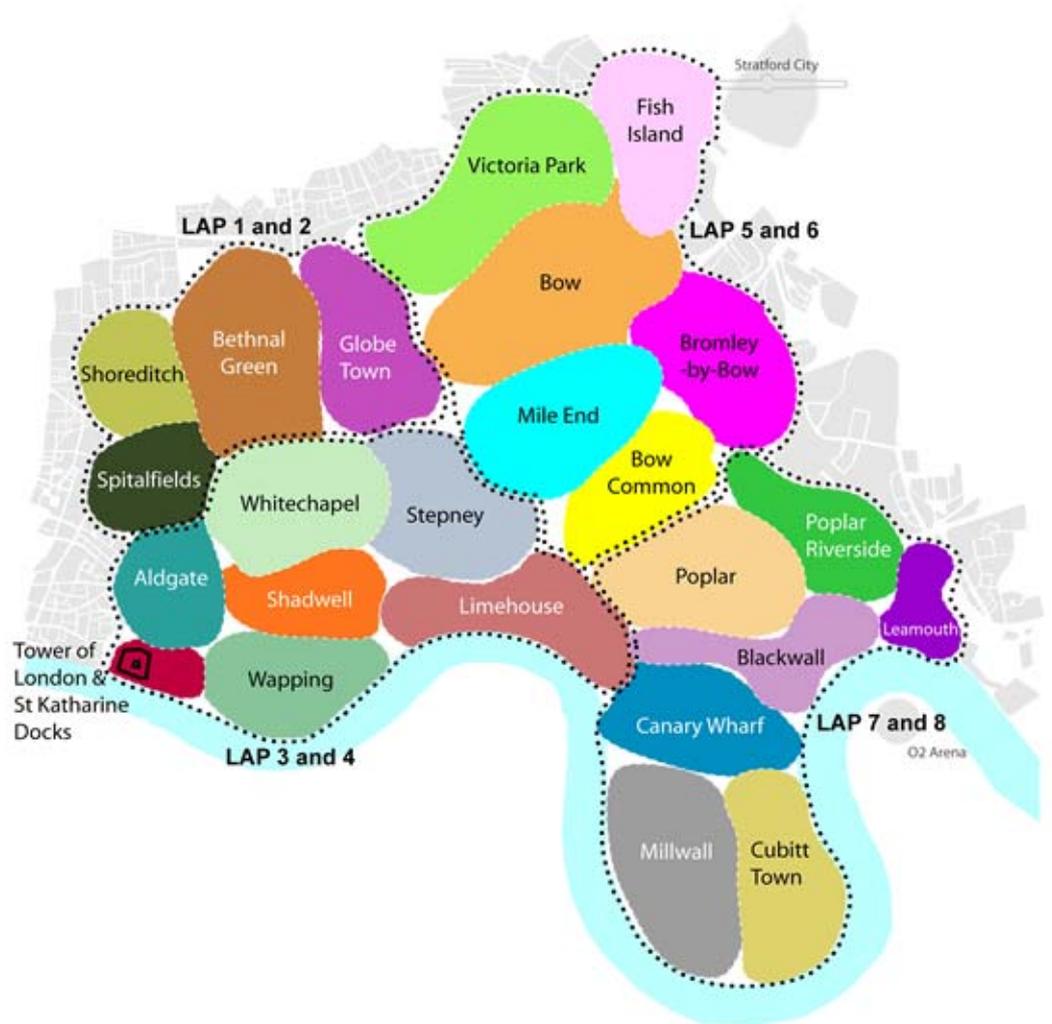


LONDON BOROUGH OF TOWER HAMLETS STRATEGIC HOUSING MARKET AND NEEDS ASSESSMENT SUMMARY REPORT 2009



INTRODUCTION

In March 2009, DCA were commissioned by Tower Hamlets Borough Council to carry out a Strategic Housing Market Assessment (SHMA). This included a local Housing Survey consisting of face to face interviews with 1,700 households in the Borough.

The aim of the SHMA was to undertake a comprehensive and robust assessment in accordance with the Communities and Local Government (CLG) Strategic Housing Market Assessments: Practice Guidance (August 2007).

The SHMA aims to inform policy development and investment decisions across the Borough. It should provide an evidence base to:-

- Ascertain the nature and level of current housing demand and need in the Borough;
- Obtain an understanding of the likely characteristics of the future housing market;
- Estimate the future number of households requiring market and affordable housing;
- Inform policies aimed at providing the right mix of housing in the future – both market and affordable, including the size of affordable housing required;
- Understand the housing requirements of particular groups;
- Inform the Council's Local Development Framework which will set out their spatial planning strategies;
- Inform policy making and investment decisions locally and regionally.

The SHMA consisted of the following elements:-

- Extensive secondary data analysis drawing upon Housing Strategy Statistical Appendix (HSSA) and Housing Register data on the level of registered need and the flow of social stock. Comparative data from the 2001 Census, household and population projections and other national research were utilised;
- Utilisation of the primary survey data collected from the 2009 Housing Survey of 1,700 households across the Borough.

The SHMA was overseen and approved by a multi-agency Housing Partnership Board comprising of representatives from the private and public sectors.

UNDERSTANDING THE HOUSING MARKET

The Communities and Local Government (CLG) Strategic Housing Market Assessments Practice Guidance (August 2007) defined housing market areas as 'geographical areas defined by household demand and preferences for housing'. They reflect key functional links between the places where people live and work.

Migration Patterns

The pattern of household movement between authorities has been analysed by examining 2001 Census Origin-Destination Statistics, National Health Service Patient Registration data for the period 2000-2007 and the primary data from the 2009 local Housing Survey.

The Census data showed a high level of self-containment with 71.0% of people moving within the Borough in the year preceding the 2001 Census i.e. 2000-2001. This analysis revealed a high level of in-migration from Camden (+724 people) and Westminster (+647 people), higher than any of the East London authorities or an adjoining authority.

Out-migration from Tower Hamlets was focused to the North and East of the Borough, particularly to Hackney and Newham.

More recent data for the period June 2000 to June 2007 from the National Health Service Central Register (NHSCR) was analysed to assess household movements.

The data showed high levels of net in-migration to Tower Hamlets from Camden (+960 people), Westminster (+780), Brent (+510) and Islington (+440). The highest levels of net out-migration from Tower Hamlets were to Newham (-5,660 people), Barking & Dagenham (-3,260 people), Redbridge (-3,560 people) and Havering (-2,540).

2009 survey data showed high levels of net in-migration to Tower Hamlets from the neighbouring authorities of Hackney (+1,439 people) and the City of London (+994 people).

Commuting Patterns

Data from the 2001 Census shows that 59.0% of employed people living within Tower Hamlets also worked within the Borough. High levels of commuting out of the Borough were evident to the East London sub-region authorities of the City of London and Hackney. High levels of commuting were also evident to the bordering authority of Southwark and also Islington which closely borders Tower Hamlets and is separated only by a small part of the City of London.

The data also shows a relatively higher level of commuters from Tower Hamlets to Westminster (9,301) and Camden (4,083).

Survey data showed that 36.1% of heads of household work within Tower Hamlets. 10.4% work within the Isle of Dogs and 19.2% work in the City of London. 20.8% work elsewhere in Greater London.

The Tower Hamlets Housing Market

The data shows a strong correlation between actual housing moves and travel to work patterns in the Borough. 2001 Census has revealed that self-containment is 71.0% in Tower Hamlets when analysing household movements. The Tower Hamlets travel to work patterns suggests a lower level of self containment with 59.0% of residents working within the local authority area.

Although the evidence suggests that the Tower Hamlets can be considered to be a single market, the Borough appears to have some overlap with other authorities.

The evidence shows clearly that household movement to and from the Borough and commuting patterns are concentrated between the immediately adjoining authorities of Hackney, Newham and Southwark and the nearby authorities of Camden, Islington and Westminster.

THE DEMOGRAPHIC & ECONOMIC CONTEXT

The Tower Hamlets Economy

The number of jobs in the Borough has increased by 68.1% since 1997.

In 2007, the most important sectors within the Tower Hamlets economy in absolute employment terms were finance, IT and other business activities (54.9%). This sector has seen a rise of nearly 20% in the previous ten years, a high rate of increase when compared with the benchmark areas.

Based on the 2007 Office for National Statistics (ONS) Annual Business Employee Inquiry, there were 198,800 employee jobs in Tower Hamlets (excluding self employed, government supported trainees and HM forces). 164,400 jobs were full-time and 34,400 were part-time. However the unemployment rate in 2008 was 11.2%, higher than the benchmark areas.

In 2008, Tower Hamlets had an employment rate of 60.8%, lower than the East London average (69.5%), Greater London (70.6%), the South East (78.6%) and nationally (74.5%).

The average residence pay within Tower Hamlets is higher than the benchmark areas at around £633 per week. Average workplace pay is also higher than all the benchmark areas at £814 per week.

Population Projections

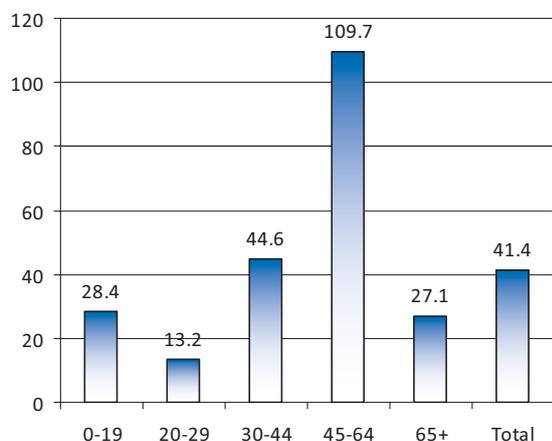
Demographic change has a major impact on future demand in the wider housing market, the need for affordable housing and the requirements for future stock by type and size within all areas in the Borough.

An important feature in measuring future housing requirements is to forecast what is likely to happen over the next decade or so in order that provision for new housing can be planned. The general demographic forecasts used in this SHMA are the 2008 Greater London Authorities (GLA) Round Population Projections.

Overall, the population in Tower Hamlets is projected to increase by 91,632 people between 2006 and 2026, an increase of 41.4% over the forecast period. The largest increase is predicted to be seen in the 45 - 64 age group (109.7%), a rise of 34,762 people and in the 30-44 age group which is forecast to see a rise of 29,146 people (44.6%).

The graph below highlights the percentage change in each age band between 2006 and 2026.

Figure 1 Change in Age Band Structure, 2006 – 2026



A second significant feature in the population projections is the projected growth of the population in the 65+ age group, a rise of 27.1% by 2026 (4,914 people).

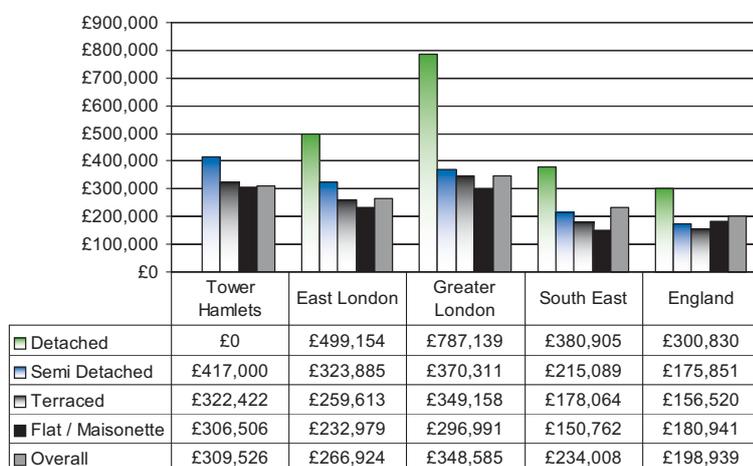
The 85+ age group also shows a large increase overall of 1,553 people, an 81.0% increase from 2006 to 2026. Given the resource demands often associated with very elderly people, these are significant figures.

Source: GLA 2008 Round Population Projections

THE ACTIVE MARKET

The housing market is the context against which all the housing needs of the study area are set. In particular, house price information is the basis on which the “affordability” of housing is measured for low-income households. In essence, we are seeking to establish who cannot afford to enter the housing market without assistance.

Figure 2 Average House Prices by Type, (Q1, 2009)



The crisis in the financial markets in 2008/09 has created difficulties in the economy, especially in the house building and estate agency sectors. It has created uncertainty and lack of confidence in the housing market, leading to major falls in house sales, new development and in house prices. It is not known when markets will recover but house sales are expected to stay at low levels through 2009 and possibly 2010. This will have an impact on all elements of future housing delivery in the short term.

Source: Land Registry Property Price Report, Q1 2009, © Crown Copyright (Land Registry)

Figure 2 shows the average prices by property type from the Land Registry database for the 1st Quarter, January to March 2009.

Overall average house prices in Tower Hamlets are higher than in the East London sub-region, the South East and nationally. Flat / maisonette property prices are higher in Tower Hamlets compared to the benchmark areas.

Despite falling process since the autumn of 2008, between March 2004 and March 2009, house prices in Tower Hamlets have increased by 30.0%, compared with an increase of 28.6% in East London and 34.0% in Greater London. Although house prices in Greater London have seen a sustained growth over the last four years to early 2008, the previous rapid rate of inflation has ceased nationally. Prices fell by the end of 2008 and are forecast to fall further by the end of 2009.

The historic price increases since the mid 1990's have affected the affordability of owner occupation and impacted upon the number of households who are able to access market housing. The impact of this has been increased demand for affordable housing initiatives and more private rented accommodation.

In order to access owner occupation, an income of £46,100 (single) is needed to purchase the cheapest entry level property (one bed flat) in Bromley by Bow / Mile End East area and £60,300 (dual) in Bethnal Green North / Weavers / Mile End / Globe Town area.

In the private rented sector, the lowest entry rental costs in the Borough start at £720 per month for a 1-bed flat in Bow East / Bow West, rising to £1,000 in St Katherine's / Wapping / Shadwell. Based on rent at 25% of gross income, a 1-bed flat requires an income of £34,600 per annum in Bow East / Bow West rising to £48,000 in St Katherine's / Wapping / Shadwell.

The majority of shared ownership units available at June 2009 are 1-bedroom. At a 25% share, a 1-bed apartment requires an income of £22,095. At a 50% share, a 2-bed house can be purchased with an income of £34,000.

Around 76.3% of recently formed households have been assessed to be unable to afford private rent within the Borough, with 93.5% unable to buy.

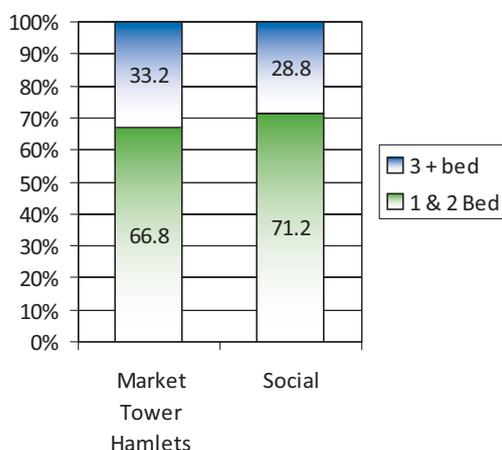
THE CURRENT HOUSING STOCK

Analysis of the supply of housing allows an assessment of the range, quality and spatial distribution of housing that is currently available in the area.

As at 1st April 2009 the Borough had a housing stock of 101,823 units. This has increased by 32,002 units since 1991, an increase of 45.8%.

2001 Census recorded that Tower Hamlets has very high levels of social stock (52.5%), compared to East London (31.2%), Greater London (26.2%), the South East (14.0%) and nationally (19.3%).

Figure 3 Property size by Tenure



2001 Census recorded a level of owner-occupation of 27.4% in Tower Hamlets, a low level compared to East London (53.0%), Greater London (55.6%), the South East (73.2%) and nationally (68.1%).

Tower Hamlets has a very high level of flats / maisonettes at 83.5% compared to the wider benchmark areas. The proportion of detached properties was very low at 1.0%.

Analysis of the size of property (number of bedrooms) by tenure from the local housing need survey found that the majority of both the market and the social stock in Tower Hamlets have 1 or 2-bedrooms.

Source: 2009 Housing Survey Data

THE NEEDS OF SPECIFIC HOUSEHOLD GROUPS

The Housing Act (2004) specified that specific consideration must be given to the differing needs of households. In addition, Communities and Local Government (CLG) Strategic Housing Market Assessments Practice Guidance (August 2007) indicates that housing partnerships should consider gathering information about the housing requirements of specific groups and that doing so will improve planning and housing policy.

The Housing Needs of Older People

- There is an overall predicated increase in the 65+ population of 27.1% by 2026 (4,914 people). In the 85+ age group there is a rise of 1,553 people (81.0%).
- Only 2.0% of existing households said that they have an elderly relative who may need to Tower Hamlets within the next three years.
- Housing Survey data suggests a combined requirement for sheltered accommodation in the Borough of 894 units, 103 units from existing households and 791 units from those who may in-migrate to be beside their family, 333 units in the private sector and 561 in the affordable sector. The in-migrant figures are predicted by the children of older people and, as would be expected, it shows a different pattern to that normally seen among older respondents living locally.
- The increase in older householders will have implications for support services, extra care housing, and the long term suitability of accommodation, equity release schemes, adaptations, and other age - related care requirements.
- Tower Hamlets Council will need to ensure that housing policy provides for the specialist accommodation that will be required to meet the needs of the older population.

Households with Support Needs

- Overall there are around 20,293 implied households in Tower Hamlets containing one or more household members with a disability;
- 10.5% of properties have been adapted to meet the needs of a disabled person in the household;
- The most commonly requested adaptations required were bathroom adaptations;
- 75.2% of households received care / support from their family members, friends and neighbours.
- Interest in supported accommodation was mainly focused on independent accommodation with external support.

Black Minority Ethnic Households

- Households from particular ethnic groups can differ in terms of their housing or accommodation requirements, particularly in relation to property size. This is an issue which is common to areas with larger minority ethnic populations living in large concentrations of flats and terraced housing (i.e. small units);
- The Borough has a high ethnic minority community (43.8%). Bangladeshi households are the largest BME community in the Borough at 20.0%;
- The need of Black Minority Ethnic elders for independent accommodation should be further examined. In the context of an ageing population, the needs of Minority Ethnic elders should be considered alongside the needs of all older people in the Borough.

Gypsy and Traveller Households

- Tower Hamlets in partnership with the other Greater London Boroughs were part of a Gypsy and Traveller Accommodation Assessment completed in March 2008. The Report was commissioned by the Greater London Authority on behalf of 33 London Boroughs.
- In the London Borough of Tower Hamlets according to the study there are currently 19 occupied residential site pitches and 1 office / maintenance block. The majority of the supply is generated by movement within the stock and also by family units expressing a desire to live in housing. The Demand is mainly from family units on unauthorised encampments requiring residential pitches and new family formations expected to arise from within existing family units on sites.
- The study indicated an additional need for 130 residential pitches in London up to 2012 and 505 housing units. In the Borough of Tower Hamlets there is a maximum need of 33 pitches over the next 5 years rising to 40 over the next 10 years to 2017.

Students

- The Borough is served by various Universities and Further Education institutions.
- Although students require low cost housing they do not represent households eligible under planning definition for 'Affordable Housing'. They are not included in the Guidance Needs Assessment Model.
- Tower Hamlets Council are currently undertaking a detailed study of student housing requirements, in consultation with the universities, which will provide detailed unit requirements when completed.

FUTURE DEMAND FOR MARKET AND AFFORDABLE HOUSING

The turnover of the existing stock should meet 90% of all housing requirements.

Determining what this means for the future requirement for types of dwellings is complex. The scale of under-occupation is significant and the type and size of dwelling that households demand is not necessarily driven by actual need. The requirement for the expected future growth in households can only be estimated in terms of the size of new dwellings. Providing a better balanced housing stock should however be the key criteria for the authority to be able to provide sustainable developments and communities.

'Planning Policy Statement 3: Housing' identifies the Government's core objective of providing a variety of high quality market housing and addressing any shortfalls that apply in the market sector. Authorities are required to plan for a full range of types and sizes of market housing to meet the needs of the whole community, so that provision is made for family, single person, and multi-person households.

Household survey data suggests that there will be a total shortfall of 2,994 units per annum after allowing for market housing turnover.

This is particularly significant bearing in mind that the total annual allocation of housing in the London Plan (Source: The London Plan (consolidated with alterations since 2004), February 2008) for Tower Hamlets is 31,500 units in the period 2007/8 to 2016/17, 3,150 units per annum to cover both market and affordable housing.

Table 1 Annual Proposed Dwelling Provision Against Demand

Dwelling Provision *	Affordable Need Shortfall **	Market Demand Shortfall p.a.**	Total Shortfall
3,150	2,700	2,994	5,694

* *The London Plan (2004), consolidated with alterations February 2008.*

** *2009 Housing Need Survey Data*

The scale of demand and need identified through the Strategic Housing Market Assessment is significant. Compared to the proposed annual provision of 3,150 units p.a. as outlined in the London Plan, there is an identified shortfall of 2,994 units in the market sector alone, strongly linked to current in-migration levels.

The shortfall is calculated from the household survey data and is a guide to individual household plans and intentions which may not be able to be realised. The individual authority allocations are to be regarded as minima and should therefore be exceeded, delivering more units into the market. There is potential for variance and these factors will therefore need to be monitored annually.

Additionally there is a shortfall of 2,700 units of affordable housing, which after taking into account an estimated 1,000 units of new delivery, is in total greater than the whole proposed dwelling provision of 3,150 per annum to 2017. Although the dwelling provision figures should be treated as minima, the total scale of future delivery would require a very significant increase in dwelling numbers to meet all needs.

Market Stock Balance

Although the study area has broad similarities, there are variations between sub-areas in terms of the types of property required to meet current and future demand for market housing.

However, treating housing stock balance as a borough-wide market issue would contradict the fundamental requirement to carry out sustainable development and create sustainable communities.

Survey data showed that the most important factors which determine where households forming and moving want to live are to be near their family, near work, where they have always lived and quality of the neighbourhood. It would be beneficial to attempt to influence future delivery to address local demand, fill gaps in stock types to provide a better balance in the housing stock, create more sustainable communities and undertake sustainable development.

In providing a guideline for future market housing development consideration should be given to the scale of current family sized housing stock, demographic change and reducing household size and the levels of in-migration to the Borough.

It is recommended that to create a more balanced housing stock, future market development proportions should be 80% 1 and 2 bedroom overall and 20% 3 and 4 bedroom units.

Table 2 *Future Market Sector Delivery by Size*

	Bedroom Size (%)			
	1-Bed	2-Bed	3- Bed	4- Bed +
Market Housing	50	30	10	10
Small /large split %	80		20	

Affordable Need and Supply

The CLG Needs Assessment Model is used to calculate the annual shortfall of social housing units. There is a significant need for affordable housing in excess of supply levels from both re-lets and planned new delivery, totalling 2,700 units per annum across the Borough.

Table 3 *Annual Net Shortfalls of Affordable Housing*

Affordable Need	Re-let / Re-sale Supply	Affordable Shortfall
4,121	1,421	2,700

Affordable Housing and Tenure Mix Targets

Based on the robust evidence found in this assessment, the Housing Survey, targets in the London Plan and current practice, the Local Development Framework should consider overall affordable housing target levels of 40% within the Borough, assumed at around 1,000 units a year. Viability assessment will ultimately determine site delivery proportions but 50% may be achieved with major grant support on some sites.

The authority has applied a target of 35% from planning negotiations on all developments capable of delivering affordable housing, negotiated by habitable rooms.

Additionally, affordable housing will be provided from a range of local initiatives delivering a higher proportion of affordable housing on sites particularly projects undertaken directly with Housing Associations with grant and/or local authority land input. Current financial support to address the impact of the recession may increase the number of units achieved from these local initiatives.

In view of the scale of need, subsidised affordable units should be negotiated on all suitable sites.

The increases in house prices over the last ten years have excluded many 'first-time buyers' from the owner occupied market. PPS3 now requires the provision of tenure mix targets within affordable housing which may vary by location within the authority area to take account of demand, need and current affordable supply at local level.

Targets will be subject to wider planning, regeneration, social stock supply, sustainability and economic viability considerations. Within the overall target, tenure mix targets at local level are very important to achieving site viability.

Table 4 *Affordable Housing and Tenure Mix Targets*

Affordable Target	Social Rent	Intermediate
40%	70%	30%

Another major factor in decisions determining the tenure mix between social rented and intermediate housing on each site is the current local supply and turnover of social rented and shared ownership units and how this relates to local regeneration strategy and site viability. These factors can only be judged with all the information relating to a site available and this is beyond the scope of this study.

Although over half of waiting list need is for one bedroom units, future stock size targets have considered the need to address meeting priority needs, especially over-crowding and family household requirements.

Future Delivery by Tenure

A summary of the size requirements by tenure is shown in the table below.

Table 5 Future Delivery by Tenure

Tenure	Bedroom Size (%)			
	1-Bed	2-Bed	3- Bed	4- Bed +
Market Sector	50	30	10	10
Intermediate	25	50	25	0
Social Rented	30	25	30	15

Key Recommendations

Balancing the Housing Market

- Ensure that future new development provides a mix of housing types and sizes to meet the needs of all households.
- Focus new delivery in market housing to address the impact of future demographic and household formation change and the continuing need for small units and the low levels of 3 and 4 bedroom family housing.
- Develop policies for market housing so that new stock meets local demand not addressed by existing stock turnover.

Affordable Housing Targets

- Based on the evidence found in the SHMA and Household Survey, the London Plan and current practice, consideration should be given to an overall affordable housing target of 40% of new units.
- A target of 35% negotiated from the total of all suitable sites providing new affordable housing, subject to viability, negotiated by habitable rooms.
- Additional units will be provided from a range of public sector initiatives directly with Housing Associations.
- Percentage target levels will require to be ratified through an Affordable Housing Viability Assessment, but 50% may be achieved with major grant support on some sites.

Site Size Thresholds

- Set a site threshold of 10 units in line with the London Plan

Affordable Tenure Mix Targets

- Future tenure mix delivery has to take account of the social and intermediate stock levels, the scale of new households, key workers, those on average incomes and above unable to purchase in the high cost market and the affordability of shared ownership for local households in the Borough.
- Consider an overall affordable tenure target balance of 70% for social rent and 30% intermediate housing to create a better balanced stock and communities.
- The SHMA and Household Survey data will remain valid until 2014 at which stage it will need to be fully updated as required in Guidance. The assessment should be monitored and updated as an annual exercise.

Affordable Property Size Targets

- Consider social rented housing property size targets of 30% one and 25% two bedroom flats and terraced houses to meet the needs of single, couple and small family households. 30% of units should be three and 15% four+ bedroom houses to address the needs of larger families.
- Intermediate market housing should be 25% one, 50% two and 25% three bedroom units.

Market Sector Property Size Targets

- Developers are expected to bring forward proposals which reflect demand in order to sustain mixed communities. It would be reasonable to consider providing policy guidance for future delivery in the market sector of 80% one and two bedroom flats and terraced houses to meet the needs of single, couple and small family households.
- 20% of units should be three and four bedroom houses to address the needs of larger families. The proportions vary by local sub-area to provide a more balanced market sector stock.

Housing Strategy

- Meeting the affordable accommodation requirements of families and those with priority needs should be as important as the larger scale numerical need for smaller units for single and couple households.
- Continue to develop housing strategies to make best use of the existing stock by providing positive incentives to improve the turnover of family houses in the social rented sector, to address the under-occupation of 1,760 units across the Borough.

Older Persons Housing Needs

- Address the current and future growth in older people and frail older households across all tenures and their related care and support needs. The on-going development of Older Persons Housing Strategies should consider :-
- The need for support services and adaptation required to enable people to remain in their own home;
- The type, scale and quality of existing sheltered stock in meeting today's housing standards and preferences;
- The future need for 'extra care' accommodation for the growing frail elderly population over the longer term.

If you would like any further information regarding the Tower Hamlets Strategic Housing Market Assessment, please contact the Strategic Housing Team on 020 7364 6250 or e-mail 'strategic.housing@towerhamlets.gov.uk'