

REIGATE & BANSTEAD

**STRATEGIC HOUSING MARKET
ASSESSMENT UPDATE**

**REVISED FINAL REPORT
FEBRUARY 2012**



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1 INTRODUCTION & METHODOLOGY

1.1 Background and Context to the Update

1.1.1 A Housing Needs Survey (HNS) was originally undertaken in the Reigate & Banstead Borough in 2005 and was up-dated in 2007 as part of the wider East Surrey SHMA. The study consisted of the following elements:

- A local housing survey consisting of primary data collection, gathered through a postal survey to 6,600 households.
- A housing market survey utilising the Land Registry and a telephone survey of estate agents on the cost of access level properties and the supply and cost of private rented housing;
- Secondary data analysis drawing upon 2001 Census data, other national and local authority data and household and population projections;

1.1.2 The Housing Needs Survey was undertaken in line with the ODPM research Local Housing Needs Assessment: A Guide to Good Practice in assessing people's preferences as well as their needs.

1.2 The Update Report Structure

1.2.1 The key report sections contained within the update are detailed below.

Section 2- The Active Market

1.2.2 Section 2 analyses indicators of the current housing market activity, using the same 4 sub-area structure as in the 2005 Housing Needs Survey, and taking into account the 2009 housing market update report.

1.2.3 This section examines the cost of buying or renting a property in the Borough in 2011. Comparisons are made with property prices at the time of the 2005 Assessment compared to current property prices, along with the historical property price and sales volumes from Quarter 3 2005 to Quarter 3 2011.

Section 3 – Housing Costs and Income

1.2.4 This section of the update assesses the income levels required to access the cheapest units available from the research undertaken in section 2.

Section 4– Population Growth and Household Projections

1.2.5 Section 4 examines:-

- Future population change forecasts;
- Household characteristics.

Section 5 – Older Persons Housing

1.2.6 Section 5 examines:-

- Sheltered housing demand;
- Extra care accommodation.

Section 6 – Future Size of Affordable Housing

- 1.2.7 Section 6 analyses the scale of future affordable housing need relative to the supply from turnover by property size.

Section 7 - CLG Housing Needs Assessment Model

- 1.2.8 Section 7 consists of the Communities and Local Government (CLG) Needs Assessment Models for the Borough. This provides a quantitative assessment of housing need.

Section 8 – Key Findings and Housing Targets

- 1.2.9 In this section, the key findings from this update and the recommended housing targets for the Borough are summarised.

1.3 The 2011 Housing Needs Assessment Update

- 1.3.1 This update uses the most recent secondary data and re-weighted primary data to reflect the population in 2011.

- 1.3.2 The update report will review the outputs of the 2005 study where more recent data is available. This will include the following:-

- A Housing Market Survey utilising the Land Registry database and;
- An estate agents survey to assess the entry house price levels in the market and rental costs in the private rented sector in the same sub-areas used in the 2008 Assessment;
- September 2011 house prices / rents and current income levels to be able to calculate affordability thresholds;
- The most recent population forecasts to assess the impact of demographic change on household formation and future demand and comparison to 2001 Census data;
- Analysis of the HSSA data at 2011 to calculate an annual level of re-lets, waiting list change, right to buy and loss of stock and new delivery by tenure;
- A new 2011 based Needs Assessment Model of affordable housing need based on the Strategic Housing Market Assessment (SHMA) Practice Guidance (Communities and Local Government, 2007), as used in the 2005 HNS.

1.4 Re-weighting the Survey Data-set

1.4.1 In undertaking this update, the 2005 household survey data file has been weighted to the most up to date total household figures as at April 2011, supplied by the Council. The social sector stock has been weighted to actual figures at that date and other tenures using 2011 revised total household numbers to update key data used in the Model.

1.4.2 The table below show the revised weighted tenure proportions in the data file.

Table 1-1 Tenure of Existing Households – Reigate & Banstead

Tenure	2011 %*	N ^{OS.} implied	2005 %**
Owner occupier - mortgage	45.8	26,269	45.6
Owner occupier - outright	33.3	19,040	33.5
Private rented	8.3	4,748	8.3
Registered Provider rented	11.9	6,791	11.9
Housing Association (HA) Shared Ownership	0.4	242	0.4
Tied to employment / living rent free	0.3	195	0.3
Total	100.0	57,285	100.0

* Re-weighted survey data

**2005 Reigate & Banstead Housing Survey Data

1.4.3 The Strategic Housing Market Assessment (SHMA) Practice Guidance stresses the importance of using good quality data from a range of sources.

1.4.4 Both current secondary data and the re-weighted primary data collected during the 2005 Assessment have been used.

1.4.5 The sources of data used within each section of the report are referenced where appropriate.

1.5 Data Benchmarking

1.5.1 Throughout this update where possible, DCA have provided data at national (England), regional (the South East), and the individual local authority scale (Reigate & Banstead). These will be referred to throughout the report as benchmark areas. The use of benchmark areas aims to provide an understanding of comparative performance between Reigate & Banstead and wider areas.

1.6 Glossary of Terms

1.6.1 A glossary of the technical terms used throughout this report is provided at **Appendix I**.

2 THE ACTIVE MARKET

2.1 Introduction

- 2.1.1 This section examines the current housing market to provide an update on house prices in the Borough.
- 2.1.2 Since 2007, the UK market has seen a crisis in economic terms starting with insecurity in the financial markets following the sub-prime mortgage crisis beginning in the American market. This led to a fall in house prices throughout the UK which has left recent purchasers, particularly first-time buyers and those on 100% mortgages with negative equity.
- 2.1.3 The prospect for the market in 2012 will depend on how the UK economy evolves. Current forecasts of increased unemployment and further house price falls in 2012 create uncertainty in the market.
- 2.1.4 This information sets the context for the key issue of the affordability of housing in the area, and in particular the analysis can be related to the problems experienced by low income households, evaluated through the 2005 survey data (re-weighted to reflect 2011 levels).

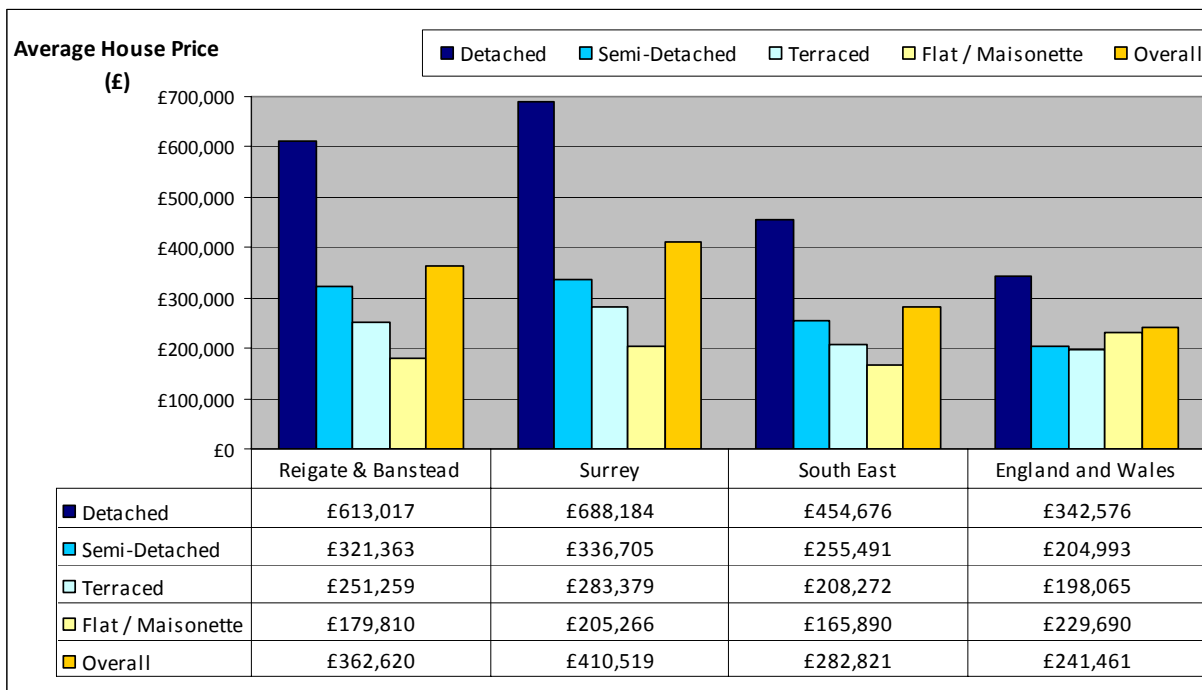
2.2 Housing Market Analysis

- 2.2.1 Two key data searches were commissioned in 2011 to provide information on house price and sales volumes across the Borough:-
- The Land Registry, providing data on all sales in the area;
 - An Estate Agency survey to assess entry level prices and private rental costs in each of the 4 sub-areas in the Borough.
- 2.2.2 DCA have compared the change in property prices between the land registry data used in the previous Assessment (Quarter 3, 2005) and the latest data available (Quarter 3, 2011).
- 2.2.3 In 2009, the East Surrey Region undertook an update of the Housing Market and analysed house price change from Quarter 3 2005 (the date of the previous HNS Survey) to Quarter 1 2009.
- 2.2.4 This update has compared house price change over the last six years, using the starting point in the 2005 Assessment of Q3 2005, to the current data available of Q3 2011.

2.3 Average House Prices

2.3.1 The latest data on average house prices during the last quarter of 2011 from Land Registry is summarised in Figure 2-1 below. The latest Land Registry Q3 2011 data is provided at **Appendix III**.

Figure 2-1 Average House Prices by Type, Q3 2011



Source: Land Registry Residential Property Price Report, Quarter 3 2011, © Crown Copyright

2.3.2 The average property price in Reigate & Banstead is £362,620, lower than the Surrey County average but higher than the South East Region and the national average.

2.3.3 The table below examines average house prices for Reigate & Banstead as recorded by the Land Registry at Q3 2011, compared with the average property prices at the time of the Housing Strategy Update for East Surrey at Q1 2009. The data is broken down by property type.

Table 2-1 2009 -2011 Average Reigate & Banstead Property Price by Type

Property Type	Reigate & Banstead		
	Average Q1 2009	Average Q3 2011	Change (%)
Detached	498,298	613,017	+23.0
Semi-detached	248,452	321,363	+29.3
Terraced	223,438	251,259	+12.5
Flat/ Maisonette	171,822	179,810	+ 4.6
All Properties	257,830	362,620	+ 40.6

Source: Land Registry Residential Property Price Report, Quarter 3 2005 & Quarter 3 2011, © Crown Copyright

2.3.4 Over the two year period Q1 2009 to Q3 2011, the average property price in Reigate & Banstead has increased by around 40.6%.

2.3.5 Semi-detached properties have seen a rise over the two year period of 29.3%.

2.3.6 Flats / Maisonette prices have increased over the two year period by only 4.6% and terraced houses have increased by 12.5%.

2.3.7 The original HNS survey was carried out in 2005. The table below shows the change between Q3 2005 (original survey) and Q3 2011 (current) and also the change between Q1 2009 (the housing market update) and Q3 2011 to show the extent to which house prices have changed in Reigate & Banstead in the last 6 years.

Table 2-2 Average Property Price (Q3 2005 – Q3 2011)

Property Type	Reigate & Banstead				
	Average Q3 2005	Average Q1 2009	Change Q3 2005 to Q1 2009 (%)	Average Q3 2011	Change Q3 2005 to Q3 2011 (%)
Detached	515,763	498,298	- 3.4	613,017	+ 18.9
Semi-detached	253,555	248,452	- 2.0	321,363	+ 26.7
Terraced	231,560	223,438	- 3.5	251,259	+ 8.5
Flat/ Maisonette	184,966	171,822	- 7.1	179,810	- 2.8
All Properties	301,384	257,830	- 14.4	362,620	+ 20.3

Source: Land Registry Residential Property Price Report, Quarter 3 2005 to Quarter 3 2011, © Crown Copyright

2.3.8 The data shows all property types fell in value between 2005 and 2009 but prices have recovered between 2009 and 2011, with the exception of flats which have continued to fall, albeit at a low level.

2.3.9 Despite recent falls in the price of some property types, all property types except flats have increased by between 8.5% and 26.7% over the six years to Q3 2011.

2.4 Sales Transactions

2.4.1 The table below shows the volume of sales of new and existing homes per quarter between the low level in Quarter 1 2009 and Quarter 3 2011.

2.4.2 Overall the volume of sales per quarter has fluctuated seasonally over the three year period, with the traditional stronger summer quarters and lower sales turnover in the winter quarters.

2.4.3 Sales levels in Reigate & Banstead increased by 23% from 1,840 in 2009 and 2,167 in 2010, fairly similar to the pattern in the County benchmark area. Turnover has fallen in the first three quarters of 2011 by 235 units compared to 2010.

2.4.4 Sales levels from Q1 2011 have followed a very steady similar pattern in Reigate & Banstead, and in the County with the Region fluctuating much more, albeit a very significant drop from the 2007 housing market peak.

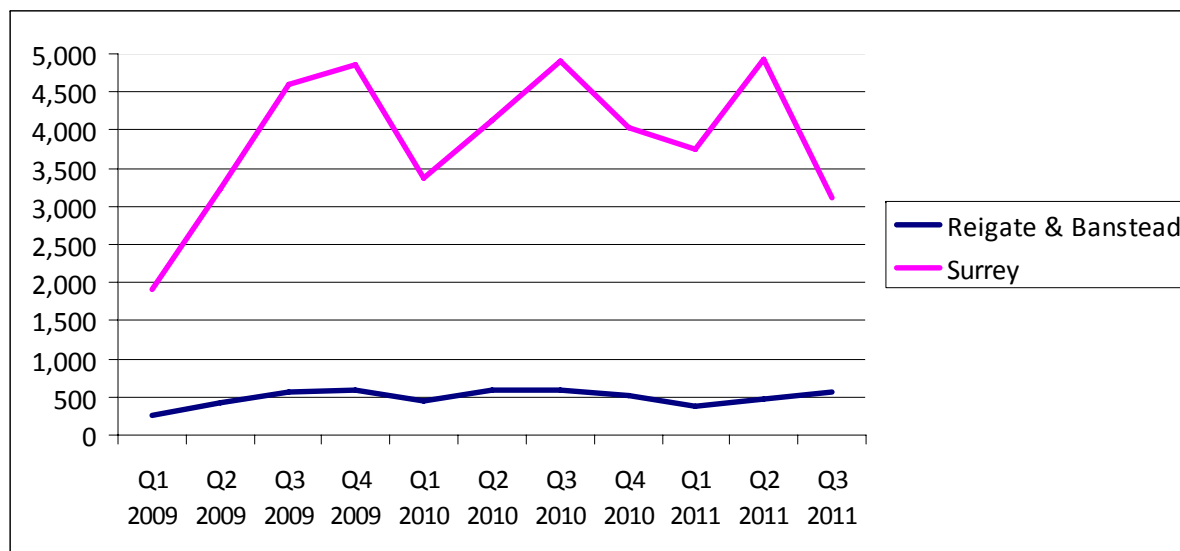
Table 2-3 Absolute Trend in Sales Q1 2009 to Q3 2011

Area	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011
Reigate & Banstead	250	419	577	594	450	591	601	525	373	463	571
Surrey	446	693	764	859	1,550	837	949	525	646	735	902
South East	20,665	32,605	43,539	49,085	31,049	39,092	45,895	41,296	29,139	36,117	46,743
England and Wales	84,323	130,152	166,348	188,400	121,381	156,218	177,134	164,405	116,889	146,970	180,984

Source: Land Registry, Quarter 1 2009 to Quarter 3 2011

2.4.5 The trend in the absolute sales volumes recorded between 2009 and 2011 is shown in the graph below. The data has been indexed to give a common starting point (Q1 2009 = 100). The data shows that the volume of sales per quarter in Reigate & Banstead and the County benchmark area maintained a fairly constant pattern between Q1 2009 and Q3 2011. The sales market fluctuated seasonally, increasing in the spring and summer and falling in the autumn and winter.

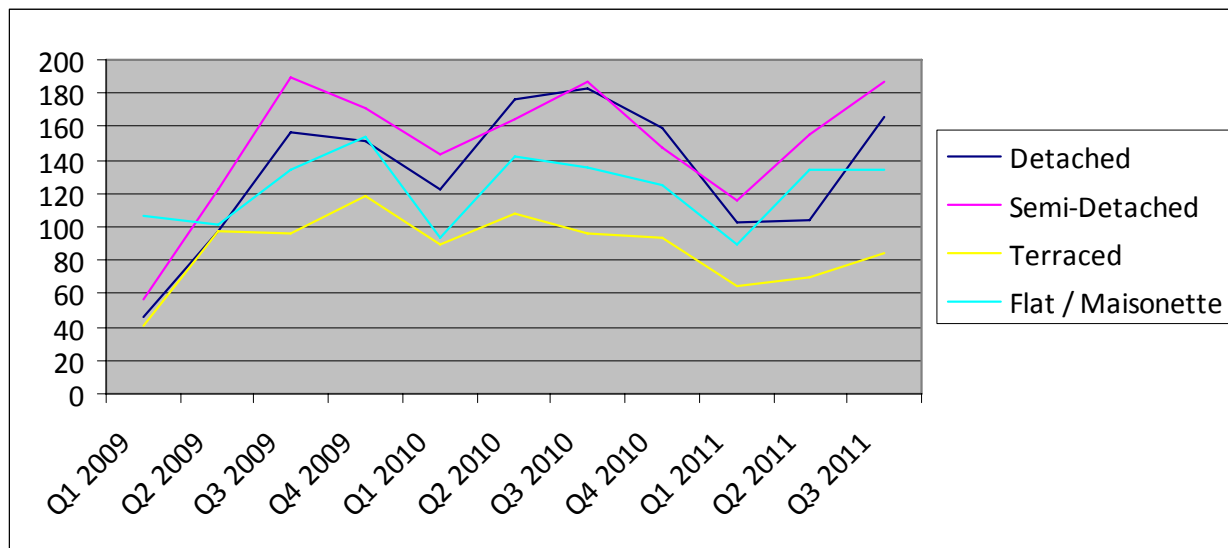
Figure 2-2 Volume of Sales (2009-2011)



Source: Land Registry Residential Property Price Report, Quarter 1 2009 to Quarter 3 2011, © Crown Copyright

2.4.6 The chart and table below shows the sales transactions in Reigate & Banstead by property type for the two year period Q1 2009 – Q3 2011. The data in Figure 2-3 has been indexed to give a common starting point (Q1 2009 = 100). The actual quarterly sales figures between Q1 2009 and Q3 2011 can be found at **Appendix II**.

Figure 2-3 Reigate & Banstead Sales by Type (Q1 2009-Q3 2011)

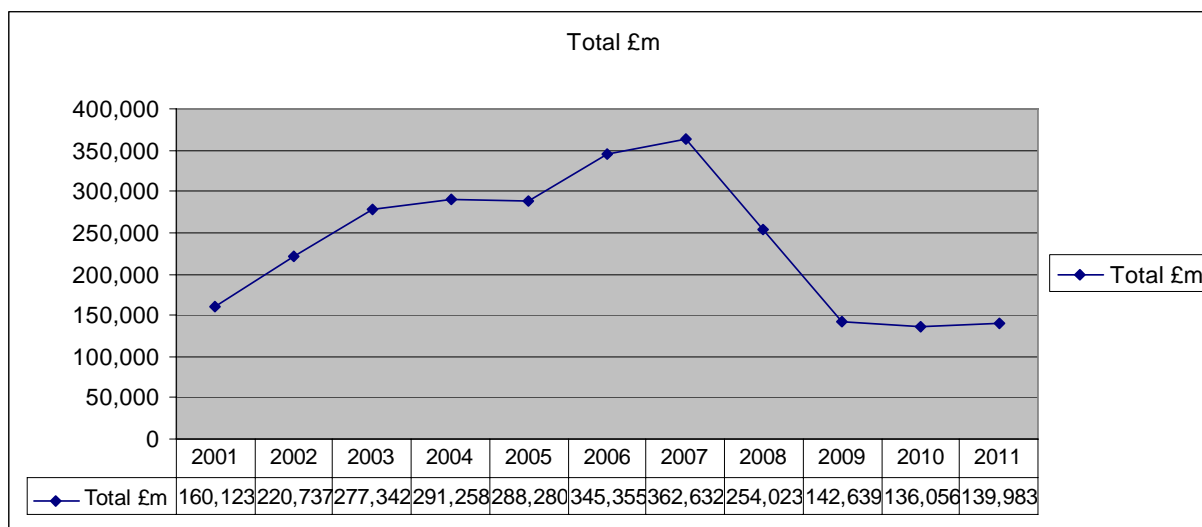


Source: Land Registry Residential Property Price Report, Quarter 1 2009 to Quarter 3 2011, © Crown Copyright

2.5 The UK Mortgage Market

- 2.5.1 The Council of Mortgage Lenders' (CML) members are banks, building societies and other lenders who together undertake around 94% of all residential mortgage lending in the UK. They produce statistics research and public commentary on the market and the issues facing lenders.
- 2.5.2 Gross mortgage lending in December 2011 was an estimated £11.7 billion, according to the Council of Mortgage Lenders. This represents a 12% drop from £13.2 billion in November but a 12% rise from December 2010 (£10.5 billion). December was the fifth month in a row of higher year-on-year lending.
- 2.5.3 For 2011 as a whole lending totalled £140 billion, slightly above the CML annual forecast of £138 billion.
- 2.5.4 The CML forecasts for 2012 states "The closing months of 2011 saw stronger mortgage lending activity and housing transactions. But this was from low levels, and would not read too much significance into these recent figures. Immediate economic prospects are challenging and suggest a weak first half for the housing market. Inflationary pressures have started to fall away sharply, raising hopes that real incomes may stop falling later this year. Looking a little further ahead, there now seems to be a reasonable prospect that real incomes could stabilise and perhaps even start rising moderately by the end of the year. This would boost consumer confidence and help to kindle house purchase demand.
- 2.5.5 The Eurozone crisis continues to make funding conditions challenging and exposes mortgage pricing to upside risks."
- 2.5.6 Figure 2-4 shows the difference in gross mortgage lending over the past 10 years.

Figure 2-4 Gross Mortgage Lending



Source: CML Research, Bank of England

- 2.5.7 The Council of Mortgage Lenders (CML) states that there are signs of house prices stabilising and more properties coming onto the market following the elimination of home information packs. This could improve liquidity in the market but transaction levels are subdued and are likely to remain so while access to credit remains constrained.
- 2.5.8 Current constraints are an issue not just for first time buyers but also for existing recent buyers and those without a large equity cushion. Funding constraints apply across the whole market.
- 2.5.9 The following table shows the details for house purchase loans and re-mortgage loans from September 2010 to September 2011.

Table 2-4 Loans for house purchase and re-mortgage November 2010 – November 2011

	Number of house purchase loans	Value of house purchase loans £m	Number of re-mortgage loans	Value of re-mortgage loans £m
November 2011	47,000	6,900	31,200	4,000
Change from October 2011	4%	5%	6%	8%
Change from November 2010	3%	5%	2%	5%

Source: CML November 2011 (data released 16 January 2012)

- 2.5.10 House purchase lending increased between November 2010 and October 2011 d by around 4%. The number of re-mortgage loans increased between November 2010 and October 2011 by 2%.

2.5.11 The latest data on loans specifically to first-time buyers (FTB) is outlined below.

Table 2-5 Loans to first-time buyers November 2010 – October 2011

	Number of loans	Value of loans £m	Average loan to value	Average income multiple	Proportion of gross income spent on interest payments
November 2011	17,300	2,100	80%	3.23	12.2%
Change from October 2011	4%	5%	80%	3.20	12.3%
Change from November 2010	4%	5%	80%	3.22	13.0%

Source: CML November 2011

- 2.5.12 There were 17,300 loans advanced to first-time buyers in November 2011, a rise of 4% from November 2010.
- 2.5.13 Housing is now technically at its most affordable than it has been for the last 9 years. Mortgage payments at 27% of earnings are now the lowest since December 1999 and half the unsustainable peak of 48% in July 2007. However this ignores the major change in deposit requirements particularly from first time buyers (FTB's).
- 2.5.14 The typical first time buyer in September 2011 had a deposit of 20% and they borrowed 3.23 times their income.
- 2.5.15 Some lenders are offering a 90% mortgage which have high arrangement fees in excess of £700, some as high as £1,500. The reality is the lower the deposit, the higher the interest rate.
- 2.5.16 Nationally the number of FTB's has fallen from 181,500 in the first 6 months of 2007 to 86,000 in the first half of 2011. The average FTB deposit in the first six months of 2011 was £27,719; this was more than double the average of £12,874 in 2001.
- 2.5.17 The average age of an FTB is 29. The CML estimate that 84% of FTBs under 30 had help with their deposit in 2010 compared with 38% in 2005. However for those without financial support from family CML data estimates that the average age has risen from 28 to 31 over the same period.
- 2.5.18 According to a new report commissioned by the Halifax more First Time Buyers are put off from applying for a mortgage through fear of rejection. 64% of non-homeowners believe they have no prospects whatsoever of buying a home therefore creating a generation of renters.
- 2.5.19 The report revealed wide spread pessimism about lenders and the mortgage application process with 84% of FTB's being put off by a belief that banks do not want to lend to them and find excuses to turn them down. 92% see it hard for FTB's to get a mortgage, with 60% seeing it as very hard or virtually impossible.

2.6 Reigate & Banstead Market Sub-Area Breakdown

- 2.6.1 The Borough has been divided into the same 4 sub-areas used in the 2005 Assessment to further analyse house prices and rental costs locally in the areas outlined below.

Sub-Area	Wards
Banstead	Banstead Village, Chipstead Hooley and Woodmansterne, Kingswood with Burgh Heath, Nork, Tadworth and Walton, Tattenhams, Preston
Reigate	Meadvale and St John's, Reigate Central, Reigate Hill, South Park and Woodhatch
Redhill	Merstham, Redhill East, Redhill West, Earlswood and Whitebushes
Horley	Salfords and Sidlow, Horley Central, Horley East, Horley West

2.7 Entry Sales Levels in Reigate & Banstead

- 2.7.1 Entry to the market is clearly dependent on availability, a factor which is particularly critical for low income households who can only enter the market in any numbers where there is an adequate supply of affordable homes.
- 2.7.2 First-time buyers as new entrants to the housing market do not purchase houses at average prices as they do not have average incomes. Although average prices are useful for comparisons in general they are not the purchase levels used in assessing the ability of households to enter local markets.
- 2.7.3 In broad terms new purchasers of either flats or terraced properties buy in the lowest quartile of prices i.e. the bottom 25%.
- 2.7.4 An internet search of the local estate agents was undertaken to ascertain the cost of the cheapest units available i.e. the lowest quartile stock costs in the 4 sub-areas.
- 2.7.5 The entry level stock in the Borough is considered to be flats as they are the cheapest units with an adequate level of supply for sale to those households looking to access the market.

Table 2-6 Entry Sales Levels (£) in Reigate & Banstead – November 2011

	1 Bed Flat	2 Bed Flat	2 Bed Terraced	3 Bed Terraced	2 Bed Semi-Detached	3 Bed Semi-Detached
Banstead	149,000	185,000	224,000	235,000	269,950	310,000
Reigate	150,000	199,950	229,950	299,000	239,950	269,950
Redhill	124,950	162,000	189,950	195,000	230,000	235,000
Horley	120,000	149,950	179,950	220,000	210,000	230,000
Borough-Wide	129,950	165,000	190,000	219,950	230,000	249,950

Source: DCA Housing Market Survey November 2011

- 2.7.6 Although the average price of flat / maisonette properties in Reigate & Banstead according to the Land Registry survey is £362,620, entry sales levels vary across the Borough with the lowest entry prices, starting at around £120,000 for a 1-bed flat in Horley, rising to £149,950 for a 2-bed flat / maisonette.

- 2.7.7 2 bed terraced properties start at £179,950 in Horley rising to £229,950 in Reigate. 3-bed terraced properties start from £195,000 in Redhill rising to £299,000 in Banstead.
- 2.7.8 2 bed semi-detached properties start from around £210,000 in Horley rising to £269,950 in Banstead. 3-bed semi-detached properties start at £230,000 in Horley rising to £310,000 in Banstead.

2.8 The Private Rented Sector

- 2.8.1 DCA undertook a survey of the main estate / letting agents in each area to gather data on the entry rent levels for each sub-area, set out below. Some property types had low levels of supply and the data should be treated with caution.

Table 2-7 Average and Entry Rent Levels, November 2011 (£ p/m)

	Banstead		Reigate		Redhill		Horley		Borough-Wide	
	Average	Entry	Average	Entry	Average	Entry	Average	Entry	Average	Entry
1-Bed Flat	756	695	724	675	685	635	643	625	690	650
2-Bed Flat	1,040	900	938	825	890	850	815	775	944	850
2-Bed Terraced	1,095	**	1,050*	900*	932	850	863	850	926	850
3-Bed Terraced	1,323*	1,295*	1,583*	1,450*	1,350	**	933	850	1,205	925
2-Bed Semi-detached	**	**	**	**	905	825	868	795	884	825
3-Bed Semi-detached	1,350	1,250	1,415*	950*	1,250	**	1,163	1,000	1,276	1,150

** No Data * Low level of data

Source: DCA Housing Market Survey November 2011

- 2.8.2 Entry rental costs in the private rented sector vary by location within the Borough. Overall Borough-wide rents have increased by 9% but entry level properties such as flats and terraces have increased at a higher level since March 2009 with rises of up to 13%.
- 2.8.3 The private rented sector entry level rents start from £625 per month in the Horley area, rising to £695 in the Banstead area for a one bedroom flat, the smallest unit. A 2-bed flat ranges from £825 per month in Reigate rising to £900 in Banstead.
- 2.8.4 In the case of 2-bed terraced houses, entry rent levels range from £850 per month in Redhill and Horley, rising to £900 in Reigate. 3-bed terraced rents start from £850 per month in Horley, rising to £1,450 in Reigate.
- 2.8.5 Entry level rents for 2-bedroom semi-detached homes, range from £795 in Horley to £825 in the Redhill. 3 bedroom semi-detached properties start from around £950 in Reigate and rise to £1,250 per month in Banstead.

3 HOUSING COSTS AND INCOME

3.1 Introduction

3.1.1 The ability of a household to satisfy its own housing requirement is fundamentally a factor of the relationship between local house prices and households income. This section of the report assesses the income levels required to access the cheapest units available in reasonable supply from the research detailed in Section 2.7 and the change in incomes from the 2005 Assessment.

3.2 Purchase Income Thresholds

3.2.1 The cheapest entry levels (lowest quartile) of the smallest units were assessed to enable threshold income levels to be calculated. These are based on 95% loan to value (LTV) mortgage availability and a 3.5 x gross income lending ratio for single earner households and 2.9 x gross household income for dual income households, the levels recommended in the 2007 Strategic Housing Market Assessments Practice Guidance (page 42).

3.2.2 In practice, lending ratios are now much lower with no 95% (LTV) mortgages available in the market, a situation expected to continue for some time. With the majority of mortgage lenders offering only 75 - 90% (LTV), buyers may have an income to support the mortgage but do not have a 10 - 25% deposit.

3.2.3 The following tables below outline the income ranges needed to enter the market in the 4 sub-areas for single and dual households using the Guidance recommended lending ratios of 95% LTV.

Table 3-1 Single Income Thresholds – November 2011

Area	Income Thresholds (£)		
	1 bed Flat	2 bed Flat	2 bed Terraced
Banstead	40,400	50,200	60,800
Reigate	40,700	54,300	62,400
Redhill	33,900	44,000	51,600
Horley	32,600	40,700	48,800

Source: DCA Housing Market Survey November 2011

Table 3-2 Joint Income Thresholds November 2011

Area	Income Thresholds (£)		
	1 bed Flat	2 bed Flat	2 bed Terraced
Banstead	48,800	60,600	73,400
Reigate	49,100	65,500	75,300
Redhill	40,900	53,100	62,200
Horley	39,300	49,100	58,900

Source: DCA Housing Market Survey November 2011

Note: Figures rounded to nearest hundred.

- 3.2.4 According to the data collated from the house price survey, entry level prices for flats require a single income of £32,600 in Horley for a 1-bed flat and rise to £48,800 in Banstead. Entry income levels for 2-bed flats start at £40,700 in Horley and rise to £65,500 in the Reigate area.
- 3.2.5 The income needed to buy the entry level terraced properties vary across the Borough with the lowest entry prices for a 2-bed terraced property, starting at around £48,800 in Horley rising to £62,400 in Reigate.
- 3.2.6 On average 87% of concealed households earn below the entry level single income requirement of £32,600 for a 1 bed flat in Horley, the cheapest market area. The ability of concealed households to access the market within the Borough in 2011 is limited.
- 3.2.7 These levels are therefore theoretical as mortgage lending to first time buyers is generally still at a level of around 75 – 90%. The key problem of affordability now focuses on the availability of a larger deposit rather than income levels and lending multipliers.
- 3.2.8 On average a deposit of around £24,000 to £29,990 would be required to buy one and two bedroom flats and £35,990 to £39,000 for two and three bedroom terraced houses in the current Reigate & Banstead market.
- 3.2.9 The data from the re-weighted survey shows that 55.2% of concealed households have savings of less than £1,000. 12.6% have between £1,000 and £5,000 savings.
- 3.2.10 Only 1.5% had in excess of £20,000 and **on the basis of savings levels around 98% of concealed households will not be able to afford a deposit of around £24,000 for a one bedroom flat.**

3.3 Rental Income Thresholds

- 3.3.1 The cheapest rental prices of the smallest units in the Borough were assessed in order to calculate the rental income threshold levels. These are based on the Guidance recommended ratio for private rent at 25% of gross income (equivalent to 30% of net income). Table 3-3 below shows the income levels needed to access the private rented market in Reigate & Banstead.

Table 3-3 Single Rental Income Thresholds – November 2011

Area	Income Thresholds (£)		
	1 bed Flat	2 bed Flat	2 bed Terrace
Banstead	33,400	43,200	**
Reigate	32,400	39,600	43,200*
Redhill	30,500	40,800	40,800*
Horley	30,000	37,200	40,800

Source: DCA House Price Survey November 2011

** No data found

* Low Level of Data Note: Figures rounded to nearest hundred

- 3.3.2 The cheapest property in the Borough to rent is in the Horley area and requires an income threshold of £30,000, to rent a 1 bed flat.

- 3.3.3 To rent a two bedroom flat requires an income of £37,200 in Horley and for a two bed terraced property requires an income of £40,800 in Redhill and Horley.
- 3.3.4 On average 84% of concealed households earn below the level required to rent the cheapest property in the Horley area of the Borough (£30,000). Therefore based on this figure and those who cannot afford to buy (87%) at 3.2.6, new entrants to the market are more likely to go for private rent.
- 3.3.5 The Planning Policy Statement 3 (PPS3) Guidance for eligibility to access subsidised affordable housing is an inability to buy or rent in the private market, without assistance.
- 3.3.6 Ultimately, because housing costs in the private rented sector are lower this virtually always means that the incomes required to rent rather than buy are used in the Assessment Model.
- 3.3.7 The inability to rent in the private sector without assistance is therefore the basis of the calculation of those requiring affordable housing in section 7.

3.4 Annual Survey of Hours and Earnings

- 3.4.1 Income data is always difficult to gather at local level. The 2011 Annual Survey of Hours and Earnings (ASHE) have been used in order to calculate the changes to income levels since 2006 so that these changes can be applied in calculating the income levels in 2011. ASHE data is prepared by the Office for National Statistics. This provides data at County and Borough-wide level of full-time employees of adult rates who have been in the same job for more than a year.
- 3.4.2 The 2011 ASHE data shows a median income of £34,765 for Reigate & Banstead, a 17.0% increase on the 2006 ASHE figure of £29,765. The lower quartile income growth is lower at 11.9% rising from £21,189 to £23,715 and these households are the key test of ability to enter the market at the lower quartile house prices.
- 3.4.3 Analysis has also been undertaken of the income levels of local households, to assess the proportion of people now able to access market housing. This has been based on the updated house price information detailed in Section 2.
- 3.4.4 The table below highlights the incomes of existing households from the 2005 Study and current 2011 incomes using the 17% increase.

Table 3-4 Incomes of Existing Households 2005 & 2011

	Annual Income 2005*	Annual Income 2011**	%
Below	£15,000	Below £17,550	21.0
	£15,000 - £27,500	£17,551 - £32,175	21.2
	£27,501 - £40,000	£32,175 - £46,800	17.7
	£40,001 - £50,000	£46,801 - £58,500	11.1
	£50,001 - £60,000	£58,501 - £70,200	8.1
	£60,001 - £70,000	£70,200 - £81,900	5.5
	£70,001 - £80,000	£81,901 - £93,600	5.0
	£80,001 - £100,000	£93,601 - £117,000	4.0
	Over £100,000	Over £117,001	6.4
Total			100.0

Source: * 2005 HNS ** Re-weighted survey data

3.4.5 21% of existing households earn less than £17,550, with 29% earning over £58,500 per annum.

3.4.6 The table below highlights the 2005 and 2011 incomes of concealed households from the 2005 Study. The income bands have an income inflation of 11.9% the lower quartile increase applied to determine the 2011 annual income levels.

Table 3-5 Incomes of Concealed Households 2005 & 2011

Annual Income 2005*	Annual Income 2011**	%
Below £15,000	Below £16,785	37.9
£15,000 - £27,500	£16,786 - £30,773	43.6
£27,501 - £40,000	£30,774 - £44,760	13.1
£40,001 - £45,000	£44,761 – £50,355	4.0
£45,001 - £50,000	£50,355 – £55,950	1.4
Total		100.0

Note : No income levels above £50,000

Source: * 2005 Reigate & Banstead HNS

** Re-weighted survey data

3.4.7 37.9% of concealed households earn less than £16,785 and up to 81.5% below £30,773, with no concealed households earning more than £58,500 per annum.

3.4.8 The following table outlines the incomes required by concealed households to access owner occupation based on the lowest purchase single income thresholds across the Borough for 1 and 2-bed flats properties and 2-bed terraced properties.

3.4.9 Overall the calculation of the proportion of concealed households unable to access the private sector takes account of those who need one and two bedroom housing in the lowest quartile cost stock across the Borough.

Table 3-6 Concealed Households – Incomes Needed to Buy (Single Income) and % Unable to Buy

Type of Property	Area	Income Required	% unable to buy
1-bed Flat	Horley	£32,600	83.2
2-bed Flat	Horley	£40,700	90.8
2-bed Terraced	Horley	£48,800	97.5

3.4.10 Using the income requirements from Table 3-1 and Table 3-5 (single income), Table 3-6 shows that 83.2% of concealed households are unable to buy the cheapest 1-bed flat in the Borough and 90.8% are unable to buy the cheapest 2 bed flat.

3.4.11 97.5% of concealed households in the Borough were unable to buy the cheapest 2-bed terraced house.

3.4.12 The table below outlines the income required by concealed households to access the private rental market based on the lowest and highest rental income thresholds across the Borough for 1 and 2-bed flats and terraced properties, as illustrated in Table 3-3.

Table 3-7 Concealed Households – Incomes Needed and % Unable to Rent in the Private Market

Type of Property	Area	Annual Income Required	% Unable to rent
1-bed Flat	Horley	£30,000	79.3
2-bed Flat	Horley	£37,200	87.5
2-bed Terraced	Horley / Redhill	£40,800	90.9

- 3.4.13 The data shows that 79.3% of concealed households cannot afford to rent a 1-bed flat in the Borough.
- 3.4.14 87.5% are excluded from renting a 2-bed flat and 90.9% of concealed households are excluded from the cheapest 2-bed terraced house in the Borough.
- 3.4.15 The incomes of households who had formed in the previous three years prior to the survey and likely to have higher incomes than concealed households were also analysed. The income bands have an income inflation of 11.9% the lower quartile increase applied to determine the 2011 annual income levels.

Table 3-8 Income of Recently Formed Households

Annual Income 2005	Annual Income 2011	%
Below £15,000	Below £16,785	5.2
£15,000 - £27,500	£16,786 - £30,773	19.7
£27,501 - £40,000	£30,774 - £44,760	18.3
£40,001 - £50,000	£44,761 – £50,355	27.8
£50,001 - £60,000	£50,356 - £67,140	13.6
£60,001 - £70,000	£67,141 - £78,330	4.3
£70,001 - £80,000	£78,330 - £89,520	5.7
£80,001 - £100,000	£89,521 – £111,900	4.4
Over £100,000	Over £111,900	1.0
Total		100.0

- 3.4.16 The proportion of recently formed households assessed as being unable to buy is shown in the table below.

Table 3-9 Recently Formed Households – Incomes Needed to Buy and % Unable to Buy

Type of Property	Area	Income Required	% unable to buy
1-bed Flat	Horley	£32,600	27.3
2-bed Flat	Horley	£40,700	37.9
2-bed Terraced	Horley	£48,800	64.9

- 3.4.17 27.3% were assessed as being unable to buy the lowest priced 1-bed flat and 64.9% were unable to buy the cheapest 2-bed terraced in the Borough.
- 3.4.18 The proportion of recently formed households assessed as being unable to rent in the private market is shown in the table below.

Table 3-10 Recently Formed Households–Incomes Needed to rent and % Unable to Rent

Type of Property	Area	Income Required	% Unable to rent
1-bed Flat	Horley	£30,000	23.9
2-bed Flat	Horley	£37,200	33.3
2-bed Terraced	Horley / Redhill	£40,800	38.1

3.4.19 23.9% were assessed as being unable to rent the lowest priced 1-bed flat and 38.1% were unable to rent a 2-bed terraced property.

3.5 Affordable Rents

3.5.1 The Coalition Government decided in April 2011 to introduce Affordable Rents up to 80% of market value for new social rented stock. This decision is to encourage Registered Providers to be less reliant on grant aid for new build schemes and self finance the schemes by charging a greater amount of rent.

3.5.2 However, the decision to introduce Affordable Rents at up to 80% of market value for new social rented stock effectively removes discounted market rent as an intermediate housing option as this was based on the same principal of 80% of the cost of the local private rented sector.

3.5.3 Reigate & Banstead transferred its housing stock to Raven Housing Trust in 2002. Raven Housing Trust inherited the council's social housing rent levels therefore when considering Affordable Rent Levels we have looked at them separately from other Registered Providers in the Borough.

3.5.4 The margin between social rents and affordable rents, in both Banstead and Reigate appears to be large enough to make the introduction of Affordable Rents a viable option for all property sizes at 60%, 70% and 80%. However in Redhill and Horley the margin is not as large and it may only be viable for all bed sizes at 70% and 80%.

3.5.5 It should be noted that even though it may be viable for the housing providers to provide affordable rented properties this does not automatically mean that this will be affordable to residents as highlighted in paragraph 3.5.7.

3.5.6 **Appendix IV** contains analysis of each sub-area showing the approximate level of Affordable Rents compared to the local private sector rents that could be applicable to each area.

3.5.7 However, 81.5% of concealed households cannot afford the 80% rent level based on their income. It would therefore be right to assume that should this option be offered to them they would rely on housing benefit to help pay the rent.

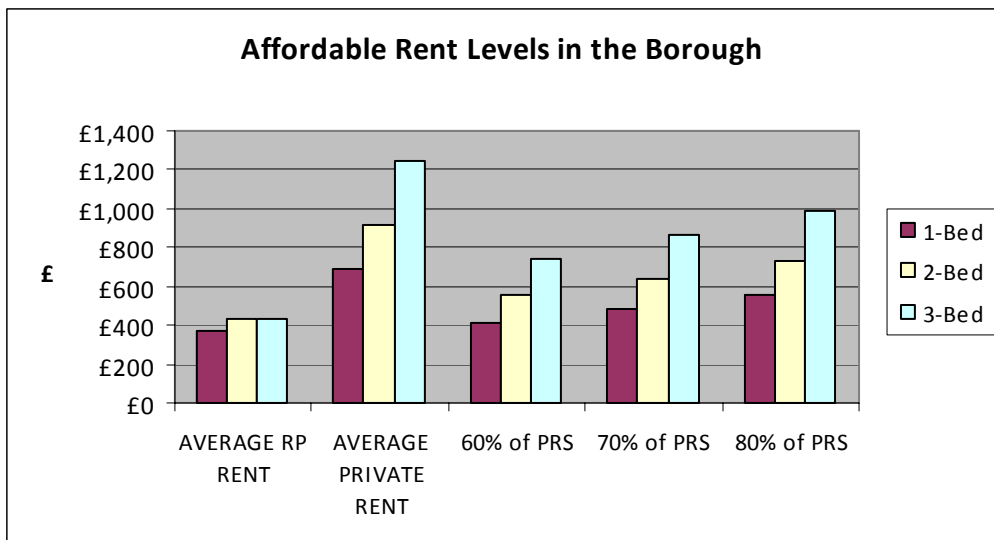
3.5.8 The table and graph below shows the levels for the whole Borough and there is a large enough margin to introduce Affordable Rents.

Table 3-11 Average Social Rent up to 80% of Average Private Sector Rent

Reigate & Banstead	Average RP Rent	Average Private Rent	60% of PRS	70% of PRS	80% of PRS
1-Bed	£368	£690	£414	£483	£552
2-Bed	£435	£918	£551	£643	£734
3-Bed	£431	£1,241	£744	£869	£993

Source: Rents from Tenant Services Authority, PRS Rightmove
RP – Registered Provider

Figure 3-1 Borough Affordable Rent Levels



3.6 Local Housing Allowance for Single People

- 3.6.1 The Local Housing Allowance (LHA) is a way of calculating Housing Benefit for people who live in **privately rented accommodation**. LHA is a flat rate allowance based on the size of the household (not the size of the property) and the area in which a person lives.
- 3.6.2 Currently a single person aged under 25 years, who does not have a dependant or a non-dependant person living with them, will be entitled to the standard rate of Local Housing Allowance for a room in shared accommodation.
- 3.6.3 However from January 2012 the shared room rate restriction will apply to single people aged under 35 years. Current exemptions, for example for those in receipt of severe disability premium and living in certain types of supported accommodation, will continue to apply.
- 3.6.4 On the other hand when considering housing needs the SHMA Practice Guidance 2007 states that we must include anyone over the age of 25 years sharing facilities. Therefore until new guidance is published anyone over the age of 25 years will be included in the calculation for future housing need.
- 3.6.5 The changes to the single allowance may have an impact on rent arrears when housing benefit is reduced to single people under 35 currently on housing benefit and living in self contained accommodation.
- 3.6.6 The council should also consider the possible increased demand on shared accommodation and the possibility of under 35 year olds becoming homeless when they have to leave self contained accommodation due to affordability issues.
- 3.6.7 Currently people renting from a council or other social housing **are not** affected by the Local Housing Allowance.

3.7 Intermediate Housing Costs

- 3.7.1 In Reigate & Banstead new Intermediate housing units are bought almost equally by people moving from Private Rented Accommodation and new forming households with incomes inadequate to buy outright. As house prices have reduced its important to assess whether households could gain access to the housing they require with minimum levels of subsidy compared to that of social rent.
- 3.7.2 This is also important in relation to the provision of a more balanced housing market. We have therefore analysed the cost of provision of intermediate housing in the area and assessed the proportion of households who may be able to be assisted by new provision of this type. The following table utilises data from the Council's website and Catalyst Homebuy website.
- 3.7.3 The table below shows examples of Shared Ownership costs, Incomes required and concealed households able to afford.

Table 3-12 Shared Ownership Costs, Incomes Required and Concealed Households able to afford

Property Type	Full Sale Price	Share Price	Rent	Mortgage	Monthly Cost*			Concealed Households able to afford (%) Excl Deposit	
					Service / Estate Charge	Total	Deposit Required		Income Required
1 – bed flat (New Build)	150,000	75,000 - 50%	187.50	416.87	60.89	665.26	7,500	18,660	49.4
1 – bed flat (Resale)	160,000	56,000 - 35%	196.17	311.27	139.69	647.13	5,600	16,630	56.5
2-bed flat (New Build)	182,500	91,250 - 50%	228.13	507.20	87.29	822.61	9,125	23,166	33.7
2-bed flat (Resale)	190,000	66,500 - 35%	259.55	369.63	172.40	801.58	6,650	20,145	54.4

Note : No schemes were found in Reigate & Banstead for houses, only Flats were found

The income required was set by Catalyst Homebuy and the housing costs range from 38-54% of gross annual income.

Monthly costs based on 4.5% mortgage rate over 25 years.

% of Concealed Households able to afford each property based on the incomes in the Updated Reigate & Banstead Housing Needs Survey 2011.

- 3.7.4 The last column shows the percentage of people who can afford these shared ownership units based on their incomes however 68% of concealed households have less than £5,000 in savings. Therefore a great number would need help with the deposit and legal fees.
- 3.7.5 In comparison to the affordability of shared ownership based on monthly housing costs not exceeding 33% of gross income, the number of concealed households who cannot afford 80% affordable rents is 81.5% but they will not need such a large deposit.
- 3.7.6 The difference in affordability is due to the way RP calculate affordability in shared ownership where in some instances they are allowing people to buy a property with their housing costs being as high as 54% however, on the other hand when assessing the affordability in the rented sector the housing costs are assessed at 33% of household income.

4 POPULATION GROWTH & HOUSEHOLD PROJECTIONS

4.1 Introduction

- 4.1.1 Analysis of changes in population and household profiles are essential in enabling an understanding of the level of housing need and demand within an area. Monitoring population and household forecasts allow the council to see if any significant changes are occurring that could affect the Reigate & Banstead housing market.
- 4.1.2 Demographic change creates the need for different levels and types of housing provision and is a key factor influencing the requirements for market and affordable housing. Migration can be an important factor in demographic structure.
- 4.1.3 There are four basic components to changes in the number and composition of households. The aim of this section of the report is to highlight the issues which are relevant to the evaluation of housing needs in the Borough, particularly changes in:-
- The age distribution of the population arising from births, deaths and ageing of the indigenous population;
 - Family units such as marriage, divorce and child bearing patterns;
 - The number and composition of households arising from migration, particularly due to employment opportunities in the area;
 - The probabilities that family units form a separate household, particularly in response to changes in incomes in the labour market area.
- 4.1.4 In local area forecasting new household formation is mainly due to responses to income and employment opportunities. However, new household formation is also affected by life cycle patterns and this demographic influence contributes to about 40% of the growth in the number of new households at any one time (Dicks, 1988; Ermisch, 1985).
- 4.1.5 The factors which combine to produce the population and household forecasts are:- age-sex structures (including those of migrants) headship rates, survival factors, infant mortality, fertility rates, base numbers of dwellings, vacancy rates, building / demolition programmes.

4.2 Updating the Reigate & Banstead Population and Household Forecasts

- 4.2.1 The demographic forecasts used in the 2005 HNS were 2003 based Office of National Statistics provided by Surrey County Council.
- 4.2.2 The general demographic forecasts in the tables in this section have been provided by the Office for National Statistics (ONS) who publish population and household forecasts at Local Authority level for England and are ONS projections. The forecasts are 2008 based sub-national population projections and are the most recent projections available, released in May 2010.
- 4.2.3 Being trend based projections, assumptions for future levels of births, deaths and migration are based on observed levels; mainly over the previous five years (2003 to 2008). They show what the population will be if recent trends continue.
- 4.2.4 The projections are produced on a consistent basis across all local authorities in England. They do not take into account any future policy changes or local development policies that have not yet occurred.

4.2.5 The factors which combine to produce the population and household forecasts are:- population age-sex structures, headship rates, survival factors, infant mortality, fertility rates, base numbers of dwellings, vacancy rates, building / demolition programmes and the age-sex structure of migrants. The summary of this data is provided in the following tables with the population changes disaggregate from 2008 to 2033.

4.2.6 The projections in Table 4-1 outline the population change between 2008 and 2033.

Table 4-1 Population Change in Reigate & Banstead, 2008 – 2033

	2008	2011	2016	2021	2026	2033	Change
Total Population	133,400	138,000	146,100	154,200	161,800	171,100	
Change		+4,600	+8,100	+8,100	+7,600	+9,300	+37,700
% Change		+3.4	+5.9	+5.5	+4.9	+5.7	+28.3

Source: Office for National Statistics (ONS)

4.2.7 The table shows a forecast increase in the population of Reigate & Banstead of 37,700 people (28.3%) over the forecast period to 2033.

4.2.8 The next stage in the forecast is to disaggregate the Reigate & Banstead population data into age bands because there may be changes in the population structure with significant housing implications.

Table 4-2 Population Age Band Forecast Reigate & Banstead, 2008 – 2033

	2008	2011	2016	2021	2026	2033	Change	% Change
0 - 19	31,800	32,600	34,100	36,000	37,600	38,600	+6,800	+ 21.4
20 – 29	14,200	14,800	15,500	15,100	14,800	16,000	+1,800	+12.7
30 - 44	31,100	31,100	31,600	33,500	34,900	34,600	+3,500	+11.2
45 - 64	34,900	37,000	39,000	41,400	42,900	43,700	+8,800	+25.2
65 +	21,300	22,500	26,000	28,500	31,900	38,000	+16,700	+78.4
Total	133,400	138,000	146,100	154,200	161,800	171,100	+37,700	+28.3
% Change		+3.4	+5.9	+5.5	+4.9	+5.7		

Source: ONS 2008-based sub-national population projections

Figures are rounded to the nearest 100 so totals may not agree with the sum of their rounded counterparts.

4.2.9 The 0-19 age range shows a rise overall of 6,800 people (+21.4%). Numbers rise and fall throughout the forecast period.

4.2.10 The 20-29 age range comprises new households forming and will have implications for future affordable housing need both in the short and longer term. Overall this age group shows a rise of 1,800 (+12.7%).

4.2.11 The 30-44 age group, the main economically active and household forming and moving group shows an increase of 3,500 people (+11.2%).

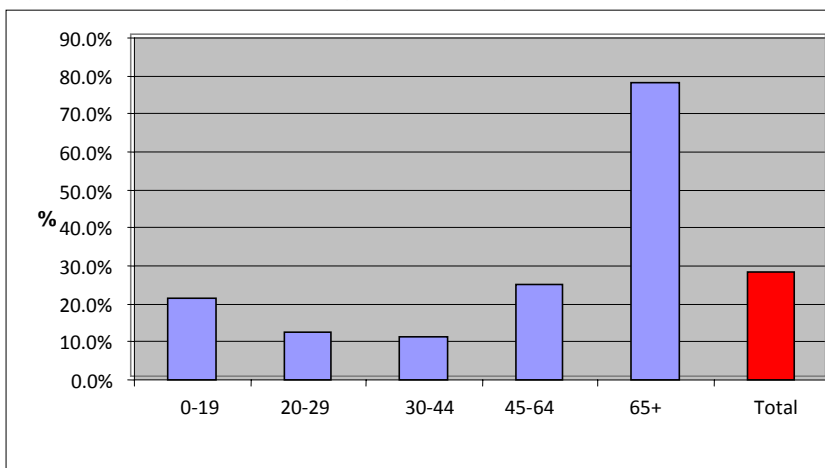
4.2.12 The 45-64 age group shows an increase of 8,800 people (+25.2%).

4.2.13 The most significant feature is the growth of the population in the over 65 age group with an increase of 16,670 people (+78.4%) over the forecast period.

4.2.14 The growth in all groups up to age 64 of 20,900 people is only 18.7%.

4.2.15 The following graph shows the percentage population change by age group to 2033.

Figure 4-1 Population Age Band Change Forecast, Reigate & Banstead, 2008 – 2033



Source: Office for National Statistics (ONS)

4.3 Older Population Growth Forecasts

4.3.1 The table below shows the 65+ age structure breakdown to 2033.

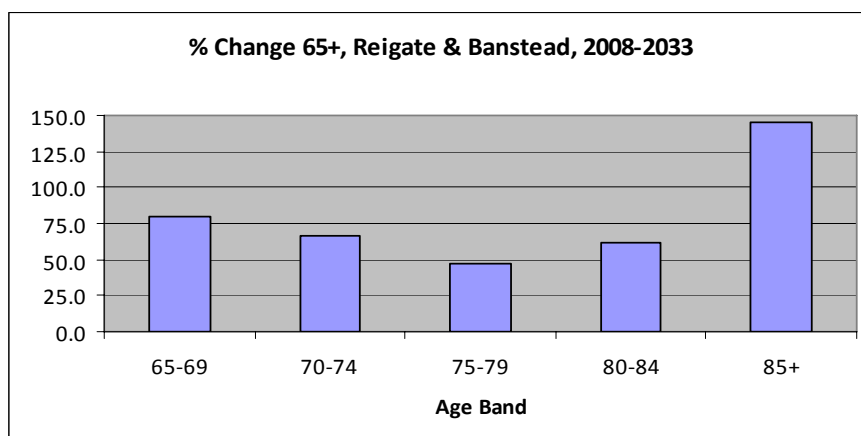
Table 4-3 Breakdown of 65 + people in Reigate & Banstead, 2008 – 2033

	2008	2011	2016	2021	2026	2033	Change	%
65-69	5,400	6,300	7,800	6,900	8,000	9,700	+4,300	+79.6
70-74	4,800	4,800	5,800	7,200	6,400	8,000	+3,200	+66.7
75-79	4,200	4,200	4,300	5,300	6,600	6,200	+2,000	+47.6
80-84	3,400	3,500	3,700	3,900	4,800	5,500	+2,100	+61.7
85+	3,500	3,700	4,400	5,200	6,100	8,600	+5,100	+145.7
Total	21,300	22,500	26,000	28,500	31,900	38,000		
Change		+1,200	+3,500	+2,500	+3,400	+6,100	+16,700	78.4
% Change		+5.6	+15.6	+9.6	+11.9	+19.1		

Source: Office for National Statistics (ONS)

4.3.2 Within the older age group, the numbers of people aged 85+ grow by 5,100 (+145.7%) up to 2033. Given the resource demands often associated with very elderly people, these are significant figures.

Figure 4-2 % Change of 65+, Reigate & Banstead, 2008 – 2033



Source: Office for National Statistics (ONS)

4.4 The Regional and National Change

4.4.1 The table below highlights the percentage change in age groups over the period to 2033, comparing Reigate & Banstead with the South East and England.

Table 4-4 Forecast Change % in Age of Households, 2008 – 2033

	Reigate & Banstead	South East	England
0 - 19	21.4	10.8	10.9
20 – 29	12.7	7.1	5.7
30 - 44	11.2	3.6	7.7
45 - 64	25.2	12.0	12.8
65 +	78.4	50.3	46.3
Total	28.3	15.6	15.6
75+	82.8	63.5	59.7
85+	145.7	84.3	86.2

Source: Office for National Statistics (ONS)

4.4.2 The total change over the forecast period is higher in the Borough than over the South East and England as a whole.

4.4.3 What is apparent, however, is the large growth in the 65+, 75+ and 85+ groups compared with the growth in the younger groups.

4.5 Forecast Change in Households

4.5.1 The table below outlines the household forecasts from the Office for National Statistics (ONS) for Reigate and Banstead from 2008 to 2028.

4.5.2 All projections are 2008-based and are linked to the Office for National Statistics 2008-based Population Projections, and are not an assessment of housing need or do not take account of future policies.

4.5.3 They are an indication of the likely increase in households given the continuation of recent demographic trends.

Table 4-5 Forecast Change in Households Reigate and Banstead, 2008 – 2028

	2008	2013	2018	2023	2026	2028	Change
Households	55,000	59,000	64,000	68,000	70,000	72,000	
Household change		+ 4,000	+ 5,000	+ 4,000	+ 2,000	+ 2,000	+ 17,000
% Change		+ 7.3	+ 8.5	+ 6.2	+ 2.9	+ 2.8	+ 30.9

Source: Office for National Statistics (ONS)

4.5.4 There is forecast to be 17,000 more households in Reigate and Banstead in 2028 than in 2008, an increase of more than 30%. This is an annual average of 850 units.

4.5.5 However the average is forecast to be at a higher annual level of 900 a year in the short term to 2018.

5 OLDER PERSONS HOUSING

Sheltered Housing Demand

- 5.1.1 The updated 2005 HNS data indicates that 2,845 implied households have older relatives (over 60) who may need to move in to Reigate & Banstead to live within the family home or in separate accommodation close to their family.
- 5.1.2 Demand for this group was predicted by the children of older people and, as would be expected, it shows a different pattern to that normally seen among older respondents in DCA surveys.
- 5.1.3 DCA experience shows that older people seek to remain in their own homes and prefer to receive support at home. In contrast, the children of older parents tend to predict the need for supported housing.
- 5.1.4 The higher level of demand for accommodation for older people moving into Reigate & Banstead is common to the results of other DCA Surveys, where in most cases a higher level of in-migrant need from parents and relatives was found than that arising from existing households.
- 5.1.5 This relatively new trend is borne out in sales of new build private sector sheltered housing and extra care projects where a significant proportion of purchasers are moving over 100 miles to be close to their mature children who have settled in the Borough.
- 5.1.6 The combined impact of an economy with a more mobile workforce, particularly professional personnel, linked to the increased scale of these people in the 'baby boomer' age groups who are now in their early 60's, is a significant factor in the growth in the number of parents moving to join their family in old age.
- 5.1.7 Conversely, the indigenous older population prefer to continue in the area / surroundings they know and within their own home as long as possible and often will not acknowledge or predict the need to move. Need and demand levels from local older residents are normally relatively low in household surveys.

Extra Care Accommodation

- 5.1.8 Extra Care accommodation is housing which offers self-contained accommodation together with communal facilities and where care, as well as support, services are provided from a team normally based on site.
- 5.1.9 Need expressed for extra care accommodation came from existing households. The level of need expressed for extra care accommodation was 49 units from local existing households.
- 5.1.10 The issue of potential delivery through shared equity also applies to the extra care sector. Although we do not have information on the current tenure of in-migrating parents 83% of those mature children indicating that their aging parents would be moving to the Borough were owner occupiers.
- 5.1.11 It would therefore be reasonable to conclude that the majority of parents would be owner-occupiers with no mortgage, at least in line with the national tenure level of around 70%.

- 5.1.12 Many however express the need for social rented accommodation and may reflect that the level of equity from their parents home may not be adequate to purchase outright, especially those moving from lower priced areas of the country compared to Reigate & Banstead.
- 5.1.13 This sector of the older persons housing market is relatively new and the growth forecast in the population projections both in the immediate period to 2016 and over the long term to 2033 of those aged 75+ and 85+ will almost certainly increase the need for this type of accommodation.
- 5.1.14 Demand may also grow as supply provides a greater understanding of this sector of supported housing.

Existing Households Moving

- 5.1.15 A cross tabulation of existing owner occupiers in the Borough planning to move home shows that 129 (implied) required supported housing, 18 private sheltered and 49 extra care. All indicated as having equity of over £150,000 and had in excess of £20,000 in savings.
- 5.1.16 Clearly therefore households requiring extra care should be able to purchase all or a share of a property.

6 FUTURE SIZE OF AFFORDABLE HOUSING

- 6.1.1 Local Development Documents need to provide targets on the size of future affordable housing units required. Stock balance, turnover and waiting list demand analysis are vital to identify the gaps in the stock and the proportions by type and size required to address current and future need.
- 6.1.2 Affordable housing should be in locations with extremely good public transport links to town centres, employment destinations and other key services.

The Social and Affordable Rented Sector

- 6.1.3 The following table provide analysis of the levels of registered need and actual supply from turnover of Council and Registered Provider rented stock through re-lets by bedroom size. A major review of the waiting list has produced significant changes to levels of need for property sizes in the rented sector.
- 6.1.4 The ratio of waiting list demand to supply is the number of years it would take on the waiting list for individual property sizes to be met through the turnover of the existing stock. This also makes the extreme assumption that there is no future need other than the current backlog, which clearly will not be the case.

Table 6-1 Social Stock, Waiting List Need and Social Turnover

Stock Size	Stock		Waiting List		Social Stock Turnover **		Demand vs. Supply
	N ^{OS.}	%	N ^{OS.}	%	N ^{OS.}	%	
1-bedroom	2,109	31.4	1,657	60.0	179	45.3	9.3
2-bedrooms	2,281	33.9	824	29.9	152	38.5	5.4
3-bedrooms	2,154	32.0	242	8.8	46	11.6	5.3
4+ bedrooms	184	2.7	35	1.3	18	4.6	2.0
Total	6,728	100.0	2,758	100.0	395	100.0	

*HSSA as at 1st April 2011

**Council Data (2010-2011)

- 6.1.5 In Reigate & Banstead, even if no new need arose, it would take:-
- Over 9 years to meet the requirements for 1-bed properties;
 - Almost 5 and a half years to address the 2-bedroom requirement;
 - Over 5 years to address the 3-bedroom stock requirement;
 - 2years to meet the need for larger 4+ bedroom family units.
- 6.1.6 Generally, 84% of stock turnover is from 1 and 2 bedroom units, lower than the waiting list need of 90% for these units which are 65% of the stock.
- 6.1.7 Although these are significantly the highest need in terms of unit numbers, a number of factors need to be considered in determining targets by size which clearly also influence property type.

- 6.1.8 Small units normally turn over significantly more regularly in the existing stock than family units, but the nature of the stock has an impact on turnover rates.
- 6.1.9 The waiting list for one bedroom properties contains younger households many of whom do not have a priority need and are unlikely to be offered a property. Some are older households registering for sheltered housing either to meet current need or as insurance for a future potential need.
- 6.1.10 These factors are important in judging future delivery to meet priorities rather than arithmetic scale of recorded need. There is however a caveat that in meeting priority needs there is still a requirement for 1 and 2-bedroom units to meet the needs of young, single, homeless households in the Borough.
- 6.1.11 The total 3 bedroom family stock of 2,154 units is relatively large at 32% of all stock but provides less than 12% of all re-let supply.
- 6.1.12 There are only 184 four bedroom units in the stock and 35 households on the waiting list. Needs are the smallest in terms of numbers, but had a high turnover level of 18 units in 2010/11 relative to the waiting list.
- 6.1.13 In view of the current stock balance, the scale of likely annual new provision and the requirement to address priority household need, a level of **75% of future delivery in the social/affordable rented sector** should be one and two bedroom units, lower than current combined need levels of 84%.
- 6.1.14 However because of the demand for 2-bed units (as opposed to need), provision should be mainly 2-bedroom units. Grant funding recognises the issue of need versus demand for 1-bed units. Generally funding is available for 2-bed units, recognising the demand for flexibility of this size of accommodation.
- 6.1.15 However the proposed changes to housing benefit will have a negative effect on the allocation of two bedroom units to couples without children.
- 6.1.16 The 2005 HNS Report identified that in the social sector there was **under-occupation of 12.7% of properties, representing approximately 850 social rented family units** with two or more spare bedrooms.
- 6.1.17 This scale will continue to rise as the impact of demographic change in the older population, especially in the light of the proportion of 3 bedroom properties in the stock.
- 6.1.18 It is recommended that this is now a key issue for Housing Strategy to consider, both to make best use of the housing stock and address the needs of over-crowded families in the social / affordable rented sector.
- 6.1.19 Achieving a better flow of family units should also have a cascade effect, increasing turnover of all smaller unit sizes as households are able to transfer to larger units to meet their need. **In effect up to four household moves could result from one new older persons unit.**
- 6.1.20 Given the limited scale of new affordable units and of the existing 3 bedroom stock, the balance of **25%, could be 3 and 4 bedroom units**. The success of initiatives to make best use of the stock to also free up these larger units will need to be monitored in relation to new delivery targets.

6.2 Housing Benefit and Under-Occupancy

- 6.2.1 From 1 April 2013 the Government intend to introduce size criteria for working-age Housing Benefit claimants living in the social /affordable rented sector.
- 6.2.2 The size criteria will be the same as private rented sector claimants and whose claims are assessed using the local housing allowance rules.
- 6.2.3 The maximum rent will be reduced by a national percentage rate depending on how many bedrooms the household is considered not to need.
- 6.2.4 A bedroom for a non-resident carer will also be taken into account in determining the relevant size criteria where that carer provides necessary overnight care for the claimant or their partner.
- 6.2.5 On the 14th December 2011 **Lord Best won a victory** when Peers voted to accept an amendment to the Welfare Reform Bill to abolish the under-occupancy ‘bedroom tax’.
- 6.2.6 **However**, this is not enough for the bill to be amended and the House of Commons will decide whether to accept the amendment in the New Year.
- 6.2.7 **Until a decision** has been made social housing providers should **take these new regulations into account** when allocating housing as well as when deciding on property sizes on new developments.
- 6.2.8 Under-occupancy of large family homes is already being prioritised by many housing providers.
- 6.2.9 The changes will heighten the **need to address under-occupancy** to ensure that residents on low incomes do not fall into arrears due to reduced housing benefit being paid towards their rent.

7 CLG NEEDS ASSESSMENT MODEL

7.1 Introduction

7.1.1 The SHMA Guidance indicates that housing partnerships should estimate the number of households who either lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market. Table 7-1 outlines the types of housing considered unsuitable as specifically defined in the guidance.

Table 7-1 Types of Housing Deemed Unsuitable

Unsuitable Housing	
Homeless households or insecure tenure	Homeless households
	Households with tenure under notice, real threat of notice or lease coming to an end; housing that is too expensive for households in receipt of housing benefit or in arrears due to expense
Mismatch of housing need and dwellings	Overcrowded according to the 'bedroom standard'
	Too difficult to maintain (e.g. too large) even with equity release
	Couples, people with children and single adults over 25 sharing a kitchen, bathroom or WC with another household
	Households containing people with mobility impairment or other specific needs living in unsuitable dwelling (e.g. accessed via steps), which cannot be made suitable in-situ
Dwelling amenities and condition	Lacks a bathroom, kitchen or inside WC and household does not have the resources to make fit (e.g. through equity release or grants)
	Subject to major disrepair or unfitness and household does not have the resources to make fit (e.g. through equity release or grants)
Social Needs	Harassment from others living in the vicinity which cannot be resolved except through a move

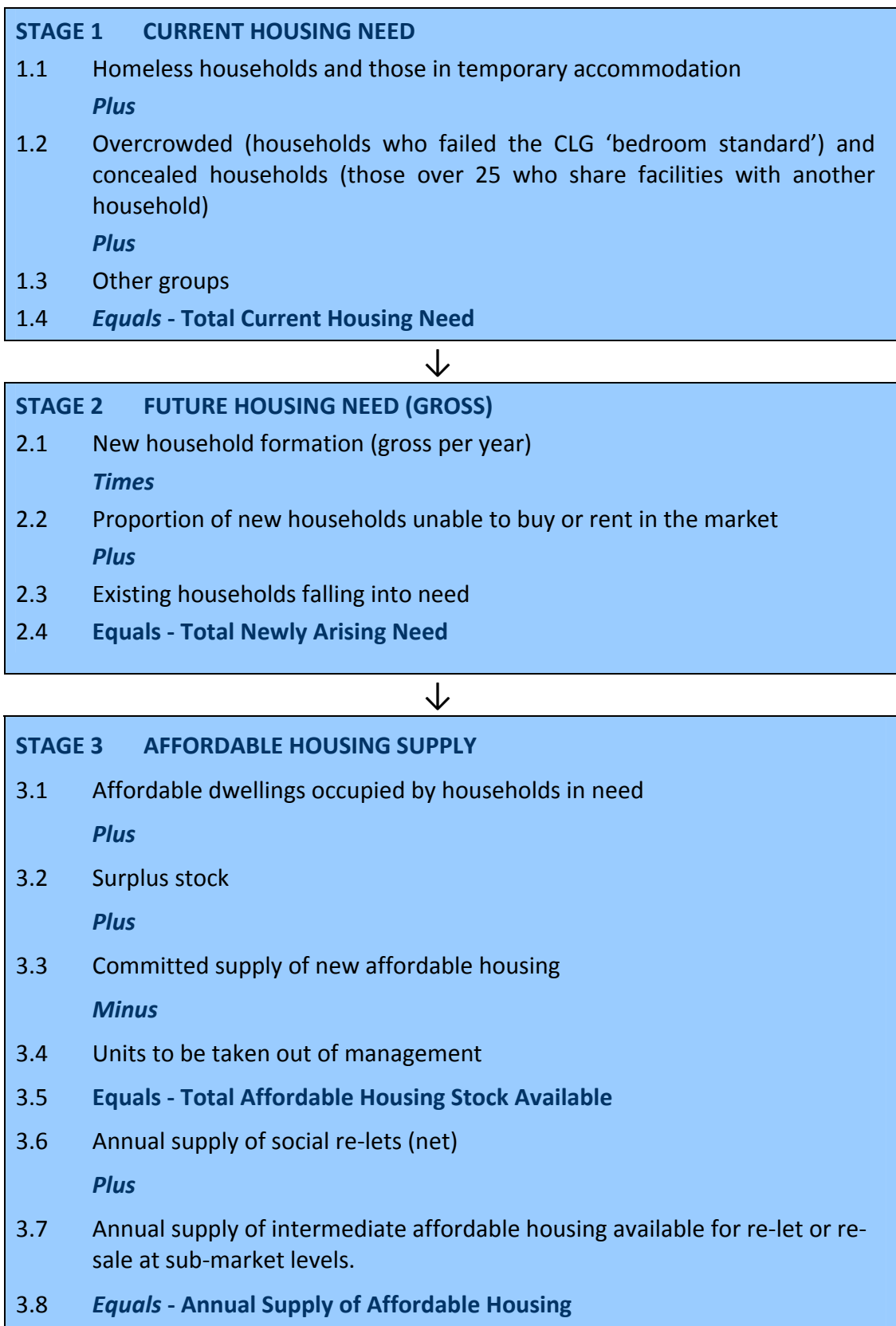
Source: Strategic Housing Market Assessments Practice Guide, CLG.

7.1.2 This element of the assessment is essential to identify the total scale of need of those not able to access the market, the provision from existing stock turnover and the net need which requires to be addressed from future new provision.

7.1.3 It provides essential evidence for affordable housing targets in Local Development Documents.

7.2 The CLG Needs Assessment Model Structure

7.2.1 There are three 'Stages' in the needs assessment model, combined into three distinct sections assessing current and future housing need and supply.



7.3 Model Structure

- 7.3.1 The Housing Needs Assessment Model is based on the 2007 SHMA Practice Guidance, and is designed to estimate the number of households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market.
- 7.3.2 The model is structured on a ‘flows’ basis, taking account of recent experience over the previous three years and examining projections over the next two years. It has to be assumed that this ‘annualised’ data will occur each year
- 7.3.3 The assessment of affordable housing need has been conducted using both primary data on the housing market and secondary data on income change, from 2011 CORE, HSSA and local authority records, on the same basis as the 2005 Assessment.

7.4 CLG Needs Assessment Model

- 7.4.1 The first element of this Stage of the model estimates the number of homeless households including those in temporary accommodation.
- 7.4.2 The latest data available for the year to 30 September 2011 identified 41 households accepted as homeless. Although some are in temporary accommodation, 6 were living in the general stock and would potentially have been captured in the survey.
- 7.4.3 To avoid double counting a total of **35** is therefore applied at **Stage 1.1**.
- 7.4.4 The second and third elements in Stage 1 of the model estimate the number of households in over-crowded conditions (i.e. those who fail the ‘bedroom standard’), and concealed households (couples, people with children and single adults aged over 25 who share facilities with another household).

Table 7-2 Over-crowded and Concealed Households

Over-crowded Households	2,158
MINUS Concealed Solution or Leaving Borough	434
Net Overcrowded Households	1,724
PLUS Concealed Households	63
Overcrowded + Concealed Group	1,787
MINUS Duplication	0
Net Overcrowded + Concealed Group	1,787
Proportion unable to afford market housing	96.3%
Stage 1.2 – Over-crowding and concealed households	1,721

- 7.4.5 There are 2,158 households who are over-crowded by the ‘bedroom standard’. However 434 of these will be resolved by a newly forming household or by these households leaving the home, leaving a net group of 1,724.
- 7.4.6 There are 63 concealed households creating a total of 1,787 over-crowded and concealed households.
- 7.4.7 A test of affordability for these households shows that nearly all (96.3%) of them cannot afford to resolve their housing difficulties through market housing in Reigate & Banstead and **1,721 households have been applied in the model at Stage 1.2**.

- 7.4.8 The third element in Stage 1 of the model examines households living in unsuitable accommodation whose problem cannot be solved 'in-situ' and who therefore require to move home in order to resolve their difficulty.
- 7.4.9 Strategic Housing Market Assessment Practice Guidance identifies that households who are overcrowded, were suffering harassment, those whose rent / mortgage was too expensive, housing was affecting their health, whose tenancy was insecure or whose home was too large are all assessed to need to move home.
- 7.4.10 The survey identified 374 households with one or more inadequacies of which 90% are unable to afford to resolve their housing difficulties through market housing in the area, leaving **337 households to be applied in the model at Stage 1.3.**
- 7.4.11 The final element of Stage 1 of the model is a sum of steps 1.1, 1.2 and 1.3 above, a total of **2,093** applied at **Stage 1.4.**

Table 7-3 Current Housing Need (Gross)

STAGE 1 – CURRENT HOUSING NEED (GROSS)		
1.1	Homeless households and those in temporary accommodation	35
1.2	Overcrowding and concealed households	1,721
1.3	Other groups	337
1.4	TOTAL CURRENT HOUSING NEED (GROSS) 1.1 + 1.2 + 1.3	2,093

7.5 Stage 2 – Future Need (Gross per year)

- 7.5.1 The first element of Stage 2 of the model estimates the annual number of newly forming households in Reigate & Banstead. The 1,854 concealed households identified in the survey is annualised at the average level of 618 households forming a year.

Table 7-4 Time of Move – Concealed Households

Time of Move	Nos. implied	Annual Average
Within 1 year	604	
1 - 2 years	630	618
2 – 3 years	620	

- 7.5.2 In order to avoid double counting due to two-person household formation, duplication is removed. 37.4% of concealed households forming specified formation as a couple, with 19.4% of these having a partner who lived separately elsewhere in the Borough which would cause a double count.

Table 7-5 Double Counting Removal

New household formation (gross p.a.)	618
MINUS - Two person formation (618 x 19.4%) x 0.5	60
Total	558

- 7.5.3 This results in an annual average formation level of **558 households per annum, used at Stage 2.1 of the model.**
- 7.5.4 The income of recently formed households would normally be used to test future concealed households ability to both purchase in the lower quartile stock and access the private market to buy or rent 1, 2 and in some cases 3 bedroom units suitable for their requirements.
- 7.5.5 On this basis 86.2% of concealed households are considered to be unable to rent in the private market, with 92.7% unable to buy. The **rental proportion** is therefore used at **Stage 2.2** of the model.
- 7.5.6 The final element of Stage 2 of the model estimates the number of households in need who register and are housed within a year. These households are normally those in priority need whose circumstances need to be addressed quickly. The major groups are homeless households, and for example those with medical needs, suffering harassment, living in accommodation which is unfit or in high levels of disrepair, are over-crowded or have insecure tenancies.
- 7.5.7 The calculation of existing households falling into need used the Reigate and Banstead Council Housing Register data over the year to March 2011 and found that of 941 new registrations on the waiting list, there were **142** households in need, including 35 homelessness acceptances, applied at **Stage 2.3** of the model.
- 7.5.8 The final element of Stage 2 of the model is a sum of step 2.1 multiplied by step 2.2, added to step 2.3 above, giving a total of **623** applied at **Stage 2.4**.

Table 7-6 Future Need (Gross per Year)

STAGE 2 – FUTURE NEED (GROSS PER YEAR)		
2.1	New household formation (gross per year)	558
2.2	Proportion of new households unable to buy(92.7%) or rent (86.2%) in the market	86.2%
2.3	Existing households falling into need	142
2.4	TOTAL ANNUAL NEWLY ARISING NEED (2.1 x 2.2) + 2.3 (558 x 86.2% = 481 + 142 = 623)	623

7.6 Stage 3 – Affordable Housing Supply

- 7.6.1 The first element of Stage 3 of the model determines the number of households analysed in Stages 1.2 and 1.3 who currently occupy social rented or intermediate dwellings. It is assumed that any move by these households would release a unit of affordable housing, and it is therefore assumed that there would be no overall net effect on the annual flow model.
- 7.6.2 The survey data shows that **763** of the households at Stages 1.2 and 1.3 of the model live in affordable units, and this total is applied at **Stage 3.1**.
- 7.6.3 The second element of Stage 3 assessed the level of surplus affordable stock. There were no affordable units vacant for more than six months at March 2011. Guidance states that where the level is below 3% it should be considered that there is no surplus vacant stock. A total of **zero** is therefore applied at **Stage 3.2** of the model.

- 7.6.4 The third element of Stage 3 of the model attempts to forecast the number of new affordable units to be built on an annual basis.
- 7.6.5 The committed supply of affordable units at the time of the study is 65 affordable units. These units have planning consent and contracts in place for delivery. Affordable housing units with outstanding permissions have not been included within this figure because there is no guarantee they will be delivered.
- 7.6.6 It is therefore recommended that the committed supply of 65 units is used at **Stage 3.3**.
- 7.6.7 The next element of the model estimates the number of units to be taken out of management through stock demolition and Right to Buy (RTB) on an annual basis.
- 7.6.8 The table below shows the RTB and demolition levels from Council data for the three years to 31/03/2011.

Table 7-7 2008 to 2011 Right to Buy and Demolition

	2008 / 09	2009 / 10	2010/11	Average
Right to Buy	0	0	4	1
Demolition	0	21	34	18
Total	0	21	38	19

- 7.6.9 The average annual loss of stock through RTB is 1 units with 18 lost due to demolition, a total of 19 units a year.
- 7.6.10 If the average stock re-let rate of 4.4% per annum (310/7,033) applied to the average figure of 19 equals less than a unit and a figure of **0** is applied at **Stage 3.4** of the model.
- 7.6.11 **Stage 3.5** is the sum of Stages 3.1 (763), 3.2 (0) and 3.3 (65) less Stage 3.4 (0), a **net total of 828**.

7.7 Annual Re-let Supply

- 7.7.1 The average annual re-let supply of affordable units over the last three years is used in the model as a prediction for the future annual affordable housing supply. It is important firstly to establish the average general needs stock re-let level (i.e. excluding transfers and new unit delivery).
- 7.7.2 Data from HSSA returns for the three years to 31/03/2011 have been examined which show the following:-

Table 7-8 Social Rent Re-let Supply (2008 to 2011)

Social Re-lets	2008 / 09	2009 / 10	2010/11	Average
	205	329	395	310

Note: 2008 to 2011 HSSA and Council data.

- 7.7.3 The re-let levels have been reasonably consistent over the past two years and overall average net re-let figure for the three year period to 2008 / 11 is **310** units a year, which has been applied at **Stage 3.6**.

Shared Ownership Re-sales

- 7.7.4 There were 418 shared ownership units recorded in the 2005 study and since then a further 348 have been built making a total of 756 units. However this is a gross figure and does not take into account those who have stair-cased out or any re-possessed.
- 7.7.5 We have therefore used the TSA data as at December 2011 states that RP's shared ownership stock is a total of 531 units. Assuming a re-sale rate based at the social stock turnover rate of 5%, **26 units** would become available each year and this number is incorporated at **Stage 3.7**.
- 7.7.6 The final element of Stage 3 of the model is a sum of Stages 3.6 and 3.7, a total of 336 units applied at **Stage 3.8**.

Table 7-9 Affordable Housing Supply

STAGE 3 – AFFORDABLE HOUSING SUPPLY		
3.1	Affordable dwellings occupied by households in need	763
3.2	Surplus stock	0
3.3	Committed supply of new affordable housing	65
3.4	less Units to be taken out of management	0
3.5	TOTAL AFFORDABLE HOUSING STOCK AVAILABLE 3.1 + 3.2 + 3.3 – 3.4	828
3.6	Annual supply of social re-lets (net)	310
3.7	Annual supply of intermediate affordable housing available for re-let or resale at sub market levels	26
3.8	ANNUAL SUPPLY OF AFFORDABLE HOUSING 3.6 + 3.7	336

7.8 Affordable Housing Needs Model

STAGE 1 – CURRENT HOUSING NEED (GROSS)		2011
1.1	Homeless households and those in temporary accommodation	35
1.2	Overcrowding and concealed households	1,721
1.3	Other groups	337
1.4	TOTAL CURRENT HOUSING NEED (GROSS) 1.1 + 1.2 + 1.3	2,093
STAGE 2 – FUTURE NEED (GROSS PER YEAR)		
2.1	New household formation (gross per year)	558
2.2	Proportion of new households unable to buy (92.7%) or rent (86.2%) in the market	86.2%
2.3	Existing households falling into need	142
2.4	TOTAL ANNUAL NEWLY ARISING NEED (2.1 x 2.2) + 2.3 (558 x 86.2% = 481 + 142 = 623)	623
STAGE 3 – AFFORDABLE HOUSING SUPPLY		
3.1	Affordable dwellings occupied by households in need	763
3.2	Surplus stock	0
3.3	Committed supply of new affordable housing	65
3.4	Less units to be taken out of management	0
3.5	TOTAL AFFORDABLE HOUSING STOCK AVAILABLE 3.1 + 3.2 + 3.3 – 3.4	828
3.6	Annual supply of social re-lets (net)	310
3.7	Annual supply of intermediate affordable housing available for re-let or re-sale at sub-market levels	26
3.8	ANNUAL SUPPLY OF AFFORDABLE HOUSING 3.6 + 3.7	336
A	TOTAL NET CURRENT NEED 1.4 – 3.5 (2,093 – 828 = 1,265)	1,265
B	QUOTA TO ADDRESS NEED OVER 5 YEARS	20%
C	ANNUAL CURRENT NEED (A x B)	253
D	TOTAL ANNUAL NEWLY ARISING NEED (2.4)	623
E	TOTAL AFFORDABLE NEED PER YEAR (C + D)	876
F	ANNUAL SUPPLY OF AFFORDABLE HOUSING (3.6 + 3.7)	336
OVERALL ANNUAL SHORTFALL (E – F)		540

7.9 Affordable Needs Assessment

- 7.9.1 Elimination of the backlog over a five year period is recommended in the SHMA Guidance for model purposes but the Council could make a Policy decision to do so over a longer period (e.g. 10 years or the number of years to the end of the Local Development Framework period). These are more often used where the scale of the backlog clearly cannot be addressed.
- 7.9.2 The 5 and 10 year periods are used for further analysis in Table 7-10 below. The 10 year calculation uses 10% as the quota to address need, instead of 20% which is the quota for 5 years applied at section B above.
- 7.9.3 Net re-lets of 310 units of the existing social stock are the major means of addressing the scale of need identified.
- 7.9.4 After allowing for this level of existing social stock net re-let supply and 26 estimated shared ownership re-sales, there will still be a total annual affordable housing shortfall of 540 units.
- 7.9.5 The table below outlines the calculation.

Table 7-10 Annual Affordable Need and Supply

		5 Years		10 Years		16 Years
Total Net Current Need		1,265		1,265		1,265
Backlog rate	20%	253	10%	127	6.25%	79
Newly arising Need		623		623		623
Annual Affordable Need		876		750		702
Less Annual Supply		336		336		336
Net annual need		540		414		366

- 7.9.6 The total affordable need has risen from 431 in 2005 to 540 units a year, based on addressing the backlog over 5 years, although there are minor differences in the new model method of calculation. This increase is mainly due to an increase in newly arising need because of market conditions.
- 7.9.7 **As it is not possible to deliver on the five year basis the 16 year period to the life of the Plan, a level of need of 366 units a year, should be used when setting targets.**

7.10 Future Housing Targets

- 7.10.1 The backlog level suggests that the need of 414 over a 10 year period or 366 over the 16 year life of the Plan could be considered for the basis of target setting.
- 7.10.2 The total potential delivery of housing in the Housing Context Paper August 2011 is 7,449 units over 16 years. Based on addressing the backlog over 5 years, the annual affordable need is greater than the projected annual average housing provision of 466 units and over 10 years it is virtually the whole of projected annual delivery.
- 7.10.3 Even if the backlog is addressed over the life of the Plan there is still an annual need for 366 affordable units. This however is more than three quarters of the total housing delivery and is clearly not economically viable or sustainable. This is a normal situation when setting targets in high cost areas of market housing.
- 7.10.4 **The previously submitted Core Strategy target was for 40%, subject to viability which the scale of need therefore continues to strongly justify.** This suggested an affordable housing numeric target of 175 to 180 units a year. This would be almost 39% of the total average housing delivery each year to 2027 (based on a proposed housing delivery target of 7,449).
- 7.10.5 Meeting the total need for affordable housing however also involves a range of initiatives in addition to new unit delivery through the planning system:-
- to free up under-occupied social units making best use of the existing stock;
 - by bringing empty properties back into use;
 - bringing social sector stock up to Decent Homes Standard;

7.11 Tenure Mix Targets

- 7.11.1 PPS3 requires the provision of tenure mix targets within affordable housing policies which may vary by location within the Borough to take account of demand, need and current affordable supply at local level.
- 7.11.2 The tenure balance of new affordable delivery over the last three years was 41% social rent and 59% intermediate housing.
- 7.11.3 It is also important to take account of the fact that in both stock and availability from turnover, the social rented sector provides nearly 12 times the scale of units (310) to those from shared ownership (26) each year.
- 7.11.4 Tenure mix is also a key factor in site viability and we recommend that a tenure mix balance of **40 : 60 between social/affordable rent and intermediate housing which is being achieved should be continued.**
- 7.11.5 Bearing in mind existing social stock levels and the impact of the recession on economic viability, it may be necessary to deliver a higher level of intermediate housing in the short to medium term.
- 7.11.6 The recent funding initiative for shared equity with developers and lenders could also have a strong short term influence for intermediate housing.

7.12 Future Property Size Targets by Tenure

The Current housing Stock

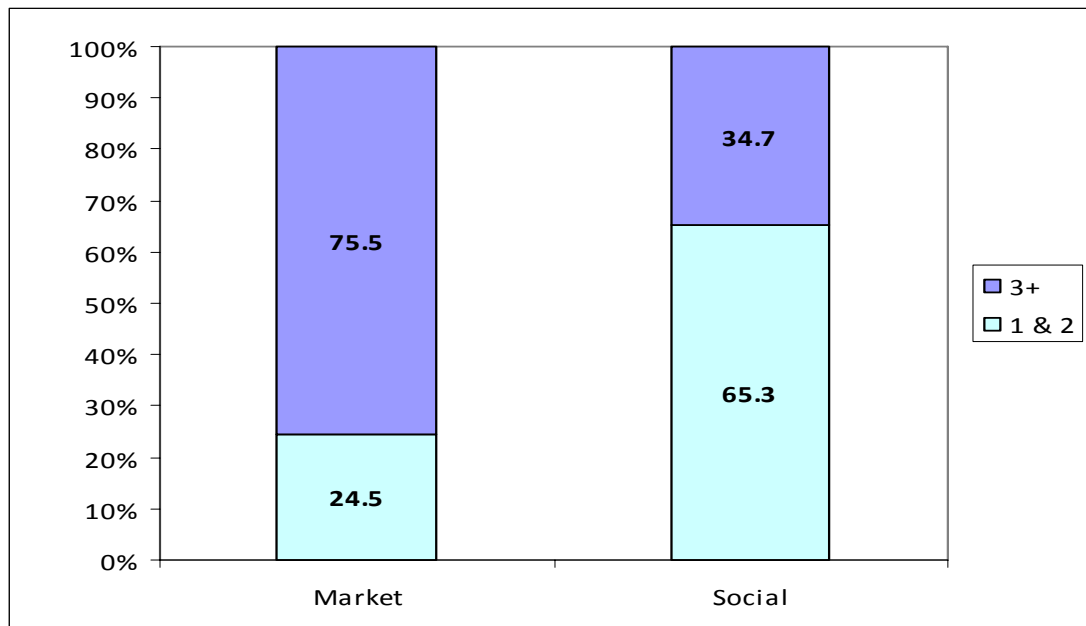
- 7.12.1 The average number of bedrooms across the stock in the borough is currently 2.4, which is comparable to the average found in other recent DCA surveys.
- 7.12.2 The breakdown of size by number of bedrooms in percentage terms between the ownership and rental sectors was assessed by cross-tabulation in the 2005 Assessment with the following results.

Table 7-11 Number of Bedrooms by Tenure

Tenure	Bedsit /One	Two	Three	Four +	Total
Properties owned	4.0	20.5	45.1	30.4	100.0
Properties rented	32.9	38.6	25.2	3.3	100.0
RP rented only	35.8	35.4	27.0	1.8	100.0
RP Rented Now	31.4	33.9	32.0	2.7	100.0

- 7.12.3 The proportion of small units, bedsit / 1 and 2-bed properties, is high in the social rented sector at 71.2% of RP rented stock. However, there is a continued need for smaller properties in the social sector.
- 7.12.4 There is a huge variance between the proportion of properties with 3 or more bedrooms which are owner occupied (75.5%) and those of social rented (34.7% RP rented).
- 7.12.5 The variance between the four or more bedroom properties is even more extreme with the level of owner occupied units currently over 11 times the proportion in the social sector.

Figure 7-1 Owner occupied and Social Stock by Number of Bedrooms



Social and Affordable Rented Housing

- 7.12.6 Local Development Documents need to provide targets on the size of future housing units required. Stock balance, turnover and waiting list demand analysis are vital to identify the gaps in the stock and the proportions by type and size required to address current and future need.
- 7.12.7 The scale of likely average annual new future provision is 466 units in total. The proposed affordable housing target is to deliver 175 to 180 units a year on average, and if the tenure balance in the social/affordable rented sector is 40% of new supply then 70 to 72 social/affordable rented units should be achieved.
- 7.12.8 Based on the 2010/11 social rented sector data analysed in section 6.1, the current stock balance, and the requirement to address priority household need, a level of **75% of future affordable delivery should be small properties, around 52 units a year.**
- 7.12.9 However, because of the demand for 2-bed units (as opposed to need) small unit provision could be mainly 2-bedroom units.
- 7.12.10 Given the scale existing 3 bedroom units in the stock and the limited supply of new affordable rented units, **25% of delivery, 18 units a year could three and four bedroom units**, unless these can also be freed up through initiatives to make best use of the existing stock.
- 7.12.11 In view of the increasing older population, it is now even more important to achieve a better flow of the under-occupied, family sized social/affordable rented stock as a means to help address the scale of need for family units.
- 7.12.12 Achieving a better flow of family units should also have a cascade effect, increasing turnover of all smaller unit sizes as households are able to transfer to larger units to meet their need. **In effect up to four household moves could result from the delivery of one new older persons unit.**
- 7.12.13 Although numerically less significant than the scale of need for small homes, the need for four bedroom homes is the most difficult to address.
- 7.12.14 These waiting list households must already be occupying a smaller property and therefore currently over-crowded and are a priority needs group.

Intermediate Housing Sector

- 7.12.15 The Coalition Government decision in April 2011 to introduce Affordable Rents at up to 80% of market value for new social rented stock reduces the potential for discounted market rent as an intermediate housing option.
- 7.12.16 There is interest in shared ownership from over 300 existing and new forming households including Key Workers who could be assisted in this sector, but re-sale supply in 2011 is estimated at only 26 units leaving an unmet annual demand of over 270 units.
- 7.12.17 Our view that there is a need to focus product options with developers to maximise the potential of this sector of the market remains unchanged.

- 7.12.18 The 2005 HNA data identified that the majority of need for new forming households is for one and two bedrooms but also with some demand for three and four bedroom properties.
- 7.12.19 The combined demand balance for both concealed households newly forming and existing households moving who are unable to access the private market, suggests that the **property size target balance in this sector could be 85% one and two bedrooms and 15% three bedroom properties.**
- 7.12.20 Our experience nationally is that there is interest in three bedroom homes from existing households which often relates to relationship breakdown. This should be monitored to assess the delivery potential for family sized units.

Market Housing Sector

- 7.12.21 As highlighted in Section 4.5 the ONS forecasts show an annual average growth of 850 households and 900 a year in the 10 years to 2018.
- 7.12.22 Assuming zero net migration the Core Strategy consultation paper, November 2011 suggests a range between 420 and 500 units a year to address only local need and demand.
- 7.12.23 Targets are determined by a range of factors beyond the scope of this up-date, including the SHLAA study results, the impact of demographic change on household formation, infrastructure and net migration as well as demand and need.
- 7.12.24 If the target is set at the upper end of the Council options at 500 units, even if successful in achieving a 40% affordable housing on all sites then only 200 units would be delivered, less than half the identified affordable housing need.
- 7.12.25 It is an accepted norm that 90% of all housing requirements should be met by the turnover of the existing stock and resolving under-occupation in the market sector becomes much more important, especially with lower new unit delivery.
- 7.12.26 The balance of stock types is therefore an important factor in addressing current and future needs. Targets need to take account of need to create a more balanced stock has to address imbalances in the current stock structure which is heavily balanced to larger units.
- 7.12.27 Future market housing development considerations should take account of the current family sized housing stock, the potential impact of future demographic change and reducing household size and the levels of in-migration to the Borough.
- 7.12.28 These are long term considerations which influence the need for delivery targets to create a more balanced stock and to support future economic growth.
- 7.12.29 Over 75% of the owner occupied stock is 3+ bedroom houses, including 30% four and five bedrooms or more. Less than 25% of the stock in this sector is one and two bedroom properties.
- 7.12.30 However, creating a better balanced stock to address the impact of demographic change with a significant increase in the numbers of older people and to address the needs of young people entering the market will not be achieved without a higher proportion of smaller units being delivered over the life of the Plan.

- 7.12.31 It is not practical to give specific targets for every bedroom size, we have therefore provided broad delivery targets of **40% for smaller and 60% for larger units** to allow flexibility in differing economic circumstances especially in the short term.
- 7.12.32 A summary of property size targets which could be adopted is shown in the table below.

Table 7-12 Future Housing Delivery by Tenure

Tenure	Bedroom Size (%)			
	1-Bed	2-Bed	3-Bed	4-Bed +
Social/Affordable Rented	75		25	
Intermediate	85		15	0
Market Sector	40		60	

8 KEY FINDINGS AND HOUSING TARGETS

- 8.1.1 Outlined below are the key market changes which have occurred since the 2005 study and their impact on the issues to be considered when setting future housing targets.

Housing Market Change

- Over the two and a half year period from Q1 2009 to Q3 2011, the average property price in Reigate & Banstead has increased by around 40.6%.
- Average house prices have risen by 40.6% over the last two and a half years to September 2011. Semi-detached properties have seen a rise of 29.3% but flat prices have risen by only 4.6%.
- Over the same period sales volumes have increased by 23% a similar to the pattern in the County benchmark area. The Q1 2009 base was however very low.
- All property types have seen an increase of between 4.6% for flats to 29.3% for semi-detached properties. The data shows all property types fell in value between 2005 and 2009 but prices have recovered between 2009 and 2011, with the exception of flat prices which have continued to fall, albeit at a low level.
- The average property price in Reigate & Banstead is £362,620, lower than Surrey but higher than the South East benchmark areas, and the national average.
- The typical first time buyer in September 2011 had a deposit of 20% and they borrowed 3.24 times their income.
- On average a deposit of around £24,000 to £29,990 would be required to buy one and two bedroom flats and £35,990 to £39,000 for two and three bedroom terraced houses in the current Reigate & Banstead market.
- The need for a 20% deposit is the key affordability problem for those wishing to buy; 98% of concealed households forming will not be able to afford a deposit for a 1 bed flat without significant parental assistance.
- Entry rental costs in the private rented sector vary by location within the Borough. Overall rents have increased by 9% but entry level properties such as flats and terraces have increased by up to 13% since March 2009.
- 86.2% of new households forming cannot afford to rent and 92.1% cannot buy in the private market.

Income Change

- The 2011 ASHE data shows a median income of £34,765 for Reigate & Banstead, a 17.0% increase on the 2006 ASHE figure of £29,765.
- The ASHE data for the period from the last assessment shows an increase of 11.9% for the lowest quartile income households, which has been applied for concealed and recently formed household groups to determine the 2011 annual income boundaries and calculate affordability levels.

Population Projections

- ONS demographic projections for Reigate & Banstead predict an increase in the population of Reigate & Banstead of 37,700 people (+28.3%) over the forecast period to 2033; There is an increase in all population age groups;
- The most significant growth is in the over 65 age group with an increase of 16,700 people (+78.4%) over the forecast period compared to 18.7% for the whole population aged under 65;
- Within the older age group, numbers of people aged 85+ are projected to grow by 5,100 (+145.7%). Given the support resource demands and specialist accommodation needs often associated with very elderly people, these are significant figures.

Affordable Housing Targets

- The total affordable housing need annually is for 1,265 units a year;
- After re-let and resale supply there is a net need for 366 new affordable units a year, based on dealing with the backlog over 16 years to 2027;
- The scale of need continues to justify an **affordable housing target of 40%**, subject to site viability;
- A **tenure mix balance of 40 : 60** between social/affordable rent and intermediate housing can be supported, although viability will be a key delivery factor and may require higher proportions of intermediate housing, at least in the short term.

Property Type and Size Targets

- Need in the social/affordable rented sector is generally for one, two and four bedroom properties;
- In view of the demographic forecasts, the provision of smaller units for older people, particularly Extra Care, will be important in linking to initiatives to free up the **under-occupation in 850 three bedroom social rented properties**;
- Future delivery in the **social sector** could be 75% of units for single / couple and small family households and 25% for larger families;
- In the market sector broad delivery targets of **40% for smaller and 60% for larger units** would support growth strategies and provide a more balanced housing offer across the Borough and could be used as a guide to developers;

Making Best Use of the Existing Stock

- Addressing the significant under-occupation within the existing 3 and 4 bedroom social housing stock to assist in resolving over-crowding and making best use of the stock should be a housing priority.