

Analysis of Market Signals

Updated Technical Paper for Tandridge District Council

June 2018

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1. Introduction

- 1.1 Turley has been commissioned by Tandridge District Council ('the Council') to update the suite of five housing technical papers¹ produced in 2015, which have formed part of the Council's Strategic Housing Market Assessment (SHMA) evidence base since their publication. Updated papers are required by the Council to inform the ongoing preparation of the Local Plan and to ensure that account is taken of the latest available evidence.
- 1.2 This paper provides an updated position on market signals of imbalance between housing supply and demand in Tandridge, building upon and where possible updating the analysis presented in the previous technical paper² which is included in full at **Appendix 1**.

Policy Framework and Guidance

- 1.3 Like the previous analysis, this paper has been prepared to comply with the current National Planning Policy Framework (NPPF) and Planning Practice Guidance (PPG). It is acknowledged that the Government has recently consulted on a revised version of the NPPF, with supporting proposed amendments to the PPG published in draft form as part of this consultation. The proposals for the implementation of the revised NPPF indicate that plans submitted within six months of the date of its final publication will not be expected to take any account of the revisions. It is understood that the Council intends to submit its Local Plan during 2018, and therefore within this window. For context, however, reference is made where appropriate to the implications of the proposed revisions.
- 1.4 The PPG currently identifies six market signals, relating to land prices, house prices, rents, affordability, the rate of development and overcrowding³. However, the draft PPG identifies only one market signal, indicating that '*median affordability ratios...should be used for adjusting household projections*'⁴. This evidently reduces the number of market signals that need to be considered, although – for the reasons outlined above – this paper continues to assess the full range of market signals currently identified by the PPG.

National Context

- 1.5 The original paper stated the '*strong consensus position*' that, at a national level, the delivery of housing has failed to match housing need and demand over recent years. In the intervening years since the original paper's publication, there is strong evidence to suggest that it remains the case that housing delivery has not kept pace with need. Average house prices and rents have continued to rise in England over the past three years (by 11.6% and 6.5% respectively), with this being consistent with the longer term

¹ Separate technical papers were produced on defining the housing market area; analysis of market signals; addressing the needs of all household types; affordable housing needs assessment; and review of Inspectors' decisions on SHMAs and OAN

² Turley (2015) Analysis of Market Signals – Technical Paper for Tandridge District Council

³ PPG Reference ID 2a-019-20140306

⁴ MHCLG (March 2018) Draft Planning Practice Guidance, p24

growth in price of more than 140% recorded since 2001⁵. Data from the Ministry of Housing, Communities & Local Government⁶ shows that the past three years have seen a total of 577,690 net additional dwellings delivered in England, equating to an average of circa 192,560 homes per annum. This falls significantly below the 300,000 dwellings per year that Government acknowledge are required in order to make housing more affordable, as set out in the 2017 Autumn Budget⁷. This is despite the fact that 2016/17's delivery of 217,350 net additional dwellings was the highest since 2007/08, growing the housing stock by 0.9%.

- 1.6 At a national level – linked in no small part to the failure to provide the homes which are needed – the rise in house prices continues to outpace earnings growth, an issue which is highlighted in the Government's February 2017 Housing White Paper, 'Fixing Our Broken Housing Market'. It is stated that the average house price in England at the time of publication was around 8 times the national average earnings, with average house prices being over 10 times greater than average earnings in 30% of local authorities⁸.

Scope of this Update

- 1.7 This paper provides a fully updated position on market signals of imbalance between supply and demand in Tandridge, relative to England, neighbouring authorities⁹ and those similar authorities previously identified in the original paper¹⁰.
- 1.8 Comparisons are also made with Eastleigh, Canterbury and Waverley, where Inspectors examining Local Plans have arrived at a clear position on an appropriate response to market signals evidence. These conclusions – summarised in the separate paper on Inspectors' decisions¹¹ – have been increasingly used as benchmarks in interpreting this stage of the PPG methodology, and are therefore included in this update. This is intended to assist the Council in arriving at a judgement on the scale of adjustment to the household projections which it considers to be reasonable.
- 1.9 Additionally, in 2015 the Office for National Statistics (ONS) published updated Area Classifications, which groups local authority areas together with those which display similar characteristics in terms of local demographic, household composition, housing, socio-economic, and employment conditions. Of the five authorities classified most similar to Tandridge within the 'Affluent England' supergroup, Mid Sussex and Mole Valley are those which have not already been identified above, and so have therefore been included within this analysis for completeness.

⁵ Analysis of Land Registry data

⁶ Ministry of Housing, Communities & Local Government (2017) Table 120: components of housing supply; net additional dwellings, England 2006-07 to 2016-17

⁷ HM Treasury (2017) Autumn Budget 2017: Building the homes the country needs

⁸ Department for Communities and Local Government (2017) Fixing our broken housing market

⁹ Bromley, Crawley, Croydon, Reigate & Banstead, Sevenoaks, Sutton and Wealden

¹⁰ Brentwood, Broxbourne, Spelthorne and Three Rivers. These authorities were selected in 2015 given their comparably strong physical and economic links to London, their comparable rates of long-term population growth and their comparable Green Belt constraints.

¹¹ Turley (2018) 2018 Review of Inspectors' Decisions on SHMAs and OAN – updated technical paper for Tandridge District Council

1.10 The inclusion of Mid Sussex as a comparator within this updated analysis can also be justified when considered that the Inspector examining its Local Plan recently arrived at a clear conclusion on the level of adjustment required to respond to local market signals, as noted within the separate paper on Inspectors' decisions.

1.11 The inclusion of Mid Sussex also means that each of the other authorities in the housing market area (HMA) defined for Tandridge – namely Mid Sussex, Croydon and Reigate and Banstead – is captured within this analysis¹².

1.12 This paper re-presents Census-based market signals which remain the latest available and have not been updated since the original paper was produced, and also re-presents its analysis on land prices for the same reasons. However, it draws upon more recently available data on:

- House prices;
- Private rents;
- Affordability;
- The rate of development; and
- Homelessness.

1.13 This analysis is drawn together to establish updated conclusions on the scale of imbalance between supply and demand in Tandridge, based on the full range of market signals currently identified in the PPG.

1.14 This paper is not intended to determine the number of homes needed in Tandridge, but to provide information to inform the Council's judgement on the scale of adjustment to apply to the household projections in accordance with the PPG. Estimating the increase in housing supply that could be needed to reasonably respond to market signals and '*improve affordability*'¹³ therefore falls outside of its scope. It is anticipated that the market signals reviewed herein will be taken into account by the Council through the development of its Local Plan.

¹² Turley (2018) Defining the Housing Market Area – updated technical paper for Tandridge District Council

¹³ PPG Reference ID 2a-020-20140306

2. Market Signals

House Prices

- 2.1 The PPG states that longer term increases in house prices can be indicative of an imbalance between supply and demand. The original paper identified that Tandridge has historically been characterised by high house prices, and that 2014's average prices were almost double that recorded in 2001. Whilst it was acknowledged that price growth over this period was perhaps less extreme than in some neighbouring authorities, the rate of increase in Tandridge also outstripped that recorded in a number of comparator authorities.
- 2.2 Ordered by rate of change since 2014 – the final year of analysis included in the original paper – the below table establishes change in average house prices¹⁴ in Tandridge and comparator areas to 2017, also including analysis of longer-term change since 2001.

¹⁴ This is expressed as a mean as opposed to a median average

Table 2.1: Change in Average House Prices, 2014 – 2017

	2014	2017	% Change 2014-17▼	% Change 2001-17
Broxbourne	£280,300	£372,853	33.0%	147.4%
Croydon	£300,737	£398,301	32.4%	174.2%
Brentwood	£371,833	£484,780	30.4%	152.2%
Spelthorne	£322,644	£413,032	28.0%	138.1%
Canterbury	£248,730	£317,496	27.6%	158.3%
Eastleigh	£244,333	£311,738	27.6%	130.3%
Crawley	£239,207	£300,411	25.6%	143.7%
Bromley	£397,572	£497,785	25.2%	172.5%
Sutton	£322,306	£401,048	24.4%	163.3%
Mid Sussex	£336,124	£415,663	23.7%	141.8%
Mole Valley	£470,688	£574,960	22.2%	140.9%
Three Rivers	£459,681	£556,623	21.1%	159.8%
Tandridge	£428,012	£496,132	15.9%	130.8%
Wealden	£318,315	£368,803	15.9%	125.8%
Waverley	£470,952	£542,048	15.1%	123.8%
Sevenoaks	£432,835	£496,632	14.7%	132.6%
Reigate and Banstead	£402,509	£460,518	14.4%	130.6%
England	£264,350	£294,980	11.6%	142.2%

Source: Turley analysis of Land Registry data

2.3 House prices in Tandridge in 2017 remain significantly above the national average, and higher than in a number of comparator authorities. However, whilst prices in Tandridge have increased at a faster rate than the national average since 2014, this rate of growth is less than half that recorded in the neighbouring authority of Croydon over the same period. Since 2001, mean prices in Tandridge have in fact increased at a slower rate than they have nationally, with the rate of growth also being towards the lower end of the scale in comparison with other analysed areas. This slower growth is likely to reflect Tandridge's relatively high 2001 base price.

2.4 The table overleaf presents analysis of the same data, but focuses on lower quartile house prices. The lower quartile house price is frequently referenced as being more representative of an entry level price point in the market.

Table 2.2: Change in Lower Quartile House Prices, 2001 – 2014 – 2017

	2014	2017	% Change 2014-17 ▼	% Change 2001-17
Broxbourne	£187,000	£260,000	39.0%	176.6%
Croydon	£209,500	£287,995	37.5%	206.4%
Brentwood	£235,000	£320,000	36.2%	185.7%
Crawley	£181,500	£245,000	35.0%	176.8%
Bromley	£249,995	£330,000	32.0%	197.3%
Reigate and Banstead	£233,000	£305,000	30.9%	154.2%
Sutton	£220,000	£287,300	30.6%	177.0%
Spelthorne	£230,000	£299,950	30.4%	150.0%
Canterbury	£176,500	£230,000	30.3%	180.5%
Three Rivers	£270,000	£350,500	29.8%	169.6%
Mole Valley	£270,000	£348,348	29.0%	148.6%
Sevenoaks	£233,500	£300,750	28.8%	154.1%
Eastleigh	£175,000	£225,200	28.7%	148.2%
Waverley	£250,000	£320,500	28.2%	141.1%
Tandridge	£249,950	£320,000	28.0%	156.1%
Wealden	£192,988	£245,000	27.0%	166.8%
Mid Sussex	£226,000	£275,000	21.7%	145.5%
England	£133,500	£145,000	8.6%	168.5%

Source: Turley analysis of Land Registry data

2.5 It can be seen from the above that lower quartile house prices in Tandridge have increased at almost double the rate of average prices in the authority since 2014. This would suggest a greater price elevation in those lower priced properties over this period potentially indicating pressure on more 'entry-level' properties. This suggests that a proportionately greater worsening of affordability in the district will be experienced by those seeking these entry-level and lower-value homes. Again, however, whilst lower quartile house prices have grown at a significantly faster rate in Tandridge than nationally since 2014, this rate of growth is proportionally lower than that recorded in a number of other comparator authorities, particularly Croydon, Brentwood and Crawley. As for mean prices, lower quartile house prices grew at a slower proportionate rate between 2001 and 2017 in Tandridge than in as England as a whole.

Rents

2.6 The PPG suggests that the rental market should also be considered as a market signal, with longer term changes in rents indicative of a potential imbalance between the

demand for and supply of housing. The original paper analysed rents over the period from April 2014 to March 2015, and established that rents were comparatively high in Tandridge at both the average and entry level of the market. Rents had increased at a faster rate than seen nationally, although some neighbouring authorities had seen a stronger growth from what was a lower base.

2.7 This updated paper presents the most recent available data, which covers the period from October 2016 to September 2017. Both lower quartile and mean rents have been analysed for Tandridge, comparator authorities and England, ordered by change in mean rents since 2014/15. Rents for two bedroom properties are presented in the below table, in order to ensure that appropriate comparisons are made between similar properties.

Table 2.3: Change in Monthly Private Rental Cost, 2010/11 – 2014/15 – 2016/17 (October – September)

	2014/15		2016/17		% Change		% Change		
	Rent pcm	Mean	Rent pcm	Mean	LQ	14/15 – 16/17	Mean	LQ	10/11 – 16/17
Broxbourne	£895	£800	£1,008	£900	£900	12.6%	12.5%	26.7%	20.0%
Sevenoaks	£1,013	£850	£1,095	£900	£900	8.1%	5.9%	23.3%	16.9%
Crawley	£917	£860	£985	£945	£945	7.4%	9.9%	23.7%	26.0%
Eastleigh	£743	£695	£797	£750	£750	7.3%	7.9%	17.0%	15.4%
Wealden	£780	£695	£836	£750	£750	7.2%	7.9%	18.8%	15.4%
England	£727	£495	£774	£520	£520	6.5%	5.1%	17.3%	9.5%
Reigate and Banstead	£1,026	£895	£1,090	£975	£975	6.2%	8.9%	26.8%	25.8%
Waverley	£1,005	£870	£1,067	£925	£925	6.2%	6.3%	16.5%	16.4%
Mid Sussex	£886	£820	£935	£850	£850	5.5%	3.7%	16.2%	13.3%
Croydon	£1,120	£1,000	£1,179	£1,100	£1,100	5.3%	10.0%	30.5%	29.4%
Bromley	£1,159	£1,050	£1,215	£1,100	£1,100	4.8%	4.8%	25.8%	29.4%
Canterbury	£791	£695	£824	£750	£750	4.2%	7.9%	17.0%	20.0%
Brentwood	£1,036	£900	£1,077	£925	£925	4.0%	2.8%	20.6%	27.6%
Tandridge	£1,064	£925	£1,106	£963	£963	3.9%	4.1%	24.1%	20.4%
Sutton	£1,134	£1,050	£1,172	£1,100	£1,100	3.4%	4.8%	33.7%	37.5%
Mole Valley	£1,107	£995	£1,133	£1,018	£1,018	2.3%	2.3%	18.5%	21.2%
Spelthorne	£1,150	£1,095	£1,172	£1,100	£1,100	1.9%	0.5%	28.4%	29.4%
Three Rivers	£1,238	£1,075	£1,190	£1,100	£1,100	-3.9%	2.3%	15.6%	29.4%

Source: VOA, *Private rental market summary statistics (October – September 2010/11, 2014/15 & 2016/17)*

2.8 Mean rents in Tandridge in 2016/17 were, along with all analysed comparator authorities, significantly higher than the national average. Mean and lower quartile rents in Tandridge were also towards the upper end of the range relative to the analysed comparator areas. Since 2014/15, however, both mean and lower quartile rents in Tandridge have grown at a slower proportionate rate than the national average, with growth being towards the lower end of the scale relative to the analysed comparator authorities. This is a trend recorded in a number of areas with rents towards the higher end of the range.

Affordability

2.9 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. As noted in section 1, the Government has attributed increased weight towards this measure as the sole market signal to inform its proposed standard method for calculating housing needs.

2.10 The analysis above 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 table, which shows the ratio between lower quartile house prices and the lower quartile earnings of those working in Tandridge and each comparator geography. The table is sorted by the increase in the ratio between 2013 (the last analysed year in the previous technical paper) and 2017.

Table 2.4: Lower Quartile Affordability Ratios and Change, 2001 – 2013 – 2017

	2001	2013	2017	% Change 2013-17 ▼	% Change 2001-17
Sutton	6.12	8.55	14.01	63.9%	128.9%
Bromley	9.40	10.84	16.76	54.6%	78.3%
Broxbourne	5.72	8.15	12.18	49.4%	112.9%
Croydon	5.69	8.52	12.18	43.0%	114.1%
Crawley	4.96	7.61	10.85	42.6%	118.8%
Mole Valley	8.45	10.57	14.95	41.4%	76.9%
Sevenoaks	7.91	11.63	16.02	37.7%	102.5%
Reigate and Banstead	7.15	10.02	13.15	31.2%	83.9%
Three Rivers	6.98	11.22	14.54	29.6%	108.3%
Mid Sussex	7.08	10.69	13.82	29.3%	95.2%
Canterbury	6.00	9.47	11.77	24.3%	96.2%
Spelthorne	6.62	9.48	11.57	22.0%	74.8%
Brentwood	7.15	9.99	12.17	21.8%	70.2%
Eastleigh	6.03	8.75	10.50	20.0%	74.1%
Wealden	6.48	11.14	12.86	15.4%	98.5%
Waverley	7.86	13.11	14.71	12.2%	87.2%
England	4.08	6.57	7.26	10.5%	77.9%
Tandridge	8.64	14.07	14.07	0.0%	62.8%

Source: ONS, *Housing affordability in England and Wales: 2001, 2013 & 2017 - House price to workplace-based earnings ratio*

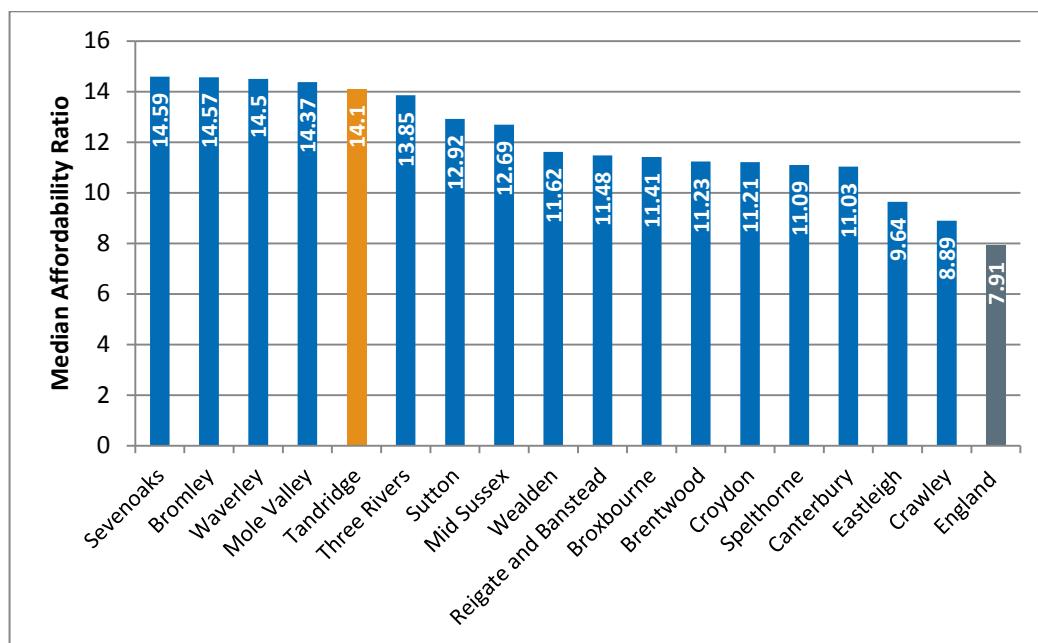
2.11 Whilst Tandridge remains one of the least affordable areas amongst the comparator authorities in 2017 – with an affordability ratio that is significantly higher than the national average – the above table indicates that affordability in the district has not worsened since 2013, unlike all other analysed geographies. Over the longer term, the 62.8% rise in Tandridge’s affordability ratio recorded between 2001 and 2017 remains the lowest of all the comparator areas, including England as a whole. This is, however, influenced by its particularly high base in 2001, which exceeded that seen in all but one of the comparator geographies.

2.12 The above analysis is based on the earnings of those working in Tandridge. While the original paper also presented ratios derived from residents’ earnings – thereby taking account of those residents commuting out of the district to earn more elsewhere – this is not revisited herein. This reflects continued and indeed strengthened direction from Government that ratios ‘based on full-time earnings for those working in that local

authority area' should be attributed greater weight in assessing market signals¹⁵. This is more representative of affordability barriers faced by people looking to move closer to their place of work.

2.13 This emerging guidance from Government does, however, also attribute greater weight to the median affordability ratio, in preference to the lower quartile ratios presented above and in the original paper. For completeness, 2017's median affordability ratio is therefore included in the chart below. This confirms that Tandridge ranks amongst the least affordable of the areas considered against this measure.

Figure 2.1: Median Affordability Ratios, 2017



Source: ONS Housing affordability in England and Wales: 2017 - House price to workplace-based earnings ratio

Rate of Development

2.14 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.

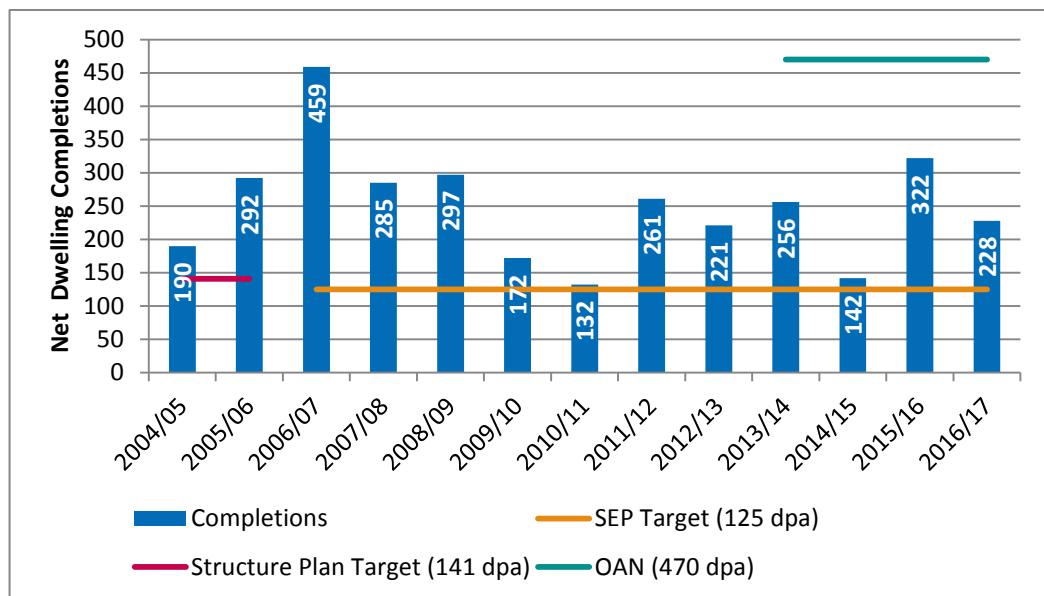
2.15 The Tandridge Core Strategy included a requirement to provide at least 2,500 net additional dwellings between 2006 and 2026, set by the South East Plan (SEP). This represents an average target of 125 dwellings per annum. Prior to this period, the housing target for Tandridge was set in the Surrey Structure Plan. This set out a requirement for 2,120 net additional dwellings between April 2001 and March 2016, at an average rate of 141 dwellings per annum. Each requirement was, however,

¹⁵ DCLG (2017) Planning for the right homes in the right places: consultation proposals, paragraph 20

established in a notably different national policy context than currently exists, as is acknowledged and summarised in the original paper¹⁶.

2.16 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, alongside the objectively assessed need (OAN) for Tandridge of 470 dwellings per annum for the period 2013-33, as assessed by NMSS in 2015¹⁷.

Figure 2.2: Net dwelling completions, 2004/05 – 2016/17



Source: Tandridge District Council

2.17 As was noted in the previous technical paper, the rate of development in Tandridge has consistently exceeded planned targets. This trend of exceeding plan targets has continued in the two subsequent monitoring years, with the 322 net completions recorded in 2015/16 representing the highest rate of development in the district since 2006/07.

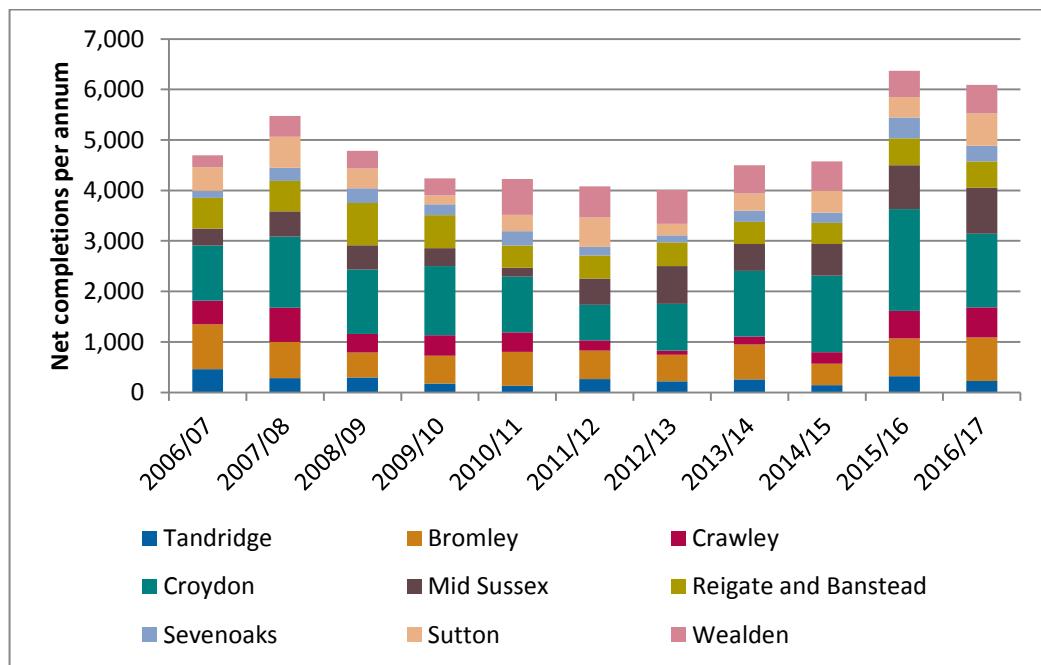
2.18 However, as stressed in the original paper, planned targets in Tandridge – and indeed many of the other surrounding authorities – are not fully representative of identified needs, having been derived prior to the introduction of the NPPF and considerably influenced by constraints. In this sense, it must therefore be recognised that plan targets are likely to have fallen short of the full need, despite exceeding targets. This is illustrated when noting that completions have fallen significantly below the 470 dwellings per annum that has been established as the NPPF compliant OAN for the period 2013 to 2033.

2.19 Net completions in Tandridge and neighbouring authorities are shown in the below chart, complete with the three additional monitoring years which have passed since publication of the original paper.

¹⁶ See paras 2.17 – 2.21 of original Market Signals technical paper.

¹⁷ NMSS (2015) The Objectively Assessed Housing Needs of Tandridge

Figure 2.3: Net Completions in Neighbouring Authorities 2006/07 – 2016/17



Source: Turley analysis of Council monitoring

2.20 It can be seen that the aggregated rate of development for the comparator authorities was relatively high over the two latest monitoring years. Whilst it can be seen that this has been mainly driven by high rates of delivery in Bromley, Croydon and Mid Sussex, and to a lesser extent Sutton, it should also be noted that both Mid Sussex and Croydon, both of whom have post-NPPF adopted plans, nonetheless delivered a lower number of houses than their local plan targets, 924 dpa and 1,600 dpa respectively in 2016/17. This would continue to suggest that whilst rates have increased they are not fully addressing evidenced need in these areas.

Land Prices

2.21 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.

2.22 Secondary data is more limited in relation to land prices, although the original paper referenced estimates produced by the Ministry of Housing, Communities and Local Government (MHCLG) which remains the most comprehensive and recent evidence available¹⁸.

2.23 This paper therefore reproduces the table comparing estimated land values in Tandridge and comparator areas, this time incorporating the additional authorities that have been included throughout this paper.

¹⁸ DCLG (2015) Land value estimates for policy appraisal

Table 2.5: Estimated Value of Typical Residential Site, 2015

	Estimated value per hectare
Croydon	£21,500,000
Bromley	£10,150,000
England (including London)	£6,017,000
Mole Valley	£5,680,000
Canterbury	£5,505,000
Sevenoaks	£5,453,000
Brentwood	£5,075,000
Waverley	£4,905,000
Reigate and Banstead	£4,771,000
Tandridge	£4,483,000
Spelthorne	£3,876,000
Crawley	£3,540,000
Three Rivers	£3,480,000
Wealden	£3,273,000
Mid Sussex	£3,252,000
Broxbourne	£3,145,000
Eastleigh	£2,790,000
England (excluding London)	£1,958,000

Source: DCLG, 2015

2.24 As previously noted, land values in Tandridge and all neighbouring authorities are relatively high, all exceeding the national average which excludes London. London is characterised by substantially higher land values, as seen in Croydon and Bromley, and inflates the national average land value when included in analysis. 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.

Overcrowded, Concealed and Homeless Households

2.25 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.

2.26 The following table summarises the proportion of households which are overcrowded based on the bedroom standard. These figures are derived from the 2011 Census and were included in the original paper. As was noted in the introduction, the 2011 Census

remains the most up-to-date source for this data, and so the analysis that was included in the original paper has been reproduced here for completeness, with this paper's additional comparator authorities also included.

Table 2.6: 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%
Broxbourne	1,936	5.1%
England	1,024,473	4.6%
Spelthorne	1,705	4.3%
Bromley	5,221	4.0%
Three Rivers	1,264	3.6%
Reigate and Banstead	1,945	3.5%
Canterbury	2,110	3.5%
Brentwood	970	3.2%
Tandridge	1,011	3.0%
Mole Valley	947	2.6%
Sevenoaks	1,159	2.5%
Eastleigh	1,281	2.5%
Mid Sussex	1,382	2.4%
Waverley	1,165	2.4%
Wealden	1,351	2.2%

Source: Census 2011

2.27 It can be seen that the circa 1,000 households in Tandridge that are overcrowded make up a relatively low proportion (3%) of households in the district. This is lower than the national average, and towards the lower end of the range relative to comparator areas.

2.28 Change in overcrowding based on rooms recorded at the 2001 and 2011 Censuses are presented in the below table, again drawing on data from the 2001 and 2011 Censuses that was presented in the original paper, alongside this paper's additional comparator authorities.

Table 2.7: Change in Overcrowded Households (Rooms) 2001 – 2011

	2001	2011	Change	% Change ▼
Mid Sussex	2,015	3,199	1,184	58.8%
Brentwood	1,283	1,971	688	53.6%
Broxbourne	2,372	3,634	1,262	53.2%
Croydon	15,942	23,796	7,854	49.3%
Spelthorne	2,493	3,553	1,060	42.5%
Crawley	3,064	4,196	1,132	36.9%
Eastleigh	1,954	2,617	663	33.9%
England	1,457,512	1,928,596	471,084	32.3%
Mole Valley	1,816	2,382	566	31.2%
Bromley	7,996	10,456	2,460	30.8%
Canterbury	3,544	4,617	1,073	30.3%
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%
Three Rivers	1,754	2,214	460	26.2%
Tandridge	1,486	1,841	355	23.9%
Wealden	2,000	2,396	396	19.8%
Waverley	2,150	2,330	180	8.4%

Source: Census 2001; Census 2011

2.29 Whilst Tandridge has seen growth in the number of households with one room fewer than is required, it should be noted that this has been to a lesser extent than the rate of growth recorded nationally and in the majority of comparator areas. The larger stock profile of the district, which is skewed towards larger properties, could be an influential factor.

2.30 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 is summarised in the following table, with data again derived from the 2011 Census.

Table 2.8: Proportion of Families Concealed by Age of FRP 2011

	Age of FRP					
	Under 24	25 - 34	35 - 49	50 - 64	65+	All Ages ▾
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%
Spelthorne	21.9%	4.3%	0.7%	0.9%	1.8%	1.6%
England	12.8%	4.0%	0.8%	0.9%	1.8%	1.9%
Three Rivers	16.2%	4.6%	0.7%	0.8%	2.6%	1.8%
Broxbourne	14.4%	3.5%	0.6%	0.7%	1.6%	1.6%
Canterbury	12.2%	3.5%	0.6%	0.6%	1.3%	1.5%
Bromley	13.6%	3.4%	0.6%	0.7%	1.6%	1.5%
Eastleigh	14.3%	2.6%	0.4%	0.6%	1.4%	1.3%
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%
Tandridge	15.7%	3.0%	0.6%	0.5%	1.5%	1.2%
Sevenoaks	14.1%	3.4%	0.6%	0.5%	1.3%	1.2%
Wealden	16.1%	3.6%	0.8%	0.4%	1.0%	1.2%
Mole Valley	20.9%	4.0%	0.7%	0.4%	1.1%	1.2%
Brentwood	13.1%	3.5%	0.6%	0.6%	0.9%	1.1%
Waverley	18.3%	3.1%	0.5%	0.3%	1.1%	1.1%

Source: Census 2011

2.31 Tandridge has a relatively small number of concealed families, with a lower rate of concealment than the national average. However, as noted in the previous technical paper, Tandridge has a relatively high proportion of concealed families under the age of 24, indicating that they may be constrained from forming by factors such as affordability and other challenges in accessing housing in the district.

2.32 Growth in concealed families between the 2001 and 2011 Censuses is outlined in the following table.

Table 2.9: Change in Concealed Families 2001 – 2011¹⁹

	2001	2011	Change	% Change ▼
Crawley	356	755	399	112.1%
Sutton	502	1,047	545	108.6%
Spelthorne	271	534	263	97.0%
Mid Sussex	261	509	248	95.0%
Croydon	1,487	2,746	1,259	84.7%
Brentwood	136	243	107	78.7%
Broxbourne	241	426	185	76.8%
England	161,254	275,954	114,700	71.1%
Wealden	328	551	223	68.0%
Bromley	769	1,290	521	67.8%
Canterbury	353	583	230	65.2%
Eastleigh	317	503	186	58.7%
Three Rivers	296	459	163	55.1%
Sevenoaks	273	420	147	53.8%
Reigate and Banstead	351	512	161	45.9%
Tandridge	211	298	87	41.2%
Waverley	275	374	99	36.0%
Mole Valley	233	307	74	31.8%

Source: Census 2001; Census 2011

2.33 The increase of 87 concealed families (41.2%) in Tandridge between the Census years is relatively small in comparison with the majority of comparator authorities, as well as being lower than the national rate.

2.34 The PPG also suggests that the number of households accepted as homeless should be considered. The original technical paper did not include an assessment of homelessness, and this has therefore been considered within this update for completeness.

2.35 The below table presents MHCLG monitoring of the number of households accepted as homeless and in priority need in Tandridge, the neighbouring and comparator authorities and England as a whole as of 2016/17, relative to the number of households.

¹⁹ Table values (and therefore authority rankings) differ slightly from those included in the comparable table in the previous report. This reflects data currently available from the ONS and so this report's figures have been updated for completeness.

Table 2.10: Households Accepted as Homeless and in Priority Need 2016/17

	Total	No. per 1,000 households ▾
Croydon	1,042	6.63
Broxbourne	256	6.46
Bromley	831	5.98
Crawley	187	4.1
Sutton	316	3.74
England	59,110	2.54
Spelthorne	103	2.49
Wealden	128	1.9
Brentwood	56	1.74
Three Rivers	63	1.7
Reigate and Banstead	79	1.33
Canterbury	85	1.31
Mid Sussex	47	0.77
Sevenoaks	38	0.77
Mole Valley	28	0.76
Tandridge	24	0.68
Eastleigh	7	0.13
Waverley	*	*

* Figure suppressed due to being less than 5 or to prevent calculation

Source: Ministry of Housing, Communities & Local Government

2.36 Relative to comparator authorities, it can be seen that Tandridge has a low absolute number and rate of households accepted as homeless and in priority need, particularly in comparison with the neighbouring authorities of Croydon, Bromley and Crawley and the identified similar authority of Broxbourne. Proportionate levels recorded in the district also being significantly lower than the national average.

2.37 The below table presents change in the number of households accepted as homeless and in priority need in Tandridge, comparator authorities and England since 2006/07.

Table 2.11: Change in Proportion of Households Accepted as Homeless and in Priority Need 2006/07 – 2016/17

	2006/07	2016/17	2006/07 – 2016/17
	No. per 1,000 households	No. per 1,000 households	% Change ▼
Reigate and Banstead	0.2	1.3	781.1%
Broxbourne	2.2	6.5	197.5%
Croydon	2.4	6.6	180.8%
Spelthorne	1.0	2.5	149.0%
Mole Valley	0.3	0.8	134.9%
Crawley	2.1	4.1	100.0%
Sutton	2.8	3.7	32.2%
Bromley	4.8	6.0	24.2%
Canterbury	1.3	1.3	0.0%
Tandridge	0.8	0.7	-19.4%
Wealden	2.5	1.9	-24.8%
England	3.5	2.5	-27.1%
Three Rivers	2.6	1.7	-34.3%
Mid Sussex	1.2	0.8	-37.2%
Brentwood	3.2	1.7	-46.2%
Sevenoaks	2.5	0.8	-69.6%
Eastleigh	1.2	0.1	-89.1%
Waverley	0.5	*	*

* Figure suppressed due to being less than 5 or to prevent calculation

Source: Ministry of Housing, Communities & Local Government

2.38 The above table demonstrates that the rate of households accepted as homeless and in priority need decreased slightly in Tandridge, from 0.8 per 1,000 households in 2006/07 to 0.7 per 1,000 households in 2016/17. Whilst the area's already low base of such households means that this represents a proportionate reduction that is lower than the national average, there are numerous comparator authorities where the rate of households accepted as homeless and in priority more than doubled during this period.

Summary

2.39 The table overleaf draws together the updated market signals analysis presented in this chapter, where consistent data is available for all of the comparator areas considered. Alongside neighbouring authorities and the national benchmark, areas with similar demographic and economic characteristics are shown in blue, and the three areas where Inspectors examining Local Plans have arrived at a clear position on an appropriate response to market signals evidence – Eastleigh, Canterbury, and Waverley – are italicised.

House prices		Rents (2 beds)		Affordability		Change in overcrowding 2001 – 11 ▼	Change in concealed families 2001 – 11 ▼
		2017 LQ ▼	% Change 2001 – 17 ▼	2016/17 LQ ▼	% Change 2010/11 – 2016/17 ▼		
Three Rivers	Croydon	Croydon	Sutton	Bromley	Sutton	Mid Sussex	Crawley
Mole Valley	Bromley	Bromley	Croydon	Sevenoaks	Crawley	Brentwood	Sutton
Bromley	Brentwood	Sutton	Bromley	Mole Valley	Croydon	Broxbourne	Spelthorne
Waverley	Canterbury	Spelthorne	Spelthorne	Waverley	Broxbourne	Croydon	Mid Sussex
Brentwood	Sutton	Three Rivers	Three Rivers	Three Rivers	Three Rivers	Spelthorne	Croydon
Tandridge	Crawley	Mole Valley	Brentwood	Tandridge	Sevenoaks	Crawley	Brentwood
Reigate & Banstead	Broxbourne	Reigate & Banstead	Crawley	Sutton	Wealden	Eastleigh	Broxbourne
Sevenoaks	Three Rivers	Tandridge	Reigate & Banstead	Mid Sussex	Canterbury	England	England
Spelthorne	England	Crawley	Mole Valley	Reigate & Banstead	Mid Sussex	Mole Valley	Wealden
Croydon	Wealden	Waverley	Tandridge	Wealden	Waverley	Bromley	Bromley
Sutton	Tandridge	Brentwood	Broxbourne	Broxbourne	Reigate & Banstead	Canterbury	Canterbury
Mid Sussex	Reigate & Banstead	Crawley	Canterbury	Croydon	Bromley	Reigate & Banstead	Eastleigh
Broxbourne	Sevenoaks	Sevenoaks	Sevenoaks	Brentwood	England	Sevenoaks	Three Rivers
Crawley	Spelthorne	Mid Sussex	Waverley	Canterbury	Mole Valley	Sutton	Sevenoaks
Wealden	Mole Valley	Eastleigh	Eastleigh	Spelthorne	Spelthorne	Three Rivers	Reigate & Banstead
Canterbury	Eastleigh	Wealden	Wealden	Crawley	Eastleigh	Tandridge	Tandridge
Eastleigh	Mid Sussex	Canterbury	Mid Sussex	Eastleigh	Brentwood	Wealden	Waverley
England	Waverley	England	England	England	Tandridge	Waverley	Mole Valley

3. Conclusions

- 3.1 Building on the previous 2015 market signals technical paper, this paper has sought to provide an up to date position of market signals in Tandridge. It establishes the extent to which there are evidenced symptoms of imbalance between the supply of and demand for housing. This paper therefore presents the changes in market trends that have occurred since the original paper's publication, as well as charting change over the previously assessed long-term period.
- 3.2 This responds to the guidance in the existing PPG, which states that evidence of a worsening trend in market signals will require an upward adjustment to housing numbers derived solely from household projections²⁰. It is, however, beyond the scope of this technical paper to determine an overall housing need figure (OAN). It is therefore anticipated that the market signals evidence reviewed herein will be taken into account by the Council in arriving at a judgement on the scale of adjustment required to the household projections in deriving the full need for housing to inform its Local Plan²¹.
- 3.3 As with the previous paper, this paper has considered six market signals identified in the PPG. These are summarised below:
 - **House prices** – mean house prices in Tandridge were 15.9% higher in 2017 than in 2014, the latest available year of data at the time of the previous paper's publication. Whilst a lower rate of growth than recorded in a number of comparator areas, this remains higher than the national rate of growth of 11.6% over the same period. Over the long term period since 2001, Tandridge has again recorded a less extreme rate of growth than a number of comparator areas, although this is influenced by the district having started from a higher base level due to its historically high house prices. In absolute terms, at over £496,000, mean house prices in 2017 remain towards the higher end of the comparator geographies. In terms of lower quartile housing, prices in Tandridge have increased at a greater rate still since 2014, the 28% growth far outstripping the 8.6% rate recorded nationally between 2014 and 2017. As with mean prices, whilst not having increased to quite the same extent as recorded in comparator geographies over the longer term period of 2001 to 2017, lower quartile house prices of £320,000 situate Tandridge towards the higher end of the scale, indicating that those looking for entry-level or lower-value housing may experience significant affordability issues in the district;
 - **Rents** – as was found in the original paper, the most recently published data shows that both mean and lower quartile rents in Tandridge remain higher than in almost all comparator authorities, and considerably higher than the national average. Indeed, as of 2016/17, lower quartile rents in Tandridge are higher than mean rents nationally. Since the publication of the previous paper, mean and lower quartile rents in Tandridge have grown by 5.1% and 5.6% respectively,

²⁰ PPG Reference ID 2a-020-20140306

²¹ The scope of the report in this regard remains consistent with the original 2015 paper (Appendix 1)

which is slightly slower than the national growth for mean rents (5.5%), although significantly higher than the 1.2% average national growth in lower quartile rents. As identified in the original paper, this suggests that there continues to be pressure on the existing rented stock and that it has become even more challenging for households on lower incomes in the district to enter this tenure;

- **Affordability** – as of 2017, lower quartile house prices in Tandridge remain roughly 14 times the lower quartile annual wage, whereas the lower quartile house prices in England as a whole are a little over 7 times lower quartile wages. Median house prices in Tandridge are also around 14 times the local median wage, again significantly higher than the national median house price ratio of roughly 8 times median wages. Although this paper notes that Tandridge's position has not worsened since 2014, the previous paper's conclusion that affordability is a significant issue in the district remains valid. Reflecting recent consultation on a revised NPPF, this paper also includes new analysis of median affordability in Tandridge. This suggests that median affordability ratios in the district in 2017 were amongst the highest of all comparator areas, save for Sevenoaks, Bromley, Waverley and Mole Valley. This is considered to represent an important indicator of the scale of the issue of affordability in Tandridge, with the affordability ratio the sole market signal included within the Government's proposed standard method;
- **Rate of development** – the previous paper noted that Tandridge had consistently exceeded planned development targets between 2004 and 2014, and the council's latest monitoring data indicates that this trend has continued. Whilst 2014/15 saw a relatively low rate of delivery (albeit still above planned targets) the following monitoring year saw the highest rate of net completions since 2006/7. The majority of comparator authorities also saw net completions beyond planned targets in the years since the original paper, with the notable exception of Mid Sussex. With Tandridge continuing to benchmark net completions against the district's Core Strategy housing requirement of 125 homes per annum²², the original paper's statement that it is important to take account of the fact that targets in Tandridge and many of the other surrounding authorities are not fully representative of identified needs remains valid, especially so considering that neighbouring authorities now operating under post-NPPF Local Plan targets (such as Mid Sussex and Croydon) have significantly increased net housing delivery, yet are still under-delivering against their recently-increased Local Plan targets;
- **Land prices** – whilst this paper has incorporated the additional comparator authorities into its analysis of land prices, updated data has not been released for this indicator. Therefore the conclusions reached in the original paper – 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 – remain unchanged; and

²² Tandridge District Council (2016) Tandridge District: Statement of five year housing land supply at 1 April 2016, p. 3

- **Overcrowding, concealed households and homelessness** – as above, the data for Tandridge presented in this paper is the same as presented previously (alongside additional comparator authorities) and therefore the conclusions reached concerning overcrowding and concealed families in the district – namely that Tandridge has low rates of overcrowding, likely due a stock profile of larger homes, and that concealed families, whilst relatively low in number, are disproportionately younger families – remain valid. The number and rate of households accepted as homeless and in priority need is, however, a new indicator included within this analysis. It can be seen that Tandridge has relatively low rates of such households, with proportionate rates also having decreased since 2006/07 in the district.

3.4 Overall, the updated data that has informed this report indicates that many of the worsening market signals trends recorded up to 2014 that were identified in the original technical paper, such as high house prices, rents and affordability ratios, have continued to 2017. Whilst this worsening has in some cases been less extreme in Tandridge over the long term period from 2001 and shorter-term period from 2014 to the present day, it should be acknowledged that absolute prices, rents and affordability ratios remain amongst the highest of all comparator areas and considerably above national averages.

3.5 Whilst it is not within the scope of this paper to recommend what could be judged as a reasonable supply-led adjustment to the household projections, it is apparent that there is evidence of a worsening across a number of market signals. It is also apparent that the district continues to experience significant issues associated with affordability when benchmarked against the national average.

3.6 A separate paper has been commissioned by the Council to review Inspectors' recent applications of the PPG methodology through Local Plan examinations. This includes an updated review as to the scale of adjustments made elsewhere in response to market signals. This confirms that a number of Local Plan Inspectors have considered adjustments of up to 30% reasonable. It is also noted within the review that the Inspector examining the Mid Sussex Plan – within the HMA defined for Tandridge – concluded that a 20% adjustment was reasonable²³ in the context of evidenced affordability issues.

3.7 Section 2 highlights evidence that Tandridge exhibits symptoms of worsening affordability akin to or in some cases exceeding those seen in Mid Sussex. This is considered to represent an important benchmark for the Council in their application of a judgement with regards to the level of adjustment to be applied in the derivation of the objectively assessed need (OAN). It is important, however, for the Council to consider this benchmark of the specific market signals evidence in Tandridge and in the context of the nationally recognised imperative to boost the supply of housing.

3.8 In the introduction to this technical paper, reference is made to the Government's recently concluded consultation on a revised version of the NPPF and PPG. The proposed standard method for calculating housing need contained within these draft

²³ Planning Inspectorate (March 2018) Report on the Examination of the Mid Sussex District Plan 2014-31, paragraph 19

documents includes a formula for calculating an adjustment to respond directly to local affordability ratios. This formula is intended to be applied consistently across each authority in England. In the case of Tandridge, the input of the latest affordability ratio referenced in section 2 produces an indicative uplift of circa 63%.

- 3.9 In the draft PPG, the methodology proposes that any such uplift be capped at 40% to ensure the resultant calculations of need have a reasonable prospect of delivery. Whilst it is noted that at this point in time the methodology remains draft and cannot be attributed weight, it provides an important indication as to the extent to which the Government considers the importance of boosting supply in those areas where affordability issues are most pronounced.

Appendix 1: Original Technical Paper (September 2015)

Analysis of Market Signals

Technical Paper for Tandridge District Council

September 2015

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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”¹

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 demand².

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 nationally³.

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”⁴

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”⁵

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”⁶

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

¹ http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_019

² Ibid

³ http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_020

⁴ Ibid

⁵ Ibid

⁶ 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 relationships⁷ 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*'⁸. 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.

⁷ Turley (2015) Defining the Housing Market Area

⁸ http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_020

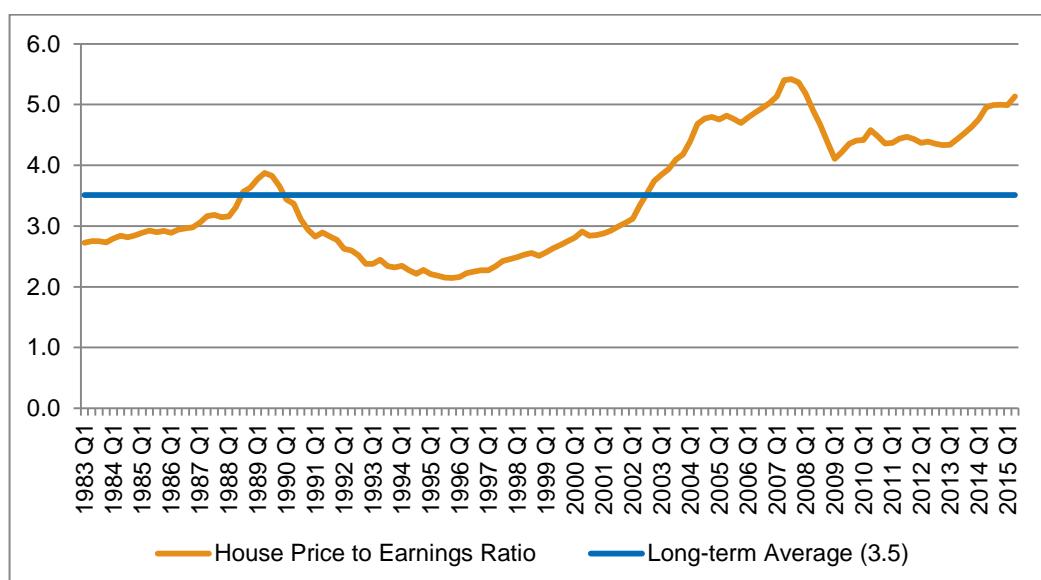
2. National Context

- 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 2007⁹. 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

⁹ 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 2008¹⁰.

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 years¹¹. 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 year¹², 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 buyers¹³. 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 buyers¹⁴.

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 home¹⁵.

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 effect¹⁶. 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 home¹⁷.

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.

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

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

¹² Ibid

¹³ Savills (2014) Spotlight – What's Next for Residential Development?

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

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

¹⁶ PWC (2015) UK Economic Outlook

¹⁷ 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 housing¹⁸.

2.12 These national trends have been particularly prevalent for younger households¹⁹, with these households more than twice as likely to privately rent in 2014 as they were in 2004²⁰. 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 continue²¹, although it has also been noted that there are other social and lifestyle factors which have seen demand increase for more flexible housing tenures²². As such, many younger households are now only expected to become home owners later in their adult lives²³.

Rate of Development

2.13 Many have attributed the worsening affordability of housing in England to a long-term imbalance between supply and demand²⁴, and there is a clear consensus that the rate of new housing development has failed to historically keep pace with demand²⁵.

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 year²⁶.

¹⁸ Ibid

¹⁹ Aged 25 to 34

²⁰ DCLG (2015) English Housing Survey Headline Report 2013-14

²¹ PWC (2015) UK Economic Outlook

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

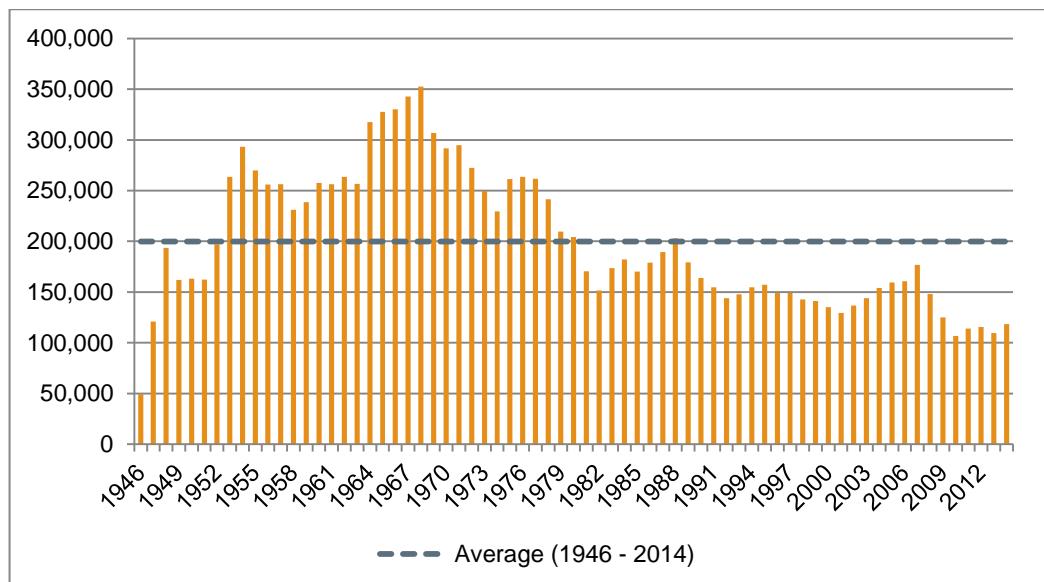
²³ PWC (2015) UK Economic Outlook

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

²⁵ Kate Barker (2004) Review of Housing Supply

²⁶ 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 2014²⁷. 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 year²⁸. 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 outputs²⁹. 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 decade³⁰.

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

²⁸ Home Builders Federation (2015) New Housing Pipeline – Q4 2014

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

³⁰ 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.

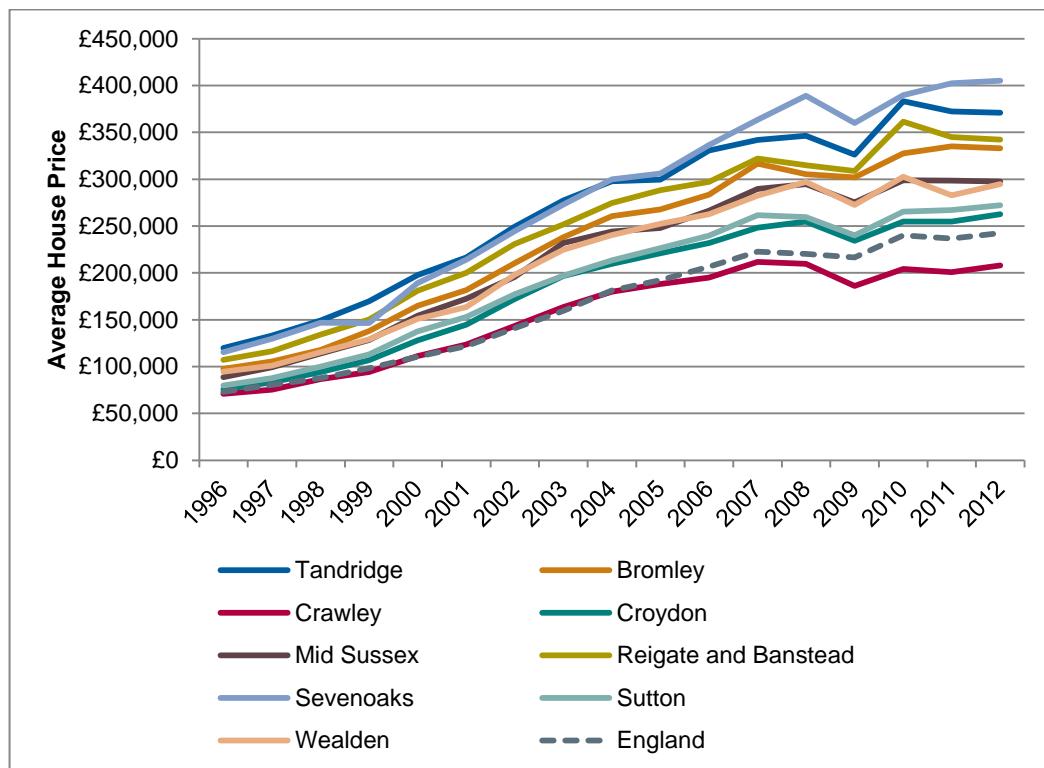
3. Neighbouring Authorities

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

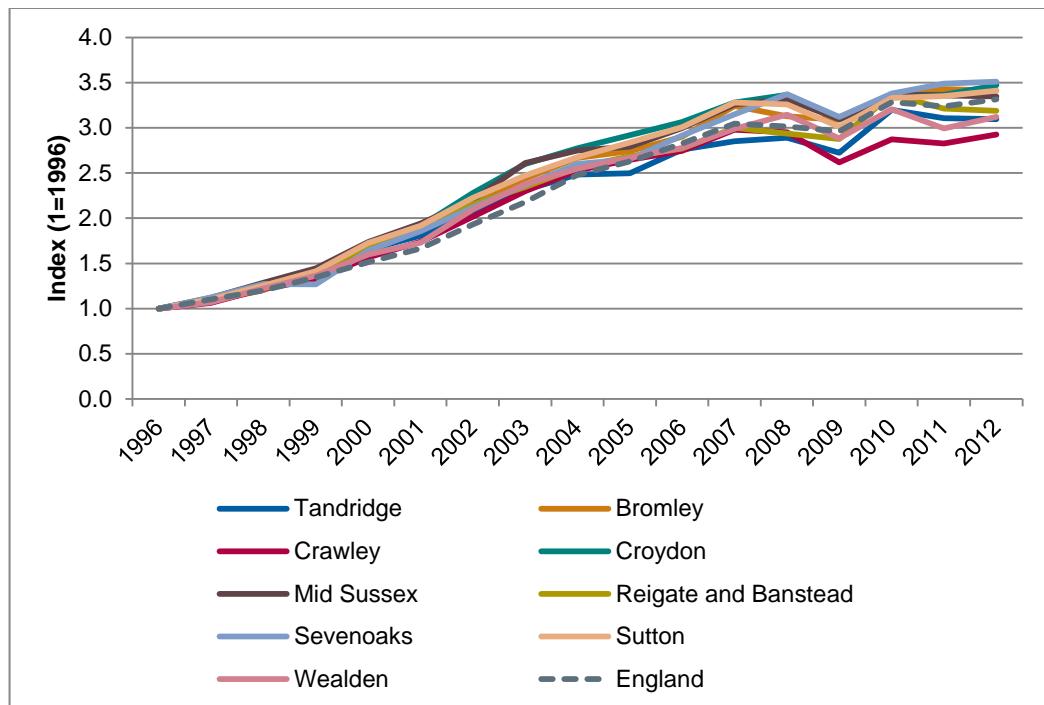


Source: DCLG, 2014

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.

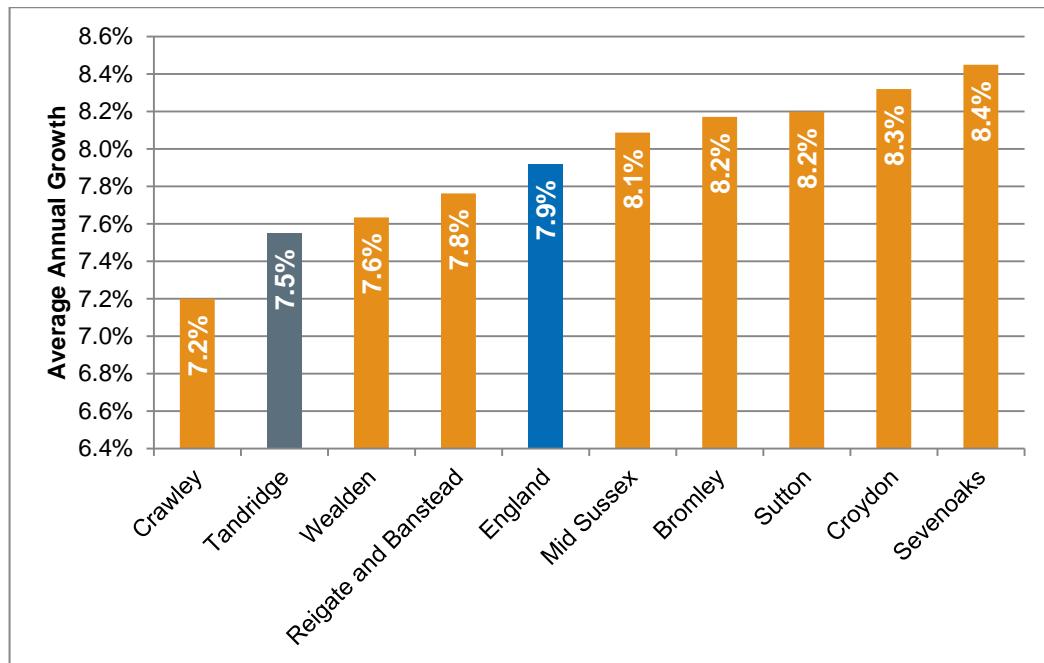
Figure 3.2: Indexed Change in House Prices 1996 – 2012



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 average³¹.

³¹ 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%
Tandridge	£214,939	£428,012	99.1%
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

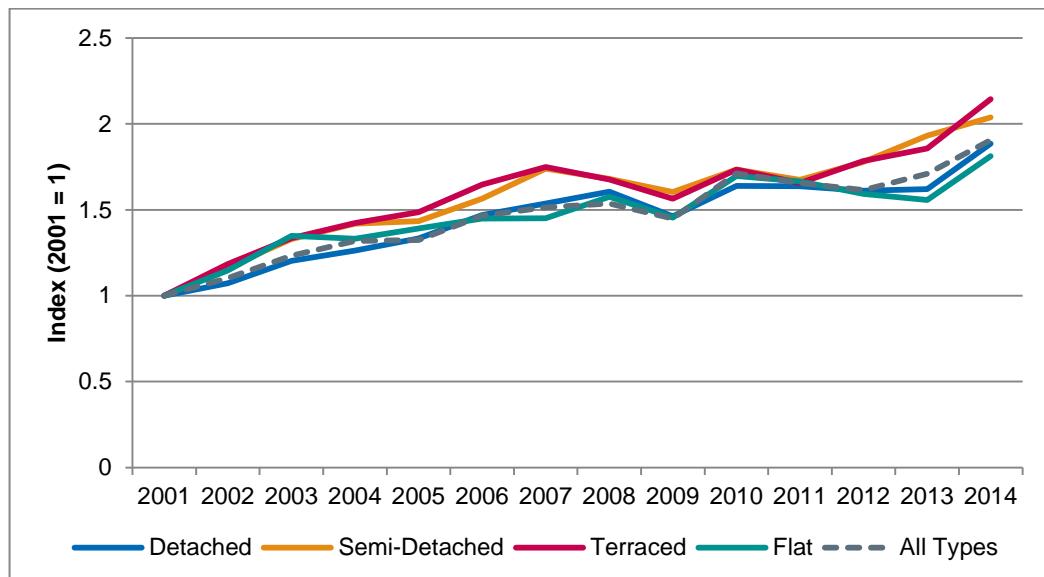
	2001	2014	% Change
England	£54,000	£133,500	147.2%
Bromley	£111,000	£249,995	125.2%
Croydon	£94,000	£209,500	122.9%
Sutton	£103,725	£220,000	112.1%
Wealden	£91,838	£192,988	110.1%
Crawley	£88,500	£181,500	105.1%
Mid Sussex	£112,000	£226,000	101.8%
Tandridge	£124,950	£249,950	100.0%
Sevenoaks	£118,375	£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
Tandridge	£1,261	£875
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%
Tandridge	13.9%	20.7%
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.

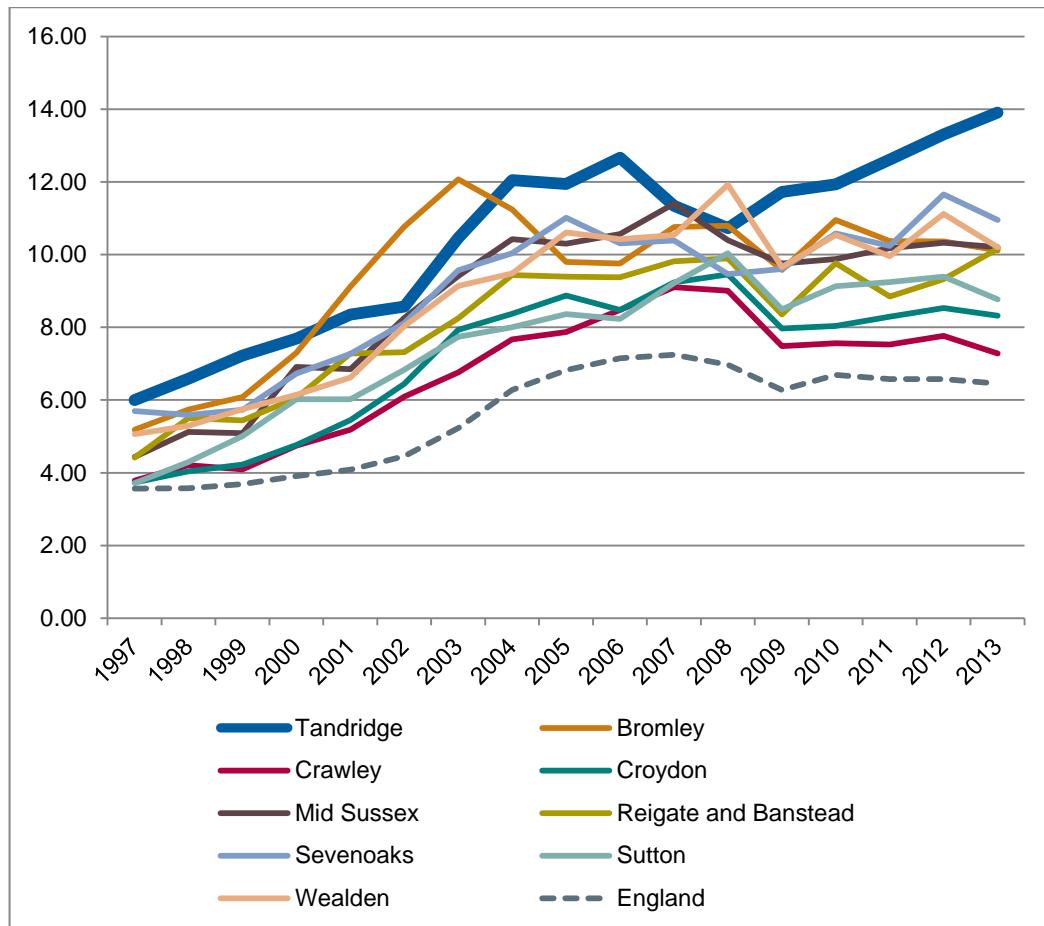
3.23 It is apparent that the private rental market has played an increasingly important role in the housing market in the district. It also apparent from the analysis of rental levels that demand pressures have led to notable increases in rents over a comparatively short period of time, with this picture 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



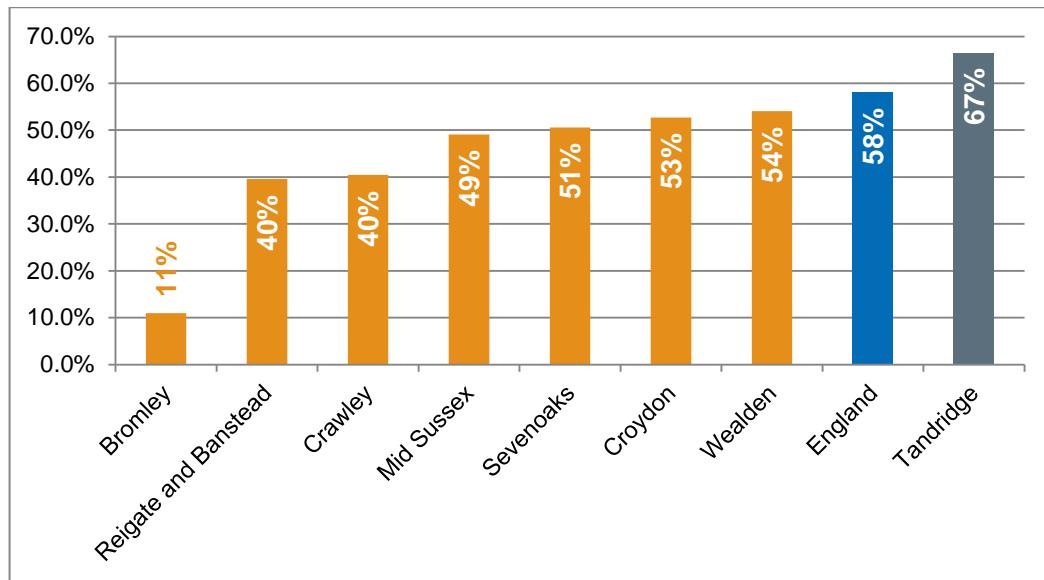
Source: DCLG, 2015

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 London³², where the lower quartile income for full-time employees was £24,818 in 2014 – some 46% higher than Tandridge (£17,003)³³. 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.

³² Turley (2015) Defining the Housing Market Area

³³ 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 6.9³⁴.

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 2002³⁵. 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 free³⁶.

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 ONS³⁷ – 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.

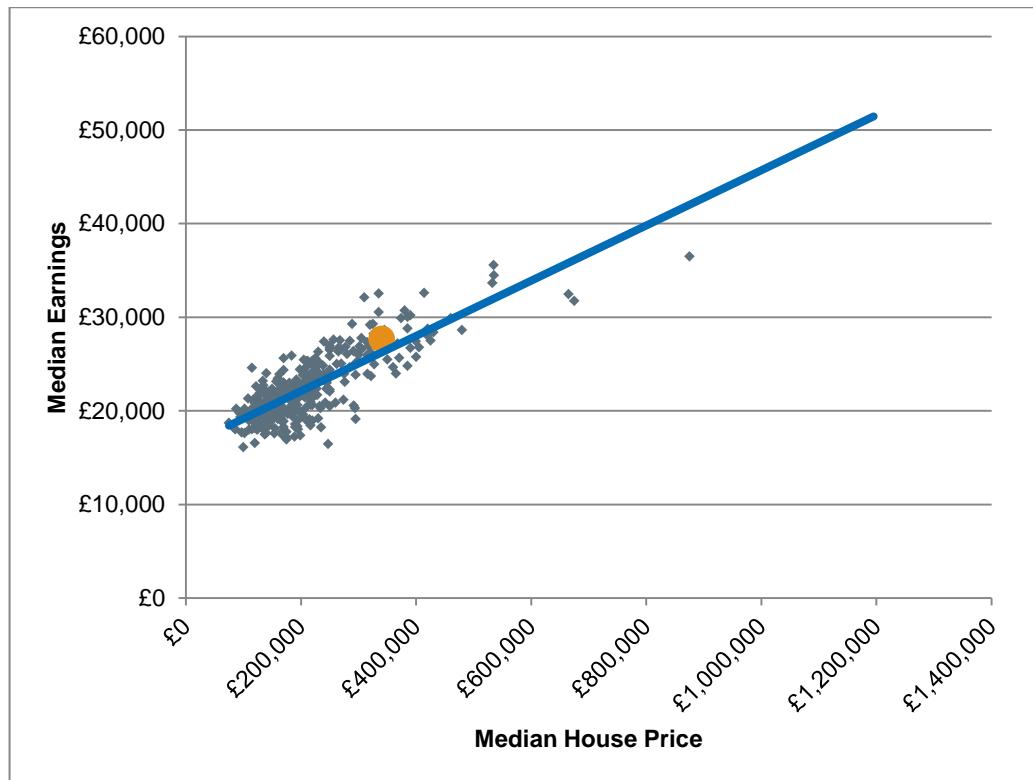
³⁴ 2014 ratio calculated based on 2014 ASHE and 2014 Land Registry data, and should not be directly compared to official DCLG dataset

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

³⁶ Turley (2015) Addressing the Needs of All Household Types

³⁷ 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 calculated³⁸ – 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 shortfall³⁹.

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

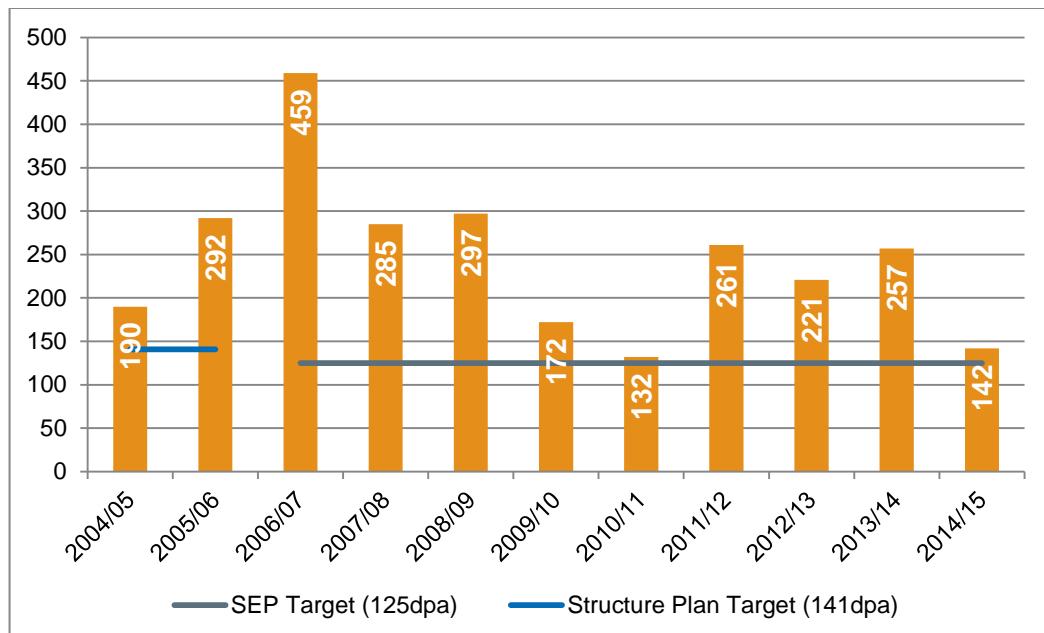
³⁸ ONS (2015) Housing Summary Measures Analysis – median monthly private sector rent as a proportion of median gross monthly salary by local authority district, England, 2014 (Table 6)

³⁹ 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 annum⁴⁰.

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*'⁴¹, with a recent High Court decision stating that '*extreme caution*'⁴² should be applied by plan-makers seeking to use housing data from now revoked regional strategies.

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

⁴¹ Gallagher Homes Limited Lioncourt Homes Limited v Solihull Metropolitan Borough Council (30 April 2014)

⁴² 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”⁴³

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 period⁴⁴. 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 affordability⁴⁵. 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 review⁴⁶. 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

⁴³ Government Office for the South East (2008) South East Plan – Regional Spatial Strategy for the South East

⁴⁴ DCLG (2009) 2006-based household projections

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

⁴⁶ 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”⁴⁷

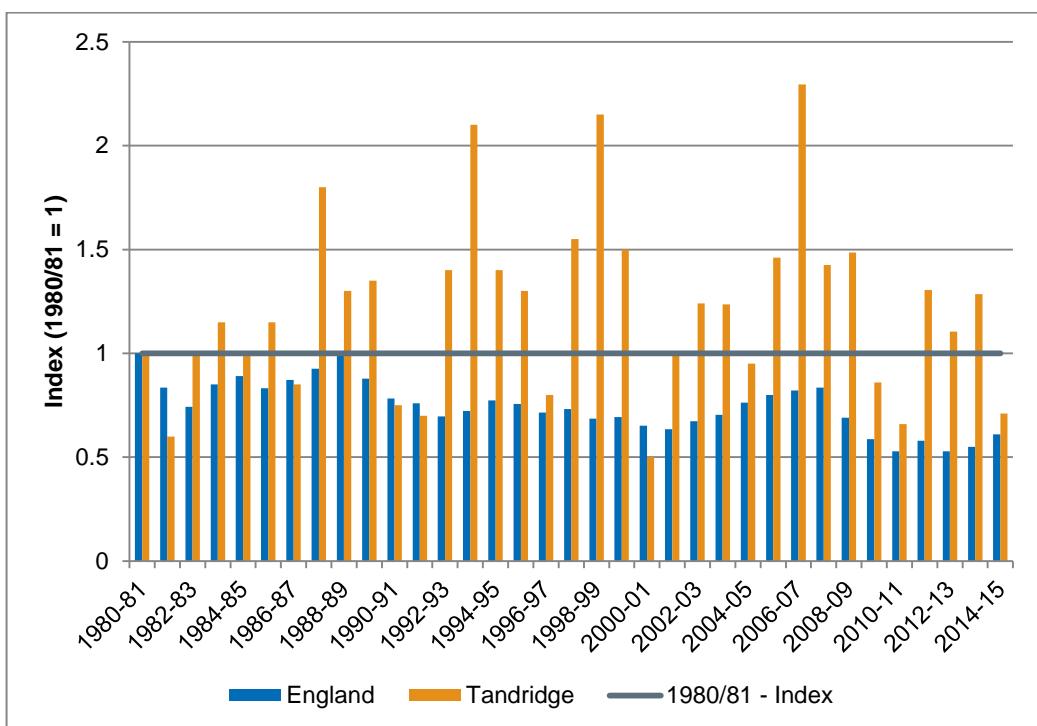
3.48 Overall, therefore, while the evidence suggests that the rate of development has exceeded planned supply this needs to be considered in the context that the planned level of supply was not directly associated with evidenced housing need during this period. It is difficult to accurately quantify this given that the DCLG household projections are represented by a number of superceded 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 1980⁴⁸, 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

⁴⁷ http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/the-approach-to-assessing-need/#paragraph_004

⁴⁸ 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
Tandridge	459	285	297	172	132	261	221	257
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 reviewed⁴⁹:

⁴⁹ 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	+1,084
Bromley	+318	+228	+9	+68	+187	+66	+146	+105	+1,127
Crawley	+93	+304	-7	+34	+9	-173	-297	-218	-255
Croydon	+241	+306	+175	+270	+4	-626	-405	-33	-68
Mid Sussex	-518	-353	-375	-502	-676	-33	-106	-319	-3,182
Reigate and Banstead	+107	+102	+336	+154	-61	-45	+9	-27	+575
Sevenoaks	-24	+96	+125	+48	+116	+9	-24	+59	+405
Sutton	+100	+267	+51	-167	-18	+370	+17	+130	+750
Wealden	-220	-35	-101	-113	+259	+169	+224	+110	+293

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 relationships⁵⁰, 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.

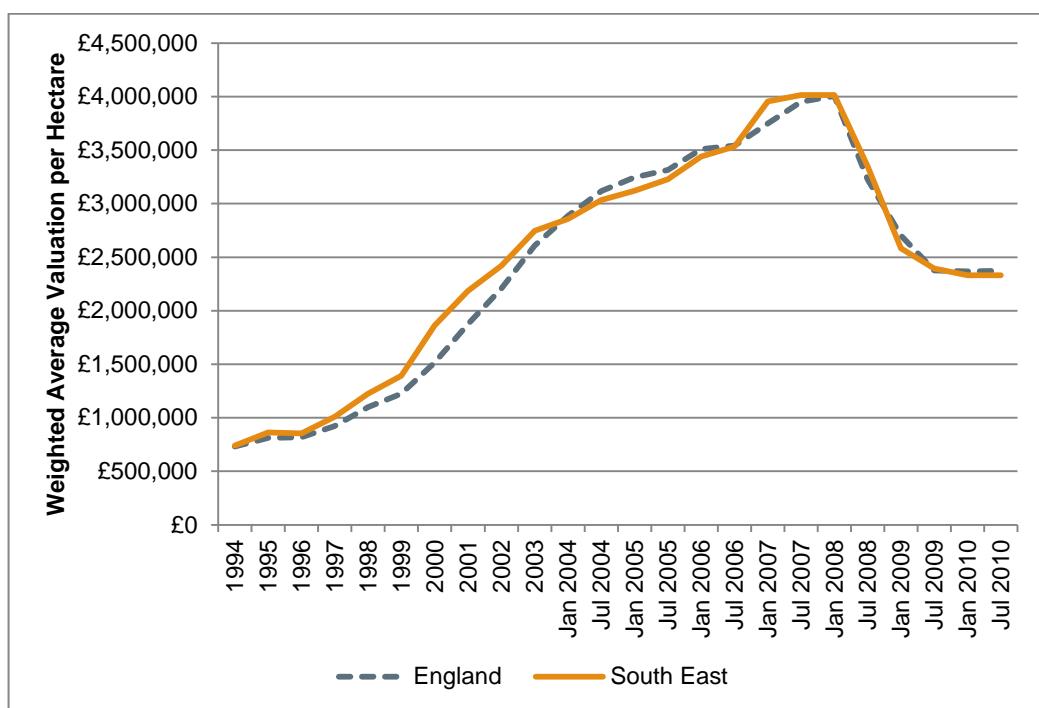
⁵⁰ Turley (2015) Defining the Housing Market Area

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 appraisal⁵¹. 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.

⁵¹ 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
Tandridge	£4,483,000
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 Assessment⁵² 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

⁵² 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 assessment⁵³ 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 areas⁵⁴. 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 Frank⁵⁵, 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

⁵³ BNP Paribas (2013) Community Infrastructure Levy: Viability Study

⁵⁴ Savills (May 2015) Market in Minutes – UK Residential Development Land

⁵⁵ 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 district⁵⁶.

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 numbers⁵⁷.

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.

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

⁵⁷ 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%
Tandridge	1,011	3.0%
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%
Tandridge	1,486	1,841	355	23.9%
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					
	Under 24	25 – 34	35 – 49	50 – 64	65+	All ages
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%
Tandridge	15.7%	3.0%	0.6%	0.5%	1.5%	1.2%
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%
Tandridge	202	298	96	47.5%
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
House prices										
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
Rents										
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
Affordability										
Change 2001 - 2013	1	10	9	2	3	7	8	4	5	6
Overcrowding										
Change 2001 – 2011	9	5	3	2	1	6	7	8	10	4
Concealed families										
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*’⁵⁸. 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%).

⁵⁸ 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
House prices					
Change (mean) 2001 – 2014	2	3	5	4	1
Change (LQ) 2001 – 2014	3	1	4	5	2
Rents					
Change (mean) 2010/11 – 14/15	2	4	3	1	5
Change (LQ) 2010/11 – 14/15	2	4	5	3	1
Affordability					
Change 2001 – 2013	1	5	3	4	2
Overcrowding					
Change 2001 – 2011	5	1	2	3	4
Concealed families					
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 superceded 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.

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