



GL Hearn

Part of Capita plc

South West Hertfordshire Strategic Housing Market Assessment

Executive Summary

February 2016

Prepared by

GL Hearn
280 High Holborn
London WC1V 7EE

T +44 (0)20 7851 4900
glhearn.com

1 INTRODUCTION

1.1 This Strategic Housing Market Assessment (SHMA) considers housing need in the South West Hertfordshire Housing Market Area, which is shown in the plan below. The SHMA was commissioned by Dacorum Borough Council, Hertsmere Borough Council, Three Rivers District Council and Watford Borough Council. The Housing Market Area (HMA) includes these local authority areas, together with St Albans City and District.

Figure 1: South West Hertfordshire Housing Market Area



Source: GL Hearn

1.2 The Strategic Housing Market Assessment considers:

- Overall housing need;
- Need for different sizes of homes;
- Housing needs of different groups within the community, including older persons.

1.3 The SHMA has been prepared for the Councils by GL Hearn and Justin Gardner Consulting. It addresses the requirements of the National Planning Policy Framework (NPPF)¹ and uses the assessment methodology prescribed by Government in the Planning Practice Guidance². This

¹ CLG (2012) *National Planning Policy Framework*

² <http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/>

study uses the latest official population and household projections as the starting point for assessing housing need. It then considers whether this needs to be adjusted to take account of market signals, evidence of affordable housing need or to support expected growth in the economy and employment. This is used to define the objectively-assessed need (OAN) for housing.

- 1.4 The SHMA does not set housing targets. In effect, national policy sets out that development needs should be assessed leaving aside constraints (Stage 1), which is what the SHMA does. This is then brought together with evidence related to land availability, environmental and policy constraints (including Green Belt), infrastructure and unmet housing needs from other areas in deriving policy targets for housing provision through the development of local plans (Stage 2). The requirement for this two stage approach is clearly outlined in the case law³. Whilst national policy sets the bar high in seeking to meet housing need⁴, there may be sound reasons why identified housing need cannot be sustainably accommodated.

2 OVERALL HOUSING NEED

- 2.1 Planning Practice Guidance sets out that trend-based demographic projections should be considered as the “starting point” for assessing housing need, but that assessments need to consider whether the assessed housing need should be adjusted to support economic growth; to help deliver affordable housing; or to take account of ‘market signals’ relating to affordability and the supply/demand balance for housing. The SHMA works through these issues.

Demographic Projections – the Starting Point

- 2.2 Planning Practice Guidance sets out that “*household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need.*” The most up-to-date projections at the time of preparation are the 2012-based CLG Household Projections published in February 2015. These projections were underpinned by ONS (2012-based) Sub-National Population Projections (SNPP) – published in May 2014.
- 2.3 The SNPP projects population growth of 131,800 across the HMA between 2013-36⁵. This is a 22.9% increase in population – slightly higher than expected across Hertfordshire and notably above figures for the East of England region and England as a whole. Age-specific household formation (headship) rates in the CLG 2012-based Household Projections have been used to calculate household growth; and an allowance made for vacant and second homes based on 2011 Census data. The projections developed show a need for 3,056 dwellings per annum across the HMA between 2013-36.

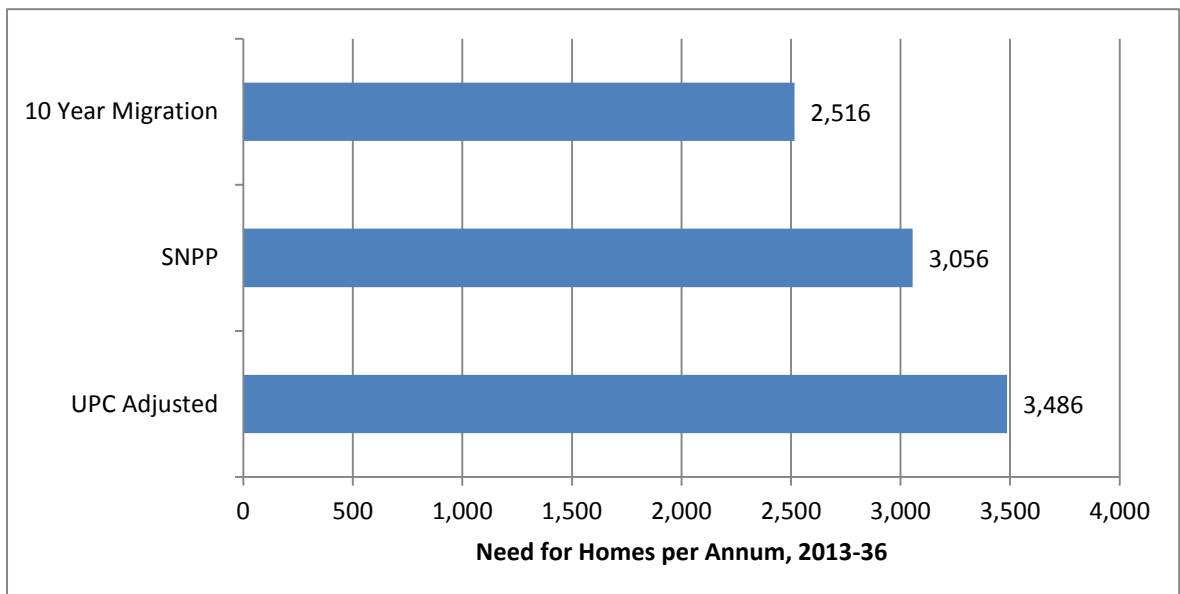
³ City and District Council of St Albans vs. Hunston Properties Ltd [2013] EWCA Civ. 1610

⁴ Hunston Properties vs. St Albans C&DC [2013] EWHC 2678 (Admin) describes this as a consideration of particular standing

⁵ Projections have been re-based to take account of ONS 2013 Mid-Year Population Estimates

2.4 The report includes sensitivity analysis exploring longer-term migration trends, and the potential impacts of 'Unattributable Population Change' within the ONS demographic data. If all Unattributable Population Change was assumed to relate to migration, the housing need could be up to 14% greater than shown in the SNPP; whilst a linear projection forwards based on average net migration per annum over the last ten years (2003-13) shows a need 18% below the SNPP.

Figure 2: Sensitivity Analysis – Past Demographic Trends



Source: GL Hearn

2.5 The report considers that Unattributable Population Change (UPC) could relate to either inaccuracies with the estimates of migration, or to 2001 or 2011 Census data. If related to migration, the likely impact is expected to be greater in the earlier part of the 2001-11 decade, when international migration was stronger, than the period since 2006/7 which has fed into the SNPP.

2.6 Whilst the 10 year migration scenario is lower, it is not as sophisticated a demographic projection as the 2012 SNPP. It does not take account of how population growth and age structure changes (in both the South West Hertfordshire authorities and areas from which people move to them) will change over time. In the longer term, the evidence of UPC also suggests that past migration may have been under-estimated. The stronger migration in the 2012-based SNPP relative to 10 year trends also suggests that there is not a particular "recessionary effect" at play in regards to the interaction of London and South West Hertfordshire.

2.7 The SHMA therefore concludes that the SNPP represents an appropriate demographic-led projection which can be used as a 'starting point' for considering housing needs.

Supporting Employment Growth

- 2.8 Following the approach in the PPG, consideration needs to be given as to whether economic growth in the HMA might lead to higher net migration than projected based on past demographic trends.
- 2.9 The South West Hertfordshire Economy Study, prepared by Regeneris Consulting and GL Hearn, has considered economic growth prospects across the HMA, and for individual local authorities within it. The Economy Study has considered the structure, attributes and growth potential of the sub-regional economy. It takes account of alternative econometric forecasts and wider evidence, including engagement with a range of stakeholders. The study concludes that a demand-led scenario, based on an employment growth of 0.8% per annum across the HMA, would result in the equivalent of 60,700 additional jobs across the HMA between 2013-36. This represents a positive scenario for growth of the sub-regional economy consistent with long-term growth rates, and with the NPPF emphasis on planning positively for economic growth.
- 2.10 The scale of employment growth expected in different areas (leaving aside land and development constraints) is shown below:

Table 1: Expected Employment Growth 2013-36

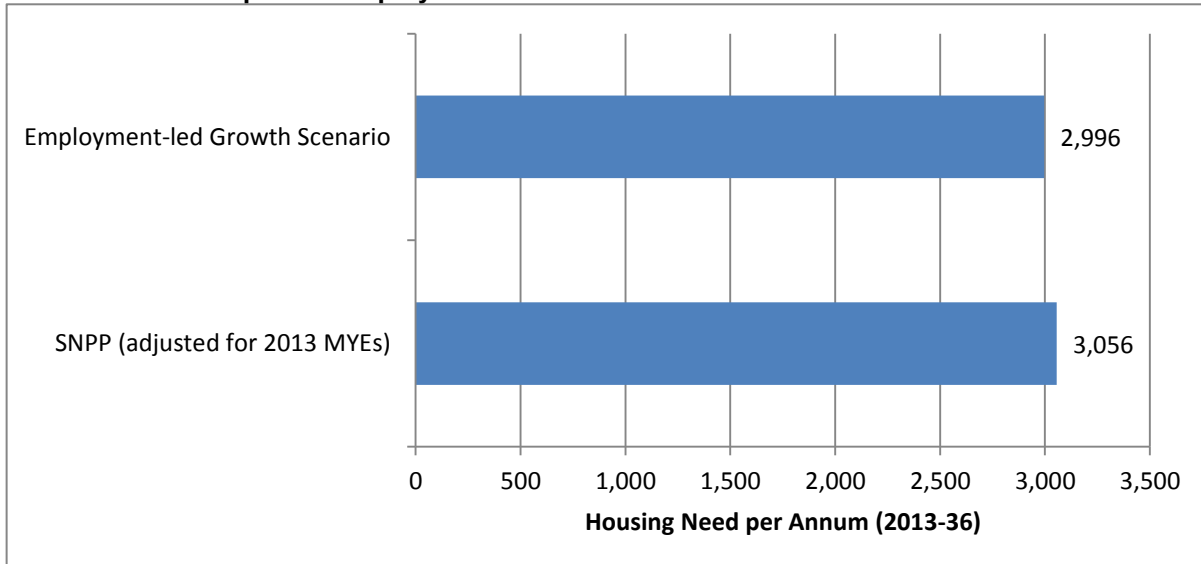
	Employment Change, 2013-36 ('000s)	% Annual Growth
Dacorum	10.9	0.6%
Hertsmere	13.8	0.9%
Three Rivers	8.4	0.8%
St Albans	16.2	0.9%
Watford	11.3	0.8%
SW Herts	60.7	0.8%

Source: EEFM, Regeneris Consulting

- 2.11 The relationship between growth in employment and housing need is influenced by a range of factors. These include relationships between where people live and work; the proportion of people (in different age groups) in work; and evidence that some people have more than one job. The SHMA has made assumptions on these issues, based on the available evidence. It assumes that commuting patterns remain consistent to those shown in the 2011 Census.
- 2.12 The analysis indicates that at an HMA level, 2,996 homes per year would be needed to support expected economic growth. This compares with the demographically-based need for 3,056 homes per year. There is therefore no need to adjust the assessed housing need at this level to support economic growth. This is the level at which the *Housing and Economic Development Needs Assessments* PPG says that needs should be assessed.

- 2.13 At the Local Authority level, if the economy did grow exactly as has been modelled, projected job growth could exceed modelled growth in labour supply based on demographic trends in Hertsmere and St. Albans; it would, however, fall short of projected growth in labour supply in Dacorum, Watford and Three Rivers. However there are a range of influences on the scale and distribution of employment growth, including land supply constraints and opportunities, and local commuting patterns may change over time. There are strong public transport links, both rail and bus, between the authorities in the HMA; and considerable opportunities for sustainable travel between them. Delivery of the Croxley Rail Link (i.e. Metropolitan Line Extension from Croxley Green to Watford Junction) will enhance public transport accessibility.
- 2.14 On this basis, the SHMA concludes that there is not a robust evidential basis for seeking to adjust assessed housing need for individual authorities within the HMA to take account of economic factors. This approach has been agreed collectively by the commissioning authorities. It is however recommended that the local authorities continue to liaise with one another to ensure that a balance between jobs and homes is planned for at an HMA level through local plans, and consider the alignment between housing and economic strategies through the plan-making process.

Figure 3: Comparing Housing Need based on Past Demographic Trends and Expected Employment Growth in South West Hertfordshire 2013-36



Source: GL Hearn

Market Signals & Affordability

- 2.15 The Planning Practice Guidance indicates that “the housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings.” It identifies that where market signals point to poor and worsening affordability and an imbalance between

supply and demand, an appropriate adjustment should be made to future housing provision. It indicates that rather than seek to estimate the precise impact of an increase in housing supply, plan makers should increase planned supply (relative to demographic projections) by an amount that, on reasonable assumptions and consistent with principles of sustainable development, could be expected to improve affordability, and monitor the response of the market over the plan period.

- 2.16 The location of South West Hertfordshire just to the north of the Greater London conurbation is reflected in high house prices – in both the sales and rental sectors as is the case for other areas close to the Capital. Median house prices in all of the HMA authorities are above national and East of England regional averages with prices more comparable with London prices, albeit this reflects generally larger housing stock. Rental prices in South West Hertfordshire are higher than the national average and again reflect the HMA's location with rental prices half way between East of England and London regional averages.
- 2.17 House prices and the affordability of market housing worsened quite notably over the pre-recession decade (1998-2007). Following the recession the housing market in South West Hertfordshire steadied somewhat. In the last two or three years there have been clear signs of market recovery.
- 2.18 The completions data shows that that housing delivery in South West Hertfordshire has been good and overall delivery has exceeded adopted targets in 6 out of the last 8 years. Housing delivery rates in South West Hertfordshire do not appear to be as affected by the recession as has been seen elsewhere. However (set against the sales evidence) this may reflect low targets (relative to need) as much as strong delivery performance in comparative terms.
- 2.19 The SHMA has sought to consider what the impacts of declining affordability have been. The impact of declining affordability in the housing market, coupled with access to mortgage restrictions brought on by tighter regulation has evidently had some impact on constraining household formation rates in the 2001-11 period. It has contributed to a decrease in levels of home ownership and an increase in the number of overcrowded households, people living in shared housing, and young people living with their parents for longer.
- 2.20 An assessment of affordable housing need has been undertaken which is compliant with PPG to identify whether there is a shortfall or surplus of affordable housing in South West Herts. This has estimated current housing need at 3,843 households, excluding existing social housing tenants where they would release a home for another household in need. The affordable housing needs model then looked at the balance between needs arising and the supply of affordable housing. Each year an estimated 3,774 households are expected to fall into affordable housing need and 1,550 properties are expected to come up for relet. Overall, in the period from 2013 to 2036 a net need for 2,391 affordable homes per annum is identified. There is thus a requirement for new

affordable housing in the HMA and the Councils are justified in seeking to secure additional affordable housing.

- 2.21 The table below sets out the affordable housing need and how this relates to the demographic projections. The evidence provides a basis for considering whether there is a need for higher housing provision overall, in order to enhance the delivery of affordable housing. The SHMA sets out that this should not however be done in a mechanical way whereby overall housing provision is driven by the identified affordable housing need.

Table 2: Comparing Affordable Housing Need and Demographic Projections

	SNPP	Affordable Need	Affordable Need as % SNPP
Dacorum	728	366	50%
Hertsmere	593	434	73%
St Albans	678	617	91%
Three Rivers	499	357	72%
Watford	558	617	111%
HMA	3,055	2,391	78%

Source: GL Hearn

- 2.22 The affordable housing need in Table 2 includes categories of household which do not represent a need for additional dwellings. It includes existing households who require a different tenure of size of property, such as overcrowded households or those where a tenancy is due to end. These households by moving would release an existing home for another household. Newly-forming households are included within demographic projections. Meeting the needs of these households does not result in a need for additional housing overall, over and above the demographic projections. The affordable housing needs modelling however also includes homeless and concealed households. Meeting the needs of these households would result in improvements in household formation rates.
- 2.23 Overall the analysis of market signals and of affordable housing need points clearly to higher affordability pressures in the HMA than in other parts of the country. Delivery of the identified demographic need would represent an increase of 107% on past housing delivery across the HMA (with individual local authority figures varying from a 33% increase in Watford to 149% increase in Three Rivers). Meeting the demographic need would therefore significantly boost housing delivery and should improve affordability.
- 2.24 However it is necessary to consider whether a further adjustment would be appropriate to the assessed housing need to improve affordability. The evidence from the analysis of market signals and the demographic analysis indicate that an increase in housing costs, and decline in housing affordability, over the 2001-11 period was manifest in:

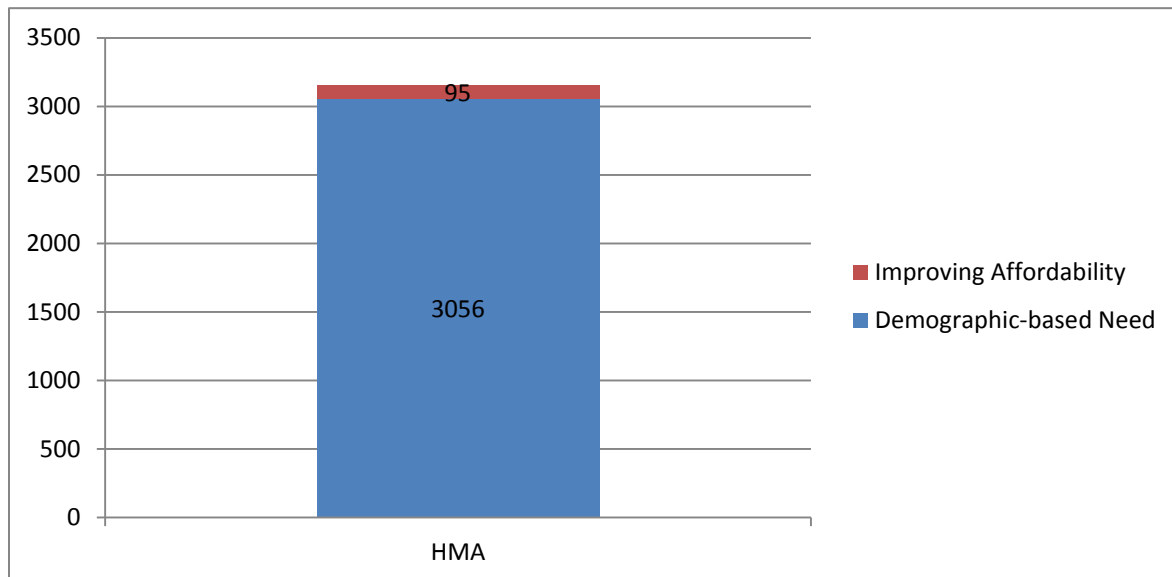
- Growing numbers of young people staying with parents or living in shared accommodation;
- Tenure changes, with a growth in particular in the Private Rented Sector;
- Falling ability of younger households aged 25-34 to form.

- 2.25 The tenure changes affect the ownership of housing – as opposed to the overall stock of housing. The direct impact of a decline in affordability has been a fall in household formation and an increase in the numbers of young households sharing housing or living with parents. This is manifest in the market signals analysis and in the analysis of trends in household formation. Affordability issues are particularly pertinent to younger people/ households, as for older age groups home ownership levels are greater (and rising prices have contributed to growth in wealth for existing owner occupiers).
- 2.26 The evidence would suggest that an improvement in the affordability of housing would therefore be manifest in a recovery over time in household formation amongst younger households. This has therefore been modelled through the SHMA – to consider what increase in housing provision would be necessary to improve affordability. Returning household formation rates for those aged 25-34 back to 2001 levels by 2025 would require an uplift in housing of 95 homes per annum over and above the demographic projections.
- 2.27 The analysis undertaken shows that the adjustments built in to the conclusions on OAN would overall see 154 more younger household forming each year across the HMA. This represents an increase in overall housing provision of 5.1% (relative to maintaining current household formation rates). It represents a 3% uplift on the base demographic need. This is related specifically to the evidence of need in this HMA and the scale of adjustment necessary to materially improve affordability.

Overall Housing Need

- 2.28 The SHMA concludes that the 2012-based Household Projections, rebased to take account of 2013 Mid-Year Population Estimates, provide the appropriate “starting point” for considering housing need. These projections, show a need for 3,056 homes per year. This scale of housing provision is sufficient to support expected economic growth across the HMA.
- 2.29 The evidence of affordable housing need, together with the analysis of market signals, points towards affordability pressures within the South West Hertfordshire HMA. The evidence provides a basis for considering upwards adjustments to the assessed housing need to, on the basis of reasonable assumptions, improve affordability. These have been set out above.
- 2.30 Drawing the evidence together results in an objectively-assessed need for 3,151 homes per annum across the South West Hertfordshire HMA between 2013-36.

Figure 4: Objectively-Assessed Need for Housing in South West Hertfordshire HMA – Homes Needed per Year, 2013-36



Source: GL Hearn

2.31 The report identifies an Objectively-Assessed Need for housing over the 2013-36 period as follows.

Table 3: Conclusions on OAN at Local Authority Level

OAN for Housing – Per Annum, 2013-36	
Dacorum	756
Hertsmere	599
St Albans	705
Three Rivers	514
Watford	577
HMA	3,151

2.32 It is for individual authorities to decide how to take these figures forward.

2.33 The assessment of housing need above does not include any specific provision for meeting any unmet needs of adjoining areas.

3 NEED FOR DIFFERENT TYPES OF HOMES

3.1 National planning policies require local authorities, through the SHMA, to identify the range of types and sizes of accommodation likely to be needed by the population in future, including that required by those groups with specific housing needs.

Mix of Homes of Different Sizes

3.2 The SHMA sets out that there are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability. The SHMA models the needs for different sizes of market and affordable homes over the 2013-36 period, based on an understanding of how the size and structure of the population is expected to change, and an analysis of how households of different ages occupy homes. It concludes that the following represents an appropriate mix of affordable and market homes to plan for over the 2013-36 period:

Table 4: Recommended Housing Mix – South West Herts HMA

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

3.3 The mix identified for both market and affordable housing takes account of changes in the population structure, including potential for some older households to downsize to take account of their changing needs. The conclusions for affordable housing mix recognise the role which delivery of larger properties can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.

3.4 At a local authority level, the Councils should bring together evidence from the detailed modelling for their areas with the HMA-wide conclusions, alongside issues regarding management of the affordable housing stock within their area in setting policies for the future mix of housing.

3.5 In applying policies on housing mix to individual development sites regard should be had to the nature of the development site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.

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

Affordable Housing Mix

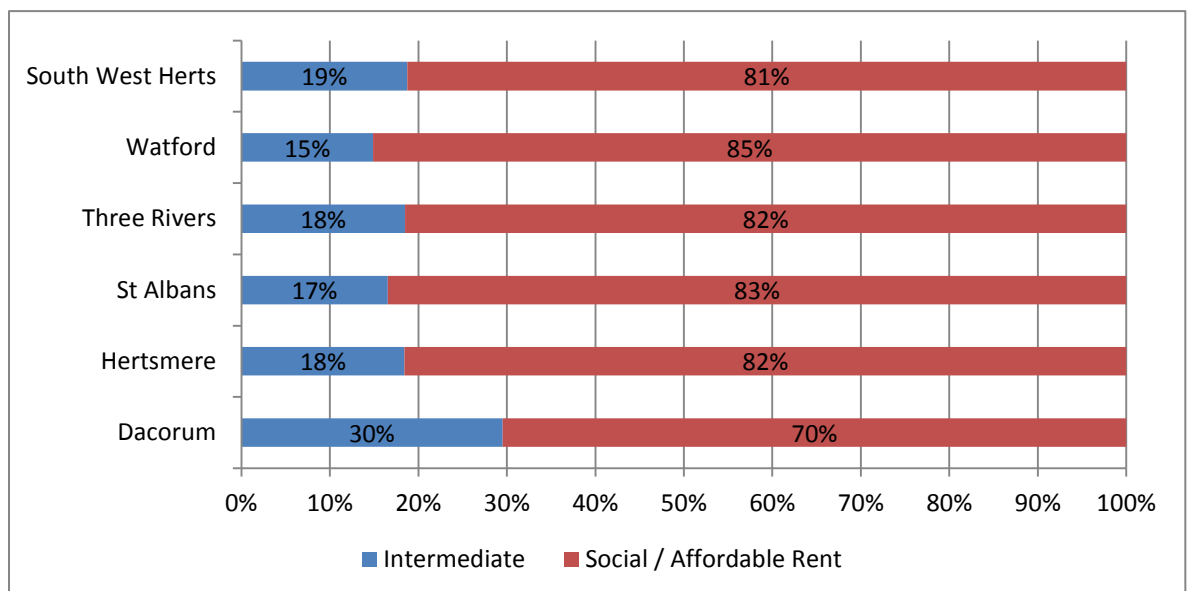
3.7 In respect of the need for different types of affordable housing, the SHMA has considered what households can afford; together with the supply through re-lets of existing housing stock. The evidence suggests that 20% of the affordable housing need could be met through intermediate housing products. The need for intermediate housing has been calculated on the basis of the

proportion of households in need of affordable housing who can afford more than 80% of market rent levels. Such households might be eligible for:

- Help-to-Buy Shared Ownership
- Affordable Rent
- Rent-to-Homebuy
- Low Cost Sale / Starter Homes

3.8 The SHMA evidence suggests that based on the needs evidence, policies which seek a mix of affordable housing provision on new developments where 20% is intermediate housing and 80% is social or affordable rented homes would be appropriate for the HMA. However it points to a higher potential for intermediate housing in Dacorum, where 30% intermediate housing might be sought; and a lower need for intermediate housing in Watford at 15%.

Figure 5: Need for Different Types of Affordable Housing



3.9 Policies for the mix of affordable housing need to take account not just of the needs evidence, but the evidence base regarding development viability, as well as local policy aspirations. As such in finalising policies, needs and viability evidence should be brought together. It may be appropriate for viability studies to test potential alternative policies for the mix of affordable housing in order to support overall delivery.

Specialist Housing and Accommodation for Older Persons

- 3.10 The SHMA indicates that the population of persons aged over 65 accounted for 16% of the HMA's population in 2013. The number of residents aged over 65 is expected to grow substantially, by 65%, between 2013-36, with 60% growth in those aged between 75-84 and 137% growth in those aged over 85 – principally as a result of improving health and life expectancy.
- 3.11 As a result of a growing older population and increasing life expectancy, the SHMA projects a potential increase of 5,900 people with dementia and 14,400 people with mobility problems over the 2013-36 period (but recognises that improvements in health may influence this). Some of these households will require adaptations to properties to meet their changing needs; whilst others may require more specialist accommodation or support.
- 3.12 There are currently over 6,000 units of specialist housing for older persons in the HMA. Based principally on the expected growth in population of older persons, the SHMA estimates a need for an additional 6,300 specialist dwellings for older persons over the 2013-36 period. The need in different areas is shown below:

Table 5: Need for Specialist Housing for Older Persons, 2013-36

	Need, 2013-36	Annual Need
Dacorum	1,651	72
Hertsmere	1,321	57
St Albans	1,352	59
Three Rivers	1,103	48
Watford	854	37
South West Herts	6,281	273

- 3.13 It may be the case that some existing sheltered housing is in a poor condition or suffers from low demand; and that there remains a need for additional Extra Care accommodation – such as to reduce the proportion of households accommodated in residential care. The Councils should bring the SHMA analysis together with local knowledge of demand and the stock profile in determining the appropriate mix of specialist housing in development schemes.
- 3.14 Specialist housing includes sheltered and Extra Care housing. The numbers of homes set out in the above table are considered to fall within a C3 use, and thus form part of the overall Objectively Assessed Need (OAN) for housing identified in this report.
- 3.15 Decisions about the appropriate mix of specialist housing should take account of the current stock, other local needs evidence as appropriate, and policies regarding accommodation and care for older persons. The district and county councils should liaise as appropriate in this respect. Each Council should consider how best to deliver the identified specialist housing need, including for

instance the potential to identify sites in accessible locations for specialist housing; or to require provision of specialist housing for older people as part of larger strategic development schemes.

- 3.16 In addition to specialist housing, the potential for the wider housing stock to cater for a growing older population needs to be considered. Many older people live in homes which they may have lived in for some years. Adaptations to properties and floating support may help households requiring support to remain in their home.

Need for Registered Care Provision

- 3.17 Registered care provision falls within a C2 use class; with households who live in care homes counted as part of the institutional rather than the household population. As such provision of residential care provision is treated in the analysis of housing need separately in the SHMA from that for C3 dwellings.
- 3.18 The SHMA provides an indicative assessment of need for 3,067 C2 bedspaces for older persons over the 2013-36 period, equivalent to 133 per year across the HMA. The net need per authority is set out below and is modelled on a consistent basis to the conclusions on objectively assessed housing need. The assessment should be treated as indicative, and does not seek to set policies in how older persons with care needs should be accommodated.

Table 6: Need for Residential/ Nursing Care Bedspaces

	Need, 2013-36	Annual Need
Dacorum	688	30
Hertsmere	669	29
St Albans	640	28
Three Rivers	593	26
Watford	478	21
South West Herts	3067	133

- 3.19 The SHMA models the need for residential and nursing care bedspaces (Table 6 above) on the basis that the proportion of people aged 75 and over living in such accommodation remains constant. This is necessary to maintain consistency with the conclusions drawn on OAN for C3 housing. It is not appropriate for the SHMA to move into policy issues; but we would note that Hertfordshire County Council's policy approach is to prioritise the provision of Extra Care accommodation where the level of care can be tailored to people's individual needs and where the potential financial cost of provision is lower compared to residential care homes.
- 3.20 On this basis whilst there will be some additional need for particular groups such as those requiring in situ specialist nursing or for people with dementia, it may not be in quantitative terms as substantial as shown in Table 6 above.

Meeting the Needs of Other Vulnerable Groups

- 3.21 The SHMA has considered the needs of a number of other vulnerable groups in South West Hertfordshire. Across the HMA, 22% of households contain someone with some form of disability. It is estimated that the number of people with a disability will increase by 33,900 – an increase of 48% – between 2013-36. Whilst this includes people with a range of needs, the evidence does support a need to provide additional homes which are wheelchair-accessible and homes which can be adapted to meet households changing needs.
- 3.22 The SHMA evidence indicates that the population in Black and Minority Ethnic (BME) groups is growing, that the BME population is typically younger, and BME households are more likely to live in Private Rented accommodation and be overcrowded. Enforcement activity will be important in ensuring standards of homes in the Private Rented Sector are maintained (including HMOs).