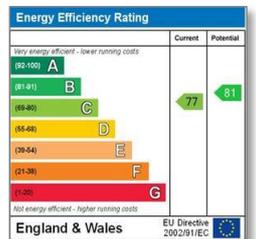




Outer North East London Strategic Housing Market Assessment

Executive Summary

September 2016





Opinion Research Services | The Strand, Swansea SA1 1AF
Jonathan Lee | David Harrison | Nigel Moore
enquiries: 01792 535300 · info@ors.org.uk · www.ors.org.uk

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The Outer North East London SHMA

1. The Outer North East London Boroughs Strategic Housing Market Assessment 2015 (SHMA) has been undertaken at a time of considerable change, both locally and nationally. The SHMA highlights the complexity of understanding housing need in a relatively dynamic housing market. Key drivers such as the local economy, complex population change and the need to support growth in the local economy – all these factors interact to make the establishment of objectively assessed housing need a significant challenge.
2. The SHMA has considered various factors regarding the housing needed in the commissioning boroughs of Barking and Dagenham, Havering, Newham, Redbridge, along with Waltham Forest, which was not a commissioning borough. Critically, it has considered the current evidence base on population and households and the impact of wider Market Signals. From this, the SHMA has derived an objectively assessed housing need to inform housing and planning policies.
3. At the present time, the five boroughs are undergoing considerable change; London's status as a World City and the regeneration of historically 'poor' areas, such as Stratford, combined with Crossrail, mean that the relative affluence of the boroughs is changing rapidly. This poses significant challenges for the future; the operation of housing markets is complex and the ability of local authorities to interact in order to deliver desired strategic outcomes is challenging.
4. This Executive Summary, therefore, summarises the key challenges facing the Housing Market Areas and highlights the housing needed to meet them. The local authority areas are considered in two different geographies:
 - » The Outer North East London housing market area which includes the boroughs of Barking and Dagenham, Havering and Redbridge;
 - » The Outer East London housing market area which includes the boroughs of Newham and Waltham Forest (who were not part of this report commission).

Key Challenges

Housing Delivery

5. The National Planning Policy Framework paragraph 47 aims to '*To boost significantly the supply of housing*'. Nationally, new housing delivery nationally has fallen substantially in recent years relative to demand.
6. The rate of development in **Outer East London** (in terms of increase in dwelling stock over the last 10 years) shows that development has increased the stock size by +8.7%, which is higher than England (8.3%), but lower than comparator areas except for Barnet, Enfield and Haringey.

7. The rate of development in **Outer North East London** (in terms of increase in dwelling stock over the last 10 years) shows that development has increased the stock size by +6.1%, which is lower than England (8.3%) and lower than comparator areas except Ealing, Hillingdon and Hounslow.
8. However, there is a continuing need to support housing delivery if wider strategy goals are to be achieved.

Benefit Reform

9. Benefit reforms pose a considerable risk to existing households renting in the five boroughs in both the private and public housing sectors. The combination of the Benefit ‘cap’, changes regarding under-occupation and changes in Local Housing Allowance (LHA) are likely to mean adjustment in the rental sectors. One issue to note is the growth in Private Rented Sector and how this contributes to meeting housing need; Benefit reform poses a risk to this. The full implications of Reform are not yet known.

Duty to Co-operate

10. Section 110 of the Localism Act 2011 imposes a ‘Duty to Co-operate’ on Councils who submit plans for Examination after 15 November 2011. The scale of objectively assessed housing need identified in this SHMA has meant a proactive approach to co-operation between the commissioning authorities and their neighbours. The key challenge facing the various authorities remains how assessed need can be met.
11. The Outer North East London housing market area identified in the SHMA contains Barking and Dagenham, Havering and Redbridge and, in addition, the influence of the market area has wider implications for Enfield and Epping Forest necessitating Duty to Co-operate consultation there.

Housing Market Area

12. The identification of Housing Market Areas (HMAs) is the first relevant building block in the evidence for identifying objectively assessed housing needs. HMAs are defined as reflecting “*the key functional linkages between places where people live and work*” because, in general, people will live within a certain commuting distance or time of their work and, in general, will move house or their employment to facilitate that commuting. HMAs as defined do not align to individual local authority areas; they can be larger or smaller than a single local authority, but either way they can cut across boundaries. For this reason it is important to identify the HMAs and local authorities which it cuts across. In the case of Outer North East London the HMA cuts across the four boroughs in the study.
13. On the basis of the evidence, we would conclude that:
 - » Greater London can be considered as a single large housing market area which contains many smaller overlapping housing market areas within it.

- » Migration¹ and travel to work flows do not identify any distinct housing market areas in London.
- » House price represents a means of identifying separate housing market areas in London. The VOA has worked with house price and rent nationally to identify Broad Rental Market Areas (BRMAs) which determined LHA levels.
- » BRMAs represent the most practical and pragmatic approach to identifying housing market areas in London. The 13 BRMAs in London will allow small groups of London boroughs to plan together.
- » 100% of Newham’s population fall in the Outer East London BRMA.
- » 100% of Barking and Dagenham, 100% of Havering² and 98% of Redbridge’s populations fall in the Outer North East London BRMA.
- » When assessing objectively assessed needs at housing market area level we recommend that Barking and Dagenham, Havering and Redbridge be considered as one area, with Newham as part of a separate area (along with Waltham Forest).
- » Given the overlapping nature of housing market areas, this does not preclude Barking and Dagenham, Havering, Redbridge and Newham from also considering their needs as part of the wider Outer North East London area. The Census migration data supports this conclusion.
- » Given this context, it is appropriate for the SHMA analysis to focus upon two core areas (i.e. Barking and Dagenham, Havering and Redbridge, and Newham). Nevertheless, it will be important that the four boroughs consider the needs of other authorities in surrounding areas, their relationship and that these issues are explored under Duty to Co-operate arrangements.
- » The HMA analysis should not be seen as prescriptive on other authorities who may wish to identify their housing market areas by other means.

Population and Household Growth

14. A key input into the modelling of housing need is the rate of household growth. Guidance states:

Household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need.

Planning Policy Guidance (CLG, March 2014), para 015

¹ Migration is the movement of people between geographical areas. In this context it could be either local authority districts, or wider housing market areas. The rate of migration is usually measured as an annual number of individuals, living in the defined area at a point in time, who were not resident there one year earlier. Gross migration refers to the number of individuals moving into or out of the authority. Net migration is the difference between gross in-migration and gross out-migration.

² Note: although part of London Borough of Havering is outside the Outer North East London BRMA; however, this is less than 1% of the Borough

15. While CLG household projections are a useful starting point, there is a need to test these further to ensure that they are a robust basis for modelling need. These have been analysed and household figures derived to input into the assessment of housing need.

Market Signals

16. Current guidance states that market signals should be taken into account when considering assessed housing need:

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.

Planning Policy Guidance (CLG, March 2014), para 019

A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections ... Plan makers should set this adjustment at a level that is reasonable

Planning Policy Guidance (CLG, March 2014), para 020

17. Market signals are indicators that supply and demand are not in balance for a local housing market. Possible market signals are listed in PPG and the following are the most pertinent; house prices, private sector rents, affordability, rate of development and overcrowding.
18. Given the relative market signal indicators, and the trends they identify for the two areas under consideration, and the views of the Inspectorate and the Greater London SHMA to would seem reasonable to:
 - » Consider an uplift of 20% to be reasonable for Outer East London as the area experiences significant housing market pressures which are in line with other highly pressurised markets in London.
 - » Outer North East London experiences lower housing market pressures when compared with Outer East London, but does have similar pressures to London as a whole, so an uplift of around 15% would seem to be appropriate.

Objectively Assessed Housing Need

19. The SHMA identifies the Full Objective Assessed Need for Housing in the **Outer East London HMA** to be **96,100 dwellings over the 22-year Plan period 2011-33**, equivalent to an average of 4,370 dwellings per year. This includes the Objectively Assessed Need for Affordable Housing of 37,400 dwellings over the same period, equivalent to an average of 1,700 dwellings per year.
20. Meanwhile, the SHMA identifies the Full Objective Assessed Need for Housing in the **Outer North East London HMA** to be **99,800 dwellings over the 22-year Plan period 2011-33**, equivalent to an

average of 4,540 dwellings per year. Again, this includes the Objectively Assessed Need for Affordable Housing of 38,600 dwellings over the same period, equivalent to an average of 1,760 dwellings per year.

21. The figures below summarise the housing size and tenure mix for each of the boroughs over a 22 year period.

Full Objectively Assessed Need for Housing; Size and Tenure Mix across Outer East London 2011-33 (Note: Figures may not sum due to rounding)

	Outer East London		
	Newham	Waltham Forest	TOTAL
MARKET HOUSING			
1 bedroom	2,600	2,500	5,200
2 bedrooms	6,400	4,900	11,200
3 bedrooms	20,200	19,400	39,600
4 bedrooms	700	2,400	3,100
5+ bedrooms	-300	0	-300
Total Market Housing	29,600	29,200	58,800
AFFORDABLE HOUSING			
1 bedroom	-500	1,300	800
2 bedrooms	5,300	3,900	9,200
3 bedrooms	13,100	7,500	20,600
4 bedrooms	3,300	2,100	5,400
5+ bedrooms	1,000	400	1,400
Total Affordable Housing	22,200	15,200	37,400
TOTAL	51,800	44,400	96,200

Full Objectively Assessed Need for Housing; Size and Tenure Mix across Outer North East London 2011-33 (Note: Figures may not sum due to rounding)

	Outer North East London			
	Barking and Dagenham	Havering	Redbridge	TOTAL
MARKET HOUSING				
1 bedroom	1,400	900	1,600	3,900
2 bedrooms	3,300	2,600	3,200	9,100
3 bedrooms	8,300	10,900	20,700	40,000
4 bedrooms	-200	2,400	5,500	7,700
5+ bedrooms	-200	300	500	600
Total Market Housing	12,600	17,000	31,500	61,200
AFFORDABLE HOUSING				
1 bedroom	1,200	900	1,600	3,600
2 bedrooms	5,600	2,400	3,900	12,000
3 bedrooms	6,700	4,100	7,500	18,300
4 bedrooms	1,400	700	1,900	3,900
5+ bedrooms	300	100	400	800
Total Affordable Housing	15,100	8,200	15,300	38,600
TOTAL	27,800	25,200	46,900	99,800

Specific Needs

Private Rented Sector

22. One of the most significant housing changes in the past decade, in the five boroughs and in England, has been the rise in the relative size of the private rented sector and the decline in owner occupation. In the five boroughs, between 2001 and 2011, owner occupation declined by between -5.0% (Havering) and -8.2% Barking & Dagenham, -8.6% Newham, -10.7% Redbridge; private rent, however, increased by between +5.1% Havering, +9.5% Redbridge, +11.7% Barking & Dagenham, +15.4% Newham.
23. Overall, in terms of the private rented sector, the evidence supports continuing demand for, and growth in, the Private Rented Sector homes in the four authorities, in both self-contained and shared accommodation.

People wishing to self-build

24. Overall, the evidence suggests limited demand for self-build. However, this may under-estimate actual demand. Therefore, arrangements should be put in place to comply with the Self-Build and Custom Housebuilding Act and undertake a possible future survey to ascertain levels of demand for self-build in the HMA.

Older People

25. Overall, the evidence suggests a net need of 14,587 additional specialist units for older people by 2032. However, this need should be considered in partnership with other agencies as well as other factors and constraints in the market. These outputs are relatively similar to those in the GLA's London Housing Plan 2015. The exception is Barking and Dagenham where the GLA has benchmarked double the level of specialist housing needed.
26. Within the identified need there is a further need to consider the split in the identified need for rent and sale/intermediate sale homes; the GLA London Housing Plan provides a useful basis for this as does the Housing LIN approach.

	Annualised Need using Housing LIN	GLA London Plan 2015 Benchmark
Barking & Dagenham	34	70
Havering	185	185
Newham	69	75
Redbridge	108	125

Households with Specific Needs

27. Building regulations Approved Document M (2015) introduced three categories of accessible dwellings. Category 1 (visitable dwellings) relates to accessibility of all properties and, being mandatory, is not assessed in the SHMA. Category 2 (accessible and adaptable dwellings) is optional and similar to Lifetime Homes. Category 3 (wheelchair user dwellings) is optional and equivalent to wheelchair accessible standard.
28. Overall, in terms of the need for adapted or wheelchair adapted dwellings for households with specific needs, the evidence supports:
 - » the need for all dwellings to meet Category 2 requirements, providing that this does not compromise viability.
 - » the need for 10% of market housing and 15% of affordable housing to meet Category 3 requirements.

Students

The main university in the area is the University of East London (UEL) which records 2,785 of its 11,351 students as living in postcodes E1 to E18. London South Bank University (LSB) also has a smaller presence in Havering. Students are concentrated in Newham, with some LSOAs having over 300 students. Parts of Waltham Forest, Redbridge and Barking and Dagenham also have some concentrations of students. UEL provides 1,170 units of specialist student accommodation in the area, though LSB has none. There is little evidence of further expansion from these two local universities.

Conclusion

29. As London boroughs, Barking and Dagenham, Havering, Newham, Redbridge and Waltham Forest face considerable strategic challenges in meeting the housing needs of their future population. The boroughs are changing rapidly and in parts becoming more affluent, largely as an indirect benefit from London's status as a World city. However, these benefits are not affecting all people and all parts of the boroughs. Further, there has been fundamental tenure adjustment, the continuing challenge of new housing delivery, responding to the needs of those households affected by welfare reform and a changing population profile.
30. Overall, therefore, there is a need for a continued co-ordinated approach towards the varied housing challenges faced to ensure future success.

Note: Since this SHMA was prepared, the GLA have published updated population and household projections. Further work is being undertaken to understand the implications of these projections in the Outer North East London Housing Market Area. In light of this additional work being undertaken the London Borough of Havering has not yet formally published the SHMA as part of the evidence base for its emerging Local Plan.