Woking Borough Council
SHLAA Critique & Alternative Five Year Supply Analysis

On behalf of Crest Nicholson

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1.0 Introduction

1.1 This evidence is prepared by Savills for Crest Nicholson (ref 080) in support of the representations submitted and further written statements made at the Examination in Public (EiP) of the Woking Local Development Framework Core Strategy. The purpose of the evidence is to provide a critique of the housing land supply evidence and hence justification for amendments to draft Core Strategy policy CS10 and the associated housing trajectory (Figure 4). Further, to justify an earlier Green Belt Review.

1.2 The principal evidence base critiqued in this report is:

- Woking Borough Strategic Housing Land Availability Assessment (October 2011 update)
- Woking Borough LDF Annual Monitoring Report 2010/11 (December 2011)
- Core Strategy, notably draft policy CS10 and supporting housing trajectory (Figure 4)
- Woking Borough Strategic Housing Market Assessment
- Woking Borough Five Year Housing Supply Position Statement – 2011
- Sustainability Appraisal (SA/SEA) of the Woking Core Strategy – July 2011

1.3 This representation raises a number of fundamental questions, notably regarding the soundness of the draft Core Strategy housing distribution and timing of the release of additional land for development. The evidence concludes with key questions and recommendations for changes to the Core Strategy.

1.4 Due regard has been had of the SA/ SEA relating to the recommendations for changes, notably whether the Core Strategy could be amended in the way suggested without prejudice to due process.

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2.0 Five Year Land Supply

2.1 Appendix 1 of this Report outlines a detailed Five Year land supply assessment. The Council has produced its own topic paper, the Woking Borough Five Year Housing Supply Position Statement – 2011. This concludes a net gain of 1,801 dwellings in the forthcoming period from 2011/12.

2.2 The overall net gain figures provided by the Borough Council differ slightly dependent on whether the Annual Monitoring Report, SHLAA, Position Statement or Core Strategy Housing Trajectory is read. For the purposes of this evidence, the draft Core Strategy Housing Trajectory is used (draft Figure 4), and where necessary other evidence referred.

2.3 The starting point for an assessment is the base year proposed by the Borough Council. Draft policy CS10 outlines a start date of April 2010, as indicated by supporting text paragraph 5.53.

2.4 Taking account of the Borough Council's anticipated supply of housing, the Five Year supply at April 2012 <u>could</u> be said to be:

Draft Policy CS10 requirement 2010 – 2027:	4,964 dwellings
Annual Requirement:	292 dpa (4,964 ÷ 17)
Completions 2010/11 (2011 AMR):	145 dwellings
Projected Completions 2011/12:	143 dwellings
Residual Annual Requirement 2012-2027:	4,676 dwellings (4,964 – 288)
Annual Requirement:	312 dpa (4,676 ÷ 15)
Five Year Requirement:	1,560 dwellings (312 x 5)
Borough Council's Supply:	1,810 dwellings
Five Year Supply (2012-2017):	**5.80 years** (1,810 ÷ 312)

2.5 However, the Core Strategy supply analysis makes a number of fundamental assumptions:

- That all the five key development sites identified will deliver in their <u>entirety</u> over the period 2012-2017 at the total capacity envisaged by the Core Strategy (rather than the lower projection reported in the SHLAA/ planning consents):
  - New Central (445 dwellings of which 74 delivered 2011/12 - projection)
  - Moor Lane (existing Local Plan allocation) (440 dwellings)
  - Brockwood Farm (existing Local Plan allocation) (300 dwellings)
  - Hoe Valley (155 dwellings)

  - Martin's Press (88 dwellings)

- A total of 1,354 dwellings are expected from the five key development sites, 75% of the proposed supply (based on 74 delivered at New Central in 2011/12).
- That no discount be applied for 'Hard Commitments' (sites with planning permission) (280 dwellings) to reflect non – implementation (typically 10%).
- That delivery will be forthcoming for an inclusion of 'developable sites' at a rate of 20 dwellings per annum (not consented).

2.6 Savills questions the delivery assumptions being made and hence the Borough Council's housing supply as outlined in Section 3 of this Report.

2.7 Taking Savills account of anticipated supply of housing, the Five Year supply at April 2012 may alternatively be:

Annual Requirement at April 2012:	312 dpa (4,676 ÷ 15)
Five Year Requirement:	1,560 dwellings (312 x 5)
Borough Council's Supply:	1,247 dwellings (see Appendix 1 pp6)
Five Year Supply (2012-2017):	**4 years** (1,247 ÷ 312)

2.8 The Savills anticipated supply situation at April 2011 (supply period 2011-2016) may alternatively be said to be worse, which demonstrates the reliance of delivery in 2016/17 once the five key sites are all likely to be delivering at the maximum rate:

Annual Requirement at April 2011:	301 dpa (4,819 ÷ 16)
Five Year Requirement:	1,505 dwellings (301 x 5)
Borough Council's Supply:	1,049 dwellings (see Appendix 1 pp6)
Five Year Supply (2011-2016):	**3.49 years** (1,049 ÷ 301)

2.9 Savills considers there to be sufficient reason to question the Borough Council's Five Year supply and hence that the present position falls foul of Government policy contained within PPS3 (Housing) and the emerging National Planning Policy Framework (NPPF).

2.10 As the Core Strategy has been prepared and submitted in advance of the Site Allocations Development Plan Document and Green Belt Review, the lack of specific identifiable sites need not be fatal on the soundness Core Strategy. However, this will depend significantly on the provisions of the draft policies CS1 with regard to the spatial strategy distribution of development, CS6 relating to the timing of the Green Belt Review and CS10 with regard to the overall distribution of housing and the proposed mechanisms to release land for development. These matters are all discussed in this evidence.

2.11 The Borough Council has decided to indentify broad areas for growth as indicated by draft Figure 3 (Areas in defined for growth). This includes the Town Centre, urban area and large areas of Green Belt (excluding areas 400 metres from Thames Basins Heath SPA). The Core Strategy therefore already proposes growth in the Green Belt as consulted. The matter in question is not this principle, but the distribution of growth and the timing of release.

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3.0 Housing Delivery – Projected Supply

3.1 Draft policy CS10 outlines the planned delivery between 2010 - 2027 of 4,964 dwellings. The proposed distribution is:

Table 1: Draft policy CS10

	Indicative Number of Dwellings	**Indicative Density range**
Woking Town Centre	2,300	In excess of 200 dph
West Byfleet District Centre	170	50 – 100 dph
Infill development in Local Centres	250	30 – 60 dph
Infill development in the rest of urban area	750	30 – 40 dph
Moor Lane site, Westfield	440	30 – 50 dph
Brookwood Farm, Brookwood	300	30 – 50 dph
Green Belt (site(s) to be released after 2021/22)	550	30 – 50 dph
Woking Town Centre – as a broad location	200	In excess of 200 dph
Total	**4,964**	

3.2 As indicated by Core Strategy paragraph 5.53 the start date for the delivery is April 2010, and therefore actual completions in 2010/11 and 'projected' 'pre plan' completions in 2011/12 are relevant in assessing onward supply.

3.3 As indicated in Section 2, Woking Borough Council's assumption of supply (Figure 4 of the Core Strategy) suggests 5.80 years supply. Savills considers there to be sufficient evidence to doubt this, and further sufficient evidence to question some of the 6 - 10 years projected supply (reliant on sites in the town centre/ urban area).

3.4 The first concern is based on the proposed rate of increase in delivery from 143 dwellings per annum in 2011/12 (projected) to 362 dwellings per annum over the next five years (2012-2017); this is a **253% increase**, in one year and is unlikely to be supported by either evidence of land availability, planning process, or the market. There is also a notable difference between the five year supply position reported in the AMR and SHLAA and the published Core Strategy, notably:

- 169 dpa reported in 2011/12 in the SHLAA/ 143 dpa in the Core Strategy
- 346 dpa reported (2012-2017) in the SHLAA/ 362 dpa in the Core Strategy

3.5 The increase in delivery in the period 2012-2017 seems at odds with the reduced anticipated delivery in 2011/12. Furthermore to attain this increase in delivery the revised capacities of some of the five key sites do not match the capacity provided in the applicable planning consents, resulting in an additional 54 dwellings neither evidenced or presently consented, as demonstrated in Table 2.

Table 2: Discrepancies between the SHLAA evidence/ planning consents & draft Figure 4 Core Strategy Housing Trajectory

	Capacity Reported in SHLAA & Planning Consent	Core Strategy Housing Trajectory (Figure 4)	Diff'
New Central	446 (with planning consent)	444	-2
Martins Press	88 (with planning consent)	90	+2
Moor Lane	400 (no planning consent)	440	+40
Brookwood Farm	287 (no planning consent)	300	+13
Hoe Valley	154 (with panning consent)	155	+1
			+54

3.6 The Council therefore seeks an ambitious upturn in the housing trajectory reliant on a modest over-estimation of the delivery of the five key sites.

3.7 The second concern relates to the reliance on those five key development sites (for 76% of supply in 2012 - 2017) based on the likely delivery of those sites in the five year period. Table 3 outlines:

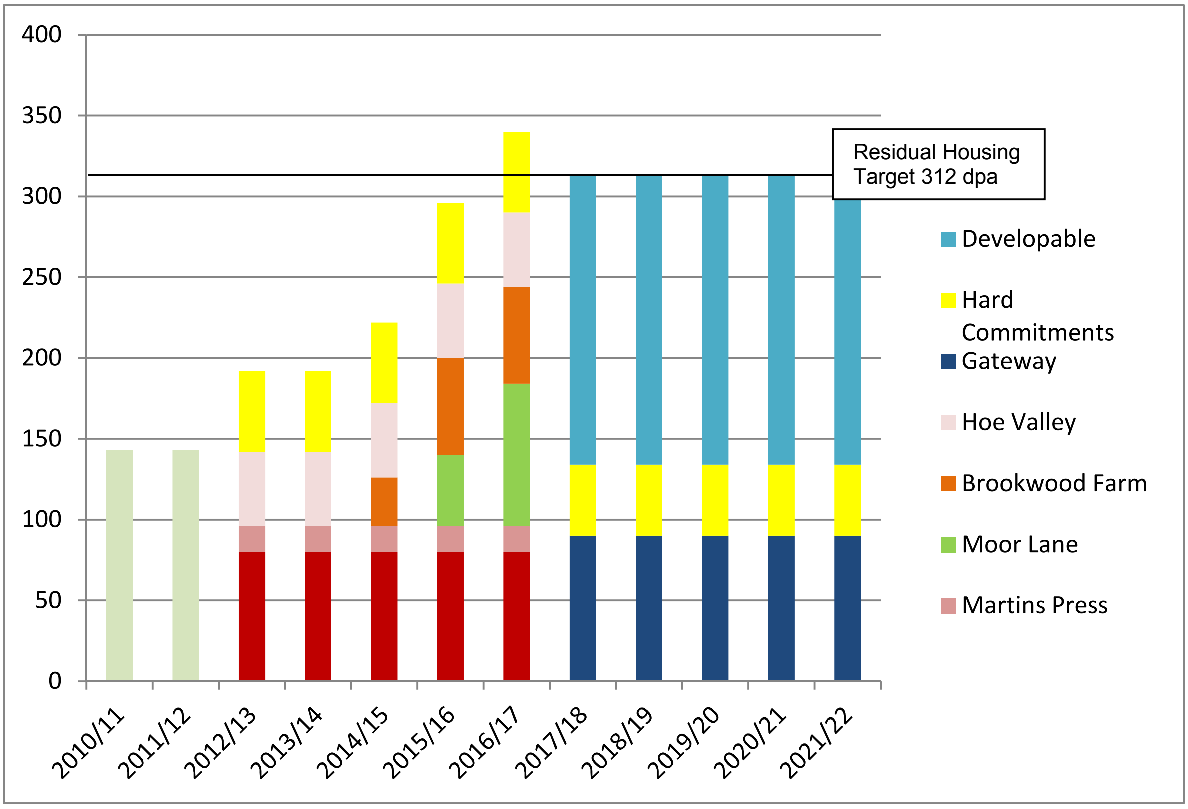
Table 3: Commentary on the delivery of the Five Key Sites

	Planning Consent?	Delivery	Comments
New Central	Yes - 446	36 by November 2011 (36 / 8 months = 4.5 month). Projection by end March 2012 = 54	At 54 dwellings per year the site will be built out in 8.3 years not the five reported.
Martins Press	Yes - 88	Delivery progressing	No reason to doubt 88 cannot be delivered to 2017.
Moor Lane	No	No planning consent. Application submitted in 2006 but still no signed S.106	Considerable uncertainty about progress of site – allocated since 1999. The six year gap raises significant questions about the acceptability of the site. At best, delivery from 2015/16.
Brookwood Farm	No	No planning consent but application expected. Process at least 12 months.	At best an initial 30 could be delivered in 2014/15.
Hoe Valley	Yes - 154	Delivery progressing	No reason to doubt 154 cannot be delivered to 2017.
	688 dwellings		

3.8 Table 3 demonstrates that of the 1,354 dwellings expected from the five key development sites only 688 dwellings actually benefit from planning consent (51%), with prospects over the period 2012-2017 for both Moor Lane and Brookwood Farm to gain consents, but no certainty, notably for Moor Lane which has been a Local Plan allocation since 1999 and six years since resolution with no signed Section 106.

3.9 Overall, as outlined in the detailed Five Year land supply analysis (Appendix 1), Savills considers it reasonable to consider the supply pipeline to be significantly lower than the Borough Council purports (1,247 dwellings over the five year period). The alternative Savills housing trajectory is given by Graph 1; this provides only four years supply of housing (as outlined in Section 2). It should be noted that this analysis is also based on the Council's own capacity assumptions as reported in the Core Strategy. Should those in Table 2 be factored, the situation would dip below four years supply.

Graph 1: Savills Alternative Housing Trajectory 1 – based on present draft Policy CS10



3.10 In addition to concerns over the Five Year supply, Savills also has concerns with the overall distribution of proposed residential development. Each source of the draft policy CS10 supply is discussed in turn.

Woking Town Centre

3.11 It is assumed that the 'Town Centre' definition is that provided by draft Core Strategy Appendix 3.

3.12 As worded, draft policy CS10 effectively double counts Town Centre dwelling delivery through the identification of both a Town Centre requirement (2,300 dwellings) and a broad location requirement (200 dwellings). At the very least this is ambiguous and hence ineffective when viewed against the PPS12 tests of soundness.

3.13 Through greater scrutiny of the SHLAA (October 2011 update) against the adopted Proposals Map (Local Plan 1999), Savills doubts whether there is sufficient land in the Town Centre to accommodate the growth anticipated of 2,300 dwellings from the Town Centre plus an additional 200 from the Town Centre 'broad location' (total 2,500 dwellings).

3.14 A geographical analysis of the Town Centre area is included in Appendix 3. The map has been produced by Savills to outline the likely housing capacity in the Town Centre, notably for major residential development (10+ dwellings). This is against the context of other established, allocated or competing land uses and constraints on the availability of redundant or Brownfield land. The following land typologies are identified on the map:

- Primary retail (as per Local Plan 1999)
- Secondary retail (as per Local Plan 1999)
- Established land uses (notably employment/ offices)
- Civic buildings
- Railway infrastructure
- Public open space
- Recent residential development
- Existing residential uses
- SHLAA sites (Town Centre) (of greater than 10 dwellings)

3.15 The analysis demonstrates the severe absence of vacant or redundant previously developed land in the Town Centre. The most significant site is presently being built out by Barratts (New Central) and is already factored in the land supply.

3.16 There are a number of civic buildings and existing established land uses (notably employment/ offices) which are very unlikely to come forward for residential in the plan period, with the exception of the Magistrates Court which is earmarked for closure (SHLAA site SHLAAMHW043).

3.17 The retail component of the Town Centre is approximately a third of the land area; it is unlikely that this area will come forward for residential land uses and is safeguarded for retail purposes. SHLAA sites (GE029, GE30, GE31 and GE11) amounting to 609 dwellings have been identified along the High Street/ Cawsey Way/ Commercial Way, on land within the primary/ secondary retail areas. Some of these sites are also referred as 'Gateway' sites as outlined in the draft Figure 4 Housing Trajectory. Owing to the likely multiple land ownerships and the presence of established retail uses it is doubtful whether these will come forward in the next 10 years. The draft Housing Trajectory includes the sites delivering from 2017/18 to 2021/22.

3.18 The SHLAA identifies the following Town Centre sites:

Table 4: SHLAA sites over 10 dwellings in the Town Centre

SHLAA Ref	**Site**	**Net Gain**	**Density? (Dph)**
SHLAAMHW011	Land at Bradfield Close/ Guildford Road, Woking 'New Central'	449	337
SHLAAGE029	2-24 Commercial Way & 13-28 High Street, Woking (Gateway)	200	400
SHLAAGE030	Market Square, Globe House, Woking	160	mixed use
SHLAAGE031	1-12 High Street & 26-34 Commercial Way, Woking (Gateway)	149	400
SHLAAGE011	Albion House, High Street, Woking (Gateway)	100	mixed use
SHLAAMHW031	Owen House, The Crescent & White Rose Court, Woking	100	400
SHLAAMHE014	Royal Mail Sorting Office, White Rose Lane, Woking	88	315
SHLAAGE008	131-143 Goldsworth Road, Woking	70	400
SHLAAGE003	46-58 Chertsey Road, Woking	67	250
SHLAAGE006	Trizancia House, Chertsey Road, Woking	50	400
SHLAAMHW043	Former Woking Magistrates Court, Station Approach, Woking	48	150
SHLAAMHW030	Former St Dunstans, White Rose Lane, Woking	42	200
SHLAAMHW009	Sandringham, Mount Hermon Road, Woking	14	87.5
SHLAAGE028	Kings Court, Church Street East, Woking	14	mixed use
		1,551	

3.19 Table 4 demonstrates the potential capacity for 1,551 dwellings in the Town Centre from major sites; this is short of the planned 2,500 dwellings outlined by draft CS10. Furthermore, as outlined, there has to be significant doubt as to the actual deliverability of those sites in the primary and secondary retail areas, some 609 dwellings. This leaves a remainder of only 942 dwellings.

3.20 The Council in email correspondence with Savills in March 2011 has outlined its opinion that the Town Centre has up to 2,386 dwelling capacity, based on:

- Pre-plan = 2 dwellings
- 0-5 year = 503 dwellings (including 445 at New Central)
- 6-10 years = 981 dwellings
- 11-15 years = 580 dwellings within the town centre boundary plus 320 at Poole Road Industrial Estate = 900.
- Total = 2,066 plus 320 at Poole Road = 2,386

3.21 As indicated by the Savills Town Centre Geographical Analysis (Appendix 3), there does not seem to be any obvious further potential residential infill opportunities in the Town Centre owing to the absence of vacant or redundant sites. The capacity from larger sites (10+ dwellings) is up to 1,551 dwellings, which indicates that to reach the Council's figure of 2,066, some 500 dwellings are envisaged from smaller sites (<10 dwellings). There should be a greater risk factor associated with reliance of delivery from these sites as they are unlikely to become actual development allocations owing to scale.

3.22 Furthermore, it has been confirmed by the Council that the Poole Road site (SHLAAGE010) (1.66 ha) is not within the actual defined Town Centre boundary. The land is presently a Local Plan industrial/ employment allocation. It is envisaged within the SHLAA as coming forward in an 11-15 year period and no planning applications for residential have been proposed or submitted. It is also noted from the SHLAA that the site is in multiple land ownership. It could therefore be that the site has a range of different land leases making site assembly complex.

3.23 The potential capacity for residential in town centre is therefore considerably less than the Borough Council envisages, in the order of circa 1,000 - 1,500 dwellings less.

Town Centre Flatted - Market Factors

3.24 Furthermore, market factors dictate that to rely exclusively on 1, 2 and 3 bedroom flatted properties risks a delay in the delivery of the housing land supply, not least owing to the wider economic conditions and availability of finance (see the Savills Research at Appendix 2). This is owing to the relatively high build cost per plot of Brownfield development land, notably larger flatted development than traditional Greenfield development. In addition, a number of sites have already been built out for flatted development in recent years, on land at Station Approach, Goldsworth Road, corner of Chertsey Road/ Stanley Road, and along Victoria Way.

3.25 It is also the case that within the immediate Woking market there will be a ceiling to the available market capacity for one type of dwelling. This matter is discussed within Section 5.

Windfalls/ Non Implementation Rate

3.26 It is probable from the information contained within the SHLAA that the Borough Council is seeking to satisfy paragraph 59 of national policy in PPS3 Housing by not including windfalls in the first 10 years of supply; 'developable sites' amount to circa 895 dwellings in the period 2012 - 2022. Turning to years 11-15, paragraph 55 of PPS3 states that (a) authorities should 'where possible' also identify specific developable sites for years 11-15 and (b) where it is 'not possible' to identify specific sites in those years, indicate broad locations for future growth. 'Developable sites' are included for some 840 dwellings.

3.27 There is also no contingency factored for non implementation. The need to apply a flexibility or non-implementation rate was reinforced recently in respect of the Appeal DCS Ref: 100-075-135 in Arun District, which the Inspector concluded that, '*the Council's approach was unrealistic since it was usual to make some allowance for the failure of some sites not to deliver housing at the predicted rate or for some sites not to come forward at all*'. There is always a reason why sites do not come forward, whether that be changing economic conditions, prohibitive planning obligations and viability constraints, or simply change in ownership. Nearby, Wokingham Borough Council adopted its Core Strategy with a 10% non-implementation rate (contingency) factored (January 2010).

3.28 To demonstrate that the Core Strategy is sound, the Borough Council will be required to show that it has considered its land supply projections robustly, which will require a non-implementation rate to be applied to all sources of supply. As there can be variations in the level of non-implementation rate between each housing market area, the most accurate method of assessing this non-implementation rate would be to review the level of houses lost through lapsed permissions in the Borough as a percentage of total housing consented. In the absence of this information, it is common practice to apply a 10% non-implementation rate to provide a more realistic projection of completions.

West Byfleet District Centre/ Infill Development – SHLAA findings

3.29 In total, the Borough Council envisages some 1,170 dwellings as forthcoming in West Byfleet District Centre, and through wider infill development in Local Centres and the existing urban area. There is no obvious reason to question this; the SHLAA does contain a number of developable sites across the Borough within existing urban areas.

Green Belt Site(s) – Savills Alternative Policy CS10

3.30 Savills considers that there is sufficient evidence to doubt the proposed Figure 4 Housing Trajectory and overall housing distribution. An alternative trajectory has been provided by Savills (see Section 4, Graph 2).

3.31 The Borough Council relies on five key development sites to achieve its purported Five Year supply. The consented capacity of these sites and likely delivery rate is questionable, with two key effects, 1) on Five Year supply, and 2) on the distribution of housing in draft policy CS10.

3.32 The proposed distribution of housing to the Town Centre is also considered to be flawed owing to available urban capacity and market factors. It is likely that the capacity assumption would need to be reduced at least by 1,000 dwellings.

3.33 To address these evidenced deficiencies the following changes to the Core Strategy are required:

- The release of additional sites for development/ allocations is required sooner in the plan period.
- The immediate housing trajectory should be amended to reflect actual site capacity/ consented schemes.
- The overall distribution proposed in draft policy CS10 should be amended to provide a greater proportion on additional identifiable sites (allocations), which owing to urban capacity constraints will need to be within the Green Belt.
- A contingency mechanism should be included to so that the Core Strategy is responsive to changing circumstances to reflect the non implementation of indentified sites.

3.34 Table 5 provides an alternative distribution.

Table 5: Savills Alternative Policy CS10

	Indicative Number of Dwellings (Change from Borough Council's Policy)	Indicative Density range
Woking Town Centre	1,500 (-800)	In excess of 200 dph
West Byfleet District Centre	170	50 – 100 dph
Infill development in Local Centres	250	30 – 60 dph
Infill development in the rest of urban area	750	30 – 40 dph
Moor Lane site, Westfield	400 (-40)	30 – 50 dph
Brookwood Farm, Brookwood	300	30 – 50 dph
Green Belt (site(s) to be released after the Green Belt Review	1,590 (200 + 800 + 40)	30 – 50 dph
Woking Town Centre – as a broad location [DELETED]	0 (-200)	n/a
Contingency for Non Implementation (Additional sites to be released post 2022/23) if required	10% (496 dwellings)	n/a
Total	**5,496**	

3.35 The proposed alternative housing distribution factors:

- Reduced Town Centre allocation based on evidence of site availability and location.
- Capacity of Moor Lane at 400 dwellings
- Assumption that the town centre 'Gateway' sites will deliver in the whole plan period.
- Contingency trigger in the event of non implementation (10% added to the overall requirement if required – as demonstrated by annual monitoring).
- Increased allocation to Green Belt site(s), predominantly to reflect capacity constraints in the town centre.
- Removal of Woking Town Centre as a broad location as ineffective and not based on evidence.

3.36 Despite the proposed Savills amendment, the majority of new housing will still be directed to the existing urban area (3,410 dwellings or 62 %). This reflects well on wider sustainability priorities and re-use of Brownfield land.

3.37 The SHLAA indicates sufficient capacity in the Green Belt to accommodate the 1,590 dwellings proposed in Table 5 over the whole plan period. SHLAA Appendix 4 outlines total identified capacity for 966 dwellings plus a further 206 hectares (approx) of land with 'no identified capacity at this time'. This land would theoretically be capable of delivering circa 7,210 dwellings at 35 dph. Clearly not all of this land will actively be promoted for development, but it does indicate a significant proportion of potential supply within the Green Belt. Therefore, Savills considers that combined the SHLAA outlines a theoretical Greenfield capacity of circa 8,000 dwellings, which is considerably in excess of the Savills proposed distribution of Table 5.

3.38 The time to assess the suitability of each site will of course be the Green Belt Review/ Development Management Site Allocations DPD.

4.0 Timing of the Green Belt Review & Alternative Trajectory

4.1 The evidence in Section 3 supports an alternative housing land supply and overall distribution of housing, which would result in an increase in the housing requirement for Greenfield sites. Owing to the geography of Woking all Greenfield land is located within the Metropolitan Green Belt.

4.2 At present draft Core Strategy policy CS6 seeks to defer the Green Belt Review to 2016/17 with a view of seeking the release of development from 2021/22. Draft policy CS10 as worded seeks 550 dwellings in the Green Belt.

4.3 The present Local Development Scheme (LDS) outlines that a Development Management Policies and Site Allocations DPD will be produced, based on the following timeline:

- Consult statutory bodies on scope of Sustainability Appraisal: March - April 2011
- Consult during preparation: October 2011 onwards
- Publication and consultation: October - November 2012
- Submission to Secretary of State: January 2013
- Estimated date of pre-hearing meeting: March 2013
- Estimated date of examination: May 2013
- Estimated date for adoption: January 2014
- Update proposals map: January 2014

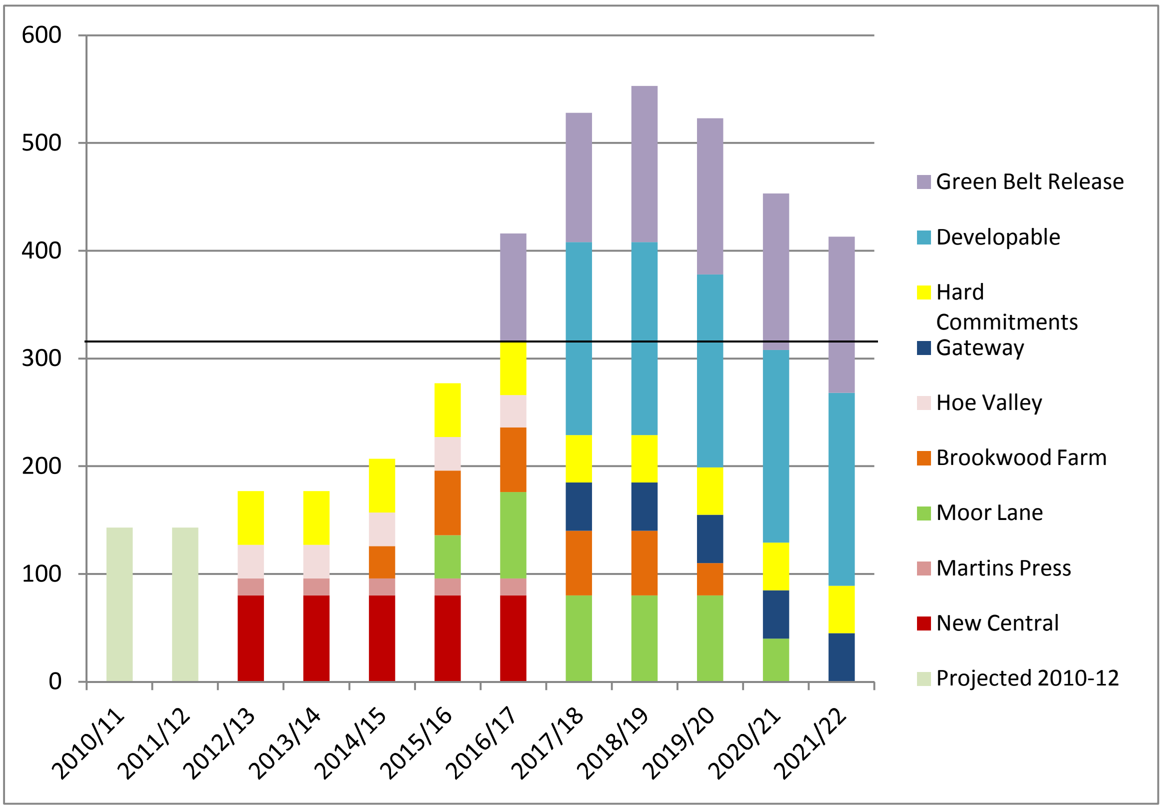
4.4 As the proposed Green Belt review is deferred to 2016/17, no sites within the Green Belt will be considered as part of the production of the Development Management Policies and Site Allocations DPD. It is considered that this is both a missed opportunity and ineffective owing to the housing land supply.

4.5 The Green Belt Review process would likely report in 2017, therefore, based on the Borough Council's LDS this would necessitate an immediate review of the Development Management Policies and Site Allocations DPD, so that Greenfield sites may be considered for development from 2021/22.

4.6 Savills considers there to be sufficient reason to propose a Green Belt Review immediately after adoption of the Core Strategy. This process could be 'dovetailed' with a revised programme of the Development Management Policies and Site Allocations DPD, which could be produced in-parallel to the Review. This would permit the consideration of development sites in the period 2013 - 2015 to assist with the housing trajectory. Planning applications could therefore be invited from 2015/16, enabling the initial delivery of sites from 2016/17.

4.7 Graph 2 outlines an alternative housing trajectory based on an earlier Green Belt Review; this demonstrates that some Greenfield land could be delivering housing towards the end of the Five Year period.

Graph 2: Savills Alternative Housing Trajectory 2 – based on proposed amendment draft Policy CS10



4.8 The alternative housing trajectory reflects the need for increased delivery in the period post 2015/16 to reflect shortfalls in delivery since 2010/11. The trajectory is based on the following changes from the present draft Figure 4 Housing Trajectory:

- Capacity of Moor Lane at 400 dwellings
- Reduced annual delivery rate at 'Gateway' sites (delivered 2017/18 to 2026/27)
- 10% contingency for non implementation (for developable sites and sites with planning permission)
- Green Belt site release – period 2016/17 – 2026/27 at an average rate of 142 dwellings per annum (1,560 ÷ 11). Initially 100 dpa in 2016/17.

4.9 Furthermore, build rates in Woking Borough have reached historic peaks of between 400 – 500 dwellings per annum.

5.0 The Housing Need & Market

5.1 Woking is a thriving Surrey town with a historically strong market resultant of good transport links with the M25 and M3 motorway networks and the A3 London to Portsmouth road. The mainline rail station connects Woking to London direct with a journey time of approximately 25 minutes, running every 8 minutes during peak times, targeting the commuter market. Heathrow and Gatwick airports are approximately 15 and 35 miles away. As a result Woking seeks good investor demand and there is evidence of first time buyers present in the centre. It is clear however that there is a limited supply of new build family housing stock.

5.2 There are a number of developments currently under construction/ on market, including:

College Court, College Road, Woking

A small development of 13 apartments currently under construction comprising 8 x 1 bedroom and 5 x 2 bedroom apartments. To date, Savills has been informed that two units have been sold/ under offer off plan. The completion of the development is imminent.

Gresham Mill, Gresham Park Road, High Street, Old Woking

A Linden Homes development of 88 units comprising 8 x 1 bedroom, 60 x 2 bedroom and 2 x 3 bedroom apartments, with 3 x 2 bedroom and 15 x 3 bedroom houses. At present approximately 22 units have been sold/ under offer. Savills has been informed that the scheme is tailored to a ‘downsizer’ market as a result of oversized units. The scheme is selling approximately 1 unit per week.

Pinnacles, St Peters Convent, Maybury Hill, Woking

A Taylor Wimpey development of 54 units comprising apartments, private and affordable housing. There are 38 x 1 and 2 bedroom apartments which include 6 shared ownership units. The other elements of the scheme comprise a single 4 bedroom coach house, 7 x 4 bedroom houses and 8 social rented houses. The agent advised that 50% of buyers were cash buyers and there was exceptional demand for the house units. The scheme has now sold/ reserved all units.

New Central, Guildford Road, Woking

A large Barratt Homes phased development comprising 443 units in total. The scheme offers a range of studio, 1 and 2 bedroom apartments. The scheme is being released through phases. One hundred and thirty eight units are currently available, with 80 units due to be released in December 2012. There is currently no deadline beyond this for the remaining units.

5.3 Through speaking with a number of agents it is evident that there is a lack of new build family housing stock on the market, the majority of new schemes comprising predominantly studio, 1 and 2 bedroom apartments. With a large influx of apartments coming to the market from the Barratt Scheme, it is clear there will be an oversupply should further apartment developments come to market.

5.4 The Barratt Homes scheme, New Central, is the only major flatted development being built in the centre of Woking. Savills has been informed by the Barratt agents that the entire scheme is private due to offsetting the affordable on another site. Savills has also been informed by another agent there are approximately 180 apartments eligible for the First Buy government scheme (however this is not yet confirmed). The scheme has been selling/ reserving approximately 13 units per month. Since July 2011 they have made reservations on 92 units. The total number of units currently available in the first phase is 138 units in three blocks; ‘Callisto’, ‘Triton’ and ‘Ariel’, with a further 80 units in block ‘Amazonis’ to be built by December 2012. The completion date for the remaining units is unconfirmed and in our opinion likely to be affected by the sales performance of the existing stock on market.

5.5 The Barratt agents seem optimistic with the level of demand for the scheme coming from a profile of first time buyers, investors and cash rich parents buying their children houses. Savills expects that the agents are likely to see sales rates losing momentum which will lead to the slowing down of phase releases until all units are sold. Overall, at the present rate of sale it is likely that New Central will be built out in the five year period (2012-2017).

5.6 Savills has investigated the West Surrey Strategic Housing Market Assessment (SHMA) dated February 2009 and makes note of the expectations and the preference to housing demand. The analysis reveals that there is a shortfall of around 594 units per annum, of which 44% is affordable housing. It is clear from Table 11.6 that there is a significant demand for detached houses, which Savills assumes is for units with 3 plus bedrooms. This point is also confirmed in the draft Core Strategy (paragraph 5.72).

5.7 SHMA Figure 12.3 detailing estimated shortfalls, identifies that the greatest shortfall of market housing is for three bed units, followed by 2 bed and 4 bed units. The table demonstrates that 1 bedroom units are likely to be least in demand. Furthermore Table 13.17 illustrates a demand for larger family units seeking to move in the next two years at the date of study in 2007.

5.8 SHMA Section 12.43 states at the time of study there was a shortfall of 342 units per annum in the market, where the majority was for three bedroom units.

5.9 Based on the information provided in the Strategic Housing Market Assessment it is evident the Barratt Homes scheme over-compensates the demand for smaller 1 and 2 bedroom sized units and any further large scale apartment developments within Woking would be significantly affected by the prominence of the Barratt scheme (notably in the next five year period to 2016/17). The analysis summarises that in both market and affordable housing there is a shortage of larger sized units. Through speaking with local agents operating in Woking this is also representative of the current housing demand in Woking.

5.10 Savills does not dispute that over the plan period there will not be a continued need/ demand for smaller accommodation, more suited to the Town Centre market and character. However, it is evident that there is an in-parallel need for larger units, which in market capacity terms the Town Centre cannot accommodate.

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6.0 Sustainability Appraisal

6.1 To meet the Town & Country Planning Local Development (England) Regulations (as Amended) and European Law, Woking Borough Council has produced an accompanying Sustainability Appraisal / Strategic Environmental Assessment. The most up to date version was produced in July 2011.

6.2 The SA/ SEA includes 20 Sustainability Objectives from which each aspect of the proposed Core Strategy was tested.

6.3 As the draft Core Strategy proposes land be released for development within the Green Belt 'broad location for growth' the SA/SEA has tested the principle of Greenfield land release at a strategic level.

6.4 The SA/SEA also concluded that the lower 'Option 1' level of net additional dwellings per year was the most sustainable; the following were tested:

- Option 1 – 292 net additional dwellings per year
- Option 2 – 499 net affordable housing homes per year
- Option 3 –594 net additional dwellings per year comprising 499 affordable homes and rest for market housing to meet demand

6.5 The proposed amendment to the housing trajectory and overall distribution of housing outlined in Sections 3/4 remain within the broad parameters of the SA/SEA as:

- the overall provision of housing remains at 292 dwellings per annum (average) in the period 2010-2027 (total 4,964 dwellings delivered). (SA Objective 1);
- the best use previously developed land is maintained based on the available evidence of actual physical land capacity, and retained weight of the distribution in favour of previously developed land (62%) (SA Objective 7);
- the conservation and enhancement of biodiversity may be positively affected through the necessity for Greenfield development to have sufficient Green Infrastructure (and SANGs) to comply with policies CS7 and CS17 (SA Objective 9).

6.6 The detailed implications on all 20 SA Objectives can be adequately assessed through the production of the site specific and detailed SA/SEA of the Development Management and Site Allocations DPD. Furthermore, the Green Belt Review assessment will likely include various rigorous site/ area testing compatible with the SA/SEA and guidance in PPG2 which will enable thorough onward assessment.

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7.0 Conclusions & Recommended Changes

7.1 Owing to the evidence presented in this report, Crest Nicholson considers that the Borough, the following issues are pertinent to the Examination of the Core Strategy:

- The Borough Council cannot realistically claim Five Years housing supply based on realistic build out of Moor Lane and Brockwood Farm. There is no apparent strategy in place to release additional sites to make provision for this shortfall.
- The reliance on 2,300 dwellings in the Town Centre at higher urban densities (200 dph) is unrealistic over the plan period, particularly in the first five years. The Poole Road Industrial Estate (outside of the Town Centre) has been included to justify Town Centre capacity.
- There is insufficient land in the Town Centre to deliver 2,500 dwellings (2,300 dwellings plus 200 dwellings as a ‘broad location’). The ‘broad location’ is not precise or justified.
- No contingency has been factored for the non-implementation of identified sites.
- Taking these matters into account, there is sufficient evidence to doubt that only 550 dwellings are needed as Green Belt site(s). Furthermore there is sufficient evidence to warrant a swift Green Belt Review to enable a flexible land supply.
- The proposed changes to the housing distribution would be within the parameters of the SA/SEA.

7.2 There is sufficient evidence to warrant an alternative housing strategy. The starting point is that there is significant doubt that the Borough Council can demonstrate a Five Year supply of housing. Even if all the identified sites delivered at the rate envisaged (starting from April this year) the situation would be marginal when a reasonable 10% contingency was factored.

7.3 The Core Strategy need not be found ‘unsound’ on the basis of a failed Five Year housing supply alone, however, the present wording and absence of a suite of sites from which to address the supply shortfall over the plan period effectively renders the plan unsound, as draft policy CS10 and the housing trajectory are neither justified by evidence or effective in guiding other plans and development proposals. The Core Strategy needs to include measures and mechanisms to address the shortfall of supply.

7.4 The present market conditions combined with the availability of land in the Town Centre cast considerable doubt on the claim that 2,500 dwellings may be delivered, in what is effectively a very constrained geographical area. There are a number of reasons to consider that the market in the forthcoming five year period (2012 - 2017) will remain at modest levels of growth. The return to the pre 2007 'boom', demand for smaller properties and availability of mortgage finance to the extent then seen is unlikely in the first period of the plan (see Appendix 2 Savills Residential Property Focus). There should be some doubt as to the delivery in market terms of the extent of homes envisaged in the Town Centre. Physical capacity and alternative land use constraints also cast doubt on the planned delivery.

7.5 The assumptions that the Town Centre could also be 'a broad location' are also unfounded, and effectively risks double counting.

7.6 It is also widely accepted that not all sites with an extant consent or allocated will be built out. This is evident in Woking at both Moor Lane and Brockwood Farm, both Local Plan (1999) allocated sites, which do not yet benefit from a planning permission. These sites have had over 10 years to come forward.

7.7 No discount has been applied for non implementation of the developable sites; as outlined, it is normal practice for at least 10% to be applied.

7.8 The report has therefore outlined recommended changes to:

- Draft policy CS10 regarding the distribution of housing
- Draft policy CS6 regarding the timing of the Green Belt Review
- Figure 4 Housing Trajectory to reflect the changes to CS6 and CS10

7.9 The housing distribution should be altered, with planned delivery in Woking Town Centre reduced and planned delivery in the Green Belt increased.

ENDS

Appendix 1

Detailed Five Year Land Supply Analysis

Appendix 1: Housing Land Supply

Woking Borough – 5 Year Land Supply Analysis
February 2012

The following Five Year land supply assessment is based upon the most up to date completed set of data. It is presented in respect of the requirement for Woking Borough Council to achieve and maintain a rolling five year supply as per the requirements of Planning Policy Statement 3: Housing (PPS3).

This appendix assesses the Five Year land supply position against a range of supply variables utilising information contained within the Annual Monitoring Report (December 2011) and the Strategic Housing Land Availability Assessment (SHLAA) (October 2011 update).

The analysis is based on the draft Core Strategy housing requirement of 4,964 dwellings (draft policy CS10), which as stated in paragraph 5.53 has a start date of April 2010. This is based on the Regional Spatial Strategy (RSS) – South East Plan requirement of 292 dwellings per annum (292 x 17 years).

Draft Core Strategy Policy CS10 Requirement

Core Strategy Requirement (draft policy CS10)

Core Strategy Requirement 2010 - 2027: 4,964 dwellings (292 dwellings per annum 'dpa')

History: Completions 2006 – 2011

As given by the Woking Borough Council Annual Monitoring Report 2011 the net additional dwellings completed in the five year period from 1 April 2006 to 31 March 2011 were:

Completed 2006 – 2007: 436 dwellings
Completed 2007 – 2008: 288 dwellings
Completed 2008 – 2009: 362 dwellings
Completed 2009 – 2010: 263 dwellings
Completed 2010 – 2011: 146 dwellings

Total Completed 2006 – 2011: **1,494 dwellings** (299 dpa)

The annual average completions between 2006 and 2011 is therefore 299 dpa, although the average recently (2009 - 2011) falls to 205 dpa.

Analysis of Five Year Supply – Requirement

The Council reports a 'start date' for its Housing Land Supply of April 2010, as given by draft policy CS10. Two scenarios may be analysed based on whether the report completions in 2010/11 are factored (scenario 1) or whether in addition the 'pre plan' figures of 2011/12 are factored (scenario 2). Scenario 2 would effectively include a 'monitoring year' (as permitted by Government guidance) thus making the Five Year supply period 2012 - 2017. These matters are addressed in the following section.

The requirement the Council must demonstrate is deliverable over the forthcoming five years, will fluctuate depending on performance against the annual requirement; this is known as the 'annualised requirement'. Draft policy CS10 does not propose any phasing of the requirement.

The base housing requirement is therefore 4,964 ÷ 17 = 292 dpa.

Scenario 1

Residual requirement at April 2011 (based on draft policy CS10 requirement plus 2011 Annual Monitoring Report)

As the 2010/11 completions have now been reported, one scenario is to base the five year supply on an April 2011 start date. The residual five year requirement at April 2011 is what the Council is required to provide over the remaining 16 years.

Completions in 2010/11 = 145 dwellings

Residual requirement (4,964 - 145 = 4,819) / residual annual requirement = **301 dpa** (rounded)

Scenario 2

Residual requirement at April 2012 (based on draft policy CS10 requirement plus draft Core Strategy Housing trajectory, to include 2011/12 'pre plan' monitoring period)

As the 2010/11 completions have now been reported and owing to the housing trajectory including a 'pre plan' figure of 169 for 2011/12, a further alternative scenario would be to base the five year supply on an April 2012 start date. The residual five year requirement at April 2012 is what the Council is required to provide over the remaining 15 years.

Completions in 2010/11 = 146 + 143 ('Pre Plan' in 2011/12) = 288

Residual requirement (4,964 – 288 = 4,676) / residual annual requirement = **312 dpa** (rounded)

Supply – Position of Woking Borough Council

The land supply information is taken from the 2011 Annual Monitoring Report and 2011 update Strategic Housing Land Availability Assessment (SHLAA) and also with regard to the adopted development plan proposals map (Local Plan 1999).

Government guidance permits Local Authorities to consider a 'monitoring year', this being the year of the start date of the plan, or which is still to report. Woking Borough Council has effectively adopted the 'monitoring year' through the identification of 2011/12 as the 'pre plan' year. The Five Year supply therefore commences April 2012 based on the Borough Council's reporting.

The actual supply situation may however be best judged against the published completions in 2010/11 and therefore monitoring period 2011/12 – 2015/16. This matter is discussed in the analysis.

Identified Supply: April 2011 – 2017 (Figure 4 draft Core Strategy Housing Trajectory)

	Year	Supply (rounded)	Source
1	2011/12	143	New Central + projections
2	2012/13	362	New Central + Martins Press + Moor Lane + Brockwood Farm + Hoe Valley + Hard Commitments + Developable Sites
3	2013/14	362	As above
4	2014/15	362	As above
5	2015/16	362	As above
6	2016/17	362	As above
	TOTAL (Monitoring Year plus Five Years)	**1,953**	
	TOTAL (Five Year 2012 – 2017)	**1,810**	

It should however be noted that the 2011 SHLAA, included at Figure 1 a Housing Trajectory that reports an annual supply of 346 dwellings in the period 2012 - 2017 and further a ‘pre plan’ supply of 169 dwellings. The Figure 4 draft Core Strategy Housing Trajectory proposes a more ambitious delivery rate in this period (362 dwellings). There is also an inconsistency between the 2010/11 reported completions of 145 in the 2011 AMR and the Core Strategy Housing Trajectory which states 143 dwellings.

Comparison 2011 SHLAA with draft Core Strategy Housing Trajectory

	2011 AMR / SHLAA	**Draft Core Strategy Housing Trajectory**	**Notes**
2010/11	145	143	Now stated as ‘projected’
2011/12	169	143	- 26
2012/13	346	362	+16
2013/14	346	362	+16
2014/15	346	362	+16
2015/16	346	362	+16
2016/17	346	362	+16
Totals	2,044	2,096	+ 52

Based on AMR Table 8 and the Figure 4 Housing Trajectory of the draft Core Strategy, the Council bases its stated land supply on the following assumptions and methodology:

- Five key development sites:
  - New Central (445 dwellings)
  - Moor Lane (existing Local Plan allocation) (440 dwellings)
  - Brockwood Farm (existing Local Plan allocation) (300 dwellings)
  - Hoe Valley (154 dwellings)
  - Martins Press (88 dwellings)
- ‘Hard Commitments’ have been defined as sites with existing planning permissions at a rate of 56 dwellings per annum
- Inclusion of ‘developable sites’ at a rate of 20 dwellings per annum (all previously developed)
- ‘Projected completions’ of 143 dwellings in 2010/11 and 2011/12 (although the 2010/11 figures have already been reported in the 2011 AMR as 146)
- No contingency factored, for example for non implementation rate
- No specific windfalls identified, as per PPS3 guidance (however, this matter is discussed in the alternative Savills supply analysis)

In the period 2017 - 2022 the identified supply includes further ‘hard commitments’ of 49 dwellings per annum, a higher rate of ‘developable sites’ at a rate of 159 dwellings per annum and also the three ‘Gateway’ sites (which are all yet to benefit from planning permission) at a rate of 90 dwellings per annum (total 450 dwellings). It is not clear whether the three ‘Gateway’ sites (SHLAAGE011, GE029 and GE031) are windfalls or specific proposed plan allocations. At this time they are certainly not hard or soft commitments, and are allocated by the Local Plan (1999) within the Primary/ Secondary shopping areas.

In terms of the 10 year supply 2011-2021, the Council effectively proposes three different levels of annual supply in the period:

2011/12	143 dwellings per annum
2012 - 2017	362 dwellings per annum (1,810 over the five year period)
2017 - 2021	298 dwellings per annum (1,192 over the four year period)
Total:	**3,145 (or 315 dwellings per annum – rounded)**

Five Year Land Supply Assessment based on Woking Borough Council reported supply

The Five Year supply can be assessed against the annual housing requirement by each of the two residual requirement scenarios reported.

Scenario 1: At April 2011, the annual requirement would be 301 dwellings, which over 5 years (2011-2016) would equate to **1,505 dwellings.**

The following outlines the five year supply 2011-2016 based on the annual requirement:

The indentified supply is:

- Projections in 2011/12 'Pre Plan': 143
- Supply in period 2012/2015: 1,448 (362 x 4)
  Total: 1,591

5 year supply at April 2011: 1,591 dwellings / 5 = 318 dpa

The land supply could therefore be judged as:

Housing Supply: 1,591 ÷ 301 = **5.29 years** (86 dwellings over the 5 year requirement).

This assessment, concludes a similar five year supply figure to the 2011 AMR, and is also based on the delivery expectations outlined in the draft Core Strategy Figure 4 Housing Trajectory.

Scenario 2: At April 2012, the annual requirement would be 312 dwellings, which over five years would equate to **1,560 dwellings.**

The following outlines the five year supply 2012-2017 based on the annual requirement:

The indentified supply is:

- Supply in period 2012 - 2017: 1,810 (362 x 5)
  Total: 1,810

Five year supply at April 2012: 1,810 dwellings / 5 = 362 dpa

The land supply could therefore be judged as:

Housing Supply: 1,810 ÷ 312 = **5.80 years** (250 dwellings over the 5 year requirement).

This assessment also concludes a similar five year supply figure to the 2011 AMR, and is also based on the delivery expectations outlined in the draft Core Strategy Figure 4 Housing Trajectory.

Contingency - Non-implementation rate

The scenarios 1 and 2 Five Year assessments do not however factor any contingency, for example for non build rates of the identified supply. It is typical for a 'lapse rate' of 10% to be considered. In Woking Borough the rate could be said to be higher owing to the non delivery of existing Local Plan allocations at Moor Lane (400 dwellings) and Brockwood Farm (existing Local Plan allocation) (287 dwellings). Combined, set against an annual requirement of 292 dpa (a provided by the South East Plan/ draft policy CS10) these sites represent 47% of undelivered housing supply in the period 2006 - 2011. To assume a non delivery rate of at least 10% is therefore reasonable.

The effect of this on the Five Year supply would be:

Scenario 1: Five Year Supply with 10% Contingency**: 4.75 years** [10% off 1,591 ÷ 301]
Scenario 2: Five Year Supply with 10% Contingency**: 5.22 years** [10% off 1,810 ÷ 312]

Alternative - Supply based on Savills Analysis of the SHLAA

An alternative housing supply situation is provided by Savills.

Whichever approach is taken to the residual requirement (Scenarios 1 or 2), the immediate Five Year supply is heavily reliant on five key sites (286 dpa of the 362 dpa or 79%). The following have planning permission and are being implemented; they are therefore hard commitments with a strong prospect of delivery:

- Hoe Valley – 154 dwellings (2012-2017) 31 dpa
- New Central – 445 dwellings (2011-2017) 89 dpa
- Martins Press – 88 dwellings (2012-2017) 17.6 dpa

However, no 10% non implementation has been factored on any of the three sites.

There are two sites that do not presently benefit from planning consent; these are:

- Brookwood Farm (300 dwellings) – not a hard or soft commitment, it is not a specific Local Plan housing allocation, although was safeguarded in the 1999 plan. A planning application is expected shortly.
- Moor Lane (440 dwellings) – this site is not a hard or soft commitment as it does not benefit from an extant planning permission. The site is allocated for housing by policy 13/H in the 1999 Local Plan. It has not come forward for over ten years.

The Woking Borough supply assumes that both these sites will be delivered, in entirety over the five year period (2012 - 2017). It is doubtful that these sites will deliver at the rate expected. Savills suggests an alternative delivery rate.

	Brookwood Farm	**Moor Lane**
2012/13	Planning process	Pre planning process
2013/14	Section 106 signed/ pre commencement infrastructure	Planning Process
2014/15	30 dwellings completed	Section 106 signed/ pre commencement infrastructure
2015/16	60 dwellings	44 dwellings
2016/17	60 dwellings	88 dwellings
	150 dwellings	**132 dwellings**

The Housing Trajectory identifies 143 ‘pre plan’ units in the year 2011/12; there is no reason to doubt that these sites will not come forward.

However, the Housing Trajectory also indentifies 280 sites in the period 2012-2017 as being sites with existing permissions (otherwise known as hard commitments). There is no reason to doubt that these sites will not come forward in the five year period as they have planning consent, although it would be normal practice to apply at least 10% discount rate for non-implementation, notably as a large proportion of these sites are smaller infill developments of less than 10 dwellings (105 sites of less than 10 dwellings are included in SHLAA appendix 2a and 2b – period 2011 - 2017) and are reliant on a number of housebuilders/ landowners to come forward.

A further 100 units are included as ‘developable’ in the period 2012 - 2017 (20 dpa or 5% of annual supply). At this time, all of these sites neither benefit from planning consent or a development plan allocation. These sites have been discounted from the Savills supply analysis.

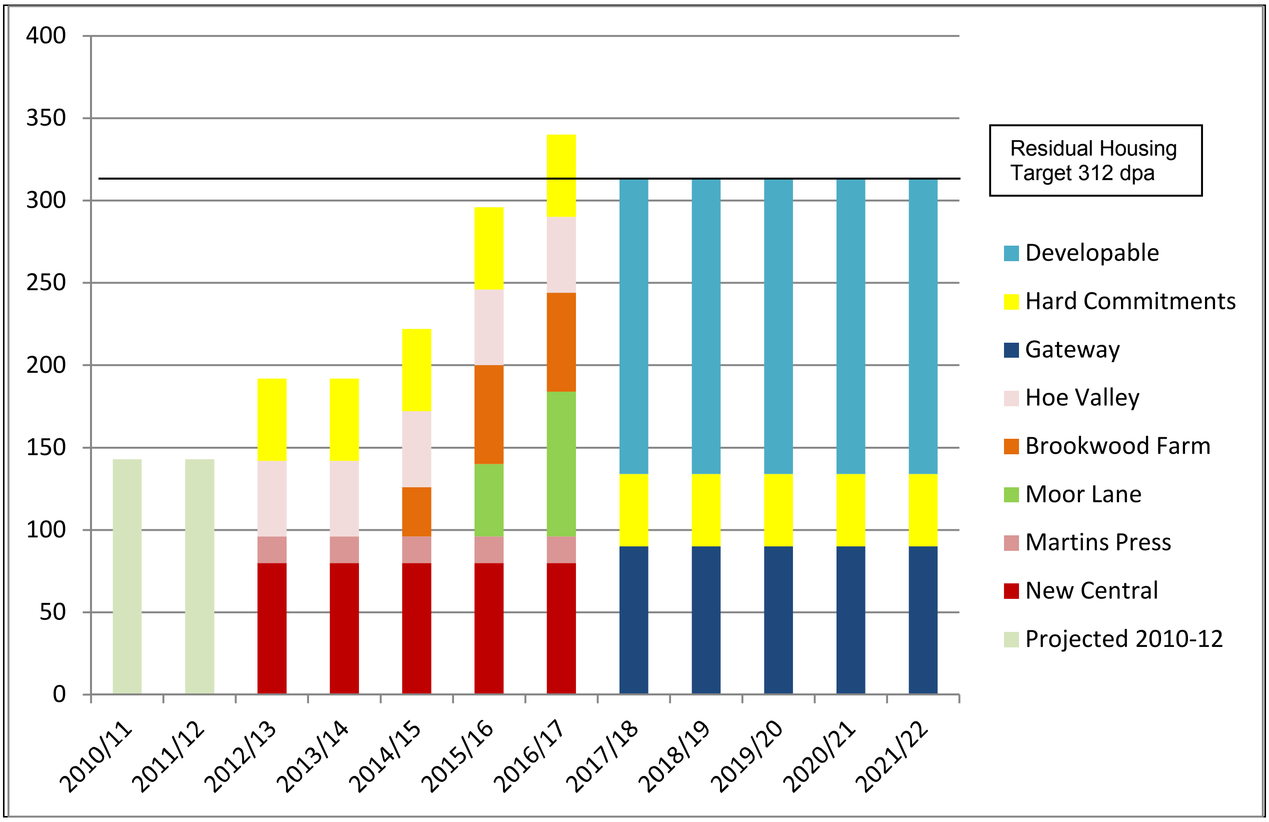
Savills Alternative Supply: April 2012 - 2017 (Based on analysis of the AMR/ SHLAA and draft Core Strategy Housing Trajectory)

Year	Supply	Source
2012/13	193	New Central + Martins Press + Hoe Valley + Hard Commitments (all with 10% discount rate)
2013/14	193	As above
2014/15	223	As above but also with Moor Lane
2015/16	297	As above but also with Brookwood Farm
2016/17	341	As above
TOTAL	**1,247 dwellings**	

Analysis accepts that 143 dwellings will be forthcoming in the 2011/12 'Pre Plan'

The graph illustrates:

Graph: Savills Alternative Housing Supply – Based on present draft policy CS10



Alternative Five Year Land Supply Assessment based on Savills supply

Based on the Savills supply of 1,247 dwellings in the period 2012 – 2017, the effect on the Five Year supply against the residual requirement scenarios reported are:

Scenario 1: At April 2011, the annual requirement would be 301 dwellings, which over five years (2011 - 2016) would equate to **1,505 dwellings.**

The following outlines an alternative five year supply 2011-2016 based on the annual requirement:

The Savills supply is: 1,049 dwellings (143 'pre plan' + 193 + 193 + 223 + 297)

Five year requirement at April 2011: 1,505 dwellings / 5 = 301 dpa

The land supply could therefore be judged as:

Housing Supply: 1,049 ÷ 301 = **3.49 years** (456 dwellings under the five year requirement)

Scenario 2: At April 2012, the annual requirement would be 312 dwellings, which over 5 years would equate to **1,560 dwellings.**

The following outlines an alternative five year supply 2012-2017 based on the annual requirement:

The Savills supply is: 1,247 dwellings (193 + 193 + 223 + 297 + 341)

Five year requirement at April 2012: 1,560 dwellings / 5 = 312 dpa

The land supply could therefore be judged as:

Housing Supply: 1,247 ÷ 312 = **4 years** (313 dwellings under the 5 year requirement).

The two scenarios based on Savills supply projection show that the Borough Council cannot demonstrate a Five Year supply.

Summary & Conclusions

Woking Borough Council proposes through draft policy CS10 to adopt the South East Plan annual housing requirement (of 292 dwellings per annum) over the period 2010 - 2027 (expressed as 4,964 dwellings). As there have been reported completions in 2010/11 and 'pre plan' projections provided for 2011/12 two residual requirement scenarios can be tested:

Scenario 1: At April 2011, the annual requirement would be 301 dwellings, which over five years (2011 - 2016) would equate to **1,505 dwellings.**

Scenario 2: At April 2012, the annual requirement would be 312 dwellings, which over five years would equate to **1,560 dwellings.**

The annual requirement increases owing to slowed actual/ projected delivery in 2009 - 2012.

Woking Borough Council within the 2011 Annual Monitoring Report and 2011 Strategic Housing Land Availability Assessment report a Five Year Supply of housing. This is however based on adopting 2011/12 as a 'monitoring year' which permits a Five Year supply period of 2012 - 2017, a period when the Council purports to have a sufficient land supply to achieve over a Five Year supply.

It is also noted that the projected housing supply (2012 - 2017) in the 2011 Strategic Housing Land Availability Assessment has been increased within the Figure 4 Core Strategy Housing Trajectory.

This housing supply assumption of the Borough Council is questioned by Savills.

The resultant two scenarios for assessment combined with the Borough Council's assessment of supply against Savills results in the following range of Five Year supply outcomes.

	Woking Borough Supply	Woking Borough Supply with 10% contingency (non implementation rate)	**Savills Supply**
Scenario 1 (2011 - 2016 Five Year Supply)	5.29 years	4.75 years	**3.49 years**
Scenario 2 (2012 - 2017 Five Year Supply)	5.80 years	5.22 years	**4 years**

Overall, it is questionable whether the Borough Council can demonstrate a Five Year Supply. The SHLAA relies on a number of previously developed sites, some in the constrained town centre and also two key Local Plan allocations which have not been forthcoming since 1999. The supply is also based on three other keys sites for the majority of the five year delivery, the delivery of which was not factored a non-implementation rate.

The situation can only worsen in the 10 year period, 2017 to 2022 owing to the reliance on the Town Centre and absence of further strategic or specific large scale allocations.

At the time of a Core Strategy adoption the Council should either be able to demonstrate a Five Year supply or at the very least a strategy to enable a Five Year supply soon in the plan period. The CS must be responsive to changing circumstances.

It is considered that a strategy is required to release further sites for development as specific deliverable allocations.

END

Appendix 2

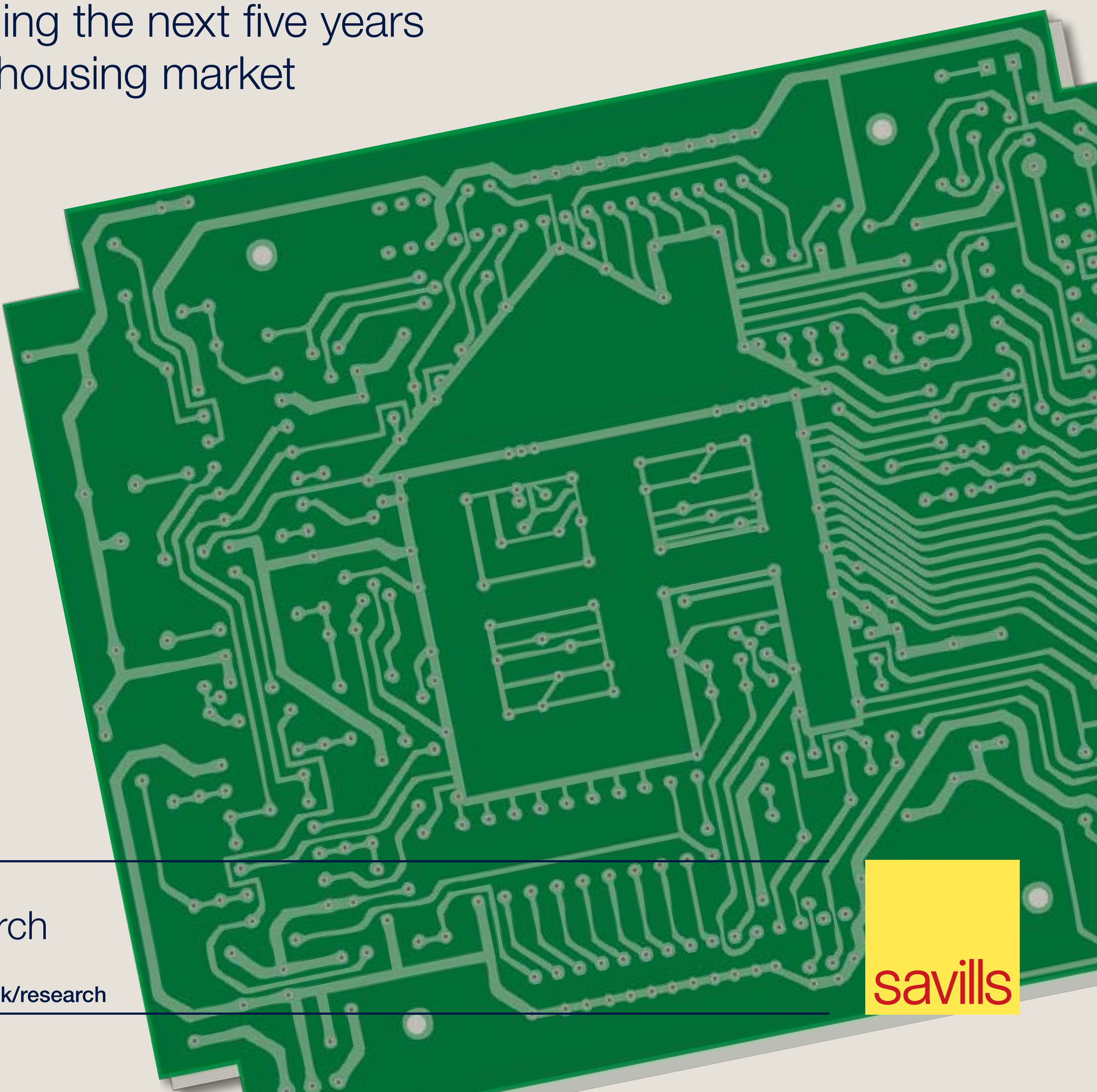
Savills Residential Property Focus

Residential Property Focus

The **Forecasts** Issue

Re-programmed: 2012-2016

Decoding the next five years of the housing market



Savills Research

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Foreword

WHAT NEXT IN THE RE-PROGRAMMED ECONOMY?

Since we made our forecasts last year the world has changed, and we are making them this year viewing a dramatically altered economic outlook

Our forecasts for the housing market are shaped by forecasts from Oxford Economics for economic growth, household incomes, base rates and all the other variables that go into our model of housing affordability.

This host of variables is determined by their outlook for the global economy. This year, in common with virtually every other forecaster, they have been revising their outlook for growth consistently and constantly downwards. Expectations are now, at best, for continued lower growth rather than the gradual recovery predicted in 2010.

So we now find ourselves looking at a fundamentally altered national economic backdrop – and also a potentially confusing array of housing market indicators saying different things. Taken on an annual basis, house price movements in the 12 months to September varied according to which monitor you looked at. Rightmove said +1.5% while Land Registry and Hometrack said -2.6% and -3.5% respectively. Our index for prime central London property was saying +13.6% while our index of prime regional property showed –2.8%. Clearly, market behaviour has been complex.

There are three drivers at work in the market currently: 1. Overseas equity 2. Wealth created domestically and 3. Limited mortgage availability.

Prime central London is acting as a safe haven for global wealth so is growing. Prime South East markets and London-centric markets did benefit from city bonuses and financial sector recovery after March 2009 but are now waning. Elsewhere, there has been essentially no significant recovery since the markets fell in 2008 and transactions have been extremely low.

So the market has polarised in three directions: between the equity haves and have nots, between North and South and between prime and mainstream. No wonder different indices are saying different things. Understanding these differences helps shed light on the market.

Asking price indicators reflect the optimism of vendors rather than the price at which a property will actually transact. This is valuable in revealing the stickiness of supply that dogs the market. It shows how turnover is often the first casualty of a falling market as sellers withdraw (or let) their property when they can't achieve a desired price.

There is a difference between transactions involving a mortgage and those involving equity. Cash transactions are now a more significant proportion of the market than ever before. These transactions are not showing up in every index and are making the whole-market sample measured by Land Registry very different to what has gone before.

Valuation-based indices have a representative sample of all stock, not just the properties that are selling at any one time. They tend to pick up change earlier than others which have to wait for vendor's expectations to adjust and a transaction to take place. These indices outside London have picked up signs of further falls in property value and indicate vendors will have to adjust their expectations if they want to sell.

This forecast issue suggests how much these expectations may need to adjust over the next five years in different markets. ■

Executive summary

The key findings in this issue

■ Most property markets in the UK have not seen the recovery observed in the London-centric markets of southern England and have remained at low levels of growth and/or seen small falls since 2008.

■ We expect very low growth in average nominal house prices over the next five years. It is inflation that will continue to strip value from mainstream property over this time.

■ In the absence of widespread repossessions flooding the domestic markets, we see that turnover will remain the main casualty of this recession, with transaction levels staying at their all-time low level.

■ London and southern markets, and particularly prime markets, are different. They have seen a V-shaped recovery as opposed to the L-shape of other regions. This is because they are capable of being driven by buyers with large amounts of equity and low reliance on borrowing. The discretionary nature of these purchasers makes these markets more volatile however, and buyers withdraw when sentiment fails.

■ Prime London is different again as it belongs to a different class of world cities. The downside risks in this market are factors which diminish the creation of global wealth, such as commodity prices and appreciation in the sterling exchange rate. While global economic turmoil persists and the global rich seek a safe-haven store of wealth and a sterling-denominated currency play, prime central London property will prosper.

Contents

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UK mainstream market

INFLATION IS MAJOR THREAT TO VALUE

Due to weak economic growth and constrained access to mortgage finance, our forecasts predict low capital growth prospects for the mainstream market over the mid term

Words by Lucian Cook

This time last year, we foresaw a turbulent time for mainstream house prices and anticipated that austerity measures in the economy would start to impact on household finances and home buyer confidence.

These effects have indeed turned out to be negative, but not as damaging to values as we thought. The main casualty of the current housing market downturn has been transaction levels. Owners are simply not selling in the current climate and, with interest rates at manageable levels, are not forced to sell.

While these circumstances prevail and repossessed and distressed stock levels remain low, it is difficult to see the mechanisms by which widespread price falls will take place.

This means the shape of the mainstream housing market has changed rather more than house prices over the past 12 months.

In this article we argue that it is inflation, rather than nominal price falls that will erode housing value over the next few years.

More equity, less debt

Transaction levels have been far lower than the pre-crunch norm for some four years now. Proportionately more equity and less debt has been used to buy property. This has led to relatively stable prices, with little upward or downward movement across the country as a whole.

In recent decades, average house prices have outgrown inflation by around 2.5% per annum. Due to the recent downturn though, there has been no real (inflation-adjusted) growth so that in real terms, average mainstream house prices now stand at 2003 levels.

MAINSTREAM MARKETS

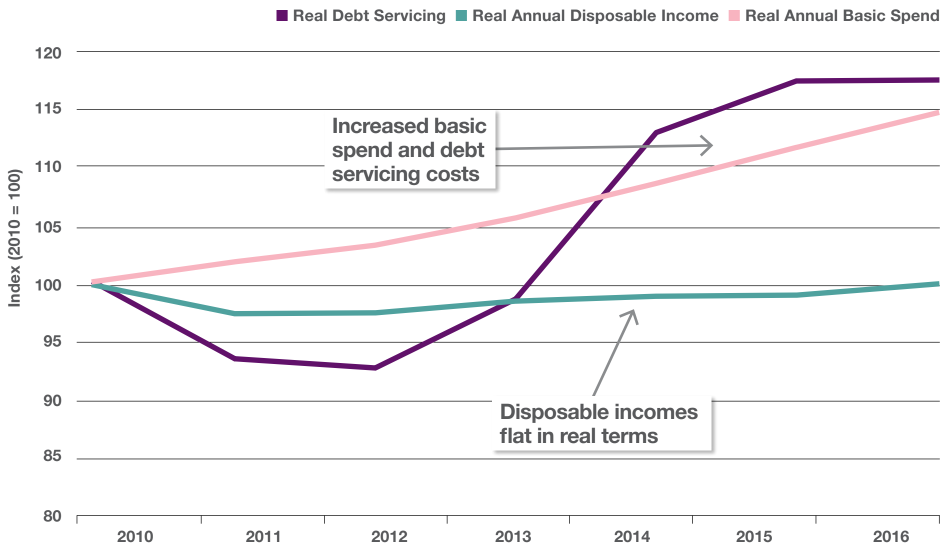
Five-year forecast values 2012-2016

Forecasts	2012	2013	2014	2015	2016	Inflation-adjusted 5-year growth	Nominal 5-year growth
UK	-2.0%	0.5%	1.0%	2.0%	4.5%	-11.0%	6.0%
London	-0.5%	1.0%	5.0%	6.0%	6.5%	2.0%	19.1%

Graph source: Savills Research

GRAPH 1.1

Components of Housing Affordability 2010-2016



Graph source: Oxford Economics, Savills Research

ECONOMIC VIEW

Expectations for global economic growth now incorporate a 'second slip' over 2012 that wasn't there this time last year. The implications for the UK are that 2012 GDP, which was expected at around 2.5%, is now likely to be closer to 1%, provided Eurozone collapse and its wider economic implications are avoided. The resulting levels of unemployment will suppress household income growth and, in turn, suppress both household consumption generally and spending on housing in particular. Positively for the housing market, poor economic growth prospects serve to depress base rates and help prevent mass repossessions flooding the market.

This raises the question of whether austerity measures have created a new era for mainstream house prices, with the trend of inflation-busting house price growth firmly consigned to history.

Affordability levels

With the economic outlook weakening over the past 12 months and forecasts for the recovery being pushed out further, the Bank of England is likely to maintain base rates at their historically low level for longer than expected.

Following the announcement of a further expansion of quantitative easing by £75 billion, our economic forecasters do not foresee any base rate increase before Q2 2013 at the earliest. This should have the effect of preserving affordability levels for longer, but it can no longer be relied upon to enable a return to real house price growth.

Our model of house price affordability is based on whether, after taking care of basic expenditure, households can afford the mortgage payments on the purchase of a new house. Through 2008 house price affordability soared as prices, levels of borrowing, and interest rates all fell, but we have already seen some of the affordability cushion built up during that period eroded by the rebound in house prices during 2009, high levels of inflation and flat real incomes.

Growth constraint

A continuation of these factors combined with base rate rises further down the line, are likely to erode affordability further. This is likely to limit the capacity for price growth at a national level, with the lack of economic growth meaning the trigger for house price growth is also pushed back.

Taking all of the above into account our mainstream forecasts have been cut back since this time last year. At a national level, prices are forecast to remain flat. We are predicting total nominal growth of 6.0% in the average UK house price over the five year period covered by our forecasts.

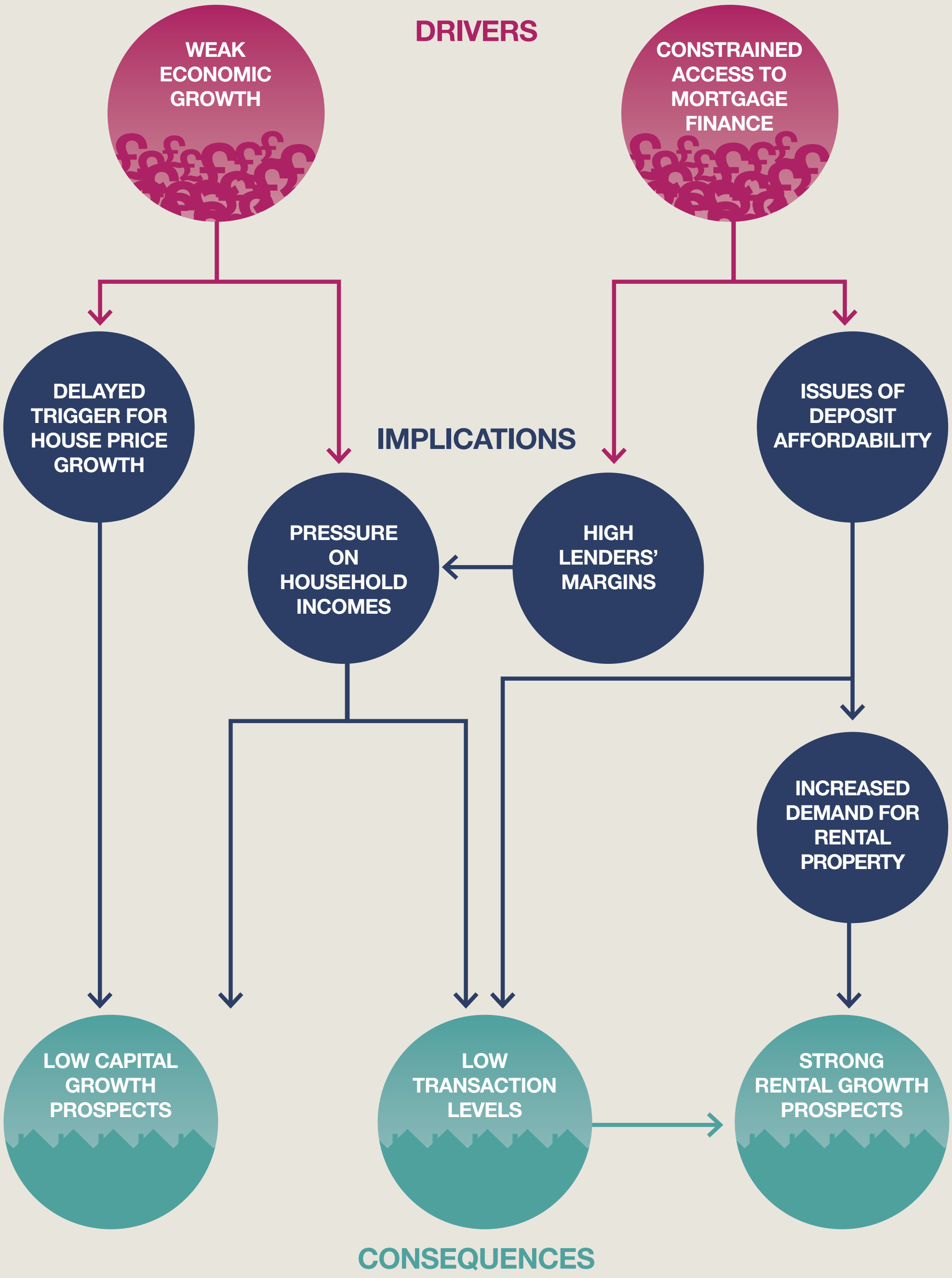
We expect the picture to vary geographically. Relatively strong five year price growth in London (19.1%) and the surrounding markets (South East 15.7% and East 14.1%) is expected on the back of stronger economic performance and a lesser reliance on mortgage finance. By contrast, northern regions are set to lag, seeing little to no growth (see page 6).

While real house price growth is likely to be put on hold for some time, it does not necessarily follow that it is consigned to the history books forever. At the end of 1995, inflation-adjusted house prices were at the same level they were 12 years previously. In the following decade they rose by 140% in real inflation-adjusted terms.

We now expect a period of necessary house price affordability correction that will push out yields and be a draw for investors. ■

FIGURE 1.1

HOUSING MARKET FORCES 2012-2016 Drivers, implications and consequences



House price values

MARKET FORECASTS

PRIME MARKETS
Five-year forecast values, 2012-2016

	Change from peak to date	2012	2013	2014	2015	2016	5 years to 2016
Prime Central London	15.6%	3.0%	0.0%	5.0%	6.5%	6.5%	22.7%
Prime Regional	-16.6%	-3.0%	2.5%	4.0%	5.5%	5.5%	15.1%
Prime South East	-12.5%	-2.5%	3.0%	6.5%	6.5%	6.5%	21.3%
Prime South West	-20.8%	-3.5%	2.0%	4.0%	4.5%	5.5%	12.9%
Prime East	-18.4%	-2.5%	2.5%	4.0%	4.5%	6.0%	15.1%
Prime Midlands/North	-23.5%	-6.0%	2.0%	2.0%	4.5%	5.0%	7.3%
Prime Scotland	-17.8%	-4.0%	1.0%	2.0%	3.0%	5.0%	7.0%

Source: Savills Research

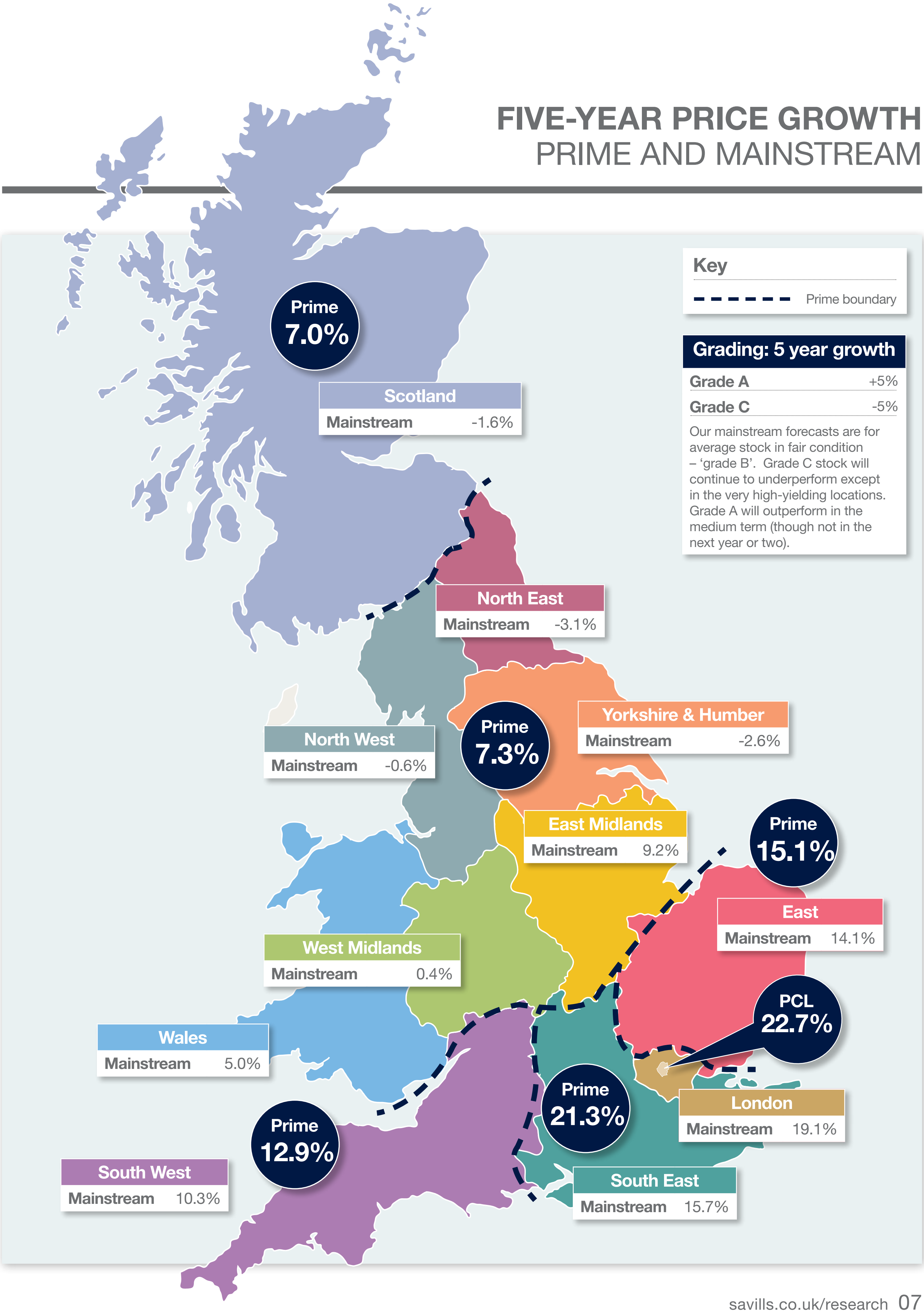
MAINSTREAM MARKETS
Five-year forecast values, 2012-2016

	Change from peak to date	2012	2013	2014	2015	2016	5 years to 2016
UK	-9.5%	-2.0%	0.5%	1.0%	2.0%	4.5%	6.0%
London	-2.9%	-0.5%	1.0%	5.0%	6.0%	6.5%	19.1%
South East	-7.7%	-1.0%	1.0%	4.0%	5.0%	6.0%	15.7%
South West	-8.0%	-1.5%	0.5%	2.5%	3.5%	5.0%	10.3%
East	-9.1%	-1.0%	1.0%	3.5%	4.5%	5.5%	14.1%
East Midlands	-10.3%	-1.5%	0.5%	2.0%	3.0%	5.0%	9.2%
West Midlands	-10.6%	-2.0%	-1.0%	0.0%	0.0%	3.5%	0.4%
North East	-13.3%	-2.5%	-1.5%	-1.5%	-0.5%	3.0%	-3.1%
North West	-14.0%	-2.0%	-1.0%	-1.0%	0.0%	3.5%	-0.6%
Yorks & Humber	-12.2%	-2.0%	-1.5%	-1.0%	-1.0%	3.0%	-2.6%
Wales	-10.4%	-2.0%	0.5%	0.5%	1.5%	4.5%	5.0%
Scotland	-9.6%	-4.0%	0.0%	0.0%	0.5%	2.0%	-1.6%

Annual house price growth key:
Below 0% · 0% to 2% · 2% to 4% · 4% to 6% · 6% to 8% · 8% and over

Source: Savills Research forecasts based on Nationwide actuals

FIVE-YEAR PRICE GROWTH
PRIME AND MAINSTREAM



Prime markets

WORLD CLASS WINNERS

The prime markets of central London and the rest of the UK are currently heavily reliant on economic factors and the comparative strength of both overseas and domestic equity

Words by Yolande Barnes

The prime markets in London and the rest of the UK have historically always been driven by the availability of equity rather than borrowing. This has made them particularly resistant to the recent downturn in mainstream markets but there is a question over whether this can continue.

Strong buyer sentiment and the availability of equity to prime buyers has meant that prime country house prices rose significantly after March 2009. In London, the impact of equity purchasers, particularly from overseas, has been even more pronounced. We estimate that, in the 18 months to June this year, a net £6 billion flowed into the second-hand and new-build markets of prime London from overseas sources. This contributed to a 12.7% increase in prime central London values during the first three quarters of 2011.

Prime London has been largely immune to the malaise that has hit mainstream property markets over the last year or so. Prime regional markets have been less protected though and changes in local economies have suppressed sentiment outside London so that prime regional values have fallen in line with mainstream markets, by -2.4% over the nine months to September 2011.

Despite the widening price gap between town and country, there seems to be an increasing reluctance among Londoners to move out of the capital and so we have seen a 24% drop in this type of relocation activity. If the equity doesn't migrate from London, prime country markets will remain suppressed.

TABLE 3.1

The global outlook

Forecast for	Forecast as at	
	Autumn 2010	Autumn 2011
Eurozone Economic Growth 2012	1.7%	0.6%
Middle East Economic Growth 2012	5.3%	4.4%
Eastern Europe Economic Growth 2012	5.3%	3.5%

Table source: Oxford Economics

TABLE 3.2

Outlook for London has weakened

Measure for Greater London	Forecast for	Forecast at	
		Autumn 2010	Autumn 2011
Financial Services Economic Growth	2011	2.9%	-4.2%
	2012	4.4%	3.0%
Financial Services Employment Growth	2011	0.4%	-1.0%
	2012	0.9%	0.9%
Business Services Economic Growth	2011	4.7%	0.7%
	2012	5.4%	4.1%
Business Services Employment Growth	2011	0.7%	-1.2%
	2012	2.6%	1.7%

Table source: Oxford Economics

Personality divide

Meanwhile, the prime London market itself is also experiencing a personality divide. On the one hand, the more 'domestic' prime markets of south west London and locations such as Islington are more reliant upon earnings and employment in the Capital's financial and business services sector.

On the other hand, there is an enormous amount of overseas wealth coming to the capital. High commodity prices and growth in emerging economies are creating international billionaires and multi-millionaires at an unprecedented rate. Many of these ultra high net worth individuals are attracted to the prime London markets. Some come because they are based here but others see a London property as part of a portfolio of must-have real estate.

They are attracted by the UK's political, financial and legal stability and see the City as a 'safe haven' store of wealth. They are also attracted at present by low rates of exchange and some may see a sterling denominated asset as a longer term currency play.

This state of affairs is not uncommon in a market which has seen regular influxes of global wealth in past decades but it does mean that PCL markets have been more volatile

PRIME MARKETS
Five-year forecast values

Forecasts	Change from peak to date	2012	2013	2014	2015	2016
Prime Central London	15.6%	3.0%	0.0%	5.0%	6.5%	6.5%
Prime South East	-12.5%	-2.5%	3.0%	6.5%	6.5%	6.5%

Data source: Savills Research

as this activity has ebbed and flowed. What is different today is the relative lack, and little immediate prospect, of large amounts of wealth being created in the City of London and finding its way into the residential real estate markets as the result of a strong domestic economy. In the absence of the influx of overseas equity, prime London would probably be undergoing a similar fate to prime property in the rest of the country.

Further growth in the central London market is dependent on it continuing to defy – or even benefit from – the pressures on the global economy. On the one hand, greater uncertainty encourages the search for a safe haven for wealth while on the other, there comes a point where a slowdown, prevents new wealth being generated and shrinks the pool of potential buyers.

While the Eurozone may be teetering on the brink of a double-dip recession, the outlook in other parts of the world is more favourable. Economic forecasts for the Middle East, Asia and Eastern Europe have been 'trimmed' but they are more positive than for the US and Eurozone so we anticipate that buyers from these regions will drive demand in the medium term (see Table 3.1).

The health of the Eurozone affects the more family-oriented London prime markets such as south west London, where many households are employed in the financial and business services sector (see Table 3.2 for London outlook). So far, these markets remain unsupported by large-scale city bonuses. The latest estimates from the Centre for Economic and Business Research suggests the 2011/12 bonus pool will shrink to about 62% of what is was in 2007 and be paid out over several years.

Global city fundamentals

We have already highlighted the volatile nature of prime central London and a lull in this market is to be expected at some point. On balance, we believe the influx of global wealth in uncertain times still has some time to run and may even be boosted by the international attention that London will receive in the run-up to the 2012 Olympics. We have therefore forecast continued, but lower, prime central London growth next year with a short-lived downward blip in the final quarter before growth resumes later in 2013, driven by strong global city fundamentals and an improving domestic economy.

The prospect of a lull in London will do little to improve sentiment in the prime markets beyond London, but the gap between London and country prices is wide and makes prime property outside the M25 look comparatively good value.

To date, the markets which are completely divorced from London (the Midlands, the North and Scotland) have been the slowest to recover. That is set to continue. ■

"We believe the influx of global wealth in uncertain times still has some time to run"

Yolande Barnes, Savills Research

LONDON'S PRIME WILL GROW AGAIN

PCL property set to perform on a par with UK gilts

Over the next five years, we expect the capital value growth of prime central London residential assets to outperform many commodities markets and perform in line with West End offices and UK gilts, with additional rental growth on top.

In an investment world searching for yield and security there are few options for investors. As illustrated in the table below, capital growth in the non-yielding commodities such as gold could come a long way behind our forecasts for prime central London residential property, which is increasingly heralded as a store of value in uncertain times.

UK property is also a sterling-dominated asset, which makes it look cheaper by international standards and can be particularly attractive to overseas investors looking for an additional currency play.

We even expect UK mainstream residential property to look attractive in the medium to long term. Historically, gold has been the asset of choice during economic uncertainty but Oxford Economics predicts, as do others, that the price of it and other commodities will fall at some point. The income-producing nature of residential real estate as well as the potential for real-world added value and sound capital growth prospects means that the case for housing investment looks increasingly supportable.

TABLE 3.3

Relative performance of different asset classes

Rank	Asset class	5yr growth to 2016
1	Dow Jones Global Index	49.3%
2	West End Offices	26.8%
3	UK 10-yr gilts	24.3%
4	Prime central London	22.7%
5	Oil	10.9%
6	UK residential mainstream	6.1%
7	Non-fuel primary commodities	0.3%
8	Gold	-37.1%

Forecaster: 4,6 Savills Research / 1,3,5,7,8 Oxford Economics / 2 IPD

Private rented sector

RENTAL GROWTH IN A GROWING MARKET

A marked increase in the demand for rental property has caused a shortage in supply, consequently rental values are growing at a far faster rate than capital values across the UK

Words by Yolande Barnes

Even though we have long been advocates of residential property investment in the private rented sector, this has until recently been predicated chiefly on the expectation of increased capital value.

Now, in the face of increased rental demand, a shortage of property to rent is currently pushing up rents at a rate faster than capital values across the UK. According to findaproperty.com asking rents rose by 4.6% in the year to the end of September, while the LSL buy-to-let index suggests rental movements of 3.5% over the same period.

There is a growing demand for rental property as more newly formed households look to rent, more first time buyers choose to delay or are prevented from making a purchase and economic constraints push more people from home ownership into rented accommodation.

This scenario is unlikely to change for as long as mortgage finance remains scarce and first time buyer deposits are unaffordable.

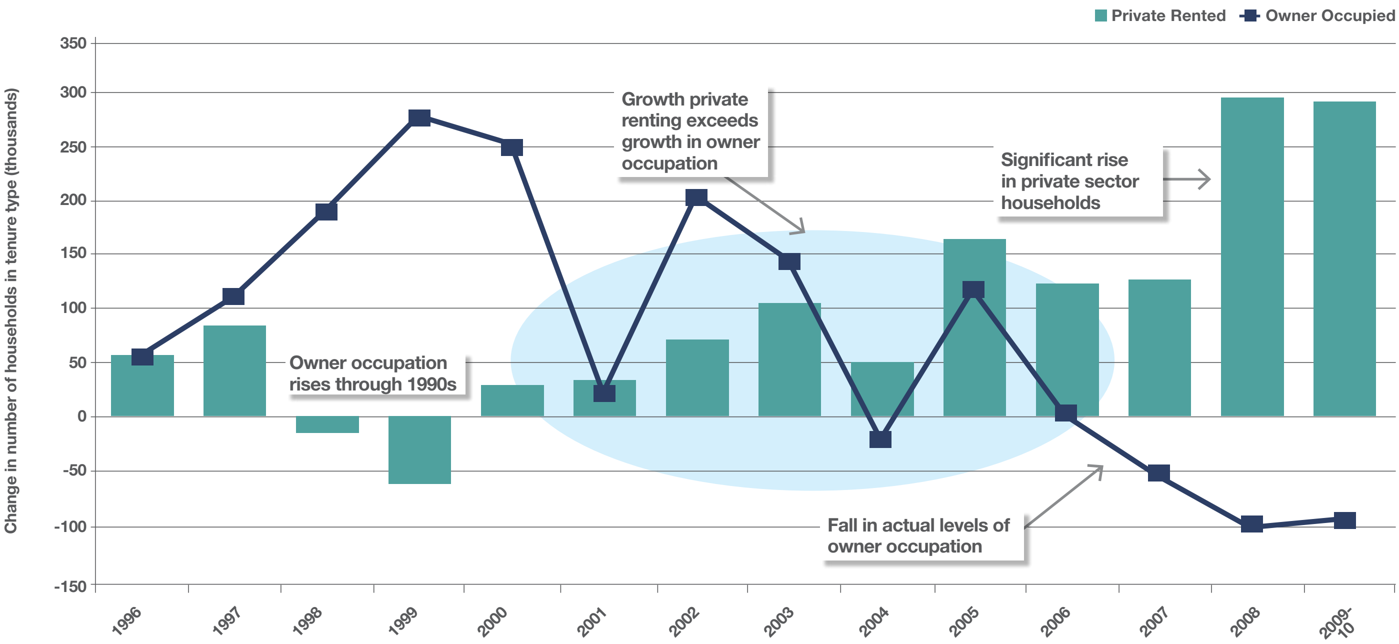
The recent low levels of investment in the residential sector means available property to rent is scarce. Demand for mortgage finance among buy-to-let investors is rising, but the level of new lending in this sector remains heavily suppressed. In the second quarter of 2011 gross buy to let mortgage lending was just 28% of its level at the peak of the market.

Large scale portfolio investment, which has the potential to significantly expand the rented sector, has garnered significant interest; but is yet to bear

"Large scale portfolio investment for the rented sector has garnered significant interest"
Yolande Barnes, Savills Research

GRAPH 4.1

The rise in renting Change in owner occupied and private rented households in England



Graph source: CLG

RENTAL MARKETS
Five-year forecast values

Forecasts	2011	2012	2013	2014	2015	2016	2012-2016
Prime London	8.0%	4.0%	5.0%	5.0%	5.5%	5.5%	27.6%
UK Mainstream	4.0%	3.0%	3.5%	3.5%	4.5%	4.5%	20.5%

Source: Savills Research

fruit. Much of this comes down to investors' views of income yields rather than the positive look for cashflows.

In London and the South East where capital values remain relatively high the supply-demand imbalances between renters and available property to rent are greatest. Higher yielding properties favoured by investors are simply in lower supply there.

This sticky supply-side is key to our prognosis that rents will rise by over 20% across the country as a whole over the next five years. Were it not for the constraints of affordability, this forecast would be even higher.

This level of rental growth has the effect of maintaining average UK rents at 38% of net disposable household income which is slightly higher than their 10-year average but in line with where they were at the turn of the millennium. By this yardstick, rental 'affordability', a term which we expect will assume increasing significance, will not worsen under this scenario.

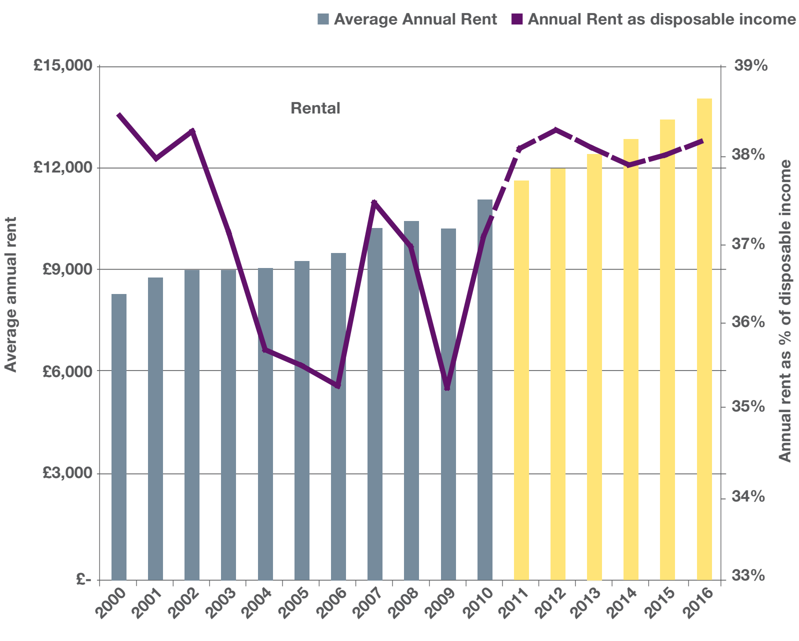
Upward yield shift

Rental growth of this level would see the headline gross yield on residential stock increase from 5.0% to 5.7%. In areas of weak owner occupier demand, where yields start from a higher base, we expect an even greater upward yield shift.

This means one and two-bedroom properties in secondary and tertiary locations should begin to stand up as income yielding investments, when compared to alternative asset classes over the next five years. ■

GRAPH 4.2

The rise of rents Rental affordability



Graph source: Savills Research, IPD

FORECAST OF TENURE PATTERNS

Private renting set to increase to 20% of households by 2015/16

The summer issue of Residential Property Focus outlined in depth how the structure of the housing market has changed, and how the number of owner occupiers has been falling since the early Noughties while the private rented sector has grown.

The increased movement of new households into private renting and movement of former owner occupiers into the rented sector have exacerbated this trend in the post credit crunch environment of rationed mortgages. According to the Survey of English Housing, the number of households in private rented accommodation rose by just under 290,000 between 2008/09 and 2009/10.

We expect this to continue such that private renting will rise from 15.6% of all households in England in 2009/10 to 20% of households by 2015/16.

INVESTMENT CREDENTIALS

Residential investment activity will increase

UK investors in residential property have come to expect that capital growth will provide the bulk of their returns. In the last decade, total returns on standing residential investment portfolios have been 10.1% according to IPD's analysis of the sector. Most of this return (6.2%) has been the result of rising capital values – despite the 2008 downturn. Only 3.7% has been net income from rents.

This does not mean rents have been static over this period, it's just that (more volatile) capital values have grown much more. Indeed, rental growth on commercially managed residential properties has been greater than in other commercial property asset classes in the past three years.

As average UK rents increase in the future at a rate faster than average capital values, income yields will continue to move out. This should increase the attractiveness of the sector to investors, particularly those looking for strong income-producing assets with growth potential and should be the catalyst for increased institutional and other residential investment.

Consequently, we expect activity in the residential investment sector to start its ascendency next year.

Housebuilding

TURNING UP THE VOLUME

The shortfall in the supply of new build housing is widening, but is it possible for development volumes to increase to the levels that are necessary?

Words by Jim Ward

Build rates for new homes are now running at less than half the levels required. This may be good news for homeowners, lenders and investors as it supports existing house prices, but in economic and social terms it is potentially disastrous.

New young working households, expanding families and older households looking for living space are not finding the homes they need.

The Government has acknowledged this much in the draft National Planning Policy Framework and, undoubtedly, we will be reading more on this subject in the Government's Housing Strategy when it is published later this year.

Financial viability

The draft planning framework emphasises how the planning system should respond to signs of unmet demand with the sustainable development of new places.

Furthermore, for meeting housing requirements, it strengthens the need for local planning authorities to identify and maintain a supply of deliverable sites to meet locally identified housing requirements.

The limited financial viability of development has prevented significant volumes of land coming forward for new housing. Since 2007, new planning consents have been granted for 487,000 new homes in England, yet development has started on only 333,000 new dwellings during the same period (see Graph 5.1).

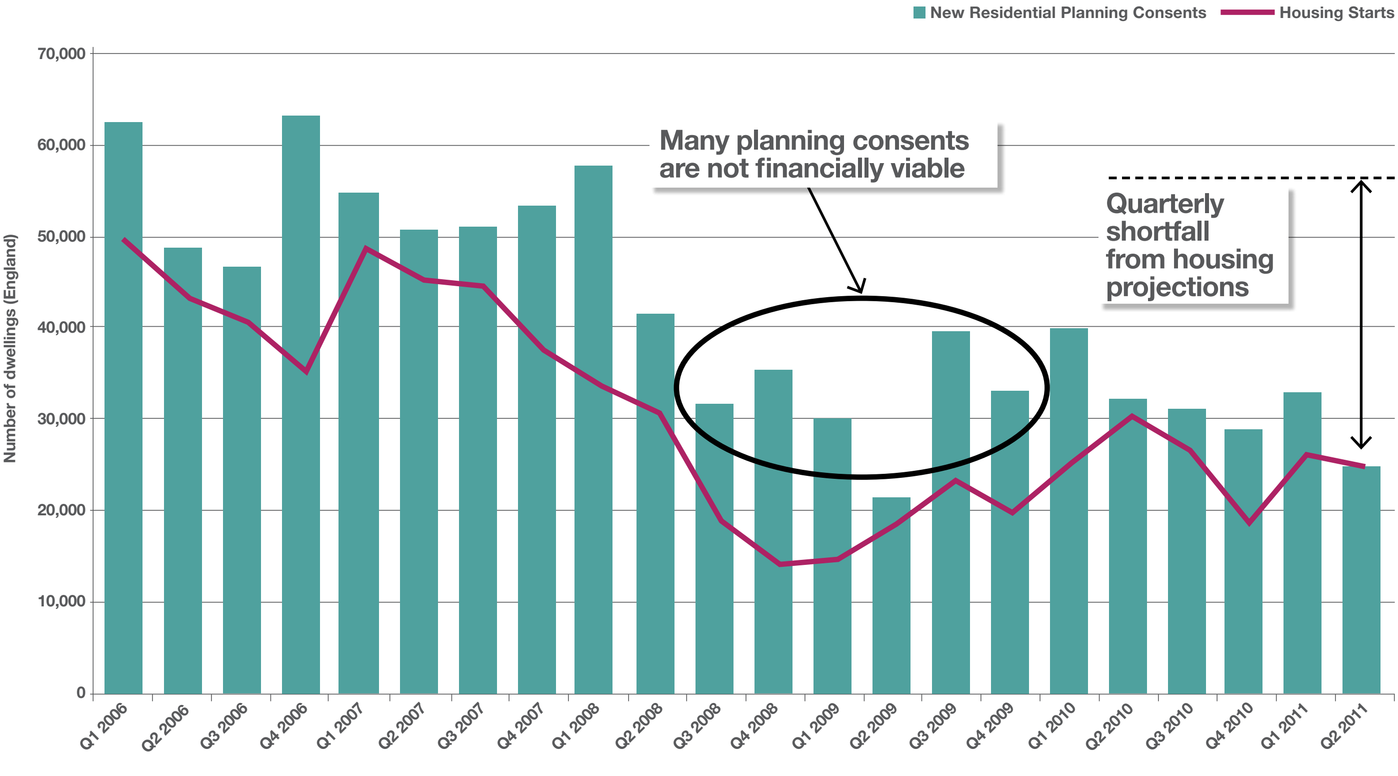
The principal constraint on the financial viability of land is a reduced market capacity brought about by the limited availability of mortgage finance. New homes registrations have fallen by 41% since 2007, in line with the fall in market transactions as outlined on page 14 of this report.

Public sector support

Volumes of new housing would have fallen much further, except for public sector funding of affordable housing. Spending by both the Labour and Coalition governments supported shared equity loans to first time

GRAPH 5.1

Residential permissions and starts in England



Graph source: Glenigans for HBF, CLG

Build rates for new homes are now running at half the levels required.

buyers of new homes via Homebuy Direct and FirstBuy, while Kickstart unlocked the development of 18,500 homes on stalled schemes.

The public purse does not have the capacity to be the sole provider of the funds needed for a substantial increase in development volumes, particularly since Government spending on housing has been cut by more than 70% since the Comprehensive Spending Review. Future funding could come from a number of sources, which include the following.

1. A review of planning obligations

A rising proportion of affordable housing was delivered as part of developers' planning obligations (conditions of the planning consent) during the 2002-06 period, reaching more than half of all affordable housing in 2005-06.

Their contribution has barely changed. This worked during a time of rising house prices and land values by creating a 'viability cushion' for developers. Since the market downturn, and until recently, central government grants have supported viability, but at much reduced development volumes.

In the new age of public sector austerity, Government spending on housing is insufficient to expand development volumes. Today the 'viability cushion' is thin and often non-existent, particularly on larger sites with high costs of development and long cashflow.

Given our forecasts of slower and delayed recovery in house prices and rates of sale, the return of a significant supply from this sort of planning obligation provision is unlikely.

For development volumes to rise significantly, policy should allow for land to come forward from willing landowners for development by willing developers.

It is important this is a guiding principle of the viability testing of charging schedules for Community Infrastructure Levy and other planning obligations, which once fixed is non-negotiable at a site level.

"Government spending on housing is insufficient to expand development volumes."

Jim Ward, Savills Research

FILLING THE GAP WITH PRIVATE RENTED STOCK

Can the rental investor fill the demand for new build housing?

Given the limited extent to which we can rely on a recovery in mortgage transactions, there is a clear role for the private rented sector to fill the gap in demand for new build housing. We expect the private rented sector to expand to 20% of housing stock in England by the end of 2016 (see page 11).

The key variable is the price at which investors are prepared to buy new homes from developers. In the past, individual buy-to-let investors have bought at prices close to the price paid by owner occupiers, or early 'off-plan' at a discount. As these investors, constrained by more risk averse mortgage lending, have faded into the background, professional investors, including property companies and institutions have been the main driver of the investor market. These investors appraise their acquisitions with reference to income return and rental growth prospects and in some markets make their purchases at substantial discounts to owner-occupied values. The gap is greatest where rental demand and rental growth prospects are weakest and conversely at its narrowest in strong markets.

This is the new reality of residential development viability and needs to be understood by developers. On many larger sites, most notably in urban areas where tenant demand is high, market absorption will depend on substantial investor acquisition at discounts to owner occupied values.

2. The use of surplus public sector land

Surplus public sector land offers a significant way of breaking out of the viability deadlock, because of the opportunity to release land at a value that allows wider policy objectives to be met. The Government has recently announced its intention to release sufficient public land to deliver 100,000 new homes by 2015.

The success of this strategy depends on whether the 'Government department landowner' is more interested in the delivery of new places than the realisation of cash receipts. If it is the former, then value can be realised over a longer timeframe and is therefore more likely to be immediately viable. If landowners remain wedded to the latter it is unlikely that land can be brought forward at scale in any but the highest value markets. ■

Transactions

SHORTFALL IN ACTIVITY WIDENS

Activity this year predicted to be just over 50% of level before the crunch

TABLE 6.1

Projected level of transactions (in 000s)

	Transactions	Previous 10 year average	Shortfall	Cumulative Shortfall
2007	1,613	1,684	71	71
2008	901	1,684	783	853
2009	859	1,684	825	1,678
2010	886	1,684	798	2,476
2011	856	1,684	828	3,303
2012	863	1,684	821	4,124
2013	880	1,684	804	4,928
2014	912	1,684	772	5,699
2015	967	1,684	717	6,416
2016	1,047	1,684	637	7,053
Total	9,784	16,837	7,053	7,053

Table source: HMRC

Transactional activity remains the weakest feature of the UK residential market. We anticipate that, by the year end, around 850,000 residential sales will have completed, which is just over 50% of the level recorded annually prior to the credit crunch.

Owners are simply not selling in the current climate and, with interest rates at manageable levels, are not forced to sell leaving repossessed and distressed stock levels low.

This weakness is most pronounced in the mortgage-dependent markets, which tend to be the lower value markets. Conversely, the higher value markets, where equity rich buyers are most prevalent, are the markets in which transactional activity has been strongest.

We estimate that, in the 18 months to June this year, a net £6billion flowed into the second hand and new-build markets of prime London from overseas sources alone; these buyers tend not to sell in order to buy reducing the pool of property available. Also this year, there has been reluctance among Londoners to move out of the capital leading to a 24% drop in this type of relocation activity.

Looking ahead, the strength of recovery in transactions will be determined by the volume of mortgage lending available for house purchases.

Reduced expectations for house price growth may well temper the willingness of banks and building societies to lend and the prospect of tighter restrictions on lending, in light of the ongoing global financial stress, will doubtless affect their capacity to do so.

This points to a slower and later recovery in transaction volumes meaning that in the 10 years to the end of 2016 transaction levels could be seven million fewer than in the preceding 10 years. ■

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Appendix 3

Savills Geographical Analysis: Woking Town Centre

Appendix 3

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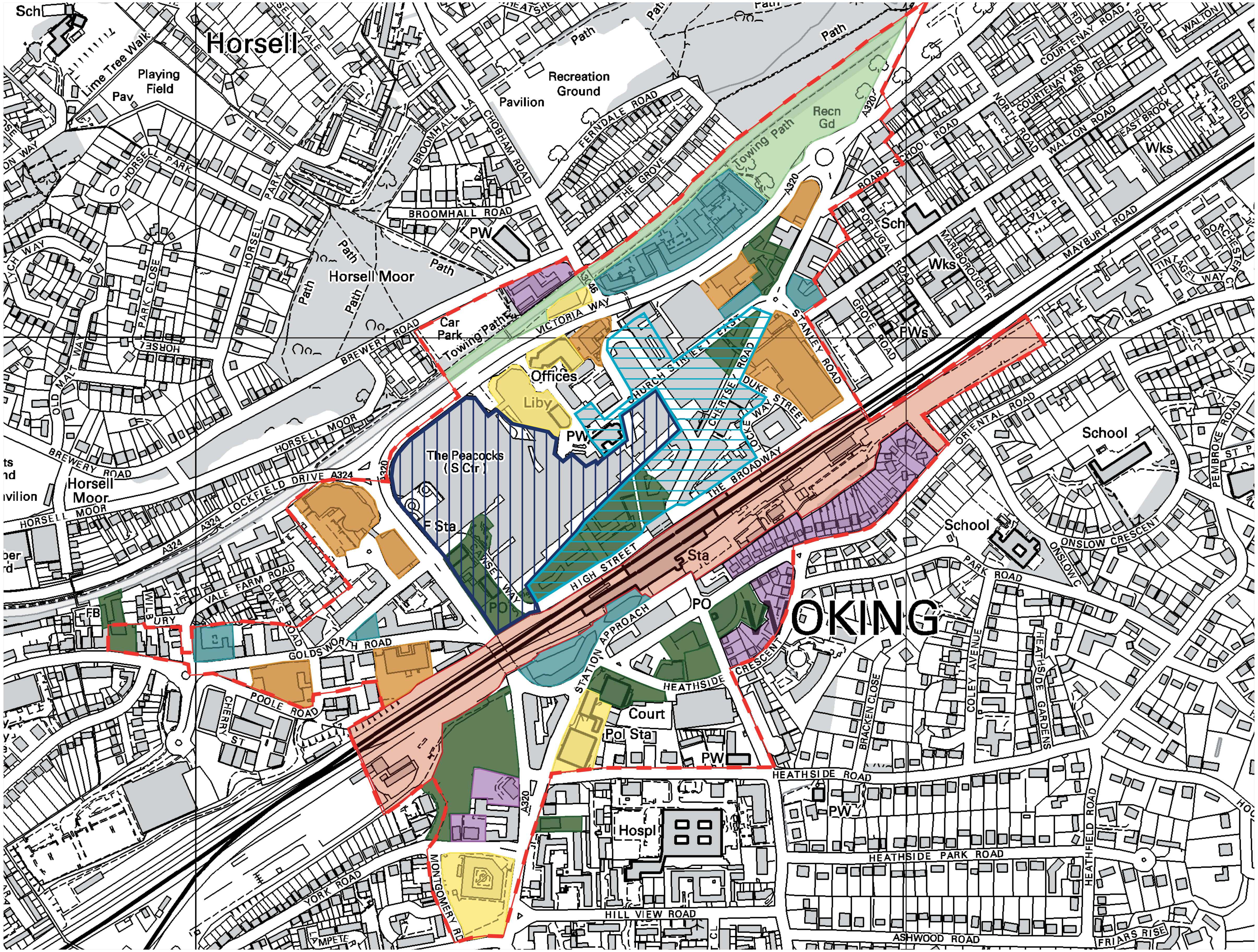

- Town Centre Boundary (Appendix 3 - Core Strategy)
- Primary Shopping
- Secondary Shopping
- SHLAA Sites
- Open Space
- Existing Residential (Excluded from SHLAA)
- Established Development (Commercial)
- Railway Infrastructure
- Community/ Civic
- Recent Development (Residential)

savills planning & regeneration

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savills.com/urbandesign

project	Core Strategy Evidence
client	Crest Nicholson
date	29/02/2012
drawn by	SL
checked by	RB/CC
drawing	Woking Town Centre Capacity Analysis
job no.	SNPL 237388
drawing no.	DS001
rev	-
scale	NTS

N

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