

West London Strategic Housing Market Assessment 2010

Executive summary of study findings
November 2010



What Is a Strategic Housing Market Assessment?

1. Strategic Housing Market Assessments (SHMAs) are a crucial part of the evidence base informing policy and contributing to shaping strategic thinking in housing and planning. The aims of the SHMA are to:
 - **assist** client councils to understand the various sectors of the housing market especially how the private rented sector and the other tenures interact;
 - **establish** what factors are driving the housing market; and
 - **estimate** the future 5 year requirement for additional housing in order that the balance between supply and demand will be improved.
2. The SHMA is based definitions contained within practice guidance and Planning Policy Statement 3 (Housing), (PPS3). It is especially important to note that according to these definitions the term affordable housing includes social rented and intermediate affordable housing; and the term market housing means market housing for sale and rent.
3. Account is taken of the London Mayor's Consultation Draft Replacement Plan, 2009, and proposed amendments to the housing benefit system and the local housing allowance. The SHMA recognises the crucial and changing role of the private rented sector within the housing markets of the London region and its sub-regions.

Introducing West London

4. The West London housing sub-region contains the Boroughs of Brent, Ealing, Harrow, Hammersmith and Fulham, Hillingdon Hounslow and Kensington & Chelsea.
5. Many younger people migrate to inner London for education, employment, lifestyle and cultural reasons. The inner London part of the sub-region has a different role than that of the Cities of London and Westminster. For example there is an exceptional residential property on offer to wealthy people of parts of Kensington & Chelsea and to a lesser extent Brent, Hammersmith & Fulham. Also the economic centre of the sub-region is to the west of inner London along the M4 corridor. Notable enterprises based in the sub-region are broadcasters such as the BBC and Sky TV, the pharmaceutical industry, Heathrow airport and the leisure sector, for example, the Wembley stadium and Westfield shopping centre.
6. Like the rest of Greater London, West London relies upon a great many low paid jobs to sustain its retail and service sector many of which are filled by international migrant workers. In inner London boroughs this leads to extremes of wealth and poverty co-existing in a high density inner city setting with contrasting neighbourhoods and communities in close proximity. The outer boroughs are more sub-urban in nature and have fewer residents that are extremely wealthy. The size type and density of the housing stock reflect this.

The key characteristics of West London's housing

7. The affordability of housing and the supply of housing within each tenure differs from borough to borough. There is an imbalance between the existing dwelling stock and the requirements of households largely caused by a mismatch of size and price of market housing and a shortage of

affordable housing. This has led to a response from investors in buying up cheaper dwellings and letting them as self contained flats or rooms in multi-occupied housing. Many single person households choose to flat share in order to make living in higher quality housing and neighbourhoods more affordable. There has been a public policy response of prioritising family housing within new build and regeneration schemes.

8. The report shows that the economy, the labour market, the housing market and the quality of the place all interact. Moving households will consider all these factors. This plays out as balancing housing costs and commitments with employment, travel to work costs, maintaining social networks and for families, what is in the best interest of their children.

Housing market drivers

9. The imbalance between supply and demand constantly changing and is driven by factors such as population change and the affordability and supply of housing. Each is now considered.

Population Change

10. Figure 1 shows that the recent rise in population of West London is expected to continue in the future. The Greater London Authority (GLA) estimates that sub-region’s population will increase within the range of between 1,704,700 and 1,777,600 people by 2026. This would represent a rise of between 5.9% and 10.4% over the period 2006-2026. The number of additional households is likely to be a comparable figure because of the trend of household sizes becoming smaller especially in inner London.
11. The age structure of the population of West London (Figure 2) shows that there are far more young adults and young families with children aged 0-4 years in the area than in England as a whole. In particular, a higher proportion of the population is aged between 20-44 years and a lower proportion of the population aged over 45 years.

Figure 1
Population of West London 1981- 2006 and Population Projections for West London 2011-2026 (Source: ONS Mid-Year Population Estimates, GLA 2007 Round Demographic Projections. Note: Light band shows range from low to high estimates)

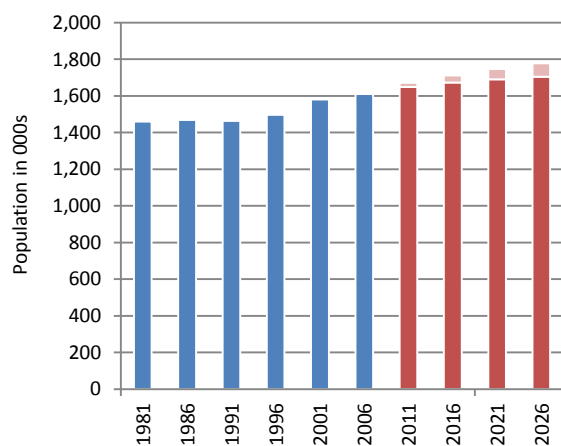
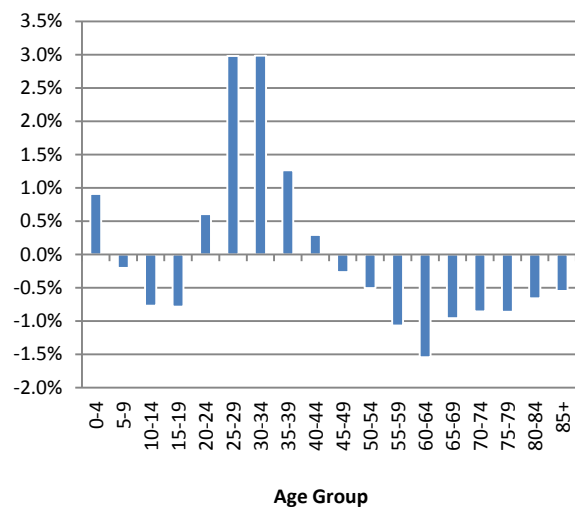


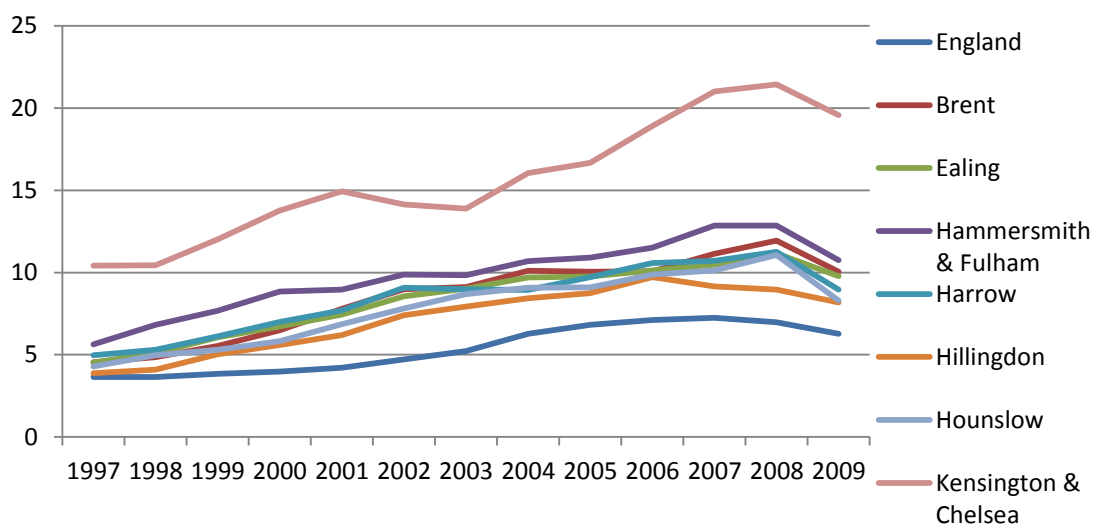
Figure 2
Age Profile for West London Compared with England: 2007 (Source: ONS Mid-Year Population Estimates)



The affordability of local housing

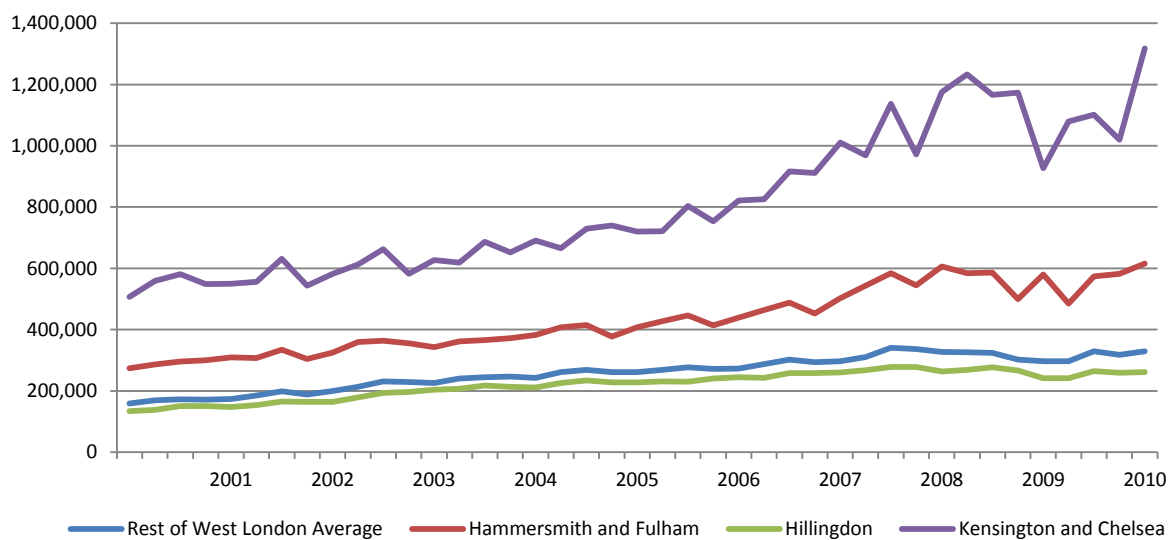
12. The affordability of housing to householders is governed by ratios between house prices and household incomes defined by the CLG in its Practice Guidance and PPS3. Practice guidance suggests that it is reasonable for a household to spend up to 25% of its income on rent. The affordability of housing for sale is more complex as savings and equity can increase spending power for the same level of income.
13. A widely used measure of affordability is the ratio of lower quartile house prices to lower quartile earnings (Figure 3);

Figure 3
Ratio of lower quartile house prices to lower quartile earnings by borough in West London 1997-2009 (Source: CLG: table 576, housing research, housing statistics)



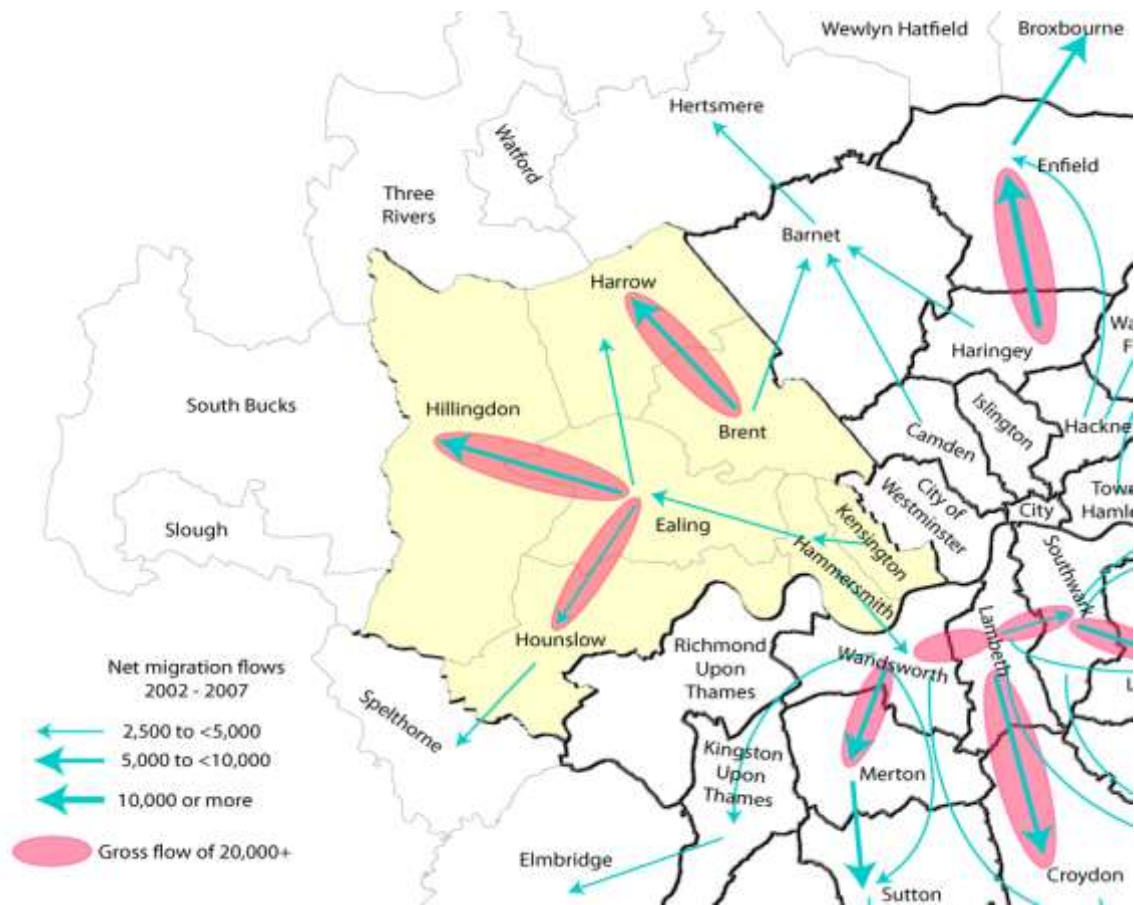
14. It is interesting to compare trends in affordability and house prices. In both cases there are clear differences between the inner and outer London boroughs especially Kensington & Chelsea.

Figure 4
Median House Prices across West London by Borough q1 2000 to q1 2010 inclusive (Source: HM Land Registry)



15. Different rates of recovery in prices following the credit crunch are also apparent between inner and outer London (Figure 4 above). Note that in figure 4 the median prices for the Boroughs of Brent, Ealing, Hounslow and Harrow are very similar and have been combined into an average value. The slight differences do not show clearly on a chart of this scale. The scale is necessary to show the considerable difference between the highest and lowest median prices in West London.
16. The difference between 'affordable housing' and 'affordability' must be understood. Affordable housing is social rented or intermediate affordable housing. It is priced below market housing and some form of subsidy is provided to make this possible. This subsidy can be in the form of either housing benefit or social housing rents which are very low because build costs are subsidised. Intermediate affordable housing is regarded as affordable to households that can afford more than a social rent but not open market housing. Currently intermediate housing is available under the Newbuild HomeBuy and HomeBuy Direct schemes.
17. Some households choose to pay a larger proportion of their income than the maximum levels suggested by the government. This could enable them to live in market housing for sale or rent. Others will trade off tenure with cost in order to afford housing in their neighbourhood of choice. A gap in the housing market exists for young single person or two person households who cannot afford to buy or rent housing unless it is shared housing. Shared housing takes the form of low cost rooms to house and flat shares for example for young workers, international migrant workers, students etc.
18. In summary, the drivers of affordability and demographic change interact and this results in change to the local population and flows of people moving in out and within the sub-region. This is the basis for assessing the additional housing requirements.

Figure 5;
Migration Between Boroughs in West London 2002-2007 (Source: ONS Migration Statistics Unit)



19. This evidence is provided by Office of National Statistics (ONS) and is based upon people registering with a GP when moving home. Whilst the data is the best/most recently available it should be noted that certain groups of people, especially young single people are less likely to register with a GP than other groups. The evidence suggests that there are flows of younger one and two person households into coming to live in inner London and flows of older households leaving inner London for outer London boroughs and other areas outside the sub-region. Figure 5 broadly summarises the evidence. The net requirement for additional housing by tenure is estimated using a model created by ORS' which uses a range of assumptions about what households are likely exist, the supply of housing likely to be available and the extent to which they can afford it. However account also needs to be taken of existing households living in unsuitable housing.

Existing households living in unsuitable housing

20. Across the whole of West London it is estimated that around 110,000 existing households are living in unsuitable housing. This is equivalent 16.8% of all households. Household survey information shows that the main factors for this are:

- overcrowding (53,500 households);
- unmet support needs (21,400 households);
- homes that are too expensive (20,600 households); and
- homes that are in severe disrepair (17,600 households).

21. Some households are affected by more than one problem. However only a proportion of households living in unsuitable housing need to move and form part of the requirement for additional housing.

Figure 6
Summary of Existing Households in Housing Need (Source 1: West London Household Surveys. Source 2: Local Authority P1E Homelessness Data Q3 2009. Source 3: Local Authority Housing Strategy Statistical Appendix (HIP) Data 2008. Note: Figures may not sum due to rounding)

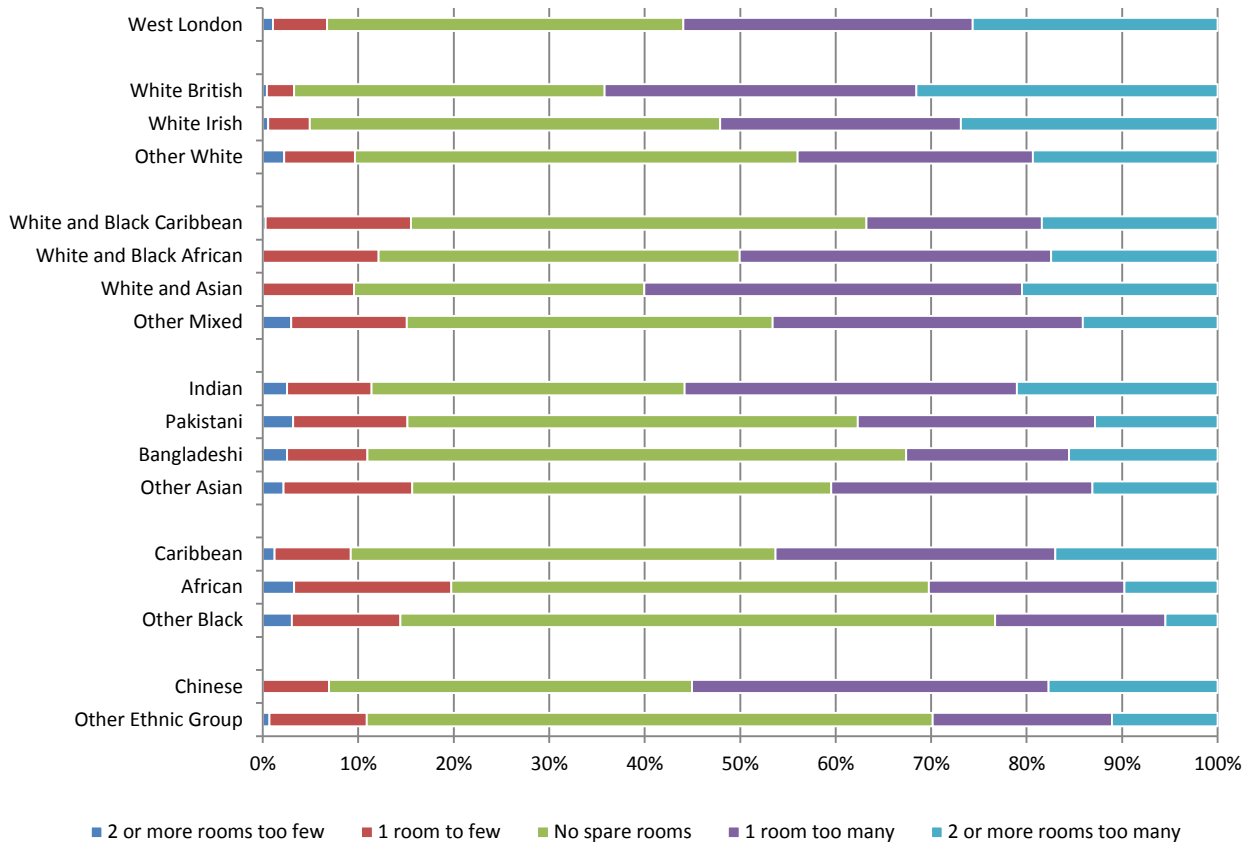
Local Authority	Number of Households
Households currently living in unsuitable housing that need to move and cannot afford to rent or buy market housing ¹	25,294
Households accepted as statutorily homeless currently housed in housing leased temporarily from the private sector (PSL housing) or Households accepted as statutorily homeless temporarily housed in Bed & Breakfast or hostel accommodation ²	9,733
Single people currently sleeping rough ³	45
Total	35,072

22. The study identified a total of 35,072 existing households in need of affordable housing. This figure includes 25,294 households who were found to be unsuitably housed, requiring alternative housing in West London and who cannot afford market housing. This forms part of the overall housing requirement and it is assumed that 10% of these households form part of the annual requirement for affordable housing.

Overcrowding

23. Overcrowding is the main factor present when estimating the number of households in unsuitable housing. Overcrowding affects some household groups more than others. Around a fifth (20%) of Black African households have at least one room too few for their needs, with 4% lacking two or more rooms. Around 15% of Pakistani, Other Asian, Mixed White and Black Caribbean, Other Mixed and Other Black households are overcrowded. This compares to only 7% of all households being overcrowded and 2% of White British households being overcrowded.

Figure 7
Overcrowding by Ethnic Group (Source: Local Authority Survey Data)



The 5 year requirement for additional housing

24. In order to estimate the future housing requirements there must be an assessment of the growth in the number of households and the likely supply of housing as summarised in Figure 8.

Figure 8
Additional households seeking dwellings over 5-years by household flows
 (Source: ORS Housing Market Model, West London Strategic Housing Market Assessment 2010. Note: Figures may not sum due to rounding)

Housing Type	Households Seeking Dwellings	Supply of Dwellings	Net Requirement
5-Year Requirement			
Migration – households moving to and from the sub-region	177,121	176,841	280
Indigenous change – household formations and dissolutions	59,110	23,465	35,645
Established household moves	197,845	197,845	-
Total	434,076	398,151	35,924

25. The largest change in housing requirement is the change in local households i.e. the due to more households forming than dissolving. Dissolving households are mainly due to the death of the last member of the household. The impact of migrant workers (not just of EU origin) is ignored within the above data as the size of this group is difficult to measure and there are doubts about their permanency in the light of the global recession. International migration is analysed further within the full SHMA report.

Estimates of the future 5 year supply of housing

26. A number of different assumptions about the supply of housing by tenure have been taken into account by the SHMA making various estimates of how much additional housing is needed in future. According to PPS3 only supply from dedicated affordable housing (local authority or RSL social rented and intermediate housing) should be regarded as the supply of affordable housing. However parts of the private rented sector can be considered to provide housing for households that can only afford housing at prices equivalent to dedicated affordable housing. The private rented sector meets demand from households who cannot gain access to social housing. The reason they cannot get access to social housing is because councils or social landlords may not considerer that their circumstances give them priority over other households and because there is often a considerable shortage of supply.
27. A detailed analysis of the possible sources supply is summarised in Figure 9.

Figure 9
5-year Gross Housing Supply by Origin and Housing Type (Source: ORS Housing Market Model, West London Housing Requirement Assessment 2010. Note: Cross boundary moves include only wholly moving households)

Housing Supply	Source of Housing Supply				Total
	Established Household moves	Household dissolution	Out-migrants from sub-region	Cross-boundary out-migrants	
Market supply	105,951	12,581	99,227	22,435	240,194
Intermediate affordable and lower quartile private rented sector supply					
HomeBuy based upon shared ownership	411	259	824	210	1,704
PRS Lower Quartile, no Housing Benefit	31,132	3,101	54,080	13,794	102,107
Sub-Total	31,543	3,360	54,904	14,004	103,811
Social rent and HB supported private rented sector supply					
Rent from LA or RSL	10,126	6,239	13,790	5,276	35,431
HB support to rent in PRS	5,096	1,285	8,920	3,413	18,714
Sub-Total	15,222	7,524	22,710	8,689	54,145
Total	152,716	23,465	176,841	45,129	398,151

28. Only part of the private rented sector can be regarded as open market housing. The sector covers everything from luxury apartments which are outside the assured shorthold tenancy regulations, to various forms of sub-market housing (approximated to lower quartile rents) and those tenancies with housing benefit support and some are leased directly to local authorities for households in urgent housing need awaiting a social rented tenancy (PSL). It is not easy to quantify the supply from the private rented sector. Tenancy changes are not registered unlike change of ownership and the number of dwellings in each sector can change rapidly in response to market conditions.
29. Whilst it is impossible to accurately quantify the SHMA estimates that for the outer London boroughs in the sub-region, between 30% and 50% of the private rented sector is occupied by households either with housing benefit support or under PSL arrangements. The proportion is

lower in the inner London boroughs due to the larger proportion of dwellings in the premium part of the market and the high cost of renting.

Proposed benefit reforms

- 1.1 The new Coalition Government's first budget in June 2010 contained a number of proposed reforms to the local housing allowance (LHA) and housing benefit (HB):
- From April 2011, local housing allowance rates will be capped at £250 per week for a one bedroom property, £290 per week for a two bedroom property, £340 per week for a three bedroom property and £400 per week for four bedrooms or more.
 - From October 2011, local housing allowance rates will be set at the 30th percentile of local rents (previously the 50th percentile)

These changes are likely to have a significant impact on the supply of private rented sector housing available to low income households. The impact is considered further in the sections relating to future housing requirements and policy implications below.

The London Mayor's minimum targets for the additional supply of housing

30. The following minimum targets for additional housing supply of all tenures are proposed by London Mayor and are based upon estimates of land capacity rather than housing requirements.

Figure 10
Future additional supply of dwellings by Borough (Source: GLA London Plan Consultation Draft 2009)

Borough	Source of Supply		Annual Dwelling Delivery Target	5-year Dwelling Delivery Target
	Annual Conventional Supply	Annual Vacant dwellings returned to use		
Brent	975	61	1,036	5,180
Ealing	843	47	890	4,450
Hammersmith and Fulham	564	30	594	2,970
Harrow	349	0	349	1,745
Hillingdon	375	0	375	1,875
Hounslow	453	0	453	2,265
Kensington and Chelsea	530	45	575	2,875
TOTAL	4,129	183	4,312	21,360

31. However the SHMA estimates that 35,924 additional dwellings are required over 5 years (Figure 8). This exceeds the proposed target for the boroughs in the sub-region of 21,360 dwellings to be built over 5 years (Figure 10). The implications of the SHMA housing requirement not being delivered are considered at the end of this executive summary.

Scenarios for modelling future requirements

32. It is not possible to produce a single estimate of housing requirements at this time due to the uncertainties of the impact of the credit crunch and changes to public policy concerning housing, instead a number of possible future scenarios have been tested. Testing a wide number of scenarios improves the understanding of how the housing market works and the links between the tenures.

33. Estimates of future housing requirements vary according to different assumptions made about supply and affordability of housing in the future. The estimated 5 year supply taking into account both dedicated and effective supply is stated in Figure 9.

Scenario 1A; supply of affordable housing from RSLs and Boroughs only (dedicated supply);

Scenario 1B; as scenario 1A but using higher income limits for intermediate housing cited in the Consultation Draft London Plan 2009;

Scenario 2; dedicated supply plus effective supply from the private rented sector;

Scenario 3A; the impact on scenario 2 of restricting the local housing allowance to up to the 30th percentile of local private rents;

Scenario 3B; the impact on scenario 2 of restricting the local housing allowance to the 30th percentile of private rents and the households affected move to cheaper accommodation;

Scenario 4; tenure mix if supply is equivalent to the minimum 5 year delivery envisaged by the Consultation Draft London Plan 2009 using effective supply from the private rented sector.

Scenario 1A and 1B estimate of future requirements

34. The estimates of requirements based upon scenario 1A and 1B using dedicated supply are unrealistic. They indicate that an undeliverable amount of affordable housing is needed across the sub-region.
- Scenario 1A: over 140,500 dwellings - over 6 times minimum planned delivery
 - Scenario 1B: over 211,000 dwellings - over 9 times minimum planned delivery.

Scenario 2 estimate of future requirements

35. This scenario uses dwellings within the lower quartile private rents forming part of the effective intermediate housing supply and housing benefit supported private rent forming part of the effective social housing supply. Requirements by tenure are estimated to be:

Figure 11

5-year Net Housing Requirement by Tenure With Lower Quartile private Rent Forming Part of Effective Intermediate Housing Supply and Housing Benefit Supported Private Rent forming Part of the Effective Social Housing Supply (Source: ORS Housing Market Model, West London Housing Requirement Assessment 2010. Note: Figures may not sum due to rounding)

Tenure (supply)	Source of Housing Requirement/Supply		Total	%
	Gross Requirements	Gross Supply from All Sources		
Market (owner occupied and private rented dwellings)	256,341	240,194	16,147	44.9%
Intermediate (inc. lower quartile private rent)	107,457	103,811	3,646	10.1%
Social rent (inc. existing housing benefit supported private rent)	70,277	54,145	16,132	44.9%
Total	434,076	398,152	35,924	100.0%

36. In this scenario the market, intermediate affordable, social housing requirement ratio is 45:10:45. The following size mix is estimated for the using scenario 3 outputs:

Figure12:

5-year NET Housing Requirement by Housing Type and Size, (Source: ORS Housing Market Model, West London Housing Requirement Assessment 2010. Note: Figures may not sum due to rounding)

Housing Requirement	Type of Housing			All Sectors
	Market (supply is owner occupied and private rented dwellings above the lower quartile)	Intermediate (supply includes lower quartile private rent)	Social (supply includes existing housing benefit supported private rent)	
1 bedroom	3,566	7,837	2,389	13,791
2 bedrooms	22,638	(7,111)	9,136	24,663
3 bedrooms	(11,558)	4,129	4,202	(3,227)
4+ bedrooms	1,501	(1,208)	407	699
Total	16,147	3,646	16,133	35,924

37. From Figure12 it should be noted that:

- These estimates compare future additional housing requirements to likely future supply. The mismatch in supply and demand can be numerically positive or negative. A negative mismatch does not imply that these dwellings will become un-occupied as this housing will be taken up by existing households. With regard 3 bedroom housing, this is a high proportion of the dwelling stock in the outer London boroughs and the impact of the right to buy was to reduce supply in the social rented sector but increase it in the market sector leading to the shortage of 3 bedroom social rented homes;
- the high proportion of additional one bedroom dwellings required is due to the large number of older single person households either in housing need and or wishing to downsize together with the demographic trend of growth in the proportion of all single person households and childless couples. This considered further below.

38. If the higher income assumptions for intermediate housing in scenario 1B are applied to scenario 2, the intermediate requirement increases and the market requirement reduces. Specifically if 5% of the 70,768 able to afford intermediate housing prices becomes active demand the market, intermediate, social housing requirement ratio becomes 35:20:45.

Scenario 3A; the impact on scenario 2 of restricting the local housing allowance to the 30th percentile of local private rents;

39. The June 2010 budget announced changes to the Local Housing Allowance (LHA). Currently half of private rented sector homes (the 50th percentile) will have rent levels below the LHA limit and Housing Benefit (HB) could be paid to eligible tenants in full. However the budget plans to reduce the maximum rent eligible for full HB to 30th percentile of local private rents.

40. As a consequence it is possible that some of the dwellings with rents between the 30th and 50th percentile may be vacated and let in future as market rented dwellings without HB support. This is because current occupiers affected by the change may not be able to afford to meet the part of the rent not covered by HB.

41. Over the next 5 years it is projected that 18,712 households will move who are currently occupying housing benefit supported private rented dwellings which the SHMA has approximated to the lowest 25% (lower quartile) of rents. Of these, 5,273 households occupy

dwellings where the rent is above the lower quartile private rent threshold and 13,439 households occupy dwellings below the threshold.

42. This scenario assumes that any dwelling vacated in the housing benefit supported private rented sector above the lower quartile threshold is re-let at market rates (or sold for owner occupation), the overall impact on future housing requirements is to increase the requirement for social rented housing and the market, intermediate, social housing requirement ratio becomes 30:10:60.

Figure 13:
5-year NET Housing Requirement by Housing Type and Size by Returning Housing Benefit Supported Private Rent Above Lower Quartile Rents to Market Housing Supply, (Source: ORS Housing Market Model, West London Housing Requirement Assessment 2010. Note: Figures may not sum due to rounding)

Housing Requirement	Type of Housing			All Sectors
	Market (supply is owner occupied and private rented dwellings above the lower quartile)	Intermediate (supply includes lower quartile private rent)	Social (supply includes existing housing benefit supported private rent)	
1 bedroom	607	7,837	5,348	13,791
2 bedrooms	20,734	(7,111)	11,040	24,663
3 bedrooms	(11,658)	4,129	4,302	(3,227)
4+ bedrooms	1,191	(1,208)	717	699
Total	10,874	3,646	21,406	35,924

Scenario 3B: Impact on Scenario 2 of restricting the Local Housing Allowance to rents up to the 30th percentile of local rents in the private rented sector and tenants affected move to cheaper private rented housing.

43. An alternative scenario concerning housing benefit supported private rented housing is that while those dwellings which are above the lower quartile private rent are returned to the market supply, the households concerned have their next tenancy in housing with a rent below the LHA and continue to receive housing benefit. This in turn would make convert a further proportion of the lower quartile rented sector into being part of the effective social supply. However increasing competition for lower quartile private rented dwellings may create a shortage of cheaper rented dwellings. This in turn will make it harder for households who can afford more than target social rents to access cheaper private rented dwellings. There will be a greater requirement for designated intermediate affordable dwellings for these households.
44. The impact of this assumption is to reduce the effective requirement for social rent by 5,279 households (figure 14 below) as households who were previously assessed as requiring social rent are assumed to access housing benefit supported lower quartile private rent. There is likely to be a greater requirement for intermediate housing and lower requirement for social rent when compared with Figure.

Figure 54:

5-year Housing Requirement by Housing Type and Size, Returning Housing Benefit Supported Above Lower Quartile Private Rent to Market and Assuming Growth in Lower Quartile Private Rented Sector with Housing Benefit Support (Source: ORS Housing Market Model, West London Housing Requirement Assessment 2010. Note: Figures may not sum due to rounding)

Housing Requirement	Type of Housing			All Sectors
	Market (supply is owner occupied and private rented dwellings above the lower quartile)	Intermediate (supply includes lower quartile private rent)	Social (supply includes existing housing benefit supported private rent)	
Gross Requirement				
1 bedroom	77,237	29,690	24,892	131,819
2 bedrooms	99,551	41,730	29,794	171,075
3 bedrooms	54,640	26,224	13,642	94,506
4+ bedrooms	24,914	9,813	1,950	36,677
Total	256,341	107,457	70,278	434,076
Gross Supply				
1 bedroom	76,630	18,894	22,503	118,028
2 bedrooms	78,817	46,937	20,658	146,412
3 bedrooms	66,298	21,995	9,440	97,733
4+ bedrooms	23,723	10,711	1,543	35,978
Total	245,467	98,538	54,146	398,152
Net Requirement (Mismatch)				
1 bedroom	607	5,589	2,389	13,791
2 bedrooms	9,076	-	9,136	24,663
3 bedrooms	-	3,331	4,202	(3,227)
4+ bedrooms	1,191	0	407	699
Total	10,874	8,919	16,132	35,924

Comparison of housing requirements for the sub-region according to Scenarios 1,2 and 3

45. The main results from the scenarios 1, 2 and 3 set out above are summarised below in Figure 15. This highlights the impact of assumptions regarding supply.

Figure 15:

Summary of Modelling Scenarios 1,2 and 3 (Source: West London Housing Requirement Assessment 2010. Note: Figures may not sum due to rounding)

Scenario	Source of Housing Requirement/Supply		Net Requirement	Net Affordable Requirement	% of Net Requirement	% of Net Affordable Requirement
	Gross Requirements	Gross Supply from All Sources				
Scenario 1a :						
Market	-	-	-			
Intermediate	107,457	1,704		105,753		75.2%
Social	70,277	35,431		34,846		24.8%
Total	177,734	37,135		140,599		100%
Scenario 1b:						
Market	-	-	-			
Intermediate	178,225	1,704		176,521		83.5%
Social	70,277	35,431		34,846		16.5%
Total	248,502	37,135		211,367		100%

Figure15:continued
Summary of Modelling Scenarios 1,2 and 3

Scenario	Source of Housing Requirement/Supply		Net Requirement	Net Affordable Requirement	% of Net Requirement	% of Net Affordable Requirement
	Gross Requirements	Gross Supply from All Sources				
Scenario 2:						
Market	256,341	240,194	16,147		44.9%	
Intermediate	107,457	103,811	3,646	3,646	10.1%	18.4%
Social	70,277	54,145	16,132	16,132	44.9%	81.6%
Total	434,076	398,152	35,924	19,778	100%	100%
Scenario 3a:						
Market	256,341	245,467	10,874		30.3%	
Intermediate	107,457	103,811	3,646	3,646	10.1%	14.6%
Social	70,277	48,873	21,405	21,405	59.6%	85.4%
Total	434,076	398,152	35,924	25,051	100%	100%
Scenario 3b						
Market	256,341	245,467	10,874		30.3%	
Intermediate	112,730	103,811	8,919	8,919	24.8%	35.6%
Social	65,005	48,873	16,132	16,132	44.9%	64.4%
Total	434,076	398,152	35,924	25,051	100%	100%

Scenario 4: Tenure mix based upon the London Mayor's minimum 5 year delivery of new homes

46. The SHMA estimates that 35,924 additional dwellings are required over 5 years (Figure 8). This exceeds the proposed target for the boroughs in the sub-region of 21,360 dwellings to be built over 5 years (Figure 0). In this scenario it is assumed that the private rented sector is meeting part of the requirement for affordable housing and that the affordable housing requirement will still be fully met if overall delivery is below the estimated future requirement. This is because the evidence suggests that households seeking local authority social rented housing are less likely to be housed outside the borough to which they are connected. Conversely it is comparatively easy for those seeking market housing in some form to move across local authority boundaries.
47. If 21,360 dwellings were to be delivered in the next 5 year in the sub-region (Figure 0), The estimated market, intermediate affordable, social housing requirement ratio is 8:17:75.
48. Note that the SHMA report also contains detailed estimates of the tenure and size of mix of these dwellings at Borough level.

Findings of the SHMA with implications for policy

49. The estimate of future requirements is not the same as the requirement for new build housing. The existing housing stock is also changing the nature of supply. There is an apparent growth in the supply of 1 bedroom accommodation either through sub-division or multi – occupancy.
50. Failure to build 1 and 2 bedroom affordable housing especially intermediate housing will fuel demand for conversions or the multi-occupancy of dwellings. This will frustrate the policy aim of retaining families within London as the supply of family homes will be affected.

51. In spite of new dwellings being completed intended for the market there may be no net gain in the quantity of market housing. This is because the subsequent chain of events may include a landlord changing his tenancy from open market to part of the affordable supply by leasing to a borough or letting to a household in receipt of housing benefit. However proposed cuts in the LHA will affect this.
52. Further, the evidence suggests that older people tend to under-occupy housing. If new build housing in any tenure is designed to be particularly suitable for older people and is marketed accordingly, then family sized housing may be released for the benefit of families.
53. There is a gap in supply for West London households approaching median income (average £32k p.a.). Such households, especially families cannot reasonably afford either good quality open market housing in the private rented sector or existing HomeBuy products due to costs being close to market prices. HomeBuy has an important role in assisting households into home ownership however current products are only assisting higher earners within the intermediate income band into a supply of mostly one and two bedroom apartments.
54. The SHMA highlights problems faced by a number of household groups:
 - large low income households, who will have less room in their budgets to pay more for their housing. Meeting their needs through new-build will enable a chain of subsequent relets that will assist smaller households;
 - households living in overcrowded housing, who will tend to be disproportionately from different ethnic origins. The requirement for larger homes may be offset if a newly formed household is the cause of the overcrowding and is rehoused.
55. Changes to the LHA are thought likely to have a major impact on the sub-region especially for inner London boroughs:
 - the total number of housing benefit claimants in the private rented sector in the sub – region is unlikely to fall, but households will seek housing in lower priced areas i.e. households may leave central London for outer London; and/or
 - where landlords do not align rents to the local housing allowance more dwellings vacated dwellings may form part of the market supply rather than the benefit supported supply; and
 - Local authorities may face increasing pressure from households who cannot resolve their own needs, homelessness claims and overcrowding may also rise further.
56. In addition there are wider socio-economic pressures on households in the long term that future updates of the SHMA should monitor:
 - failure to arrest the real growth in house prices due to lack of supply;
 - a further shift in the balance between owning and renting in favour of renting due to worsening affordability for first time buyers and changes in employment patterns;
 - changes in the market for student housing due to student loans, higher tuition fees, fewer students and more students continuing to live in the parental home.