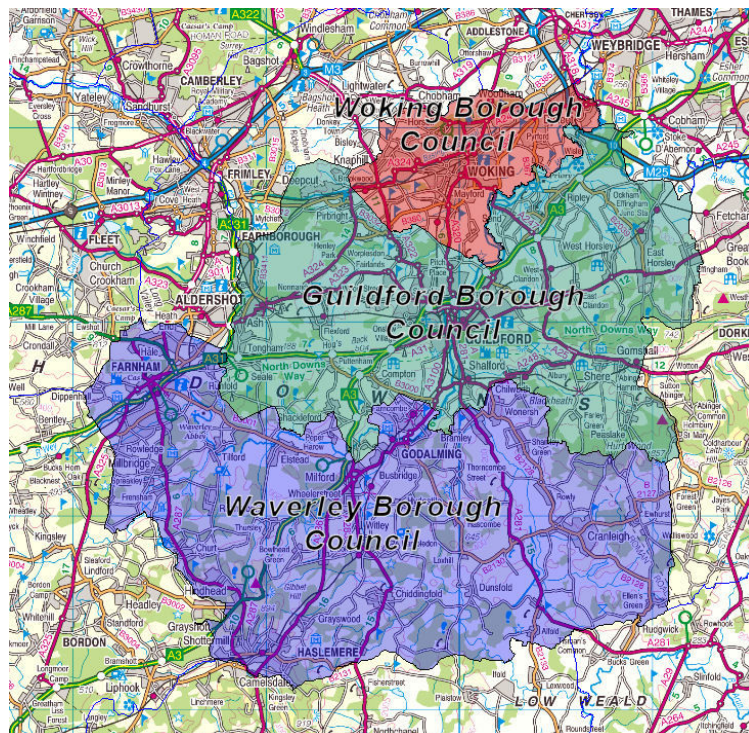


West Surrey Strategic Housing Market Assessment

Executive Summary



February 2009

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RESEARCH

Executive Summary

Introduction

- 1 Fordham Research was commissioned in July 2007 to conduct a Strategic Housing Market Assessment (SHMA) for West Surrey, comprising Guildford, Waverley and Woking local authority areas. The evidence provided is required to inform policy development relating to housing need and demand.
- 2 The report follows the general structure of the Communities and Local Government (CLG) Strategic Housing Market Assessment Practice Guidance of August 2007. In addition the research carried out is mindful of the requirements of Planning Policy Statement 3 (PPS3): Housing and also PPS12: Local Spatial Planning in ensuring that all necessary outputs are provided and that such outputs pass the prescribed tests of soundness. The SHMA report is supported by Housing Needs Survey reports for all three councils involved.
- 3 A range of data sources were consulted during this project. These included a primary survey of households in each of the three local authorities, analysis of a range of secondary data and a literature review of key (local and regional) publications relevant to this SHMA. Information was also derived from a number of interviews with estate agents across the West Surrey Housing Market Area (HMA).
- 4 Throughout the project, a number of events were carried out with stakeholders and community representatives in order to disseminate information and encourage feedback. Regular meetings were held with the SHMA Steering Group to discuss the project's progress throughout the process.
- 5 The household survey was carried out towards the end of 2007 and the main data analysis was carried out in early 2008. The reports therefore have a base date of January 2008.

Initial sketch of the Housing Market Area

- 6 West Surrey is distinctively different from the national and even South East regional pattern as regards its housing market. Its mix of dwelling types is distinctive when compared with the national pattern:
 - (i) About 10% less terraced housing
 - (ii) About 5% less semi-detached property
 - (iii) About 15% more detached property

- 7 This distinctively different stock profile is largely matched by a far higher income profile. When 'residence' based incomes are compared with 'workplace' based income, the former are much higher, emphasising the commuter belt nature of its location in the environs of London. In the extreme case of Waverley, the residence based incomes are over 150% of the national average (Figure S2 below provides more detail). The message from this data is that the commuters out of the HMA are much more highly paid, on average, than those who (live and) work locally.
- 8 In a corresponding way, house prices in the HMA average 169% of the England average, which is itself heavily influenced by the high prices in the south of the country. Although there is some variation in prices within the HMA, the absolute levels are all high.
- 9 When the pattern of households and tenure is considered as, in the table below, it agrees with the overall character. The proportion of owner-occupied housing is 77% in round figures (compared with a national percentage of 68%) and the main difference from the national pattern is the much lower proportion of social rented stock (13% compared with 19% for England). The private rented sector, at 10%, is slightly smaller than the national average of 12%.

Table S1 Number of households in each tenure group

Tenure	Guildford		Waverley		Woking		Total	
	No.	%	No.	%	No.	%	No.	%
Owner-occupied (no mortgage)	19,118	35.1%	18,574	38.1%	12,591	32.7%	50,283	35.5%
Owner-occupied (with mortgage)	22,040	40.5%	19,254	39.5%	17,316	45.0%	58,610	41.4%
Council	5,399	9.9%	4,903	10.1%	3,485	9.1%	13,787	9.7%
RSL	2,003	3.7%	1,310	2.7%	1,211	3.1%	4,524	3.2%
Private rented	5,840	10.7%	4,659	9.6%	3,897	10.1%	14,396	10.2%
TOTAL	54,400	100.0%	48,700	100.0%	38,500	100.0%	141,600	100.0%

Source: Guildford, Waverley and Woking Borough Councils household surveys (2007) – figures are from Table 2.1 of the Housing Needs and Market Assessment Surveys

- 10 The essential character of the HMA is, therefore, high priced with a housing stock to match. This sketch is far from being the full story, as the material which follows will show, but does indicate the essential character of households and housing in West Surrey.

What is a SHMA?

- 11 A Strategic Housing Market Assessment (SHMA) is a new idea. Prior to the formal publication of PPS3: Housing (November 2006), Government guidance has been moving towards the view that the 'evidence base' required for the good planning of an area should be the product of a process, rather than a technical exercise. Moreover the process should not be restricted, as before, simply to the need for affordable housing but should cover all tenures (market, intermediate and affordable).

- 12 The general principles of the SHMA process are established in the Practice Guidance. They are:
- i) Involvement of a group of local authorities representing a meaningful market area
 - ii) A process in which key stakeholders are involved in the production of the evidence as well as being consumers of it
 - iii) Inclusion in the process of all tenures of housing, not just the affordable ones, as in the old Housing Needs Surveys (HNS)
 - iv) Higher standards of quality: the tests of rigour are more strict than before
- 13 A SHMA is more than just a written document and CLG is clear that such research should be able to be monitored and updated.
- 14 PPS3 puts the role of the 'evidence base' provided by the SHMA much more prominently than ever before. It also contains much more specific and challenging requirements for the evidence base, as can be seen from the following summary extracts:

PPS3	<p><i>'based on the findings of the Strategic Housing Market Assessment and other local evidence, Local Planning Authorities should set out in Local Development Documents:</i></p> <ul style="list-style-type: none"> <i>(i) The likely overall proportions of households that require market or affordable housing, for example, x% market housing and y% affordable housing</i> <i>(ii) The likely profile of household types requiring market housing e.g. multi-person, including families and children (x %), single persons (y %), couples (z %)</i> <i>(iii) The size and type of affordable housing required.'</i> <p style="text-align: right;">[PPS3 para 22 (pp. 9)]</p>
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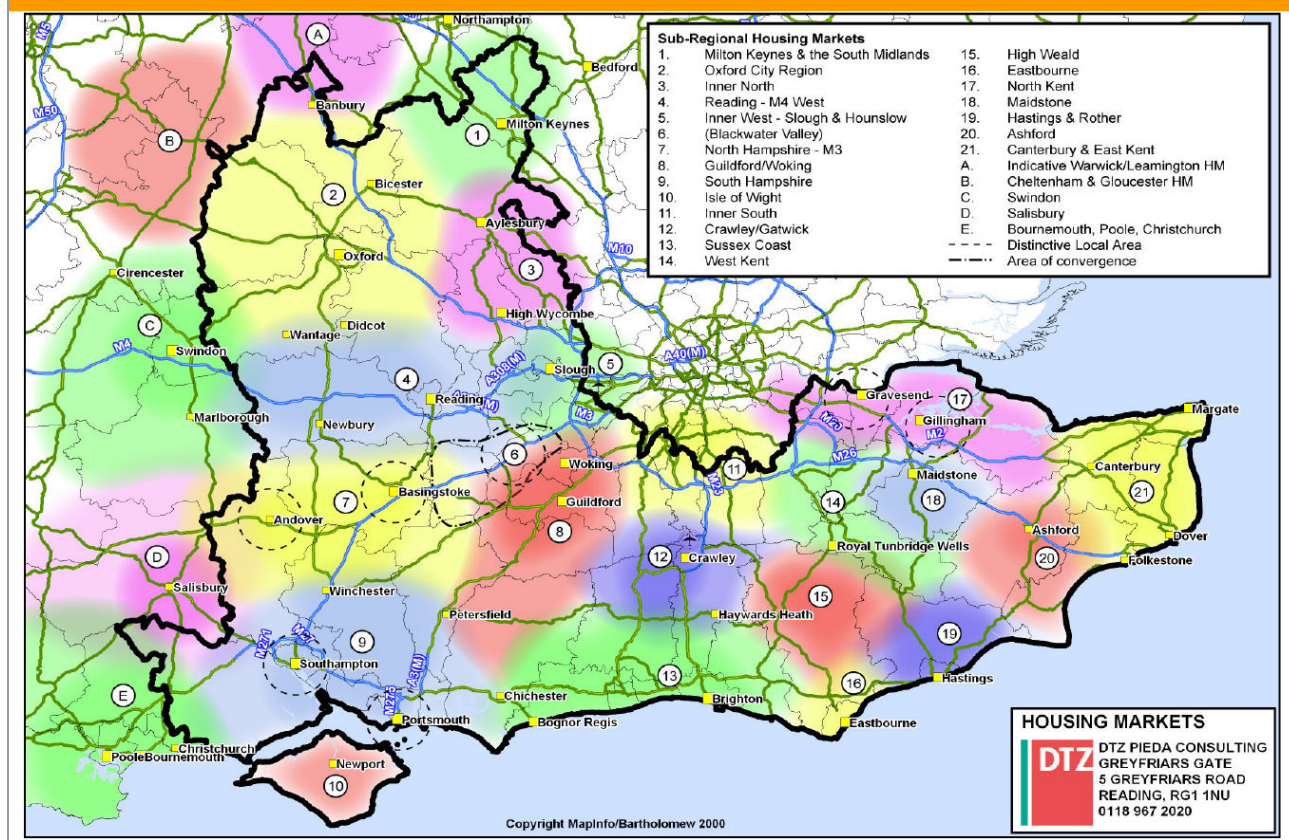
The policy context

- 15 A number of regional and local authority publications relevant to the SHMA were considered in order to set the context for the study.
- 16 The South East Plan sets out a vision for the future of the South East region to 2026, outlining proposed approaches to housing, the economy, transport and the environment. The Plan asserts that there needs to be a significant increase in affordable housing provision across the region. The latest target figures for new dwelling provision in the three local authorities (based on the draft RSS Panel Report) are:

- Guildford: 422 dwellings per annum
- Waverley: 250 per annum
- Woking: 292 per annum

17 In their 2004 report 'Identifying the Local Housing Markets of South East England', the South East Regional Housing Board identified 21 sub-regional housing markets, as shown in the map below. Guildford, Waverley and Woking local authority areas are all included in the 'Guildford/Woking'¹ sub-region identified in the report.

Figure S1 South East Sub-regional Housing Markets



Source: Identifying the Local Housing Markets of South East England, South East Regional Housing Board 2004

18 The local authorities' housing policies relevant to this study were considered as part of the SHMA process. The most recent planning policy documents for each authority are as follows:

- Guildford – adopted Local Plan 2003
- Waverley – adopted Local Plan 2002
- Woking – adopted Local Plan 1999

¹ Refers to towns rather than local authorities

Defining the housing market area

- 19 An important part of any SHMA is the definition of a housing market area. The CLG advice note 'Identifying sub-regional housing market areas' (March 2007) notes that:

**CLG
Advice
note**

"...housing market areas are geographical areas defined by household demand and preferences for housing. They reflect the key functional linkages between places where people live and work."

[CLG Advice note: Identifying sub-regional housing market areas, para 6 (pp. 6)]

- 20 Defining housing markets is not an exact science; as such regions and local authorities are not required to use any single recommended method. The most frequently adopted methodologies from the Practice Guidance, and used for this SHMA, have been based upon household migration patterns and Travel to Work areas. CLG suggest that the typical threshold for self-containment should be around 70% of all movers; however it is acknowledged that lower thresholds may be more appropriate in some areas.
- 21 The Practice Guidance also emphasises the importance of consultation with stakeholders and community representatives in determining housing market areas, in particular with estate agents who may have specialist qualitative knowledge of the market.
- 22 Census data suggests that West Surrey has a relatively low level of self-containment with around 46% of population/household moves occurring within the three authorities. More recent data from the household survey however suggests that this is closer to 60%. In terms of information on travel to work, the 2001 Census found that West Surrey was around 65% self-contained in terms of the locations of employment. The more recent household survey data suggests a level of self-containment of around 55%.
- 23 Although neither of these measures meet the 'typical' 70% self-containment threshold suggested by CLG, we would suggest that it is unrealistic to expect local authorities with such close proximity to London to attain such a level of self-containment, due to the effect of commuting. It is clear that a notable proportion of the population both live/work and choose to move within the area; hence there appears to be a reasonable basis for treating West Surrey as a single Housing Market Area.

The demographic context

- 24 The table below summarises the population change from 1981 to 2006. Since 1981 the population of the HMA has grown by almost 22,000 people. This level of population growth is slightly lower than was experienced nationally and significantly lower than for the South East England region.

Table S2 Population change in the HMA (1981 – 2006)

Area	Population (1981)	Population (2006)	Absolute change	% change
Guildford	124,900	133,100	8,200	6.6%
Waverley	112,000	116,800	4,800	4.3%
Woking	82,000	90,700	8,700	10.6%
West Surrey HMA	318,900	340,600	21,700	6.8%
South East England	7,243,100	8,237,800	994,700	13.7%
England	46,820,800	50,762,900	3,942,100	8.4%

Source: ONS mid-year population estimates (from Nomis website) 2007

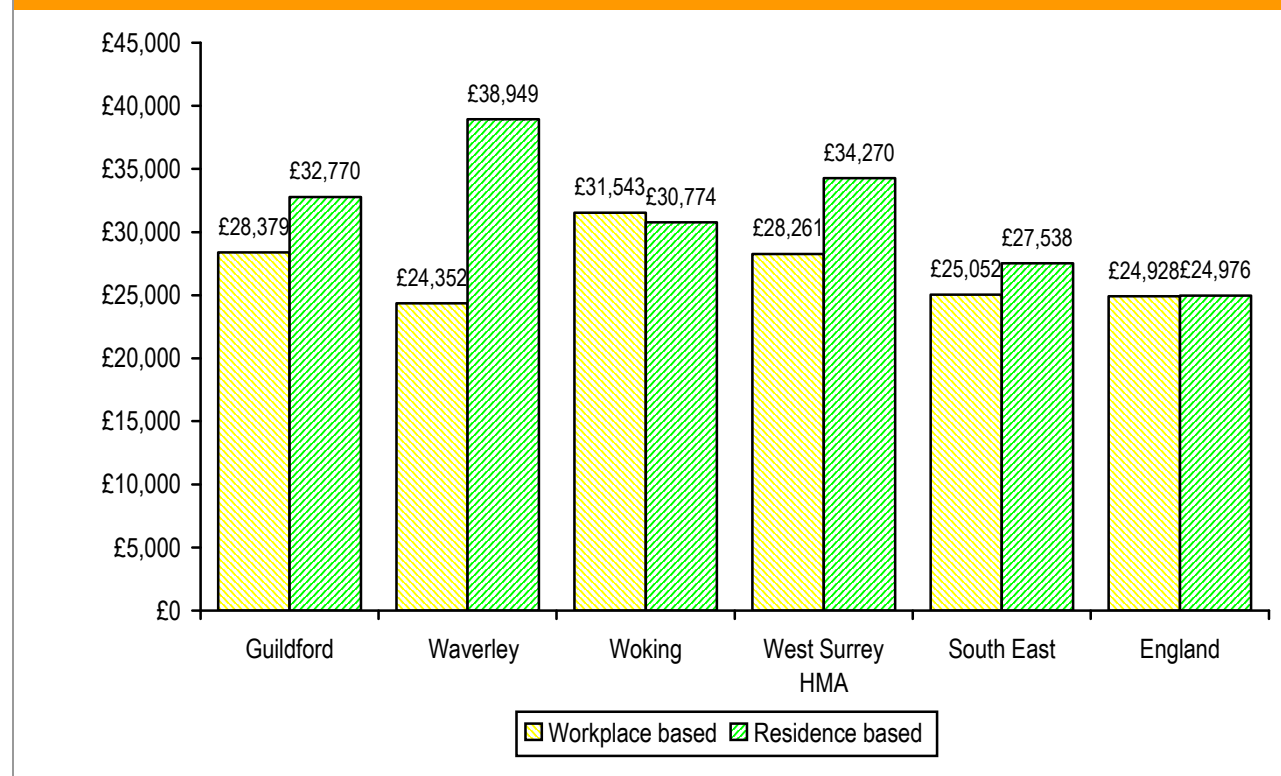
- 25 The population is projected to increase by 25,200 people over the next 20 years. This increase of 7.4% is lower than the projected national and regional increases (both around 10%). Population projections suggest that the number of people aged 60 or over will increase by 29% over the next 20 years whilst the number of people aged 40-49 is expected to decrease.
- 26 Along with the population growth, the number of households in the HMA is expected to increase by around 24,000 over the next 20 years. The knock-on effect of these changes is the prediction that average household sizes will drop – from 2.42 persons per household in 2006 to around 2.22 in 2026.

The economic context

- 27 In terms of employment within the HMA, the main features of the recent past have an increase in both the number of employee jobs in the HMA and the number of registered businesses. The most important sectors in the economy are: finance, IT and other business activities; public administration, education & health and distribution, hotels & restaurants, which together comprise three-quarters of all employee jobs in the HMA.
- 28 The HMA has a higher proportion of working age residents employed in major groups 1 to 3 (generally the most senior types of employment) when compared with either regional or national averages. HMA residents generally have a higher level of skills attainment than found regionally and nationally, with 39.1% qualified to NVQ4+ (degree level), compared to 30.5% regionally and 27.1% nationally. Unemployment levels are generally low and have remained relatively stable in recent years.

- 29 As shown in the figure below, residence-based average incomes tended to be higher than regional and national averages, and, with the exception of Woking, average incomes based on workplace were lower than those based on place of residence. The implications of this are that people living in the HMA tend to commute to higher paid jobs whilst the types of employment available within the HMA itself are less well-paid: this is particularly apparent in Waverley.

Figure S2 Average gross earnings: residence and workplace based (2006)

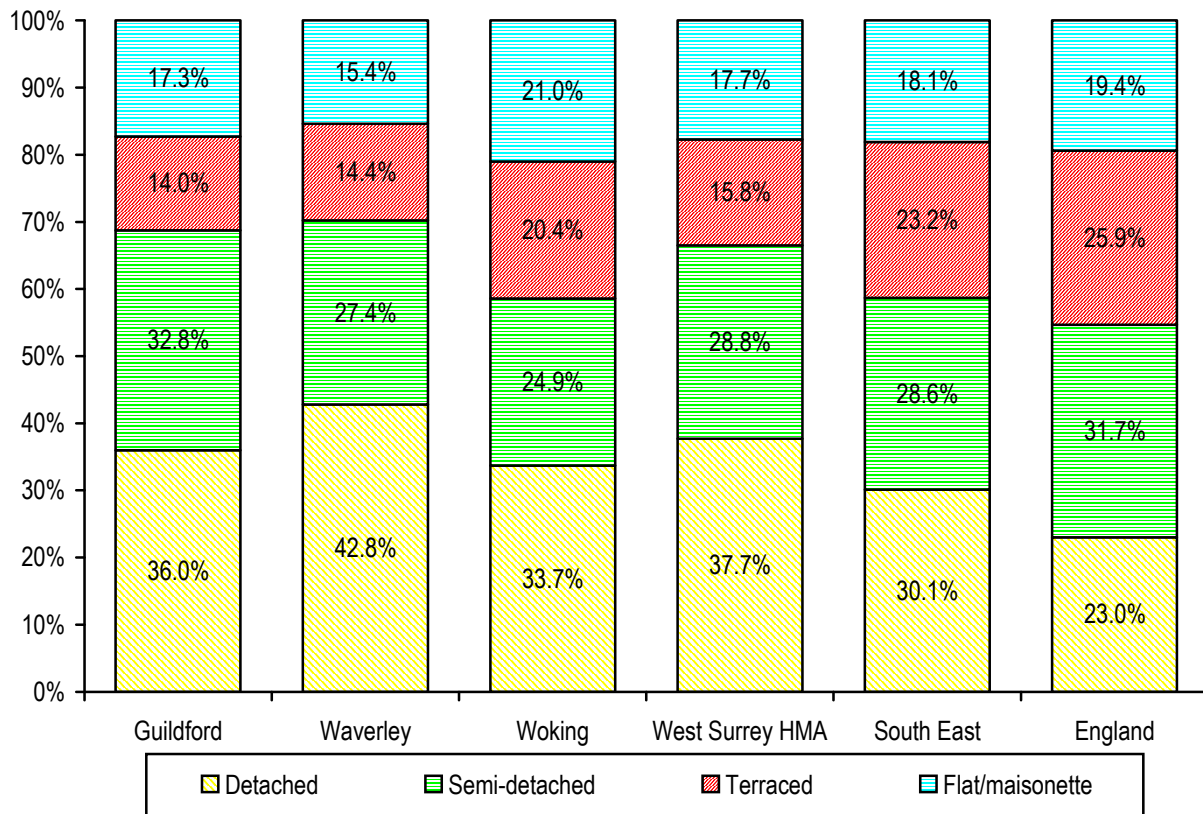


Source: Annual Survey of Hours and Earnings 2006

The current stock of housing

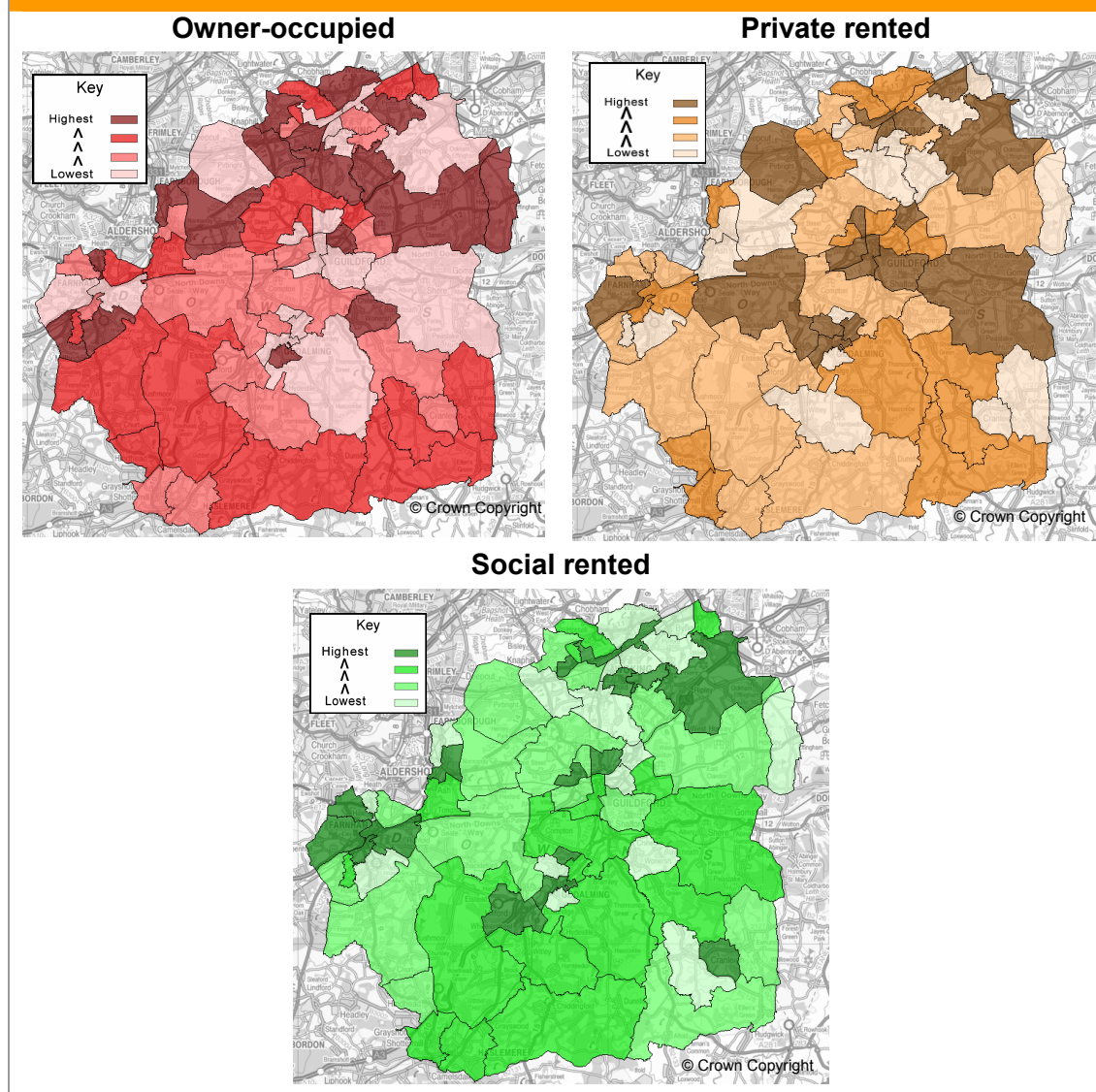
- 30 In terms of the housing stock, an increase of 5.6% has been seen across the HMA as a whole over the previous ten years; lower than the increase seen regionally and nationally. The HMA (and Waverley in particular) has a high proportion of detached dwellings when compared nationally, as shown in the figure below.

Figure S3 Dwellings types (2001)



Source: Office for National Statistics 2007 (from 2001 Census data)

- 31 A large majority of the households in the HMA live in owner-occupied accommodation (76%), higher than the national average. Only 13% lived in social rented accommodation, a lower proportion than found nationally.
- 32 The maps below show the proportion of households living in each of the three broad tenure groups (owner-occupation, social rent and private rent) by ward. The data shows that the proportions of households in owner-occupation do not have a clear trend although figures appear to be relatively high in the wards on the Woking/Guildford border. The private rented sector on the other hand appears to be concentrated in the central part of the study area. Waverley is notable for low levels of private renting throughout (except around Farnham). There appear to be pockets of areas containing relatively high levels of social rented housing across the Borough.

Figure S4 Tenure by ward

Source: Office for National Statistics 2007 (from 2001 Census data)

The current housing market

- 33 It was clear from consultation with stakeholders and discussions with estate agents that the three local authorities comprising the Housing Market Area (HMA) were quite distinct in character.

Guildford Borough

- 34 Within Guildford Borough, Guildford town is situated in the centre, with more rural outlying areas to the east such as the villages of Shere and Gomshall, and settlements such as Ash to the west. Estate agents felt that the area was attractive for first-time buyers from London. Guildford town was also perceived to be attractive generally within the South East, due to its good facilities and surrounding countryside. The town contains a number of educational institutions which attract a large number of young people and families to the area. Guildford's large student population means that demand for private rented sector properties usually outstrips supply. Guildford town was also considered to have a strong employment base and good transport links, including the A3.

Waverley Borough

- 35 Waverley is the most rural of the three Boroughs by nature. The Borough contains four market towns: Farnham, Godalming, Haslemere and Cranleigh. Waverley Borough was perceived to support high house prices, with housing set both in these towns and in small surrounding villages. The Borough as a whole was perceived as attractive, with its pleasant towns, villages and rural scenery. There were popular schools and sixth form colleges in the area. The area was also served by the A3 and offered good transport links, including rail links to London. It was noted that other than local services the area was not a significant employment base.

Woking Borough

- 36 Woking Borough is almost entirely urban in character and constitutes one single housing market surrounding the town of Woking. People out-commuting to London were thought to comprise a significant proportion of Woking town's (working) population. However, it was emphasised that the town has changed considerably over the last 20 or so years with the development of shopping and entertainment facilities. The Woking lettings market is currently buoyant after recently recovering from a downturn in 2001. There is a high turnover of private rented properties. The town's good transport links and the surrounding areas make it attractive for people currently living outside the area.
- 37 The table below shows price levels in the HMA and other areas (drawn from Land Registry data for the second quarter of 2007). The data shows that price levels in the HMA are higher than the average for England and Wales (by almost 70%) and also higher than the average for the South East of England region. Within the HMA, there is some variation in prices with average prices in Woking around £45,000 lower than the other two areas. The finding of high prices in West Surrey matches the views of stakeholders that the 'Surrey factor' resulted in higher house prices than in other areas in the South East.

Table S3 Land Registry average prices (2nd quarter 2007)

Area	Average price	As % of England & Wales
Guildford	£379,957	175.7%
Waverley	£378,430	175.0%
Woking	£334,725	154.8%
West Surrey HMA	£366,314	169.4%
South East England	£256,149	118.4%
England & Wales	£216,272	100.0%

Source: Land Registry 2007

- 38 There have been significant property price increases both in the South East and nationally in the previous five years. Overall between 2002 and 2007 the average price in the HMA rose by 55%, this compares with an increase of 51% seen across the South East as a whole and a national increase of 62%. Within the HMA, Guildford showed the largest increase (59%).
- 39 A combination of internet searches and telephone and personal survey of sales and letting agents across the HMA were used to obtain entry-level prices and rents by number of bedrooms in the dwelling. The entry-level prices/rents recorded equate to the cheapest cost of housing in good repair of which there is a reasonable supply, and are broadly in-line with lower quartile prices/rents. The table below shows estimated entry-level property prices for different sizes of dwelling in the HMA, and suggests that there is some variation in prices in different parts of the HMA.

Table S4 Entry-level purchase prices by size of dwelling

Accommodation size	Guildford	Waverley	Woking
1 bedroom	£161,500	£134,000	£142,000
2 bedrooms	£228,000	£213,000	£214,000
3 bedrooms	£285,000	£282,000	£256,000
4 bedrooms	£422,750	£396,000	£423,000

Source: Survey of Estate Agents in Guildford, Waverley and Woking Boroughs 2008

- 40 A similar exercise was carried out with regard to private rented properties. Overall the private rented sector in the HMA is smaller than the national average, with an estimated 9% of households in the HMA living in the private rented sector (excluding those in tied accommodation or other housing not generally accessible to the public); this compares with about 10-11% nationally. The table below shows an estimate of the entry-level costs of private rented accommodation in each part of the HMA.

Table S5 Entry-level private rental costs by size of dwelling (per week)

Accommodation size	Guildford	Waverley	Woking
1 bedroom	£160	£140	£156
2 bedrooms	£219	£187	£208
3 bedrooms	£273	£223	£266
4 bedrooms	£369	£290	£415

Source: Survey of Estate Agents in Guildford, Waverley and Woking Boroughs 2008

Overcrowding and under-occupation

- 41 The study also considered the occurrence of overcrowding and under-occupation using information from the 2001 census and the primary household survey. Census data suggested that there are lower levels of overcrowding than found regionally and nationally. Results from household survey data suggest that on average 1.7% of all households are overcrowded and 43.3% under-occupy their dwelling. These averages contain quite wide variations with Woking having the highest proportions of overcrowded households of the Boroughs and Waverley the least.
- 42 Properties within the social rented sector were found to have the highest level of overcrowding. Overcrowded households had generally low incomes and were far more likely to state that they needed or expected to move than other households.

Financial capacity

- 43 An important part of the West Surrey SHMA is an assessment of the financial situation of households. As there is no comprehensive (secondary) source for such information, data was therefore collected in the survey on a range of financial information (including incomes, savings and equity). The latter combination of statistics, termed 'financial capacity' is essential to assess the ability of households to afford housing.
- 44 The following table provides median financial capacity figures by tenure. The total financial capacity figure is based on a '3 times' multiple of income, as this is the standard practice amongst most mortgage lenders.

Table S6 Median financial information by tenure

Tenure	Median annual gross household income	Median savings	Median equity	Financial capacity
Owner-occupied (no mortgage)	£29,404	£55,413	£386,300	£529,924
Owner-occupied (with mortgage)	£55,548	£5,424	£174,081	£346,150
Council	£9,349	£433	£0	£28,480
RSL	£11,142	£220	£0	£33,646
Private rented	£33,470	£872	£0	£101,281
AVERAGE	£36,739	£9,531	£189,739	£309,487

Source: West Surrey household survey data (2007)

- 45 The table shows some striking results. Both types of owners (with and without mortgage) rely more heavily on equity rather than upon income to provide the financial capacity they require when buying.
- 46 Further analysis of household survey data revealed that the majority of renters (social and market) have to spend much more than 25% of their income on housing. This is ameliorated in many cases by the subsidy represented by Housing Benefit. The Practice Guidance follows a line which suggests that households, especially poorer ones, should not spend more than 25% of their income on housing.

Affordability and housing need

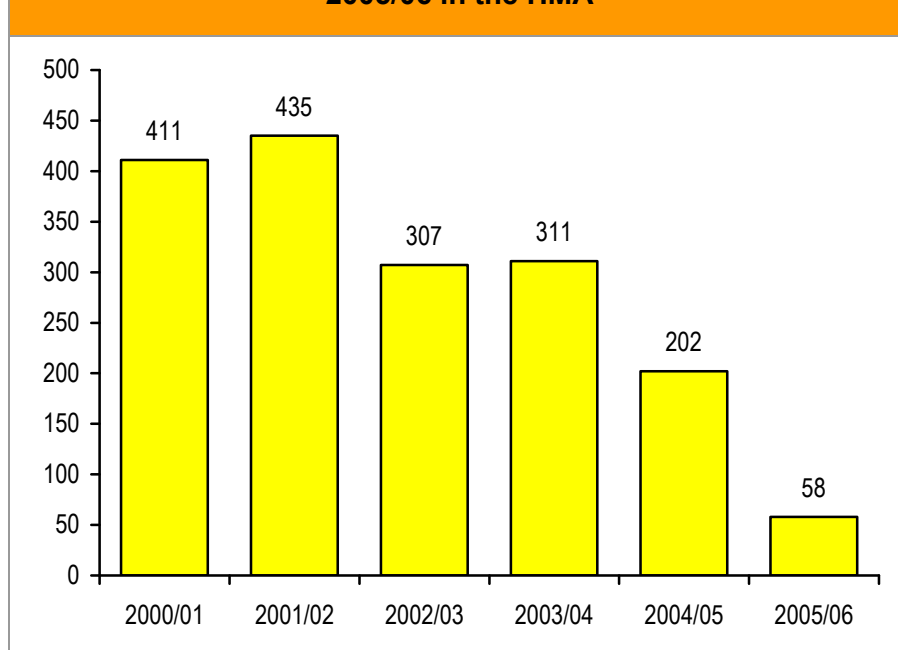
- 47 A full assessment of housing need in the individual authorities was undertaken separately through the Housing Needs and Market Assessment Surveys conducted for each of the West Surrey local authorities. The individual reports should be examined by those wishing to see the detailed housing needs figures.
- 48 The table below shows the estimated annual need from each authority's housing needs assessment. In purely numeric terms the highest need has been found in Guildford (at 1,194 per annum) with the smallest in Woking (499 units). If we standardise the data by the estimated number of households in each area then we find that the highest proportionate need is in Guildford with the lowest in Waverley.

Table S7 Annual need for affordable housing

Area	Annual net affordable need	Estimated number of households	Need per 1,000 households
Guildford	1,194	54,300	22.0
Waverley	515	48,700	10.6
Woking	499	38,500	13.0
West Surrey HMA	2,208	141,500	15.6

Source: West Surrey SHMA 2007 –figures are from Table 9.2 of the Housing Needs and Market Assessment Surveys

- 49 Intermediate housing is defined by PPS3 as ‘housing at prices and rents above those of social rent but below market prices or rents’. Each of the individual local authorities’ Housing Needs and Market Assessment Survey reports makes suggestions about the amount of housing need which might be met through the provision of intermediate housing. The proportion of affordable housing need which could be met through a form of intermediate housing varied from 39% in Woking to 48% in Waverley. Overall it is estimated that the average across the whole HMA will be in the region of 42%. This is consistent with findings from the 2005 Joseph Rowntree Foundation (JRF) study ‘*Affordability and the Intermediate Housing Market*’.
- 50 Trends in homelessness and the Housing Register can provide some indication of the need and demand for social rented housing. The figure below shows the number of homeless acceptances over the past five years. The data shows that there has generally been a decrease in the number of homeless acceptances over recent years.

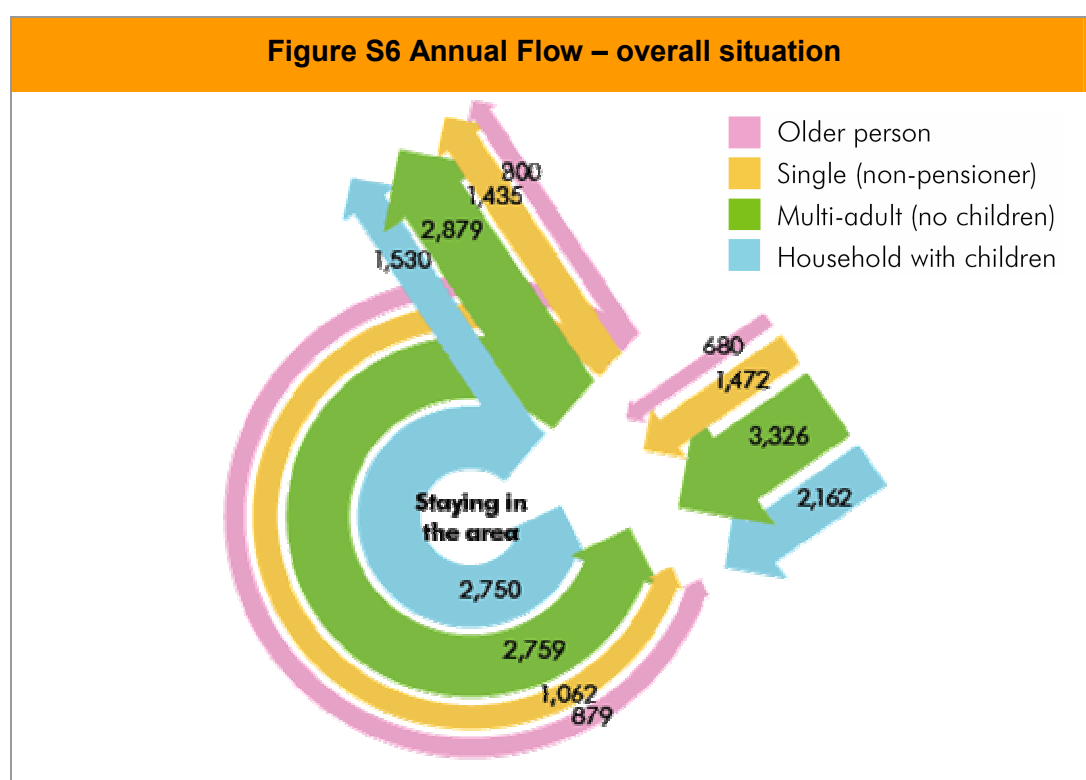
Figure S5 Homelessness acceptances 2000/01 to 2005/06 in the HMA

Source: Housing Strategy Statistical Appendix (HSSA) data 2000/01-2005/06

- 51 Data from the Councils suggests that the number of households on the Housing Register has increased over time. Across the whole HMA it is estimated that in 2000/01 there were 4,679 households registered, this had risen to 6,377 in 2005/06. Although the pattern varies between the three authorities, the data suggests that at any point in time there are a significant number of households seeking social rented housing and that demand for such housing remains high.
- 52 It should be noted however that housing registers often do not provide an accurate estimate of the level of households in housing need, as defined by CLG. Past analyses by Fordham Research of sets of Housing Registers have suggested that many (often the majority) of those on the register are not in housing need, as defined by CLG, while at the same time a major proportion of the households in housing need are not on any register.

Dynamics of the housing market

- 53 The survey data permits analysis of current movements of households within, as well as entering and leaving the HMA. The figure below indicates the general flows, put into an annualised basis:



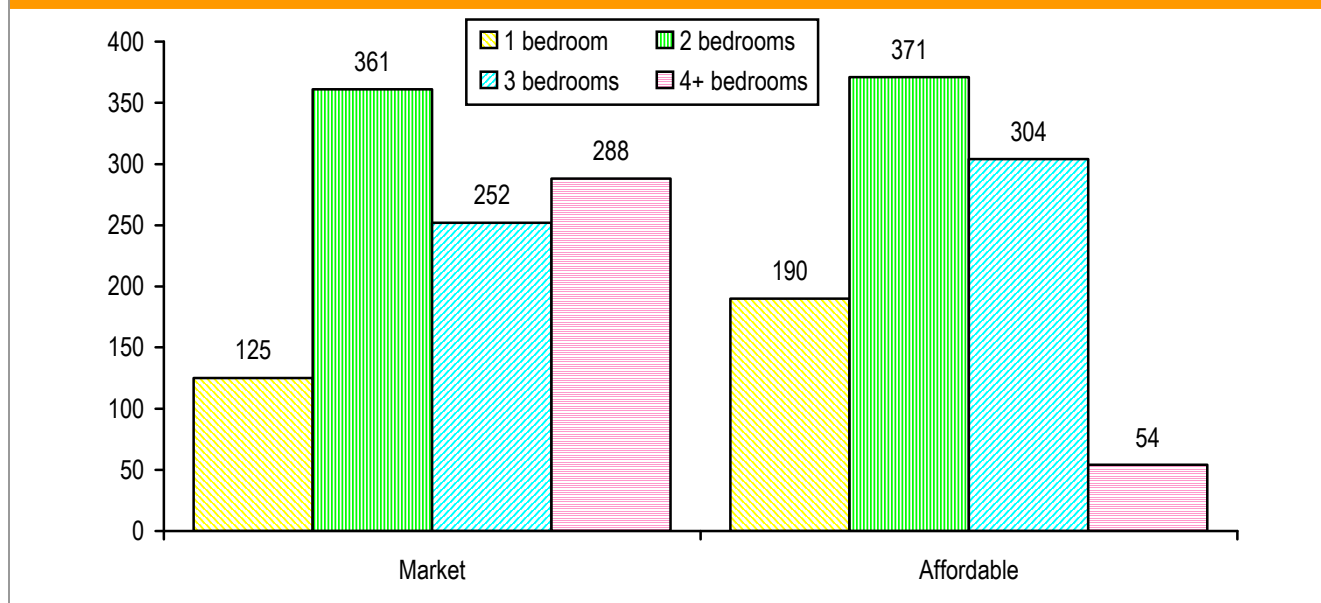
Source: West Surrey household survey data (2007)

- 54 The picture shown by this diagram is of an open housing market: the flows in and out are almost as big as those moving internally, whereas typically the majority of moves are internal ones.

- 55 The net position is that there is a net inflow of households into the HMA of nearly 1,000 pa (mostly couples with and without children). Added to this there are new households forming within the HMA in much greater numbers than are being lost via dissolution (usually death): about another 1,000 households pa. Thus the household total is increasing by nearly 2,000 pa (1,947 to be precise). This again illustrates the strength of this market, since the area is one where no major growth is envisaged, but is simply occurring through the overall attractiveness of the area.
- 56 The corresponding drawback is the high prices and therefore barriers to access discussed below in relation to housing gaps. In other words the housing market is only accessible to households either with large existing equity and/or very high incomes.

Balancing Housing Markets

- 57 The 'Balancing Housing Markets' (BHM) assessment looks at the whole local housing market, considering the extent to which supply and demand are 'balanced' across tenure and property size. It works at the simplest level by establishing the likely demand for housing of particular types by the expected supply arising from vacancies in the existing stock so as to provide a broad indication of the shortages (and in some cases surpluses) of particular types of dwelling. The BHM approach produces estimates for all tenures (market and affordable) and sizes of dwellings required.
- 58 The BHM model is not a purely technical assessment of housing requirements and combines a technical assessment of certain aspects (e.g. affordability) with a reasoned judgement about how exactly the housing market operates. In addition, the model looks at both household's aspirations and their expectations to provide an indication of the most likely housing solution in the particular market. The figure below shows the overall results of the BHM analysis for HMA.

Figure S7 Estimated shortfalls and surpluses of housing by tenure and size

Source: West Surrey household survey data (2007)

- 59 There is expected to be a greater demand for housing than there is the supply to meet it. Overall, across all tenures there is an apparent shortfall of 1,944 dwellings per annum. There is a clear demand for both market and affordable housing in the HMA.
- 60 The model shows that the largest shortfall in the market sector is for two bedroom homes, although the shortages of three and four bedroom accommodation are notable. Overall the model suggests that around 47% of the net demand for housing will be in the affordable sector.

Particular households groups

- 61 The study also considered particular client groups that may have specific housing requirements. Although such groups do not necessarily represent households in need as defined by the Practice Guidance, it is important for the Council to have information about them in order to inform specific policies and service provision. The headline findings from the analysis (carried out using a combination of Census and household survey data) are summarised below.

Table S8 Summary results for particular household groups

BME households: The BME population of the HMA is generally smaller than the national average although slightly larger than the regional average, with Woking displaying the highest proportion of BME households. The BME population is projected to have increased significantly since 2001, whilst the White (British/Irish) group was projected to experience a slight decrease. Household survey data suggests that BME households are particularly likely to reside in unsuitable housing.

Specific needs: A quarter of households in the HMA contain someone with a limiting long-term illness (LLTI), lower than the average found regionally and nationally. Such households appear to be more disadvantaged than other households, with lower incomes, higher levels of housing unsuitability, and over-representation within the social rented sector.

Key workers: About 23% of households in the HMA fall into this group. 'Key workers' tend to be slightly older and are generally employed in jobs which fall into the highest social groups. The group shows relatively higher proportions of owner-occupation although lower incomes than other (working) households in the HMA. Research of a more qualitative nature revealed that there were a number of key worker schemes currently operating in the three local authorities.

Older persons: This group shows a similar proportion to regional and national averages (24%). Single pensioners were more likely to reside in the social rented sector, while multi-pensioner households tended to be owner-occupiers. Under-occupation is common among owner-occupying pensioner households.

Families: Around 28% of HMA households contained dependent children in 2001, similar to regional and national averages. Couples with dependant children were more likely to owner-occupy whilst lone parents were more likely to live in rented housing.

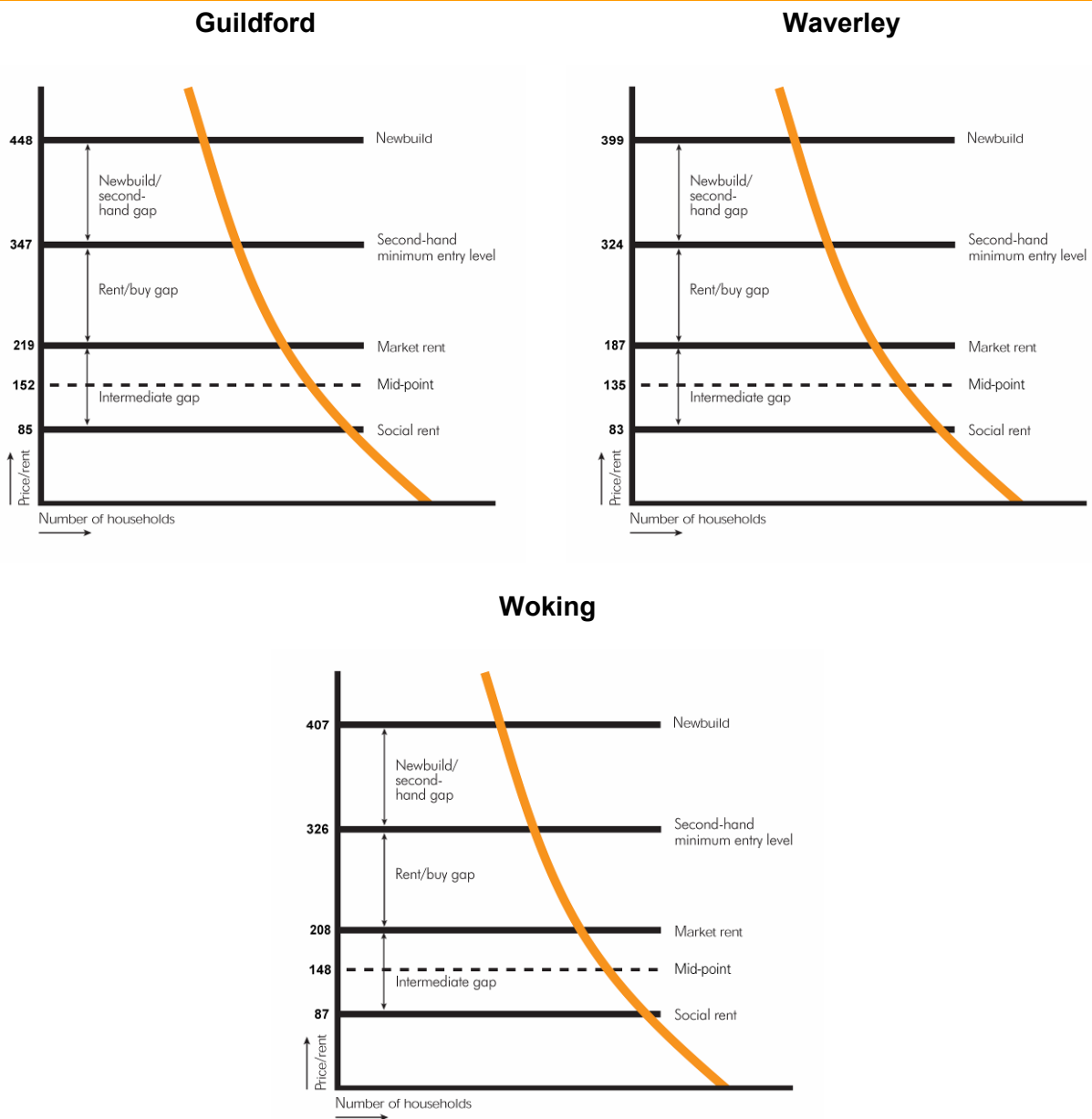
Students: The 2001 Census suggests that students accounted for 3.7% of the total household population of the West Surrey HMA, higher than the equivalent figures for both the South East and England. Guildford has the largest proportion of students of the three Boroughs. Specific aspects of the student housing market within West Surrey were examined via more qualitative research incorporating the range of educational institutions within West Surrey.

Rural issues: Around a quarter of households in the HMA live in an area classed as rural; Waverley contained the highest proportion of rural households and Woking the lowest. Rural households in the HMA are more likely to owner-occupy, have higher incomes/savings levels on average and a higher level of car ownership. Rural households however were more likely to report that accessing public transport near their home was a problem, although this proportion was not significant.

Housing market gaps and the housing ladder

- 62 It has been a concern of Government for at least two decades that there should be a well functioning 'housing ladder' so that newly forming households could enter the market, and 'climb' towards home ownership, and then move as appropriate up the size scale. This public concern has grown more acute as house prices have risen rapidly especially over the last decade and has led to many initiatives to encourage access to the market, and in particular the owner-occupied market. The present structure of tenures encouraged by the Housing Corporation consists of Open Market HomeBuy and New Build HomeBuy.
- 63 The figure below shows the 'housing ladder' with social rents at the bottom and moving up through market rents, second-hand purchase and newbuild purchase. To this figure we have added a line called 'Mid-point', for the implied cost of intermediate housing. This is a line drawn at the mid-point between social rents and the market and is designed to provide a broad figure for the level of outgoings which might be required to provide 'intermediate housing' at a level which will be affordable to a reasonable proportion of households who are unable to access the private sector housing market (without subsidy). The gaps shown in the figure above are large, and many households will struggle to climb the ladder implied by them.

Figure S8 Housing gaps graphs

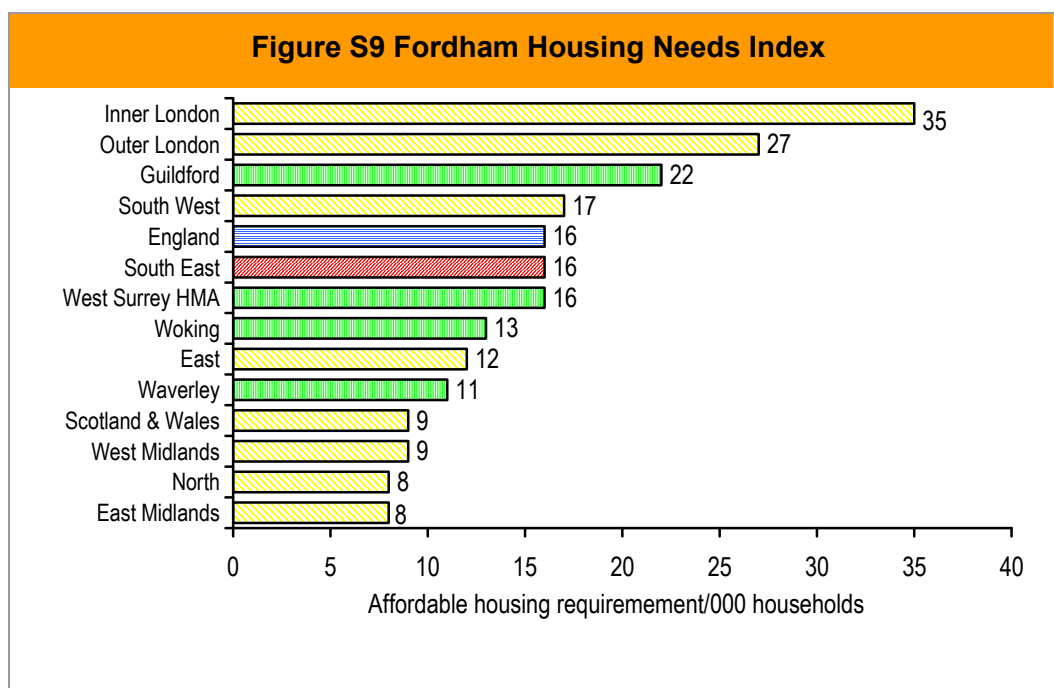


Source: Survey of Estate Agents in Guildford, Waverley and Woking Boroughs 2008

- 64 Housing market gaps analysis has been developed to allow easy comparisons of the costs of the tenure range, in order to facilitate the testing of different newbuild proposals, and to show generally the nature of the housing ladder in a particular locality.

Non-market policy implications

- 65 The figure below shows the overall affordable housing index (from requirements based on the CLG needs assessment model as shown earlier in Table S7) in the three local authorities compared to regional and national levels.



Source: West Surrey SHMA 2007

- 66 As can be seen, the situation in West Surrey is on average typical of the South East. However this conceals the lower need levels in Waverley and Woking, and the higher need levels in Guildford. The Guildford situation arises in part from its relatively large private rented sector. This sector, in its Housing Benefit subsidised element, is often the part of the housing market that shows the highest level of housing need.
- 67 Government Guidance, whether in the form of PPS3 or any previous version back to Circular 7/91, has always fought shy of any attempt to relate levels of housing need to targets (whether numerical or percentage). Based on the past history of targets and the index levels shown above (Figure S9), it would be reasonable to assume that target levels of the following general size would be appropriate in West Surrey:

Table S9 Possible levels of affordable target		
Council	Target	Proportion of intermediate
Guildford	45-50%	41%
Waverley	40%	48%
Woking	40%	39%

Source: West Surrey SHMA 2007

- 68 The suggestion for Guildford is put as a range, since the level of need would probably justify 50% of affordable housing, but that is on the high end of the feasible range for such targets. It would therefore require some consideration by the Council (in common with the other suggestion). However 40% is quite a common target, while 50% is much less so. All such targets are subject to viability and deliverability, which are issues being dealt with outside the present study.
- 69 PPS3 states that the national minimum site threshold is now 15 (reduced from 25). This is a beneficial change. It also allows, if the profile of sites coming forward justifies it, a lower threshold such as ten if this would make a big difference to the amount of affordable housing produced. This depends on more detailed research by each council.
- 70 PPS3 (para 26) suggests that councils should seek low-cost market housing as part of the overall market housing total. However it does not suggest how this should be done, as market housing has its price set in the open market. Any newbuild that is not constrained in some way is likely to cost as much or more than existing second-hand housing, and hence be of no practical use.
- 71 In principle all three councils, as high priced ones, would benefit from newbuild low-cost market housing, which is newbuild housing at a discount sufficient to be priced within the rent-buy gap. As CLG policy now stands, however, there is no mechanism by which it can be obtained. As and when CLG is more specific about this form of housing, it would be desirable to consider a small additional target, such as 10%, for such housing.

Overall housing targets

- 72 The HMA is, not surprisingly, an area of relatively low newbuild within the context of the South East region. However the EIP Panel of 2007 decided that not enough newbuild was being produced even in this area of general restraint on newbuild, and has raised the targets. The increase in targets is most noticeable in Guildford. The overall revised newbuild requirement is just under 1,000 dwellings per annum for the whole HMA, with the highest figure being for Guildford and lowest for Waverley.
- 73 The BHM results show figures that are about twice the current requirement (about 2,000 per annum). This 'potential demand' of around 2,000 new households per annum agrees with the combined total of net in-migration and net newly forming households within the HMA.

Key themes and drivers

- 74 The main driver of the HMA is simply London, but clearly the housing market is very well established and has its own momentum. In more detail a set of key themes were identified, each of which suggests possible issues for policy formulation once this SHMA is completed:

Table S10 Summary of issues on key themes and drivers

<i>Theme/driver</i>	<i>Issues arising</i>
1. The market area	A relatively open economy, consistent with location in the London commuter belt. Cannot be expected to show high level of self-containment
2. Demography	Ageing population and questions of future dwelling mix to accord with it
3. Economy	Strong, but divergence symbolised by much higher residence based as compared with workplace based pay: high paid commuters to jobs outside the HMA, and much lower paid workers within the HMA
4. Housing stock	Unbalanced in terms of the national pattern, with high proportion of detached dwellings (especially in Waverley), as is consistent with the nature of the population and economy. Could encouraged to move towards balance, but within strict limits given its character.
5. Current market	With affordability as a major issue, one feature is the scope for low cost market housing to fill the gap
6. Affordability and need	There is a substantial level of housing need, and targets now must be specified as to affordable tenure, where intermediate housing is the major difficulty
7. Demand and market balance	The analysis in this study shows a much higher latent demand than indicated in the draft RSS target, which is not surprising. The nature of the HMA means that demand is always likely to be higher than can reasonably be met within the existing constraints of preserving rural and urban character
8. BME issues	The population is relatively small but rapidly growing. It is concentrated in Woking, and shows higher levels of unsuitable housing than are typical for the HMA. This combination of factors makes this an important policy issue.
9. Special needs	A very diverse range of issues is raised, as the range of special needs is large
10. Key workers	As officially defined, this group is not disadvantaged. In terms of the service industries to support the existing population, the relatively low workplace based incomes suggest that there will be problems due to the high price of housing in the locality
11. Older people	This is a growing proportion of the population, and apart from future newbuild mix, mentioned under (2) above, there are issues concerning support services, which are already in place but which will need expansion in future. Under-occupation is a major issue to be addressed for this group.

12. Families	Affordability of (market) housing is an increasing issue, particularly for lone parent households.
13. Rural communities	The situation is more polarised than for the urban one. The declining level of services which were provided at local level is causing national concern, and is clearly inimical to the encouragement of balanced communities.

Source: Fordham Research West Surrey SHMA 2007

- 75 The national issue of ageing populations and hence increasing under-occupation are joined in West Surrey with the issue of reduced rural service infrastructure and the consequent issue of possible strategies of providing move-on accommodation for older owner-occupiers in the urban areas. There is already a niche building market in this field, but no major move towards, for instance, a range of flats for older households. Little is known, at national or local level, of the movement patterns of such older households but the possibilities deserve further policy consideration.

Conformity with guidance

- 76 The key outputs of a SHMA as required by PPS3 can be derived from the material within the main SHMA report, as detailed in the table below.

Table S11 West Surrey: meeting the PPS3 Requirements

<i>Item</i>	<i>Source</i>	<i>Comment</i>
a) Proportion of market and affordable housing	Tables 22.3 – 22.6	The overall HMA requirement is 53% market and 47% affordable. There are small variations between the three Boroughs (Guildford: 53% affordable; Waverley: 46% affordable and Woking: 42% affordable).
b) Profile of households requiring market housing	Figure 22.8 - 22.10	In all three authorities, the largest group of households requiring market housing are childless couples (between 36% and 42%), with around a quarter of all households containing children (from 23% in Woking to 30% in Waverley). Pensioner households make up around 14% of the total demand in Waverley but only 7% in Woking.
c) Size and type of affordable housing required	Table 21.8	Just under half of the affordable housing could be intermediate (41% in Guildford, 48% in Waverley and 39% in Woking). Since there are few viable forms of intermediate housing, however, any intermediate requirement that cannot be met should be replaced by social rented housing.
	Table 21.6	In terms of size, most sizes of both intermediate and social rented housing are required. The main requirement in Guildford is for two-bed social rented housing; in Waverley, for two-bed intermediate housing and in Woking the main requirement is for three-bed social rented housing.
	Table 21.5	Analysis suggests that households in (CLG-defined) housing need require affordable accommodation of all sizes particularly smaller units, although the findings also suggest a need for three-bed intermediate housing in Waverley and for three and four-bed social rented dwellings in Woking. It should be noted that these findings are based on a strict bedroom standard (and are for gross need only).

Source: West Surrey SHMA 2007: sources as shown in the middle column

- 77 The implications of this table have to be taken in the context of the comments above about affordable targets. It is likely that a target of 45% or so would, due to sites falling below the threshold etc yield about 35% of outturn affordable housing. The intermediate fraction of that, which might be around 40%, should be at the weekly costs shown in the table below.

- 78 The market component, perhaps about 6-700 of the newbuild dwellings, would mostly be larger units if designed to meet the net inflow, but might be partly of smaller types to provide move-on accommodation for older people, depending on the policy judgements to follow this study, and the future market context in which they will be implemented.

Weekly costs to ensure compliance

- 79 The high level of house prices means that the housing market gaps, shown above, are so large as to make the idea of a 'housing ladder' an unrealistic one for most residents. However it is important to ensure that where housing is agreed to be of a given type, that it really does fit within whatever gap is agreed.
- 80 This mainly applies to the largely untested affordable category of 'intermediate' housing. It also applies to 'low cost market' housing which could, if provided, assist younger households into ownership. The following table, which is updateable, indicates the weekly costs which housing of different tenures should achieve if the product is to conform to its label.

Table S12 Weekly costs of housing in the HMA				
Guildford				
	1 bed	2 bed	3 bed	4 bed
Newbuild Sale	£307	£448	£573	£869
Resale Entry Level	£246	£347	£434	£643
Private Rent	£160	£219	£273	£369
Intermediate	£117	£152	£184	£237
Social Rent	£74	£85	£94	£105
Waverley				
	1 bed	2 bed	3 bed	4 bed
Newbuild Sale	£243	£399	£545	£747
Resale Entry Level	£204	£324	£429	£603
Private Rent	£140	£187	£223	£290
Intermediate	£106	£135	£158	£197
Social Rent	£71	£83	£93	£104
Woking				
	1 bed	2 bed	3 bed	4 bed
Newbuild Sale	£274	£407	£510	£863
Resale Entry Level	£216	£326	£390	£644
Private Rent	£156	£208	£266	£415
Intermediate	£115	£148	£184	£266
Social Rent	£74	£87	£102	£116

Source: Survey of Estate Agents in Guildford, Waverley and Woking Boroughs 2008