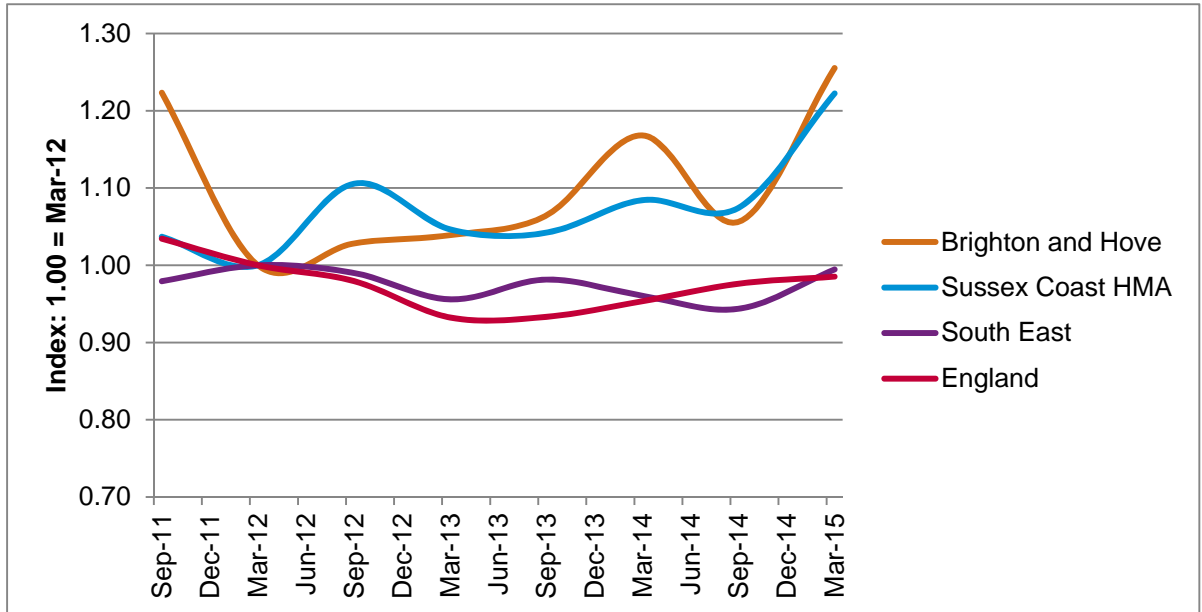
Figure 21: Benchmarked Trend in Median Private Rental Values (Sep 2011 – Mar 2015)



Source: VOA Private Rental Data

- 5.30 Figure 22 below shows trends in the number of private rental transactions recorded by the VOA benchmarked against March 2012 figures. This shows a general upward trend in Brighton and Hove although there are considerable fluctuations, which are symptomatic of smaller sets of data. The March 2015 transaction figures are up 26% on the figures from March 2012, however the September 2014 figure was up only 6%.
- 5.31 The Brighton and Hove trend is similar to the general trend seen across the Sussex Coast HMA. Growth in both areas is considerably above wider regional and national trends. Nationally there has been a slight downward trend of 6% which is an indication of households returning to owner occupation as a result of improved mortgage availability and the impact of Government schemes such as Help to Buy. A similar decrease has been seen across the South East as a whole.

Figure 22: Trend in private rental transactions (Sep 2011 – Mar 2015)

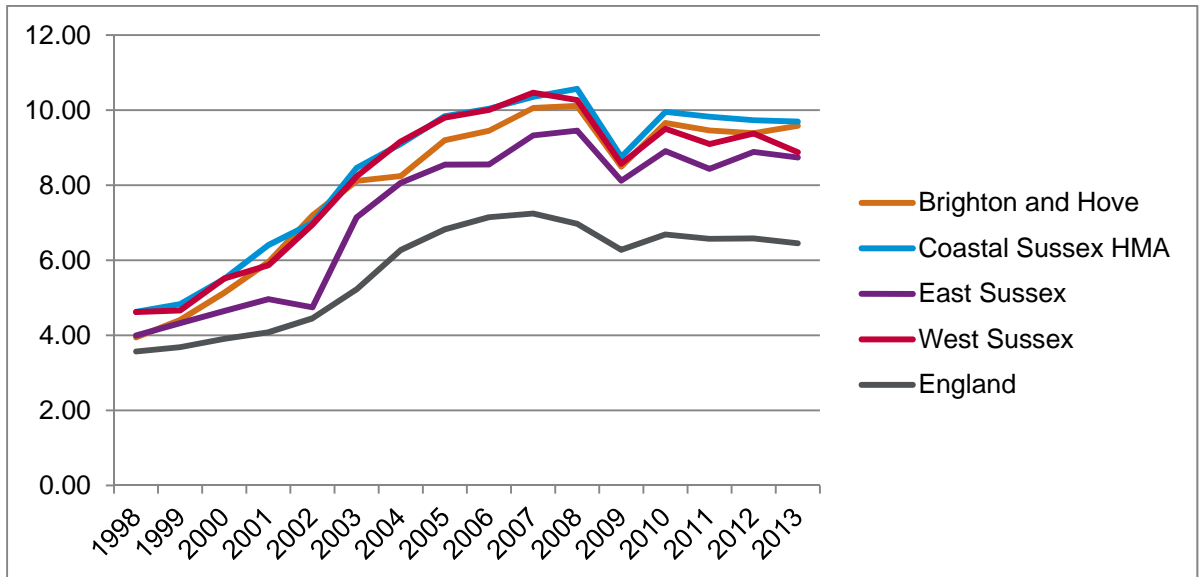


Source: VOA Private Rental Data

Affordability of Market Housing

- 5.32 We have considered evidence of affordability by looking specifically at the relationship between lower quartile house prices and lower quartile earnings. As of 2013 the lower quartile house prices in Brighton and Hove are 9.6 times higher than lower quartile earnings. This is slightly below the average figure across the Coastal Sussex HMA which is 9.7. These figures are higher than the figure for East Sussex (8.7) and West Sussex (8.9). All of these figures are considerably above the national average ratio which is 6.5.
- 5.33 As a general observation, we can see that across all areas the affordability of property has worsened quite markedly over the past 15 years. In Brighton and Hove the lower quartile affordability ratio has increased from 3.9 in 1998 to 9.7 in 2013 – an increase of 143%. This increase seen in Brighton and Hove is bigger than that seen in any of the comparator areas, meaning that the gap between house prices and earnings has widened more quickly in Brighton and Hove than elsewhere.

Figure 23: Lower Quartile Affordability Trend (1998-2013)



Source: DCLG Housing Market Live Tables

5.34 Table 21 compares the lower quartile affordability ratio to the median price-earnings ratio to identify whether affordability is an issue across the market or within a particular segment. In Brighton and Hove the median ratio is 10.1 – which is above the lower quartile figure – indicating that affordability at the lower end of the market is slightly less constrained than other segments.

Table 21: Comparison of lower quartile and median affordability (2013)

	Lower Quartile Ratio	Median Ratio	Difference
Brighton and Hove	9.6	10.1	-0.5
Coastal Sussex HMA	9.7	9.5	0.2
East Sussex	8.7	9.0	-0.2
West Sussex	8.9	8.7	0.2
England	6.5	6.7	-0.3

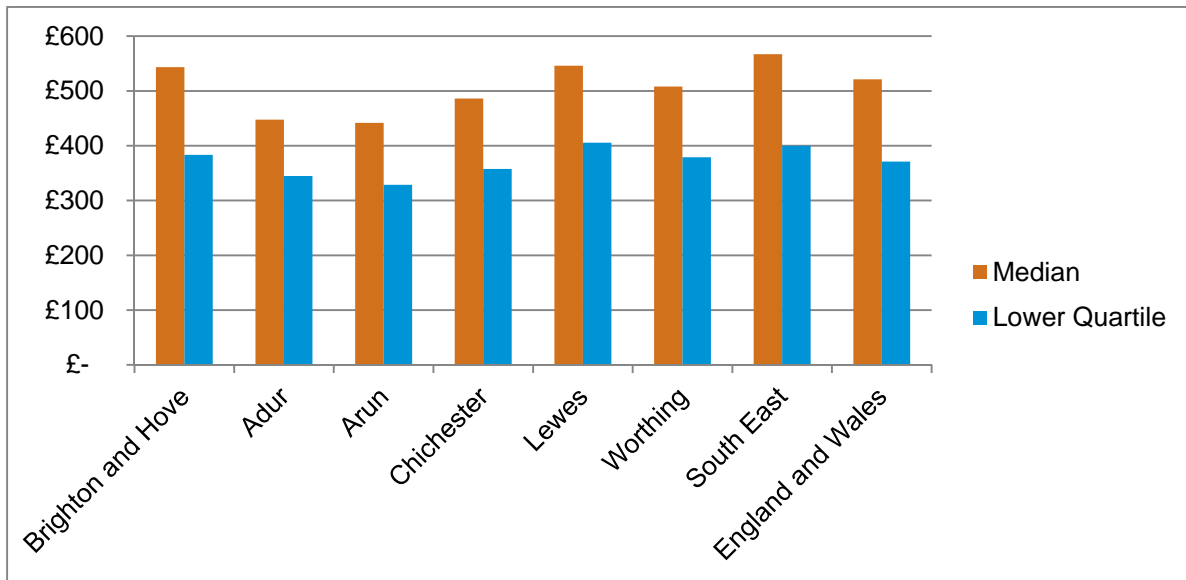
Source: DCLG Housing Market Live Tables

5.35 Affordability is influenced by house prices and earnings. Figure 25 overleaf compares the median and lower quartile gross weekly earnings by place of residence. Median earnings in Brighton and Hove are £543 per week which is slightly below the Lewes median but above all other Sussex Coast authorities. Lower quartile earnings in Brighton and Hove are £383pw which is again lower than Lewes but higher than elsewhere in the HMA. Earnings (median and lower quartile) in Brighton and Hove are below the South East average of £567pw - which is influenced by higher London wages – but above the national rate of £521pw.

5.36 This emphasises that the median and lower quartile affordability ratios are higher in Brighton and Hove than elsewhere despite the having relatively high median and lower quartile earnings. This

suggests that the relative lack of affordability in Brighton and Hove is driven by high property prices rather than low wages.

Figure 24: Weekly earnings (gross) of full time workers - Residents (2014)



Source: Annual Survey of Hours and Earnings

- 5.37 Nationally, a combination of the deteriorating affordability of market homes, restricted access to mortgage products and a lack of social housing supply over the 2001-11 decade has resulted in fewer households being able to buy and increased pressures on the existing affordable housing stock. This has resulted in strong growth in the private rented sector as households are being forced to rent longer. This is illustrated in Figure 26 overleaf.

- 5.38 This phenomenon has been more prevalent in Brighton and Hove than in any of the comparator areas. Over this period Brighton and Hove has seen a 7.8 percentage point decrease in the number of households living in owner occupied accommodation and a 7.8 percentage point increase in numbers living in the private rented sector – a larger swing than seen elsewhere. This suggests that the impacts of the increased market pressures are being felt more acutely in Brighton and Hove than elsewhere.

Figure 25: Change in Households by Tenure (2001-11)



Source: 2001 & 2011 Censuses

- 5.39 Nationally, a symptom of this is increased over-crowding and a growth of households living in Houses in Multiple Occupation (HMOs) as households fail to form properly. HMOs in Brighton are in particular a reflection of the student population. As the student population has grown, we have seen an increase in HMOs from 8.2% to 10.9% of properties between 2001-11.
- 5.40 Over-occupation of properties is above average, and has grown (as measured using the Census Occupancy Rating). It increased from 12.7% to 19.1% of households between 2001-11.

Figure 26: Changes in Over Occupied and Houses in Multiple Occupation (2001-2011)

	Over Occupied			HMOs		
	2001	2011	Change	2001	2011	Change
Brighton and Hove	12.7%	17.1%	4.4%	8.2%	10.9%	2.6%
Sussex Coast HMA	7.9%	10.2%	2.3%	5.2%	6.9%	1.7%
South East	5.9%	7.5%	1.5%	4.5%	5.4%	0.9%
England and Wales	7.0%	8.5%	1.6%	4.5%	5.7%	1.2%

Source: 2001 & 2011 Censuses

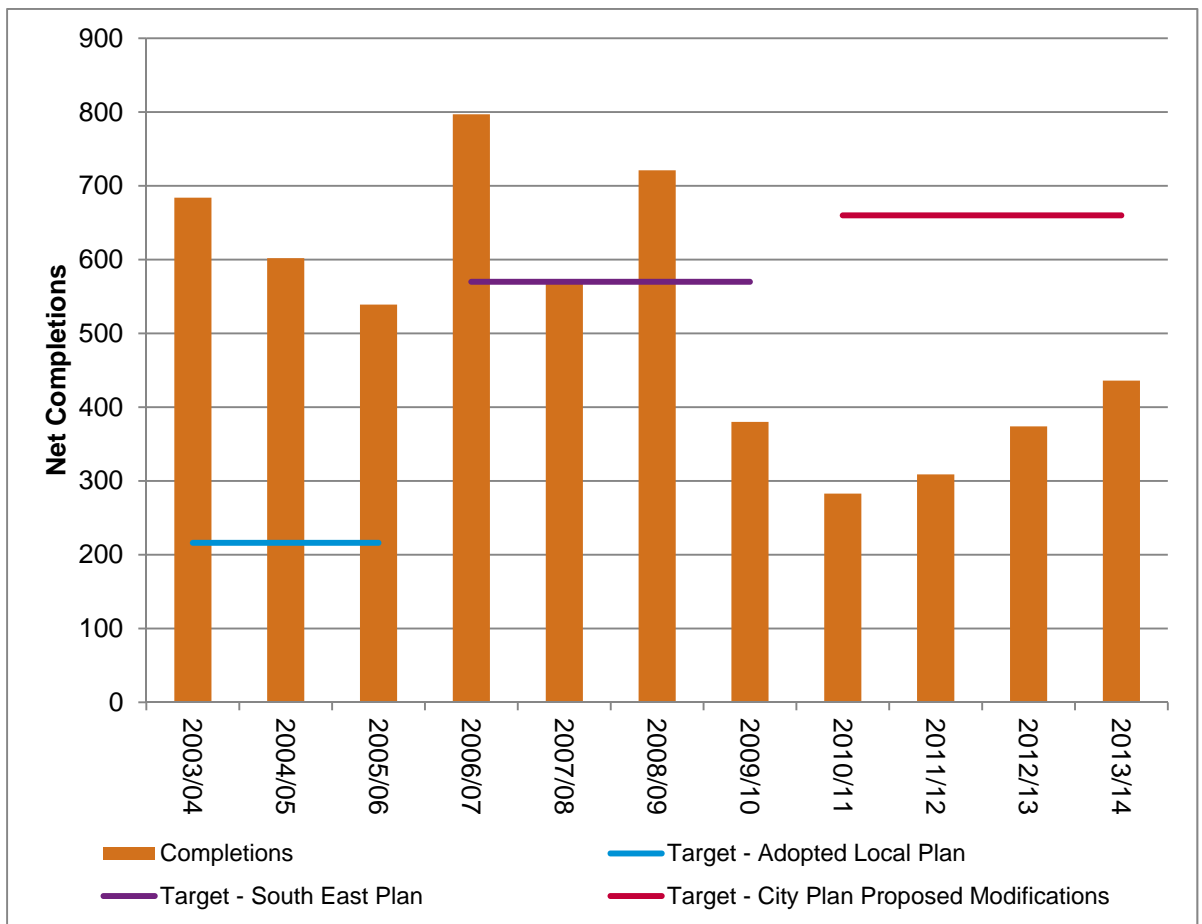
Past Housing Supply vs. Targets

- 5.41 We have examined housing completions data for Brighton and Hove over the last decade (2003/4 – 2013/14). Figure 27 overleaf shows net housing completions against the annual housing target relating to the relevant period. It should be borne in mind that the South East Plan was published in

May 2009, and that the City Plan target has yet to be adopted (and has changed since the plan was submitted).

5.42 Over this period, housing delivery has exceeded the target in five years. Understandably, given the wider demand evidence, housing delivery has fallen short of planned provision since the onset of the credit crunch and housing market downturn in 2007/8. Over the period as a whole, housing provision has exceeded planned provision by 2%. It has significantly exceeded planned provision in the adopted Local Plan.

Figure 27: Housing Supply vs. Target, 2008/09-2013/14



Source: Authority Monitoring Reports

5.43 It should however be borne in mind that housing targets are influenced by land supply and do not necessarily correlate with housing need. The wider evidence relating to household formation, market signals and affordable housing need suggest some shortfall in housing provision against needs.

Implications of Housing Market Signals

- 5.44 Overall the analysis of market signals points to notable affordability pressures in the City. The demographic analysis indicates that levels of household formation, particularly for younger households, has fallen. It would therefore be appropriate to consider an adjustment to the overall assessment of housing need to improve affordability over time in line with the approach outlined in the Practice Guidance.
- 5.45 The Planning Practice Guidance sets out that:
- “In areas where an upward adjustment [to the assessment of housing need] is required, plan makers should set this adjustment at a level that is reasonable. The more significant the affordability constraints (as reflected in rising prices and rents, and worsening affordability ratio) and the stronger other indicators of high demand (e.g. the differential between land prices), the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be.”*
- 5.46 The Guidance does not however set out how such an adjustment should be quantified. It simply sets out that it should be ‘reasonable.’
- 5.47 It is important to consider how these housing market trends relate through to demographic projections in considering, as the Planning Practice Guidance recommends, whether there is a case for adjusting levels of housing provision in effect to improve affordability over the longer-term.
- 5.48 National research undertaken for the RTPI by the Neil McDonald and Peter Williams at Cambridge University indicates a particular effect of the decline in affordability between 2001 and 2011 and the economic recession has been young adults living within a parental home for longer or living in shared accommodation rather than separate accommodation. The impact of this, their research shows, has been most significant for the 25-34 age group.
- 5.49 A detailed interrogation of demographic dynamics in Brighton & Hove indicates that in demographic terms, the deterioration in affordability of market housing and the economic recession over the 2001-11 decade is likely to have influenced – at least in part – a decline in household formation rates in younger people, particularly amongst those aged between 25 and 34. This is the one age group identified earlier (in Section 2) as showing some degree of suppression when balancing past trends and the future projection.
- 5.50 When we consider age-specific data it is notable that those aged 25-34 have lower headship rates than was expected in the 2008-based projections and that the rates have dropped considerably from 2001 to 2011. We have therefore run a sensitivity analysis which considers and seeks to quantify the implication of returning the household formation rates of the 25-34 age group back to 2001 levels by 2030.

- 5.51 This sensitivity in effect seeks to consider a scenario in which affordability and access to housing for younger households improves, and quantifies what level of housing provision might be associated with this, all other factors being equal. It models the implications of returning household formation rates over the period to 2030 back to levels seen in 2001 (i.e. before the rate started to decrease). If achieved, the effect would be to reduce the proportions of shared households and persons within this age group living with parents. We term this sensitivity analysis the ‘affordability adjustment.’

- 5.52 In reality, other factors such as real growth in disposable income (allowing people to save), the availability of and access to mortgage finance, interest rates and economic confidence will all influence trends in household formation. There is a complex set of factors at play, and it is difficult to predict how these factors might interact in the future and the impact on household formation rates (in the absence of any supply-side constraints). Furthermore part of the changes in household formation rates for this age group may have been due to international migration.

- 5.53 The sensitivity analysis indicates that, all other things being equal, an uplift of around 173 homes per annum across the City would support an improvement in affordability and household formation rates amongst younger households.

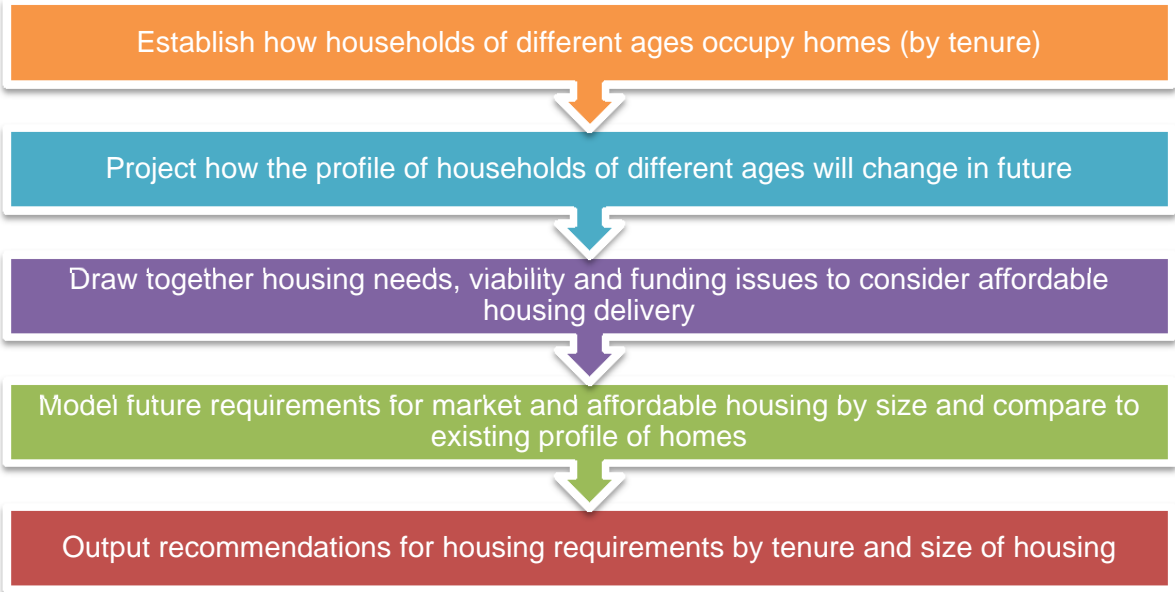
Table 22: Projected Household Growth 2010-30 – 2012-Based SNPP– With Affordability Adjustment

	2012-based SNPP
Households 2010	119,812
Households 2030	148,671
Change in households	28,860
Per annum	1,443
Dwellings (per annum)	1,506
From demographic model	1,333
Potential uplift	173
% uplift	13.0%

6 NEED FOR DIFFERENT TYPES OF HOMES

- 6.1 There are a range of factors which influence housing demand. These factors play out at different spatial scales and influence both the level of housing demand (in terms of aggregate household growth) and the nature of demand for different types, tenures and sizes of homes. It is important to understand that the housing market is influenced by macro-economic factors, as well as the housing market conditions at a regional and local level.
- 6.2 Demographic changes are however expected to be a key long-term driver. It is reasonable to consider the implications of demographic trends (and in particular changes in the age structure of the population) as a starting point for considering what mix of housing might be needed over the period to 2030.
- 6.3 To undertake the housing market model a bespoke demographic projection has been developed. This is a dwelling-led projection which works on the basis of delivery of 13,200 additional homes in the 2012-30 period. Because 1,402 homes have already been completed in the 2010-14 period, the modelling looks at delivery of a further 11,798 dwellings (2014-30). The modelling therefore takes a base date of 2014 and additionally uses the headship rates in the 2012-based CLG household projections.
- 6.4 Figure 28 below describes the broad methodology employed in the housing market modelling. Data is drawn from a range of sources including the 2011 Census and the demographic projections.

Figure 28: Stages in the Housing Market Model

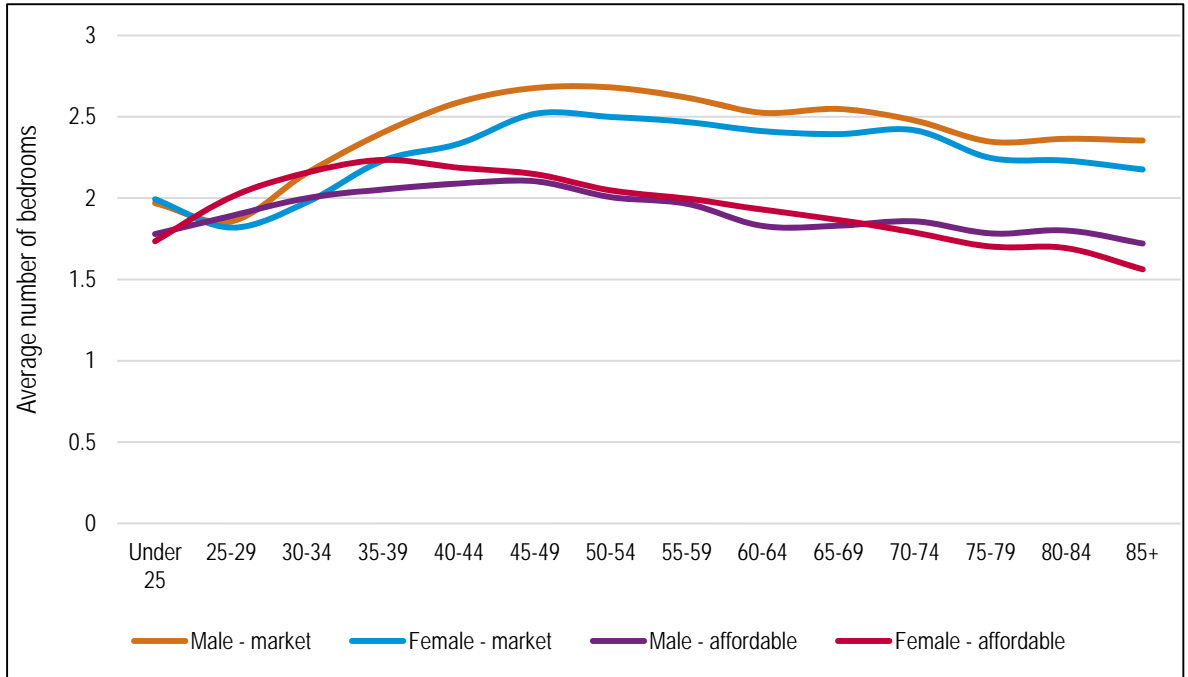


Modelling Approach & Assumptions

Understanding How Households Occupy Homes

- 6.5 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. The size of housing which households occupy relates more to their wealth and age than the number of people which they contain. For example, there is no reason why a single person cannot buy (or choose to live in) a four bedroom home as long as they can afford it and hence projecting an increase in single person households does not automatically translate in to a need for smaller units. This issue is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) although there will still be some level of under-occupation moving forward with regard to older person and working households who may be able to continue to under-occupy their current homes.
- 6.6 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. The data for this analysis has been formed from a commissioned table by ONS (Table C1213 which provides relevant data for all local authorities in England) with data then calibrated to be consistent with 2011 Census data (e.g. about house sizes in different tenure groups).
- 6.7 Figure 29 overleaf shows an estimate of how the average number of bedrooms varies for different ages of HRP and different sexes by broad tenure group. In the market sector the average size of accommodation rises over time to typically reach a peak around the 40-49 age groups. In the affordable sector this peak appears earlier. After sizes peak, the average dwelling size decreases – possibly linked to some households down-sizing as they get older. It is also notable that the average size for affordable housing dwellings are lower than those for market housing whilst in market housing, male HRPs typically live in larger accommodation for all age groups (with no strong trend being seen in the affordable sector).

Figure 29: Average Bedrooms by Age, Sex and Tenure



Source: Derived from ONS Commissioned Table C1213 and 2011 Census

Establishing a Baseline Position

- 6.8 Under the modelling, it is estimated as of mid-2014 that there were 121,155 households living in the City. Analysis of Census data linked to the demographic baseline provides us with an estimate of the profile of the housing stock in 2014, as shown in Table 23. The table shows that an estimated 15% of households live in affordable housing with 85% being in the market sector (the size of the affordable sector has been fixed by reference to an estimate of the number of occupied social rented and shared ownership homes in the 2011 Census, updated by reference to stock data in CLG Live Tables (LT100)). The data also suggests that homes in the market sector are generally bigger than in the affordable sector with 44% having three or more bedrooms compared to 25% for affordable housing.
- 6.9 These figures are for households rather than dwellings as information about the sizes of vacant homes across the whole stock (i.e. market and affordable) is not readily available. For the purposes of analysis this will not make any notable difference to the outcome. We have however translated the household projections into dwelling figures by including a 4.4% vacancy allowance when studying the final outputs of the market modelling.

Table 23: Estimated Profile of Dwellings in 2014 by Size

Size of housing	Market		Affordable		Total	
	Number	%	Number	%	Number	%
1 bedroom	24,668	24.0%	7,219	39.5%	31,887	26.3%
2 bedrooms	32,579	31.7%	6,472	35.4%	39,051	32.2%
3 bedrooms	28,414	27.6%	3,935	21.5%	32,348	26.7%
4+ bedrooms	17,203	16.7%	666	3.6%	17,869	14.7%
Total	102,863	100.0%	18,292	100.0%	121,155	100.0%
% in tenure	84.9%		15.1%		100.0%	

Source: Derived from 2011 Census

Tenure Assumptions

- 6.10 The housing market model has been used to estimate future requirements for different sizes of property over the 16-year period from 2014 to 2030. The model works by looking at the types and sizes of accommodation occupied by different ages of residents, and attaching projected changes in the population to this to project need and demand for different sizes of homes. However the way households of different ages occupy homes differs between the market and affordable sectors (as shown earlier). Thus it is necessary to consider what the mix of future housing will be in the market and affordable sectors.
- 6.11 The key assumption here is not a policy target but possible delivery. Our assumption is influenced by a range of factors. The Housing Needs analysis provides evidence of an affordable housing need although the viability of providing affordable housing will limit the amount that can be delivered. We believe that 30% is probably an achievable level of affordable housing delivery and this figure has been applied to the modelling. This takes account of the policy position in the Draft City Plan Part I which seeks 40% affordable housing on schemes of 15+ dwellings, and 30% on schemes of 10-14 dwellings subject to viability. Some development schemes will be brought forward by Registered Providers and may deliver higher levels of provision. Over the six year period between 2008/9 – 2013/14, an average of 25% of net completions have been of affordable housing. It should be stressed that the modelling assumption used here is not a policy position and has been applied simply for the purposes of providing outputs from the modelling process.

Key Findings: Market Housing

- 6.12 As we have previously identified there are a range of factors which can be expected to influence demand for housing. 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 16-year period from 2014 to 2030.
- 6.13 Table 22 and Figure 33 overleaf shows estimates of the sizes of market housing required from 2014 to 2030 based on a projection which delivers 11,798 dwellings in the 2014-30 period (13,200 for the

2010-30 period). This projection shows a housing need of 737 dwellings per annum across all tenures post 2014.

- 6.14 The data suggests a requirement for homes for 7,914 additional households with the majority of these being two- and three-bedroom homes – although the analysis also suggests a notable need for both 1-bedroom and 4 or more bedroom homes.

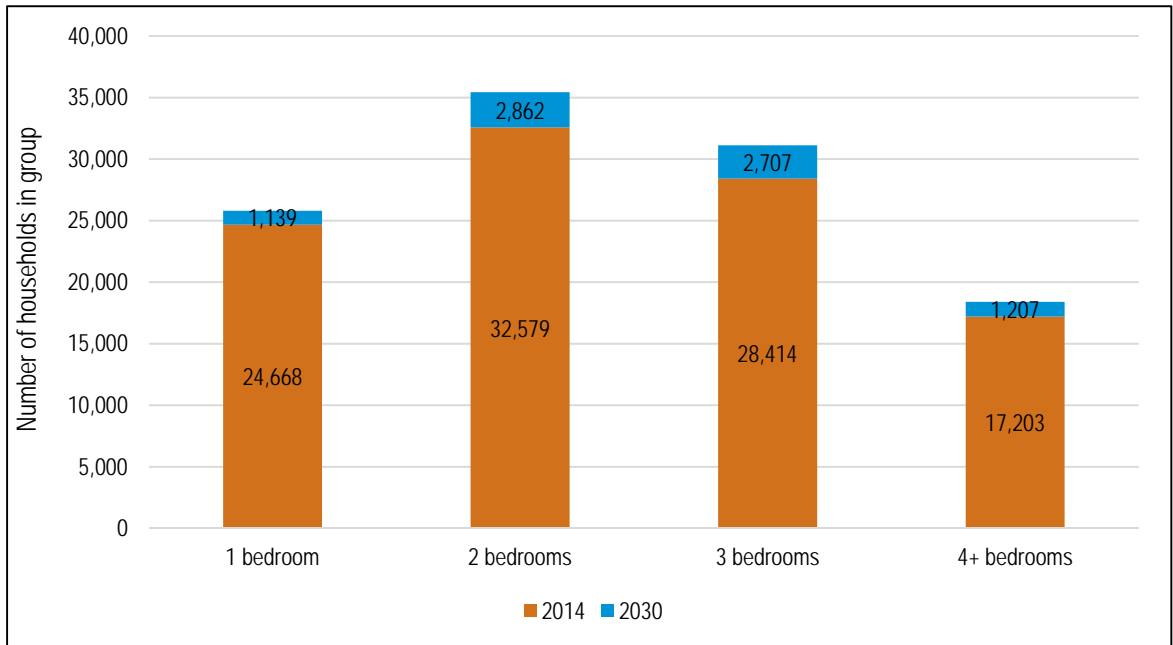
Table 24: Estimated Size of Dwellings Required 2014 to 2030 – Market Housing

Size	2014	2030	Additional households 2014-2030	% of additional households
1 bedroom	24,668	25,806	1,139	14.4%
2 bedrooms	32,579	35,441	2,862	36.2%
3 bedrooms	28,414	31,121	2,707	34.2%
4+ bedrooms	17,203	18,410	1,207	15.2%
Total	102,863	110,777	7,914	100.0%

Source: Housing Market Model

- 6.15 Figure 30 shows how our estimated market requirement compares with the current stock of housing (based on households (i.e. excluding the 4.4% vacancy allowance)). The data suggests that demand for different types of homes can be expected to reinforce around the existing profile of stock, but with a very slight shift towards a requirement for larger dwellings relative to the distribution of existing housing. This situation arises in Brighton & Hove due to the relatively strong growth in the population aged 45-59 expected in the future, as seen in analysis above, in the market sector this population tends to live in larger dwellings.

Figure 30: Impact of Demographic Trends on Market Housing Requirements by House Size, 2014 to 2030



Source: Housing Market Model

- 6.16 The graphs and statistics are based upon our modelling of demographic trends. We are of the view that it is appropriate through the planning system to seek to influence the balance of types and sizes of market housing through considering the mix of sites allocated for development rather than specific policies relating to the proportion of homes of different sizes which are then applied to specific sites. This approach is implicit within NPPF which requires local planning authorities to *'identify the size, type, tenure and range of housing that is required'*.
- 6.17 At the strategic level, a local authority in considering which sites to allocate, can consider what type of development would likely be delivered on these sites. It can also provide guidance on housing mix implicitly through policies on development densities.

Key Findings: Affordable Housing

- 6.18 Table 25 and Figure 31 show estimates of the sizes of affordable housing required based on our understanding of demographic trends. The data suggests in the period between 2014 and 2030 that around three-quarters of the requirement is for homes with one- or two-bedrooms with around a quarter of the requirement being for larger homes with three or more bedrooms.
- 6.19 This analysis provides a longer-term view of the need for different sizes affordable housing and does not reflect any specific priorities such as for family households in need rather than single people. In addition we would note that smaller properties (i.e. one bedroom homes) typically offer limited flexibility in accommodating the changing requirements of households, whilst delivery of

larger properties can help to meet the needs of households in high priority and to manage the housing stock by releasing supply of smaller properties. That said, there may in the short-term be an increased need for smaller homes as a result of welfare reforms limiting the amount of housing benefit being paid to some working-age households.

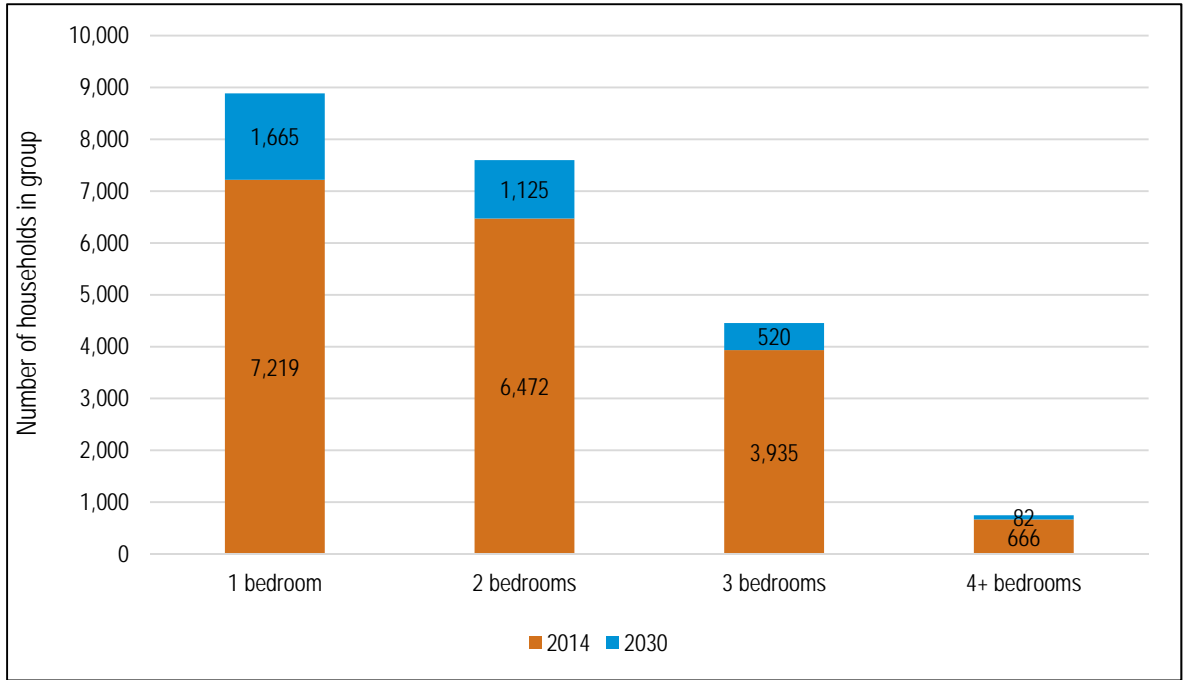
Table 25: Estimated Size of Dwellings Required 2014 to 2030 – Affordable Housing

Size	2014	2030	Additional households 2014-2030	% of additional households
1 bedroom	7,219	8,885	1,665	49.1%
2 bedrooms	6,472	7,597	1,125	33.2%
3 bedrooms	3,935	4,454	520	15.3%
4+ bedrooms	666	747	82	2.4%
Total	18,292	21,684	3,392	100.0%

Source: Housing Market Model

- 6.20 The figure below shows how our estimated profile of future need for different sizes of affordable homes compares with the stock of affordable housing in 2014 – the figures are based on households (i.e. before adding in a vacancy allowance). In the case of affordable housing, the data shows that relative to the current stock there is a slight move towards a greater proportion of smaller homes being required. This finding will again be linked to the age groups expected to see the greatest population growth and the occupancy patterns of households in the affordable sector – data earlier in this section in their 30s and early 40s tend to live in larger homes in the affordable sector – these age groups are not expected to see substantial population growth relative to other groups.

Figure 31: Impact of Demographic Trends on Affordable Housing Requirements



Source: Housing Market Model

Indicative Targets by Dwelling Size

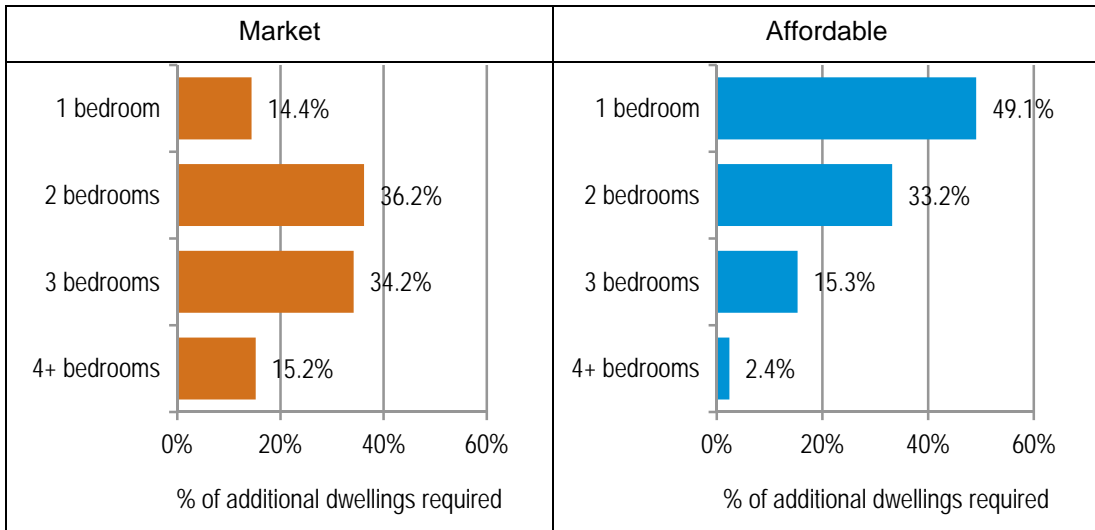
6.21 Table 26 and Figure 32 summarises the above data in both the market and affordable sectors under the modelling exercise. We have also factored in a 4.4% vacancy allowance in moving from household figures to estimates of overall need for different sizes of properties.

Table 26: Profile of Need for Different Sizes of Homes, 2014 to 2030

Number of bedrooms	Households	Market		Affordable		
		Dwellings	% of dwellings	Households	Dwellings	% of dwellings
1 bedroom	1,139	1,188	14.4%	1,665	1,738	49.1%
2 bedrooms	2,862	2,986	36.2%	1,125	1,174	33.2%
3 bedrooms	2,707	2,825	34.2%	520	542	15.3%
4+ bedrooms	1,207	1,259	15.2%	82	85	2.4%
Total	7,914	8,259	100.0%	3,392	3,539	100.0%

Source: Housing Market Model

Figure 32: Need for Different Sizes of Homes, 2014-30



Source: Housing Market Model

- 6.22 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. We also need to consider that the stock of four bedroom affordable housing is very limited and tends to have a very low turnover. As a result, whilst the number of households coming forward for four or more bedroom homes is typically quite small the ability for these needs to be met is even more limited.
- 6.23 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.
- 6.24 For these reasons we would suggest in converting the long-term modelled outputs into a profile of housing to be provided (in the affordable sector) that the proportion of one bedroom homes required is reduced slightly from these outputs with a commensurate increase in four or more bedroom homes also being appropriate.
- 6.25 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 City level, the analysis would support policies for the mix of affordable housing of:
- 1-bed properties: 40-45%
 - 2-bed properties: 30-35%

- 3-bed properties: 15-20%
- 4-bed properties: 5-10%

6.26 Our strategic conclusions recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.

6.27 The need for affordable housing of different sizes will vary by area across the City and over time. In considering the mix of homes to be provided within specific development schemes, the information herein should be brought together with details of households currently on the Housing Register in the local area and the stock and turnover of existing properties.

6.28 In the market sector we would suggest a profile of housing that closely matches the outputs of the modelling. The recommendations take some account of the time period used for the modelling and the fact that the full impact of the ageing population will not be experienced in the short-term.

6.29 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 market housing be sought:

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

6.30 Although we have quantified this on the basis of the market modelling and our understanding of the current housing market, we do not strongly believe that such prescriptive figures should be included in the plan making process and that the 'market' is to some degree a better judge of what is the most appropriate profile of homes to deliver at any point in time. The figures can however be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely profile of housing need.

Summary of Findings – General Housing Needs

6.31 There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability. Our analysis linked to long-term demographic change concludes that the following represents an appropriate mix of affordable and market homes:

Table 27: Recommended Strategic Mix of Homes, Brighton & Hove 2014-30

	1-bed	2-bed	3-bed	4+ bed
Market	15%	35%	35%	15%
Affordable	40-45%	30-35%	15-20%	5-10%
All dwellings	25%	35%	30%	10%

- 6.32 The mix identified above should inform strategic Council area-wide policies. In applying these to individual development sites, regard should be had to the nature of the development site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.
- 6.33 Based on the evidence, we would expect the focus of new market housing provision to be on two and three-bed properties. This reflects continuing demand for housing from younger persons and young families. There may also be some demand for medium-sized properties (2 and 3 beds) from older households downsizing and looking to release equity in existing homes, but still retain flexibility for friends and family to come and stay.
- 6.34 The analysis of an appropriate mix of dwellings should also inform the 'portfolio' of sites which are considered through the Local Plan process, including: Site Allocations, Neighbourhood Plans and other planning documents. Equally it will be of relevance to affordable housing negotiations.

Indicative Requirements for Specialist Housing for Older People

- 6.35 Given the ageing population, and higher levels of disability and health problems amongst older people, there is likely to be an increased requirement for specialist housing options moving forward (albeit Brighton & Hove is expected to see less ageing than is projected regionally and nationally). The analysis in this section draws on data from the Housing Learning and Information Network (Housing LIN) along with our demographic projections to provide an indication of the potential level of additional specialist housing that might be required for older people in the future.

Current Stock of Specialist Housing

- 6.36 Table 28 below shows the current supply of specialist housing for older people. At present it is estimated that there are 2,552 units. This is equivalent to 138 units per 1,000 people aged 75 and over. The majority (67%) of this housing is in the affordable sector, a significant finding given that the majority of older person households are owner-occupiers.

Table 28: Current Supply of Specialist Housing for Older People

	Market	Affordable	Total	Supply per 1,000 aged 75+
Sheltered	831	1,558	2,389	130
Extra-Care	6	157	163	9
Total	837	1,715	2,552	138

Source: Housing LIN

Projected Future Need for Specialist Housing

- 6.37 The analysis above showed a total of 138 specialist units per 1,000 people aged 75 and over. This figure is lower than the national average of about 170. In projecting forward how many additional units might be required, we have modelled on the basis of maintaining the 138 per 1,000 position and also the implications of increasing this to 170 per 1,000. The analysis is based on achieving these levels by 2030.
- 6.38 The analysis shows to maintain the current level of provision there would need to be a further 895 units provided – this figure increases to 1,681 if the level of provision were to increase to the national average. It should be stressed that the analysis below is based on modelling data on a series of assumptions and should therefore be treated as indicative (particularly given the very wide range of outputs depending on the assumptions used).

Table 29: Projected Need for Specialist Housing for Older People, Brighton & Hove 2010-30

	@ 138 per 1,000	@ 170 per 1,000
Need	3,447	4,233
Supply	2,552	2,552
Net need	895	1,681

Source: Derived from demographic projections and Housing LIN

- 6.39 A mid-point of the two estimates would suggest a need for around 1,288 additional specialist units for older people. This would represent about 5% of the overall housing need shown through demographic modelling. A figure of 1,288 represents about 64 dwellings per annum. Whilst there is no precedent for taking a midpoint of these figures, we would consider that it is a reasonable and balanced approach. Continuing to model on the basis of the current stock may under-estimate needs given the low current stock; however moving to the national average may overstate the position (particularly if for example the current low level of provision is in part driven by a lower need/demand in the area).
- 6.40 This identified need for specialist housing for older persons of 64 homes per annum falls within a C3 Use Class, and would thus contribute to meeting housing targets based on the demographic projections.

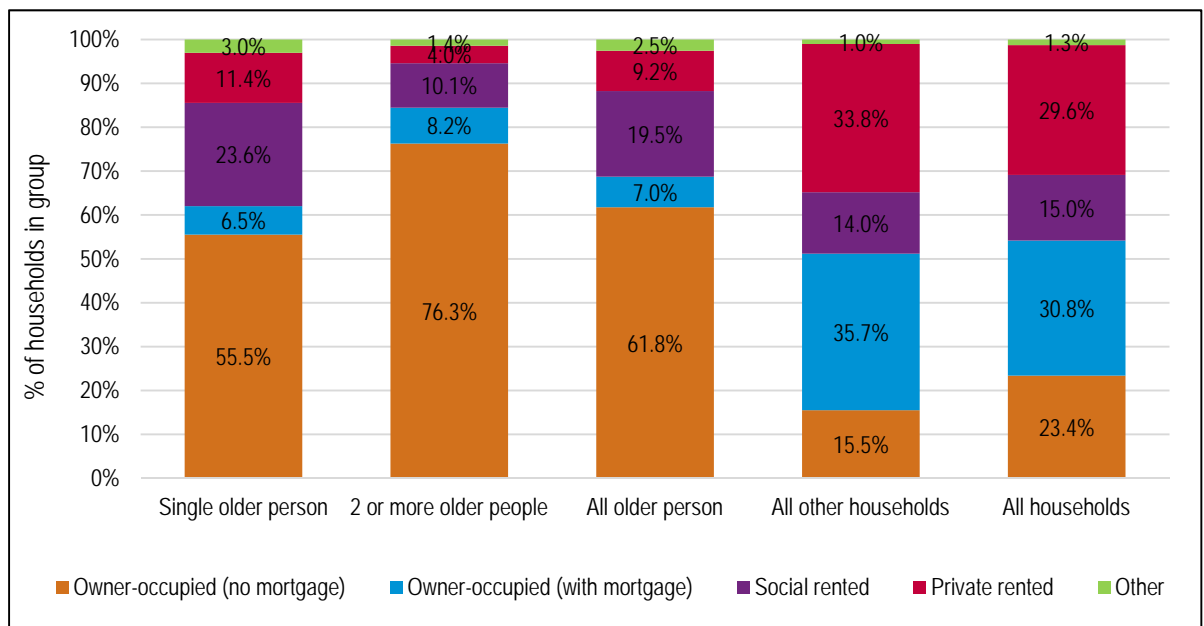
Types and Tenures of Specialist Housing

- 6.41 Figure 33 shows the tenure of older person households – the data has been split between single pensioner households and those with two or more pensioners (which will largely be couples). The data shows that pensioner households are relatively likely to live in outright owned accommodation (62%) and are slightly more likely than other households to be in the Social Rented Sector. The

proportion of pensioner households living in the Private Rented Sector is relatively low (9% compared with 30% of all households in the City).

6.42 There are however notable differences for different types of pensioner households with single pensioners having a lower level of owner-occupation than larger pensioner households – this group also has a higher proportion living in the social rented sector.

Figure 33: Tenure of Older Person Households – Brighton & Hove



Source: 2011 Census

6.43 The information about current tenures can be used to estimate the amount of additional housing likely to be required in each of the market and affordable sectors. Looking at the data above it is considered that around 60% of older person households would be able to afford a market solution – this figure is arbitrary but based on current levels of outright ownership and recognising stronger growth in single person households in the future (such households having lower levels of home ownership).

6.44 Table 30 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 1,467 units of market specialist housing along with a surplus in the affordable sector.

6.45 The finding of a surplus of specialist affordable housing needs however to be considered in light of information about the extent to which the current stock is 'fit-for purpose' (data which is not readily available for this report). It may be the case that some existing sheltered housing is in poor condition or suffers from low demand. There may also be a case for diversification of stock (such as to provide more Extra-Care rather than sheltered options). This may mean that provision of some

additional affordable specialist housing would be appropriate. The Council should therefore use their own local knowledge of demand and the stock profile to form a view about the extent to which affordable specialist housing should be provided in the future.

Table 30: Need for Specialist Housing for Older Persons – by broad Tenure, Brighton & Hove 2010-30

	Market	Affordable	Total
Need	2,304	1,536	3,840
Supply	837	1,715	2,552
Net need	1,467	-179	1,288

Source: Derived from demographic projections

- 6.46 The analysis is not specific about the types of specialist housing that might be required. We would consider that decisions about mix should be taken at a local level taking account of specific needs and the current supply of different types of units available. There may also be the opportunity moving forward for different types of provision to be developed as well as the more traditional sheltered and Extra-Care Housing.
- 6.47 Within the different models and assumptions made regarding the future need for specialist retirement housing (normally defined as a form of congregate housing designed exclusively for older people which usually offers some form of communal space, community alarm service and access to support and care if required), there may for example be an option to substitute some of this specialist provision with a mix of one and two bedroomed housing aimed to attract ‘early retired’ older people which could be designated as age specific or not. Such housing could be part of the general mix of one and two bedroom homes but built to Lifetime Homes standards in order to attract retired older people looking to ‘down size’ but perhaps not wanting to live in specialist retirement housing.
- 6.48 Our experience when carrying out stakeholder work as part of other SHMA commissions typically identifies a demand for bungalows. Where developments including bungalows are found it is clear that these are very popular to older people downsizing. It should be acknowledged that providing significant numbers of bungalows involves cost implications for the developer given the typical plot size compared to floor space – however providing an element of bungalows should be given strong consideration on appropriate sites, allowing older households to downsize while freeing up family accommodation for younger households.

Registered Care Provision

- 6.49 As well as the need for specialist housing for older people the analysis needs to consider Registered Care. At present (according to Housing LIN) there are around 1,782 spaces in nursing and residential care homes in Brighton & Hove. Given new models of provision (including Extra-

Care Housing) it may be the case that an increase in this number would not be required. There will however need to be a recognition that there may be some additional need for particular groups such as those requiring specialist nursing or for people with dementia.

- 6.50 The demographic modelling includes estimates of the number of people expected to be living in 'institutions'. Between 2010 and 2030, this number (based on the population aged 75+) is expected to increase by 309 people (15 per annum) to total 1,730 by 2030. This suggests that at present there is small surplus of Registered Care accommodation, and that there will still be a surplus in 2030.
- 6.51 These figures are 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.

7 CONCLUSIONS

- 7.1 The principle purpose of this report is to define the Objectively Assessed Need (OAN) for housing in Brighton & Hove to take account of the release of 2012-based Household Projections by Government in February 2015. The report considers needs over the period from 2010 to 2030 to align with the timeframes of the draft City Plan Part I. The approach used to considering housing need responds to the National Planning Policy Framework (NPPF) and follows the recommended approach in the Government's Planning Practice Guidance (PPG).
- 7.2 This report assesses the overall need for housing within the City to 2030. This assessment is considered independently of any consideration of supply-side issues, such as land availability and development constraints. In following due process, it is necessary to define what the housing need (OAN) would be in the absence of constraints.
- 7.3 The process for identifying housing need, following the PPG, starts out by looking at demographic projections. However these are likely to reflect what has happened in the past – both in terms of levels of migration and household formation rates (the key driving factors in the projections). The PPG therefore sets out a number of other factors which need to be considered in assessing whether it would be appropriate (in the absence of constraints) to increase the identified housing need – either to enhance affordable housing delivery, to support expected economic growth or in response to market signals which point to poor affordability, or a supply-demand imbalance.

Initial Demographic Projections

- 7.4 The latest Government official household projections at the time of writing of the report are the 2012-based Household Projections, published by Government in February 2015.
- 7.5 We have interrogated these household projections, and the population projections on which they were based. The 2012-based Sub-National Population Projections expect the City's population to grow by 42,200 persons between 2010-30 (15.7%). This is consistent with the projected rate of population growth across the South East, and above the rate expected nationally.
- 7.6 The CLG 2012-based Household Projections make more positive assumptions on future household formation than those in the CLG 2011-based Interim Household Projections. The 2012-based Household Projections indicate a need for 26,600 homes (1333 per annum), taking account of 2013 Mid-Year Population Estimates. This is the appropriate 'starting point' for establishing housing need.

Economic Growth Potential

- 7.7 The report then considers how housing need might be influenced by employment growth. It models the housing implications of Experian economic forecasts which fed into the Brighton & Hove

Employment Land Study (NLP, 2012) and the Assessment of Housing Development Needs Study: Sussex Coast HMA (GL Hearn, 2013). These forecast employment growth in the City of between 1000 – 1,160 jobs per year (net) between 2010-30.

- 7.8 To support economic growth in line with the Experian forecasts would require between 1001 - 1112 homes per annum between 2010-30. This is below the assessment of housing need based on demographic evidence, meaning there is no need to adjust the OAN to support employment growth.
- 7.9 Indeed the evidence suggests that the Experian forecasts could over-estimate economic growth, given the likelihood of weaker population growth and the impacts of a constrained supply of employment land.

Affordability Issues

- 7.10 The report identifies a need for 2,105 affordable homes per year (2014-30) if all households who could not meet their housing needs without financial support were to be provided with an affordable home. This nominally represents 133% of the need derived from the demographic projection. Once account is taken of existing households (who would release homes by moving to another property), a net need of 810 per annum is identified which is 61% of the projected need from the demographic projections.
- 7.11 The evidence suggests a shortfall in the need for and supply of affordable housing, justifying policies seeking new provision. The Private Rented Sector currently supports around 1623 lettings to households who would be defined as having an affordable housing need. With delivery of 30% - 40% affordable housing in line with policies in the draft City Plan Part I, there can be expected to be a continuing reliance on the PRS.
- 7.12 There are choices to be made regarding how the housing needs of those who cannot afford market housing could be met. However the affordable needs evidence provides a clear justification for considering higher housing provision in order to enhance affordable housing delivery.
- 7.13 The report considers market signals. It identifies that a median house price in the City of £275,000. House prices have grown over the last five and ten year periods; and are above those in other parts of the HMA. This is also true for rental levels, with rental costs increasing above inflation since 2011. The market evidence points to a supply/demand imbalance, as might be expected for urban area which sits between a national park and the sea.
- 7.14 Housing delivery, influenced by wider economic conditions, has fallen 28% short of planned provision over the period since 2008. The 2011 Census indicated that over-occupation of housing and

numbers of Homes in Multiple Occupation are significant and have both increased between 2001-11.

- 7.15 Market housing is not that affordable within the City, with entry-level house prices 9.6 times earnings of younger households. This ratio has increased modestly over the last decade; but is still significant.
- 7.16 The report provides evidence of a supply/ demand imbalance over the 2001-11 decade, and growing house prices; which correlated with a decline in household formation over this period.
- 7.17 Taking account of the evidence of market signals, of affordable housing need and from the demographic projections analysis, GL Hearn considers that adjustments should be made to the assessed housing need to improve affordability for younger households over the plan period. The scale of this is calculated by adjusting household formation rates of the 25-34 age group back to 2001 levels by 2030.
- 7.18 This sensitivity analysis indicates that an uplift of 173 homes per annum across the City would support an improvement in affordability and household formation rates amongst younger households. This increases the assessed need to 1506 homes per annum. **GL Hearn consider that this, equivalent to a need for 30,120 homes over the 2010-30 period, represents the full Objectively Assessed Need for Housing leaving aside policy issues.** This equates to an annual average of 1,506 dwellings per annum.
- 7.19 This represents a “policy off” assessment of housing need. Land supply within the City, and the geographical constraints of its location, mean that it is highly unlikely that this assessed need can be met in full.

Differences from Previous Assessments

- 7.20 The 2014 Assessment of Housing Development Needs Study identified an Objectively Assessed Need for between 900 - 1200 dwellings per annum in Brighton & Hove. The lower end of the range is consistent with the trend-based demographic projections in the 2013 Demographic Projections Report. However it was identified that this projected forward trends in household formation which appear to have been suppressed to some degree over the 2001-11 decade by declining affordability and the impact of the economic recession and these would arguably be perpetuated by housing provision at the this level. The higher end of the range adjusted upwards the level of housing provision to support stronger levels of household formation and enhance affordable housing delivery.

7.21 The differences in this report relate principally to the release of new demographic projections by ONS and CLG. These expect stronger population growth and household formation.

Need for Different Sizes of Homes

Need for Different Sizes of Homes

7.22 There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households’ ability to save; economic performance and housing affordability. Our analysis linked to long-term demographic change concludes that the following represents an appropriate mix of affordable and market homes:

Table 31: Recommended Strategic Mix of Homes, Brighton & Hove 2010-30

	1-bed	2-bed	3-bed	4+ bed
Market	15%	35%	35%	15%
Affordable	40-45%	30-35%	15-20%	5-10%
All dwellings	25%	35%	30%	10%

7.23 The mix identified above should inform strategic City-wide policies. In applying these to individual development sites regard should be had to the nature of the development site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.

7.24 Based on the evidence, we would expect the focus of new market housing provision to be on two and three-bed properties. This reflects continuing demand for housing from younger persons and young families. There may also be some demand for medium-sized properties (2 and 3 beds) from older households downsizing and looking to release equity in existing homes, but still retain flexibility for friends and family to come and stay.

7.25 The analysis of an appropriate mix of dwellings should also inform the ‘portfolio’ of sites which are considered through the Local Plan process, including: Site Allocations, Neighbourhood Plans and other planning documents. Equally it will be of relevance to affordable housing negotiations.

Specialist Housing Needs

7.26 This report suggest a need for around 1,290 additional specialist units for older people in Brighton & Hove between 2010-30 (64 per annum). This identified need for specialist housing for older persons of 64 homes per annum falls within a C3 Use Class, and would thus contribute to meeting housing targets based on the demographic projections.

7.27 Specialist housing for older persons includes extra care and sheltered housing. The report identifies that the majority of the need is expected to be for market housing.

7.28 A small surplus of residential care accommodation is identified for the 2010-30 period. This falls within a C2 use class, and thus should be treated separately from the need identified for housing (and conclusions drawn on OAN which are for a C3 use).