

South East Plan Examination in Public

Matter IH – Housing Levels

Follow-up note to the Panel by the South East England Regional Assembly

18 December 2006

I. Question IH.1

I.1 Demographic points made in summing up:

- (i) The Regional Assembly's nil net migration projection (Technical Note 5 – Table 13.2) uses all the assumptions in the official 2003-based projections, except the migration assumptions, and shows that 20,000 dwellings per annum would be required to satisfy newly arising need generated within the South East region.
- (ii) The Regional Assembly projection, calibration as above but based on the dwelling supply proposed in the South East Plan (Technical Note 5 – Table 13.1) shows that this level of housing supply would accommodate 18,600 net in-migrants per annum. This would reduce to 12,500 net in-migrants per annum if we assume that 2,900 dwellings per annum are required for the first 10 years of the Plan period to eliminate the backlog of unmet housing need.
- (iii) Therefore, any housing supply over 28,900 dwellings per annum would simply accommodate more in-migrants. These dwellings would not be required to satisfy locally generated need.
- (iv) The 2003-based official sub-national population projections assume 32,600 net in-migrants per annum, and consequently require 38,000 dwellings per annum.
- (v) However, population and household projections are ephemeral and require frequent updating to take account of new information. Although the 2003-based household projections were only published in March 2006, there are already two items of new information which would require substantial downward revisions to the published projections.
- (vi) The first piece of new information is the ONS 2004-based sub-national population projections, which project substantially less international net in-migration to the region. This is due to a change in the methodology by which ONS distribute international net in-migration to the regions. In their view, the previous distribution method assigned too much to the South East. This will be a permanent change, unless ONS discover additional evidence to alter it.
- (vii) The second piece of new information is that divorce rates fell by 8 per cent nationally in 2005. The assumption in the projections is that divorce rates would continue to increase from 2003 to 2013 and then remain constant. The web links below provide access to the ONS news release regarding the 2005 decline in divorce rates, and the GAD assumptions regarding divorce rates in the 2003-based population projections.

<http://www.statistics.gov.uk/CCI/nugget.asp?ID=170&Pos=1&ColRank=2&Rank=1000>

http://www.gad.gov.uk/marital_status_projections/2003/divorce_assumptions.htm

- (viii) The importance of the decline in divorce rates is illustrated by a comparison between the 1996-based household projections of one person households headed by divorced persons, and the projection for the same household group in the 2003-based household projections. Between 2001 and 2021, one person households were projected to increase by around 84,000 in the 1996-based projections, compared with over 210,000 in the 2003-based.

Table 1a: Projections Comparison, South East 2006-2026 (thousands)

	Assembly NNM	Assembly Dwelling-based	Official 2003-based	Official 2004-based
Population Change	140	573	924	827
of which:				
Natural Change	140	201	273	299
Net Migration	0	372	651	528
Household Change	388	561	739	698
Annual Average				
Natural Change	7	10	14	15
Net Migration	0	19	33	26
Household Change	19	28	37	35

Sources:

Assembly nil net migration: Technical Note 5 (Revised) Updated, Table 13.2

Assembly dwelling-based: Technical Note 5 (Revised) Updated, Table 13.1

ONS 2003-based sub-national population projections:

www.statistics.gov.uk/downloads/theme_population/InteractivePDF_March2006.pdf (select Table 11)

ONS 2004-based ONS website address:

www.statistics.gov.uk/downloads/theme_population/2004_BasedProj/InteractivePDF_2004-based_SNPP.pdf (select Table 11)

Table 1b: Household Change by Type, South East 2001-2021

1996-based		Married Couple	Co-habiting couple	Lone Parent	Other	One Person	All Types
Married	Males	-50,200	-1,910	-412	-271	6,030	-46,763
Widowed	Males	0	65	-562	-3,908	16,182	11,777
Divorced	Males	0	9,034	-2,036	39,854	56,509	103,361
Single	Males	0	156,717	686	25,943	196,427	379,773
Married	Females	0	0	-453	-158	5,926	5,315
Widowed	Females	0	0	-1,834	-15,768	-1,694	-19,296
Divorced	Females	0	0	-15,548	67,268	27,607	79,327
Single	Females	0	0	22,298	16,398	104,972	143,668
Total		-50,200	163,906	2,139	129,358	411,959	657,162
2003-based		Married Couple	Co-habiting couple	Lone Parent	Other	One Person	All Types
Married	Males	-97,899	-11,564	-197	-349	7,879	-10,2130
Widowed	Males	0	-1,995	-1,184	-4,839	17,948	9,930
Divorced	Males	0	6,007	-355	2,362	92,359	100,373
Single	Males	0	241,120	2,457	25,735	165,902	435,214
Married	Females	0	0	672	-774	6,221	6,119
Widowed	Females	0	0	-3,617	-18,442	-23,891	-45,950
Divorced	Females	0	0	-11,904	24,221	118,914	131,231
Single	Females	0	0	55,622	12,800	115,767	184,189
Total		-97,899	233,568	41,494	40,714	501,099	718,976

2. Question 1H.3

2.1 Points made in summing up:

- (i) Census data for period 1991 to 2001, and Survey of English Housing data for period 2001 to 2005 on trends in sharing, overcrowding, concealed households, and homelessness does not support the view that there is a housing crisis in the South East region (see accompanying tables).
- (ii) The Census data would have been available to Kate Barker when producing her Review of Housing Supply, published March 2004, but appears to have been disregarded.
- (iii) The review also fails to recognise that households purchase the dwellings they reside in not only as a place to live, but as an investment whose capital value they expect to appreciate, thus making the housing market dissimilar to other markets for consumer goods.

- (iv) Furthermore, the review fails to take account of the impact on house prices of the huge expansion in Buy-to-Let. The data in the accompanying table labelled Tenure, shows that whereas the numbers of new households entering owner-occupation in England between 1995 and 2000 was 10 times greater than the number entering the private rented sector, the numbers entering each sector between 2000 and 2005 were almost identical. The inference drawn is that owners of capital operating in the Buy-to-Let market have outbid first time buyers, driving up prices and forcing many of the latter into the private rented sector. Such data as exists for the South East region confirms this trend. There is no evidence of a shortage of dwellings to accommodate new households; the evidence suggests, however, that many households are not immediately able to attain their tenure of choice.
- (v) Countering the statement made earlier in the EiP by the DCLG representative and based on the Interim Barker Report, that only 37 per cent of new households could afford house purchase in 2002 compared with 46 per cent in the late 1980s, and that extrapolating this trend suggested much smaller proportions would be able to afford to buy in future, reference was made to Chart 1.2 in the Barker Report. This showed that the ratio of house prices to incomes followed a cyclical trend, and that two previous peaks had occurred, one in the early 1970s and the second in the late 1980s. A house price correction occurred after each peak, and it seems likely that the 46 per cent affordability quoted had been measured after the late 1980s house price correction, otherwise there would have been no need for the correction, while the 37 per cent had been measured when the trend was well-advanced towards another peak. Extrapolating a trend based on measurements at two different points in the house price cycle would not produce a plausible outcome.
- (vi) Reference was also made to an earlier statement from the DCLG representative that in the last 30 years, the number of households had increased by a third while the annual supply of new dwellings had halved. This statement is both irrelevant and specious since the two factors were unrelated. Dwelling completions throughout the 1950s, 1960s and 1970s were at very high levels as a result of the post-war re-building and slum clearance programmes, and were unrelated to the number of new households being formed. It was only in the 1980s, after a numerical balance between housing stock and households had been established, that completion rates reflected new household formation. (The historic data on completion rates came from house building completions by sector, 1945 to 1998, Social Trends 30).
- (vii) The final point related to the Affordability model developed at Reading University. It was clear from a presentation that the Regional Assembly received from the developers of the model that it was based on the proposition that the rate of increase of real house prices was related to the relationship between the stock of dwellings and the number of households. The higher the ratio between dwelling stock and households, the lower the rate of real house price inflation. An inescapable implication of this relationship was that vacancy rates needed to be higher in order to

reduce house price inflation, and it was not evident that this was an efficient use of the nation's resources, or that this implication had been spelt out by Government.

- 2.2 Richard Bate, representing the National Housing Federation, initially took issue with the Regional Assembly's statistics on over crowding, but subsequently agreed that they were sound when shown the evidence. The Regional Assembly does not dispute the statistics quoted by the NHF on the number of households on housing waiting lists, or the numbers of social housing re-lets.

Table 2a: Sharing – Households not in Self-Contained Accommodation, South East

	H/Holds in Non Self Contained (thousands)	Total H/Holds (thousands)	Percentage Not Self Contained		3 Year Average	%
1999-2000	46	3289	1.4			
2000-2001	49	3362	1.5			
2001-2002	10	3240	0.3	2001	35	1.06
2002-2003	27	3259	0.8	2002	29	0.87
2003-2004	19	3262	0.6	2003	19	0.57
1991	32,247	2,947,692	1.1			
2001	11,037	3,287,489	0.3			

Sources:

Survey of English Housing Table S136

<http://www.communities.gov.uk/index.asp?id=1154805>

1991 Census, Table 41, 2001 Census Table 58

Table 2b: Sharing – Households not in Self-Contained Accommodation, All Regions

	2003-04 %
North East	0.2
North West	0.7
Yorkshire and the Humber	0.5
East Midlands	0.6
West Midlands	0.6
East	0.6
London	2.6
South East	0.6
South West	1.0

Table 2c: Overcrowding – Households Below Bedroom Standard, South East

			Percentage 'Over Crowded'		3 Year Average	%
1999-2000	57	3,289	1.7			
2000-2001	61	3,361	1.8			
2001-2002	61	3,241	1.9	2001	60	1.81
2002-2003	53	3,259	1.6	2002	58	1.77
2003-2004	55	3,261	1.7	2003	56	1.73
2004-2005	57	3,286	1.8	2004	55	1.68

Sources:

Survey of English Housing Table S140

Survey of English Housing 2004-05

<http://www.communities.gov.uk/index.asp?id=1154805>**Table 2d: Overcrowding – Household over One Person per Room, South East**

			Percentage 'Over Crowded'
1991	49,643	2,947,692	1.7
2001	43,015	3,287,489	1.3

Sources:

1991 Census, Table 42, 2001 Census Table 53

NB. The Censuses do not provide information on the Bedroom Standard

Table 2e: Overcrowding – Households Below Bedroom Standard, All Regions

	%
North East	1.7
North West	2.1
Yorkshire and the Humber	1.4
East Midlands	1.6
West Midlands	2.7
East	1.6
London	6.6
South East	1.8
South West	1.6
Mean percentages from 2003-04 to 2005-06 Surveys	

Source:

Survey of English Housing 2005-06, Table 9

Table 2f: Concealment – Concealed Families, South East

		% of all Families
1991	34,000	1.6
2001	23,063	1.0

Sources:

1991 Census Table 88; 2001 Census Table 11

NB. Survey of English Housing does not provide information under this definition

Table 2g: Tenure – Household Change by Tenure

	Owner Occupied (thousands)	Social Rented (thousands)	Private Rented (thousands)	All Tenures (thousands)
England				
1995-2000	800	-316	78	562
2000-2005	379	-274	368	473
South East				
2000-2005	43	- 20	40	62

Sources:

ONS Labour Force Survey (DCLG Table S101)

<http://www.communities.gov.uk/index.asp?id=1154805>

ONS Labour Force Survey (DCLG Table S135)

<http://www.communities.gov.uk/index.asp?id=1154805>

Table 2h: Households on Local Authority Waiting Lists

1997	102,578
1998	104,913
1999	111,425
2000	115,901
2001	129,924
2002	129,234
2003	146,880
2004	168,725
2005	181,196

Source: ODPM Housing Strategy Statistical Appendix DCLG Table 600 - Live Tables on Rents Lettings and Tenancies <http://www.communities.gov.uk/index.asp?id=1156260>

Table 2i: Statutory Homelessness, South East

		Households in Priority Need		Households in Temporary Accommodation	
1994	Q1	3,210	1.0	N/A	N/A
	Q2	3,260	1.0	N/A	N/A
	Q3	3,420	1.1	N/A	N/A
	Q4	2,960	0.9	N/A	N/A
1995	Q1	3,470	1.1	N/A	N/A
	Q2	3,520	1.1	N/A	N/A
	Q3	3,630	1.1	N/A	N/A
	Q4	2,950	0.9	N/A	N/A
1996	Q1	3,320	1.0	N/A	N/A
	Q2	3,430	1.1	N/A	N/A
	Q3	3,590	1.1	N/A	N/A
	Q4	3,360	1.0	N/A	N/A
1997	Q1	3,160	1.0	6,390	1.96
	Q2	2,980	0.9	6,480	1.98
	Q3	2,940	0.9	7,040	2.15
	Q4	3,000	0.9	6,990	2.14
1998	Q1	3,260	1.0	7,680	2.33
	Q2	3,170	1.0	8,080	2.45
	Q3	3,350	1.0	8,540	2.59
	Q4	3,060	0.9	8,750	2.65
1999	Q1	3,090	0.9	9,020	2.70
	Q2	3,140	1.0	8,150	2.44
	Q3	3,330	1.0	8,870	2.65
	Q4	3,060	0.9	9,060	2.71
2000	Q1	3,330	1.0	9,680	2.86
	Q2	3,660	1.1	10,040	2.97
	Q3	3,830	1.1	10,720	3.17
	Q4	3,600	1.1	11,300	3.34
2001	Q1	3,820	1.1	11,560	3.45
	Q2	3,720	1.1	11,660	3.48
	Q3	3,790	1.1	12,490	3.73
	Q4	3,430	1.0	12,060	3.60
2002	Q1	3,370	1.0	12,230	3.63
	Q2	3,660	1.1	12,350	3.67
	Q3	3,750	1.1	12,600	3.74
	Q4	3,440	1.0	12,850	3.81
2003	Q1	3,820	1.1	13,020	3.83
	Q2	3,870	1.1	13,270	3.91
	Q3	4,050	1.2	13,080	3.85
	Q4	3,500	1.0	12,860	3.79

2004	Q1	3,730	1.1	13,080	3.85
	Q2	3,280	1.0	13,230	3.90
	Q3	3,300	1.0	13,160	3.88
	Q4	3,150	0.9	13,340	3.93
2005	Q1	2,690	0.8	12,440	3.66
	Q2	2,630	0.8	12,250	3.61
	Q3	2,530	0.7	12,110	3.57
	Q4	2,140	0.6	11,870	3.50
2006	Q1	2,020	0.6	11,160	3.29
	Q2	1,800	0.5	10,530	3.10
	Q3	1,720	0.5	9,930	2.90

Source:

DCLG Quarterly PI(E) returns

Tables 622 and 623 DCLG Live Tables on Homelessness

<http://www.communities.gov.uk/index.asp?id=1156305>DCLG Statistical Release Statutory Homelessness: 3rd Quarter 2006,
11th December 2006**Table 2j: House Prices – Mix-adjusted House Prices Index and Inflation**

	England	NE	NW	YH	EM	WM	East	London	SE	SW
2000	15.2	4.3	6.9	4.9	11.0	12.9	17.5	18.0	19.4	16.5
2001	9.7	4.1	9.4	7.5	10.9	8.8	11.6	10.5	10.3	13.1
2002	17.0	18.3	16.5	20.9	25.0	21.6	22.0	9.9	16.5	23.5
2003	15.8	22.5	18.1	20.4	22.5	18.0	17.8	9.1	15.1	18.0
2004	11.0	26.2	21.6	21.5	14.0	15.5	7.1	7.2	6.4	10.6
2005	4.8	10.2	11.0	10.2	6.0	6.6	3.1	3.0	2.3	3.7
Av 2001-05	11.7	16.3	15.3	16.1	15.7	14.1	12.3	7.9	10.1	13.8

Source:

DCLG Housing Market Statistics, Table 593

Based on mortgages completed and adjusted for the mix of dwellings sold

<http://www.communities.gov.uk/index.asp?id=1156110>