

# Analysis of Market Signals Technical Paper for Tandridge District Council

September 2015

# Contents

1.	Introduction	3
2.	National Context	5
3.	Neighbouring Authorities	10
4.	Similar Demographic and Economic Areas	38
5.	Conclusions	40

# 1. Introduction

- 1.1 Planning Practice Guidance (PPG) highlights the importance of taking market signals into account when objectively assessing the need for housing:

*“The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings”<sup>1</sup>*

- 1.2 The rate of change is particularly important to consider, with prices or rents rising faster than the national or local average potentially indicating a market undersupply relative to demand<sup>2</sup>.

- 1.3 The PPG identifies how plan-makers should respond to the evidence of market signals. The PPG highlights the importance of benchmarking evidence of change in market signals against other areas, referencing the: housing market area; similar demographic and economic areas and nationally<sup>3</sup>.

- 1.4 Where there is evidence of a worsening trend, the PPG states:

*“A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections”<sup>4</sup>*

- 1.5 Guidance is also provided on the scale of adjustment required:

*“In areas where an upward adjustment is required, plan makers should set this adjustment at a level that is reasonable. The more significant the affordability constraints (as reflected in rising prices and rents, and worsening affordability ratio) and the stronger other indicators of high demand (eg the differential between land prices), the larger the improvement in affordability needed, and, therefore, the larger the additional supply response should be”<sup>5</sup>*

- 1.6 It is, however, noted that market signals are affected by a number of wider economic factors, with the PPG stating:

*“Plan makers should not attempt to estimate the precise impact of an increase in housing supply. Rather they should increase planned supply by an amount that, on reasonable assumptions and consistent with principles of sustainable development, could be expected to improve affordability, and monitor the response of the market over the plan period”<sup>6</sup>*

- 1.7 The PPG identifies six specific market signals for review, as outlined below:

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<sup>1</sup> [http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph\\_019](http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_019)

<sup>2</sup> Ibid

<sup>3</sup> [http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph\\_020](http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_020)

<sup>4</sup> Ibid

<sup>5</sup> Ibid

<sup>6</sup> Ibid

- **House prices** – assessing proportionate levels of inflation as an indicator of long-term imbalances between supply and demand;
- **Rents** – consideration of rental values as an indicator of long-term imbalances between supply and demand;
- **Affordability** – comparing house prices against residents' ability to pay;
- **Rate of development** – assessing the rate at which development has kept pace with planning targets, in order to establish whether a position of backlog or undersupply exists which should be addressed through future provision;
- **Land prices** – identification of price premiums as an indicator of demand for land relative to supply; and
- **Overcrowding** – considering changing levels of overcrowding, concealed and shared households, homelessness and numbers in temporary accommodation, as an indicator of undersupply.

- 1.8 This paper has been prepared to consider the market signals above in turn, in order to establish the balance between the supply of and demand for housing in Tandridge. National context on the operation of the housing market is also presented, with the rate of change in market signals – set out in section 3 – compared against the national picture and surrounding authorities.
- 1.9 The wider analysis of housing market area geographies and functional relationships<sup>7</sup> has highlighted that Tandridge has important links in housing market terms with its neighbours, particularly Croydon, Reigate and Banstead and Mid Sussex. There are also some links with Sutton, Sevenoaks and Crawley. These authorities are therefore all included within the analysis in section 2, alongside other neighbouring authorities given their proximity to the district. The national profile is also considered to highlight points of distinction and commonality.
- 1.10 In addition, as identified above the PPG suggests that change should be compared against that seen in '*similar demographic and economic areas*'<sup>8</sup>. Section 4 of this report therefore identifies a number of similar areas against which change can be compared, before section 5 draws together the analysis throughout this paper.

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<sup>7</sup> Turley (2015) Defining the Housing Market Area

<sup>8</sup> [http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph\\_020](http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_020)

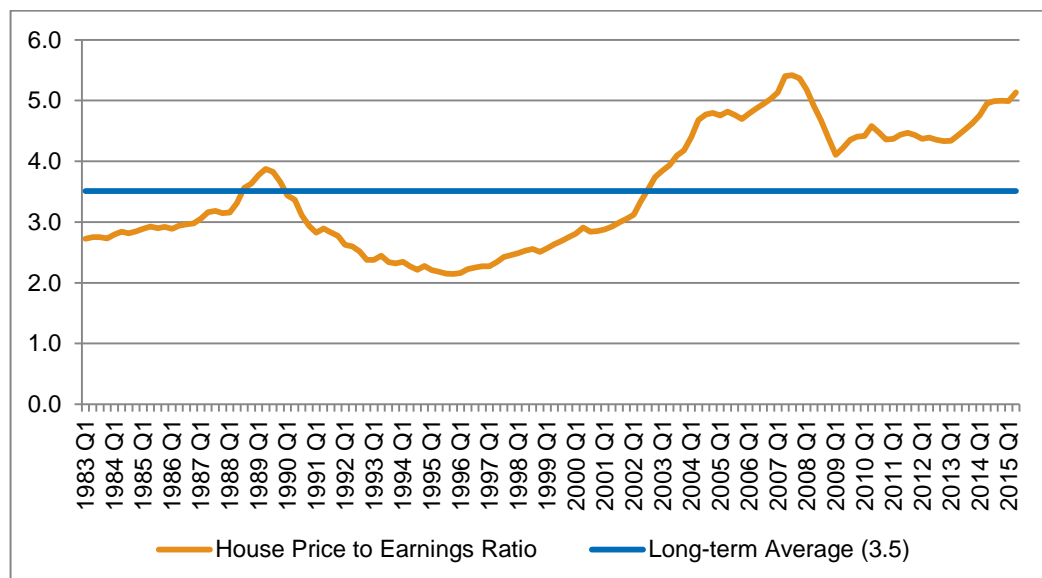
## 2. National Context

- 2.1 There have been significant and well-documented changes in the housing market over recent years, with the recent economic downturn constraining the operation of the market following a sustained period of growth. There has, however, been an acknowledged recovery in the housing market as the country emerged from recession, fuelled by growing confidence in consumers, lending institutions and developers alike.
- 2.2 Given these changes, it is beneficial to understand the national housing market in further detail, providing important context on short-term and long-term trends in England.

### House Prices and Affordability

- 2.3 Prior to the recession in 2008, the national housing market saw a period of sustained growth, with the mean house price tripling from £73,117 in 1996 to £222,619 in 2007<sup>9</sup>. Growth was relatively uniform across all regions in England, stimulated by a high level of demand and increased mortgage availability, with higher rates of lending.
- 2.4 Growth in average house prices did, however, exceed comparable rises in incomes over this period, resulting in worsening affordability. This is illustrated in the following chart, which compares gross house prices to earnings for first-time buyers in the UK. From 2001, it is clear that there was a departure from the long-term average ratio between house prices and earnings, suggesting that housing became increasingly unaffordable from this point.

**Figure 2.1: First-Time Buyer Gross House Price to Earnings Ratio – UK**



Source: Nationwide; ONS

<sup>9</sup> DCLG (2015) Live Table 585: Mean house prices based on Land Registry data, by district, from 1996

- 2.5 In 2008, however, the effect of the global economic downturn on the housing market became clear, with reduced confidence in the banking industry leading to a reduction in lending. This led to a protracted period in which households faced difficulty in obtaining a mortgage and accessing housing. Nationally, this resulted in the total number of transactions falling by around 50% between 2007 and 2008<sup>10</sup>.
- 2.6 With reduced mortgage lending, and many households struggling to afford the costs associated with moving home, the level of effective demand for property fell, with the national average house price in 2008 seeing a year-on-year fall for the first time in over ten years<sup>11</sup>. Poor market conditions were sustained into 2009, where only around 587,000 properties were sold in England, compared to around 1.25 million at the height of the market in 2006. Responding to this fall in demand, the average house price fell for a second consecutive year<sup>12</sup>, with households either reluctant to move or unable to afford the cost of doing so.
- 2.7 Since this point, it is now widely acknowledged that the housing market has shown signs of recovery, with consumer confidence growing and improved credit conditions supporting the return of many first-time buyers<sup>13</sup>. This has also been supported by Government initiatives, such as Help to Buy, which was taken up by around 19,000 households during its first year, of which around 88% were first-time buyers<sup>14</sup>.
- 2.8 It is, however, also recognised that there is a distinct spatial dynamic to the housing market recovery in England, with evidence of overheating markets in the south east in particular. This has fuelled substantial increases and disparity in house prices, stimulating issues of housing affordability with households now required to spend a greater number of years' income on the cost of purchasing a home<sup>15</sup>.
- 2.9 Worsening affordability can often act as a natural brake in the housing market, although notably low mortgage rates over recent years have actually had the opposite effect<sup>16</sup>. The requirement for an initial deposit, however, is becoming an increasingly significant problem – particularly for younger households – and many of these households increasingly feel that they will have to wait longer to buy a home<sup>17</sup>.

## **Growth of the Private Rental Sector**

- 2.10 Given these affordability challenges – which were also prevalent as house prices grew prior to the recession – many younger households have increasingly turned to alternative housing products with smaller immediate financial requirements. The private rented sector has seen considerable growth over the past decade, with the number of people privately renting in England increasing by almost 90% between 2001 and 2011.

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<sup>10</sup> DCLG (2015) Live Table 588: Property sales based on Land Registry data, by district, from 1996

<sup>11</sup> DCLG (2015) Live Table 585: Mean house prices based on Land Registry data, by district, from 1996

<sup>12</sup> Ibid

<sup>13</sup> Savills (2014) Spotlight – What's Next for Residential Development?

<sup>14</sup> DCLG (2014) Cumulative number of Help to Buy equity loans to March 2014, by local authority in England

<sup>15</sup> DCLG (2015) Live Table 576: ratio of lower quartile house price to lower quartile earnings by district, from 1997

<sup>16</sup> PWC (2015) UK Economic Outlook

<sup>17</sup> Ibid

- 2.11 The financial crisis – in tightening credit conditions – may have forced people to rent for longer than initially intended, with little growth in other tenures resulting in the private rented sector establishing a clear role as the default option for people who could neither afford to buy or qualify for social housing<sup>18</sup>.
- 2.12 These national trends have been particularly prevalent for younger households<sup>19</sup>, with these households more than twice as likely to privately rent in 2014 as they were in 2004<sup>20</sup>. Indeed, with the English Housing Survey showing that 48% of people aged 25 to 34 are privately renting, this has become the dominant tenure for this age group, with a clear declining trend in home ownership. This is expected to continue<sup>21</sup>, although it has also been noted that there are other social and lifestyle factors which have seen demand increase for more flexible housing tenures<sup>22</sup>. As such, many younger households are now only expected to become home owners later in their adult lives<sup>23</sup>.

### **Rate of Development**

- 2.13 Many have attributed the worsening affordability of housing in England to a long-term imbalance between supply and demand<sup>24</sup>, and there is a clear consensus that the rate of new housing development has failed to historically keep pace with demand<sup>25</sup>.
- 2.14 The following graph shows the number of new housing completions recorded in England since 1946. Analysis of the data reveals that since 1946 an average of around 200,000 new homes have been completed annually. There has, however, been a clear fall since the early 1980s – when there was a departure from this longer term trend – with a further fall following the onset of the financial crisis. 118,280 new dwellings were completed in 2014, despite projections expecting approximately 218,500 new households to form during the same year<sup>26</sup>.

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<sup>18</sup> Ibid

<sup>19</sup> Aged 25 to 34

<sup>20</sup> DCLG (2015) English Housing Survey Headline Report 2013-14

<sup>21</sup> PWC (2015) UK Economic Outlook

<sup>22</sup> House of Commons CLG Committee (2013) The Private Rented Sector – First Report of Session 2013-14

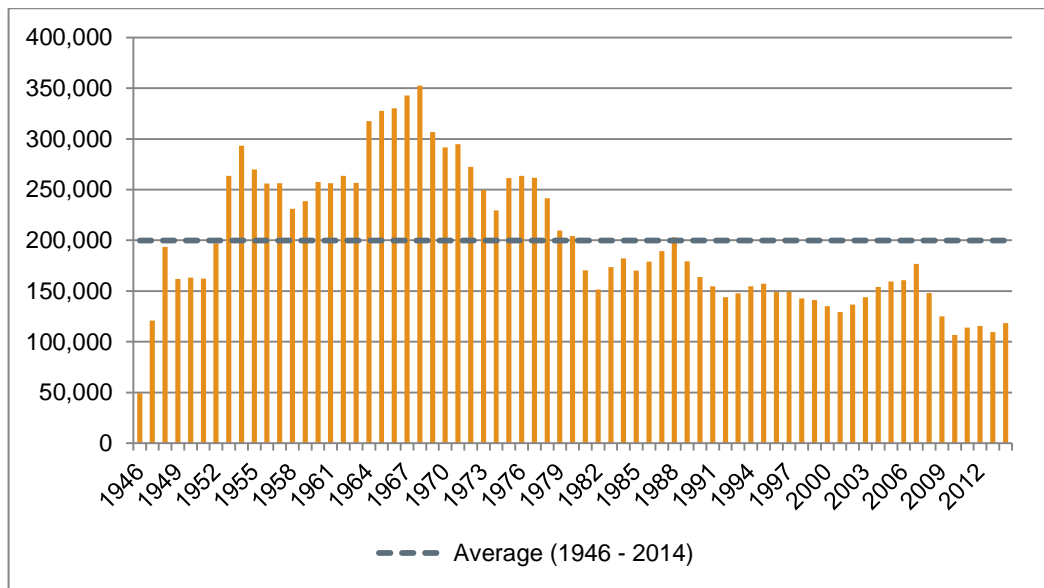
<sup>23</sup> PWC (2015) UK Economic Outlook

<sup>24</sup> Paul Cheshire (2014) Turning Houses into Gold: the failure of British planning

<sup>25</sup> Kate Barker (2004) Review of Housing Supply

<sup>26</sup> DCLG (2012) Sub-national household projections

**Figure 2.2: Housing Completions in England 1946 – 2014**



Source: DCLG, 2015

- 2.15 Part of this fall has been driven by a decline in public sector house building, with local authorities delivering around 87% of all new housing in England in 1951 but only 1% of new housing in 2014<sup>27</sup>. While housing associations now play a greater role in new housing delivery, this is not to the same scale, and therefore there is a greater reliance upon the private sector to deliver new housing in England. This sector has delivered around 123,000 new homes annually on average over the period shown, and there is therefore a need for further growth in private house building to meet housing needs across the country.
- 2.16 As noted above, the fall in demand for housing and the availability of credit during the recession were important contributing factors to a fall in new housing development. Private developers have, however, responded to an encouraging economic and market context by increasing delivery following the depths of the recession. More recent figures suggest that the number of planning permissions granted in 2014 is the highest annual figure since 2008, with a clear upward trend and a 12% increase on the previous year<sup>28</sup>. There does, however, remain a shortfall in meeting identified needs, and house builders feel that the necessary market, policy and regulatory environment needs to be established and sustained before the private house building industry can substantially boost outputs<sup>29</sup>. There are also uncertainties regarding the extent to which recent planning reforms can boost housing supply, with some expecting housing supply shortages to persist at a macro level for at least the next decade<sup>30</sup>.

<sup>27</sup> DCLG (2015) Live Table 244 – house building: permanent dwellings completed, by tenure

<sup>28</sup> Home Builders Federation (2015) New Housing Pipeline – Q4 2014

<sup>29</sup> Home Builders Federation (2015) Solving England's Housing Supply Crisis – the contribution of the private sector

<sup>30</sup> PWC (2015) UK Economic Outlook



## Summary

- 2.17 At a national level, it is apparent that there is a strong consensus position that the delivery of housing has failed to match housing need and demand over recent years.
- 2.18 The onset of the recession – whilst leading to a comparatively small price correction – has further compounded issues relating to the imbalance between the supply and need for housing. A further fall in development levels contrasted with a growing population, impacting on the ability of younger households in particular to enter the housing market. This has seen a change in the tenure profile, particularly for these households, as well as a constraining of household formation.
- 2.19 As a result of a return to house price growth and a comparatively suppressed economic position, affordability challenges have worsened over recent years at a national level. Issues are particularly acute in those areas where the demand and need for housing is particularly high.
- 2.20 The above challenges are recognised within the Government's national planning policy response – captured in the NPPF – and reinforce a recognised position that the supply of housing needs to increase beyond historic levels in order to achieve a more sustainable balance in the future. As set out in the introduction to this paper, the requirement of the PPG to consider market signals as part of the objective assessment of need responds to this identified policy position.
- 2.21 The following section therefore considers each of the market signals in turn to assess the extent to which the housing market in Tandridge demonstrates symptoms of an imbalance between the supply and need for property, in the context of the national picture as well as its immediate neighbours.

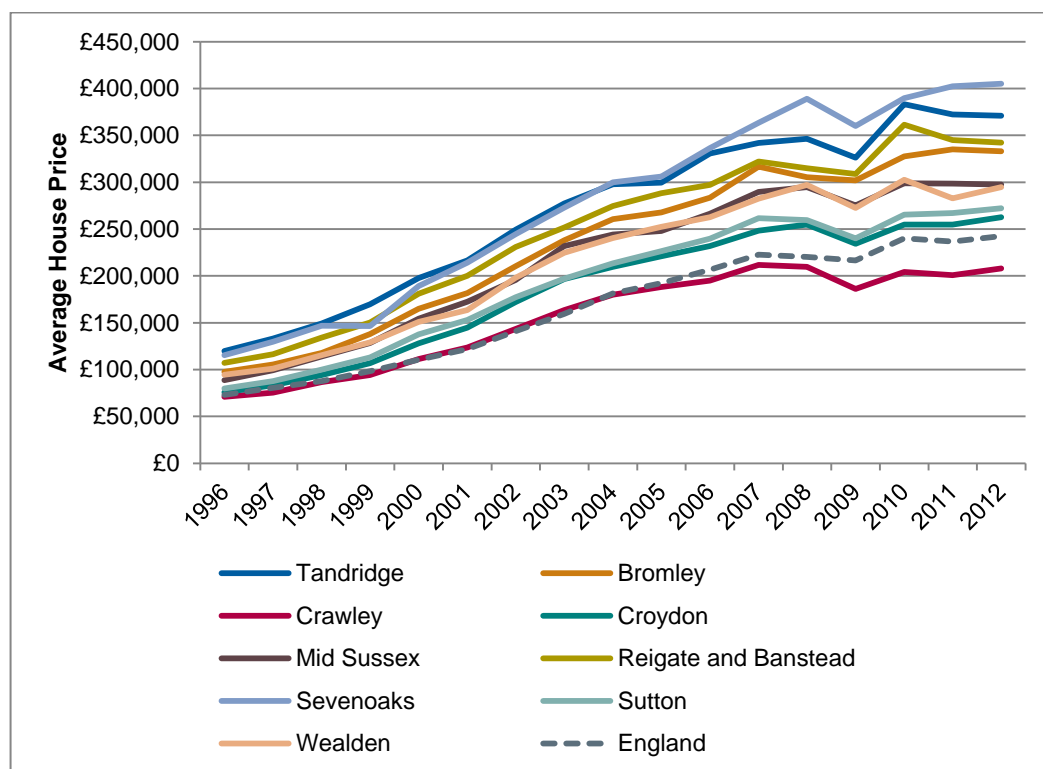
### 3. Neighbouring Authorities

- 3.1 Following the guidance in the PPG, this section sequentially considers the market signals introduced in section 1. This compares the rate of change with England and neighbouring authorities – including Sutton, given identified housing market linkages – in order to identify imbalances between the supply and demand for housing in Tandridge.

#### House Prices

- 3.2 The PPG states that longer term increases in house prices can be indicative of an imbalance between supply and demand. DCLG provides information on mean house prices, enabling the analysis of long-term house price trends. The graph below shows how mean house prices have changed since 1996, with England and neighbouring authorities also shown for context.

**Figure 3.1: Change in Mean House Prices 1996 – 2012**

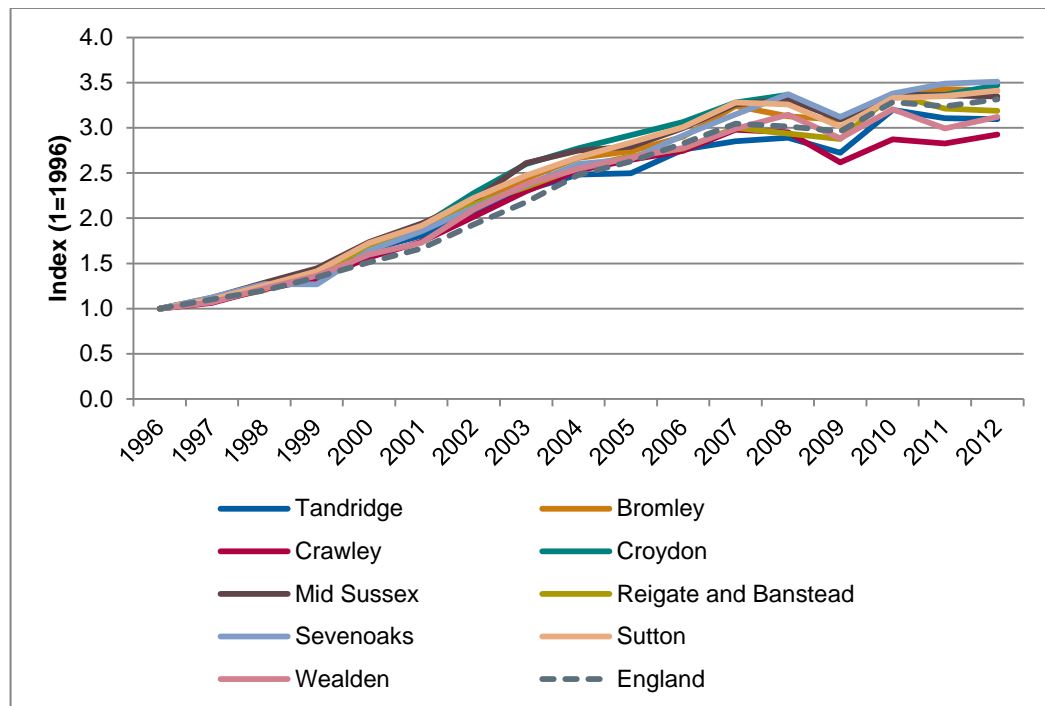


Source: DCLG, 2014

- 3.3 Average house prices have historically been notably high in Tandridge, largely exceeding neighbouring authorities – and the national average – but showing some similarity with neighbouring Sevenoaks. There was clearly steep growth in house prices prior to the recession, which – as explained in section 2 – was linked to wider national growth in the housing market. Price growth did, however, slow – and indeed decline – during the recession, although there has evidently been a strong recovery in values over recent years.

- 3.4 Recognising that price growth has occurred from different base points, the following graph indexes change in mean house prices for each area, highlighting change since relative 1996 values. While values in Tandridge have grown, values since 2004 have not increased to the same extent as in England, and indeed the growth in prices in the district has not been as significant as in a number of the neighbouring authorities.

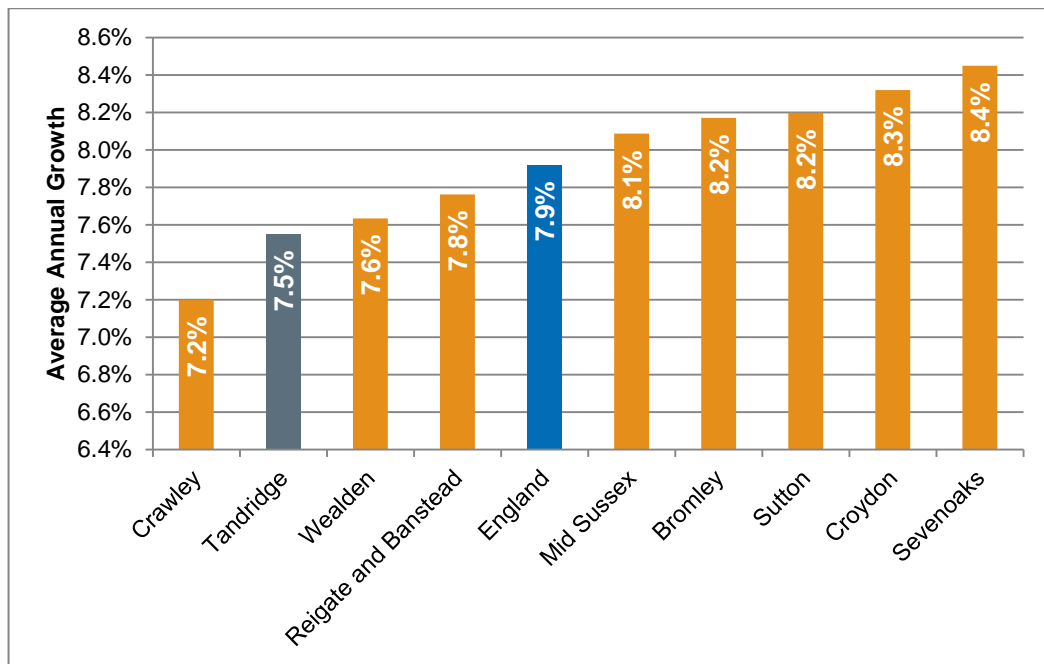
**Figure 3.2: Indexed Change in House Prices 1996 – 2012**



Source: DCLG, 2014

- 3.5 Sharp increases in average house prices suggest more significant growth, which is more likely to represent an acute shortage of supply relative to demand. It is therefore beneficial to establish the average annual change in house prices, and this is presented proportionately in the following graph.

**Figure 3.3: Average Annual Change in House Prices 1996 – 2012**



Source: DCLG, 2015

- 3.6 The graph highlights that average prices increased by 7.5% annually on average over the period from 1996 to 2012, with this lower than all neighbouring authorities with the exception of Crawley. While this continues to represent considerable growth, it does demonstrate that while average house prices in Tandridge are high, they have risen from a historically high base, and as such have not seen annual increases to the same extent as in many surrounding areas.
- 3.7 Data published by DCLG only runs to 2012, and given the continued national recovery in the housing market, it is important to consider the latest available data to understand more recent house price trends. The following table uses Land Registry data to calculate the mean price paid in Tandridge, neighbouring authorities and England in the calendar year of 2014. This is benchmarked against sales in 2001, given that this represents the last point at which the relationship between house prices and earnings was at the long-term average<sup>31</sup>.

<sup>31</sup> As shown in Figure 2.1

**Figure 3.4: Change in Mean House Prices 2001 – 2014**

	2001	2014	% Change
Bromley	£182,647	£397,572	117.7%
England	£121,768	£264,350	117.1%
Sutton	£152,323	£322,306	111.6%
Croydon	£145,240	£300,737	107.1%
Sevenoaks	£213,517	£432,835	102.7%
Reigate and Banstead	£199,731	£402,509	101.5%
<b>Tandridge</b>	<b>£214,939</b>	<b>£428,012</b>	<b>99.1%</b>
Mid Sussex	£171,893	£336,124	95.5%
Wealden	£163,307	£318,315	94.9%
Crawley	£123,285	£239,207	94.0%

*Source: Land Registry, 2014*

- 3.8 House prices in Tandridge have almost doubled between 2001 and 2014, which – though significant – does fall below the growth seen nationally or in several neighbouring authorities, most notably the London Boroughs of Bromley, Sutton and Croydon. This growth did exceed the growth seen in Mid Sussex, Wealden and Crawley, however, although again it is notable that values have grown from a particularly high base.
- 3.9 It is also important to consider how house prices at the lower, more accessible end of the market have changed over recent years, particularly given the worsening affordability seen in the national housing market. The following table therefore summarises change in lower quartile house prices which are a useful indicator of entry-level property prices.

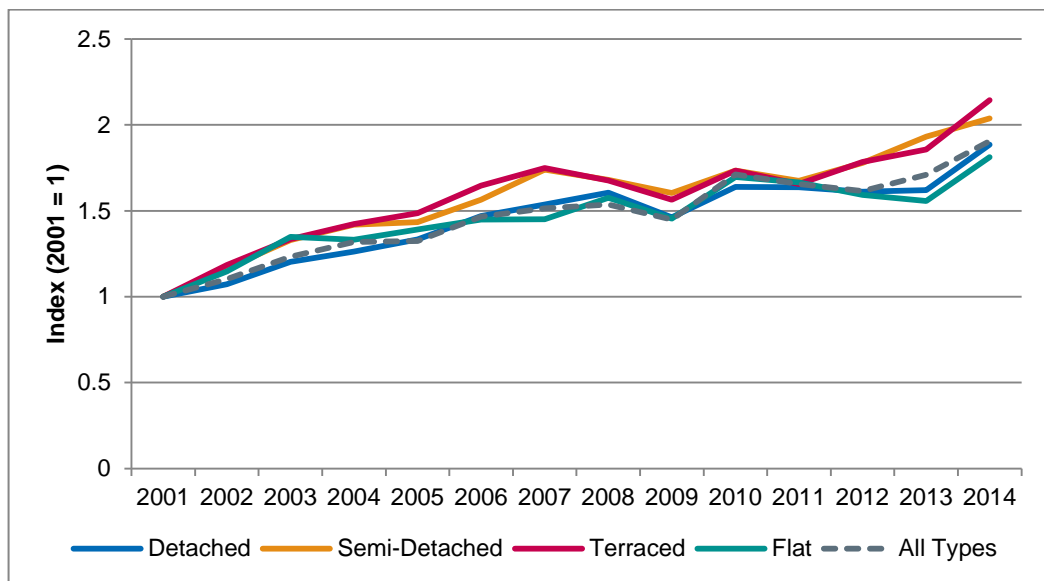
**Figure 3.5: Change in Lower Quartile House Prices 2001 – 2014**

	2001	2014	% Change
England	£54,000	£133,500	147.2%
Bromley	£111,000	£249,995	125.2%
Croydon	£94,000	£209,500	122.9%
Sutton	£103,725	£220,000	112.1%
Wealden	£91,838	£192,988	110.1%
Crawley	£88,500	£181,500	105.1%
Mid Sussex	£112,000	£226,000	101.8%
<b>Tandridge</b>	<b>£124,950</b>	<b>£249,950</b>	<b>100.0%</b>
Sevenoaks	£118,375	£233,500	97.3%
Reigate and Banstead	£120,000	£233,000	94.2%

*Source: Land Registry, 2014*

- 3.10 This again highlights similar trends, with lower quartile house prices increasing at a similar rate to mean house prices in Tandridge. This continues to fall below the national average and many neighbouring authorities, with the exception of Sevenoaks and Reigate and Banstead.
- 3.11 Recognising that average house prices in an area can be shaped by the varying concentrations of different types of housing, a final indicator can consider change in house prices for properties of different types in Tandridge. The following graph indexes change in the average house price for each property type, highlighting that prices for both semi-detached and terraced properties in the district have increased to a greater extent than detached and flatted stock.

**Figure 3.6: Tandridge: Indexed Change in Mean House Prices by Type 2001 – 2014**



*Source: Land Registry, 2014*

## Rents

- 3.12 The PPG suggests that the rental market should also be considered as a market signal, with longer term changes in rental levels indicative of a potential imbalance between the demand for and supply of housing.
- 3.13 This is particularly important to consider given the sizeable growth in the private rental sector in the national housing market, such that it has become the dominant tenure for younger people. The Census shows that there has also been a similar shift in tenure trends in Tandridge, with the number of households renting from a landlord or letting agency in the district increasing by around 1,430 – or 79% – between 2001 and 2011.
- 3.14 It is therefore beneficial to understand how the existing supply of private rented stock is meeting this additional demand, and data published by the Valuation Office Agency (VOA) collates information provided by private rental landlords, providing a useful benchmark of average rents in Tandridge. The latest available data covers the period from April 2014 to March 2015, with both lower quartile and mean averages presented in the following table for Tandridge, surrounding authorities and England. This is sorted by mean rents.

**Figure 3.7: Monthly Private Rental Cost 2014/15**

	Mean	Lower Quartile
Sevenoaks	£1,486	£850
<b>Tandridge</b>	<b>£1,261</b>	<b>£875</b>
Bromley	£1,180	£895
Reigate and Banstead	£1,105	£825
Croydon	£1,056	£830
Sutton	£1,044	£800
Mid Sussex	£995	£741
Wealden	£950	£675
Crawley	£920	£750
England	£768	£475

*Source: VOA, 2015*

- 3.15 Rents in Tandridge are considerably higher than the national average, and also exceed many neighbouring authorities with the exception of Sevenoaks. Lower quartile values are also high, suggesting that it is comparatively expensive to rent even at the lower end of the market.
- 3.16 The PPG highlights the importance of understanding change in rents, and the following table therefore summarises how both mean and lower quartile rents have changed in Tandridge. This is undertaken by comparing the values presented above with the oldest available published dataset, which covers the year to June 2011.



**Figure 3.8: Change in Monthly Private Rental Cost 2010/11 – 2014/15**

	Mean	Lower Quartile
Reigate and Banstead	26.8%	22.2%
Croydon	25.3%	23.0%
Sutton	23.5%	21.4%
Crawley	20.8%	20.0%
Bromley	20.0%	19.3%
Wealden	18.5%	12.5%
<b>Tandridge</b>	<b>13.9%</b>	<b>20.7%</b>
Mid Sussex	13.6%	14.0%
Sevenoaks	11.5%	13.3%
England	10.7%	5.6%

Source: VOA, 2015

- 3.17 Tandridge and all neighbouring authorities have seen growth in private rents which has exceeded the national rate, suggesting some pressure upon this sector to meet housing needs in the area. Mean rates in the district have, however, grown at a slightly slower rate than many of its neighbours, with the exception of Mid Sussex and Sevenoaks, suggesting that the area has historically been characterised by relatively high average rents. Lower quartile rents have increased to a greater extent, suggesting a particular pressure upon property at the more accessible end of the private rental market.

#### **Market Evidence**

- 3.18 The Council separately commissioned Arc4 to prepare evidence on the private rented market in Tandridge, based on an analysis of Census 2011 data and sales data from Zoopla. This highlights variance between different wards in Tandridge, with the private rented sector evidently playing a different role in different areas of the district.
- 3.19 The analysis indicated that there has also been growth in the number of private rented properties coming onto the market, with this driven either by homeowners or investors bringing new property onto the market or people moving away from unpopular areas, with tenants not staying for a long period of time.
- 3.20 The research suggested that over 40% of private rented properties are flats, with a limited choice for families given that two bedroom properties dominate the local market. There are also a number of three bedroom properties in the local market, with a subsequent shortage of smaller and larger properties being brought onto the market. There may be a lack of supply of such properties, or lower turnover rates, which could particularly be expected for larger properties.
- 3.21 The data reviewed suggested that there is also strong demand for flats, with average rents for this type of property growing at a faster rate than houses. Larger flats and smaller houses have seen the greatest increases, suggesting a demand from

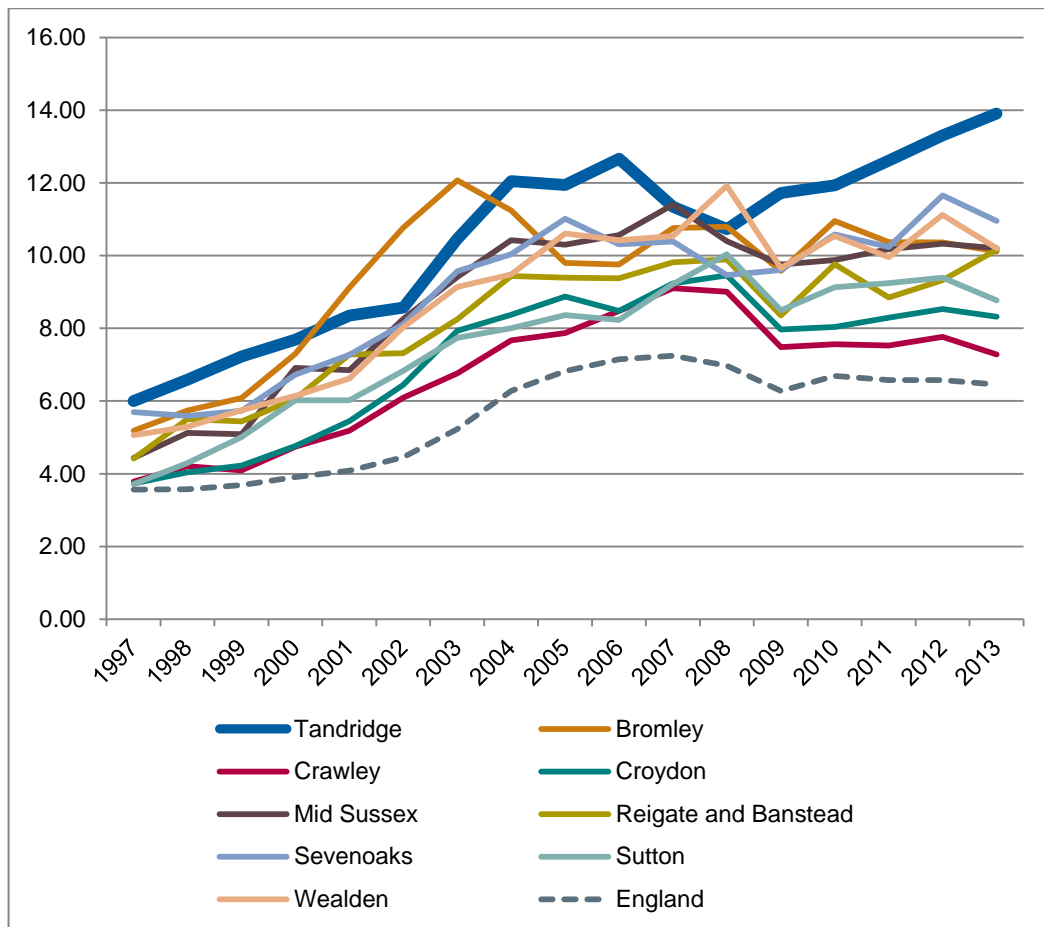
households looking to meet their needs for this type of housing through the private rented sector. The affordability of private rented property varies throughout the district, however, and is also variable based on the size of property rented. Households in many areas may need to spend in excess of 30% of their income to afford to rent a property.

- 3.22 Overall, Arc4 consider that there are three types of market in Tandridge. Areas where market sales are relatively buoyant – but where the private rented market are more limited – it is assumed that properties are mainly sold to owner occupiers. Where there is a buoyant buyers' market with a stronger private rented sector – or where this has grown over recent years – there is likely to be strong investor interest. Slow sales markets with a mature private rented sector could see owner occupied properties converted for private rent.
- 3.23 It is apparent that the private rental market has played an increasingly important role in the housing market in the district. It also apparent from the analysis of rental levels that demand pressures have led to notable increases in rents over a comparatively short period of time, with this picture also evident across the wider market geography within which the authority is located.

### **Affordability**

- 3.24 The PPG suggests that an assessment of the relative affordability of housing within an area should be undertaken, through a comparison of housing costs in the context of households' ability to pay. This is particularly important given the increasing divergence between house prices and earnings at a macro level, as detailed in section 2.
- 3.25 The earlier analysis showed that house prices in Tandridge have historically been high, but have continued to increase over recent years. The impact of these increases on the affordability of homes in the district is illustrated in the following graph, which shows the ratio of lower quartile house prices to lower quartile earnings. This draws upon DCLG data, and enables an understanding of the affordability of housing at the lower, more accessible end of the market.

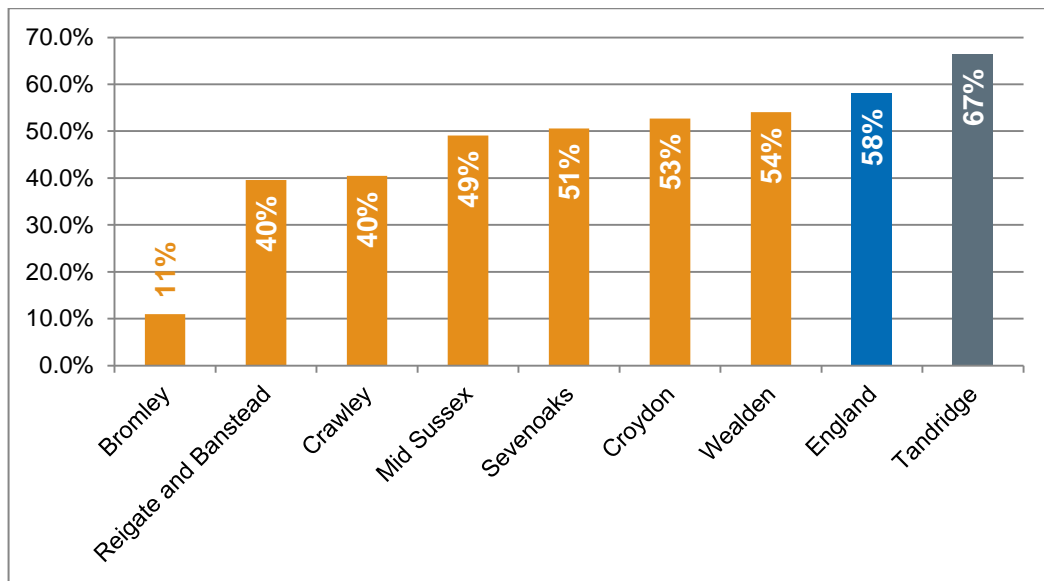
**Figure 3.9: Change in Affordability Ratio 1997 – 2013**



Source: DCLG, 2015

- 3.26 Tandridge is evidently considerably less affordable than the national average, with the lower quartile house price almost 14 times the lower quartile income for people working in the district. This also exceeds all neighbouring authorities, with only Bromley, Mid Sussex and Wealden briefly exceeding the ratio in Tandridge at any point of the period shown. Affordability has also continued to worsen since the recession, despite a broad stabilisation nationally.
- 3.27 The scale of increase in the affordability ratio in Tandridge – in contrast to the national picture and a number of neighbouring authorities – is important to consider in the context of the house price trends shown in Figure 3.1. Whilst house prices have increased over this period, the increase in affordability ratios is more pronounced suggesting that earnings growth has failed to keep pace with house price change in the area.
- 3.28 In this context, it is also important to recognise that Tandridge has historically been relatively unaffordable, with the affordability ratio in 1997 very similar to the rates seen nationally in 2013. It is therefore important to understand the rate of change in affordability, and the following graph shows how the affordability ratio has changed in each area between 2001 and 2013. Again, 2001 is used as a benchmark given the worsening trend seen nationally since this point.

**Figure 3.10: Proportionate Change in Affordability Ratio 2001 – 2013**



Source: DCLG, 2015

- 3.29 This suggests that Tandridge has seen the most significant worsening of affordability between 2001 and 2013. The district is the only authority to exceed the national rate of growth over this period, with neighbouring authorities seeing a smaller worsening of affordability.
- 3.30 The analysis above draws upon a DCLG dataset which compares lower quartile house prices with lower quartile earnings, although it is understood that the latter are workplace-based and therefore reflect the earnings received by people working in each authority. This illustrates the number of years' income an individual working in Tandridge would need to spend to afford housing in the area, but it does not take account of people living in the area who may have a higher income due to working elsewhere. This is particularly important to consider given that around 40% of residents work in Greater London<sup>32</sup>, where the lower quartile income for full-time employees was £24,818 in 2014 – some 46% higher than Tandridge (£17,003)<sup>33</sup>. The difference is even more pronounced for the 20% of employed Tandridge residents working in Inner London, where the lower quartile income (£27,177) was 60% higher than in Tandridge.
- 3.31 This suggests that people working in Tandridge – at the lower quartile – earn considerably less than those working in Greater London, and particularly Inner London. This has important implications for the affordability ratio, given that a household living in Tandridge but working in London will have increased spending power due to higher earnings. The Annual Survey of Hours and Earnings (ASHE) shows that lower quartile earnings for people working in Tandridge (£17,003) are lower than those for people living in Tandridge (£22,007). Housing in the district may therefore be more affordable for people who work elsewhere than suggested by the DCLG dataset presented above.

<sup>32</sup> Turley (2015) Defining the Housing Market Area

<sup>33</sup> ONS (2014) Annual Survey of Hours and Earnings – 2014 Provisional Results

- 3.32 A further exercise to compare residence-based earnings with house prices in Tandridge can therefore provide an indication of the number of years' income spent by people living in the area to access housing in the district. This is based on provisional results from the 2014 ASHE, which suggest lower quartile earnings of £22,007 for residents of Tandridge. This represents **11.4 times** the lower quartile house price for 2014, based on the Land Registry analysis earlier in this section. This cannot be directly compared with the DCLG dataset – given that this is based on 2013 values – but a similar exercise suggests that workplace-based earnings in Tandridge were **14.7 times** the lower quartile house price in 2014. This suggests that housing in Tandridge is more affordable for current residents – who may work elsewhere – than current employees. This does continue to support the earlier analysis, however, which showed that there are significant affordability issues in the district, given that the ratio of 11.4 considerably exceeds the national ratio of 6.9<sup>34</sup>.
- 3.33 Recognising the emphasis on change in the PPG, a final exercise can determine how the relationship between residence-based earnings and house prices has changed since 2002<sup>35</sup>. At this point, the lower quartile house price (£144,000) was 12.5 times the lower quartile income for residents (£11,527). While this continues to represent a notably high ratio – suggesting that house prices – it does imply that affordability issues have been sustained over a long-term period in Tandridge and have not considerably worsened since 2002. Indeed, this assessment suggests that earnings have grown to a slightly greater extent than house prices, with the ratio subsequently falling slightly.
- 3.34 It is also important to recognise that the demographic of Tandridge could influence the extent to which the relationship between earnings and house prices influences the ability of households to access housing. There is a stronger comparable representation of older person households in the district, who are more likely to have retired and therefore have high capital as opposed to high income. The separate paper on specific housing needs, for example, shows that a high proportion of older people own their home outright, and therefore live mortgage free<sup>36</sup>.

### ***National Context***

- 3.35 Understanding the relative affordability of housing in Tandridge compared to the national profile provides important context, and the following graph – published by ONS<sup>37</sup> – shows the relationship between median earnings and median house prices in each local authority in England and Wales, as of 2014. Tandridge is shown in orange, with the blue line representing a best fit for all authorities. This continues to imply that Tandridge is relatively less affordable than many other authorities in England, falling above the best fit line.

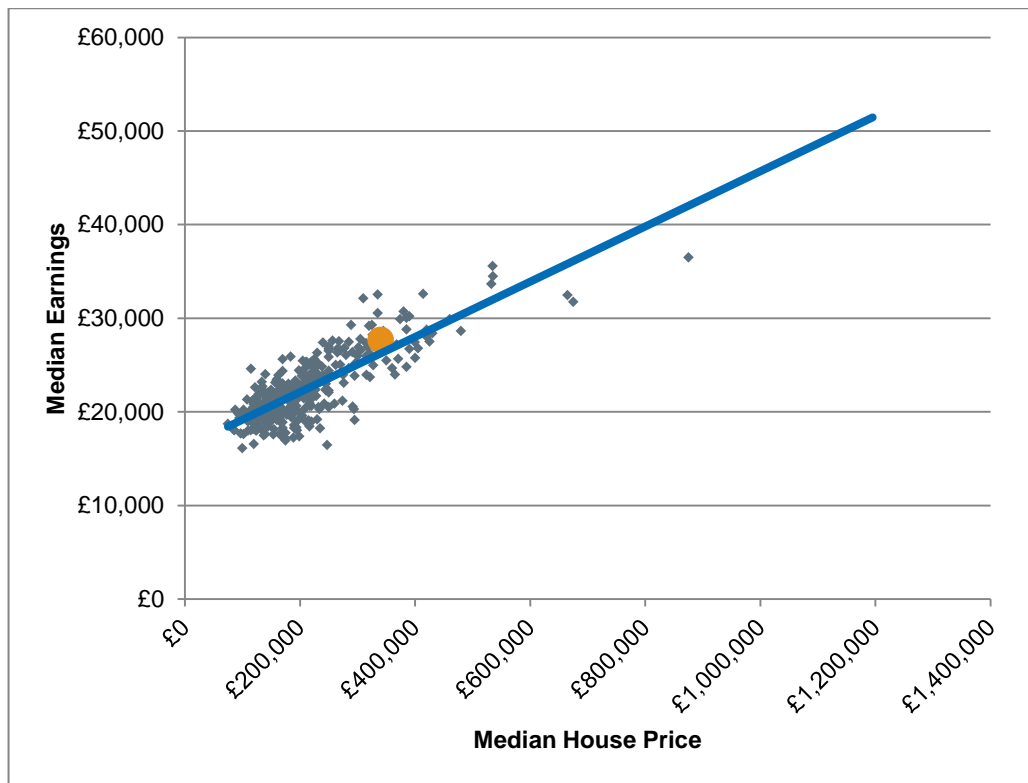
<sup>34</sup> 2014 ratio calculated based on 2014 ASHE and 2014 Land Registry data, and should not be directly compared to official DCLG dataset

<sup>35</sup> ASHE 2002 was the first to record residence-based earnings, with preceding surveys only based on place of work

<sup>36</sup> Turley (2015) Addressing the Needs of All Household Types

<sup>37</sup> ONS (2015) Housing Summary Measures Analysis – ratio of median house price to median gross annual salary by local authority district, England and Wales, 2002 to 2014 (Table 3)

**Figure 3.11: Median House Prices and Median Earnings 2014**



Source: ONS, 2015

- 3.36 This publication also considers the proportion of income spent on rent in the private sector in each authority – which is a key measure of the affordability of this tenure – and this suggests that median rents were equivalent to 49.9% of median residence-based earnings in 2014. This is a notably high proportion – ranking at number 34 of the 310 authorities for which a value has been calculated<sup>38</sup> – suggesting that households need to spend a greater proportion of their income on rent than in many other authorities.

### Rate of Development

- 3.37 The PPG suggests that the historic rate of development should be considered as a market signal, in order to establish whether this has met planned levels of supply. Identification of a backlog could justify an increase in future supply to allow for this likely shortfall<sup>39</sup>.
- 3.38 The Tandridge Core Strategy includes a requirement to provide at least 2,500 net additional dwellings between 2006 and 2026, set by the South East Plan (SEP). This represents an average target of 125 dwellings per annum. Prior to this period, the housing target for Tandridge was set in the Surrey Structure Plan. This set out a

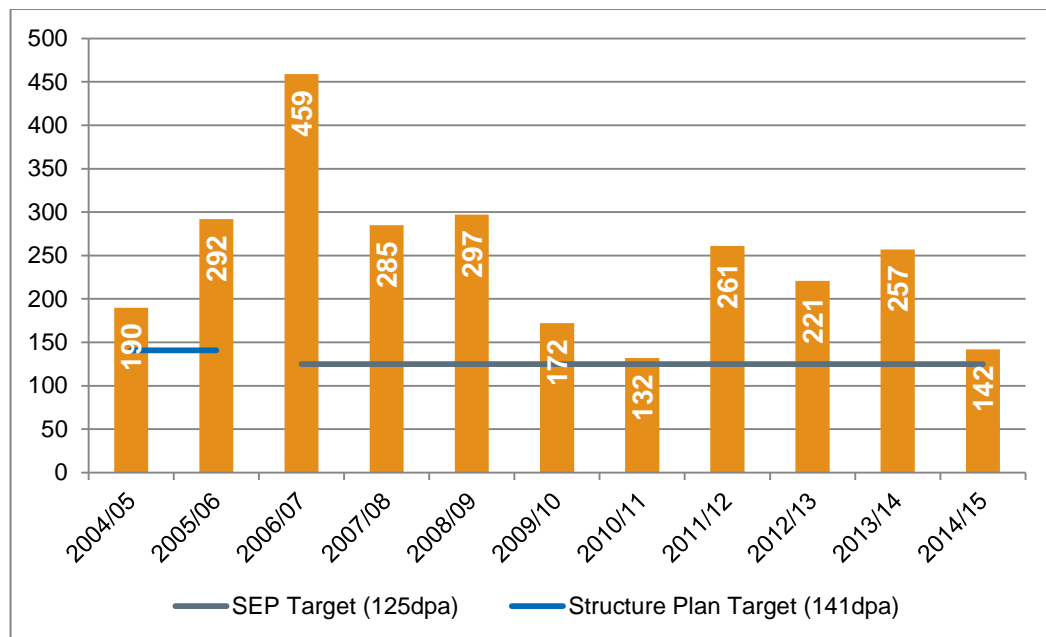
<sup>38</sup> ONS (2015) Housing Summary Measures Analysis – median monthly private sector rent as a proportion of median gross monthly salary by local authority district, England, 2014 (Table 6)

<sup>39</sup> [http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph\\_019](http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_019)

requirement for 2,120 net additional dwellings between April 2001 and March 2016, at an average rate of 141 dwellings per annum<sup>40</sup>.

- 3.39 The rate of development is monitored by the Council, and the following graph therefore summarises net additional dwellings on an annual basis since 2004/05. The policy target is also presented for context.

**Figure 3.12: Net Dwelling Completions 2004/05 – 2014/15**



Source: Tandridge District Council, 2015

- 3.40 The rate of development has consistently exceeded planned targets in Tandridge, with the completion of 246 net dwellings per annum on average over the period shown. While the rate of development fell during the recession, there was a strong recovery, and targets were met throughout. Overall, 1,301 homes have been delivered in addition to the planned targets, and therefore no backlog has accumulated over this period.
- 3.41 When considering the plan targets, it is important to recognise that these were set under a different policy framework. The distribution of housing through the SEP was not based exclusively on the evidenced levels of need, but also a policy adjustment to take account of recognised constraints, including the Green Belt, and wider policy objectives.
- 3.42 There is a material difference between the approach adopted within the SEP to derive a housing provision figure and the approach now required through the National Planning Policy Framework (NPPF). The NPPF represents a '*radical policy change in respect of housing provision*'<sup>41</sup>, with a recent High Court decision stating that '*extreme caution*'<sup>42</sup> should be applied by plan-makers seeking to use housing data from now revoked regional strategies.

<sup>40</sup> Tandridge District Council (2005) Annual Monitoring Report 2004/05

<sup>41</sup> Gallagher Homes Limited v Lioncourt Homes Limited v Solihull Metropolitan Borough Council (30 April 2014)

<sup>42</sup> Ibid

- 3.43 The SEP acknowledges that planned housing provision is unlikely to meet all needs for housing in the region:

*“The scale of demand and need for housing in the region, together with the importance of the South East to the national economy and its interrelationship with London necessitate that the RSS sets out a housing provision that makes a sufficient response to these strategic needs. This Plan has gone some way towards this goal but at 32,700 dwellings per year, the level that is set here is still significantly below the forecast growth of households and even more so by the more recent 2006-based population projections. The current short term market conditions are not expected to help alleviate the worsening housing affordability in the longer term and the supply range recommended for the South East in the independent advice from the National Housing and Planning Advice Unit (NHPAU) is significantly higher than the level of housing provision set in the Policy H1”<sup>43</sup>*

- 3.44 Reference is made to the then-latest population projections, which projected the population of the region to increase by around 1.3 million over the plan period from 2006 to 2026. When later converted to households by DCLG, this suggested that an additional 797,000 new households could form over this period<sup>44</sup>. This represents annual growth of approximately 39,850 households per annum, which exceeds the planned rate of new housing provision.

- 3.45 The housing target was, however, debated at length at the Examination in Public, with evidence from the NHPAU and DCLG – as noted within the SEP – suggesting that there was a higher level of need for housing in the region. The former advised that the SEP should consider a range of between 38,000 and 53,800 new dwellings per year between 2008 and 2031, with the higher figure helping to address unmet need and stabilise affordability<sup>45</sup>. It was also acknowledged by the South East Regional Committee that delivery of 32,700 homes per annum would be insufficient to satisfy the region’s needs, and recommended that higher house building targets should be pursued through a future review<sup>46</sup>. This was never progressed due to the abolition of the regional planning system.

- 3.46 With regards to Tandridge, the SEP also recognised that the primarily rural parts of the district are expected to deliver only limited housing supply, reflecting the urban focus of the strategy and confirming that constraints such as Green Belt were considered in the setting of a housing target.

- 3.47 While this should continue to be taken into account in setting a housing target within the Local Plan, under the new guidance in the NPPF and PPG there are explicit references to confirm that constraints should not be taken into account when evidencing of the need for housing:

*“The assessment of development needs is an objective assessment of need based on facts and unbiased evidence. Plan makers should not apply constraints to the overall*

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<sup>43</sup> Government Office for the South East (2008) South East Plan – Regional Spatial Strategy for the South East

<sup>44</sup> DCLG (2009) 2006-based household projections

<sup>45</sup> South East Regional Committee (2010) First Report – Housing in the South East (section 2)

<sup>46</sup> Ibid



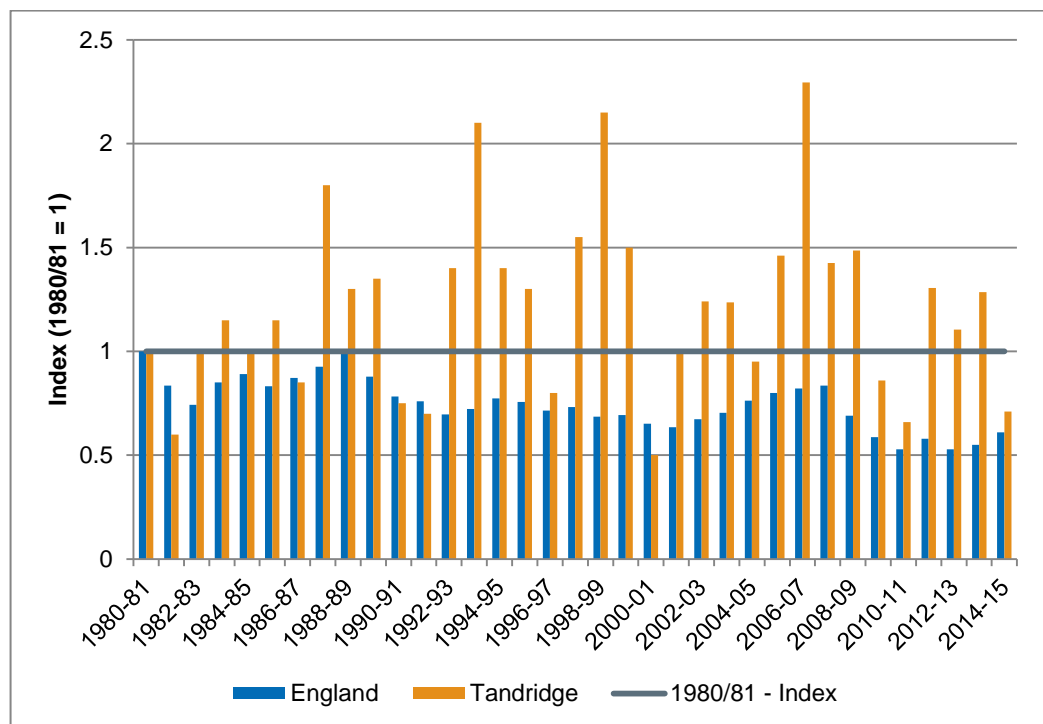
*assessment of need, such as limitations imposed by the supply of land for new development, historic under performance, viability, infrastructure or environmental constraints. However, these considerations will need to be addressed when bringing evidence bases together to identify specific policies within development plans”<sup>47</sup>*

- 3.48 Overall, therefore, while the evidence suggests that the rate of development has exceeded planned supply this needs to be considered in the context that the planned level of supply was not directly associated with evidenced housing need during this period. It is difficult to accurately quantify this given that the DCLG household projections are represented by a number of superseded datasets historically. However, this will evidently form an important consideration in the objective assessment of the need for housing in the district.

### ***Neighbouring Authorities and National Context***

- 3.49 As considered throughout this chapter, it is important to understand how the rate of development compares with that seen nationally or in neighbouring authorities.
- 3.50 DCLG monitor the rate of development at a national level, based on the number of dwellings completed. This can be compared to data for Tandridge to show how the rate of development has changed over a long-term period since 1980<sup>48</sup>, and to allow an understanding of change the rate of development has been indexed to this point.

**Figure 3.13: Indexed Rate of Development 1980 – 2015**



Source: DCLG, 2015; Tandridge District Council, 2015

<sup>47</sup> [http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/the-approach-to-assessing-need/#paragraph\\_004](http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/the-approach-to-assessing-need/#paragraph_004)

<sup>48</sup> Council monitoring data is not available prior to 2000/01, and therefore DCLG data has been utilised for Tandridge over this period

- 3.51 The chart shows that while – at a national level – the rate of development in 1980/81 has not been exceeded since this point, Tandridge has regularly exceeded this level of development in subsequent years. Indeed, in three monitoring years, the rate of development has doubled, most recently in 2006/07. This suggests that the rate of development has been sustained to a greater degree than seen nationally.
- 3.52 In order to gain further context on the rate of development, it is also beneficial to consider housing development in neighbouring authorities with which there are housing market linkages. This can identify instances where targets have not been met – or where targets have been exceeded – with a surplus or excess of housing potentially influencing levels of migration in Tandridge and the wider area. If the rate of development has slowed in one area, for example, a household looking to buy a new home may be more likely to move elsewhere.
- 3.53 The following table summarises net dwelling completions in all neighbouring authorities – including Sutton – over the period from 2006/07 to 2013/14. This is the period over which consistent data can be sourced, recognising that Councils' monitoring arrangements vary.

**Figure 3.14: Net Completions in Neighbouring Authorities 2006/07 – 2013/14**

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
<b>Tandridge</b>	<b>459</b>	<b>285</b>	<b>297</b>	<b>172</b>	<b>132</b>	<b>261</b>	<b>221</b>	<b>257</b>
Bromley	890	713	494	553	672	566	646	605
Crawley	468	679	368	409	384	202	78	157
Croydon	1,091	1,406	1,275	1,370	1,104	704	925	1,297
Mid Sussex	337	502	480	353	179	522	749	536
Reigate and Banstead	607	602	836	654	439	455	469	433
Sevenoaks	141	261	290	213	281	174	141	224
Sutton	470	612	396	178	327	580	227	340
Wealden	230	415	349	337	709	619	674	560

*Source: Council monitoring data*

- 3.54 It is important to establish how the rate of development compares to planned targets, and housing targets in each authority have therefore been reviewed<sup>49</sup>.

<sup>49</sup> Performance against latest adopted housing target (including RSS), and the shortfall may differ from that recorded by respective local authorities with this analysis based upon an interpretation of the latest available data and policy positions in each authority.

- **Bromley** – target of 500 dwellings per annum since 2011/12, prior to which a target of 485 dwellings per annum was in place. 572 dwellings per annum were required in 2006/07, however;
- **Crawley** – annual target of 375 dwellings per annum set in the South East Plan;
- **Croydon** – target of 1,330 dwellings per annum since 2011/12, with 1,100 dwellings required annually over the preceding four years and 850 dwellings per annum required in 2006/07;
- **Mid Sussex** – annual target of 855 dwellings per annum, based on South East Plan;
- **Reigate and Banstead** – historic target of 500 dwellings per annum derived from the South East Plan, replaced by the Core Strategy target of 460 dwellings per annum from 2012/13 onwards;
- **Sevenoaks** – annual target of 165 dwellings per annum;
- **Wealden** – annual target of 450 dwellings per annum; and
- **Sutton** – annual target of 210 dwellings per annum from 2011/12 onwards, with 345 dwellings per annum required over the preceding four years and 370 dwellings required in 2006/07.

3.55 The targets set out above can be compared to net completions to provide an indication of the extent to which targets were met or exceeded. This is summarised in the following table, alongside a calculated total shortfall or surplus over the period from 2006/07 to 2013/14. Years when targets were exceeded are shown in orange, with years where targets were not met highlighted in blue.

**Figure 3.15: Performance Relative to Plan Targets 2006/07 – 2013/14**

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	Relative to target
Tandridge	+334	+160	+172	+47	+7	+136	+96	+132	<b>+1,084</b>
Bromley	+318	+228	+9	+68	+187	+66	+146	+105	<b>+1,127</b>
Crawley	+93	+304	-7	+34	+9	-173	-297	-218	<b>-255</b>
Croydon	+241	+306	+175	+270	+4	-626	-405	-33	<b>-68</b>
Mid Sussex	-518	-353	-375	-502	-676	-33	-106	-319	<b>-3,182</b>
Reigate and Banstead	+107	+102	+336	+154	-61	-45	+9	-27	<b>+575</b>
Sevenoaks	-24	+96	+125	+48	+116	+9	-24	+59	<b>+405</b>
Sutton	+100	+267	+51	-167	-18	+370	+17	+130	<b>+750</b>
Wealden	-220	-35	-101	-113	+259	+169	+224	+110	<b>+293</b>

*Source: Council monitoring data*

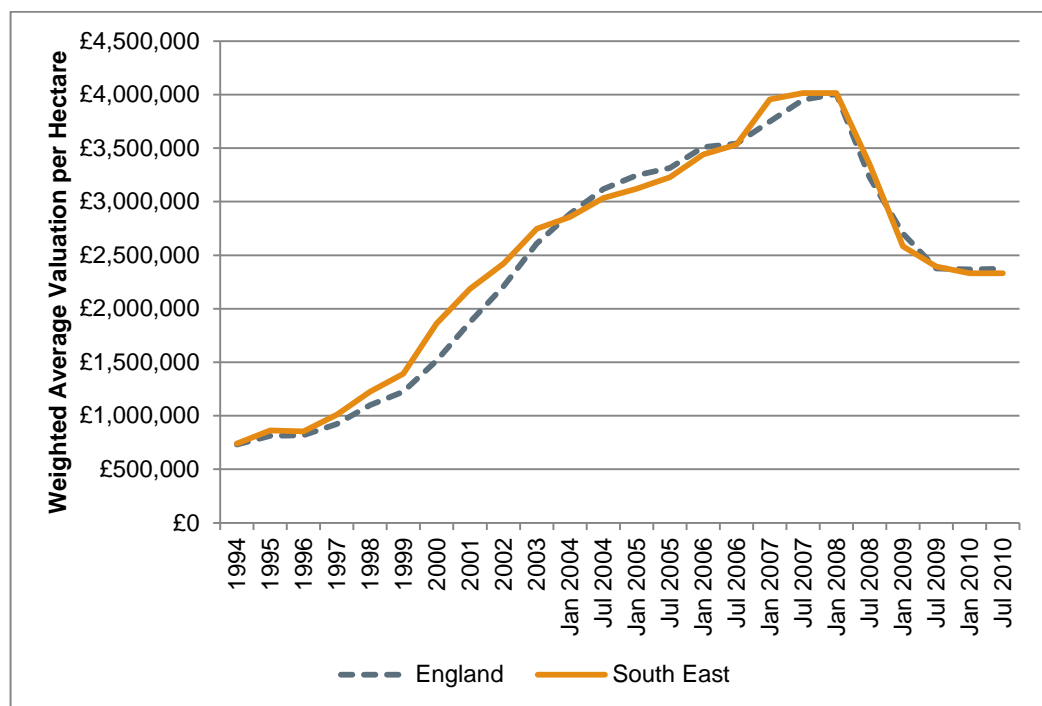
- 3.56 Most neighbouring authorities – and Tandridge itself – have exceeded their planned targets over the period shown, most notably in Bromley where targets were met and surpassed in each monitoring year. Sevenoaks has also largely performed well against plan targets, while Reigate and Banstead and Wealden saw higher levels of development at the beginning and end of the period shown respectively.
- 3.57 Targets have not been met in Mid Sussex, however, with a sizeable backlog generated by a failure to deliver targeted levels of housing development. This is, however, based on the RSS target of 855 dwellings per annum between 2006 and 2026, which was withdrawn following the abolition of the regional tier of planning. Croydon has also slightly underperformed over this period, based on targets set out in the London Plan, although this has primarily been driven by a failure to accelerate housing delivery when the target was uplifted to 1,330 dwellings per annum from 2011. Crawley has also underperformed, although again this is based on the RSS target which is no longer in place. Indeed, it is important to note that many of the targets in place in neighbouring authorities relate to the RSS, which did not explicitly seek to meet needs at a strategic level – as summarised earlier in this section – and instead sought to take account of policy factors in the distribution of housing across the region.
- 3.58 Focusing solely on those areas with which Tandridge has the strongest housing market relationships<sup>50</sup>, it is notable that only Reigate and Banstead has met planned targets, with both Croydon and Mid Sussex failing to meet planned targets. Consistent underprovision in the latter in particular could have historically impacted upon the relationship with Tandridge, given the evidenced market linkages.

<sup>50</sup> Turley (2015) Defining the Housing Market Area

## Land Prices

- 3.59 The PPG notes that land prices are indicative of the demand for land relative to supply, with price premiums providing direct information on a shortage of land within an area.
- 3.60 Data published by DCLG shows the average valuation of residential building land with planning permission over the period from 1994 to 2010. This data is only available at a regional level, but nevertheless provides an indication of historic supply and demand in the wider South East. Land price trends are also presented for England to enable comparison.

**Figure 3.16: Average Valuations of Residential Building Land with Outline Planning Permission**



Source: DCLG, 2010

- 3.61 Historically, the value of residential building land with outline planning permission in the South East has closely followed the national trend, with significant growth in values prior to the recession before a substantial fall stimulated by the global financial crisis. Given the decline in market activity, this dataset does not extend beyond 2010.
- 3.62 The discontinuation of this dataset means that it is challenging to understand how land values have recovered. DCLG have, however, recently published a report setting out estimates of land value for policy appraisal<sup>51</sup>. This sets out an estimated value per hectare of a typical residential site – understood to include land with extant planning permission – in each local authority in England. This allows a comparison between estimated values in Tandridge and surrounding authorities, with a weighted average for England – both including and excluding London – also presented for context.

<sup>51</sup> DCLG (2015) Land value estimates for policy appraisal

**Figure 3.17: Estimated Value of Typical Residential Site**

	Estimated value per hectare
Croydon	£21,500,000
Bromley	£10,150,000
England (including London)	£6,017,000
Sevenoaks	£5,453,000
Reigate and Banstead	£4,771,000
<b>Tandridge</b>	<b>£4,483,000</b>
Crawley	£3,540,000
Wealden	£3,273,000
Mid Sussex	£3,252,000
England (excluding London)	£1,958,000

Source: DCLG, 2015

- 3.63 This dataset suggests that land values in Tandridge and all neighbouring authorities are relatively high, exceeding the national average which excludes London. London is, however, characterised by substantially higher land values – as seen in Croydon and Bromley – and including London therefore increases the average value per hectare in England. Relative to other neighbouring authorities, values in Tandridge are relatively average, falling below the London Boroughs, Sevenoaks and Reigate and Banstead but exceeding estimated values in Crawley, Wealden and Mid Sussex. This suggests that there is a potential shortage of land for residential use in Tandridge, as well as the wider area.
- 3.64 The Council have also recently commissioned a Viability Assessment<sup>52</sup> as part of the Housing and Economic Land Availability Assessment (HELAA), which – though draft at the time of writing – provides estimated benchmark land values in Tandridge:
- £500,000 per gross hectare for greenfield land;
  - An additional premium has been applied for greenfield land which is currently used as paddocks, rear gardens, sports and amenity land, increasing the benchmark to £700,000 per gross hectare;
  - £1,000,000 per gross hectare for garage blocks, surface car parks or land that has been previously used for industry; and
  - £800,000 per gross hectare for land currently used by community buildings.
- 3.65 The findings of this study evidently diverge from the land values implied by DCLG, and given that this study represents an up-to-date assessment of land values at a local level, this is likely to be more reflective of the local land market in Tandridge. The DCLG

<sup>52</sup> BNP Paribas (2015) Housing and Economic Land Availability Assessment – Viability Assessment (draft)

dataset may therefore overestimate the value of residential land in the district, although this does focus solely on land with planning permission which may exceed the value of land bought on a speculative basis. The DCLG data also fails to take account of existing planning policies – such as the provision of CIL or section 106 obligations – which will impact on local land value, and this continues to suggest that the local evidence prepared by BNP Paribas provides an appropriate benchmark land value in Tandridge.

- 3.66 While it is challenging to understand how residential land values have changed over time in Tandridge, the values implied by this assessment can be compared against a similar viability assessment<sup>53</sup> published in February 2013. While the benchmark land values are calculated based on different categories to the 2015 assessment, a number of headline observations can be made to establish change in Tandridge:
- Land currently in residential use would have an estimated value of £2.35 million per hectare, although no comparable value has been provided in the 2015 assessment and it is therefore not possible to understand how this has changed;
  - A benchmark land value of £1.5 million per hectare has been applied for garages, with an estimated value of £850,000 per hectare for industrial or other commercial uses. The benchmark value of £1,000,000 per hectare used for garage blocks, surface car parks and other industrial land in the 2015 assessment incorporates both of these categories, but this could suggest that the value of industrial land has increased by around 18%; and
  - Land currently used for amenity, institutional or community use had an estimated value of £750,000 per hectare, implying that land value increased by around 7% between the assessments.
- 3.67 This suggests that land values have seen some growth over recent years, which aligns with national market evidence suggesting a recovery in the residential land market. Several property consultancies publish evidence providing wider context on the national and regional land market, and this is summarised below.
- 3.68 Savills highlight that land value has begun to slow nationally following a period of recovery after the recession, although there remains intense demand for land in the South East with land values surpassing their pre-recession peak in some areas<sup>54</sup>. They feel that rises are likely to continue over the medium term in high demand areas, unless there is a significant increase of supply on the market. Oxford and Sevenoaks are two high demand locations highlighted in the report, with high values driven by strong links to London and Green Belt land constraints.
- 3.69 Similar research was published by Knight Frank<sup>55</sup>, who again found that the increase in residential land values has slowed, although there remains regional variation. The South East was the only area outside London to see year-on-year growth in average land values, with an increase of 2.1% in the year to Q1 2015 compared to the fall of 0.5% seen nationally. The national fall has been driven by eased demand from major house

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<sup>53</sup> BNP Paribas (2013) Community Infrastructure Levy: Viability Study

<sup>54</sup> Savills (May 2015) Market in Minutes – UK Residential Development Land

<sup>55</sup> Knight Frank (2015) Residential Development Land Index – Q1 2015

builders, many of whom have been replenishing their supply pipeline over the past 18 months and are now bringing land through the planning system. The increase in values seen in the South East, however, suggests that demand continues to be high for land in the region, diverging slightly from this national trend.

- 3.70 Overall, while it is challenging to understand how land values have changed in Tandridge, it is clear that the area is characterised by relatively high land values, likely due to the district's prime location close to London. The location of the Green Belt has also historically played a role in constraining the available supply of residential development land, which is likely therefore to have contributed to generating a price premium for available land. Evidence commissioned by the Council also suggests some short-term growth in land values in the district<sup>56</sup>.

### **Overcrowded, Concealed and Homeless Households**

- 3.71 The PPG suggests that indicators on overcrowding, concealed and sharing households, homelessness and the numbers in temporary accommodation should be analysed, given that they can be indicative of an unmet need for housing. The PPG states that longer term increases in the number of such households could signal a need to consider increasing planned housing numbers<sup>57</sup>.
- 3.72 The 2011 Census shows the number of occupants and the number of bedrooms in dwellings, allowing an understanding of overcrowding. The following table summarises the proportion of households who are overcrowded – with at least one fewer bedroom than required – based on the bedroom standard, as a proportion of all households.

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<sup>56</sup> BNP Paribas (2015) Housing and Economic Land Availability Assessment – Viability Assessment (draft); BNP Paribas (2013) Community Infrastructure Levy: Viability Study

<sup>57</sup> [http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph\\_019](http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_019)



**Figure 3.18: Proportion of Households Overcrowded (Bedrooms) 2011**

	Total overcrowded households (bedrooms)	Proportion of households overcrowded
Croydon	13,975	9.6%
Crawley	2,328	5.4%
Sutton	4,130	5.3%
England	1,024,473	4.6%
Bromley	5,221	4.0%
Reigate and Banstead	1,945	3.5%
<b>Tandridge</b>	<b>1,011</b>	<b>3.0%</b>
Sevenoaks	1,159	2.5%
Mid Sussex	1,382	2.4%
Wealden	1,351	2.2%

*Source: Census 2011*

- 3.73 The Census showed that there were approximately 1,000 households in Tandridge with at least one fewer bedroom than required, with this representing 3% of all households in the district. This falls below the national average, as well as neighbouring Reigate and Banstead, Crawley and the London Boroughs. Indeed, Croydon has a particularly high level of overcrowding, notably exceeding the national average.
- 3.74 Given the number of bedrooms was not recorded in the 2001 Census, it is challenging to profile how the level of overcrowding has changed in Tandridge over recent years. However, the Census in both 2001 and 2011 recorded an occupancy rating based on the number of rooms in a household, allowing an understanding of whether there has been an increase in the number of overcrowded households based on the room standard. This is presented in the following table.

**Figure 3.19: Change in Overcrowded Households (Rooms) 2001 – 2011**

	2001	2011	Change	% change
Mid Sussex	2,015	3,199	1,184	58.8%
Croydon	15,942	23,796	7,854	49.3%
Crawley	3,064	4,196	1,132	36.9%
England	1,457,512	1,928,596	471,084	32.3%
Bromley	7,996	10,456	2,460	30.8%
Reigate and Banstead	2,822	3,661	839	29.7%
Sevenoaks	1,670	2,160	490	29.3%
Sutton	6,509	8,316	1,807	27.8%
<b>Tandridge</b>	<b>1,486</b>	<b>1,841</b>	<b>355</b>	<b>23.9%</b>
Wealden	2,000	2,396	396	19.8%

*Source: Census 2011; Census 2001*

- 3.75 Tandridge has seen an increase in the number of households living with at least one fewer room than required, based on the bedroom standard, although it is notable that this growth is relatively small in the context of neighbouring authorities. It also falls below the growth seen nationally over the same period. This suggests that while households have increasingly been occupying smaller properties in Tandridge, this has not occurred to the same extent as elsewhere. This could be a reflection of the stock profile of the district, which is skewed towards larger properties.
- 3.76 A further indicator is the proportion of families who are concealed, with a family classified as concealed if they are a family reference person (FRP) but not a household reference person (HRP). This indicates that they are not the main family in the household, and may suggest that they have been restricted from forming due to a range of factors, including affordability pressures. This is summarised in the following table, broken down by the age of the FRP.

**Figure 3.20: Proportion of Families Concealed by Age of FRP 2011**

	Age of FRP					All ages
	Under 24	25 – 34	35 – 49	50 – 64	65+	
Croydon	14.0%	5.1%	1.2%	1.4%	3.7%	2.8%
Crawley	14.9%	5.0%	1.0%	1.0%	3.0%	2.5%
Sutton	15.7%	4.0%	0.6%	1.0%	2.7%	2.0%
England	12.8%	4.0%	0.8%	0.9%	1.8%	1.9%
Bromley	13.6%	3.4%	0.6%	0.7%	1.6%	1.5%
Reigate and Banstead	14.9%	2.9%	0.5%	0.6%	1.4%	1.3%
Mid Sussex	15.5%	3.2%	0.6%	0.5%	1.2%	1.2%
Sevenoaks	14.1%	3.4%	0.6%	0.5%	1.3%	1.2%
<b>Tandridge</b>	<b>15.7%</b>	<b>3.0%</b>	<b>0.6%</b>	<b>0.5%</b>	<b>1.5%</b>	<b>1.2%</b>
Wealden	16.1%	3.6%	0.8%	0.4%	1.0%	1.2%

*Source: Census 2011*

- 3.77 Overall, Tandridge has a relatively small number of concealed families, with low levels of concealment relative to the national average for most age groups. However, young families – with a FRP aged 24 and under – are more likely to be concealed in Tandridge, with this level of concealment exceeding all neighbouring authorities with the exception of Wealden and Sutton. This suggests that younger families are less likely to be independent households, and may be constrained from forming by factors such as affordability and other challenges in accessing housing in the district.
- 3.78 Again, it is important to understand how this has changed over recent years, although it is not possible to break this down by age. The following table compares the number of concealed families of all ages in 2001 and 2011 in Tandridge with neighbouring authorities and England as a whole.

**Figure 3.21: Change in Concealed Families 2001 – 2011**

	2001	2011	Change	% change
Sutton	497	1,047	550	110.7%
Crawley	360	755	395	109.7%
Mid Sussex	256	509	253	98.8%
Croydon	1,490	2,746	1,256	84.3%
England	161,254	275,954	114,700	71.1%
Wealden	326	551	225	69.0%
Bromley	773	1,290	517	66.9%
Sevenoaks	270	420	150	55.6%
<b>Tandridge</b>	<b>202</b>	<b>298</b>	<b>96</b>	<b>47.5%</b>
Reigate and Banstead	348	512	164	47.1%

*Source: Census 2011; Census 2001*

- 3.79 96 additional concealed families were recorded in Tandridge in the 2011 Census, compared to 2001, representing an increase of around 48%. This growth is relatively small in the context of neighbouring authorities, and also falls below the national rate of growth over the same period.

## Summary

- 3.80 The following table compares the rate of change seen in a number of market signals in Tandridge – where comparable data on change is available for other authorities – to neighbouring authorities, and the national rate of change. This draws together the evidence presented in this section.
- 3.81 A rank of 1 – coloured in orange – indicates that an area has seen the greatest worsening of the market signal, relative to the other areas of shown. A rank of 10 – coloured in blue – suggests more favourable performance against each market signal, again out of each of the authorities shown.

**Figure 3.22: Market Signals Summary**

	Tandridge	Bromley	Crawley	Croydon	Mid Sussex	Reigate and Banstead	Sevenoaks	Sutton	Wealden	England
<b>House prices</b>										
Change (mean) 2001 – 2014	7	1	10	4	8	6	5	3	9	2
Change (LQ) 2001 – 2014	8	2	6	3	7	10	9	4	5	1
<b>Rents</b>										
Change (mean) 2010/11 – 14/15	7	5	4	2	8	1	9	3	6	10
Change (LQ) 2010/11 – 14/15	4	6	5	1	7	2	8	3	9	10
<b>Affordability</b>										
Change 2001 - 2013	1	10	9	2	3	7	8	4	5	6
<b>Overcrowding</b>										
Change 2001 – 2011	9	5	3	2	1	6	7	8	10	4
<b>Concealed families</b>										
Change 2001 – 2011	9	7	2	4	3	10	8	1	6	5

Source: Turley, 2015

## 4. Similar Demographic and Economic Areas

- 4.1 While the analysis in the preceding section has considered change in market signals in Tandridge relative to neighbouring authorities – with which there are evident market linkages – the PPG also suggests that comparisons should be made against '*similar demographic and economic areas*'<sup>58</sup>. This assumes that households with similar characteristics could be expected to see some consistency in market indicators. It is, however, important to recognise that even areas with some similar characteristics are likely to have considerable differences in other factors.
- 4.2 An exercise has been undertaken to identify areas with similar characteristics to Tandridge, with a particular focus on those areas with comparably strong links to London – both physically and economically – given that the outflow of around 12,500 commuters is a key characteristic of the district. Areas which saw a comparable level of population growth (8%) over the past decade have also been identified, as well as those authorities with Green Belt given the high proportion of such land in Tandridge.
- 4.3 This exercise has identified the following authorities with similar demographic and economic characteristics to Tandridge:
- **Brentwood** – located in Essex, but bordering Havering in Greater London. The population of Brentwood has increased by 8% over the decade to 2014, with around 12,800 people commuting from the borough to Greater London to work. Brentwood also contains Green Belt land;
  - **Broxbourne** – located in Hertfordshire and borders Enfield, with the borough containing Green Belt land. Broxbourne is slightly larger than Tandridge, but has seen a comparable level of population growth over the past decade (9%). A comparable proportion of economically active residents in employment also commute to Greater London (38%);
  - **Spelthorne** – adjacent to Hillingdon and Hounslow at the western edge of Greater London, there was an outflow of around 18,000 commuters to Greater London at the 2011 Census. This represents around 44% of all economically active residents in employment, which broadly aligns with the 40% seen in Tandridge. The population has grown by around 9% over the decade to 2014, and the borough also contains Green Belt land; and
  - **Three Rivers** – contains Green Belt land and is adjacent to Hillingdon and Harrow. The population grew by 8% between 2004 and 2014, while a similar number – and proportion – of economically active residents commute to Greater London for work (13,100, or 38%).

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<sup>58</sup> [http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph\\_020](http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_020)

- 4.4 In order to establish how market signals in Tandridge have changed compared to the changes seen in these authorities, a further summary table has been prepared to consider a number of the market signals suggested in the PPG.

**Figure 4.1: Market Signals Summary – Similar Areas**

	Tandridge	Brentwood	Broxbourne	Spelthorne	Three Rivers
<b>House prices</b>					
Change (mean) 2001 – 2014	2	3	5	4	1
Change (LQ) 2001 – 2014	3	1	4	5	2
<b>Rents</b>					
Change (mean) 2010/11 – 14/15	2	4	3	1	5
Change (LQ) 2010/11 – 14/15	2	4	5	3	1
<b>Affordability</b>					
Change 2001 – 2013	1	5	3	4	2
<b>Overcrowding</b>					
Change 2001 – 2011	5	1	2	3	4
<b>Concealed families</b>					
Change 2001 – 2011	5	2	3	1	4

Source: Turley, 2015

- 4.5 When compared to similar demographic and economic areas, Tandridge continues to rank in a relatively average position. Affordability – based on the change in workplace-based earnings and house prices – has worsened considerably, with people working in the district needing to spend a higher number of years' income on the cost of purchasing a home in the authority where they work. Change in overcrowding and concealed families has, however, been relatively limited compared to the other authorities shown, while growth in house prices and rents are broadly in line with other similar areas.

## 5. Conclusions

- 5.1 This paper has sought to assess a number of market signals in Tandridge to establish the balance between the supply of and demand for housing. This responds to the guidance in the PPG, which states that evidence of a worsening trend will justify upward adjustments to an objective assessment of housing need. This paper will therefore inform the objective assessment being separately undertaken on behalf of the Council.
- 5.2 It is particularly important to consider market signals given the well-documented changes in the national housing market over recent years. Prior to the recession, there was a period of sustained growth, with house prices increasing through high levels of demand and increased mortgage availability. Growth did, however, outstrip rises in earnings, leading to increased affordability challenges for many households.
- 5.3 The global financial crisis had a significant impact on the housing market, stimulating a sharp fall in the number of transactions and average price declines in the face of reduced demand. Poor market conditions were sustained with households either reluctant to move or unable to afford the cost of doing so, due to a reduction in lending from the banking industry. This continued to limit the level of demand in the housing market at a national level.
- 5.4 There has, however, been an acknowledged improvement over recent years, with growing consumer confidence and improved credit conditions. Areas such as London and the South East have seen stronger recoveries, fuelling increases in house prices and worsening affordability. Low mortgage rates are offsetting some of the issues associated with this, although for many households – particularly those in younger age groups – other tenures with smaller immediate financial requirements are becoming more attractive.
- 5.5 This has been a driver in the significant growth of the private rented sector over recent years, becoming the default option for people who can neither afford to buy or qualify for social housing. This tenure is expected to continue to act as an important tenure for younger people, with many younger households only expected to become home owners later in their adult lives.
- 5.6 Many have attributed the worsening affordability of housing in England to a long-term imbalance between supply and demand, due to a long-term fall in the rate of new housing development and a failure to meet housing needs across the country. This is partially driven by a decline in public sector house building, and despite signs of a recovery in the rate of house building – and government reforms to boost the supply of new housing – it is expected that housing supply shortages will persist at a macro level for at least the next decade.
- 5.7 Within this context, this paper has considered six market signals identified in the PPG. These are summarised below:
  - **House prices** – Tandridge has historically been characterised by high house prices, and while there has been long-term growth, this was generally less extreme relative to many neighbouring authorities. There has, however, been



strong price growth since the recession, and house prices in 2014 are almost double their 2001 values at both the middle and lower ends of the housing market. Price growth has also exceeded that seen in several comparable authorities, albeit falling behind Three Rivers and – at the lower end of the market – Brentwood;

- **Rents** – rents in Tandridge are considerably higher than the national average, and also exceed all neighbouring authorities with the exception of Sevenoaks. Average rents have increased substantially over recent years – above the national trend – suggesting that there is pressure on the existing rented stock in the district. Growth in rents also exceeds several of the comparable areas considered, with the exception of Spelthorne (mean) and Three Rivers (lower quartile);
- **Affordability** – Tandridge is considerably less affordable than the national average, with the lower quartile house price almost 14 times the lower quartile income for people working in the district. This suggests that earnings for workers in the district have not grown to the same extent as house prices, although it is important to recognise that many residents commute to work in other areas – such as London – where earnings may be higher, thereby enhancing their spending power and making housing more affordable than implied by DCLG. In 2014, for example, the lower quartile house price in Tandridge was 11.4 times the lower quartile income for residents, which – though considerably higher than the national average – has not significantly worsened since 2002, with a slight improvement over this time. Housing in the district is, however, less affordable for people who work in the district, potentially restricting people who work in Tandridge from moving closer to their place of work. This relationship has also worsened to a greater extent than in comparable areas, set out in section 4;
- **Rate of development** – the rate of development in Tandridge has consistently exceeded planned targets since 2004, with an average of 246 dwellings completed annually. No backlog has therefore accumulated against these planned targets, and – indexed to performance in 1980/1 – the rate of development has often exceeded this level, in contrast to the national decline seen over this period. Many other neighbouring authorities have also exceeded their planned targets, although it is important to take account of the fact that the planned targets in Tandridge and many of the other surrounding authorities were not fully representative of identified needs taking into account a range of constraint factors including the Green Belt. It is therefore important to recognise that whilst development rates have met or exceeded plan targets in many cases they are likely to have fallen short of the full need. It is difficult to accurately quantify this given that the DCLG household projections are represented by a number of superseded datasets historically but the evidence from other market signals factors, including affordability associated with rising prices and rents, suggest more of an imbalance between supply and demand than that implied by comparing plan targets with provision;
- **Land prices** – DCLG evidence suggests that residential land with planning permission in Tandridge and all neighbouring authorities has a relatively high

value, implying a potential shortage of land for residential use in the district and the wider area. Locally commissioned evidence does, however, suggest that values in Tandridge are not as high as implied by DCLG, although there is likely to have been some short-term growth in land values in the district. This reflects wider market conditions, with the land market recovering over recent years at a national level. Values in Tandridge are also likely to attract a premium due to the district's proximity to London and its constrained supply of suitable housing land; and

- **Overcrowding** – relatively few households in Tandridge are overcrowded – compared to both neighbouring and comparator authorities – and while this has increased over recent years, the growth has fallen below the comparable national rate. This is likely to reflect the stock profile of the district, which is skewed towards larger properties. There are also relatively few concealed families in Tandridge, although younger families are more likely to be concealed than in all neighbouring authorities, with the exception of Wealden and Sutton. These families may be constrained from forming due to factors such as affordability.

- 5.8 Drawing together the evidence presented throughout this paper, it is clear that Tandridge – like many neighbouring authorities and those in the wider region – has seen a significant worsening in market signals over recent years, reflecting and in some cases surpassing worsening national trends. Affordability has worsened considerably, with people working in Tandridge increasingly required to spend a greater number of years' income if they were to purchase housing in the same district as their place of work. This relationship has worsened to a greater extent than seen in neighbouring authorities or comparable areas – and has also continued to worsen since the recession – although again this imbalance is not unique to Tandridge. Notably, however, the number of years' income spent by existing Tandridge residents to purchase at the lower end of the market has actually fallen slightly since 2002. This suggests that earnings – particularly for those who work elsewhere, with higher incomes – have grown at a slightly faster rate than lower quartile prices, although housing in the district remains considerably less affordable than the national profile according to this measure.
- 5.9 House prices and rents are also notably high – suggesting significant and sustained pressure on the existing stock – while a high proportion of younger families in the district are concealed and may be restricted from forming.
- 5.10 It is therefore considered reasonable that the Council – in considering housing needs – will need to consider the implications of worsening market signals through an appropriate adjustment to the levels of need implied under demographic growth scenarios. This reflects the need to respond to the evidence and ensure an improvement in affordability, alleviating – at least in part – the demand pressure on the existing stock. This corresponds with the guidance in the PPG, which states that a greater supply response should be made where there is evidence of significant affordability constraints and other indicators of high demand.

**Turley**  
1 New York Street  
Manchester  
M1 4HD

T 0161 233 7676