

Berkshire Strategic Housing Market Assessment

Stakeholder Workshop

October 2015

glhearn.com

Introductions

- Nick Ireland, Planning Director
- Paul McColgan, Associate Director

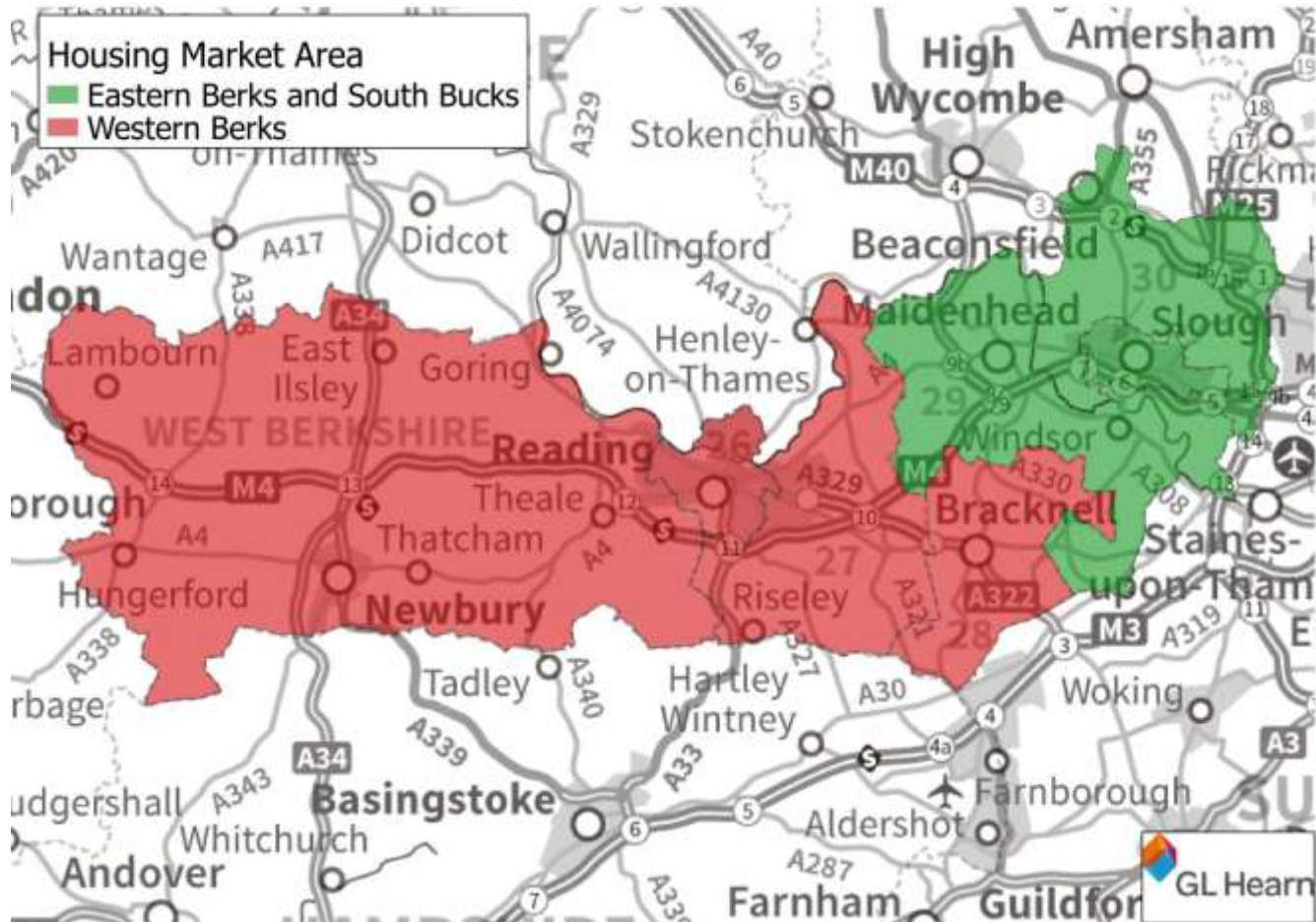
Structure

- National policy
- Housing Market Geographies
- Building-up the picture of overall housing needs
 - Population trends
 - How the economy might perform
 - Affordability
- Findings on overall housing need
- Need for different types of homes
- Questions

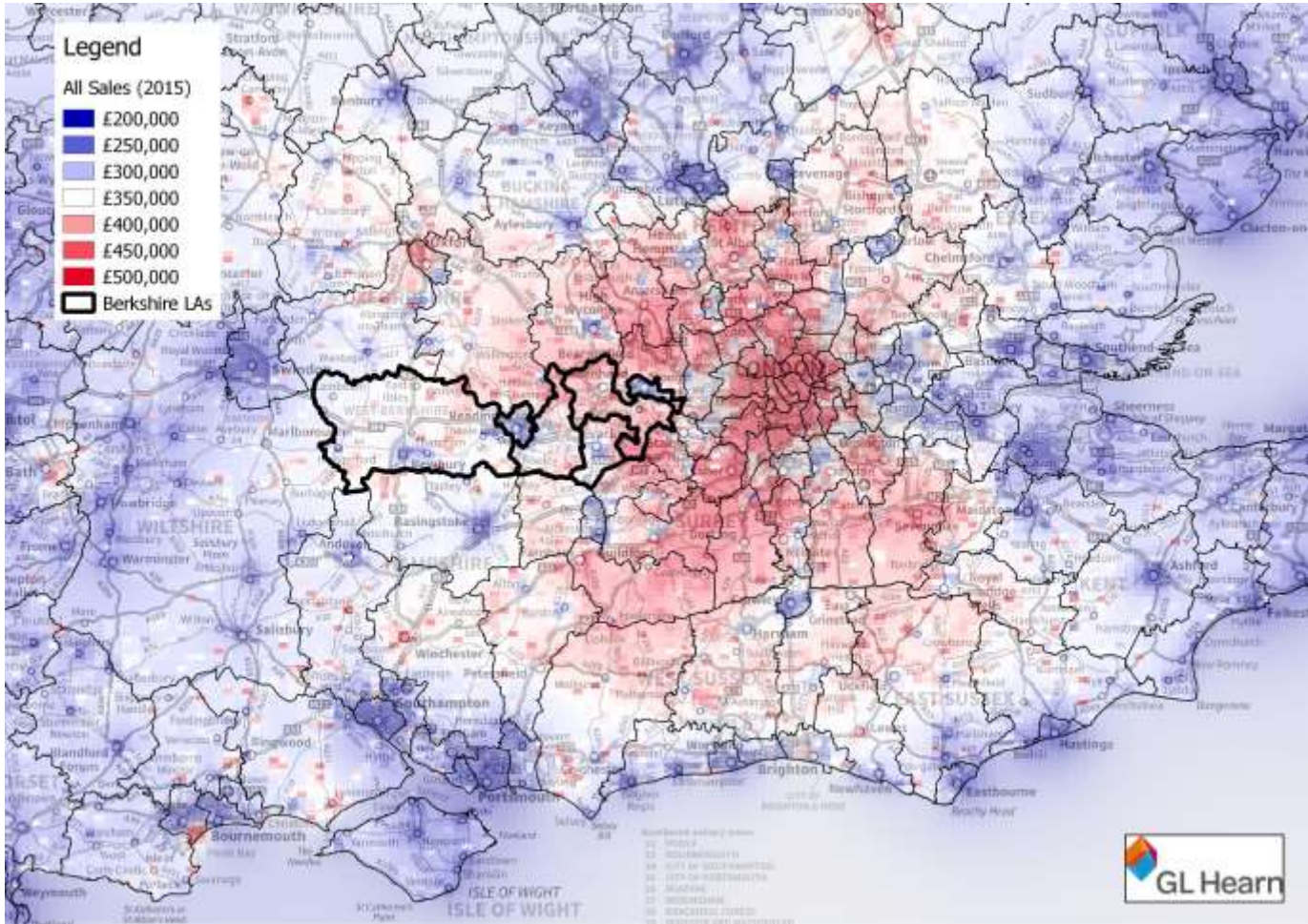
National policy says ...

- Identify your housing market area
- Identify (objectively assessed) housing needs – leaving aside constraints
 - The above are completed as part of the SHMA
- Bring together with other factors through the plan-making process
- Work together to meet need as far as possible – consistent with other national planning policies and achieving sustainable development
- Assessment of housing need is an important ‘starting point’ for plan-making

Housing Market Areas

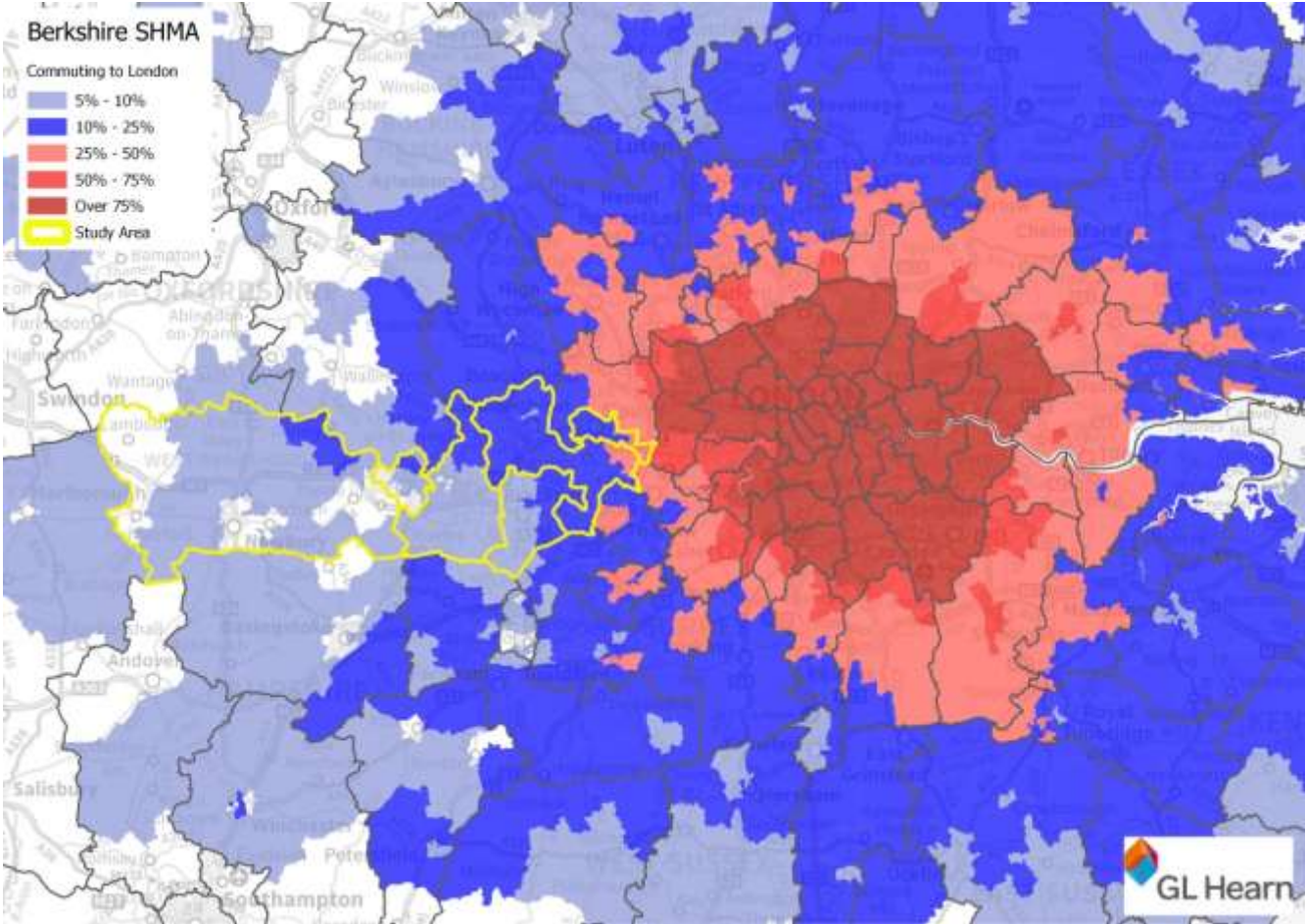


House Price Geography



Commuting to London

2011 Census Data

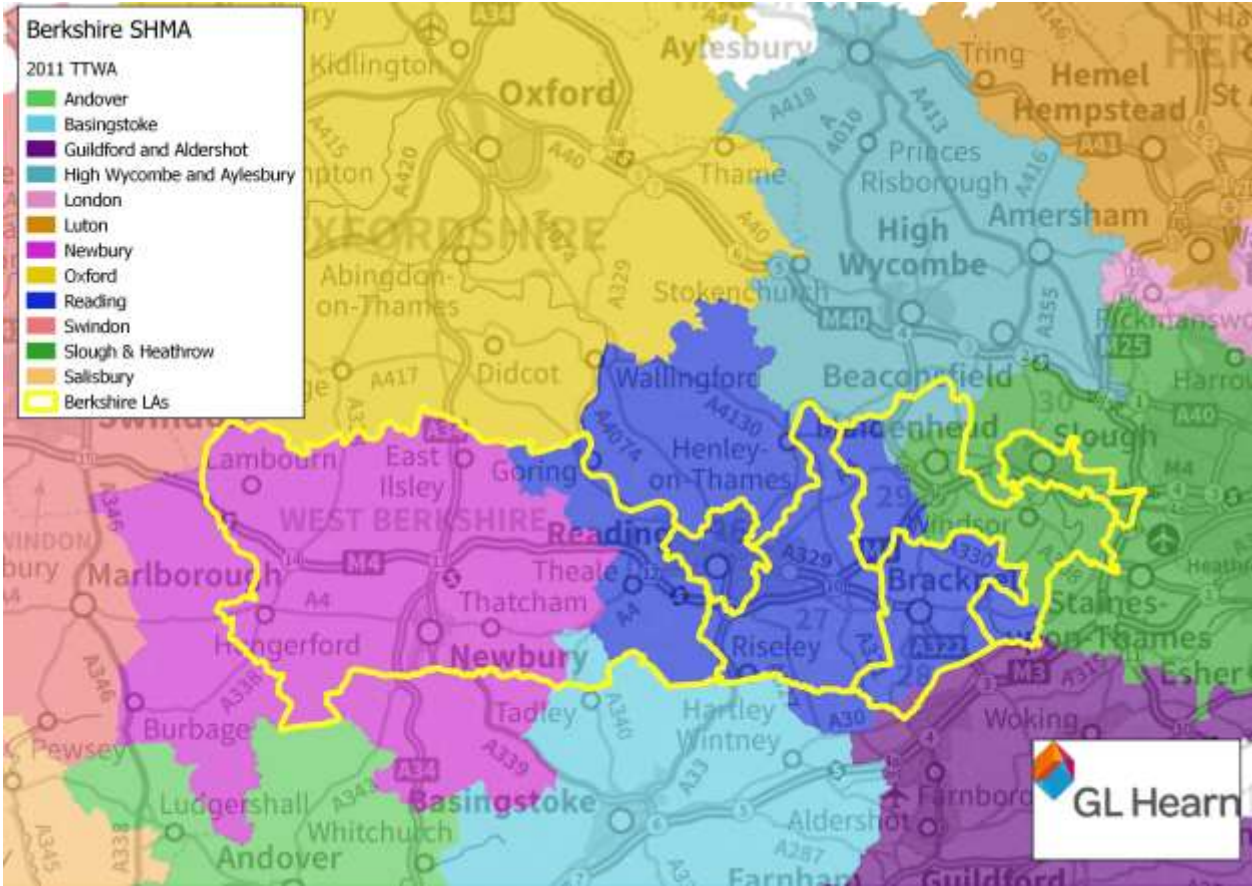


Commuter Flows

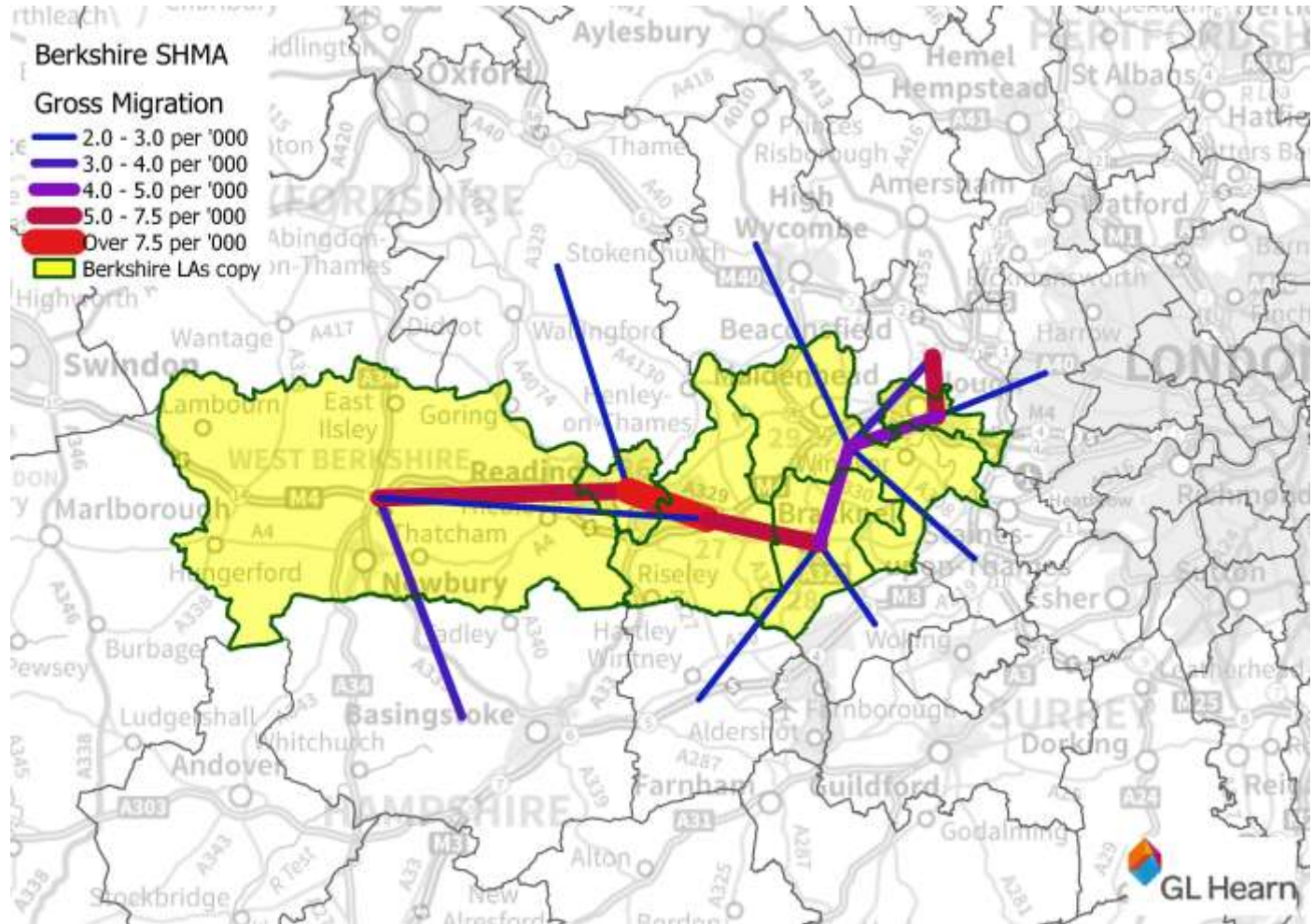
- Self Containment Rates for TTWA are at least 66.7% in larger areas:
 - Including London moves
 - Western Berkshire HMA – up to 70%
 - Eastern Berks & South Bucks HMA – up to 54%
 - Excluding London moves
 - Western Berkshire HMA – up to 76%
 - Eastern Berks & South Bucks HMA – up to 71%
- Commuting to London
 - Over 33,000 each day from Eastern Berks & South Bucks HMA
 - Over 18,500 from Western Berkshire

ONS Travel to Work Areas

2011 Census Data



Migration Flows



Migration Flows

- Self Containment Rates for HMA are “Typically 70%” excluding long distance moves:
 - Including both long distance and London moves
 - Western Berkshire HMA – 63%
 - Eastern Berks & South Bucks HMA – up to 59%
 - Excluding long distance but including London moves
 - Western Berkshire HMA – up to 77%
 - Eastern Berks & South Bucks HMA – up to 69%
 - Excluding both long distance and London moves
 - Western Berkshire HMA – up to 83%
 - Eastern Berks & South Bucks HMA – up to 86%

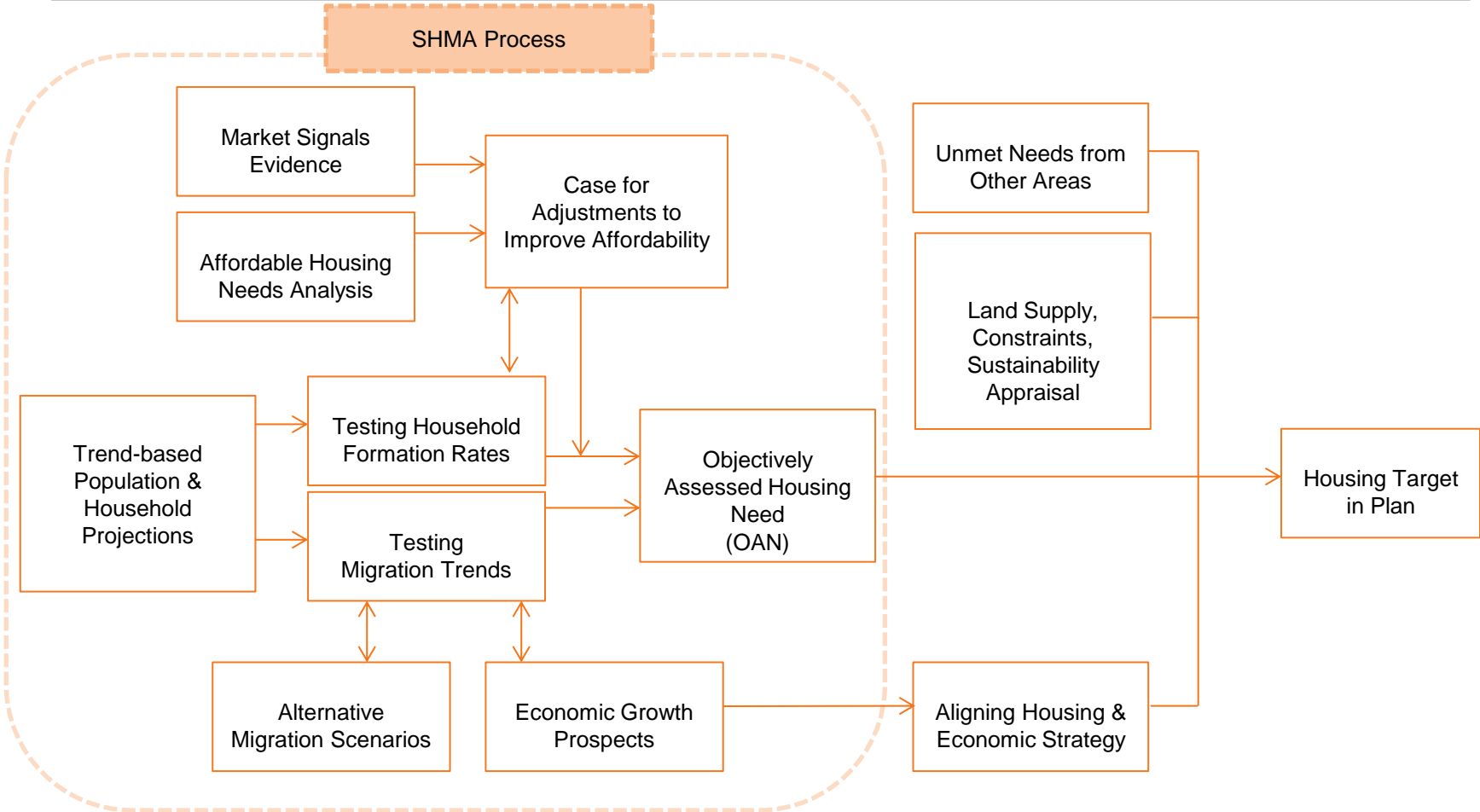
Other Considerations

- Approach compliant with PPG and PAS guidance
- Looked at all analysis in the round with no weighting to favour any of the criteria
- Recognise the influence of London in migration, commuting and house prices
- Local agents agree with two HMA approach
- LEP plus Berkshire UAs currently undertaking study to review FEMA areas
- Local authorities continuing to cooperate - Should seek to meet need within HMA if not possible then then consider cross-boundary relationships with other HMAs

Objectively Assessed Housing Need

- Study calculates net housing need over the period 2013 – 2036
- No backlog prior to 2013 should be added on to OAN
- *“Household projections published by DCLG should provide the starting point estimate of housing need”*
 - 2012-based Household Projections
 - Re-based to take account of 2013 Mid-Year Population Estimates

Approach to defining Housing Need

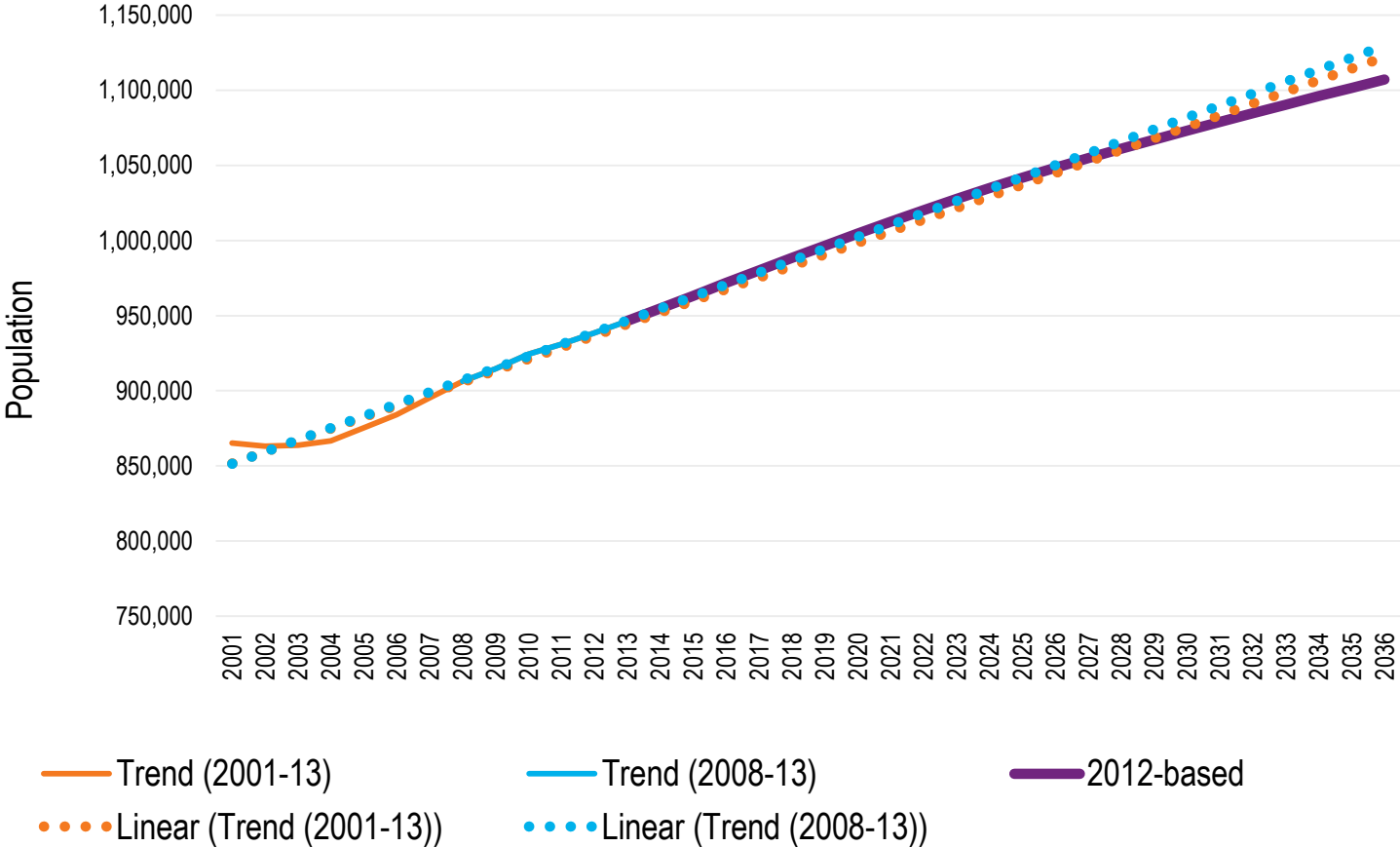


Interrogating Demographic Trends

- Projected population growth of 16.6% across Berkshire, 2013-36
 - 20.8% East Berks and South Bucks HMA
 - 14.7% Western Berks HMA
- Housing need calculated takes account of:
 - Changes in age structure
 - Age-specific household formation rates
 - Allowance vacant and second homes – Census 2011

Projected Population Growth

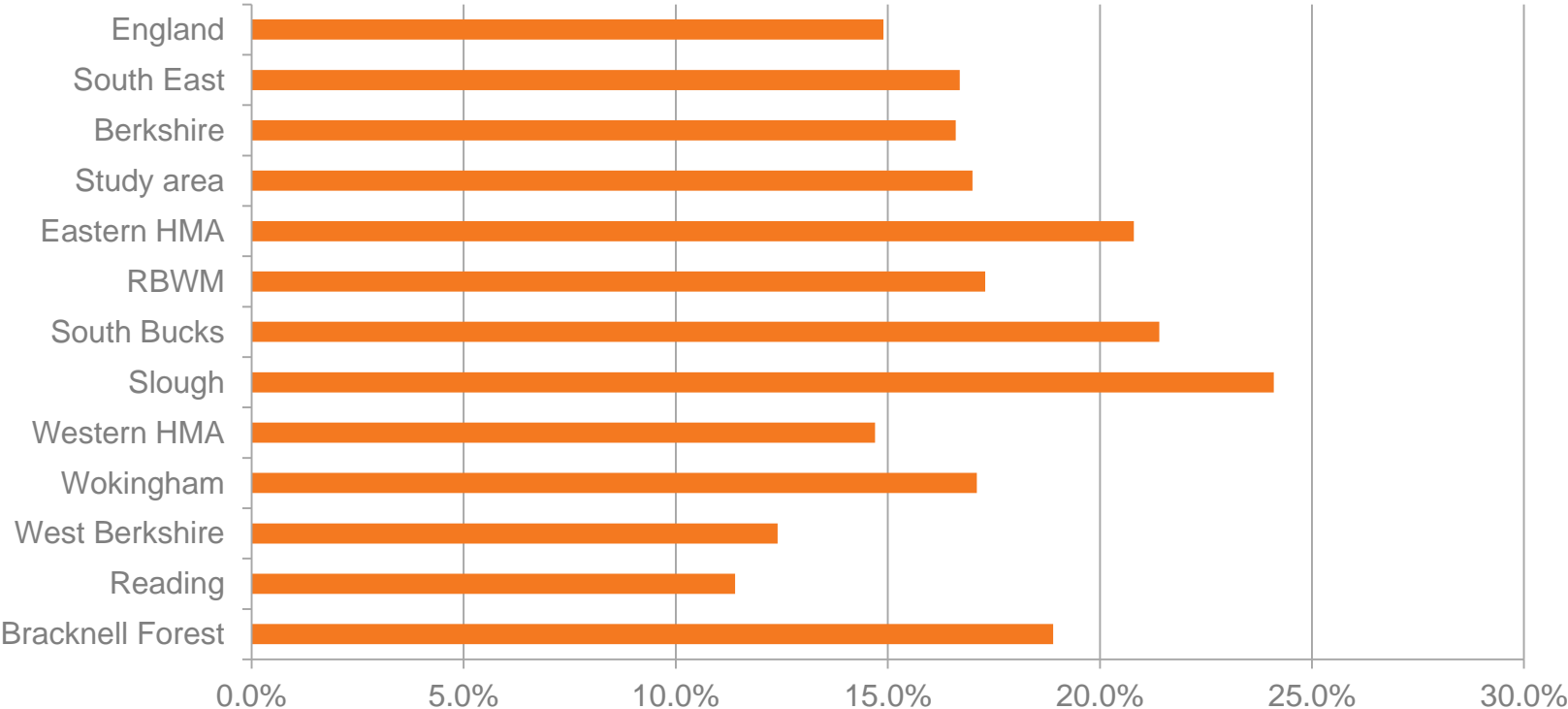
2012-based Sub-National Population Projections



Projected Population Growth

2012-based Sub-National Population Projections

Projected Population Growth - SNPP, 2013-36



2012-based Household Projections

- Adjusted for 2013 MYE

- Need for 2,293 homes per year across the Western HMA
- Need for 1,871 homes per year in Eastern Berkshire & South Bucks HMA

| | Homes per Annum, 2013-36 |
|--------------------------------|--------------------------|
| Bracknell Forest | 535 |
| Reading | 541 |
| West Berkshire | 537 |
| Wokingham | 680 |
| Western HMA | 2,293 |
| Slough | 875 |
| South Bucks | 339 |
| RBWM | 657 |
| East Berks and South Bucks HMA | 1,871 |

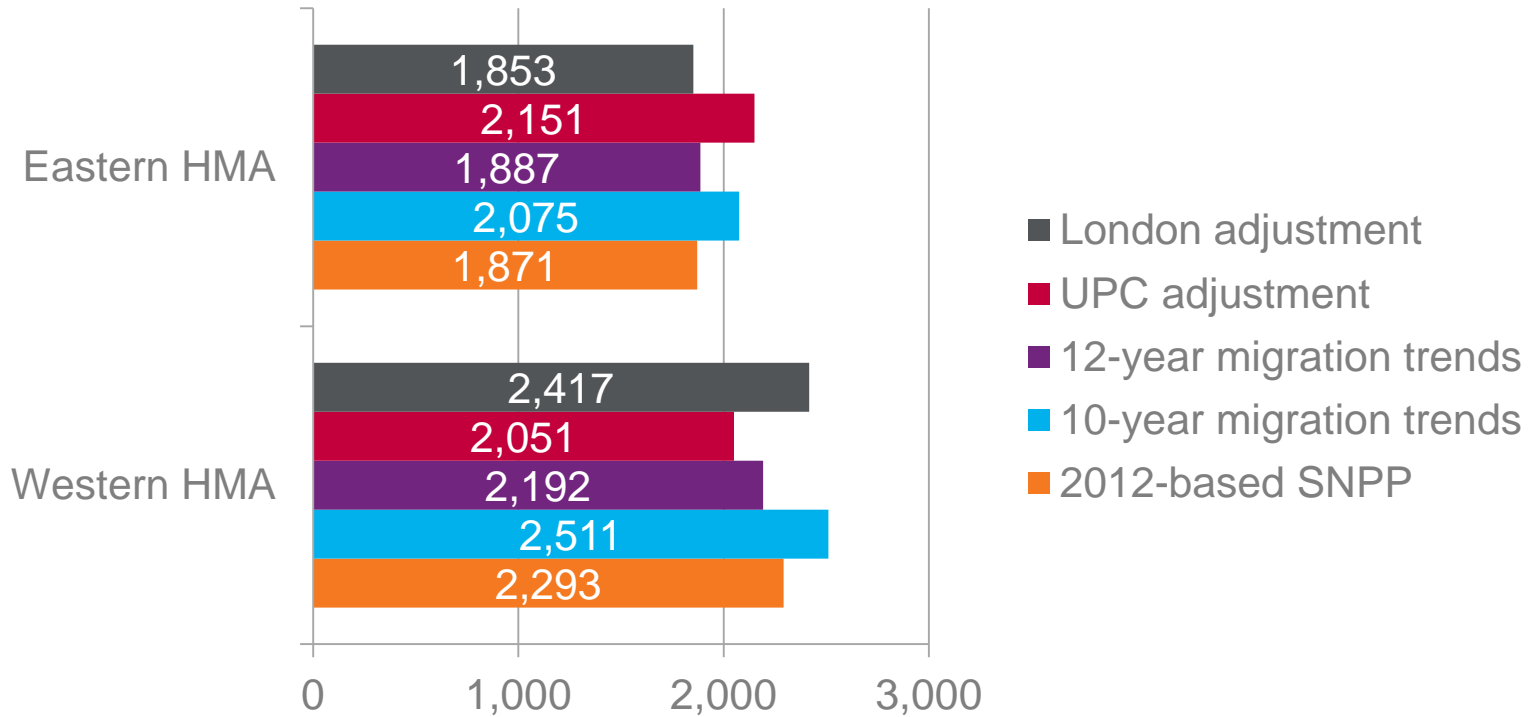
Sensitivity Testing – Demographics

- Recognise factors which could have influenced latest official projections
 - Recession
 - Out-migration from London
- Sensitivity testing considering
 - Migration to/ from London – consistent with London Plan modelling
 - Long-term migration trends – 10 / 12 years
 - Unattributable Population Change
- Household formation rates

Sensitivity Testing

Homes per annum, 2013-36

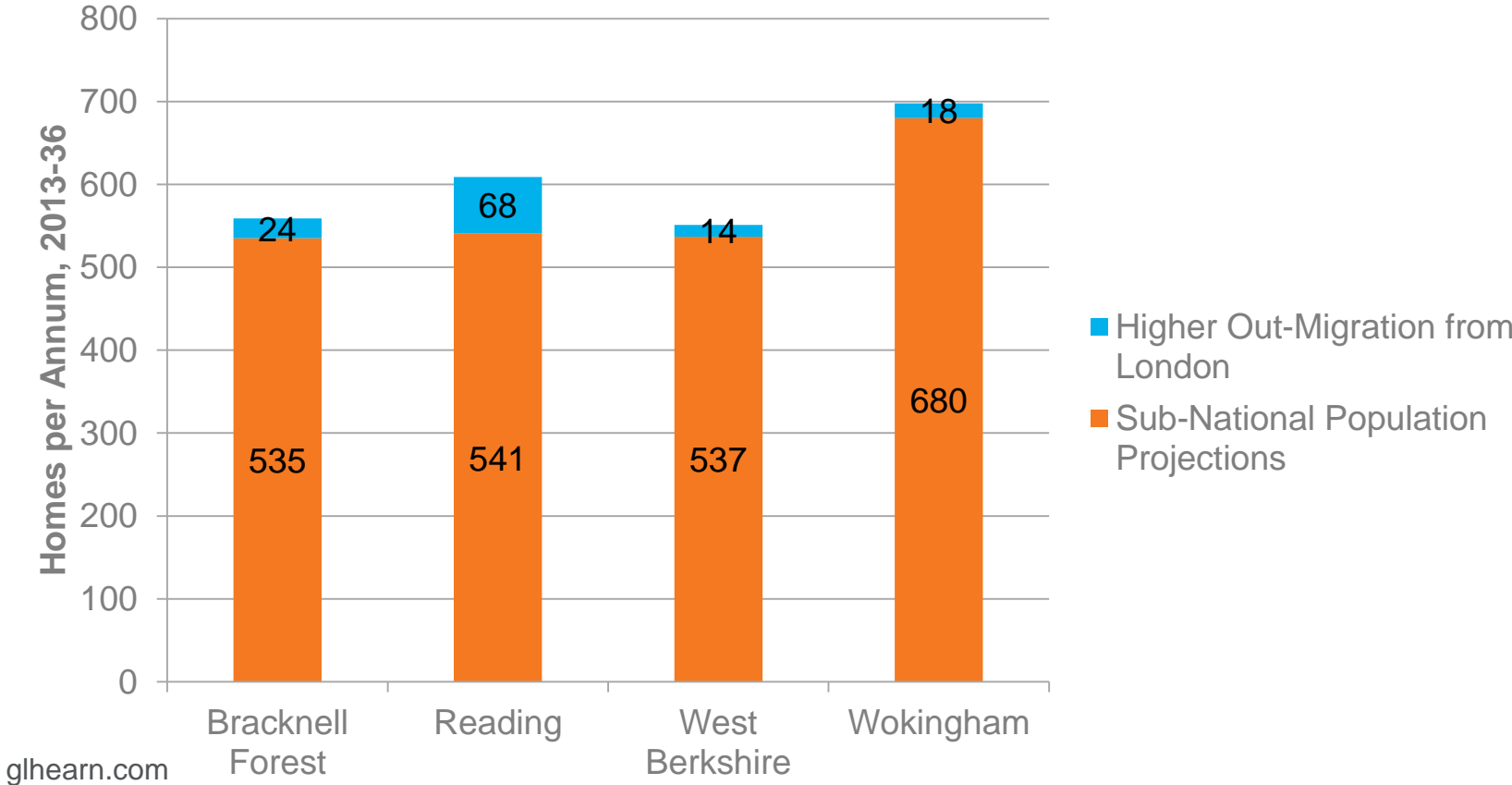
- Scenarios based on alternative assumptions on migration



Adjustments to Migration – Western Berkshire HMA

Homes per Annum, 2013-36

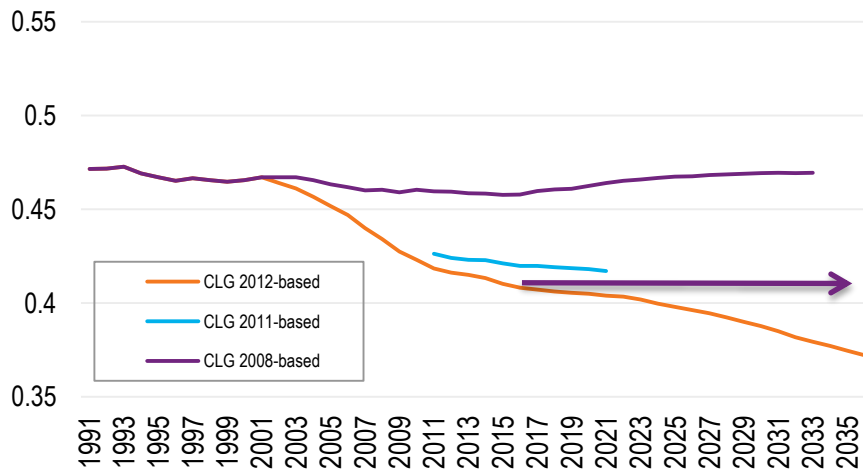
- SNPP reasonable trend-based projection for East Berks & South Bucks HMA
- Expected stronger out-migration from London to Western HMA



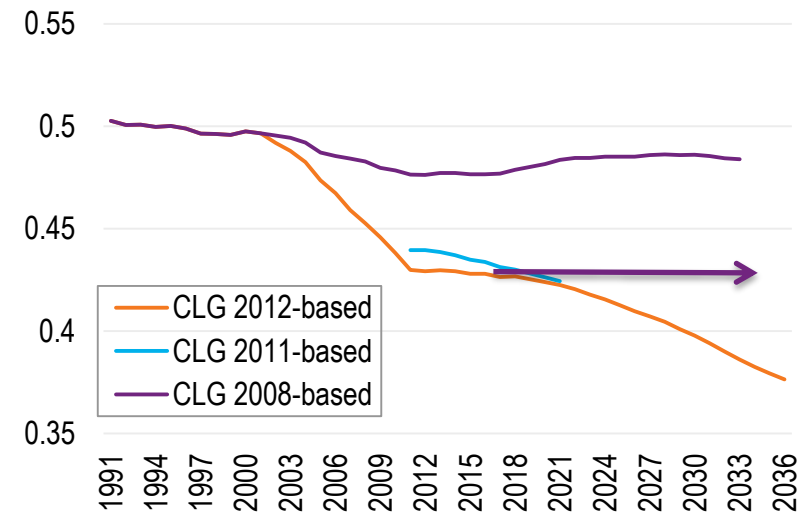
Demographic Scenarios – Household Formation

- Included adjustments to household formation to avoid projecting forward deteriorating affordability for younger households
 - Affects West Berkshire and Bracknell Forest
 - 32 homes per annum added to each of the above Local authorities only

Household Formation amongst persons 25-34, West Berkshire



Household Formation amongst persons 25-34, Bracknell Forest

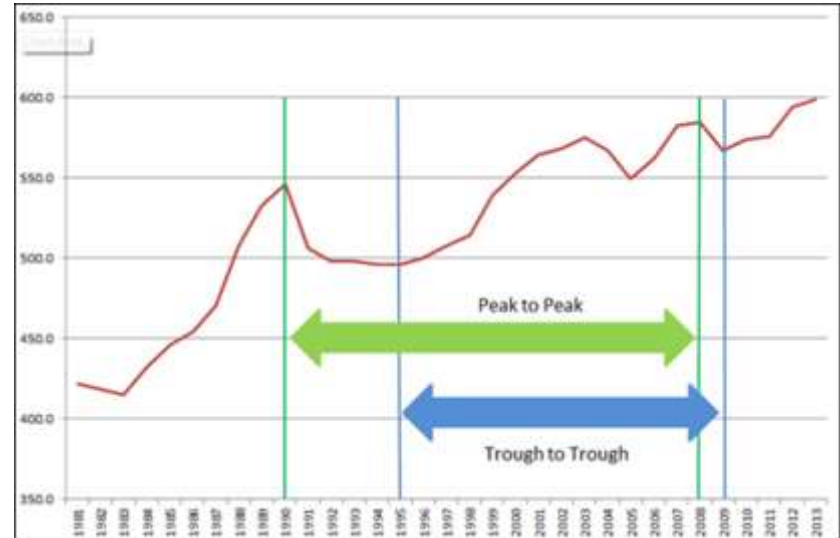


Influence of Economic Growth

- Relationship between housing need & economic growth complex
 - Job creation – scale and geography
 - Commuting ratios held
 - People with more than one job
 - People moving into retirement
 - People working for longer
- Analysis assumes
 - Improvements to economic participation
 - Commuting patterns remain consistent to 2011

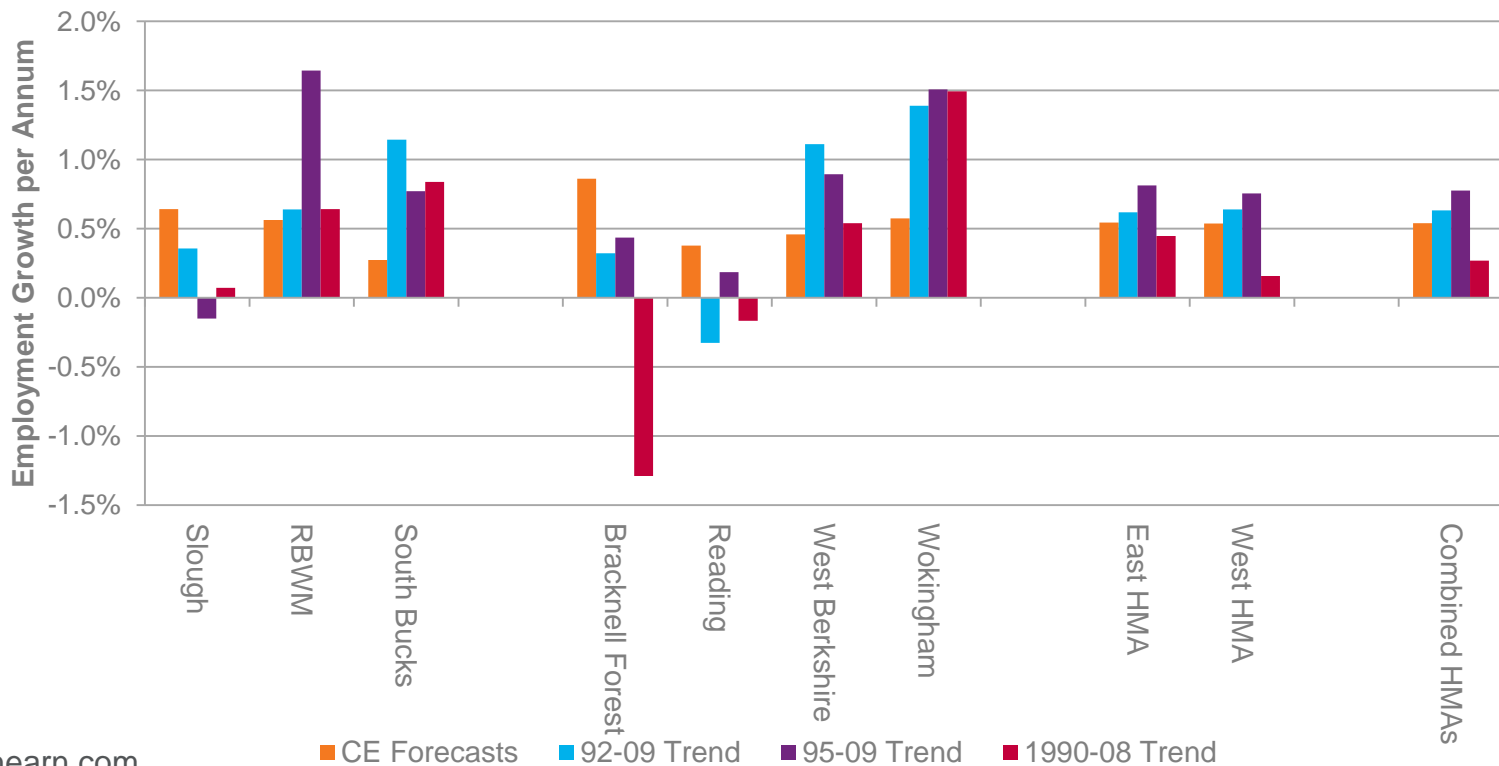
Scale of Economic Growth

- Analysis has considered
 - Past trends over economic cycle
 - Projections from Cambridge Econometrics – consistent with evidence underpinning Berkshire Strategic Economic Plan
 - How distribution of growth might differ from the past



Scale of Economic Growth

- Looking at trends and/or forecasts as the PPG recommends
- The distribution of growth - considering the potential growth rates of different parts of sub-regional economy



Economic Growth Assumptions

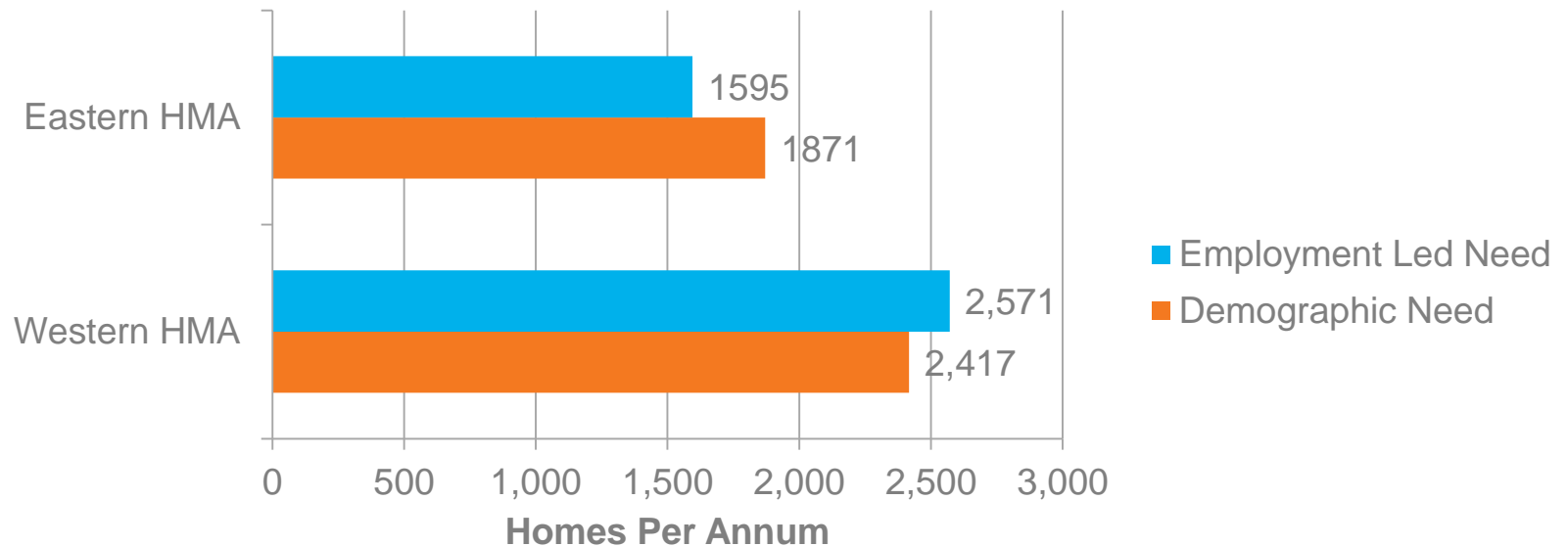
GLH & WE Forecasts - Net Change in Total Employment, 2013-36

| Scenario | Employment in '000 | | | CAGR |
|----------------------|--------------------|--------------|------------------|-------------|
| | 2013 | 2036 | Change 2013-2036 | |
| Slough | 92.9 | 109.1 | 16.2 | 0.7% |
| RBWM | 90.5 | 103.0 | 12.5 | 0.6% |
| South Bucks | 38.6 | 43.3 | 4.7 | 0.5% |
| East HMA | 222.0 | 255.4 | 33.4 | 0.6% |
| Bracknell Forest | 70.5 | 77.9 | 7.4 | 0.4% |
| Reading | 114.8 | 131.7 | 16.9 | 0.6% |
| West Berkshire | 108.0 | 120.0 | 12.0 | 0.5% |
| Wokingham | 83.2 | 99.9 | 16.7 | 0.8% |
| West HMA | 376.5 | 429.6 | 53.1 | 0.6% |
| Combined HMAs | 598.5 | 684.9 | 86.4 | 0.6% |

Economic-led Projections

Housing Need 2013-36, based on 2012 Headship Rates

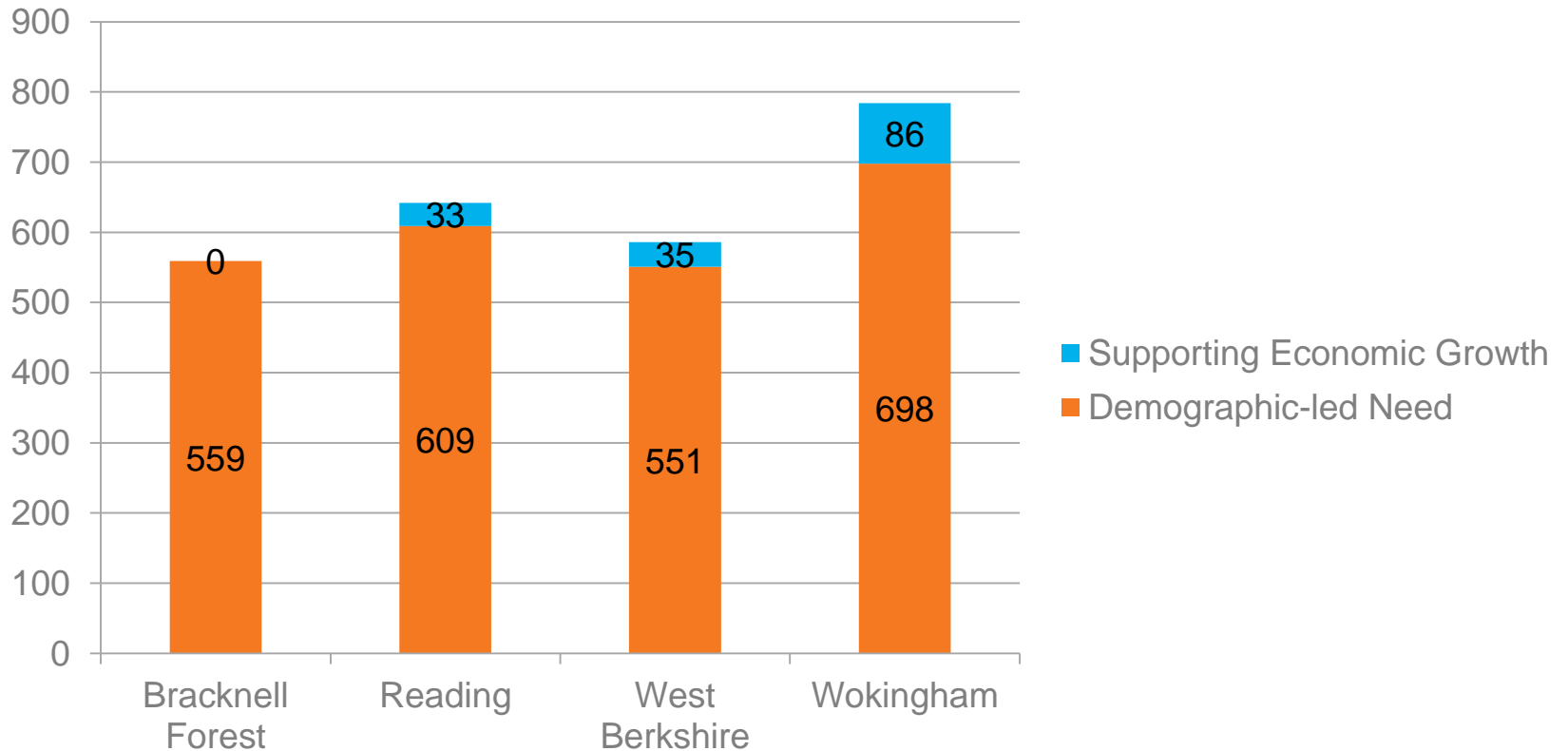
- Trend-based demographic projections show higher population growth (and thus workforce growth) in East Berks & South Bucks HMA
- Evidence provides basis for adjusting housing need to support economic growth in Western Berkshire HMA



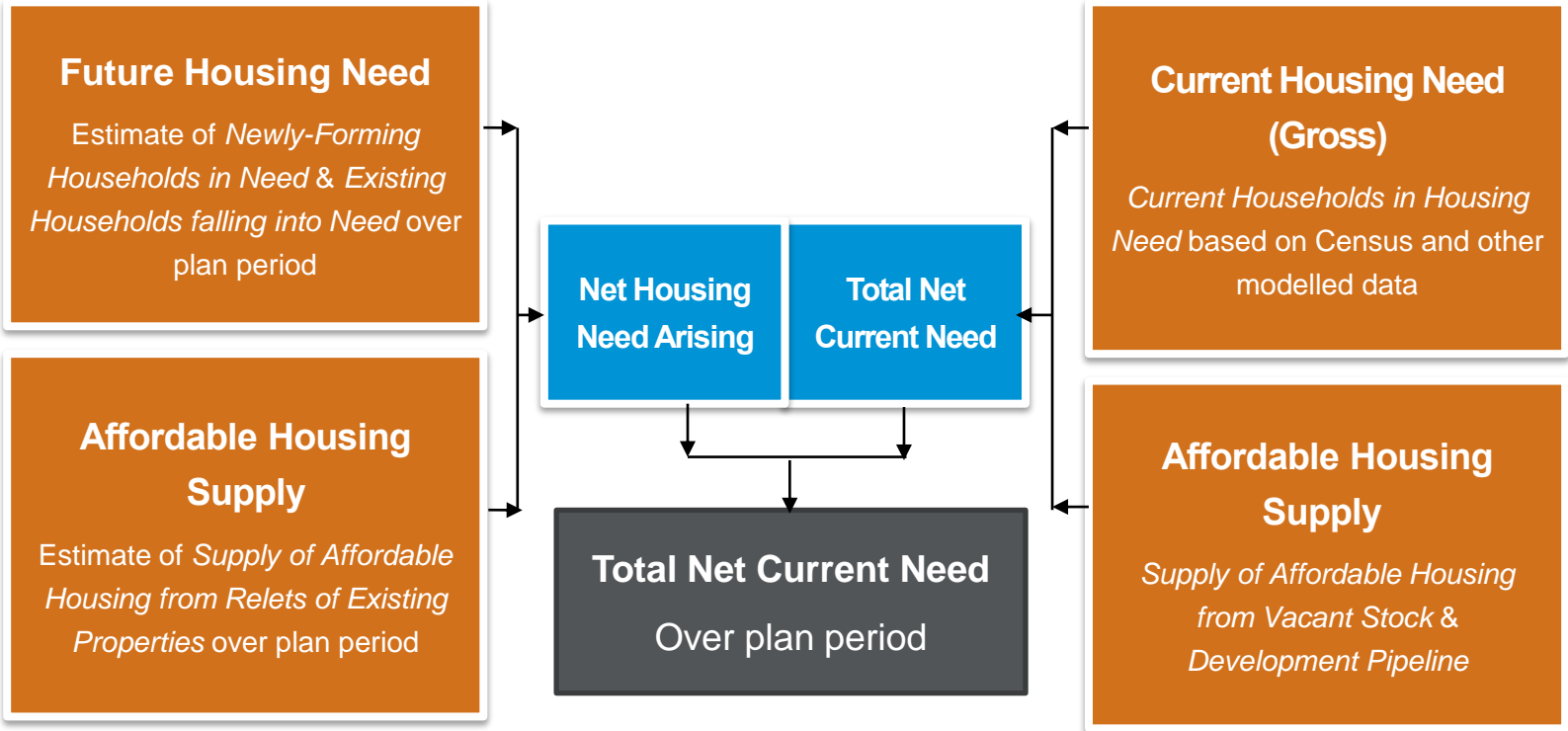
Supporting Economic Growth in Western Berkshire HMA

Homes per Annum – 2013-36

- 6% upward adjustment to support economic growth in Western Berks HMA



Affordable Housing Need



Affordable Housing Need

Homes per Annum, 2013-36

| | Current need | Newly forming households | Existing hhs falling into need | Total need | Supply | Net need |
|------------------------------|--------------|--------------------------|--------------------------------|------------|--------|----------|
| Bracknell Forest | 40 | 426 | 135 | 601 | 374 | 227 |
| Reading | 105 | 522 | 343 | 970 | 564 | 406 |
| West Berkshire | 44 | 393 | 208 | 645 | 457 | 189 |
| Wokingham | 42 | 477 | 76 | 594 | 153 | 441 |
| Western HMA | 231 | 1,818 | 762 | 2,810 | 1,548 | 1,263 |
| Slough | 180 | 743 | 282 | 1,205 | 534 | 671 |
| South Bucks | 29 | 207 | 51 | 287 | 120 | 167 |
| RBWM | 68 | 548 | 154 | 769 | 335 | 434 |
| East Berks & South Bucks HMA | 277 | 1,498 | 487 | 2,261 | 988 | 1,273 |
| Combined HMAs | 508 | 3,315 | 1,248 | 5,072 | 2,535 | 2,537 |

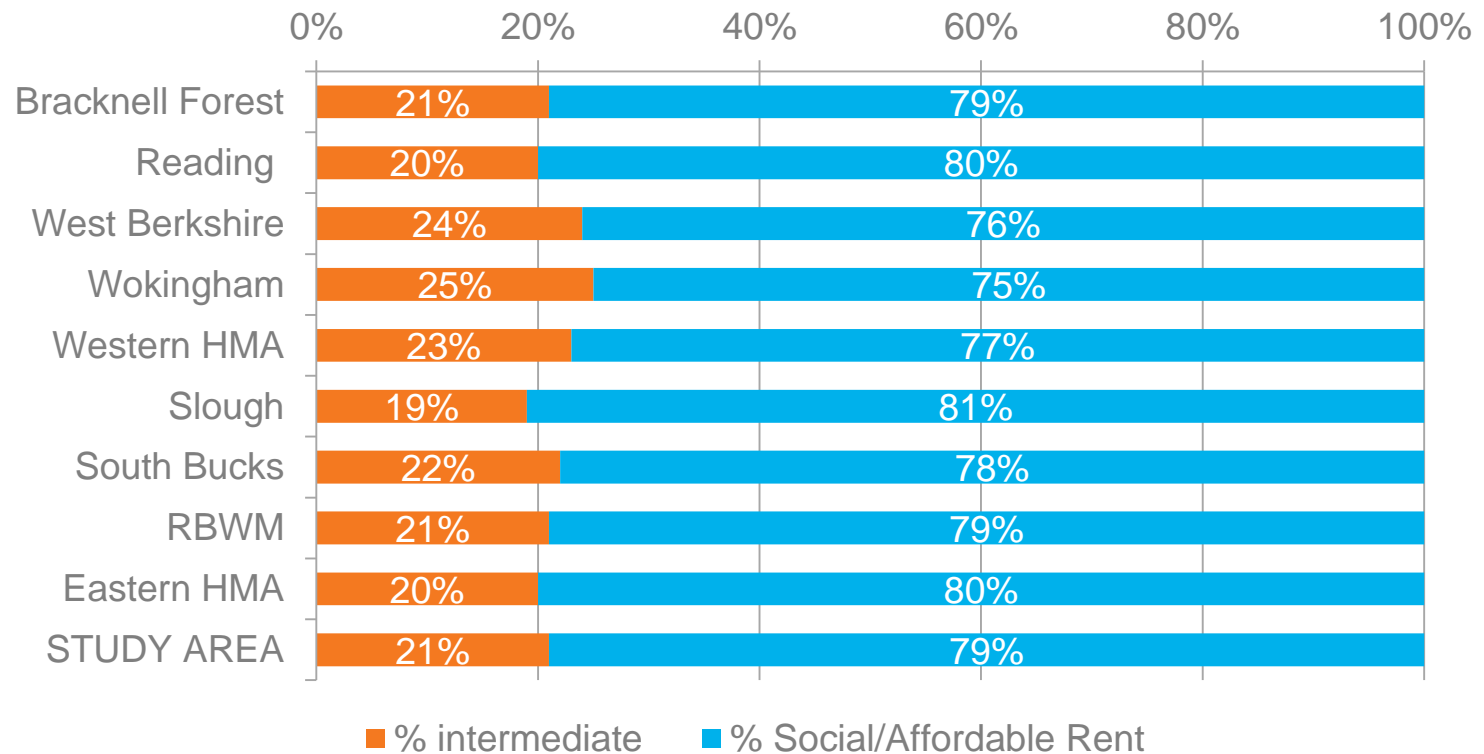
Affordable Housing Need (cont.)

| Scenario | Net Affordable Housing Need (per annum) | Demographic Need (per annum) | % of Demographic Need |
|--------------------------------|---|------------------------------|-----------------------|
| Bracknell Forest | 227 | 559 | 41% |
| Reading | 406 | 609 | 67% |
| West Berkshire | 189 | 551 | 34% |
| Wokingham | 441 | 698 | 63% |
| Western HMA | 1,263 | 2417 | 52% |
| | | | |
| Slough | 671 | 875 | 77% |
| South Bucks | 167 | 339 | 49% |
| RBWM | 434 | 657 | 66% |
| East Berks and South Bucks HMA | 1,273 | 1871 | 68% |
| | | | |
| Combined HMA | 2,537 | 4288 | 59% |

- Some basis for considering higher housing provision overall in order to support delivery of affordable housing
- The figures include:
 - Existing households requiring different type/ tenure of home
 - Newly-forming households
 - Concealed and homeless households

Gross need for different types of affordable housing

- Intermediate housing includes shared ownership/ equity, intermediate rent etc.



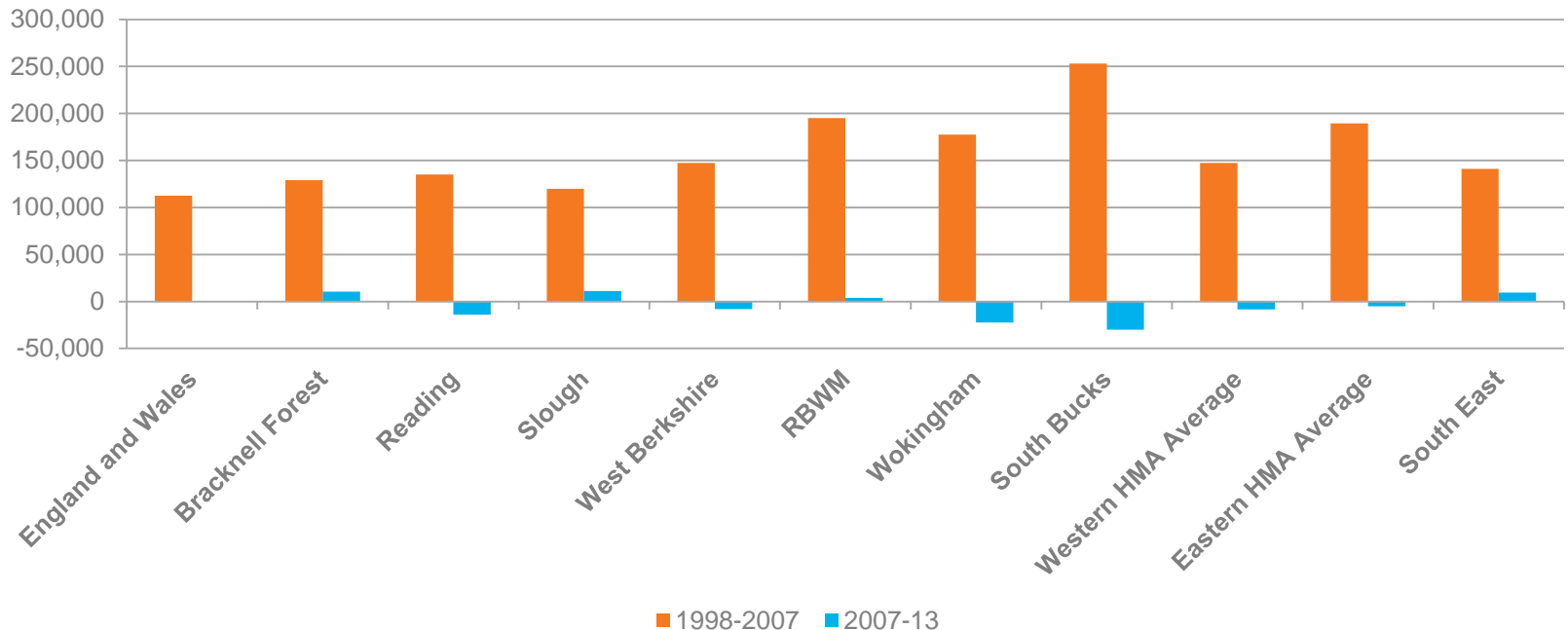
Market Signals

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

Planning Practice Guidance

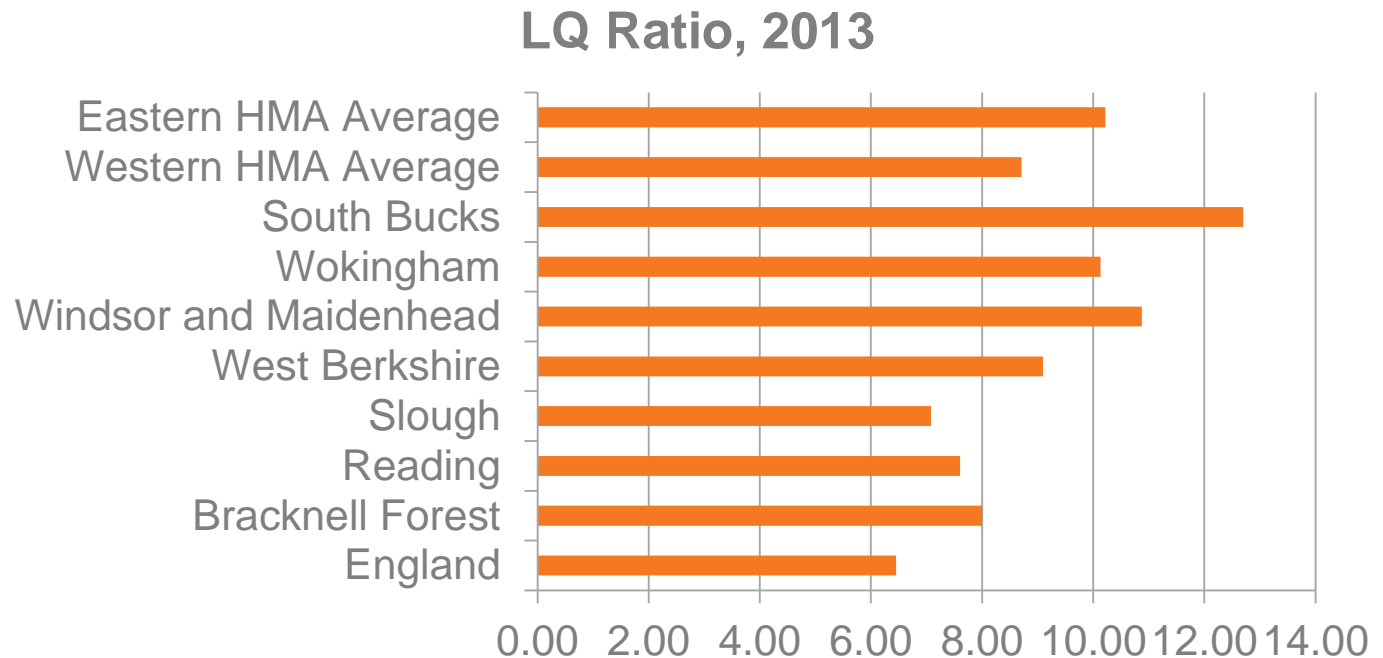
Market Signals (cont.) - House Price Growth

- Significant growth 1998-2007: Western Berkshire HMA (206%), East Berks & South Bucks HMA (+200%)
- Prices (2014) 5% above pre-recession peak
 - prices fallen since 2008 in 'real' terms (i.e. vs. inflation)



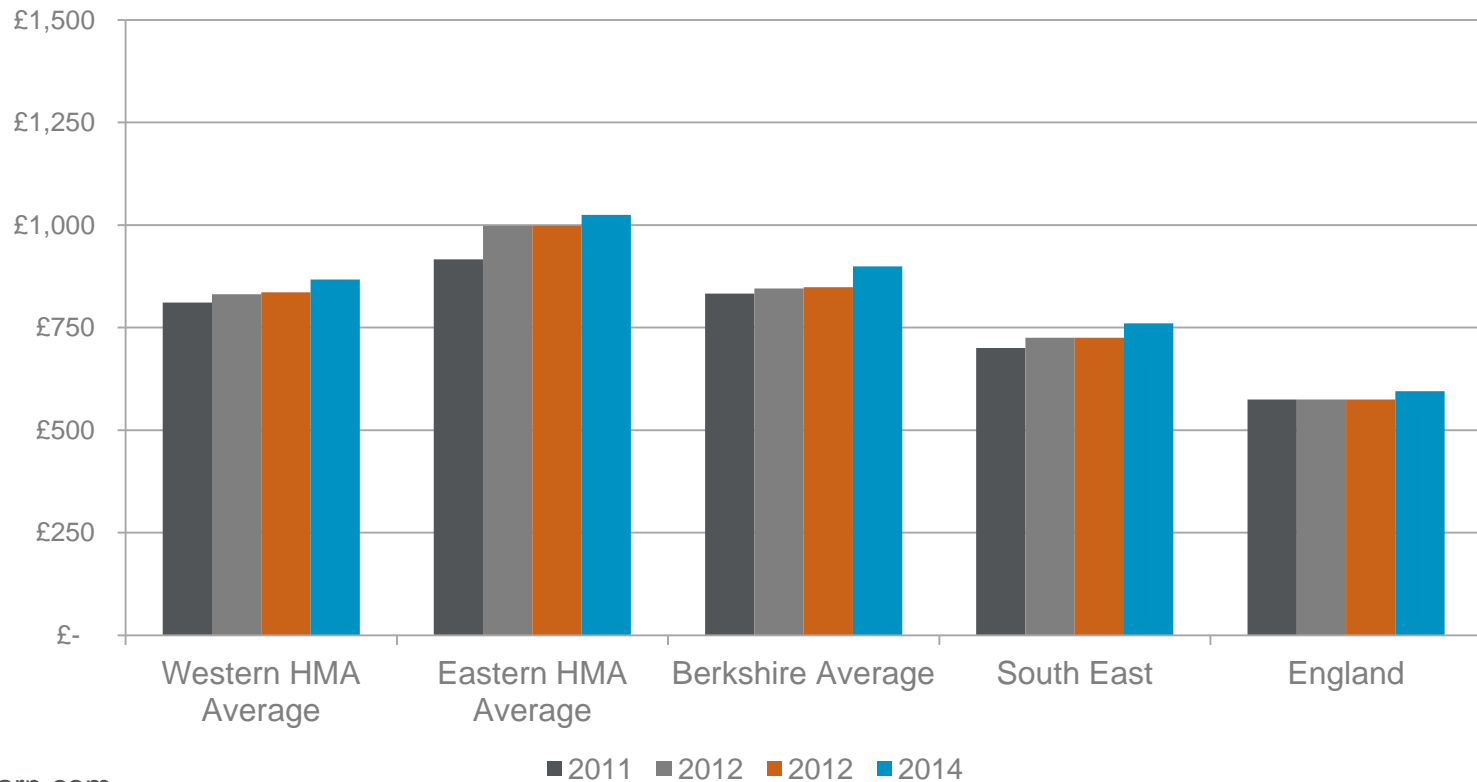
Market Signals (cont.) - Affordability

- Entry level (lower quartile) prices are over 8 times earnings in Western Berks HMA and over 10 times in East Berks & South Bucks HMA
 - Grown slightly from 5 times earnings since 1997
 - South Bucks, RBWM and Wokingham growing AR faster than SE Average



Market Signals (cont.)

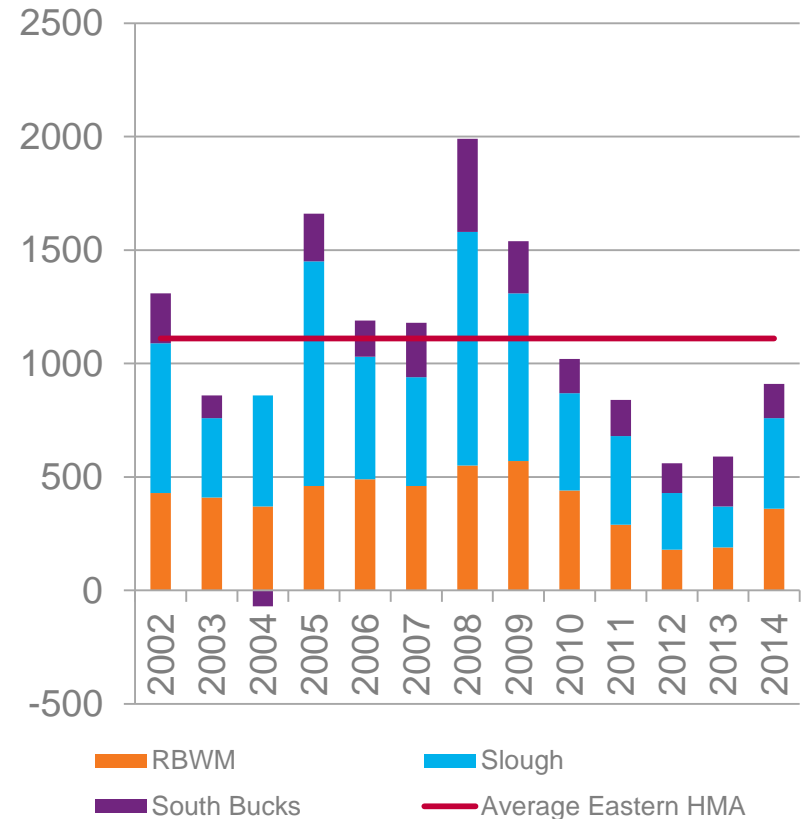
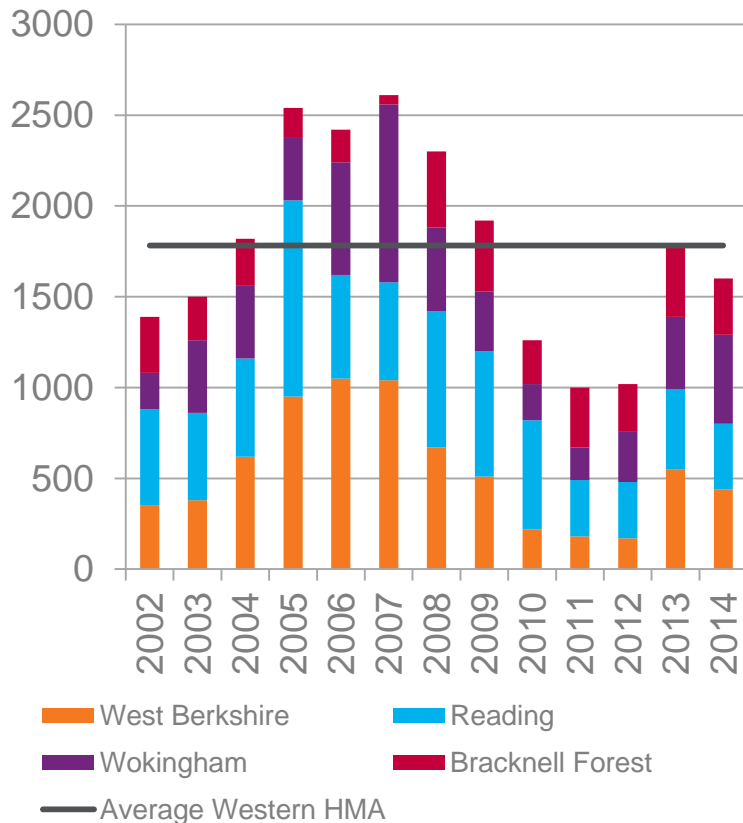
- Rents above other parts of South East – median £900 pcm for Berks
 - Rental growth of 7% since 2011 in Western Berks HMA and 12% in East Berks and South Bucks HMA



Market Signals (cont.)

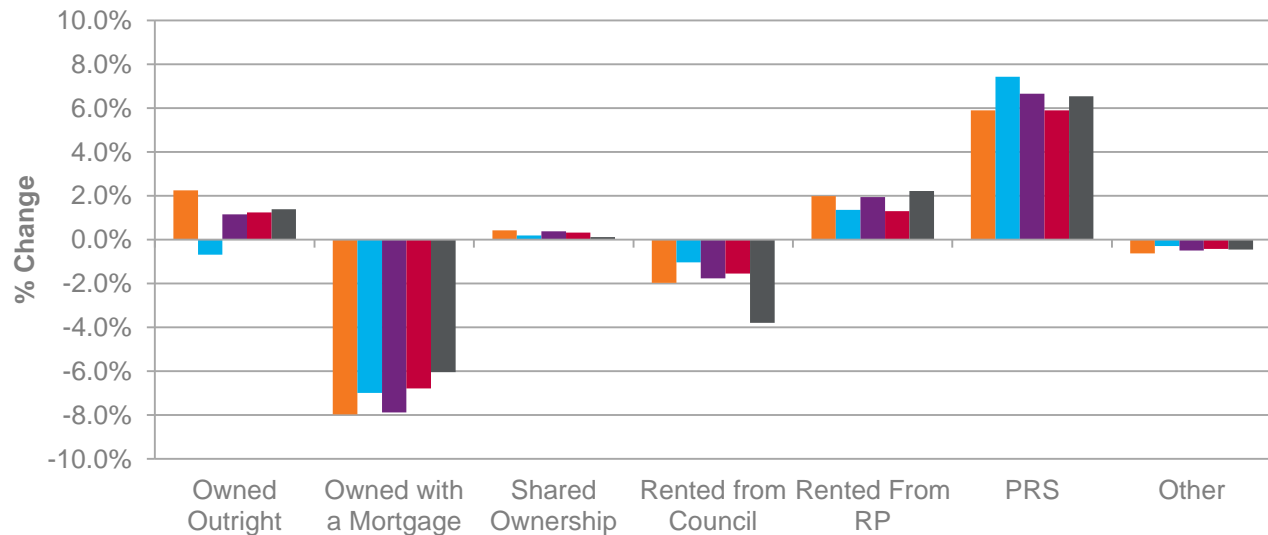
Net homes per annum (2002-2014)

- Housing delivery has fallen below historic trends since 2008



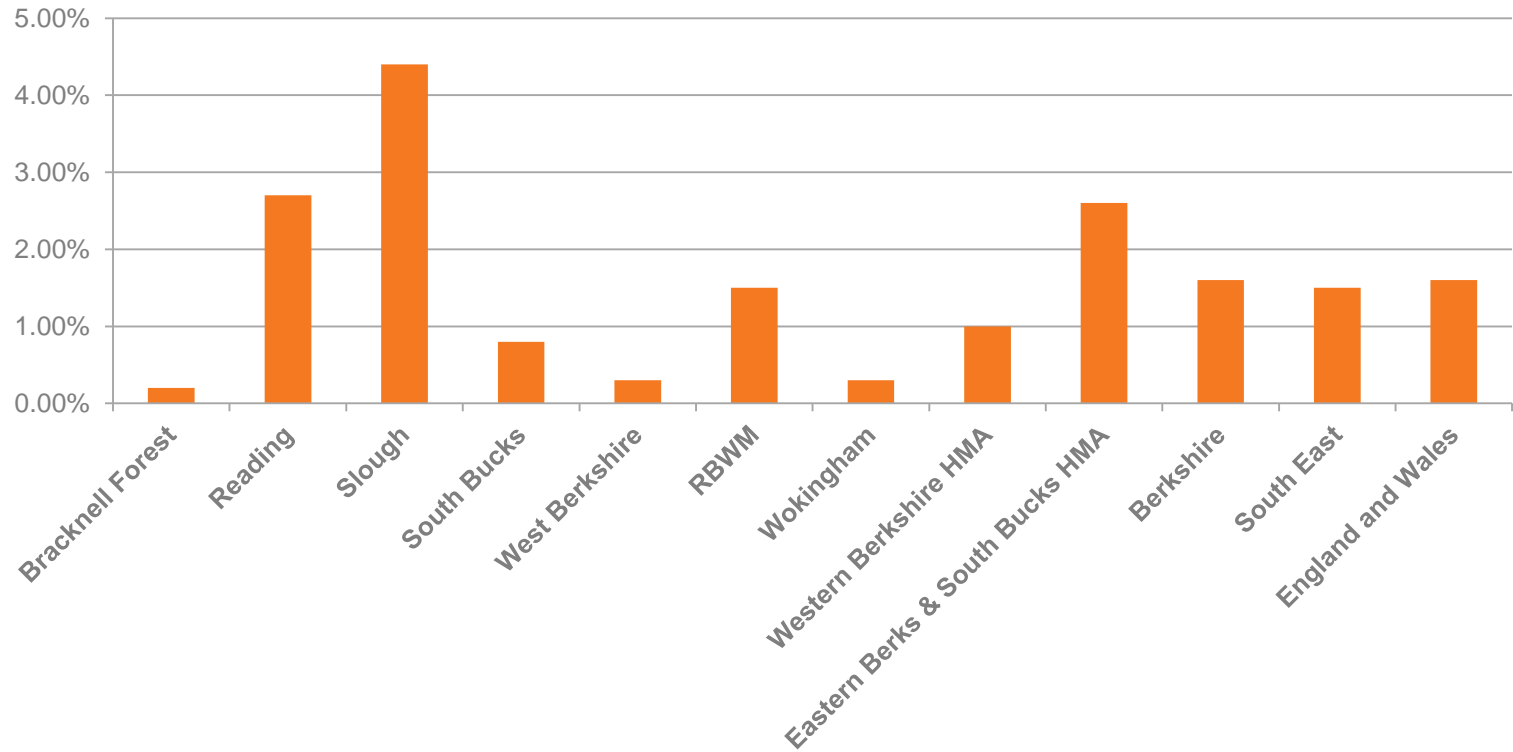
Market Signals (cont.)

- Evidence shows affordability has worsened since 2001 – albeit not to greater extent than surrounding areas
- Some real impacts are evident
 - Growth in private renting between 2001-11: 6,200 additional households
 - Fall in home ownership (Berks 73.3% to 66.9% of households, 2001-11)



Market Signals (cont.)

- Increasing levels of over-crowding
- Particularly in Slough (+4.4% of all households) and Reading (+2.7%)



Market Signals Summary

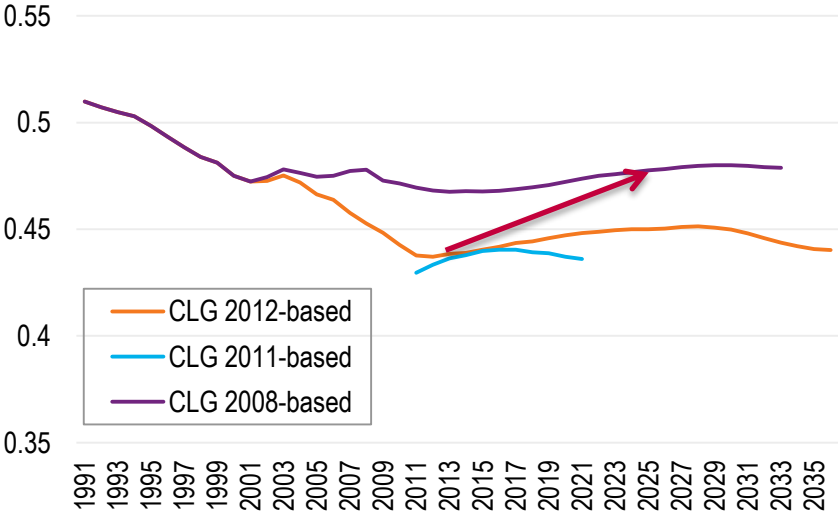
- Growing reliance on PRS compared to wider South East
- High median house prices and pre recession growth is higher than regional growth
- Increasing affordability pressures
 - particularly in Wokingham, RBWM and South Bucks
- Increases in over-crowding
 - Particularly in Slough and Reading which are above South East and National figure
- Housing delivery below historic levels

Adjustments to Improve Affordability

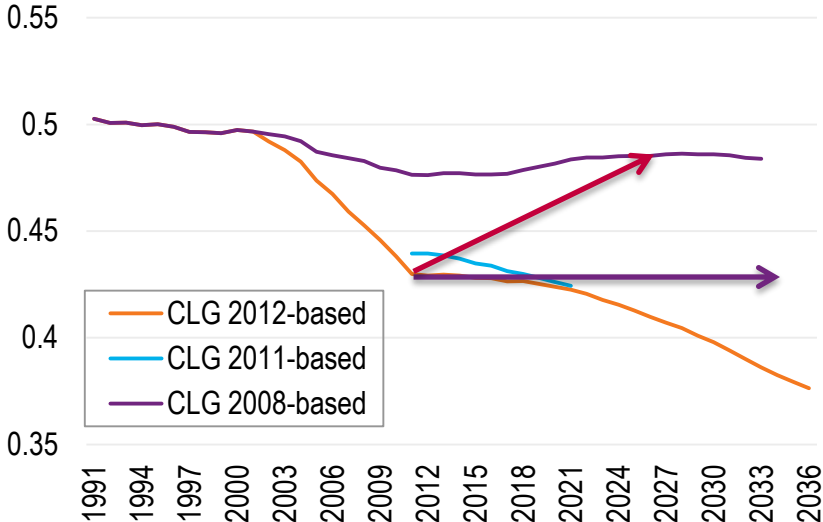
- Government guidance says where there are affordability issues, the housing need must be adjusted
- Quantified potential adjustment by considering impact on improving household formation for younger households over time
- Returning household formation rates for those aged 24-45 to 2001 levels by 2025

Adjustments to Improve Affordability

- Household Formation amongst persons aged 25-34, Reading



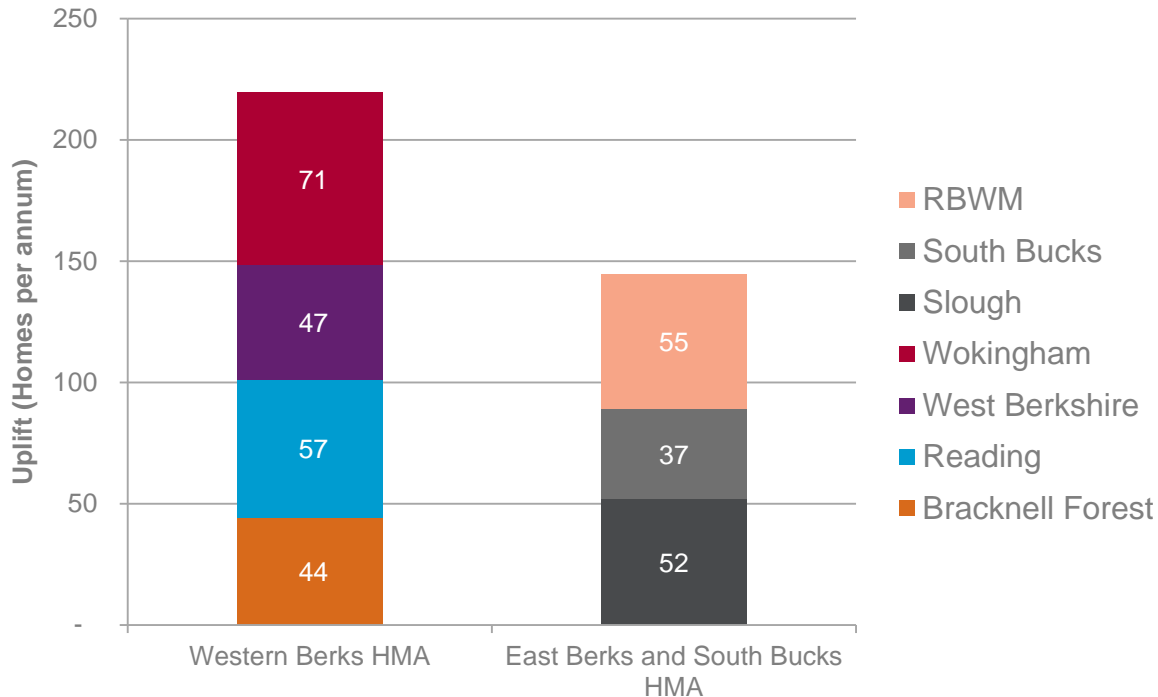
- Household Formation amongst persons 25-34, Bracknell Forest



Uplift to Improve Affordability

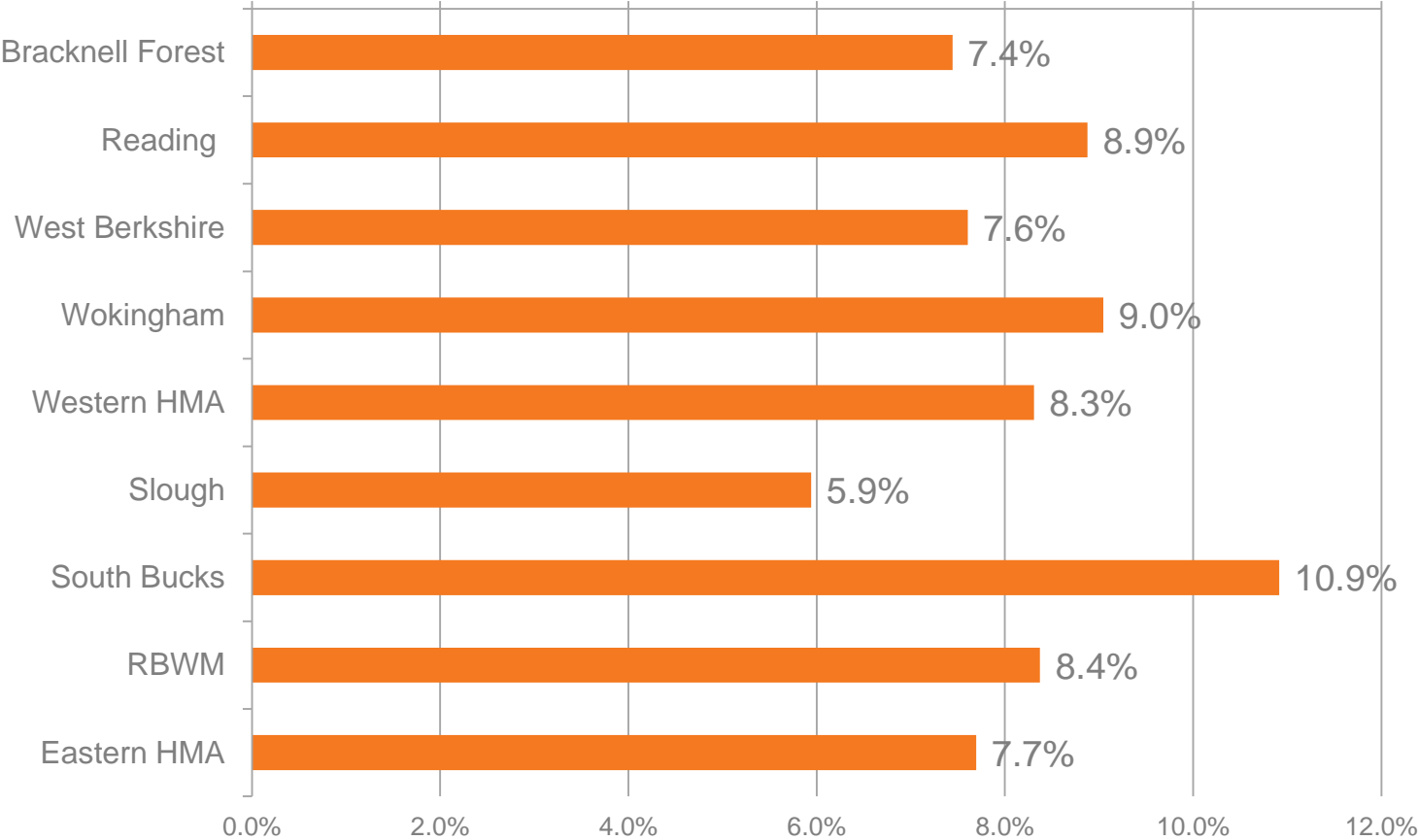
Uplift from scenario where existing HFR are maintained

- Uplift reflects historic and expected level of constraint and age profile
 - Western Berkshire HMA uplift of 219 homes per annum (10%)
 - East Berks & South Bucks HMA uplift of 144 homes per annum (8%)



All Adjustments in Context

% Adjustment to Demographic/Economic Need



Drawing Conclusions

- Approach draws together the following
 - Housing need based on past population / demographic trends
 - Adjustments where necessary to
 - Reflect expected uplift in out migration from London
 - Support growth in workforce (more people)
 - Improve affordability (more households forming)
- Conclusions on a “policy off” basis – as required by Gov.t Guidance
 - Doesn't take account of factors which may constrain ability to meet need – this is for the plan-making process to do
 - Figures do not represent targets – may require adjustments to take account of constraints or align with economic strategy

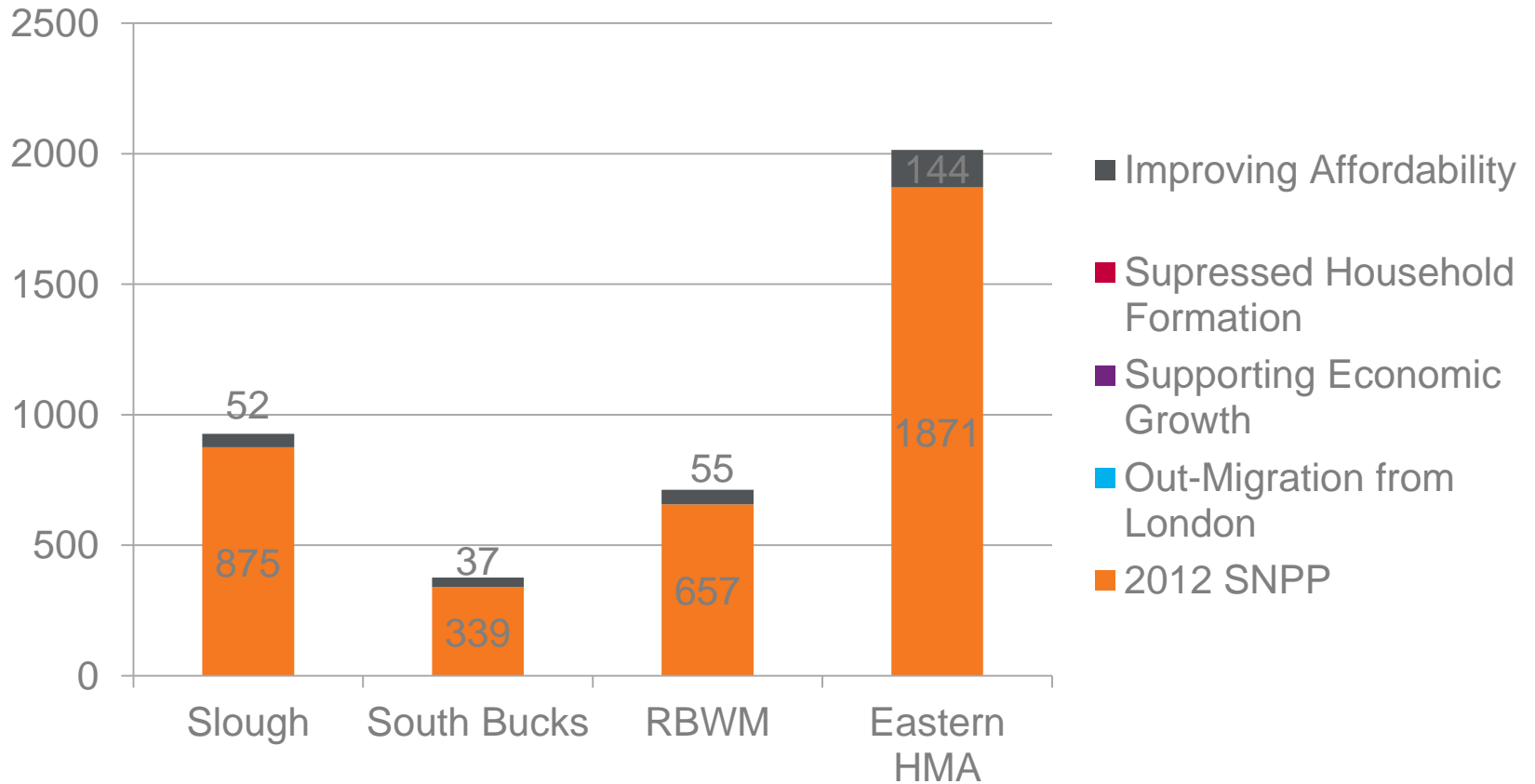
Objectively-Assessed Housing Need

Homes per Annum, 2013-36

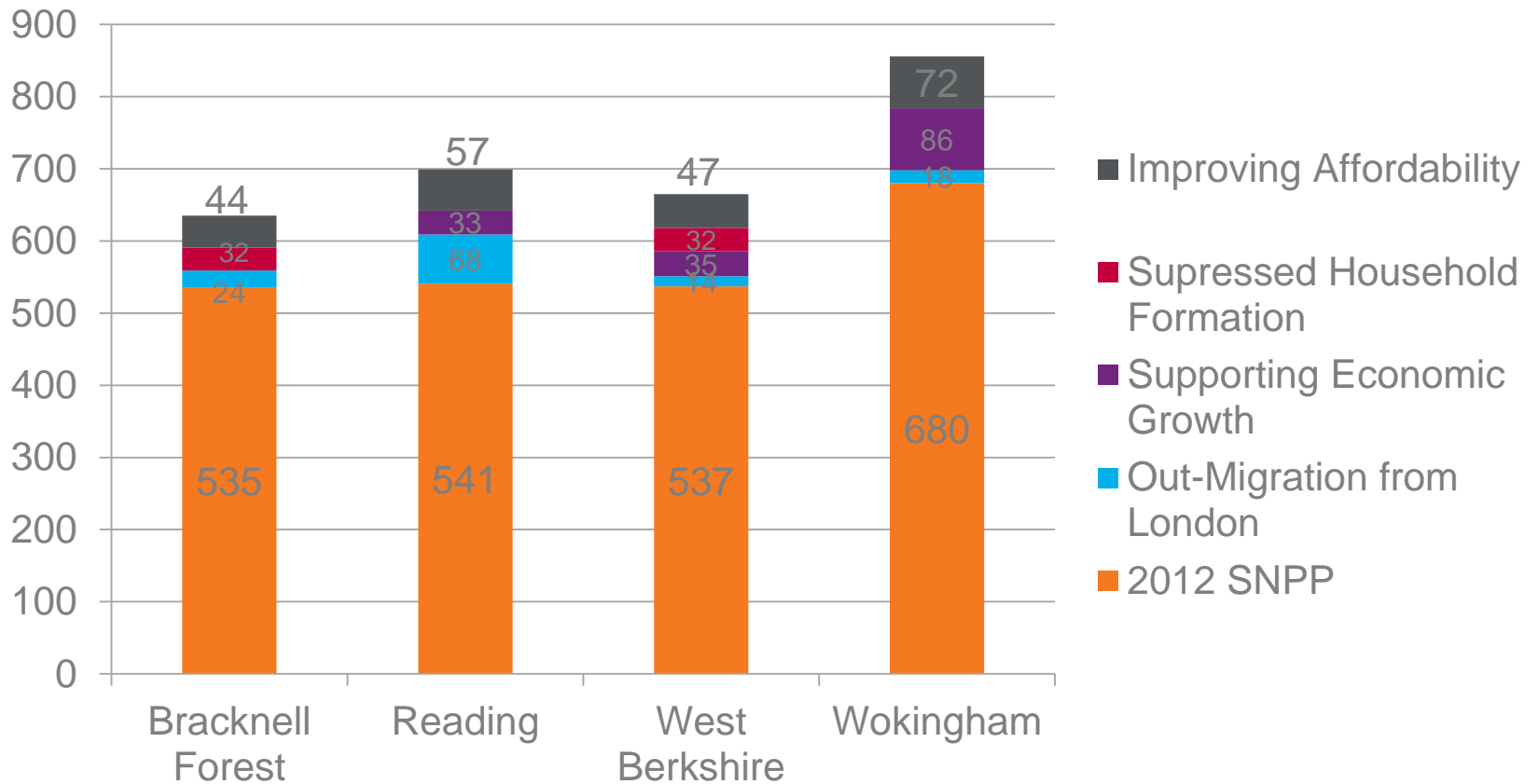
- Need for 2,855 homes per annum across Western Berkshire HMA
- Need for 2,015 homes per annum across East Berks and S Bucks HMA

| Local Authority | OAN – Homes per Annum, 2013-36 |
|---------------------|--------------------------------|
| Bracknell Forest | 635 |
| Reading | 699 |
| West Berkshire | 665 |
| Wokingham | 856 |
| Western HMA | 2,855 |
| | |
| Slough | 927 |
| South Bucks | 376 |
| RBWM | 712 |
| East Berks & SB HMA | 2,015 |

Homes per annum – East Berks and South Bucks HMA



Homes per annum– Western Berkshire HMA



Breakdown of OAN Figures

Homes per Annum, 2013-36

| Scenario | 2012 SNPP | Out-Migration from London | Supporting Economic Growth | Supressed Household Formation | Improving Affordability | OAN |
|------------------|-----------|---------------------------|----------------------------|-------------------------------|-------------------------|------|
| Bracknell Forest | 535 | 24 | 0 | 32 | 44 | 635 |
| Reading | 541 | 68 | 33 | 0 | 57 | 699 |
| West Berkshire | 537 | 14 | 35 | 32 | 47 | 665 |
| Wokingham | 680 | 18 | 86 | 0 | 72 | 856 |
| Western HMA | 2293 | 124 | 154 | 64 | 220 | 2855 |
| | | | | | | |
| Slough | 875 | 0 | 0 | 0 | 52 | 927 |
| South Bucks | 339 | 0 | 0 | 0 | 37 | 376 |
| RBWM | 657 | 0 | 0 | 0 | 55 | 712 |
| Eastern HMA | 1871 | 0 | 0 | 0 | 144 | 2015 |

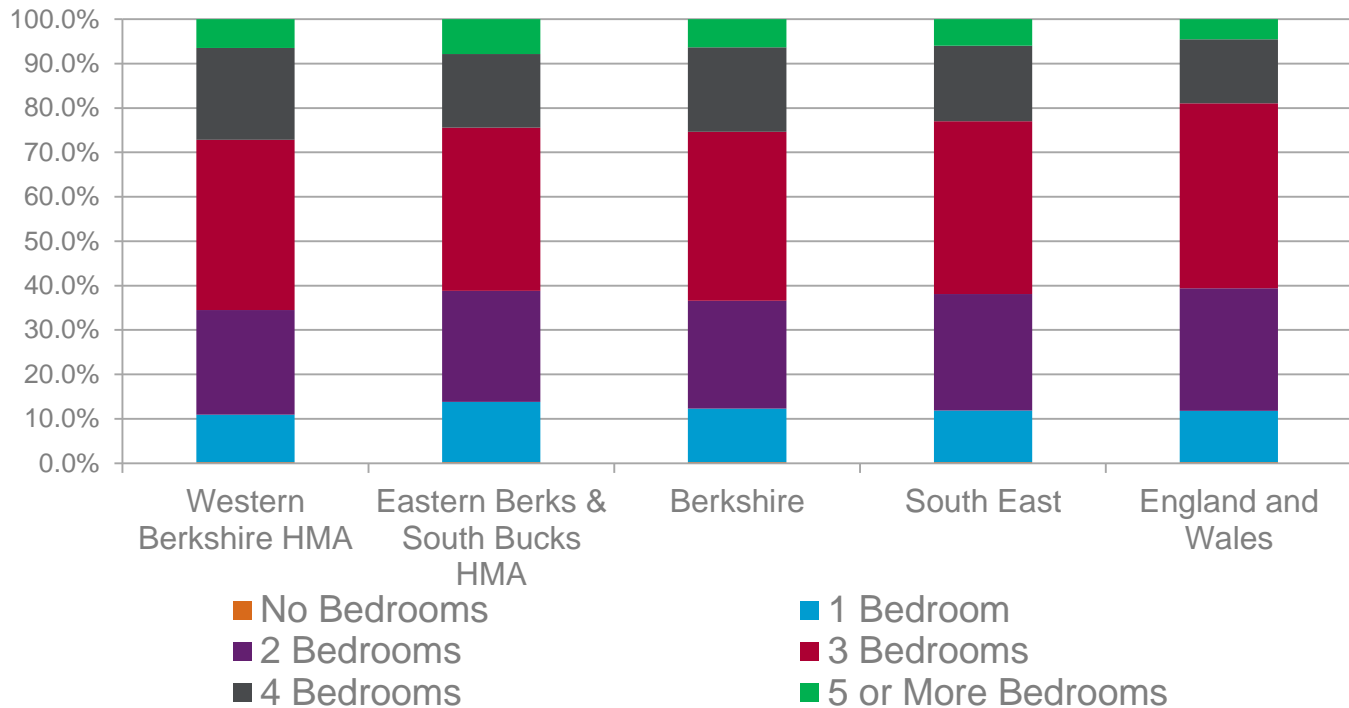
*Numbers may not add up due to rounding

Interpreting the OAN Figures

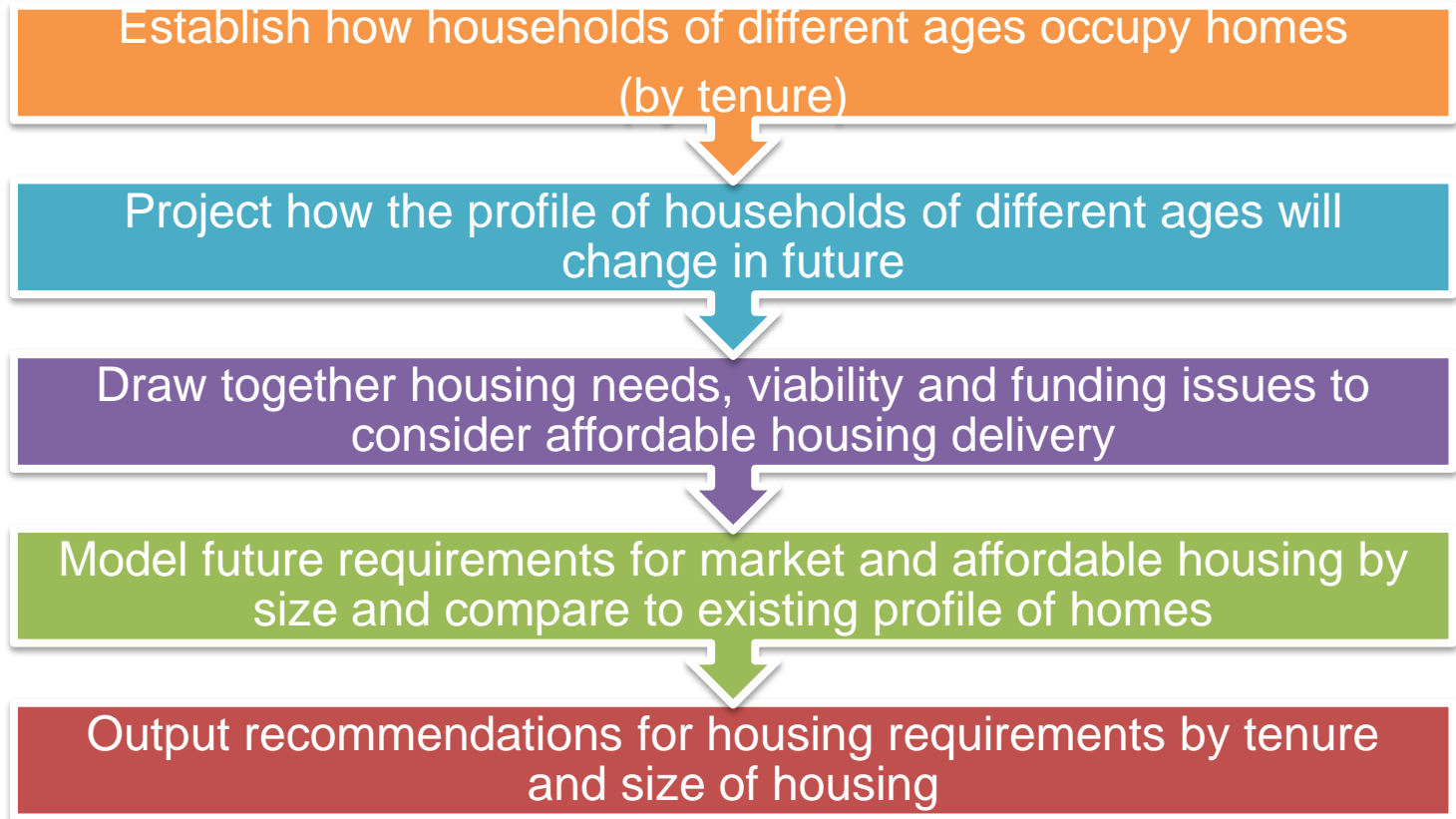
- Integrated assessment which captures the impacts of past under-provision of housing where relevant – through adjustments to migration and/or household formation
 - Therefore no backlog prior to 2013 for 5 year land supply purposes
- “Policy-off” assessment ... through the plan-making process, the Councils will overlaying constraint factors – Green Belt, Thames Basin Heaths SPA, infrastructure etc.
- Need to work with others through Duty-to-Cooperate to consider any issues of unmet housing needs
 - Working first within Housing Market Areas
 - Then considering cross-boundary relationships with other HMAs

Need for Different Sizes / Types of Homes

- Current housing mix
 - South Bucks particularly high % of +5 bedroom homes
 - Slough particularly high % of 1 bedroom homes



Need for Different Sizes / Types of Homes



Need for Different Sizes / Types of Homes

- Recommended mix takes account of changing demographics
 - Growing older population, potential for downsizing
- Focus of need for market housing for 2 & 3 bedrooms
- Closer link between household and property size for affordable homes
- Recommended mix to inform district-wide policies & site negotiations

Need for Different Sizes / Types of Homes

- Western Berkshire HMA

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

- East Berks and South Bucks HMA

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

Need for Different Sizes / Types of Homes

- Market housing mix by Local Authority

| | 1 bedroom | 2 bedrooms | 3 bedrooms | 4+ bedrooms |
|------------------|-----------|------------|------------|-------------|
| Bracknell Forest | 9.6% | 27.6% | 41.8% | 21.0% |
| Reading | 10.3% | 29.6% | 41.5% | 18.5% |
| West Berkshire | 9.6% | 31.9% | 41.9% | 16.6% |
| Wokingham | 7.2% | 27.1% | 43.5% | 22.2% |
| Western HMA | 9.1% | 28.9% | 42.3% | 19.7% |
| Slough | 13.0% | 25.8% | 45.3% | 15.9% |
| South Bucks | 6.1% | 24.2% | 38.5% | 31.2% |
| RBWM | 7.9% | 28.6% | 38.6% | 25.0% |
| Eastern HMA | 9.9% | 26.5% | 41.6% | 22.0% |

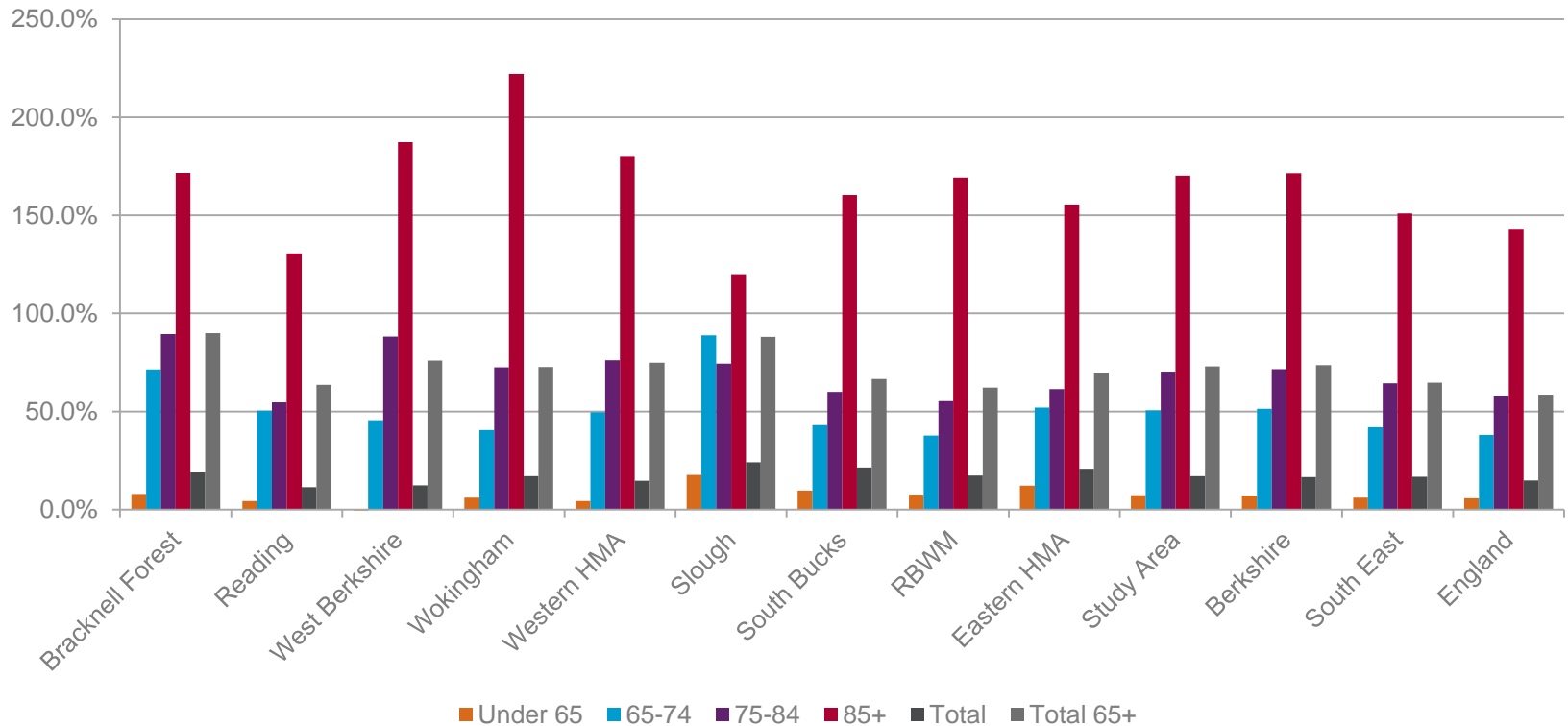
Need for Different Sizes / Types of Homes

- Affordable housing mix by Local Authority

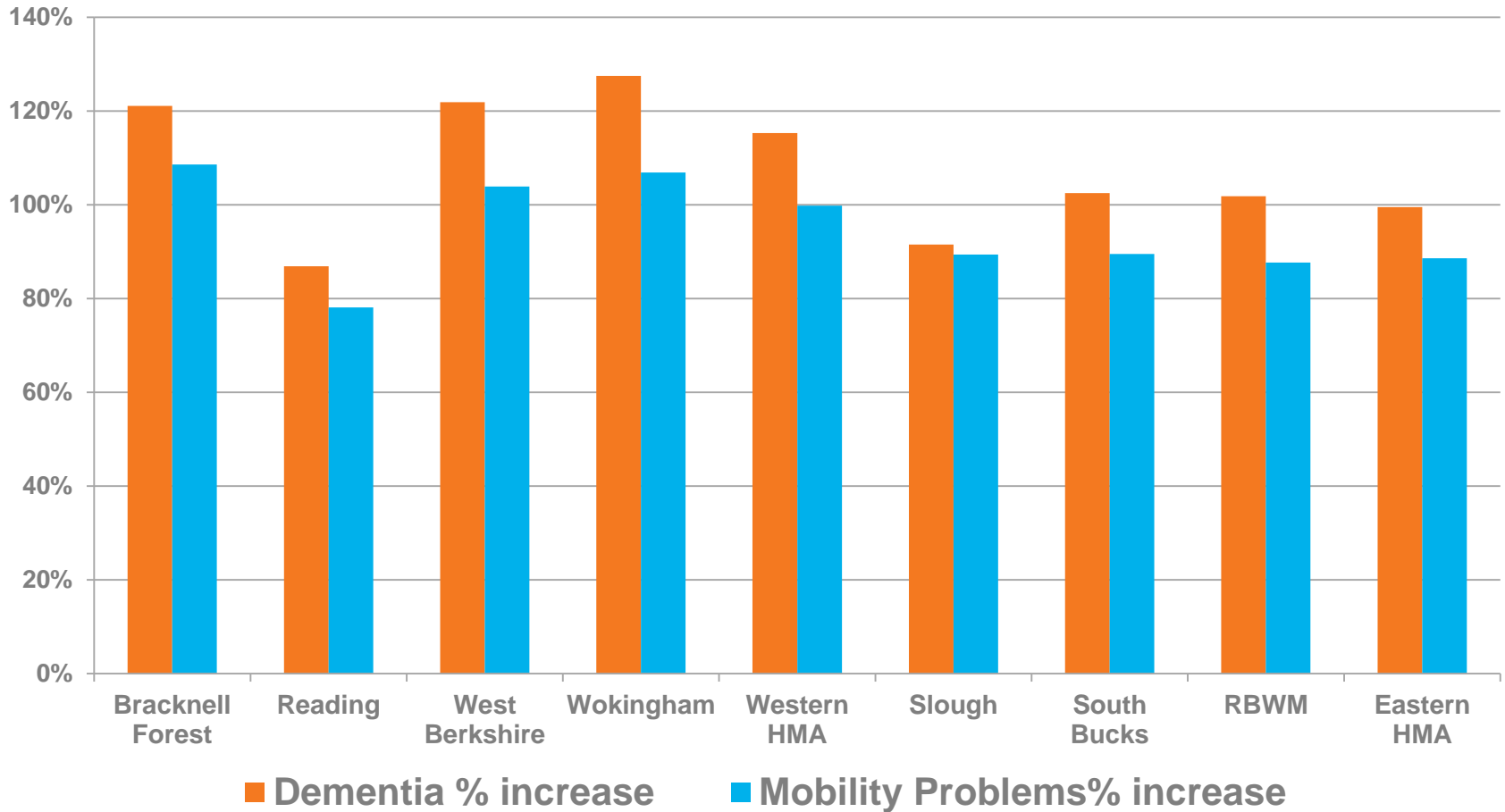
| | 1 bedroom | 2 bedrooms | 3 bedrooms | 4+ bedrooms |
|------------------|-----------|------------|------------|-------------|
| Bracknell Forest | 37.3% | 36.5% | 22.8% | 3.5% |
| Reading | 43.4% | 32.9% | 21.6% | 2.1% |
| West Berkshire | 48.7% | 32.7% | 17.0% | 1.6% |
| Wokingham | 38.6% | 35.1% | 23.3% | 3.1% |
| Western HMA | 41.8% | 34.3% | 21.3% | 2.6% |
| Slough | 42.6% | 30.7% | 22.1% | 4.6% |
| South Bucks | 42.6% | 32.0% | 23.8% | 1.5% |
| RBWM | 51.2% | 26.4% | 20.7% | 1.7% |
| Eastern HMA | 45.6% | 29.4% | 22.0% | 3.0% |

Growing Older Population

- Projections indicate increase in population 65+ between 2013-36
 - Influenced by improved life expectancy

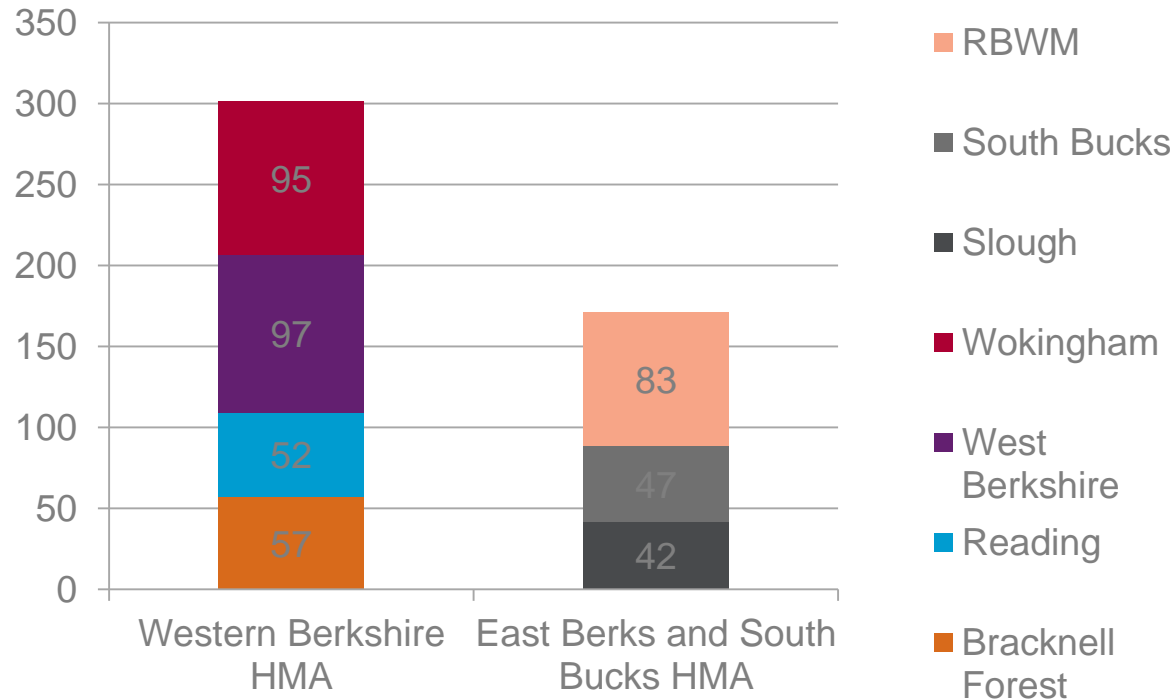


Growing Older Population



Growing Older Population

- Specialist accommodation
 - Need for 300 homes per annum in Western Berks HMA (11% of total)
 - Need for 170 homes per annum in East Berks & S Bucks HMA (8%)
- This need falls within the OAN as identified



Growing Older Population

- Providing a choice of accommodation
 - Adaptions to properties, floating support
 - Opportunities to downsize
- Some people may require residential care
 - 99 bedspaces per annum in Western Berkshire HMA, 52 pa East Berks & South Bucks HMA. Separate to overall housing need

Questions/Discussion

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