# THREE RIVERS

# HOUSING NEEDS SURVEY UPDATE

# 2003

report by
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# 1 INTRODUCTION

## 1.1 Government Guidance

1.1.1 Government Guidance in Circular 6/98 and in the Good Practice Guidance for Local Housing Needs Assessment require that local authorities have robust and up to date assessments of the housing needs in their area. These are required to support the Housing Strategy and bids for resources and Local Plan policies for affordable housing provision.

## 1.2 The 2001 Study

1.2.1 DCA conducted a wide ranging needs assessment study in Three Rivers in June 2001 to November 2001. This study examined housing requirements in both market and social sectors.

## 1.3 The Update Study Objectives

1.3.1 The objectives of this update study were to re-analyse:-

- the change in the housing market locally to provide current house price and private sector rental costs to be able to re-assess income thresholds for access to market housing;
- the housing survey database and utilise the information into the Assessment Model recommended in the Good Practice Guidance issued in March 2000;
- the short, medium and longer term population forecasts for the District;
- prepare a report to provide an affordable need forecast to 2006;
- inform on-going Housing Strategy and support Local Plan policies for affordable housing and for negotiation in accordance with Circular 6/98 and PPG3.

## 1.4 Definitions

1.4.1 DCA work to a definition of housing requirements that encompasses demand, need and preferences. Households that can enter the general market without intervention of any sort can be defined as demand, whereas those households unable to enter the general market without some form of intervention can be defined as having a housing need. Our methodology enables us to identify this distinction by asking for both a household's characteristics in terms of size, current property condition and income and a household's views on suitability of current housing and preferences for moving or modification.

1.4.2 Affordability in our view is defined by the relationship between local incomes and the local general housing market. Our definition of affordable housing is as follows:-

*Affordable housing is that provided with subsidy, both for rent and low cost market housing, for people who are unable to resolve their housing requirements, in the general housing market because of the relationship between local housing costs and incomes.*

1.4.3 The types of affordable housing which comply with our definition are as follows:-

- *Units for rent, the major requirement;*
- *shared ownership with grant;*

- *shared equity where land value is retained to provide housing for sale at below market levels and where control of the 'equity discount' can be retained as long as they are needed;*
- *discounted market rented housing.*

1.4.4 The issue of affordability is central to our approach. Within the project, we capture a range of data on actual incomes and costs of housing and the likely level of incomes and the accessible costs of housing for moving or newly forming households. We also examine secondary data on incomes, house prices and rent levels. Thus a reliable indicator of affordability is derived that leads towards the identification of real options for meeting housing need.

## 1.5 Methodology

1.5.1 The study consisted of the following elements:-

i. analysis of the existing base of primary data gathered in 2001 which gathered information on housing needs to 2006 and is still currently valid;

ii. A housing market survey utilising the Land Registry and Halifax databases and a telephone survey of estate agents on the cost of access level property and on the supply and cost of private rented housing;

iii. Secondary data analysis drawing upon HIP and Housing Register data on the flow of social stock and need, 2001 Census, household and population projections and other national research.

1.5.2 As a database therefore the achieved sample of 1,712 is robust and more than the 1,250 minimum recommended in the ODPM guidance.

# 2 THE THREE RIVERS HOUSING MARKET

## 2.1 Introduction

2.1.1 This section of the report provides an update on house prices in the District. It has been conducted on the same structure as that in the 2001 Housing Needs Survey, comparisons in prices over the period and the available data on income change have also been analysed.

2.1.2 Three data searches were commissioned to provide information on house price and sales volumes across the Three Rivers District:-

- from the Halifax, as the largest mortgage lender, analysing lending in the Region;
- from the Land Registry, providing data on all sales in the area for the past year;
- Estate Agency survey to assess access prices for new households in each sub-area.

2.1.3 The records include house price information by categories of dwellings, also included in the analysis is information about the volumes of sales of each type of dwelling.

2.1.4 This information sets the context for the key issue of the affordability of housing in the area, and in particular we can relate the analysis to the problems of low income evaluated through the household postal survey.

## 2.2 National Picture

2.2.1 House price inflation in the second quarter of 2003 accelerated in most regions with an overall increase of 3.3%, above the 2.8% gain in the first quarter of 2003. However, this still remains well below the peak record in 1988 (34%). The overall sound UK economic background and the lowest mortgage rates since the 1950s have boosted housing demand in recent months and this trend should continue throughout the rest of the year.

2.2.2 UK house price inflation for the year ending 30th June 2003 was recorded by Halifax Index at 21.9% and Land Registry at 12.5%.

## 2.3 Regional Picture

2.3.1 The annual rate of house price inflation recorded in the Halifax Index for the South East Region at 30th June 2003 was 14.7%, below the UK average of 21.9%.

2.3.2 House prices in the South East Region show a decrease of 1.0% during the second quarter of 2003.

2.3.3 House prices in Hertfordshire rose over the last year by 15.7% as calculated by Land Registry.

## 2.4 The Housing Market

2.4.1 The Regional Market is shown in Table 2-1 below, which details the prices paid for the main categories of house types for the whole of the South East with comparisons against a different source of house price index data.

***Table 2-1 Average Region & County House Prices - All Buyers 2003***

| Property Type | South East | | Hertfordshire | |
|---|---|---|---|---|
| | Land Registry Average Price | Halifax Average Price | Land Registry Average Price | Land Registry % of sales |
| Terraced | 151,935 | 164,607 | 182,668 | 35.2 |
| Semi-detached | 185,835 | 199,499 | 232,904 | 22.7 |
| Detached | 320,232 | 357,212 | 410,355 | 18.4 |
| Bungalows | * | 224,426 | * | * |
| Flats & maisonettes | 128,100 | 130,260 | 139,262 | 23.7 |
| **All properties** | **194,798** | **212,605** | **225,595** | **100.0** |

*Source: Halifax House Price Index, 2nd Quarter 2003.*
*Land Registry Residential Property Price Report, 2nd Quarter 2003.*
** Land Registry figures do not identify bungalows separately.*

2.4.2 The Halifax data is based on actual sales of mortgaged properties and the information is a real indication of actual prices prevailing in the purchases being made in the South East. The Land Registry data incorporates all sales transactions in the Region and more specifically in the Three Rivers District.

2.4.3 Prices vary between the different data sources and we would expect the Land Registry figures to be lower in all cases given that these figures include non-mortgaged sales.

2.4.4 The table below examines average house prices for the District recorded by the Land Registry against house prices and also the volume of sales for Three Rivers in 2003 and 2001.

***Table 2-2 Average House Prices and Sales for the District - All Buyers 2003***

| Property Type | Three Rivers District | | | |
|---|---|---|---|---|
| | 2003 | | 2001 | |
| | Land Registry Average Price | Land Registry % of sales by District | Land Registry Average Price | Increase 2001 – 2003 % |
| Terraced | 194,248 | 30.8 | 144,371 | 34.5 |
| Semi-detached | 236,071 | 26.2 | 173,806 | 35.8 |
| Detached | 470,284 | 18.8 | 341,863 | 37.6 |
| Flats & maisonettes | 150,602 | 24.2 | 138,477 | 8.8 |
| **All properties** | **246,357** | **100.0** | **196,472** | **25.4** |

*Source: Land Registry Residential Property Price Report, 2nd Quarter 2003 / 2nd Quarter 2001.*

2.4.5 Whilst the overall house price increase in the District is 25.4% over the last two years, the price of terraces houses and flats – the access level stock, have increased by 34.5% and 8.8% respectively. Prices of flats have decreased by 1.5%, whereas terraced houses prices have increased by 16.0% in the last year to June 2003.

2.4.6 The largest volume of sales in the Three Rivers District were for terraced houses (30.8%) selling at an average price of £194,248. Semi-detached houses average £236,071 and are 26.2% of sales. Flats / maisonettes average £150,602and are 24.2% of sales. Detached houses sell at an average price of £470,284 and account for 18.8% of sales. Due to the average price and volume of sales of flats / maisonettes, we assess them to be the main access property for first time buyers.

2.4.7 The sales levels of terraced and flat / maisonette properties in 2003, 30.8% and 24.2% respectively are similar to 2001 levels (24.2% and 22.4% respectively). Sales levels of detached houses and semi-detached houses in 2003 are also similar to the 2001 sales levels.

## 2.5 Postcode Level Data

2.5.1 In order to further analyse house prices in the area we have divided the District into postcode areas and these are listed below:-

***Table 2-3 Sub-area Breakdown***

| Postcode | Sub-Areas |
|---|---|
| **WD3 1** | **Rickmansworth** |
| **WD3 3** | **Croxley Green** |
| **WD3 5** | **Chorleywood** |
| **WD3 6** | **Sarratt Parish** |
| **WD5 0** | **Abbots Langley** |
| **WD19 4**<br>**WD19 5**<br>**WD19 6**<br>**WD19 7** | **Watford Rural Parish** |

## 2.6 Average House Prices / Sales Levels by Postcode Area

2.6.1 The table below examines average house prices for the Postcode areas recorded by the Land Registry.

***Table 2-4 Average House Prices and Sales - All Buyers 2003***

| Property Type | Rickmansworth | | Croxley Green | | Abbots Langley | | Chorleywood | |
|---|---|---|---|---|---|---|---|---|
| | Average Price | % of sales | Average Price | % of sales | Average Price | % of sales | Average Price | % of sales |
| Terraced | 243,666 | 27.3 | 240,670 | 22.7 | 183,038 | 30.1 | 278,333 | 10.0 |
| Semi-detached | --nd-- | 0.0 | 244,677 | 54.5 | 232,029 | 16.4 | 327,888 | 30.0 |
| Detached | --nd-- | 0.0 | 351,862 | 9.2 | 314,158 | 8.3 | 434,150 | 43.3 |
| Flats & maisonettes | 169,056 | 72.7 | 155,166 | 13.6 | 153,204 | 45.2 | 176,100 | 16.7 |
| **All properties** | **189,404** | **100.0** | **241,304** | **100.0** | **188,381** | **100.0** | **343,681** | **100.0** |

| Property Type | Watford Rural Parish | | Sarratt Parish | |
|---|---|---|---|---|
| | Average Price | % of sales | Average Price | % of sales |
| Terraced | 182,148 | 43.9 | --nd-- | 0.0 |
| Semi-detached | 214,331 | 21.9 | --nd-- | 0.0 |
| Detached | 308,125 | 9.8 | 348,666 | 100.0 |
| Flats & maisonettes | 114,555 | 24.4 | --nd-- | 0.0 |
| **All properties** | **178,607** | **100.0** | **348,666** | **100.0** |

*Source: Land Registry Residential Property Price Report, 2nd Quarter 2003.*
*nd: no data available.*

2.6.2 The postcode data shows a much more detailed range of house prices and variations in sales volumes than the District-wide data but it should be borne in mind that some areas and figures relate to low samples.

## 2.7 Access Sales Levels in the District

2.7.1 Access 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 dwellings.

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 access 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%. We have therefore made the only comparison available from Land Registry data which is at District wide level. In Three Rivers the lowest quartile price is £157,950 as found by Land Registry at the 30th June, lower than the average property price of £246,357 as shown in Table 2-2 for the same period.

2.7.4 DCA have therefore undertaken a survey of the local estate agents to ascertain the cost of the cheapest units available both for private rent and for sale in each of the 8 sub-areas. Due to the lack of supply available in the current housing market, some samples are small, particularly in the Watford Rural Parish.

***Table 2-5 Access Sales Levels in the District- November 2003.***

| Property Type | Rickmans worth | Croxley Green | Abbots Langley | Chorleywood |
|---|---|---|---|---|
| 1-Bed Flat | 138,400 | 162,725 | 116,250 | 138,750 |
| 2-Bed Flat | 166,975 | 169,450 | 144,950 | 143,500 |
| 2-Bed Terraced | 187,375 | 215,650 | 181,475 | 189,975 |
| 3-Bed Terraced | 234,325 | 224,825 | 222,725 | 194,975 |

| Property Type | Watford Rural Parish | Sarratt Parish | District-wide |
|---|---|---|---|
| 1-Bed Flat | 131,625 | --nd-- | 137,550 |
| 2-Bed Flat | 124,975 | --nd-- | 149,970 |
| 2-Bed Terraced | 170,950 | 294,975 | 206,733 |
| 3-Bed Terraced | 173,300 | --nd-- | 210,030 |

*Source: DCA House Price Survey November 2003*
*--nd--: no data available*

2.7.5 Although the average price of flats / maisonettes according to the Land Registry survey is £150,602, access sales levels vary across the Three Rivers District with the lowest access prices, for a 1-bed property, starting at around £116,250 in Abbots Langley, rising to £162,725 in Croxley Green as can be seen in Table 2-5 above. 2-bed flats can be accessed at £124,975 in Watford Rural Parish, £144,950 in Abbots Langley, rising to £169,450 in Croxley Green.

2.7.6 Terraced properties can be accessed at £170,950 for a 2-bed property in Watford Rural Parish, rising to £294,975 in Sarratt Parish. 3-bed terraces start at £173,300 in Watford Rural Parish, £224,825 in Croxley Green and £234,325 in Rickmansworth.

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## 2.8 The Private Rented Sector

2.8.1 We offer below a few comments on the private rented sector but must stress that the evidence available is largely empirical. We approached some of the main private renting agencies operating in the District. From the estate agency sources approached, we set out below the prevailing private sector rent levels.

2.8.2 There was a limited amount of rental information available from estate agencies within the Three Rivers District and therefore the prices in Table 2-6 should be treated with caution.

***Table 2-6 Average and Access Rent Levels in the District (£/month) - November 2003***

| Property Type | Rickmansworth | | Croxley Green | | Abbots Langley | | Chorleywood | | Watford Rural Parish | | Sarratt Parish | | District-wide | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Average | **Access** | Average | **Access** | Average | **Access** | Average | **Access** | Average | **Access** | Average | **Access** | Average | **Access** |
| 1-Bed Flat | 704 | **600** | 630 | **575** | 621 | **525** | 678 | **600** | 606 | **550** | 650 | **550** | 648 | **570** |
| 2-Bed Flat | 789 | **600** | 794 | **695** | 736 | **600** | 819 | **670** | 706 | **650** | 675 | **650** | 769 | **650** |
| 2-Bed Terraced | 812 | **650** | 775 | **700** | 789 | **695** | 875 | **750** | 700 | **650** | 831 | **750** | 790 | **700** |
| 3-Bed Terraced | 1,039 | **800** | 1,019 | **850** | 1,067 | **900** | 1,124 | **895** | 831 | **775** | 925 | **850** | 1,016 | **850** |
| 2-Bed Semi-det | 840 | **650** | 775 | **700** | 815 | **695** | 875 | **750** | 775 | **725** | 850 | **750** | 816 | **700** |
| 3-Bed Semi-det | 1,160 | **800** | 1,133 | **850** | 1,067 | **900** | 1,169 | **950** | 825 | **750** | 983 | **850** | 1,071 | **800** |

*Source: DCA House Price Survey November 2003*

2.8.3 Access rental costs in the private rented sector vary significantly by location within the District. The private rented sector can be accessed at £525 a month in Abbots Langley, £550 in Watford Rural Parish and Sarratt Parish and £600 in Rickmansworth and Chorleywood for a one bedroom flat, the smallest unit. For a 2-bed flat, rents range from £600 per month in Rickmansworth and Abbots Langley, to £695 in Croxley Green.

2.8.4 In the case of 2-bed terraced houses, we found that the access rent levels were £650 p.m. in Rickmansworth and Watford Rural Parish, £700 in Croxley Green and £750 in Chorley Wood and Sarratt Parish. 3-bed terraced houses can be accessed at £775 pm in Watford Rural Parish, rising to £900 in Abbots Langley.

2.8.5 Semi-detached properties can be rented from £650 (for a 2-bed property) to a maximum of £950 (for a 3-bed property).

2.8.6 There is evidence to suggest that landlords would not accommodate Housing Benefit / Income Support cases, however the decision does rest with the individual landlord concerned.

2.8.7 A range of property types are available in the sector as a whole and are found in a variety of locations within Three Rivers. It would appear that the difference in rent level between furnished and unfurnished property is marginal with respondents indicating they do charge only slightly more for furnished accommodation. They indicated that the difference in cost was marginal, although many agencies do not deal with furnished property due to the fire regulations involved.

## 2.9 Summary

2.9.1 The annual rate of house price inflation recorded in the Halifax Index for the South East Region at 30th June 2003 was 14.7%, below the UK average of 21.9%.

2.9.2 The Land Registry average price for all dwellings in the Three Rivers District during the year was £246,357.

2.9.3 The largest volume of sales in the Three Rivers District were for terraced houses (30.8%) selling at an average price of £194,248. Semi-detached houses average £236,071 and are 26.2% of sales. Flats / maisonettes average £150,602and are 24.2% of sales. Detached houses sell at an average price of £470,284 and account for 18.8% of sales. Due to the average price and volume of sales of flats / maisonettes, we assess them to be the main access property for first time buyers.

2.9.4 The increase in the price of terraced houses (34.5%) and flats / maisonettes (8.8%) is in excess of wage inflation in the two year period. Incomes in Three Rivers are assessed independently to have increased by 10% for the year, to April 2002 and it is reasonable to conclude that there was a similar increase in 2002 / 2003.

2.9.5 House prices have risen significantly by between 37.6% for detached properties to 8.8% for flats / maisonettes in the last two years since 2001. An income of around £25,200 is needed to buy a one bedroom flat in Abbots Langley and a two bedroom flat in Abbots Langley and Rickmansworth would require an income of £28,800. These are the cheapest locations in the District and higher incomes are required in the more rural areas.

2.9.6 Similar cost variation applies in the private rented sector across the Three Rivers District. Based on rent at 25% of gross income a one bed flat in Abbots Langley requires £25,200 per annum and £28,800 in Rickmansworth. A 2-bed flat requires an income of £28,800 in Rickmansworth and Abbots Langley and up to £33,400 in Croxley Green. To rent a 2-bed terraced house would require an annual income of £31,200 in Rickmansworth and Watford Rural Parish.

2.9.7 Mortgage interest rates are at their lowest level for over 40 years and people who cannot enter the market under these circumstances may never be able to do so, short of some collapse in the market or a significant change in their income level. Further house price increases above wage inflation in 2003 would make access to market housing more difficult to achieve and would impact on households with marginal incomes significantly.

2.9.8 Access to market housing has therefore become more difficult for new households than it was in 2001, increasing the need for subsidised housing especially in the much higher priced rural areas.

# 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 and the change in incomes from the previous survey in 2001 utilising national secondary data.

## 3.2 Purchase Income Thresholds

***Table 3-1 Average Income Requirements 2001 – 2003 (£)***

| Property Type | 2001 (£) | 2003 (£) | Increase % |
|---|---|---|---|
| Terraced | £45,700 | £61,500 | 34.6 |
| Flats | £43,900 | £47,700 | 8.7 |

*2001 prices relate to Land Registry Residential Price Report 2nd Quarter 2001*
*2003 prices relate to Land Registry Residential Price Report, 2nd Quarter 2003*

3.2.1 Property prices have risen by 8.8% for flats and 34.5% for terraced properties over the last two years. This is reflected in the incomes needed to purchase as shown in Table 3-1 above, with the incomes needed to access flats having increased by 8.7% and the income needed to access terraced properties having increased by 34.6%.

3.2.2 The cheapest access prices of the smallest units were assessed to enable threshold income levels to be calculated for newly forming households. These are based on 95% mortgage availability and a 3x gross income lending ratio.

3.2.3 Table 3-2 below outlines the income ranges needed to enter the market in the main settlements in Three Rivers.

***Table 3-2 Purchase Income Thresholds***

| Area | Income Thresholds (£) | | |
|---|---|---|---|
| | 1 bed Flat | 2 bed Flat | 2 bed Terrace |
| Rickmansworth | 43,800 | 52,900 | 59,300 |
| Croxley Green | 51,500 | 53,700 | 68,300 |
| Abbots Langley | 36,800 | 45,900 | 57,500 |
| Chorleywood | 43,900 | 45,400 | 60,200 |
| Watford Rural Parish | 41,700* | 39,600* | 54,100 |
| Sarratt Parish | --nd-- | --nd-- | 93,400 |

** Is taken from a small sample and therefore should not be used as an average*

3.2.4 The increase in average prices has a direct and significant impact on the income requirement to access owner occupation and the change from March 2001 to September 2003 is shown below in Table 3-1.

3.2.5 Table 3-1 above shows that the District-wide level average incomes required to purchase at average prices have increased significantly since 2001. The income needed to buy an average terraced property has increased to £45,700 (30.2%), and flats / maisonettes require an income of £56,700 compared to £43,900 in 2001, for an increase of 29.2%.

## 3.3 Rental Income Thresholds

3.3.1 We assessed the cheapest rental prices of the smallest units in order to calculate the rental income threshold levels. These are based on rent at 25% of gross income. Table 3-3 below shows the income levels needed to access the private rented market in the Three Rivers District.

***Table 3-3 Rental Income Thresholds***

| Area | Income Thresholds (£) | | |
|---|---|---|---|
| | 1 bed Flat | 2 bed Flat | 2 bed Terrace |
| Rickmansworth | 28,800 | 28,800 | 31,200 |
| Croxley Green | 27,600 | 33,400 | 33,600 |
| Abbots Langley | 25,200 | 28,800 | 33,400 |
| Chorleywood | 28,800 | 32,200 | 36,000 |
| Watford Rural Parish | 26,400 | 31,200 | 31,200 |
| Sarratt Parish | 26,400 | 31,200 | 36,000 |

3.3.2 The income thresholds for each property type are in a relatively narrow band across the District. However, even for a 1-bed flat, incomes generally required are in excess of national average income, reflecting the very high housing costs in Three Rivers.

3.3.3 There is no comparable data for 2001 for which to compare the rental income requirements in the District.

## 3.4 Secondary Research

3.4.1 The Joseph Rowntree Foundation published the results of a study undertaken across the Country examining the ability of working households, both existing and new forming, to become homeowners. The study entitled '*Can Work – Can't Buy'* conducted by Professor Steve Wilcox uses the Halifax database for House Prices of the lowest quartile prices for 4/5 room dwellings and calculates affordability ratios based on working household incomes from the New Earnings Survey.

3.4.2 Table 3-4 highlights the data and house price to income ratio for Three Rivers and the Eastern Region.

***Table 3-4 Purchase Income Thresholds***

| Area | Working Households | | |
|---|---|---|---|
| | 2002 Prices £ | Income £ | Ratio |
| Three Rivers | 205,715 | 38,861 | 5.29 |
| Eastern Region | 125,154 | 33,819 | 3.70 |

*Source : Joseph Rowntree Foundation 2002*

3.4.3 Additionally the house price to income ratios across 10 Hertfordshire authorities range from 3.58 to 5.29. Three Rivers has the highest ratio at **5.29**, significantly higher than mortgage income multipliers.

## 3.5 New Earnings Survey

3.5.1 Income data is always difficult to gather at local level. Most data is regionally based and we have used the Labour Market New Earning Survey 2002 prepared by the Office for National Statistics. This provides data at County and District level and shows an increase of 10% in Three Rivers since mid-2001, which was the timing of our last survey. However the increase in for Hertfordshire was lower at 4.7%.

3.5.2 The data for 2003 is not yet available and we have therefore applied level of inflation of incomes over the period 2001 to 2002 for Three Rivers District also to the year from 2002 to 2003. This implies therefore an increase of 20% in income levels since the timing of our previous survey. This is higher than levels we are seeing elsewhere and it could be that the 2001 / 2002 rise has not been replicated last year.

3.5.3 The New Earnings Survey 2002 shows an average income of £29,240 for Three Rivers, a 10% increase on the 2001 figure of £26,634. The New Earnings Survey 2002 average income of £29,240 for Three Rivers ranks highest of all Hertfordshire authorities. The figures for Three Rivers contain the lowest levels of overtime pay of 7 authorities in Hertfordshire at 13.0% of earnings and not all of which would be taken into account by a mortgage lender.

3.5.4 It is particularly important to examine the distribution of income rather than the average figure especially in relation to the proportions of households with the capacity to access the private sector market for rent or sale.

3.5.5 There is a wide distribution of earnings as detailed in Table 3-5 below:-

***Table 3-5 Distribution of Earnings***

| Income (per week / per annum) | % | Cum % |
|---|---|---|
| Up to £271.2 / £14,100 | 10.0 | 10.0 |
| £271.2 to £350 / £14,100 to £18,200 | 26.1 | 36.1 |
| £351 to £460 / £18,201 to £23,920 | 9.7 | 45.8 |
| £461 to £908.3 / £18,201 to £47,232 | 44.2 | 90.0 |
| More than £908.3 / £47,232 | 10.0 | 100.0 |

*Source: New Earnings Survey 2002*

3.5.6 Analysis shows that:

- the bottom 10% earn below £14,100
- 36.1% earn under £18,200
- 45.8% earn under £23,920
- 90% earn under £47,232
- the top 10% earn over £47,232

3.5.7 The New Earnings Survey data on the spread of incomes, important in any District with diverse house prices and markets, shows that for Three Rivers, at April 2002, 45.8% of households earned less than £23,920, 36.1% less than £18,200 and 10.0% below £14,100 per annum.

3.5.8 It is not possible to get further income breakdown within the District from the New Earnings Survey and the significant difference in house prices even within Three Rivers as seen in Section 2 require different income levels to enable market access.

3.5.9 The increases in house prices over the last two to three years have excluded a large proportion of 'first-time buyers' from the owner occupied market. We believe therefore that the proportion of affordable housing provided on new sites should encompass more subsidised low cost market housing than would have been the case two years ago when it was a more marginal element of affordable need.

3.5.10 This assessment utilises all of the data from the 2001 survey of 1,712 households which incorporated income data from 1,252 households. This compares with a sample of 106 in the New Earnings Survey for Three Rivers and 1,959 for the County of Hertfordshire.

3.5.11 Access to the market has been based in the updated house price information detailed in Section 2. We have also undertaken an update analysis of the income levels of local households to be able to assess the proportion of people now able access market housing.

3.5.12 As the incomes between 2001 and 2002 in Three Rivers increased by 10%, as highlighted by the New Earnings Survey, we have applied the increase of 20% to both existing and concealed household incomes to cover the period March 2001 to September 2003 in order to determine the proportion of people now able to access market housing.

3.5.13 The model utilises all of the data from the 2001 survey of 1,712 households. Table 3-6 and Table 3-7 highlight the revised incomes of existing and concealed households taken from the 2001 survey, with the increase of 20% applied to these incomes in order to determine the proportion of people now able to access market housing.

***Table 3-6 Incomes of Existing Households 2001 & 2003***

| Annual Income 2001 | Annual Income 2003 | % |
|---|---|---|
| Below £10,000 | Below £12,000 | 18.2 |
| £10,000 - £20,000 | £12,001 - £24,000 | 18.6 |
| £20,001 - £30,000 | £24,001 - £36,000 | 16.5 |
| £30,001 - £40,000 | £36,001 - £48,000 | 12.3 |
| £40,001 - £50,000 | £48,001 - £60,000 | 9.3 |
| £50,001 - £60,000 | £60,001 - £72,000 | 8.8 |
| £60,001 - £75,000 | £72,001 - £90,000 | 6.0 |
| £75,001 - £100,000 | £90,001 - £120,000 | 5.3 |
| Above £100,000 | Above £120,000 | 5.0 |
| **Total** | | **100.0** |

*N.B Incomes for 2003 have been updated by 20% inflation over 2.5 years*

***Table 3-7 Incomes of Concealed Households 2001 & 2003***

| Annual Income 2001 | Annual Income 2003 | % |
|---|---|---|
| Below £10,000 | Below £12,000 | 34.0 |
| £10,001 - £20,000 | £12,001 - £24,000 | 38.2 |
| £20,001 - £30,000 | £24,001 - £36,000 | 16.4 |
| £30,001 - £35,000 | £36,001 - £42,000 | 6.8 |
| £35,001 - £40,000 | £42,001 - £48,000 | 4.3 |
| £40,001 - £45,000 | £48,001 - £54,000 | 0.3 |
| **Total** | | **100.0** |

*N.B Incomes for 2003 have been updated by 20% inflation over 2.5 years*

3.5.14 Table 3-8 below outlines the incomes needed by concealed households to access the market through owner occupation, and the percentage of concealed households within Three Rivers that are able to purchase.

***Table 3-8 Concealed Households – Incomes Needed to Access the Market Through Owner Occupation and % Unable to Access***

| | (£) income needed | % of concealed households unable to purchase |
|---|---|---|
| Flats | 36,800 / 53,700 | 88.7 – 100.0 |
| Terraces | 54,100 / 93,400 | 100.0 |

3.5.15 Using the income requirements outlined in Table 3-1 and Table 3-8 above shows that 88.7% of concealed households cannot access a 1-bed flat in Abbots Langley and all concealed households cannot access a 2-bed flat in Croxley Green. Ability to purchase more expensive terraced houses is not possible for all concealed households.

3.5.16 Table 3-9 below outlines the incomes needed by concealed households to access the market through private rented accommodation.

***Table 3-9 Concealed Households – Incomes Needed to Access the Private Rented Market and % Unable to Access***

| | (£) income needed | % of concealed households unable to rent |
|---|---|---|
| Flats | 25,200 – 33,400 | 73.8 – 80.4 |
| Terraces | 31,200 – 36,000 | 82.0 – 88.6 |

3.5.17 Using the income requirements outlined in Table 3-3 and Table 3-9 above shows that 73.8% of concealed households cannot rent a 1-bed flat in Abbots Langley and 80.4% cannot rent a 2-bed flat in Croxley Green. Ability to rent terraced houses is more limited. In Rickmansworth and Watford Rural Parish 82.0% cannot afford to rent, rising up to 88.6% in Chorleywood and Sarratt Parish.

## 3.6 Summary

3.6.1 An income of around £36,800 is needed to buy a one bedroom flat in Abbots Langley, rising to £43,800 in Rickmansworth. A two bedroom flat requires an income of £39,600 in Watford Rural Parish, rising to £53,700 in Croxley Green. On average the incomes needed to access flats and terraces have increased by 9% and 35% respectively over the last two years.

3.6.2 Similar cost variation applies in the private rented sector across the Three Rivers District. Based on rent at 25% of gross income a one bed flat in Abbots Langley requires £25,200 per annum and £28,800 in Rickmansworth. A 2-bed flat requires an income of £28,800 in Rickmansworth and Abbots Langley and up to £33,400 in Croxley Green. To rent a 2-bed terraced house would require an annual income of £31,200 in Rickmansworth and Watford Rural Parish.

3.6.3 The Labour Market New Earnings Survey 2002 shows an average income of £29,240 for Three Rivers, a 10% increase on the 2001 figure of £26,634. This level has therefore been applied to the period 2002 to 2003, suggesting that there has been an increase of 20% in income levels since the timing of our previous survey.

3.6.4 The New Earnings Survey data on the spread of incomes, important in any District with diverse house prices and markets, shows that for Three Rivers, at April 2002, 46% of households earned less than £23,920, 36% less than £18,200 and 10% below £14,100.

3.6.5 The implication of incomes having risen by 20% since 2001 directly impacts concealed household's ability to access the market through owner occupation. Updating the incomes of concealed households from the 2001 survey; shows that 89% of concealed households cannot access a 1-bed flat in Abbots Langley and all concealed households cannot access a 2-bed flat in Croxley Green. Ability to purchase more expensive terraced houses is not possible for any concealed households.

3.6.6 A similar pattern is found when looking at concealed household's ability to access the market through private rented accommodation. 74% cannot rent a 1-bed flat in Abbots Langley and 80% cannot rent a 2-bed flat in Croxley Green. Ability to rent terraced houses is also limited, 82% of concealed households cannot afford to rent in Rickmansworth and Watford Rural Parish, with this rising to 89% in Chorleywood and Saratt Parish.

# 4 POPULATION GROWTH AND HOUSEHOLD FORMATION PROJECTIONS

## 4.1 Introduction

4.1.1 In this section of the report we provide a short background commentary to the demographic element in housing demand in Three Rivers District. The purpose is two-fold. First, to provide a context in which the results of the postal questionnaire can be interpreted. Secondly, to give a more specific focus on the demand for affordable housing provision and to make projections for five and ten year periods.

4.1.2 Modelling housing needs is a very complex procedure and it is only very recently that attempts have been made to model local housing needs. Most of the established procedures are aimed at the provision of national level estimates of housing need, including:-

- simple estimates such as those provided by the ODPM, which measured the crude dwelling to household surplus (and concluded no additional building was necessary to meet need);
- a second approach by the Audit Commission measured household growth minus expected private sector output;
- Glen Bramley's work focused on local supply and demand to calculate for a particular point in time the proportion of new households unable to buy in the market (minus social sector re-lets);
- Steve Wilcox described a 'Net Stock' approach which calculates net household increase and adds a factor for concealed households before deducting new private sector output to arrive at estimates of need in the social sector.

4.1.3 Kleinman and Whitehead have devised a so-called 'Gross Flows' approach which looks at gross household formation, tenure choice, demand from in-migrants and deducts these from new social output and re-lets to yield a measure of social housing requirements.

4.1.4 How these national models translate to the local level is not at all clear. Kleinman and Whitehead have attempted a 'Gross Flows' analysis for Cambridge but relied entirely on secondary data for their estimates. This is a problem in the model particularly for the incorporation of measures of concealed households and factors relating to affordability are not considered directly but by modelling the tenure propensities of new households.

4.1.5 Our method emphasises the affordability issue and gives much greater weight to the issue of concealment of households than most of the 'national' level studies.

4.1.6 The affordability measure is derived from primary data collected in the household's surveys and from access to the Land Registry database on house prices and the concealment issue is also addressed through the survey findings. We are mindful that because our study is targeted at the District, there are inevitable limitations because local housing markets encompass much wider areas than a single Council area.

## 4.2 Demographic Analysis

4.2.1 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 District particularly the 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.

4.2.2 In local area forecasting new household formation is mainly due to responses to income and employment opportunities. New household formation is also affected by life cycle patterns. This purely demographic influence on the number of households contributes to about 40% of the growth in the number of new households at any one time (Dicks, 1988; Ermisch, 1985).

4.2.3 The general demographic forecasts in the tables in this section have been provided by Hertfordshire County Council and are provisional ONS 1996-based sub-national population projections, which have now been revised in the light of the 2001 Census for the proceeding years (2006-2021). We have therefore included the 2001 Census figures alongside the populations in the tables below

4.2.4 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 disaggregated for 5 year intervals from 2001 - 2021.

## 4.3 Population Projections

4.3.1 The projections in Table 4-1 are based on the predictions made by Hertfordshire County Council (1996-based). These figures are based on the assumptions outlined in paragraphs 4.2.1 to 4.2.4 regarding mortality, fertility and migration etc, and are contained in population projections for the District for the period 2001 - 2021 provided by Hertfordshire County Council.

***Table 4-1 Population Change in Three Rivers District, 2001 - 2021***

| | *2001 Census* | 2006 | 2011 | 2016 | 2021 | Change |
|---|---|---|---|---|---|---|
| Total Population | *82,848* | 83,677 | 83,649 | 84,163 | 85,002 | |
| Change | | + 829 | - 28 | + 486 | + 839 | + 2,154 |
| % Change | | + 1.0 | -0.03 | + 0.6 | + 1.0 | + 2.6 |

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4.3.2 The table shows an increase in the population of the District of 2,154 over the forecast period. Figures fluctuate over the forecast period, with the main increase occurring between 2016 and 2021 (839; 1.0%).

## 4.4 Age Structure Forecast 2001 - 2021

4.4.1 The next stage in the forecast is to disaggregate the population data into age bands because there may be changes in the population structure with significant housing implications. Table 4-2 is based on the net migration model and for this purpose best represents the position.

***Table 4-2 Population Age Band Forecast, Three Rivers District, 2001 - 2021***

| | *2001 Census* | 2006 | 2011 | 2016 | 2021 | Change |
|---|---|---|---|---|---|---|
| 0 - 19 | *20,702* | 19,209 | 18,376 | 17,954 | 17,827 | - 2,875 |
| 20 - 29 | *8,719* | 8,876 | 9,394 | 9,668 | 9,473 | + 754 |
| 30 - 44 | *19,002* | 18,936 | 17,307 | 16,167 | 16,500 | - 2,502 |
| 45 - 64 | *20,742* | 21,792 | 22,807 | 22,988 | 23,018 | + 2,276 |
| 65 + | *13,683* | 14,804 | 15,765 | 17,386 | 18,184 | + 4,501 |
| **Total** | ***82,848*** | ***83,677*** | ***83,649*** | ***84,163*** | ***85,002*** | ***+ 2,154*** |
| % Change | | *- 1.0* | *- 0.03* | *+ 0.6* | *+ 1.0* | *+ 2.6* |

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*Percentage change is measured between year bands, not the base population. This is a better representation of the incremental change.*

4.4.2 As we show above there will be an average rise in the population of the District of approximately 0.13% per annum over the forecast period according to the forecast model. There is projected to be 2,154 more people in the District in 2021 than in 2001.

4.4.3 The 0-19 age range shows a decrease overall (2,875; 13.9%). Numbers fall throughout the forecast period with the largest fall occurring between 2001 and 2006 (1,493; 7.2%).

4.4.4 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 (754; 8.6%). The largest increase is seen between 2006 and 2011 (518; 5.8%), however a fall is seen between 2016 and 2021 (195; 2.0%).

4.4.5 The 30-44 age group, the main economically active group shows a fall overall (2,502; 13.2%). A fall is seen up to 2016 (2,835; 14.9%), with a rise seen for the remaining forecast period (333; 2.1%).

4.4.6 The 45-64 age group shows a significant overall rise in numbers. Over the forecast period there is an increase of 2,276 people (11.0%). Numbers rise throughout the forecast period, with the largest rise occurring between 2001 and 2006 (1,050; 5.1%).

4.4.7 The most significant feature here is the growth of the population in the over 65 age group. An increase of 4,501 individuals is seen over the forecast period, the largest increase is seen between 2011 and 2016 (1,621; 10.3%).

4.4.8 Numbers in the 80+ age group increase by 1,685 (43.6%) up to 2021. The greatest rise proportionately in percentage terms occurring between 2001 and 2006 (24.1%). Given the resource demands often associated with very elderly people, these are significant figures.

***Table 4-3 Numbers of 80+ in Three Rivers District, 2001 - 2021***

| | *2001 Census* | 2006 | 2011 | 2016 | 2021 | Change |
|---|---|---|---|---|---|---|
| 80+ | *3,861* | 4,790 | 4,985 | 5,229 | 5,546 | |
| Change | | + 929 | + 195 | + 244 | + 317 | + 1,685 |
| % Change | | + 24.1 | + 4.1 | + 4.9 | + 6.1 | + 43.6 |

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## 4.5 Forecast Change in Households 2001-2021

4.5.1 Table 4-4 outlines the household formation forecasts for the District in the 20-year period from 2001 to 2021. It is based on the statistics provided by Hertfordshire County Council, and we consider it the best available forecast on currently available data of household change in the District.

***Table 4-4 Forecast Change in Households in Three Rivers District, 2001 - 2021***

| | *2001 Census* | 2006 | 2011 | 2016 | 2021 | Change |
|---|---|---|---|---|---|---|
| Households | *33,439* | 36,000 | 37,000 | 38,000 | 39,000 | |
| Household change | | + 2,561 | + 1,000 | + 1,000 | + 1,000 | + 5,561 |
| % change | | + 7.7 | + 2.8 | + 2.7 | + 2.6 | + 16.6 |
| Average household size | *2.45* | 2.3 | 2.23 | 2.17 | 2.12 | (- 0.33) |

4.5.2 There have been significant changes in household formation over the last decade which result in much higher household numbers compared to population growth and average household size. There is a large increase in single person households through elderly people living longer, separation and divorce and young people forming single person households.

## 4.6 Summary

- The forecasts to 2021 are based on the assumptions outlined in paragraphs 4.2.1 to 4.2.4 regarding mortality, fertility and migration etc, and are contained in population projections for the District for the period 2001 - 2021 provided by Hertfordshire County Council.

- The population is projected to increase by 2,154 people, 2.6% over the 20 years to 2021.

- The 0-19 age range shows a decline overall (2,875; 13.9%). Numbers fall throughout the forecast period with the largest fall occurring between 2001 and 2006 (1,493; 7.2%).

- Numbers in the 20-29 age group are projected to increase overall (754; 8.6%). As this age range comprises new households forming this will have implications for future affordable housing need both in the short and longer term.

- The 30-44 age group, the main economically active group, decreases in numbers, with 2,502 less individuals. The largest fall projected to occur between 2006 and 2011 (1,629; 8.6%).

- The 45-64 age group shows an overall rise in numbers. Over the forecast period there is an increase of 2,276 people (11.0%). Numbers rise throughout the forecast period with the largest rise occurring between 2001 and 2006 (1,050; 5.1%).

- The most significant feature here is the growth of the population in the over 65 age group, 4,501 individuals over the forecast period. The largest increase is projected to occur between 2011 and 2016 (1,621; 10.3%).

- The "older" retirement group, those 80 and over grows by 43.6%, 1,685 more people by 2021. This group represents 5,546 people in the area by 2021 who are much more likely to have care and support needs which should now be assessed in detail.

# 5 HOUSING NEEDS ASSESSMENT MODEL

## 5.1 Affordable Housing Needs Requirement

5.1.1 In this section, we calculate the overall affordable housing needs requirement on an annual basis. The need requirement calculation is structured from the survey data to take account of the key demand sources, households requiring subsidised housing, homeless households not assessed in the survey, households living in unsuitable housing whose needs can only be resolved in a different dwelling and concealed household formation emanating from demographic change.

5.1.2 Each category has been adjusted to ensure that proper account is taken of households who can access the owner occupied market without assistance (income >£39,600 / £53,700) and to eliminate any double counting between categories. The Private Rent Sector costs significantly exceed those in social rent. These are estimated at an access cost of £200 / £450 per month for the vast majority of households in this sector, requiring an annual income of at least £18,000 per annum for a one bed flat to £33,400 for two bed terraced property.

5.1.3 The model has been prepared in accordance with the ODPM Good Practice Guidance.

| | **The Backlog of existing housing need is as follows:-** | |
|---|---|---|
| 1. | Households living in unsuitable housing in Three Rivers who are planning to move in the next three years. | HNS 4.2.1 |
| 2. | Council / RSL tenant households living in unsuitable housing are excluded because a move would release a unit of affordable housing and it is therefore assumed that there would be no overall net effect. | HNS |
| 3. | Households in unsuitable housing who can have their need resolved in situ, including private tenants. | HNS |
| 4. | Proportion of existing households unable to buy or rent (HNS income data) i.e. income <£18,000 - £33,400 depending on location and need to move. | HNS 2003 update |
| 5. | Priority homeless in temporary accommodation. | TRDC |
| **6.** | **Total Backlog need.** | |
| 7. | Quota to progressively eliminate backlog over a 5-year period (20%) as recommended in ODPM guidance. | ODPM Guidance |
| **8.** | **Total net annual need.** | |

| | **Newly Arising Need is as follows:-** | |
|---|---|---|
| 9. | Concealed households identified in the survey, forming in the next year. | HNS |
| 10. | Percentage of households forming with a partner living elsewhere in the District | HNS |
| 11. | Percentage of households registered on Waiting List | HNS |
| 12. | Proportion unable to buy (i.e. income < £39,600 / £53,700) | HNS 2003 update |
| 13. | Ex-institutional population moving into community p.a. | TRDC |
| 14. | Housing Register new applications 2002-2003 less cancellations from the register. | TRDC |
| 15. | In-migrant households over the last year who live in social housing. | HNS |
| **16.** | **Total newly arising need.** | |

| | **Supply of Affordable Units is as follows:-** | |
|---|---|---|
| 17. | Existing social stock re-lets from RSL's and the local authority net of transfers. | TRDC |
| 18. | Increased vacancies and units taken out of management (demolition and Right To Buy). | TRDC |
| 19. | Future new supply each year based on average level over next three years. | TRDC |
| 20. | Total affordable supply per annum. | |
| 21. | Total affordable need per annum. | |
| **22.** | **Overall annual shortfall.** | |

## 5.2 Affordable Housing Needs Assessment Model

| | | 2003 | 2001 |
|---|---|---|---|
| 1. Households in unsuitable housing | | 1,546 | 1,546 |
| 2. MINUS – RSL Council tenants | 239 | | |
| 3. Cases where in-situ solution most appropriate | 792 | | |
| | 1,031 | 1,031 | 1,031 |
| | | 515 | 515 |
| 4. TIMES - Proportion unable to afford to buy or rent | (46%) | 237 | 273 |
| 5. PLUS - Backlog (non-households) | | 93 | 107 |
| **6. TOTAL BACKLOG NEED** | | **330** | **380** |
| 7. TIMES - Quota to progressively reduce backlog | (20%) | | |
| **8. ANNUAL NEED TO REDUCE BACKLOG** | | **66** | **76** |
| | | | |
| **Newly Arising Need:** | | | |
| 9. New household formation (gross p.a.) | 346 | | |
| 10. MINUS - Two person formation (32%) x 0.5 | 55 | | |
| | 291 | | |
| 11. MINUS - Households registered on waiting list (24%) | 70 | | |
| | 221 | | |
| 12. TIMES - Proportion unable to buy in market | (93%) | 206 | 197 |
| 13. PLUS - Ex-institutional population moving into community (no data available) | | 0 | 2 |
| 14. Existing households falling into priority need | | 518 | 37 |
| 15. In-migrant households unable to afford market housing | | 12 | 82 |
| **16. TOTAL NEWLY ARISING NEED** | | **736** | **318** |
| | | | |
| **Supply of Affordable Units:** | | | |
| 17. Supply of social re-lets p.a. | | 198 | 208 |
| 18. MINUS - Increased vacancies (if applicable) and units taken out of management. Right To Buy | (83 x 4.0%) | 3 | 3 |
| | | 195 | 205 |
| 19. PLUS – Committed units of new affordable supply | | 39 | 44 |
| **20. AFFORDABLE SUPPLY** | | **234** | **249** |
| Annual need to reduce backlog | 66 | | |
| Newly arising need | 736 | | |
| **21. TOTAL AFFORDABLE NEED** | **802** | **802** | **394** |
| MINUS - Affordable supply | | 234 | 249 |
| **22. OVERALL ANNUAL SHORTFALL** | | **568** | **145** |

** Elimination over a five year period is recommended in the Guidance for model purposes but the Council can make a Policy decision to do so over a longer period.*

## 5.3 Model Structure

5.3.1 We have refined a model from that used in the previous survey which attempted to annualise meeting the waiting list need over the next five years. The model we now utilise is the basic assessment model in Guidance although there are still a number of different ways of calculating backlog and newly emerging need. The Model used in this report shows a slightly reduced level of outstanding need after accounting for stock re-lets, but still significantly in excess of new programme delivery.

5.3.2 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 to 2011. The primary data gathering will of course be undertaken again twice by 2011, but unless there are major changes, up or down, in house prices and incomes it is unlikely that there will be much variation in the overall situation.

5.3.3 The data from HIP returns for the three years to 31/3/2003 shows the following trends:-

***Table 5-1 2001 to 2003 Affordable Supply***

| Supply | 2001 | 2002 | 2003 | Average |
|---|---|---|---|---|
| Council Re-lets | 124 | 140 | 189 | 151 |
| RSL Re-lets | 26 | 43 | 71 | 47 |
| Total | 150 | 183 | 260 | 198 |
| New Supply | 24 | 29 | 63 | 39 |
| Total Supply | 174 | 212 | 323 | 237 |
| | | | | |
| Right to Buy | 52 | 68 | 83 | 68 |

5.3.4 We have used a three year average of both re-lets and new supply in the Model. However, the level of new supply is a key factor for an authority with only 14.9% of Council & RSL stock, compared to the average in England of 19.3%. New supply in 2002 / 03 was 63 units, higher than the three year average of 39 units but these have been 29 units less than the level of Right to Buy each year.

5.3.5 Although an average of re-lets and new supply total of 236 units is used in the Model the 2002 / 03 actual total is 323 units, 87 more than the three year average due to increased relet rates in both Council and RSL stock.

## 5.4 Needs Assessment

5.4.1 The total affordable housing need annually is for 802 units. Re-lets of the existing social stock average 237 units, including lettings generated from new units based on the average of recent years.

5.4.2 Even after allowing for this level of supply, there will still be an annual affordable housing shortfall of 568 units a year. It is important however to appreciate that the future programme of new units are an expectation and not yet reality. These units will come from new sites, conversions and market purchase by RSL's to reduce the shortfall figure each year.

5.4.3 This level of demand exceeds the number of units likely to be able to be delivered resulting in growing levels of unmet need each year. The immediate future level of new affordable unit delivery is expected to average 100 units per annum over the next two years. However, even if no reduction in the current backlog of need were to be achieved there would still be an annual requirement for 502 units per year to meet newly emerging need alone in addition to the flow from the existing social housing stock.

5.4.4 Without new delivery the total outstanding need increases to 607 units (568 + 39 allowed for in the model). This is six times the scale of delivery based on the last three years experience. Our significant experience of affordable subsidised housing in mixed developments leads us to recommend that target of new units negotiated should be increased to 40%. This proportion includes both affordable housing for rent and subsidised low cost market housing and targets may range higher or lower than this level on a site by site basis.

5.4.5 Essentially planning should be providing for balanced communities, which acknowledge the need for social compatibility if the problems of housing in the past are not to be repeated. The increases in average house prices of between 29.8% and 30.3% for flats and terraced houses over the last three years have excluded a large proportion of 'first-time buyers' from the owner occupied market. We believe therefore that the proportion of affordable housing provided on new sites should encompass more subsidised low cost market housing than would have been the case three years ago when it was a more marginal element of affordable need, even although there is only a limited expressed need from respondents.

5.4.6 In view of the scale of need and the inability of an adequate number of sites to address it particularly in the period to 2006, subsidised affordable units should be negotiated on all suitable sites. The Council should set a 'target' for each site taking into account existing supply, survey demand and other planning sustainability and economic factors.

5.4.7 In 2001 we assessed there was a need for unsubsidised small units in the general market to 2006 required to meet the needs of households whose incomes were sufficient to enable them to access the market without any subsidy or discount. The changed relationship between incomes and prices will mean that the number who can access housing in the private sector without subsidy will have reduced significantly.

# 6 KEY FINDINGS

## 6.1 The Housing Market, Costs and Incomes

6.1.1 The house price inflation increase for the Three Rivers District over the last two years is 25.4%.

6.1.2 The access level stock, (terraced houses, accounting for the largest volume of sales in Three Rivers) have increased by 34.5% and average terraced houses prices have increased by 16% alone in the last 12 months to June 2003.

6.1.3 In terms of the access level stock, we assess flats to be the main access property for first time buyers, due to the level of sales being a quarter of all sales in the District and the average price at £150,602.

6.1.4 The sales levels of terraced and flat / maisonette properties in 2003, 30.8% and 24.2% respectively are similar to 2001 levels (24.2% and 22.4% respectively).

6.1.5 Increase in the price of terraced houses (34.5%) and flats / maisonettes (8.8%) is in excess of wage inflation in the two year period. Incomes in Three Rivers are assessed independently to have increased by 10% for the year, to April 2002 and it is reasonable to conclude that there was a similar increase in 2002 / 2003, still 15% below the level of terraced house price increase.

6.1.6 Access to market housing has therefore become more difficult for new households than it was in 2001, increasing the need for subsidised housing especially in the much higher priced rural areas.

## 6.2 Population and Household Changes

6.2.1 The most significant feature in terms of Population change is the large growth of the population in the over 65 age group, an increase of 4,501 people over the forecast period. The largest increase is projected to occur between 2011 and 2016 (1,621; 10.3%).

6.2.2 The "older" retirement group, those 80 years and over grows by 43.6%, 1,685 more people by 2021. This group represents 5,546 people in the Three Rivers District by 2021 who are much more likely to have care and support needs which should now be assessed in detail.

6.2.3 Household formation is forecast to rise at over six times the level of population increase and this is due to a large increase in single person households through elderly people living longer, separation and divorce and young people forming single person households.

## 6.3 Affordable Housing Needs Requirement

6.3.1 In 2001 we assessed there was a need for unsubsidised small units in the general market to 2006, required to meet the needs of households whose incomes were sufficient to enable them to access the market without any subsidy or discount. The changed relationship between incomes and prices will mean that the number who can access housing in the private sector without subsidy will have reduced significantly.

6.3.2 The total affordable housing need annually is for 802 units. Re-lets of the existing social stock average 237 units, including lettings generated from new units (based on the average of recent years). Even after allowing for this level of supply, there will still be an annual affordable housing shortfall of 568 units a year. It is important however to appreciate that the future programme of new units are an expectation and not yet reality. These units will come from new sites, conversions and market purchase by RSL's to reduce the shortfall figure each year.

6.3.3 Without new delivery the total outstanding need increases to 607 units (568 + 39 allowed for in the model). This is six times the scale of delivery based on the last three years experience. Our significant experience of affordable subsidised housing in mixed developments leads us to recommend that target of new units negotiated should be increased to 40%. This proportion includes both affordable housing for rent and subsidised low cost market housing and targets may range higher or lower than this level on a site by site basis.

6.3.4 Essentially planning should be providing for balanced communities, which acknowledge the need for social compatibility if the problems of housing in the past are not to be repeated. The increases in average house prices of between 29.8% and 30.3% for flats and terraced houses over the last three years have excluded a large proportion of 'first-time buyers' from the owner occupied market. We believe therefore that the proportion of affordable housing provided on new sites should encompass more subsidised low cost market housing than would have been the case three years ago when it was a more marginal element of affordable need, even although there is only a limited expressed need from respondents.

6.3.5 In view of the scale of need and the inability of an adequate number of sites to address it particularly in the period to 2006, subsidised affordable units should be negotiated on all suitable sites. The Council should set a 'target' for each site taking into account existing supply, survey demand and other planning sustainability and economic factors.