

Thames Gateway South Essex

Strategic Housing Market Assessment: Update Report



Final Report

May 2010

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1. INTRODUCTION

Overview

- 1.1 Thames Gateway South Essex Strategic Housing Group is a partnership representing the five local authorities of Basildon, Castle Point, Rochford, Southend and Thurrock and five RSLs (Estuary, Family Mosaic, Guinness, Moat and Swan). The Group works closely with Government Office for the East of England, HCA, EERA and the three Supported People Service leads for Thurrock, Essex and Southend.
- 1.2 The South Essex area has a population of some 650,000 people in 285,000 households and encompasses the regionally defined Key Centres for Development and Change of Basildon, Thurrock and Southend. Together the Strategic Housing Group authorities and agencies are responsible for the South Essex Sub-Regional Housing Strategy; and individually for the preparation of their Local Development Frameworks setting out the planning policies for the South Essex area.
- 1.3 In October 2008, the Thames Gateway South Essex authorities published a Strategic Housing Market Assessment (SHMA) in accordance with published Department for Communities and Local Government guidance (August 2007). The SHMA provided a comprehensive examination of the housing market in South Essex, defining its extent and operation. The South Essex SHMA identified past and current housing trends, considered the supply and demand for housing and assessed the need for all forms of housing including social rented and intermediate stock as well as market housing. The SHMA established the levels of housing need within each authority and drew conclusions and made recommendations on the future approach to achieving a choice, quality and mix of housing across the South Essex area.
- 1.4 The Strategic Housing Group have commissioned GVA Grimley to prepare a review and update of the Strategic Housing Market Assessment in order to reflect changes to the South Essex housing market in the period from October 2008 to February 2010.

The South Essex Housing Market

The 2008 SHMA established a series of housing market characteristics for South Essex, which can be broadly summarised as:

- South Essex is a single, functional, sub-regional housing market that can be defined as stretching from the M25 along the Thames Estuary to Southend and Shoeburyness.
- The area is served by common east-west road and rail corridors, and demonstrates similar characteristics in terms of house prices, house price growth and socio-economic characteristics, albeit that there is some distinction between urban/ rural areas and the larger and smaller towns.
- There are strong inter-dependencies between the towns in the sub-region in terms of household movement and travel to work patterns. These factors support the identification of a single sub-regional housing market.
- London has a strong influence on the sub-regional housing market, with 21% of working residents employed in London and significant movement of households from London and East London to the sub-region. House prices in TGSE are relatively low in a regional context and this supports movement of both first-time buyers and households looking to step up the housing ladder to the sub-region.
- The main housing sub-markets can be identified based on the larger urban areas of Basildon, Southend-on-Sea and Thurrock. Purfleet and Aveley, Billericay and Wickford fall within areas of overlap with surrounding housing markets.
- Within the sub-regional housing market, different areas play different roles in providing housing choice. There are clear relationships between the three primary urban areas (Basildon, Thurrock and Southend) and the smaller settlements and rural areas. These provide a different and to some degree complementary housing and quality of place offer.
- Southend and Rochford have a more rounded housing offer than the other local authorities, with complementarities between the two. Castle Point is in a similar situation. The housing offer in Thurrock and in Basildon New Town is narrower, and should be developed. Across the sub-region, the flatted and urban living offer to appeal to younger households is under-developed.

- The population is ageing with implications for housing demand resulting from strong expected growth in single person older households. This may support demand for appropriate smaller housing which allows households to downsize or tenure models which support the release of equity. A declining 20-34 cohort, according to current trends, may influence rates of new household formation.

A Changing Housing Context

- 1.5 Much has changed since the publication of the TGSE Strategic Housing Market Assessment in October 2008. While the SHMA took account of the unfolding economic recession, the full effect, depth and severity of the recession was, at that time, not fully recognised; particularly with respect to its impacts on the supply and demand dynamics of the housing market nationally and within the TGSE sub-region.
- 1.6 In early 2010, the national housing market is in a far different shape than in 2008. There have been significant challenges to housing supply caused by lack of financial liquidity within the residential development sector and strong declines in housing demand arising from reduced access to mortgage finance and a reduction in both lender and consumer appetite to take on financial risk.
- 1.7 Against this backdrop, the viability of developing new housing of all types and tenures has been especially challenged resulting in a development hiatus across much of the country and South Essex leading to a significant decline in all house prices.
- 1.8 Some long-term trend patterns have remained constant throughout the recession. The affordability of housing nationally and in South Essex remains challenging for many households due to a continued inability of incomes to meet rental or sale prices. Underlying demographic dynamics continue to show an ageing population structure and a strong inward migration pattern as the principal components of change leading to specific housing requirements for certain groups. The quality and range of current housing stock continues to be mis-matched to existing and future forecasted sectors of employment. Many of the long-term conclusions and recommendations drawn in the SHMA in 2008 remain absolutely current today.
- 1.9 A definite economic upturn has yet to emerge in early 2010. Rallies in the equities and housing markets look unsustainable at this time. The upturn will be characterised by greater state intervention and government ownership in the banking system and industry

generally, but also stronger regulation of financial markets. There will be lower levels of leverage and risk with lower loan-to-value ratios, higher interest rates and greater margins between income from occupiers and interest payments on loans. Increased regulation (national and international) will mean weaker economic growth. Furthermore, in the future, the Monetary Policy Committee will have to be more vigilant about the level of interest rates and changes in asset prices as well as inflation generally (its current remit), leading to higher interest rates than would otherwise be the case and consequently weaker economic growth.

- 1.10 A severe recession means greatly reduced tax revenues and increased spending. The government currently estimates that the budget deficit will be some £175 billion this financial year, or 12.4% of national income and will continue at high levels for many years. Such a large deficit means a huge borrowing requirement and so tax increases and large cuts in public sector spending, including on housing investment, will have to occur from 2010 onwards to reduce this debt burden and make interest payments manageable.
- 1.11 The Institute for Fiscal Studies (IFS) expects that it will be 2032 before Britain's debt burden falls back to acceptable levels. This is likely to result in economic growth of no more than 2% pa between 2010 and 2015, and 2.5% pa between 2015 and 2020, according to Experian, rather than the 3% pa achieved over the last 15 years.
- 1.12 Rising inflation may well become a real concern as a result of the huge fiscal and monetary stimulus needed to end the recession. We expect RPI inflation to be around 2.7% pa from 2011 to 2020. This, combined with persistently high levels of government borrowing, will have distinct implications for the residential and commercial property investment market.
- 1.13 As the crisis in the financial sector has played out during late 2008 and through 2009, the national housing market has re-positioned with markedly different supply and demand dynamics. It is these dynamics that are reflected in, and present new challenges to the TGSE sub-regional Housing Market area. From unlocking future housing supply, delivering affordable housing to those in need, or creating a sustainable environment for future housing investment that supports economic recovery, there remains much to do in Thames Gateway South Essex to ensure a choice of quality housing for all.

Purpose

- 1.14 The purpose of this SHMA Update Report is to provide a review and update to the Thames Gateway South Essex Strategic Housing Market Assessment published in September 2008. The update represents a selective review of the 2008 SHMA on the basis that much of the analysis and many of the findings and recommendations in that report remain accurate and current in 2010.
- 1.15 The update provides a current view of the TGSE housing market in 2010 and focuses on changes in the active housing market, housing supply and need for affordable housing set against the backdrop of a broader economic recession. The update review forms part of a wider research, foresight and intelligence function that the TGSE authorities collectively undertake.
- 1.16 Conclusions and recommendations are set out to assist the local authorities in shaping their future housing strategies, housing investment programmes and funding applications as well as supporting emerging spatial planning policies in the individual Local Development Frameworks.

Structure

- 1.17 Following this introductory section, the Update Report is structured as follows:
- **Section 2: Demographic and Economic Trends** – assesses the latest demographic data to confirm the current population structure and its key components. It also sets out the latest updates on economic and employment characteristics for the TGSE area. The section considers emerging trends or changes to the previous position from the 2008 SHMA;
 - **Section 3: The Active Housing Market** – appraises changes to the housing market demand in Thames Gateway South Essex;
 - **Section 4: Housing Supply** – considers the most recent housing supply and vacancies trend data from each local authority and considers future housing development trajectories;

- **Section 5: Affordable Housing Need** – sets out the latest affordable housing needs analysis based on an update to the 2008 SHMA's secondary sources approach to calculating housing need;
- **Section 6: Conclusions & Recommendations** – in this final section, conclusions are drawn from the SHMA update findings and appropriate recommendations to the TGSE Strategic Housing Group partners are made.

2. DEMOGRAPHIC & ECONOMIC TRENDS

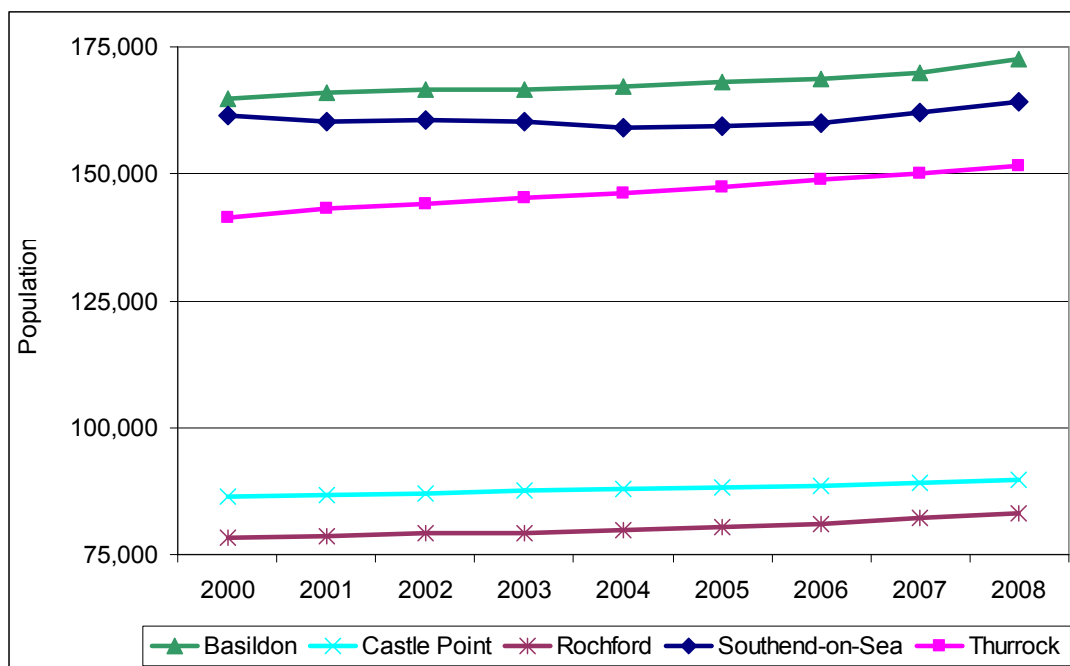
Introduction

2.1 Demographic change is an underlying driver of housing market demand with a significant effect on the type of demand and the specific requirements of specific groups. In this section, the relevant demographic data for Thames Gateway South Essex is reviewed and updated. This section of the report also examines recent economic trends in terms of economic activity, unemployment and future projected employment levels within South Essex.

Overall Population

2.2 Figure 2.1 sets out the total population for each of the five TGSE local authorities, updating the SHMA 2008 with the latest figures for 2007 and 2008. The total population of the five TGSE authorities in 2008 was 661,500, an increase of some 14,000 persons from 2006. The overall trend remains a gradual increase in the total population in each district very much in alignment with the population growth trend at regional level.

Figure 2.1: Total Population Trend 2000 – 2008, TGSE Local Authorities

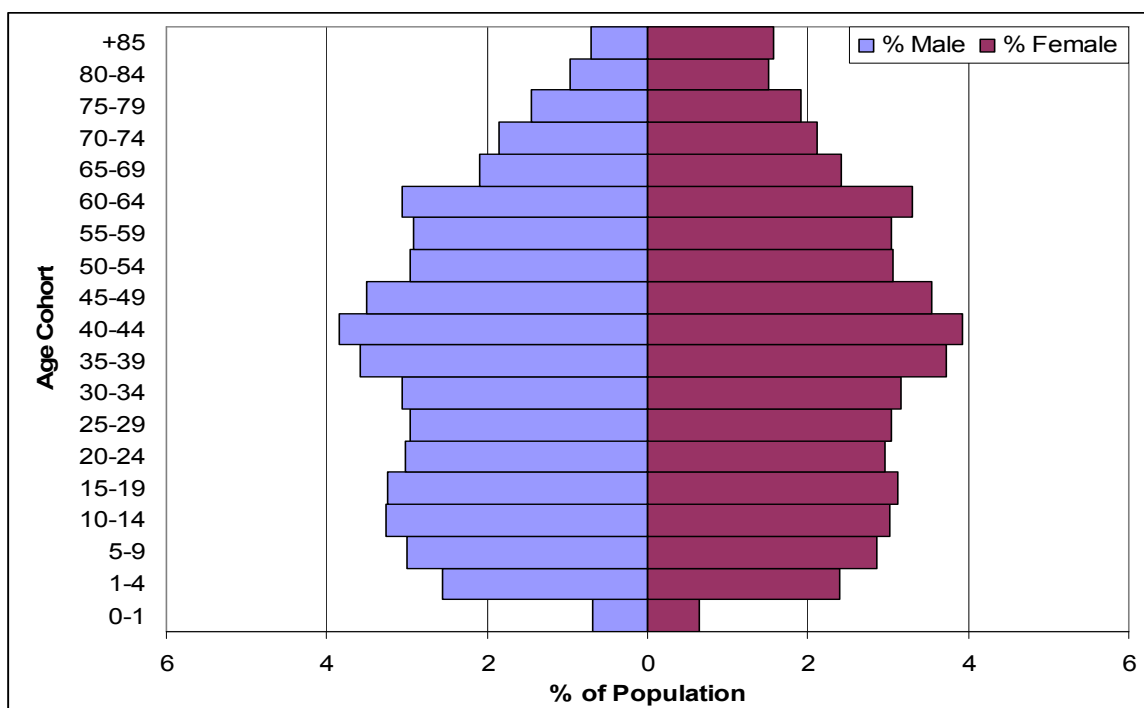


Source: NOMIS Mid-Year Population Estimates 2009

2.3 Figures 2.2 and 2.3 together confirm the overall age structure for the TGSE sub-region Housing Market and the components of population change.

2.4 The population structure remains as identified in the SHMA 2008, with a strong working age population (19-64) years but with a continuation of the growing trend for an increasing ageing population in the retirement cohorts (65 years and over). Figure 2.3 sets out the grouped cohort analysis of population change, identifying Castle Point and to a lesser extent Rochford and Southend-on-Sea as the areas with greatest retirement age population growth. In other population age cohort groupings, the local authorities all show a decrease in the school age and family maker groupings with implications for future household formation, and modest increases in pre-school age and older family cohorts.

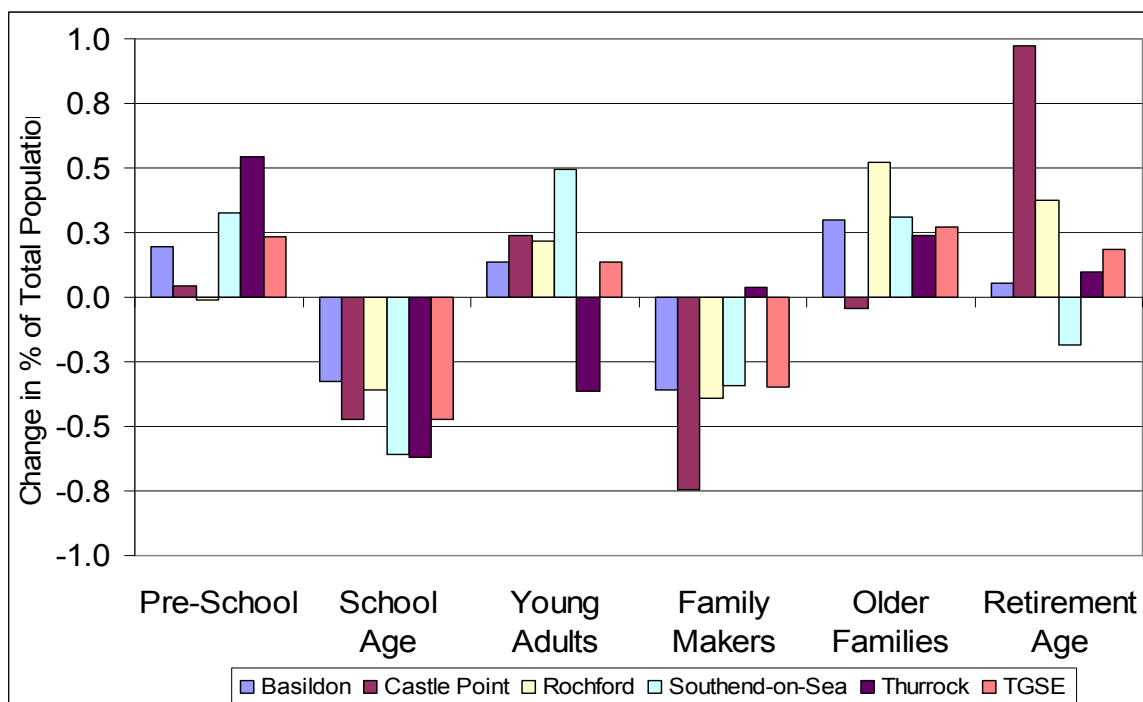
Figure 2.2: TGSE Population Structure by Age Cohort, 2008



Source: NOMIS Mid-Year Population Estimates 2010

2.5 This pattern is broadly in line with the UK trend however the TGSE are does have slightly lower percentage of Males than the rest of the UK particularly in the aged 20-24 and 25-29 brackets. This is countered by higher percentage of females in the same age groups as well as woman aged 60-64.

Figure 2.3: TGSE District Population Change by Grouped Age Cohorts, 2008



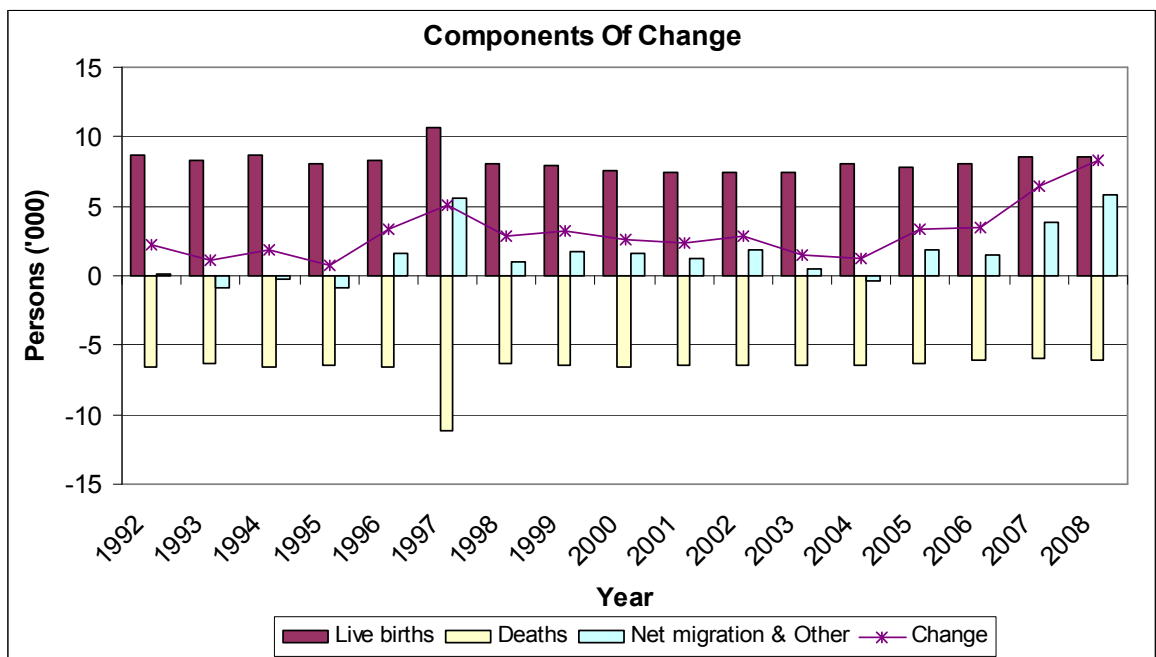
Source: NOMIS Mid-Year Population Estimates 2010

Components of Population Change

2.6 Figures 2.4 and 2.5 set out the components of population change and serve to highlight the stability in natural change (births and deaths) with the greatest changes in population levels being driven by net-inward migration from 2006 onwards from domestic and increasingly international locations. This trend was highlighted in the SHMA 2008, but has become more pronounced in the period since its publication in October 2008. Closer analysis of the in-migration data indicates that there has been a continuation in the previously identified trend for both international migrations to the TGSE sub-region coupled with domestic migration particularly from East London boroughs (Figure 2.6).

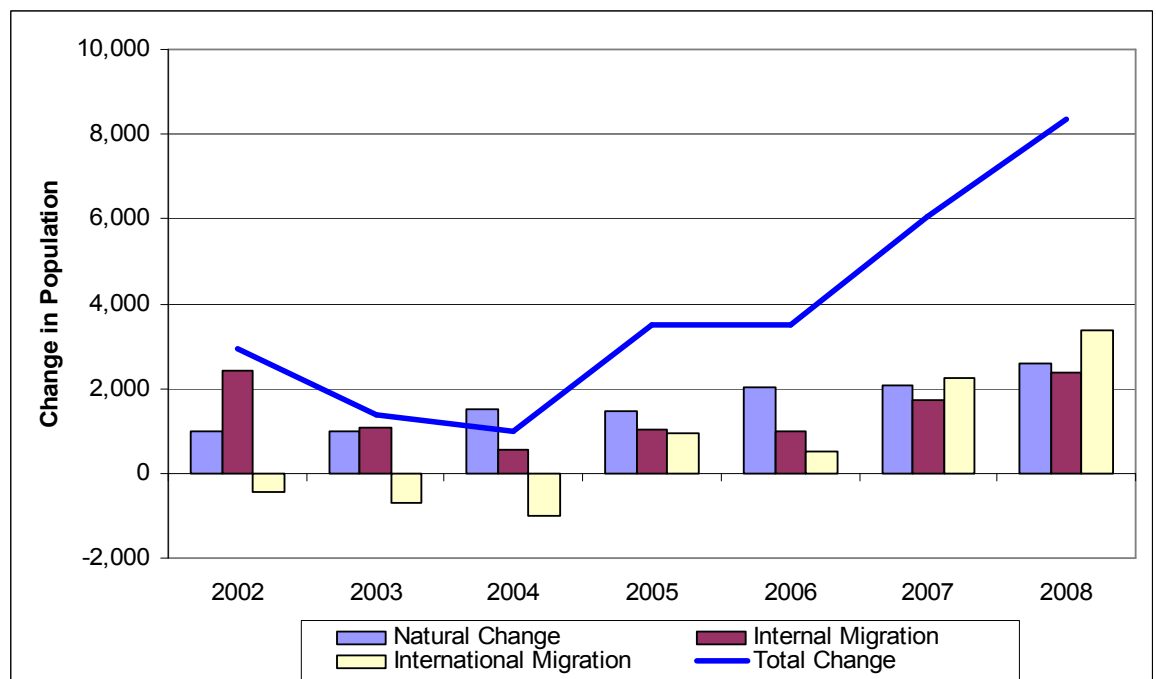
2.7 International migration is established by those seeking asylum, the International Passenger Survey (IPS), visitor switcher and those coming to and from Eire. The vast majority of international migration comes from those registering in the IPS which would include those coming from the EU Accession countries.

Figure 2.4: TGSE Districts Annual Components of Population Change, 2008



Source: ONS Mid-Year Population Estimates 2010

Figure 2.5: TGSE Sub-Region Components of Population Change 2008

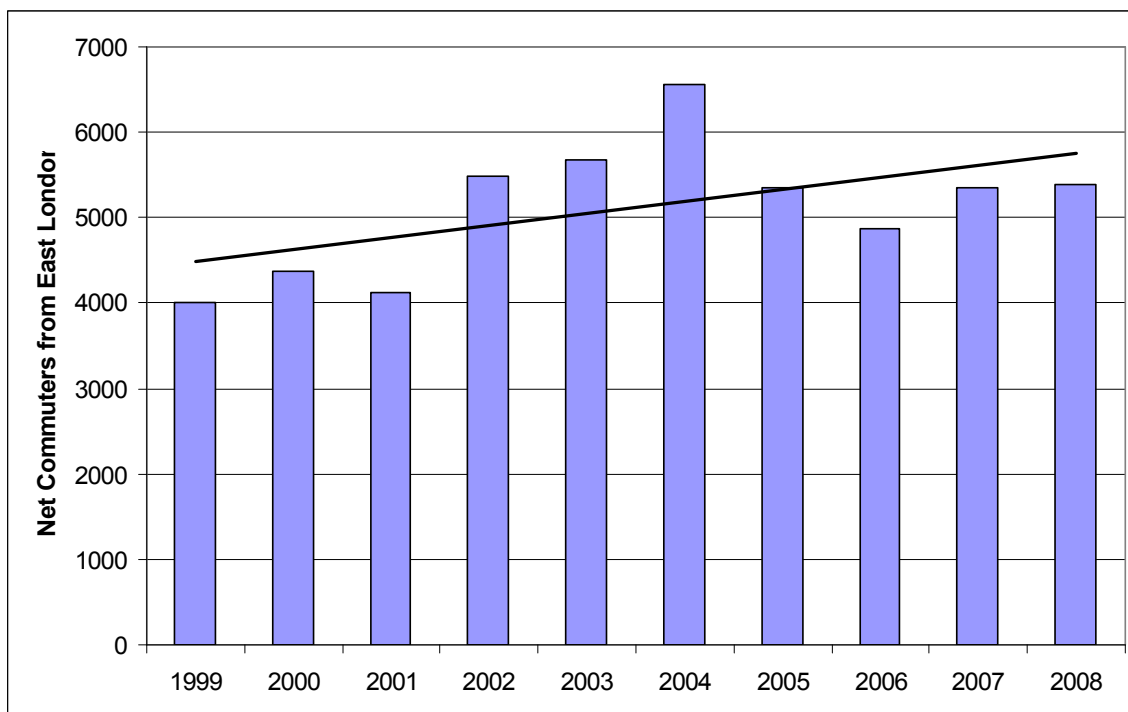


Source: ONS Mid-Year Population Estimates Components of Change 2009

2.8 In order to expand further the levels of net migration from East London boroughs into the Thames Gateway South Essex Sub-Region, Figure 2.6 uses NHS Central Health Register data to identify the continued net in-migration trend from East London to the TGSE sub-region. While the latest data for 2007 and 2008 shows a reduction in the overall net migration total, the average net in-migration exceeds 7,000 persons per annum. At this level, the net in-migration from London is a significant driver for the TGSE Housing Market and leads to continued demand for a mix, choice and quality of housing stock that is of good value.

2.9 The underlying reasons for this inward flow was covered in some detail in the SHMA 2008 and include the differential value of housing stock between East London boroughs and the TGSE sub-region (a demand driver to both working households looking for improved value for money and those retiring from economic activity out to South Essex); the relatively high quality of life and improvements to that quality found across South Essex; the range of existing employment opportunities within South Essex; and of course the high level of accessibility to Central London and the City from key centres in South Essex by public transport.

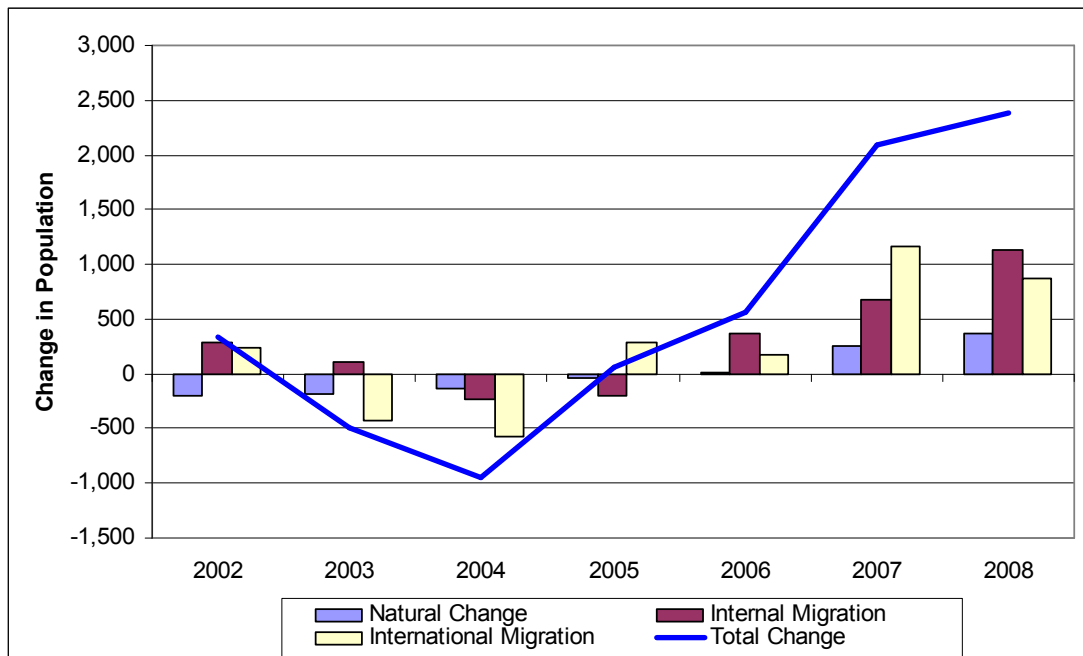
Figure 2.6: Net Migration to TGSE Sub-Region from East London Boroughs, 1999-2008



Source: NHS Central Health Register/ONS

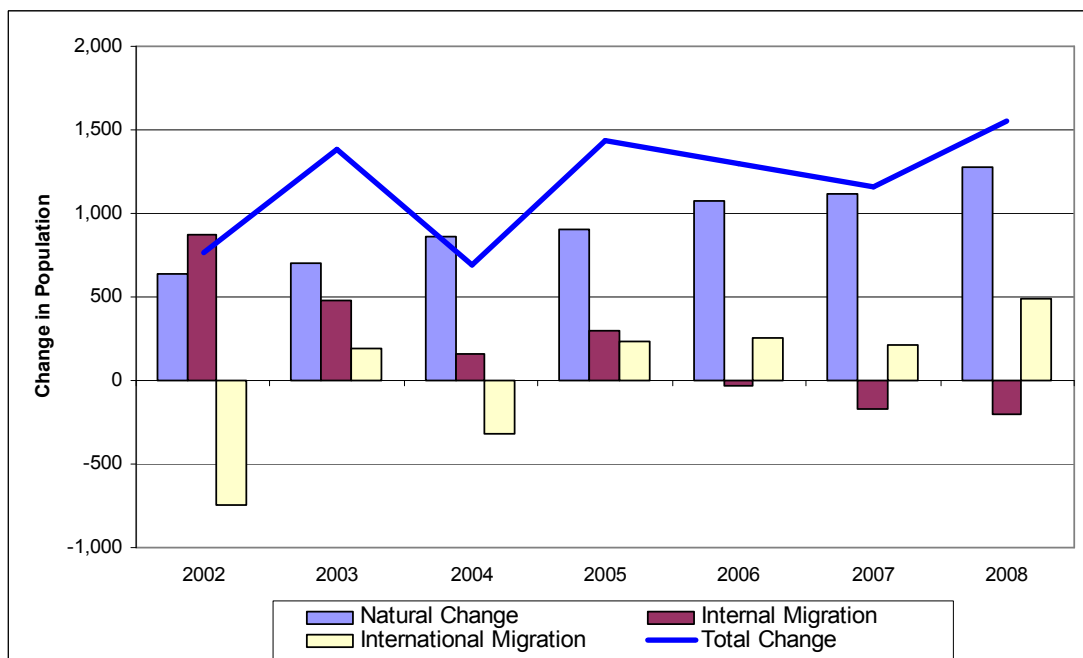
2.10 The following Figures 2.7 – 2.11 set out the components of population change for each district in more detail.

Figure 2.7: Components of Population Change: Southend-on-Sea, 2002 - 2008



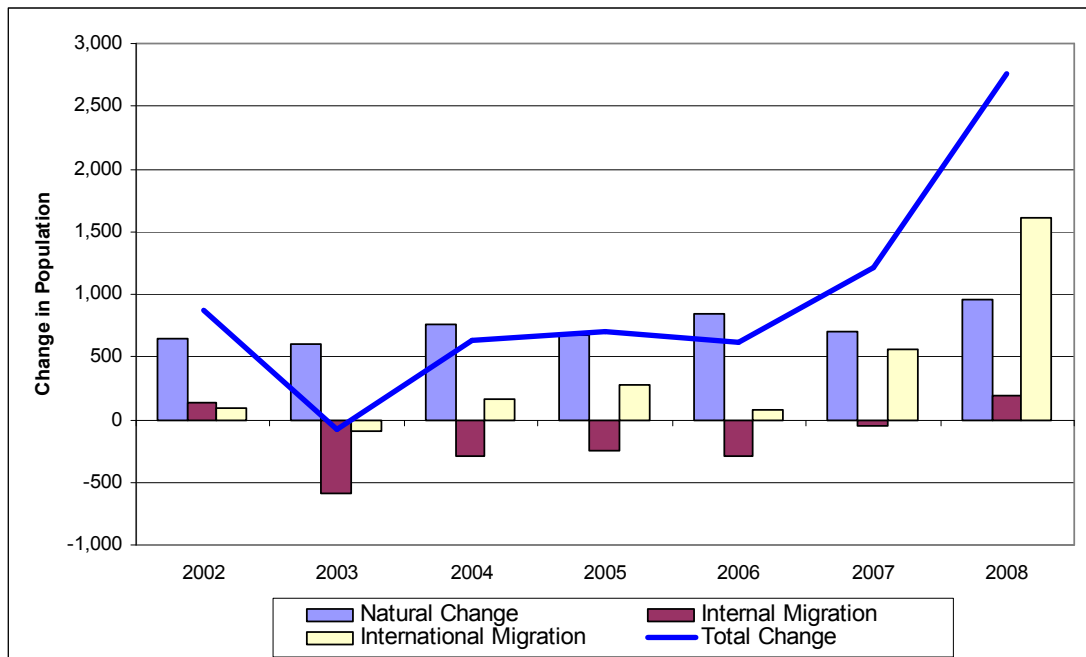
Source: ONS Mid-Year Population Estimates Components of Change 2009

Figure 2.8: Components of Population Change: Thurrock, 2002-2008



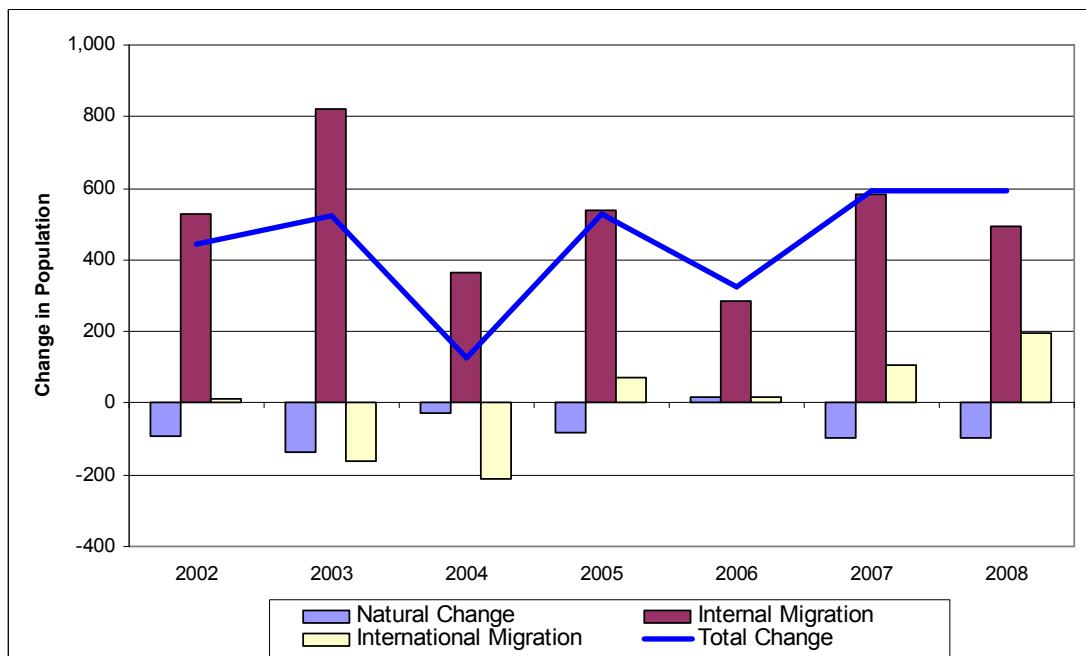
Source: ONS Mid-Year Population Estimates Components of Change 2009

Figure 2.9: Components of Population Change: Basildon, 2002-2008



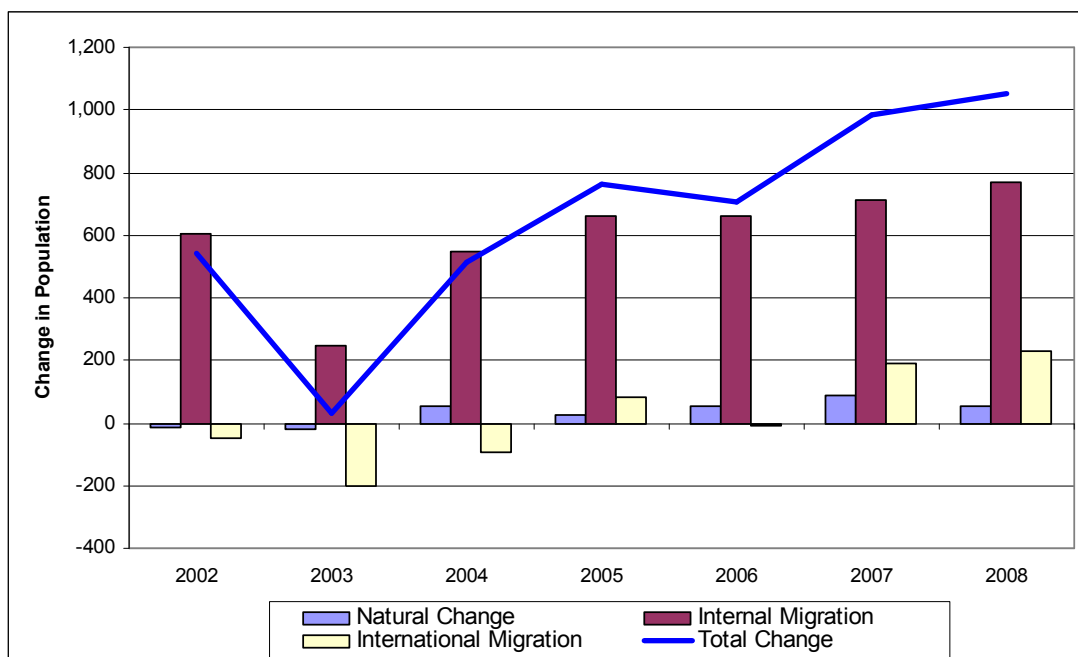
Source: ONS Mid-Year Population Estimates Components of Change 2009

Figure 2.10: Components of Population Change: Castle Point, 2002 - 2008



Source: ONS Mid-Year Population Estimates Components of Change 2009

Figure 2.11: Components of Population Change: Rochford, 2002-2008

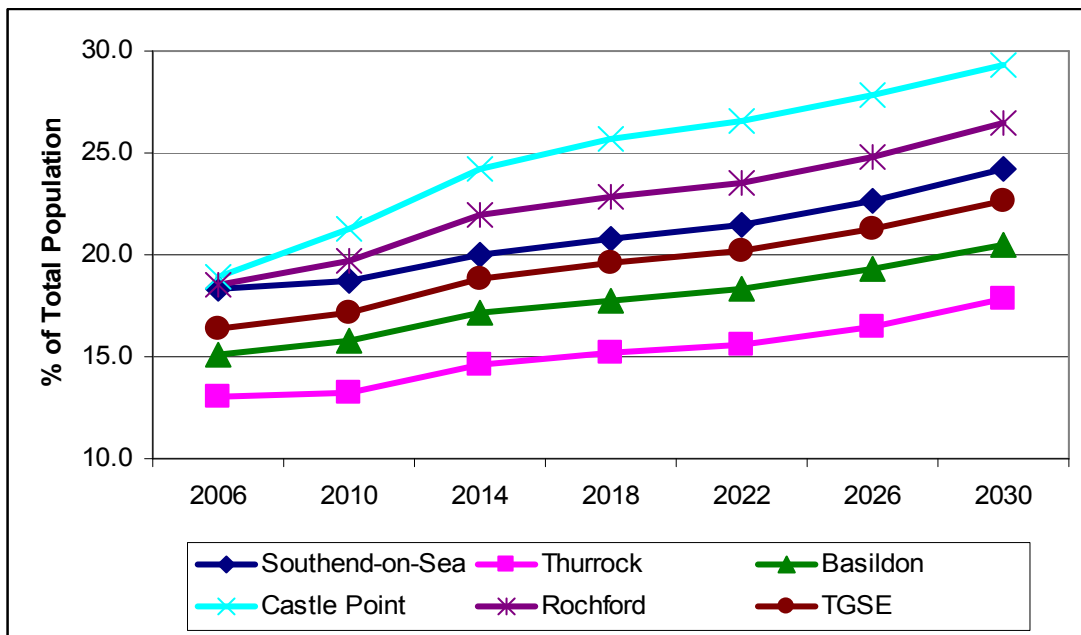


Source: ONS Mid-Year Population Estimates Components of Change 2009

The Older Population

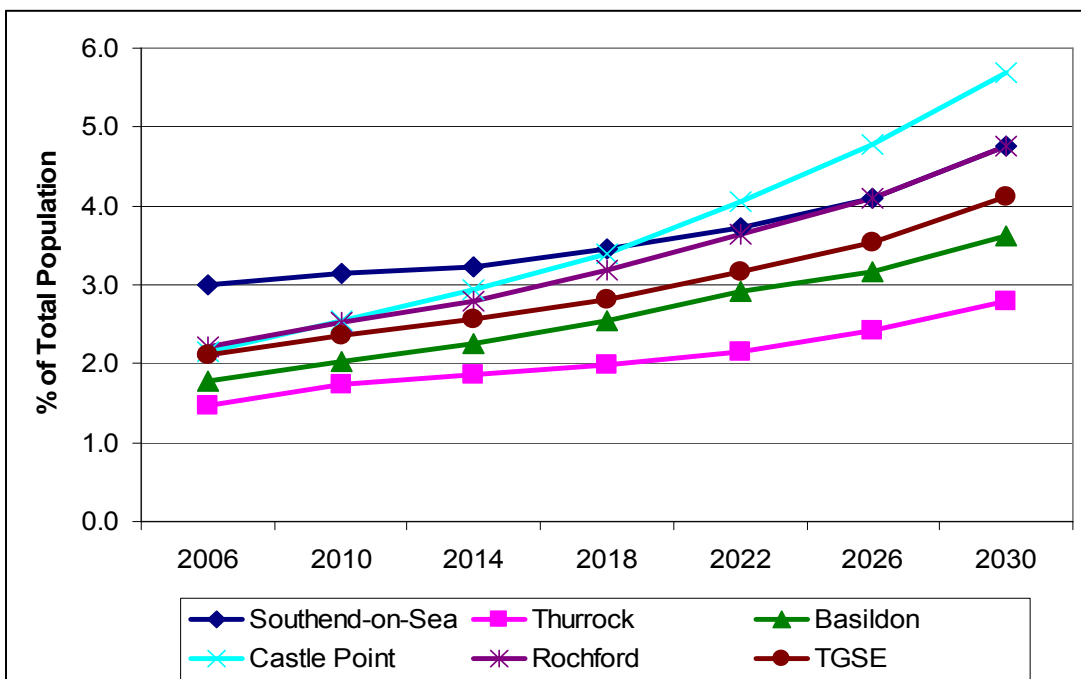
2.11 The needs of older and elderly people (aged 65 years and over) is of particular concern to the TGSE Strategic Housing Group. Analysis set out in the 2008 Strategic Housing Market Assessment and further confirmed in this Update Report show a continued trend in the overall growth of the older population. In 2010, those aged over 65 years represent some 17% of the total TGSE population (Figure 2.12), with those considered to be in advanced old age (over 85 years of age) comprising 2.4% of the total population (Figure 2.13). It is projected that by 2030 the older population will make up 23% of the total TGSE population, with 4.2% aged over 85 years.

Figure 2.12: Projected TGSE Older Population (65+ Years), 2006 - 2030



Source: ONS Sub-National Population Projections 2008

Figure 2.13: Projected TGSE Elderly Population (85+ Years), 2006 - 2030



Source: ONS Sub-National Population Projections 2008

- 2.12 The ramifications of an increasing older population were considered in some detail in the SHMA 2008. The updated analysis suggests that the forecast level and rate of growth in the older population, particularly that in the 85+ years age cohort, will increase significantly. While this broadly accords with national trends, it raises critical issues in terms of the need for greater flexibility and choice in the older persons' housing market and further raises the issue of under-occupation of housing stock, which in advanced old age may not meet individual household's needs.
- 2.13 The need for greater provision of supported and extra care housing was identified in the SHMA 2008 and this conclusion remains firm in this Update Report. There is a clear role for specialist housing provision and particularly that which is able to support older households to remain in their own homes for longer. At the individual district level, emerging LDF planning policies will need to continue to identify suitable sites for older people's housing as part of the overall mix of new residential development projects; and to also ensure greater efforts are made to deliver new homes that are adaptable and meet Lifetime Home standards.

Summary

- The SHMA 2008 identified an ageing population structure but with a strong working age population (19-64 years). The SHMA Update re-confirms this trend of a continuation of an increasingly ageing population (65 years and over).
- The Update Report sets out that both the overall level of older population and the rate of increase are growing from 17% in 2006 to 23% by 2030. Moreover, the advanced old age cohorts (those aged 85+ years) are expected to continue to grow with current forecasts suggesting a doubling of the 85+ age cohort between 2006 and 2030.
- There is an overall stability in the birth and death rate within TGSE, with the greatest changes in population levels driven by net inward migration from 2006 both from elsewhere in the UK (particularly East London boroughs), and international inward migration to the TGSE sub-region.
- The most recent data analysis shows a pronounced and continued upward net in-migration trend to the TGSE sub-region's Housing Market from East London. The SHMA 2008 evidenced in some detail the housing choice, transport accessibility and quality of life factors under-pinning this continued population

flow.

- At the individual district level, each of the constituent local authorities shows a different set of characteristics of population change locally. Nevertheless, each have, and continue to experience net-in migration as one of the major driver of population change.

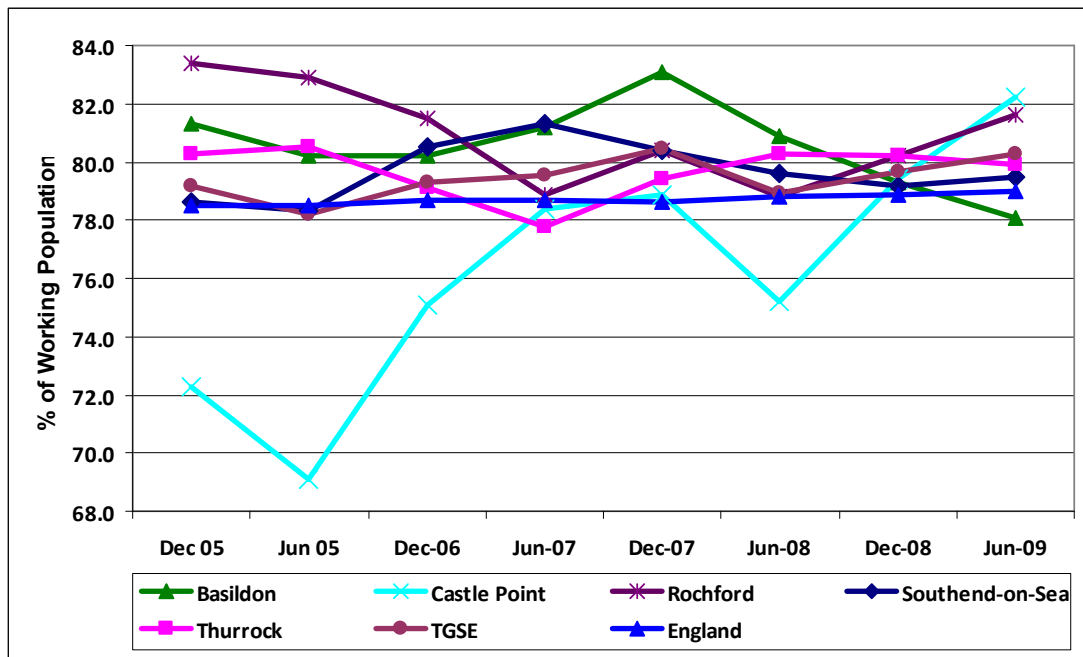
Economic Trends

- 2.14 Economic activity levels from December 2007 to June 2009 are identified in Figure 2.14. The picture in the Thames Gateway South Essex sub-region is volatile and mixed, with rates rising in Castle Point (rising following a sharp dip) and Rochford, with modest declines in Southend. Economic activity rates in Thurrock have remained relatively stable, but Basildon has seen a more significant decline from 83% to 78% in the same period. Overall the TGSE sub-region has seen economic activity rates decline from December 2007 and then rise back to 80% in December 2009. The differential with the East of England region as a whole (81.6% economic activity) has been eroded such that there is now a 1.6% economic activity rate difference between the two. An analysis of employment rates indicates a picture consistent with economic activity rates.
- 2.15 Geographically, economic activity is broadly consistent across the sub-region with the exception of Castle Point where both the economic activity and employment rates have shown significant volatility over the past five years. Indeed, the SHMA 2008 noted Castle Point had, at that time, a far lower economic activity and employment rate than the other TGSE local authorities. The latest analysis in this Update Report shows that Castle Point has more than recovered this position and in June 2009 charted the highest economic activity rate of the five authorities.
- 2.16 The SHMA 2008 noted that the level of employment within the sub-region was lower than the number of working-age residents. The SHMA concluded that a significant part of the function of the TGSE Housing Market is as a commuter location to support London. This remains the position. Strong economic activity rates are reflective of a resident working population that can draw on an extensive functional economic area that includes out-commuting to London. While it is difficult to shy away from the significance of London, the opportunity to enhance the number, range and densities of employment

within the TGSE sub-region remains important in raising productivity (per capita GVA) where higher skilled jobs can be created.

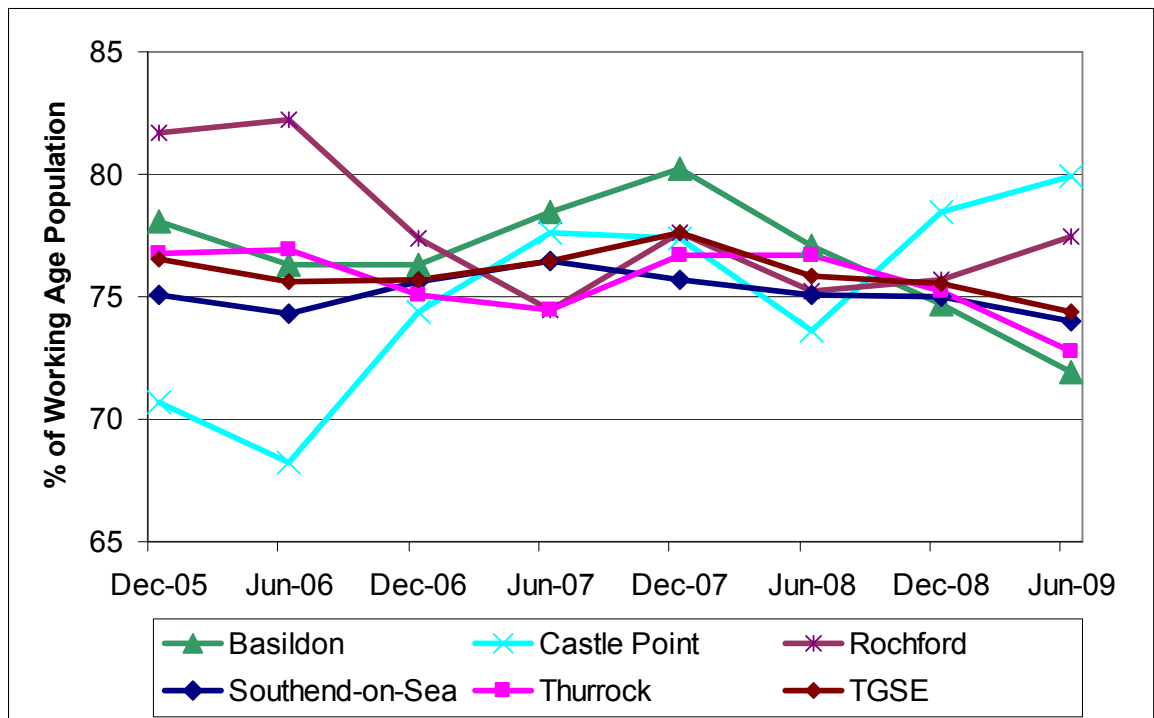
- 2.17 Current economic activity and employment rates signal economic market resilience, with strong participation rates that are beneficial to supporting future activity and demand in the sub-regional housing market.

Figure 2.14: TGSE Economic Activity Rates, 2005 - 2009



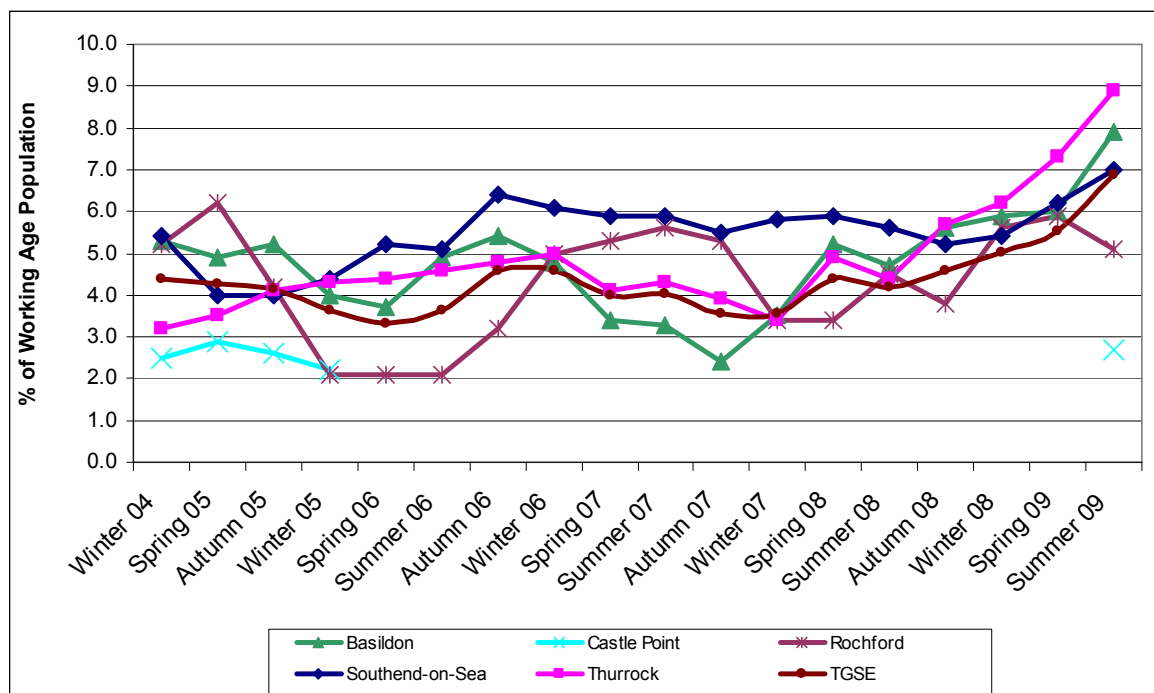
Source: ONS Annual Population Survey 2009

Figure 2.15 – TGSE Working Age Population Employment Rates, 2005 - 2009



Source: ONS Annual Population Survey 2009

Figure 2.16: TGSE Unemployment Rates, 2004 – 2009



Source: ONS Annual Population Survey 2009 (Castle Point figures suppressed by ONS Spring 06 – Spring 09)

- 2.18 Unemployment data is shown in Figure 2.16. This shows an increase in the headline unemployment rate in each of the five constituent local authorities over the period from autumn 2008 to summer 2009 with Basildon and Thurrock showing the largest increases. Southend has shown stability in unemployment levels over the same period.
- 2.19 This unemployment pattern could be linked to the relative economic growth potential of the five authorities, with the greatest and fastest growth potential found in the larger centres. However this economic growth potential also has the swiftest reactionary effect during recessionary times driving up unemployment; i.e. jobs are more easily lost in the larger urban centres.
- 2.20 Figure 2.17 sets out the latest employment forecast projections in the period 2010 – 2030. Total employment is projected to increase from some 225,000 in 2010 to 255,000 in 2030. The forecasts suggest that the RSS target of 55,000 new jobs from 2001 to 2021 remains realistic, albeit more challenged taking into account baseline trends and planned economic-generating development projects within the sub-region.
- 2.21 The modelling of recessionary effects on new employment in the East of England and within the TGSE sub-region does not show a significant difference to the long term trajectories for job growth over the period to 2021 and beyond. The recovery from recession will impact the short term delivery of new jobs.
- 2.22 We also anticipate that there will be a lag in the statistics for new employment growth and unemployment decline as the recession plays out within the sub-region; i.e. some new employment growth and counterpart unemployment changes will continue to appear in the relevant statistics over the course of 2010 and 2011.

Table 2.1: TGSE Employment Compared as a proportion to Essex and East of England

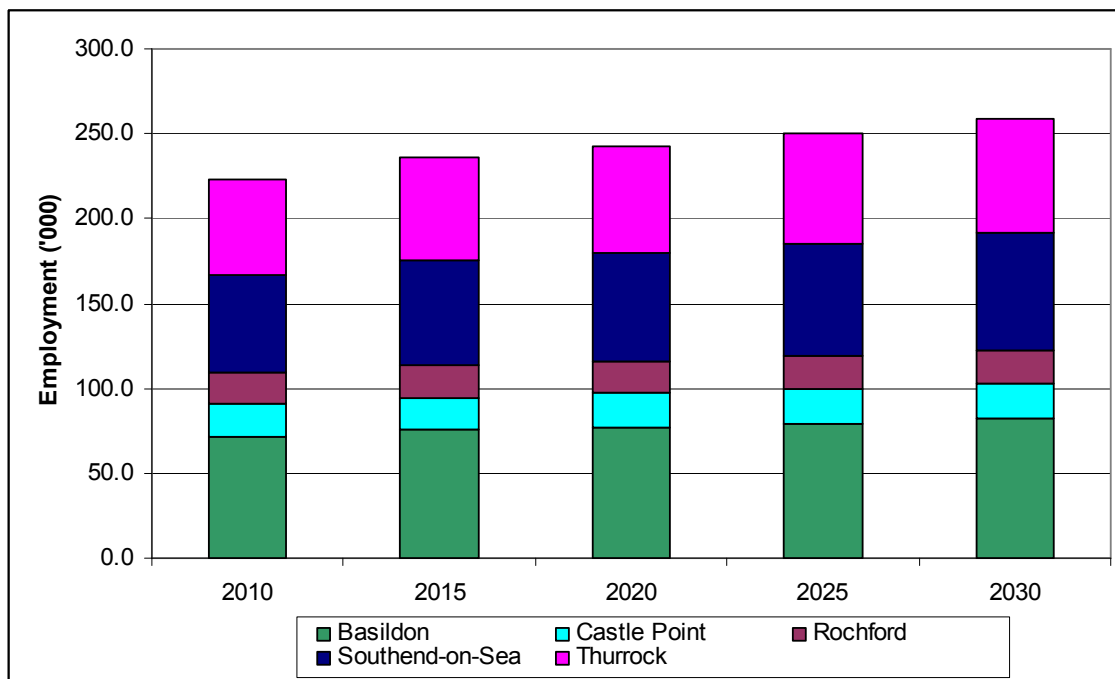
| Area | 2010 | 2015 | 2020 | 2025 | 2030 |
|------------------------------|------|------|------|------|------|
| TGSE as % of East of England | 9.7 | 9.6 | 9.5 | 9.5 | 9.4 |
| TGSE as % of Essex | 36.6 | 36.4 | 36.4 | 36.5 | 36.6 |

Source: EEDA 2009

- 2.23 The SHMA 2008 concluded that the expansion of jobs at this pace would require a large expansion in labour supply (generated by continued in-migration to the sub-region coupled with increasing levels of economic activity and employment rates in the longer term). The current analysis re-confirms this conclusion at the sub-regional level and also shows in Figure 2.17 that Basildon, Southend and Thurrock as the larger economic

centres, will contribute the most to future employment levels, with Castle Point and Rochford projecting more modest increases.

Figure 2.17: TGSE Future Employment Projections, 2010 – 2030

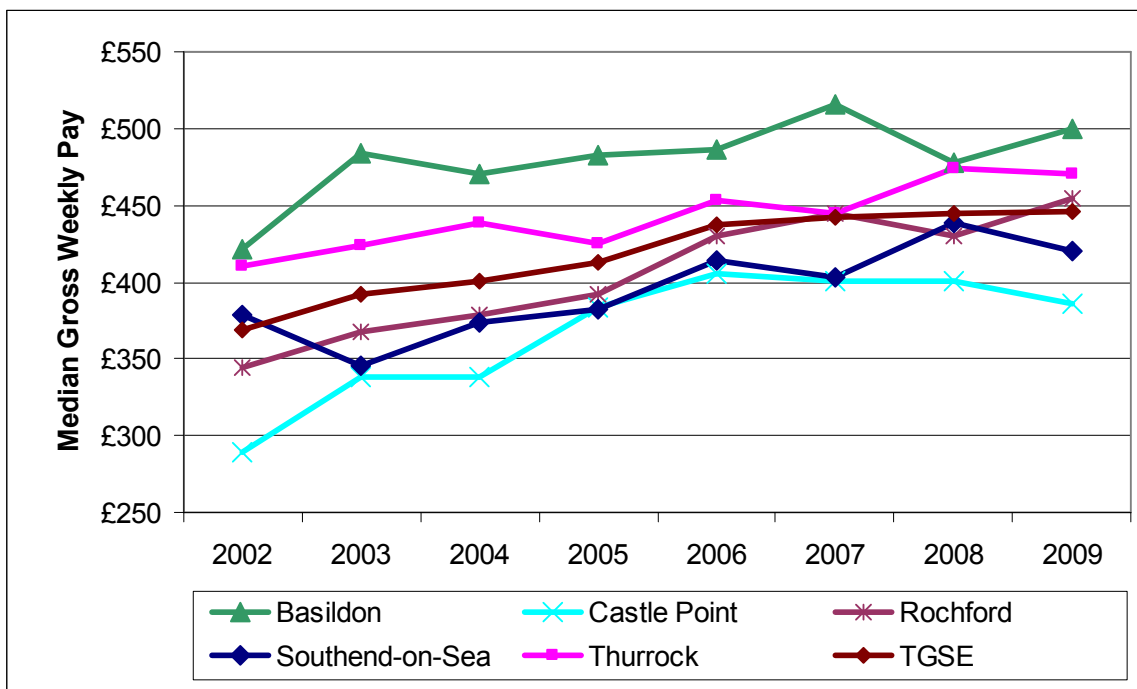


Source: EEDA 2009

- 2.24 Workplace and resident earnings are key housing market demand drivers and economic health signals. Workplace earnings can act as a proxy for productivity measures within a local economy where GVA data is not available at district level. Figures 2.18 and 2.19 show the latest analysis of workplace and resident earnings for full time employees.
- 2.25 Similar to the SHMA 2008 findings, this updated analysis shows that Basildon's economy is of significantly higher value than others in the sub-region, closely followed by Thurrock. Rochford continues to perform at the TGSE sub-regional average (which is closely comparable to the regional position). Castle Point continues to show the lowest workplace earnings and therefore productivity, but conversely the highest resident earnings of the five constituent local authorities.
- 2.26 The difference between workplace and resident based earnings for each local authority is set out in Figure 2.20 (where resident earnings are in most cases in excess of workplace earnings in TGSE). It demonstrates that relative economic performance is a product of the underlying role and function of the individual districts, their sectoral employment base, and the productivity of local enterprises. As the SHMA 2008

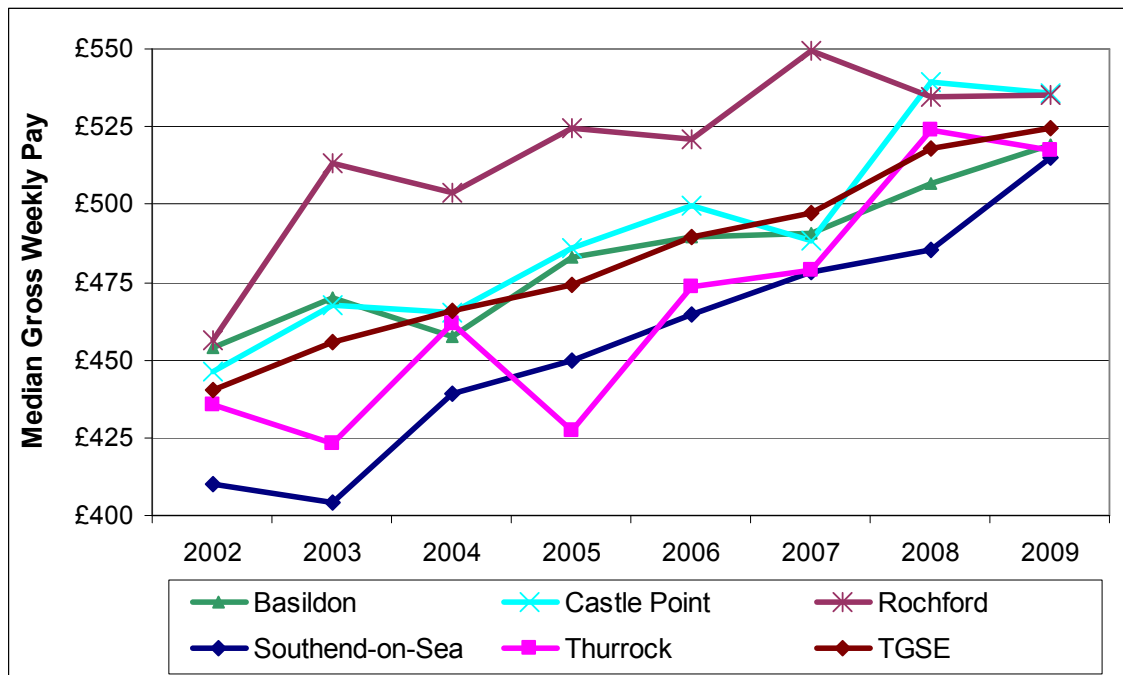
identified, this is consistent with other areas within commuting distance of London where there is a significant earnings incentive to commute into London for work. At a sub-regional level, the key earnings outcome to note is that the recession appears to have had no effect on earnings, with an upward trend evident for the TGSE sub-region as a whole.

Figure 2.18: TGSE Workplace Earnings, 2002 - 2009



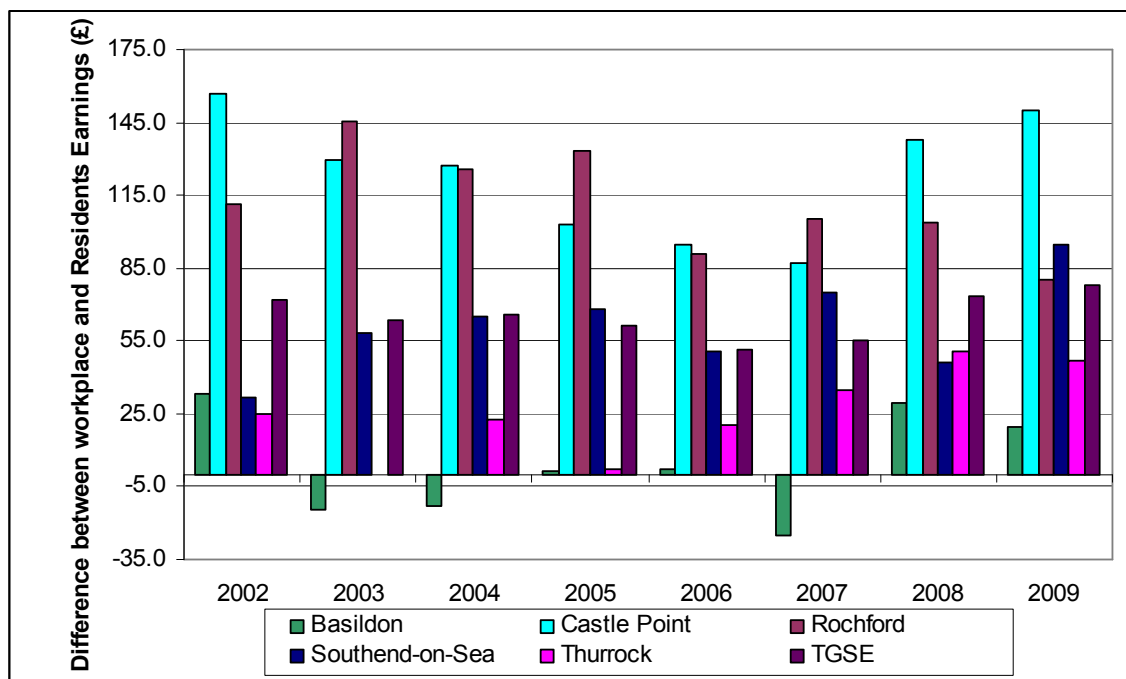
Source: ASHE 2009

Figure 2.19: TGSE Residents' Earnings, 2002 - 2009



Source: ASHE 2009

Figure 2.20: TGSE Difference between Workplace and Resident Earnings, 2002 - 2009

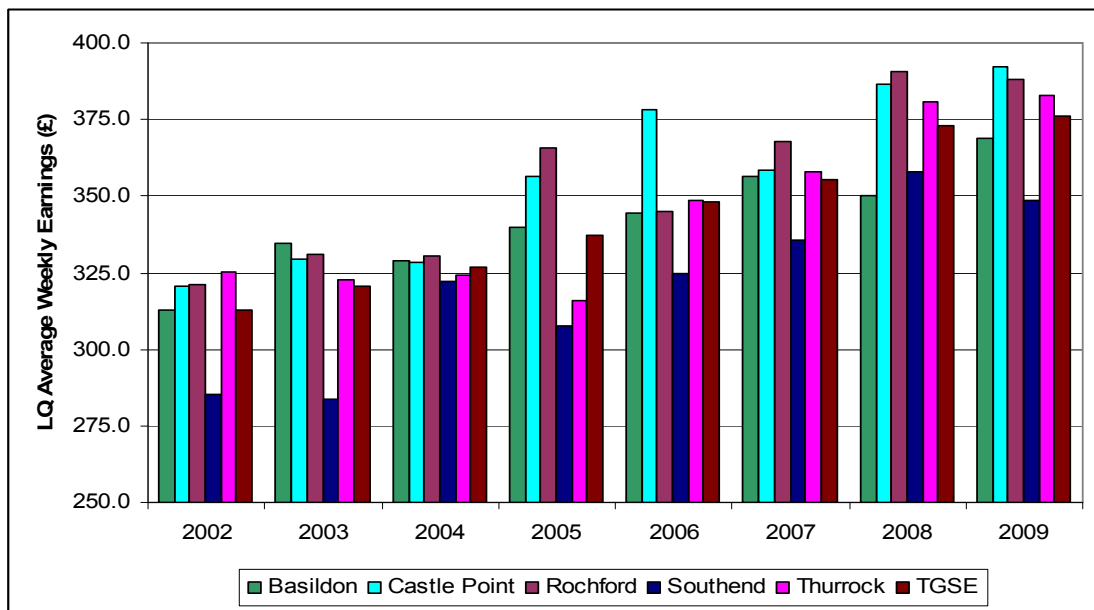


Note – Positive values show residential earnings higher than workplace earnings. Negative values (Basildon) show workplace earnings higher than resident earnings

Source: ASHE 2009

2.27 To complete the current picture, analysis of residents lower quartile earnings is set out for each of the TGSE local authorities in Figure 2.21. At the TGSE sub-region level, this confirms previously identified trends in rising resident earnings since 2002, albeit with some year on year variation at the individual district level. The lower quartile average is now £376 per week, a significant rise from 2007 when the average was approximately £355 per week.

Figure 2.21: TGSE Lower Quartile Residents' Average Weekly Earnings, 2002 – 2009



Source: ASHE 2009

Summary

- The economic activity picture in the Thames Gateway South Essex sub-region is volatile and mixed, with rates rising in Castle Point (following a sharp dip) and Rochford, with modest declines in Southend. Economic activity rates in Thurrock have remained relatively stable, but Basildon has seen a significant decline from 83% to 78% in the same period.
- Overall the TGSE sub-region has seen economic activity rates decline from December 2007 and then rise back to 80% in December 2009. Geographically, economic activity is broadly consistent across the sub-region with the exception of Castle Point where both the economic activity and employment rate have shown significant volatility over the past five years.
- This update report confirms the SHMA 2008 findings that the level of employment in the sub-region is below the number of working-age residents. The conclusion drawn is that the function of the TGSE Housing Market is as a commuter location to support London.
- The economic activity and employment rates signal economic market resilience with strong participation rates that are beneficial to supporting future activity and demand in the sub-regional housing market.
- Data shows an increase in the headline unemployment rate in each of the five constituent local authorities over the period from autumn 2008 to summer 2009 with Basildon and Thurrock showing the largest increases. Southend has shown some stability in unemployment levels over the same period.
- Total employment is projected to increase from some 225,000 in 2010 to 255,000 in 2030. The forecasts suggest that the RSS target of 55,000 new jobs from 2001 to 2021 remains realistic albeit more challenged taking into account baseline trends and planned economic-generating development projects within the sub-region. The modelling of recessionary effects on new employment in the East of England and within the TGSE sub-region does not appear to show a significant difference to the long term trajectories for job growth over the period to 2021
- Analysis shows that Basildon's economy is of significantly higher value than

others in the sub-region, closely followed by Thurrock. Rochford continues to perform at the TGSE sub-regional average (which is also closely comparable to the regional position). Castle Point continues to show the lowest workplace earnings and therefore productivity, but conversely the highest resident earnings of the five constituent local authorities. As the SHMA 2008 identified, this is consistent with other areas within commuting distance of London where there is a significant earnings incentive to commute into London for work.

- At a sub-regional level, the key earnings outcome to note is that the recession to date appears to have had no effect on earnings, with an upward trend evident for the TGSE sub-region as a whole.

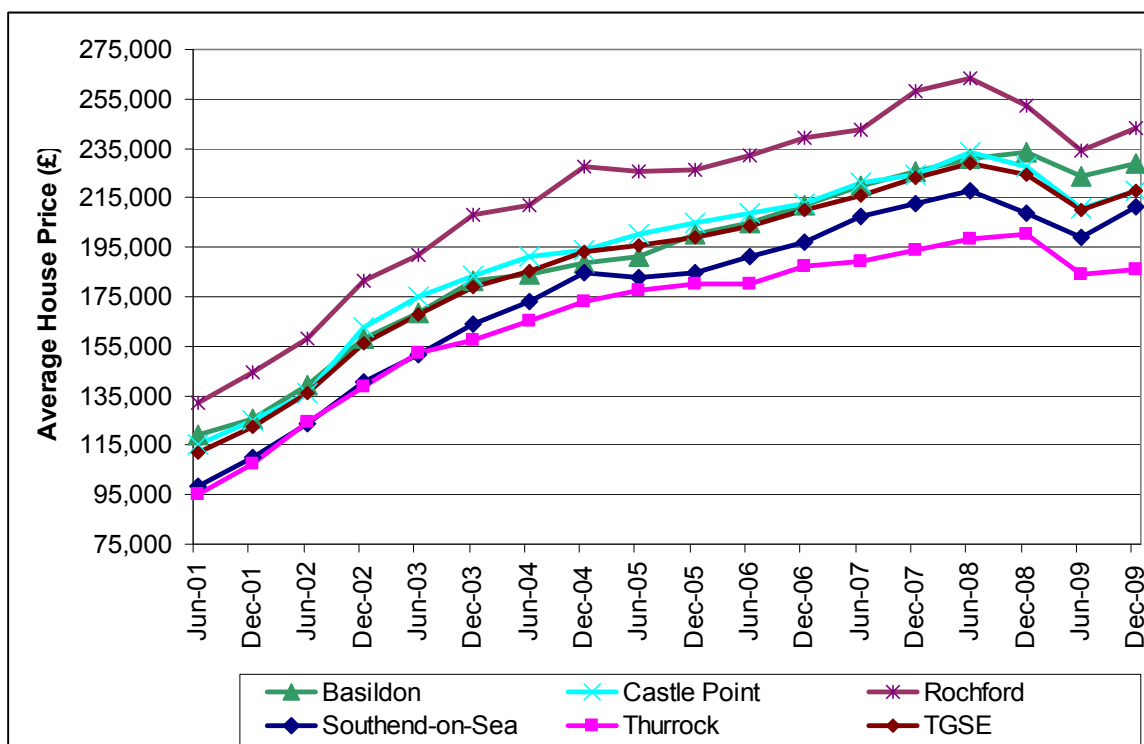
3. THE ACTIVE HOUSING MARKET

Introduction

3.1 This section reviews and updates activity in the South Essex housing market. A selection of market signals are set out including house prices, market activity, market affordability and repossessions.

3.2 As Figure 3.1 outlines there has been a recent recovery in house prices across the five districts in the last six months following a significant decline during 2008 up to summer 2009. However average house prices are still significantly below their peak between June 2007 and December 2008.

Figure 3.1: Average House Price by Local Authority 2001-2009

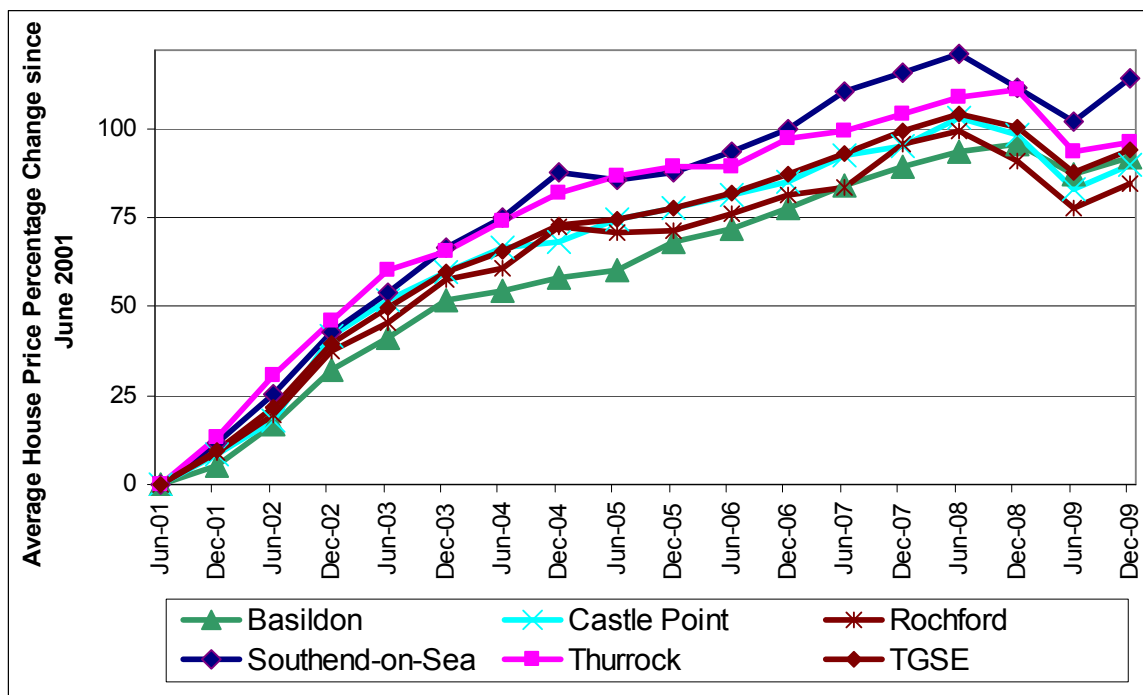


Source: Hometrack 2010

3.3 As was the case in the original SHMA 2008, Rochford and Thurrock continue to represent the most and least expensive local authority areas respectively in Thames Gateway South Essex.

3.4 Despite having the most expensive housing stock in the TGSE area Rochford has actually seen the lowest level of price growth of any of the local authorities as illustrated in Figure 3.2. Thurrock has experienced the second highest rate of growth over this period second only to Southend on Sea.

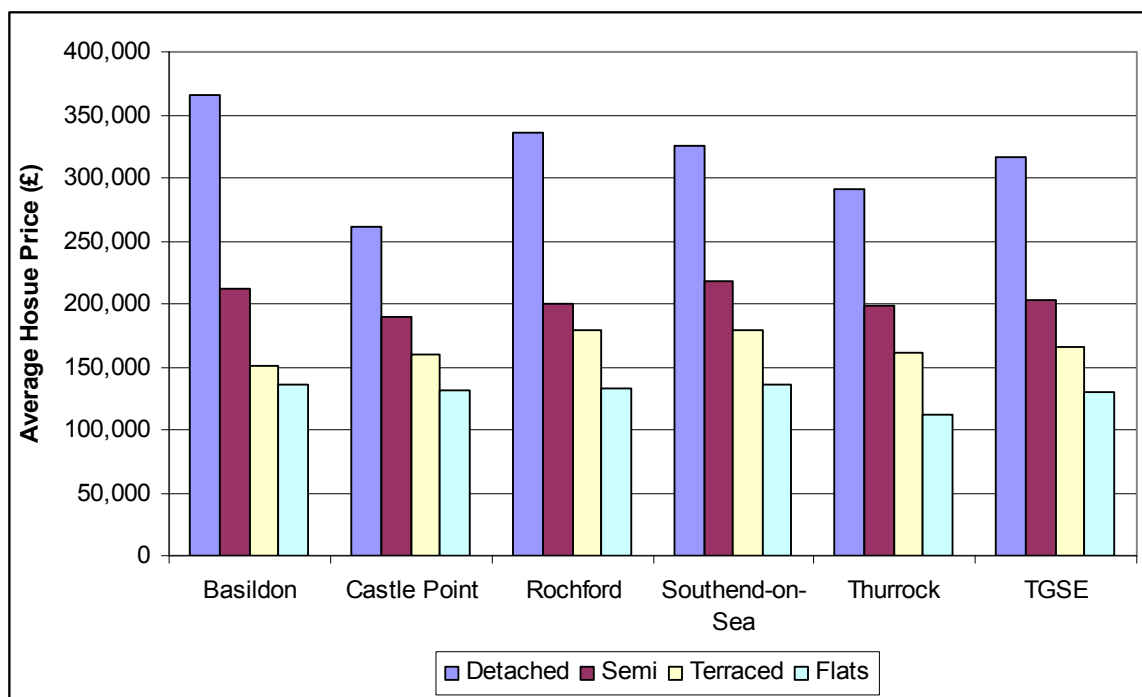
Figure 3.2: Average House Price Percentage Change since June 2001



Source: Hometrack 2010

3.5 When house prices are broken down by type as shown in Figure 3.3 Basildon District's detached stock is on average the most expensive in the TGSE. There is a significant price gap for detached properties across the districts with Castle Point stock on average selling for over £100,000 less than in Basildon.

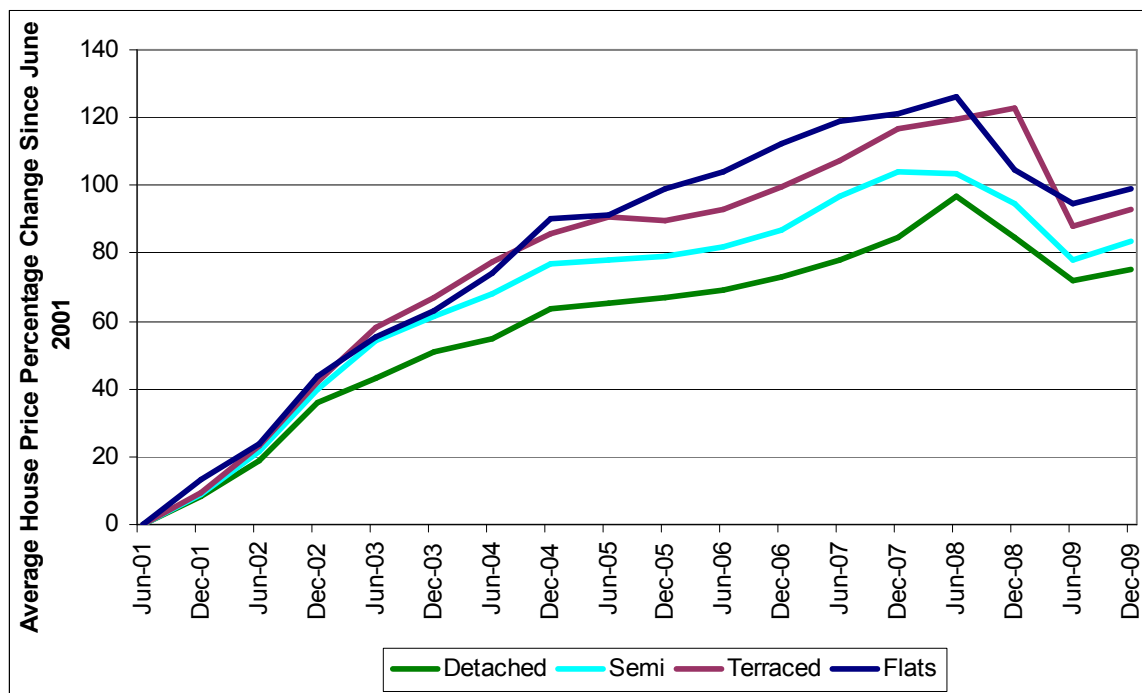
Figure 3.3: Average Price By type and by Local Authority, December 2009.



Source: Hometrack 2010

- 3.6 With the exception of Thurrock, which is notably less expensive, there is little difference in the average price of flatted stock across the other four districts selling on average in the £130,000 to £135,000 range.
- 3.7 Flatted stock has also seen the highest level of growth between 2001 and 2009 of all the housing types as shown in Figure 3.4. Housing types which are historically more affordable (flats and terraced houses) have seen the highest level of growth over this period.
- 3.8 Detached property has seen the slowest rate of growth of all the housing types since 2001. Despite slower growth detached housing is still around 80% more expensive than in 2001.
- 3.9 Up to 2008 house price growth in TGSE remained positive, however, from June 2008 to June 2009 prices declined by average of 20% across the TGSE area.
- 3.10 Rochford has been particularly affected with house prices declining in the period between December 2007 and December 2009 by -6%. Only Basildon has managed to see marginal growth in house prices (1%) in this time.

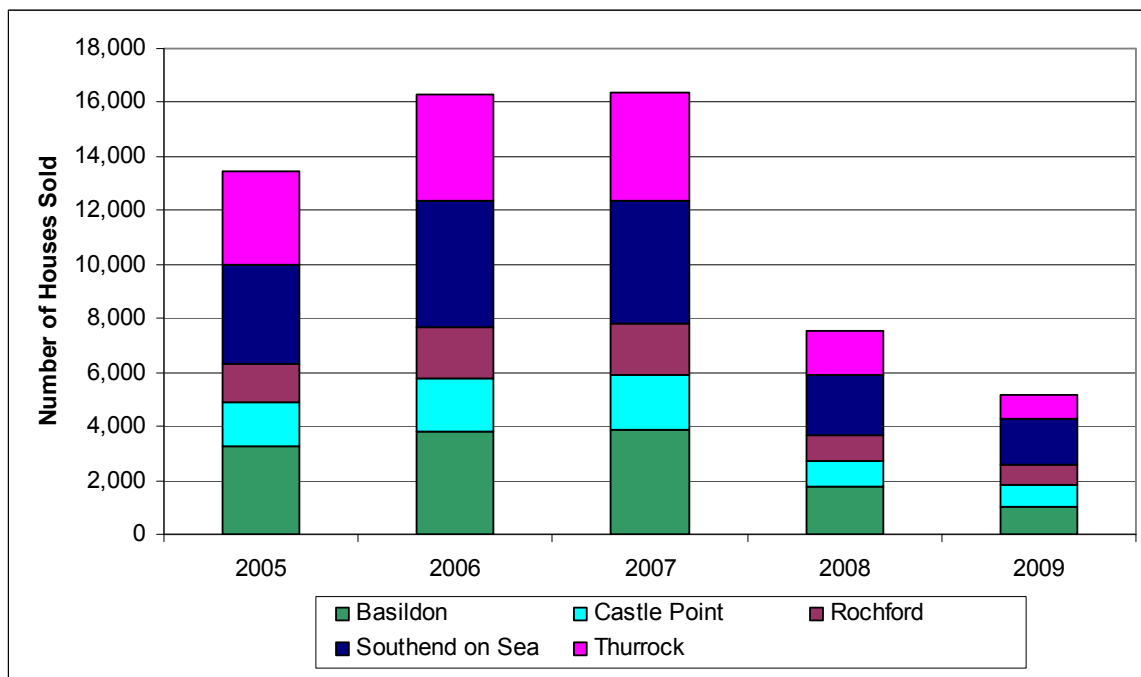
Figure 3.4: Growth by Housing Type in TGSE, 2001 - 2009



Source: Hometrack 2010

- 3.11 Weaker growth in historically more expensive areas in the sub-region compared to those which began with lower average base prices suggests that the gap in house prices between the most and least expensive areas is narrowing.
- 3.12 The cost of terraced property had a slightly longer period of sustained growth compared to the other housing types although it has now realigned itself with a quicker and sharper fall in the rate of growth by comparison.
- 3.13 The current economic climate has had a dramatic effect on the number of properties being sold in the TGSE sub-region. In 2009 sales activity was one third of the 2007 level. Thurrock and Basildon districts have seen the most substantial fall in sales as shown in Figure 3.5. This is despite local agents reporting growing interest in property viewings during 2009.

Figure 3.5: Sale Transactions by Local Authority Area, 2005 – 2009

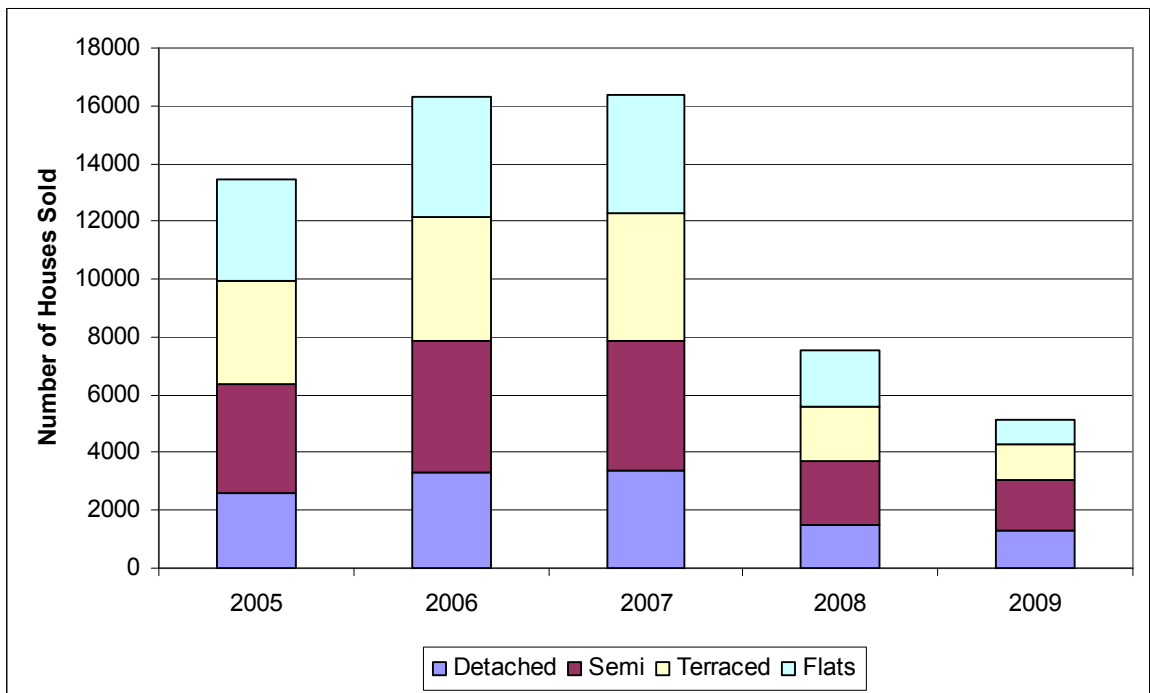


Source: Hometrack 2010

- 3.14 When sales figures are sub-divided by housing type as shown in Figure 3.6, it reveals a higher level of decline in the lower value end of the housing market amongst flats and terraced properties. This is likely to reflect the inability of first time buyers to access mortgage products due to more stringent lending practices and larger deposit requirements.

- 3.15 Sales of flats are now almost one fifth of what they were just two years ago, whereas semi-detached properties are sitting at 40% of their previous levels and now make up over one third of all sales (34.9%) compared to 2007 when just 27.2% of sales were this type of property.

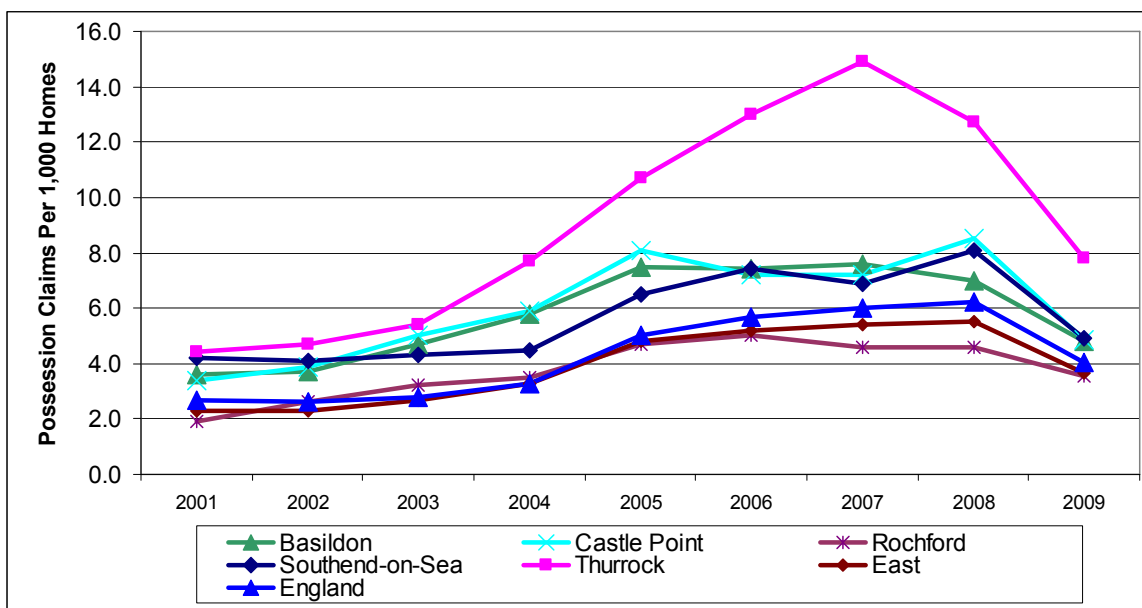
Figure 3.6: Transactions by Housing Type, TGSE, 2005-2009



Source: Hometrack 2010

3.16 When turnover analysis is examined as in Figure 3.7, Thurrock and Basildon are shown to have been most affected by the downturn. In Thurrock’s case just 1.5% of the private housing stock was sold in 2009 compared 6.7% in 2007.

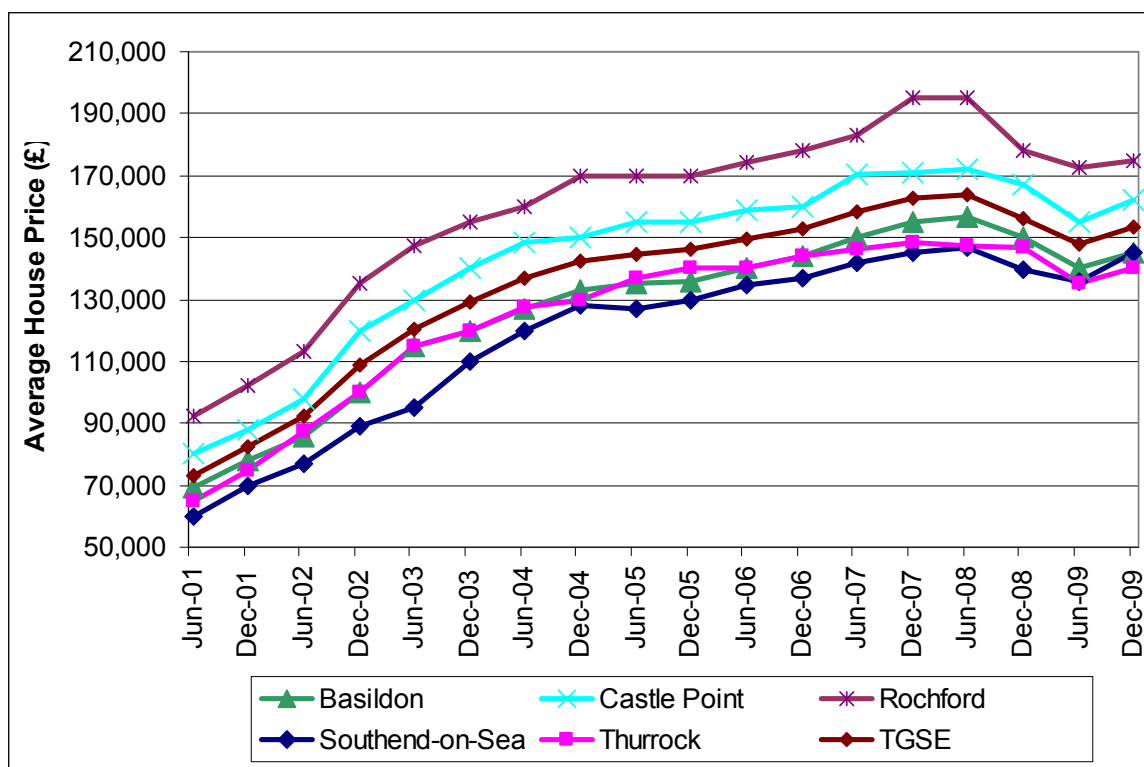
Figure 3.7: Turnover of Properties as Percentage of Private Housing Stock, 2005-2009



Source: Hometrack & GVA Grimley 2010

- 3.17 Figure 3.8 illustrates the cost of housing at the lower quartile end of the housing market (least expensive 25% of house sales) and indicates less of a decline in the last 18 months than in all other housing brackets.
- 3.18 Although there has been drop in average price over the last 18 months it has been less marked in the lower quartile than the overall figures. This may be explained by a slower rate of growth in lower quartile house prices since around 2004 and as such has not seen the more dramatic realignment seen at the upper end of the market.

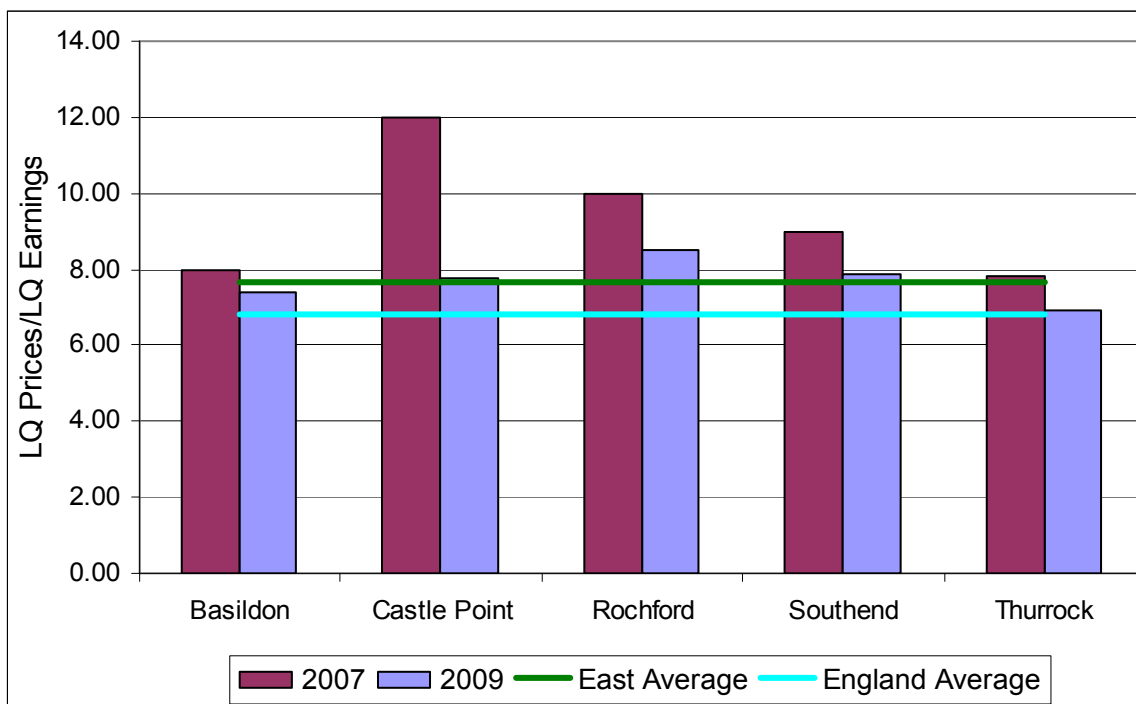
Figure 3.8 Lower Quartile House Price Change, TGSE Authorities, 2001-2009



Source: Hometrack & GVA Grimley 2010

- 3.19 The lowest quartile broadly represents the point in the housing market at which many first time buyers would be able to join. A combination of wage increases and a reduction in house prices since 2007 has meant that affordability of housing in the lowest quartile has increased across the sub-region (Figure.3.9). Both the national and regional benchmarks for affordability have fallen in the period since the publication of the 2008 SHMA.
- 3.20 There has been a substantial increase in affordability in Castle Point where the cost of lower quartile housing has decreased from 12 times the annual lowest quartile earnings to just under 8 times. The increase in affordability in Castle Point means that Rochford is now the least affordable place for local residents to enter the private housing market, at some 8.5:1 price to earnings ratio.

Figure 3.9: Affordability (Lowest Quartile Earnings to Prices Ratio), TGSE Authorities 2007-2009

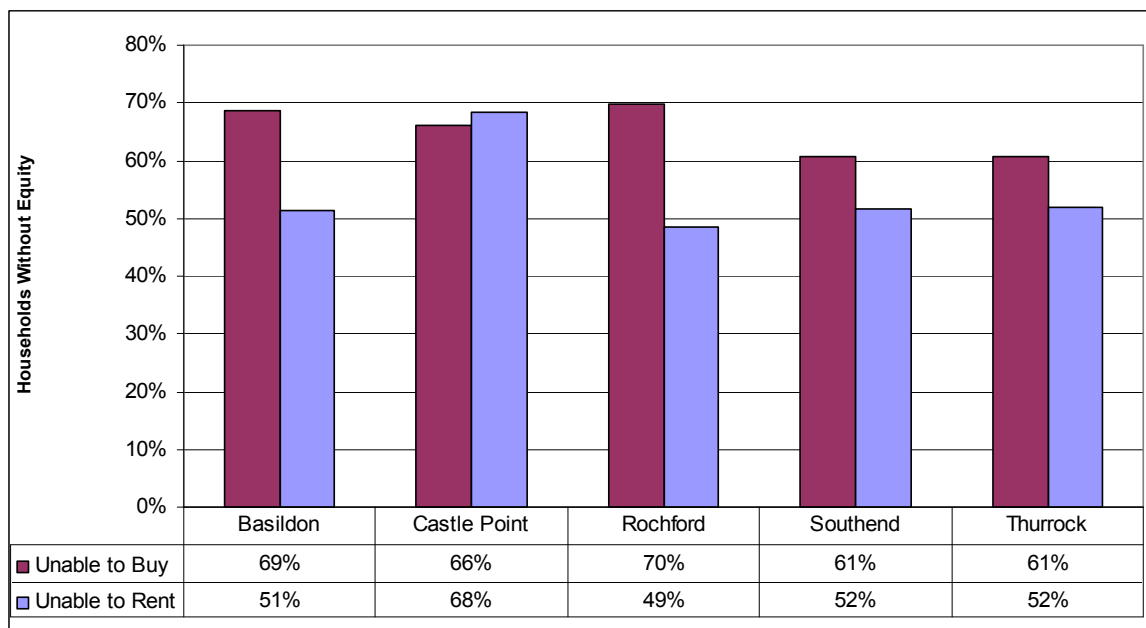


Source: Hometrack & GVA Grimley 2010

- 3.21 While the increase in affordability overall improves the chances of TGSE residents accessing the local housing market, price to earning ratios are still higher in the sub-region than the England average at eight times annual wage levels, far higher than most mortgage providers will allow, which coupled with larger deposit requirements suggests that housing is as unaffordable as ever.

- 3.22 Further analysis of local housing costs and earnings makes it possible to calculate the percentage of households that are unable to buy or rent households without assistance. Table 3.10 reveals that on average 60% of the households within the TGSE area are unable to buy or rent without support of some kind. This peaks at 67% in Castle Point which reflects the fact that 66% of the households are unable to buy and 68% unable to rent based on the average incomes earned by the residents.

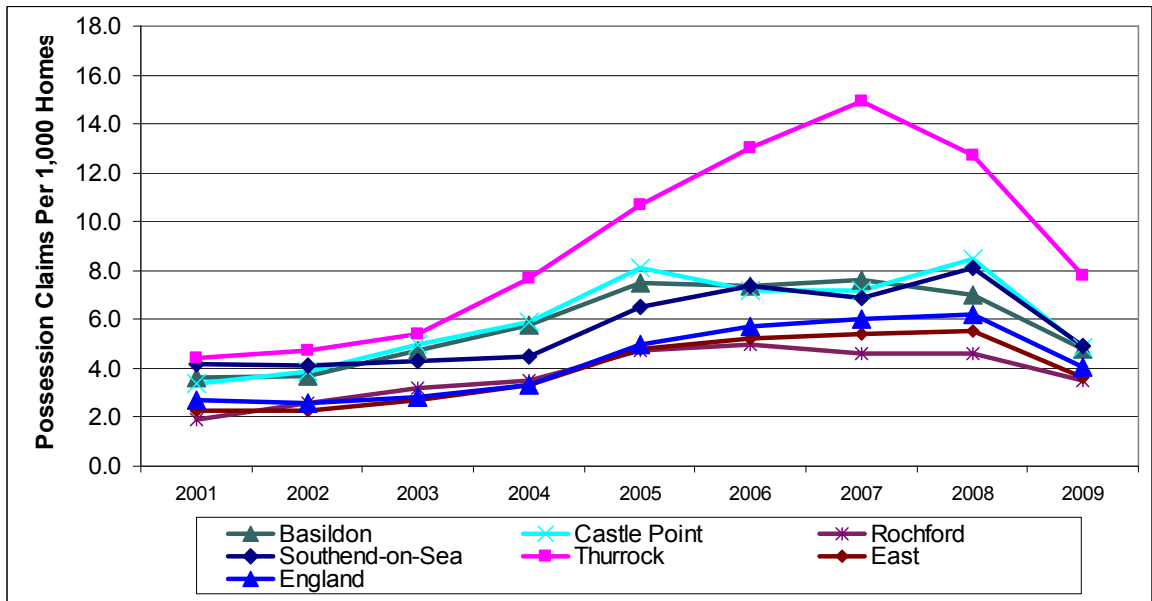
Figure 3.10: Affordability (Lowest Quartile Earnings to Prices Ratio), TGSE Authorities 2007-2009



Source: CACI, Hometrack and GVA Grimley

- 3.23 Mortgage lenders have become less likely to be granted a mortgage possession order (Repossessions) when household mortgages fall into arrears.
- 3.24 Ministry of Justice data for the period between 2001 and 2009 seemingly shows a significant reduction in possession claims (mortgage providers filing for possession) particularly over the last 12 months (See Figure 3.11). However these figures should be treated with caution due to the introduction of the Mortgage Pre-Action Protocol having a negative effect on the quality of these figures.
- 3.25 Thurrock has consistently had the highest number of possession claims per 1,000 homes over the last decade peaking in 2007 at 15 claims per 1,000 households. This figure has since fallen to eight per 1,000 by 2009.

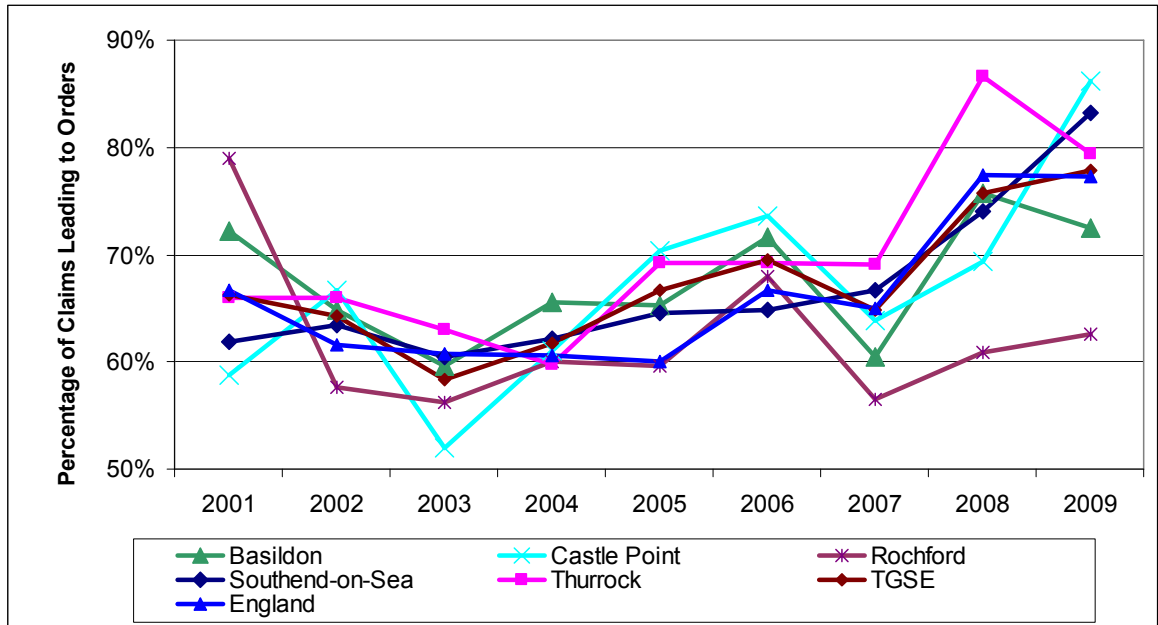
Figure 3.11 Repossessions Claims per 1,000 Homes, TGSE Authorities, 2001-2009.



Source: Ministry of Justice 2010

- 3.26 The number of possession orders in Rochford has reduced since 2005, while the other local authorities saw continued growth until 2007-08.
- 3.27 In percentage terms the number of claims leading to possession orders per 1,000 households is a little more erratic, however the trend is one of growth since 2007 as Figure 3.12 shows.

Figure 3.12 Repossessions Claims leading to Possession Orders, TGSE Authorities, 2001 - 2009.



Source: Ministry of Justice 2010

3.28 With the courts seemingly increasing the number of possession orders made per claim, (particularly Castle Point and Southend on Sea) there have been significant percentage increases in the last two years. This may be a reflection of the strength of cases put before the courts, with mortgage lenders only claiming for possession in the most extreme circumstances.

Summary

- Although there has been a recent recovery in house prices across the districts in the last six months average prices are still significantly below their peak of 2008.
- Rochford (£243,311) and Thurrock (£186,321) continue to be the most and least expensive local authorities respectively in the Thames Gateway South Essex area.
- There has been weaker growth in historically more expensive areas compared to those which began with lower average prices. This suggests that the gap in house prices between the most and least expensive areas is narrowing.
- Completed sales continue to dwindle with numbers reducing by around two thirds since 2008.
- Lower quartile house prices have not seen the level of growth evidenced in the market as a whole. As such, the fall in prices over the last 18 months has been less marked.
- With continued growth in earnings and falls in house prices, lower quartile houses are now more affordable than in 2007. However lower quartile house prices remain around 8 times the average lower quartile salary (of average mortgage lending ratio).
- Mortgage providers are more reluctant to make possession claims particularly due to the Mortgage Pre-Action Protocol; however the likelihood of claims being successful is increasing.

4. HOUSING SUPPLY

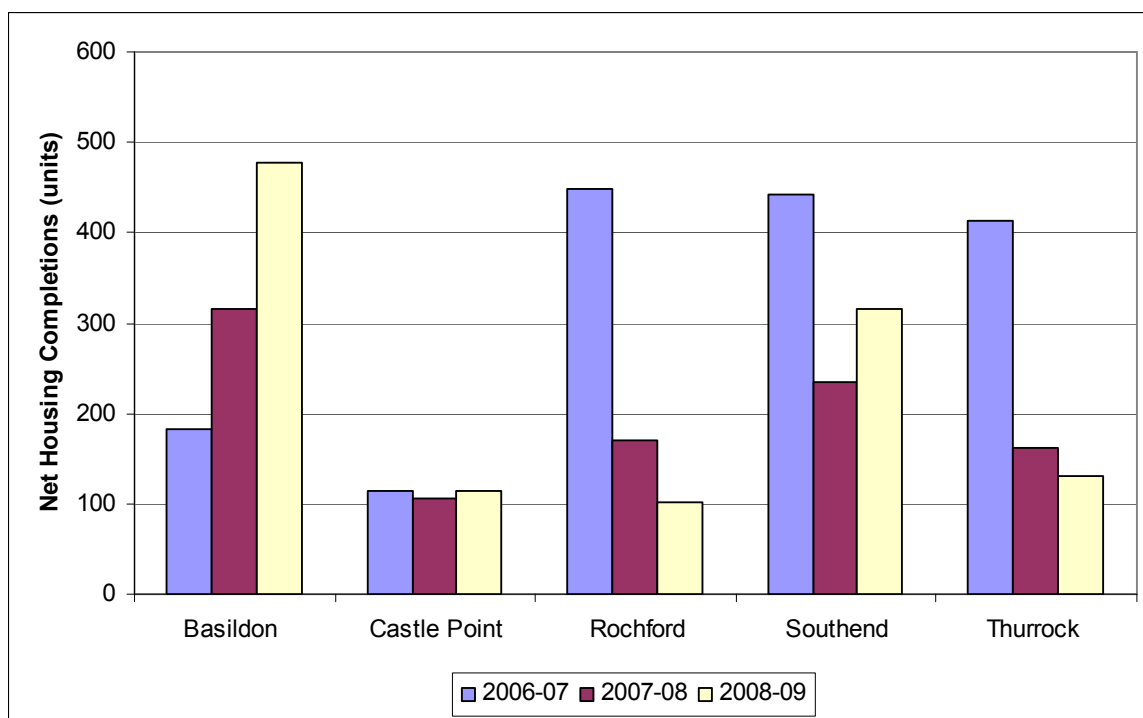
Introduction

4.1 In this section, housing supply-side trends are reviewed. The 2008 SHMA included details of the levels of housing supply, stock trends and trajectories for each of the constituent TGSE local authorities within the Housing Market. Future housing supply projections and the levels of vacant property have changed significantly since the SHMA 2008 and this forms the focus of the supply-side update set out here.

Housing Completions

4.2 Housing completions for the period 2007/08 and 2008/09 are set out in Figure 4.1.

Figure 4.1: Housing Completions by Local Authority, 2006/07 – 2008/09



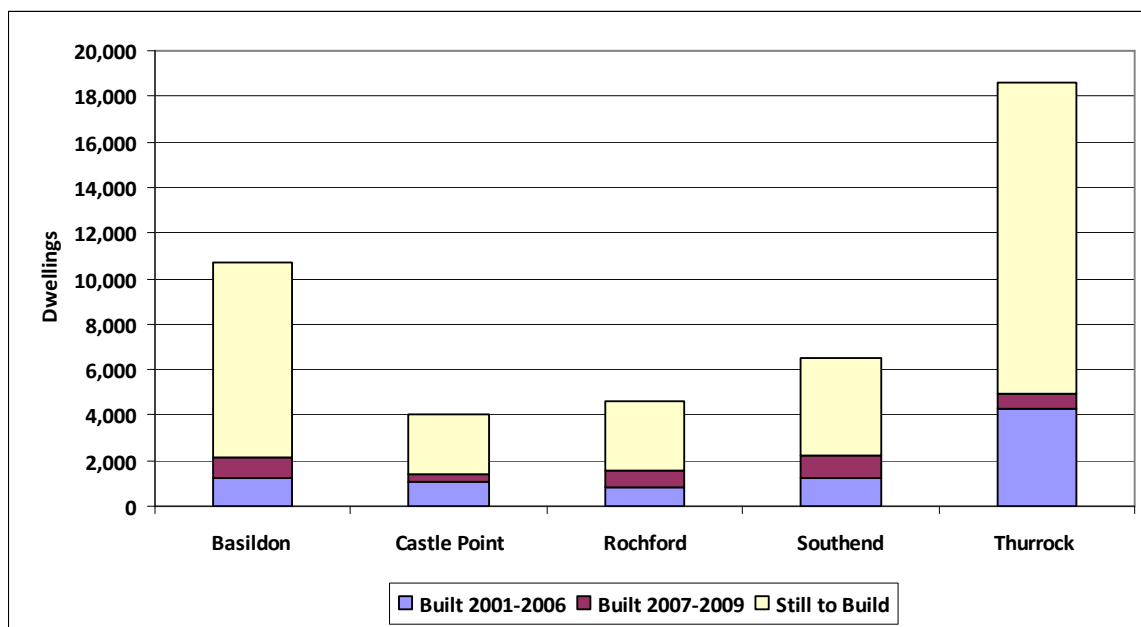
Source: South Essex Local Authority Annual Monitoring Reports, 2009

4.3 The 2008 SHMA noted that over the last decade there had actually been a slight downward trend in net housing completions across the five constituent local authorities.

It noted that the situation varied more at a district level. The current figures continue to highlight a significant variation between each district, with a decline in the annual level of housing completions in 2007/08 and 2008/09 for Rochford and Thurrock, while Basildon and Southend-on-Sea both had increases in housing completions between 2007/08 and 2008/09. Basildon in particular has shown a significant increase each year in its housing completions (from 183 units in 2006/07 to 478 in 2008/09) which is due to ongoing residential construction projects. Castle Point showed a marked stability in completions with some 110 dwellings per annum over the period 2006/07 to 2008/09.

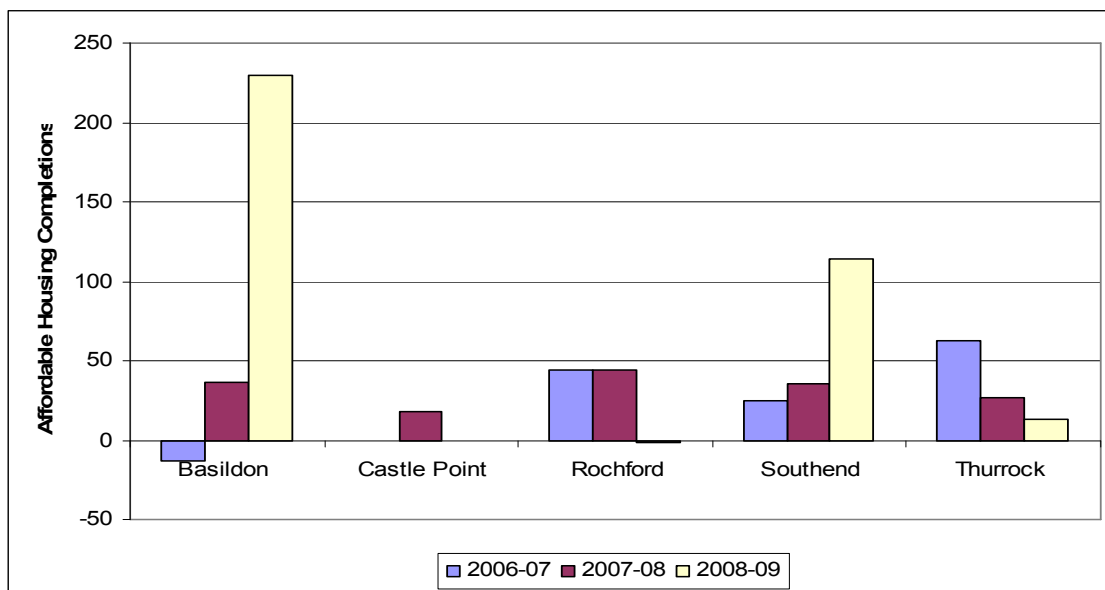
4.4 When compared to the adopted Regional Spatial Strategy housing targets for each South Essex authority, Figure 4.2 demonstrates the scale of future housing still to be delivered in each local authority area from 2010 to 2021. The key issue is the extent to which the increase, stability or decline in net housing completions evident within the constituent local authorities to date will continue to follow that trend over the remainder of the RSS plan period to 2021. Active intervention and positive planning will be required in each area to support housing delivery.

Figure 4.2: Housing Completions and Outstanding Requirements against RSS Target, 2009



Source: South Essex Local Authority Annual Monitoring Reports, 2009

Figure 4.3: Net Affordable Housing Completions, 2006 – 2009



Source: South Essex Local Authority Annual Monitoring Reports, 2009

4.5 Figure 4.3 shows net affordable housing completions across the TGSE sub-regional Housing Market from 2001 to date, based on local authority Annual Monitoring Reports. This indicates that there has been considerable variation in the performance of each local authority, which both accords with and in certain instances conflicts with the overarching performance of the Housing Market. Basildon and Southend have both seen a significant uplift in the number of affordable housing units completed (which aligns with both authorities increase in overall housing completions in 2008/09). Castle Point and Rochford have not had any affordable housing completions in 2008/09 and Thurrock has seen a declining trend over the three year period.

Future Housing Trajectory

4.6 Looking forward, the five year housing supply projections are set out in Table 4.1. These are taken from each of the local authorities housing trajectories and cross referenced against EERA annual monitoring data. This predicts an upward trend in housing delivery in Basildon and Thurrock, with a broadly stable projection of housing completions in Castle Point, Rochford and Southend. These delivery assumptions are based on a period of continued uncertainty in terms of developer appetite for significant

housing delivery and a backdrop of stalled and challenged housing construction projects.

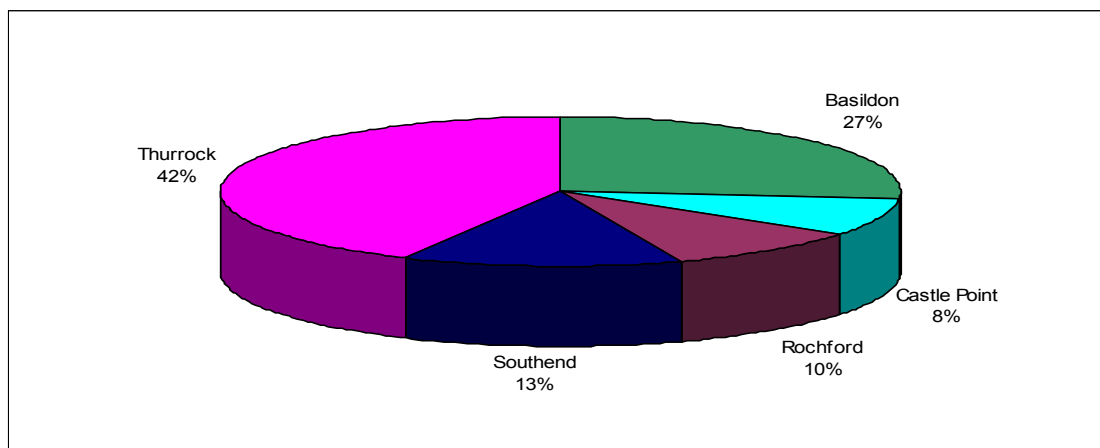
Table 4.1: Five Year Future Housing Delivery Trajectory, TGSE Authorities

| | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | Annual Average | Remaining Annual Requirement | Difference |
|---------------------|-------------|-------------|-------------|-------------|-------------|----------------|------------------------------|-------------|
| Basildon | 234 | 270 | 683 | 659 | 700 | 509 | 710 | -201 |
| Castle Point | 177 | 262 | 200 | 199 | 328 | 233 | 216 | 17 |
| Rochford | 225 | 339 | 391 | 220 | 265 | 288 | 256 | 32 |
| Southend | 290 | 295 | 367 | 476 | 531 | 293 | 357 | -64 |
| Thurrock | 433 | 709 | 840 | 1048 | 1122 | 830 | 1,137 | -307 |
| TGSE | 1359 | 1875 | 2481 | 2602 | 2946 | 2253 | 2,676 | -423 |

Source: South Essex Local Authority Annual Monitoring Reports, 2009 and EERA AMR Instant Atlas

- 4.7 Figure 4.4 sets out the remaining housing supply target for the five TGSE local authorities in proportional terms. This highlights that of the remaining housing supply target, 66% is to be provided in Thurrock and Basildon, with the remainder in the other three districts.
- 4.8 Comparing each local authority's housing trajectories against the adopted RSS housing targets highlights a mixed picture with Castle Point and Rochford delivering above the annualised housing target. In comparison Basildon and Thurrock will have to increase housing output substantially in order to meet regional housing targets. Southend has a housing trajectory that is broadly matched (but slightly below) the annualised RSS target.
- 4.9 The individual local authorities' housing delivery performance against RSS target will have implications for the ability of the TGSE Housing Market to meet overall housing demand and deliver the levels of affordable housing required to meet extant and future predicted housing needs. This is particularly focused within Basildon and Thurrock without adequate land allocations through planning policy and direct intervention in development projects to support new housing delivery.

Figure 4.4: Proportion of East of England RSS Housing Target Still to Build, 2009



Source: South Essex Local Authority Annual Monitoring Reports, 2009

Vacant Properties

- 4.10 At the end of 2009 there were 6,338 vacant dwellings across the TGSE sub-regional Housing Market. This represents a decrease of 2,289 vacant dwellings from the SHMA 2008 (8,627 dwellings as at April 2006). There have been reductions in vacancies in both the public and private sector stock, with some 464 less vacant public sector dwellings and 1,823 less vacant private sector dwellings in 2009. Southend-on-Sea retains the largest level of vacant stock, continuing the position set out in the SHMA 2008, although the local authority has made a reduction of some 1,046 vacant dwellings over the period 2006 to 2009. Thurrock has the lowest overall number of vacancies across the five constituent local authorities. Thurrock has the lowest overall number of vacant properties (743 homes) across the five constituent local authorities although 14% of these are from the public sector the largest proportion in the area.
- 4.11 Across the TGSE Housing Market there continue to be greater numbers of vacant private sector dwellings than public, which is to be expected given the proactive management of public sector stock vacancies undertaken by each of the local authorities and their RSL partners (Table 4.2).
- 4.12 Table 4.3 establishes the housing stock vacancy rates by sector, updating the information contained within the SHMA 2008. Across the sub-region 2.2% of private – sector properties are vacant which is now below the regional (2.7%) and national average (3.1%). It is assumed that between 2.5% and 3% vacancies in the stock are

required to facilitate turnover in the housing market which indicates that the TGSE authorities have a reasonable level of housing stock vacancies, although the individual district levels vary from 1.2% in Thurrock to 3.4% in Southend-on-Sea.

Table 4.2: TGSE Vacant Properties, April 2009

| | Total Vacant Dwellings 2009 | Public Sector Vacant Dwellings | Private Sector vacant Dwellings |
|--------------|--------------------------------|-----------------------------------|------------------------------------|
| Basildon | 904 | 4 | 900 |
| Castle Point | 1,127 | 20 | 1,107 |
| Rochford | 957 | 0 | 957 |
| Southend | 2,607 | 202 | 2,405 |
| Thurrock | 743 | 104 | 639 |
| TGSE | 6,338 | 330 | 6,008 |

Source: South Essex Local Authority HSSA and Basildon DC, 2009

Table 4.3: TGSE Vacant Properties as Proportion of all Housing Stock, April 2009

| | Total Vacant Dwellings 2009 | % Vacant | % LA Vacant | % Private Sector Vacant |
|--------------|--------------------------------|----------|-------------|----------------------------|
| Basildon | 904 | 1.2 | 0.0 | 1.2 |
| Castle Point | 1,127 | 3.1 | 0.1 | 3.0 |
| Rochford | 957 | 2.8 | - | 2.8 |
| Southend | 2,607 | 3.5 | 0.3 | 3.2 |
| Thurrock | 743 | 1.2 | 0.2 | 1.0 |
| TGSE | 6,338 | 2.2 | 0.1 | 2.1 |

Source: South Essex Local Authority HSSA and Basildon DC, 2009

Summary

- Housing supply and projected delivery across the five TGSE authorities shows considerable variation and some significant changes from the position established by the SHMA 2008. The effects and consequences of the economic and housing market recession have clearly started to be reported through Annual Monitoring Report statistics with particular effects on overall housing delivery and the affordable housing component within that total. Further recessionary effects are likely to continue to occur during 2010 and into 2011 as the housing supply chain is re-built and re-financed.
- While there has been significant progress in housing delivery measured over the whole lifetime of the RSS plan period from 2001 to 2010, the five TGSE local authorities have seen a decline in housing delivery rates when measured against the levels identified in the SHMA 2008. The level of housing completions have declined in the period 2007/08 and 2008/09 in each area, with the most noted decline in Rochford and Thurrock.
- Annual housing delivery rates will need to increase significantly in Basildon and Thurrock if overall housing targets are to be met by 2021.
- Future housing projections for each authority demonstrate the effect of the housing market crash and economic recession, with housing delivery forecasts showing flat or only modest growth against annualised targets.
- The delivery of social housing stock as a component of overall housing delivery has been similarly affected by the recession. Analysis highlights that the level of social housing stock completions declined in 2007/08 and in 2008/09 when measured against previous levels of completion in the SHMA 2008.
- Vacancies in the housing stock show signs of overall reduction with a total of 6,338 vacant in 2009, representing a decrease of some 2,289 dwellings. Vacant stock now comprises 2.3% of the total TGSE housing stock. Vacancies remain more prevalent within the private rather than public sector housing stock due to the continued proactive management of public sector stock vacancies; a continued trend from the SHMA 2008.

5. AFFORDABLE HOUSING NEED

Introduction

5.1 This section sets out an update of the need for affordable housing in the TGSE sub-region. It sets out the latest need requirements based upon an update of the secondary sources housing need model utilised in the 2008 SHMA.

5.2 As in the 2008 SHMA, the Project Steering Group has agreed that:

- The needs assessment will be undertaken on a local **authority by local authority basis**, but with a standard approach applied across the Thames Gateway South Essex sub-region. It will deliver a single estimate of total housing need (net annual) for each local authority;
- The estimate of households in housing need should reflect those in **reasonable preference categories**, rather than all those on lists, discounting those who have registered as a form of security, or where the household might be able to meet their needs in the market sector;
- It is assumed that **all those in need register on a local authority waiting list** (LSVT equivalent), although some households may also register independently with RSLs;
- The analysis will **make a distinction between older persons'/ sheltered housing and general needs affordable housing requirements** where possible.

5.3 The full methodology for calculating affordable housing need was set out in the 2008 SHMA Section 11. The method has not changed. In summary the following steps are taken to calculate affordable housing need within the Thames Gateway South Essex Area:

- Current Housing Need was calculated using local authority waiting lists.
- Future Housing Need was calculated by applying the percentage of households unable to buy or rent unaided presently against the annual average household projections calculated by the Department for Communities and Local Government.

Finally we added the number of existing households falling into need per annum by extracting data from the CoRe lettings system.

- Affordable housing supply was calculated in two steps. Total current affordable housing stock was calculated by netting off units which are to be taken out of LA or RSL management against the sum of the current vacant stock and the emerging affordable housing stock. The second step calculated the annual supply of affordable housing by calculating re-lets of RSL and Local Authority Social Stock and the annual supply of relets and re-sales of intermediate housing.
- The balance between the affordable housing supply and the current housing need calculates total net need which was annualised over a ten year period. This figure was added to the future need minus the annual supply of affordable housing to calculate the net annual housing need.

5.4 Table 5.1 provides a detailed break down of the housing need calculations step-by-step and provides further commentary on the sources of information used. This represents the updated table from that set out in the 2008 SHMA. Following on from that, Tables 5.2 and 5.3 provide a more comparative analysis of the situation now with that in the 2008 SHMA.

Table 5.1: Thames Gateway South Essex Housing Need Model Summary Table

| Step | Comments | Basildon | Castle Point | Rochford | Southend | Thurrock | TGSE | Source |
|--|--|----------|--------------|----------|----------|----------|------|--|
| Stage 1 - Current Housing Need (Gross) | | | | | | | | |
| 1.1 Homeless households and those in temporary accommodation | Assumed picked up in waiting lists | 0 | 0 | 0 | 0 | 0 | 0 | N/A |
| 1.2 Overcrowding and concealed households | Assume that households in need will register on waiting lists | 0 | 0 | 0 | 0 | 0 | 0 | N/A |
| 1.3 Other Groups | Households on waiting list in 'Reasonable Preference' groups excluding transfers | 1823 | 871 | 329 | 2290 | 2460 | 7773 | LA Waiting list information HSSA Returns (Basildon assumed 60% for CP 100% of Waiting list used as no reasonable preference identified) |
| 1.4 Total current housing need (gross) | 1.1 + 1.2 (+1.3) | 1823 | 871 | 329 | 2290 | 2460 | 7773 | Calculated |
| Stage 2 - Future Need | | | | | | | | |
| 2.1 New Household formation (gross per year) | Sub-National Population Projections CLG - March 2009 | 750 | 350 | 350 | 550 | 850 | 2850 | CLG Household projections between 2006-2021 annualised |
| 2.2 Proportion of households unable to buy or rent | Those unable to buy at LQ Prices or Rent Privately without Housing Benefit | 54% | 66% | 58% | 52% | 52% | 56% | GVA Grimley (see table 3.9) |
| 2.3 Existing households falling into need | Households falling into need and housed per annum | 269 | 90 | 45 | 301 | 225 | 930 | CoRe Data three year average of total new general needs letting minus newly forming households + new older needs (all excluding transfers) |
| 2.4 Total newly arising need (gross per year) | (2.1 x 2.2) + 2.3 | 675 | 320 | 248 | 587 | 669 | 2497 | Calculated |

| Stage 3: Affordable Housing Supply | | | | | | | | |
|--|---|------------|------------|------------|------------|------------|-------------|---|
| 3.1 Affordable dwellings occupied by households in need | Assume zero | - | - | - | - | - | - | N/A |
| 3.2 Surplus Stock | Current vacant stock that could be brought back into use | 4 | 20 | 0 | 202 | 104 | 330 | 2009 HSSA |
| 3.3 Committed supply of new affordable housing | Based on LAA Targets 2008-11 | 827 | 41 | 37 | 194 | 178 | 1277 | LA |
| 3.4 Units to be taken out of management | Housing currently let which is due to be demolished or refurbished | 420 | 0 | 0 | 0 | 0 | 420 | Local Authority (does not include right to buy) |
| 3.5 Total affordable housing stock available | 3.1 + 3.2 + 3.3 - 3.4 | 411 | 61 | 37 | 396 | 282 | 1187 | Calculated |
| 3.6 Annual supply of social re-lets (net) | LA and RSL sectors exc. transfers | 415 | 84 | 76 | 324 | 421 | 1320 | CoRe Data 3 Year average re-lets (Rochford last two years as data unavailable for 2009) |
| 3.7 Annual supply of intermediate affordable housing available for re-let or resale at sub market levels | 10% turnover of shared ownership properties | 45 | 6 | 5 | 22 | 26 | 103 | 10% of Shared ownership stock taken from Dataspring/RAR |
| 3.8 Annual supply of affordable housing | 3.6 + 3.7 | 460 | 90 | 81 | 346 | 447 | 1423 | Calculated |
| Total net need | 1.4 - 3.5 | 1412 | 810 | 292 | 1894 | 2178 | 6586 | Calculated |
| Annual flow | 10% of total net need (Assume ten year period to relieve backlog of need) | 141 | 81 | 29 | 189 | 218 | 659 | Calculated |
| Net Annual Housing Need | (2.4 + Annual flow) - 3.8 | 356 | 311 | 196 | 430 | 439 | 1733 | Calculated |

- 5.5 The affordable housing needs calculation is used to derive an estimate of annual net affordable housing need for each local authority in the Thames Gateway South Essex. The analysis is presented in Table 5.2 below. For comparative purposes Table 5.3 replicates the findings from the 2008 SHMA.

Table 5.2: Net Annual Housing Need TGSE Authorities, 2010

| | Basildon | Castle Point | Rochford | Southend | Thurrock | TGSE |
|---|-----------------|---------------------|-----------------|-----------------|-----------------|--------------|
| Total net need | 1,412 | 810 | 292 | 1,894 | 2178 | 6,586 |
| Annual flow | 141 | 81 | 29 | 189 | 218 | 659 |
| Net annual housing need | 356 | 311 | 196 | 430 | 439 | 1,733 |
| Original Housing Requirement | 535 | 200 | 230 | 325 | 925 | 2,215 |
| Annual Need as % Original Annual Housing Requirement | 67% | 155% | 85% | 132% | 48% | 78% |

Source – GVA Grimley and East of England Plan

Table 5.3: Net Annual Housing Need TGSE Authorities, 2008 SHMA

| | Basildon | Castle Point | Rochford | Southend | Thurrock | TGSE |
|--------------------------------|-----------------|---------------------|-----------------|-----------------|-----------------|-------------|
| Total net need | 385 | 758 | 89 | 2074 | 2852 | 6158 |
| Annual flow | 39 | 76 | 9 | 207 | 285 | 616 |
| Net annual housing need | 208 | 209 | 131 | 344 | 524 | 1416 |

Source: GVA Grimley 2008 SHMA

- 5.6 Comparing the housing needs analysis in 2010 with that of the 2008 SHMA findings, it is clear that only Thurrock¹ has seen a decrease in the number of households in need within reasonable preference groups.
- 5.7 The net annual housing need across the TGSE sub-region has increased by some 317 dwellings per annum, with the largest rise recorded in Basildon (increasing from 208 per annum to 356 in 2010). Overall the TGSE sub-region has a 78% affordable housing need requirement (an increase from 61% found in the 2008 SHMA).
- 5.8 Measured in proportional terms, the percentage of affordable housing need against the total housing requirement continues to show an extensive and acute affordable housing need requirement in each of the five constituent local authority areas, with Castle Point,

¹ Thurrock reasonable preference calculated in a slightly different manner than in the previous report due to no confirmed prioritising method

Southend and Rochford all above 85%. Basildon and Thurrock show more modest proportional requirements, which in Thurrock's case have decreased from the 2008 SHMA position. However, the emphasis remains on sustaining the delivery of affordable housing to meet need across all five local authority areas.

6. CONCLUSIONS & RECOMMENDATIONS

Introduction

- 6.1 Strategic Housing Market Assessments are intended to improve understanding of both need and demand for affordable and market housing; of the current housing stock; of market conditions; and of drivers of change. SHMAs are intended to be long term in their outlook considering housing issues over a ten or fifteen year period.
- 6.2 This update to the 2008 Thames Gateway South Essex SHMA is intended to provide a current evidence base of the shape and health of the South Essex sub-regional housing market. Its audience is a wide one; the central intention is to inform planning and housing policies at both the regional and local levels.
- 6.3 This section sets out our conclusions and recommendations for the Thames Gateway South Essex Housing Market. It is structured to follow the same themes of conclusion and recommendation made in the 2008 SHMA. It focuses on those issues that now require new conclusions or recommendations or where further emphasis of previous recommendations is needed. It does not re-iterate all of the recommendations previously made.

Overall Conclusions

- 6.4 The timing of publication of this SHMA update for Thames Gateway South Essex coincides with a continued downturn in housing market conditions following a strong and sustained period of market growth. The burden of the recession on public finances and the reductions in tax revenue has increased the squeeze on public spending and private sector investment confidence. Although the signs of economic recovery, particularly an end to the recession, are more evident in early 2010 than in mid and late 2009, there is a long way to go in reaching a more benign, stable and positive residential development investment position, nationally and within the TGSE sub-region.
- 6.5 What is clear is that the enhancement of housing choice, quality and mix in the TGSE sub-region is a sustained long term objective for the five local authorities and their partners. The 2008 SHMA recommendations were drawn up on this basis. Whilst this

update report provides a more current picture of the housing market dynamics, many of the principal recommendations made previously remain valid today. On this basis, the recommendations we make here re-iterate and emphasise those made in the 2008 SHMA but are extended where it is appropriate to do so.

6.6 Our overall recommendation for the future is:

R1. Maintaining the Long Term Approach to Quality, Choice and Mix in the TGSE Housing Market – The overall conclusions and recommendations made in the 2008 SHMA to deliver a greater choice, mix and quality of housing across Thames Gateway South Essex should be retained. The recession has created very significant forces re-shaping housing delivery in the TGSE sub-region. However many of these issues remain a short term matter, given the overall demographic and long term economic dynamics at work. The long term strategy and policy position in TGSE continues to be as relevant in 2010 as it was in 2008 and should be supported. The TGSE partners should consider how best to focus their efforts on progressing key interventions and projects.

OVERALL HOUSING REQUIREMENTS

6.7 The Thames Gateway South Essex SHMA forms one of the factors in determining housing requirements and residential land supply in Local Development Frameworks (LDFs). Local Planning Authorities also need to consider what level of suitable land can be brought forward for development, informed by Strategic Housing Land Availability Assessments (SHLAA). They will also need to take account of the Regional Spatial Strategy (RSS), as general conformity with the RSS is one of the tests of soundness for LDFs. This will be tested by an independent Inspector at the Examination in Public into LDF Core Strategies and other Development Plan Documents (DPD).

6.8 In the Thames Gateway South Essex Housing Market the influence of the focus on growth and development in the wider Thames Gateway coupled with individual town centre, estate regeneration and new urban extensions as well as the enhancement of commuting infrastructure will, in the long term, continue to drive a strong demand for housing.

6.9 There is a clear reciprocal relationship between housing growth, economic growth and transport/commuting patterns in South Essex. Long term job growth and productivity improvements within the economy will support the Housing Market. It is on this basis

that we believe that achieving the housing targets established in the adopted RSS remain a requirement if the South Essex sub-region is to be able to continue to operate as a functional housing market. With the signs of modest recovery and relief from the recession now appearing, housing demand in the sub-region should not be overly affected beyond the immediate short term (house prices and activity trends are starting to confirm this).

- 6.10 A central element to the Regional Spatial Strategy is the reduction in out-commuting through an economic strategy and housing delivery programme that improves the balance between homes and jobs. Thames Gateway South Essex authorities continue to have a central role to play in this regard.
- 6.11 Our updated assessment of the migration trends to South Essex from London, particularly the eastern boroughs, continues to indicate that housing mix and supply constraints on housing growth will ensure that South Essex is likely to continue to play a role in supporting the London economy by providing housing for people who work in the Capital. We expect this to trend to continue to contribute to demand pressures in the most accessible areas of South Essex in the long term.
- 6.12 The National Housing and Planning Advice Unit has highlighted that a significant increase in housing delivery will be necessary in the East of England, to meet future market demand and to stabilise and improve affordability over the longer-term.
- 6.13 The appropriate forum to address this is through the current roll-forward review of the East of England Plan. TGSE local authority partners should continue to proactively engage in the process to establish a sustainable strategy for the development of the Thames Gateway South Essex sub-region, accounting for environmental and infrastructure capacity. Any increase in residential development targets must be supported by place-making investments in supporting physical, social and community infrastructure.
- 6.14 While we expect demand over the long-term to remain strong; in the short-term however there have been significant reductions in the levels of housing delivery across the TGSE sub-region.

Maintaining Housing Delivery Rates

- 6.15 In the short-term the potential to improve rates of housing delivery will continue to be curtailed by the housing market demand and economic climate limiting ability to access the market. With continued acute affordability pressures on market and social sector housing, there is a continued need to support housing supply to address the structural imbalance between housing supply and demand in the TGSE sub-region.
- 6.16 There are limited tools available to the five local authorities allowing them to maintain or drive forward delivery rates in the short-term given the current economic climate and housing market conditions. We recommend that local authorities adopt a comprehensive and proactive approach to managing housing supply, through:
- R2. **Clarity and Coherence** - Working to bring forward a clear and coherent planning policy framework through LDF Core Strategy and Site Allocations DPDs as quickly as possible to provide a strong policy framework to support housing land allocations and planning applications. This is particularly important in areas where development plans are dated and existing residential and mixed use land allocations largely exhausted;
 - R3. **Proactive Work to Support the Five Year Housing Land Supply** - Maintaining a five year supply of deliverable sites as required through PPS3, and working proactively in partnership with landowners and developers to address site and infrastructure constraints to development remains at the forefront of local authority activities;
 - R4. **Supporting a Mix and Range of Sites** - Seeking to deliver a range and mix of urban and more rural housing sites through the LDFs which allow different housing products to be brought forward by different developers across the five local authorities” areas is critical. This is advisable given policy and infrastructure requirements which can further constrain the delivery of larger sites and represents a contingency approach to site planning;
 - R5. **Realistic Viability Approach** - Take a realistic approach to the viability testing of housing schemes in the short term and in the negotiation of S106 developer contributions to affordable housing in order to ensure delivery continues to occur as far as possible. This recommendation should be taken forward through a housing viability benchmarking and testing exercise across the whole TGSE sub-region;

- R6. **Annual Monitoring** - Proactive annual monitoring of delivery progress and timescales at a site level, including through proactive engagement with developers. A programme of monitoring was advocated in the 2008 SHMA and this will need to continue with expansion into a more rounded research, foresight and intelligence function if annual monitoring is to be effective and the results utilised both in deriving planning/housing policies but also in shaping intervention in housing developments by the public sector.

AFFORDABLE HOUSING

- 6.17 As the 2008 SHMA established, an assessment of housing needs is a statutory requirement for sound planning policies. The assessment's purpose is to establish that the 'need' for affordable housing cannot be met by existing or planned supply; and hence that new affordable housing should be built to meet needs.
- 6.18 While the differential between house prices and household earnings have made access to the housing market increasingly difficult, the decline in house prices evident in the period from Q4 2007 to Q1 2010 has not adequately addressed this. The TGSE sub-region still has an overall price to income earnings ratio of some 8:1. This is further compounded by a distinct and sustained withdrawal of housing mortgage finance loans and a greater set of loan eligibility requirements, particularly size of deposit that have acted to exclude more households from the private housing market. While nationally, there are some signs that mortgage lenders are now relaxing loan eligibility requirements, there is no sign that this will return to the previous situation of self-certification, 100%+ mortgage loans and extended income multiplier terms. The continued need for affordable housing confirms this position in South Essex at the beginning of 2010.

Encouraging Affordable Housing Supply

- 6.19 The current situation in the TGSE Housing Market is one in which there continues to be an acute level of housing need (78% overall across the TGSE sub-region) and varying between 48% and 155% (in Thurrock and Castle Point local authorities respectively) of anticipated levels of house building, taking into account past delivery levels. It is highly unlikely that the market and funding context will support this level of affordable housing delivery.

6.20 We recommend that the local authorities across the TGSE sub-region continue to work to stimulate the supply of new affordable housing. There remain a range of policy tools which can be used to achieve this, but we recommend particular emphasis on the following recommendations from the 2008 SHMA:

R7. **Public Sector Land Assets** – Working with the Homes and Communities Agency and EEDA, public sector land should continue to be better utilised to bring forward new affordable housing, based on land value subsidy (e.g. the local authority accepts a reduced site receipt for enhanced delivery of affordable housing);

R8. **Optimising Contributions** - optimising and stimulating developer contributions to affordable housing through planning policies in LDFs and S106 negotiations where realistic testing of viability in the current market has been undertaken and site characteristics allow;

R9. **Rural Sites** – Identification of exception sites in more rural areas specifically for affordable housing to meet local needs; and

R10. **Returning Vacant Stock into Effective Use** – identification of further resources and targeted research to support the use of Empty Dwelling Management Orders, where resources allow, bringing vacant private sector housing back into use to meet housing need.

Affordable Housing Viability

6.21 Affordable housing policies must be justified in terms of the level of need identified through Housing Needs Assessment. They must be realistic and deliverable; and set against wider objectives of maintaining an adequate supply of market housing to meet demand and delivering mixed income and tenure communities at a local level.

6.22 It is for the local planning authorities to consider appropriate affordable housing policies in their areas taking evidence of housing need and viability into consideration alongside the requirements to create and sustain balanced communities. However, we are of the view that a more consistent approach to establishing and viability testing the trigger thresholds for affordable housing across the TGSE sub-region is needed to provide some realistic functional housing market level benchmarks.

6.23 Evidence of housing need continues to justify the adoption of a 35% affordable housing target across the five local authorities with a consistent basis of approach to thresholds

for its application. This recommendation is made on the basis that affordable housing requirements **must not jeopardise the overall viability of residential development especially in the short term** where more flexibility is particularly necessary to deal with adverse economic and housing market circumstances. PPS3 is clear that affordable housing policies must reflect the economics of residential development in the area.

6.24 It remains our recommendation that it is not appropriate to revise affordable housing policies upwards in the context of the current performance of housing supply at the sub- and individual local authority levels. This recognises that increased affordable housing requirements will impact further upon development viability in a context in which infrastructure cost requirements have been increasing, and returns from the sale of homes have fallen significantly. We are aware that local authorities must review and revise their policies to accord with their LDS programmes for the preparation of Local Development Frameworks. In this instance the five authorities should adopt the 35% affordable housing target but, **in the short term only**, take a flexible approach to it as a negotiation position in the immediate short term to ensure sensitivity to current housing market conditions. The active monitoring and review of housing market signals will show how and when a more normalised housing market has returned, at which time a further review of affordable housing need and policies should be undertaken.

6.25 Based on this, our recommendations are re-affirmed from the 2008 SHMA as:

R11. **Establishing Clear Policy** - Clear and unambiguous affordable housing policies based on a 35% affordable housing requirement (subject to viability testing) need to continue to be established in each of the five local authorities Local Development Frameworks in the long term.

R12. **Take a More Consistent and Standardised Approach to Affordable Housing Thresholds** – Site and unit thresholds for the application of the affordable housing policies should be approached in a more consistent and standardised manner to avoid overly distorting the differential values that will be ascribed to each of the five local authority districts; particularly at the administrative boundaries. However, district policies should recognise that there are differentials in land values, costs and affordable housing requirements in their individual negotiations. It is particularly important to consider the implications of lower thresholds on housing supply that may be applied in urban and rural settlements for residential schemes of less than 15 units.

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- R13. **Ensuring Short-Term Delivery** - Ensure that there is flexibility in the application of policies in the short-term to fully recognise the unique viability/ delivery challenges that currently exist. Flexibility in policy application can be addressed through varying the tenure mix and timing of affordable housing delivery in larger schemes. Re-negotiation of S106 agreements on current sites where viability is an issue is a short-term flexibility measure, although these must be conducted through open book negotiations.
- R14. **Account for Wider Planning Obligations** - Policies will need to take account of wider planning obligation costs (to fund/ deliver other infrastructure either through S106, variable tariff or the Community infrastructure Levy) and other factors which will increase development costs, including the phased implementation of the Code for Sustainable Homes and Lifetime Home standards. Site location and underlying land value are further cost issues to consider. These all impact upon viability as they have a direct impact on build costs and profit margins. An agreed, more standardised and open book approach to the range, type and extent of planning obligations sought by each of the five TGSE local authorities will assist development appraisals and help reduce distortions that differential requirements have on the South Essex functional housing market. There is a need for further testing of this through the LDF processes related to the specific future residential allocation sites that each will identify.
- R15. **Longer Term Flexibility** - Where a developer has negotiated site acquisition on the basis of the current affordable housing policy, flexibility may be required in applying new policies. This can be addressed through negotiation case-by-case. A similar approach will be required to address abnormal site costs and sites where market conditions are impacting significantly on the viability of the scheme. In the case of brownfield sites, the Councils will need to take into account the existing use value in negotiating affordable housing policies. If the affordable housing requirement reduces the site value for the development scheme proposed below that for the existing use, the site will not come forward. In these circumstances, the Council will need to exercise flexibility in applying its affordable housing policies, tailoring its requirements to specific circumstances on a case-by-case basis.

Intermediate Housing

- 6.26 There are a range of housing options available to those who cannot afford to buy, which include intermediate rent, shared ownership models and discounted market sale housing (where subsidy is recycled). The recession has had a marked effect on the development of intermediate housing products in TGSE, as elsewhere in the country.

Nevertheless, there remains a strong justification to support the creation of more intermediate housing opportunities in the sub-region.

6.27 Drawing from the 2008 SHMA, we are continuing to recommend that the TGSE partners undertake further work to raise the profile of intermediate housing products and assess how the role of intermediate housing could be developed in the longer term to meet the needs of households who cannot afford to buy but can afford to pay more than social rents.

6.28 Our key recommendations are:

R16. Stimulate choice and access in the Intermediate Housing Market – A more flexible approach to affordable housing mix in Thames Gateway South Essex should be provided in the immediate period to aid scheme viability. Based on the latent demand established in the 2008 SHMA and relatively little change in overall housing affordability in the intervening period, a target of 20% of all affordable housing should be developed as intermediate housing (ownership & equity or rent) at a District level in the short term, with this increasing to a minimum of 30% in the longer term (this position should be reviewed within three years) as the viability of the sub-regional Housing Market improves. Within this housing mix it will be for districts to determine the proportion of rented and intermediate housing within each property size. It is likely that a higher proportion of smaller properties will be required for Intermediate Housing tenures as these are likely to comprise much of the demand from newly forming households.

R17. Raising the Profile of Intermediate Housing – Despite the evident demand for intermediate housing products, there remains a need to raise awareness and perceptions of intermediate housing opportunities in the TGSE sub-region. A concerted, long term effort is required to promote Intermediate Housing to households, although short-term market conditions will restrain new intermediate housing products from being developed.

R18. Review Intermediate Housing Eligibility – eligibility criteria for intermediate and shared ownership housing need to be reviewed to avoid these housing products only being accessible to defined key worker groups. Intermediate housing offers an extra level of housing opportunity for those able to afford rent but who cannot afford to purchase outright.