

West London Strategic Housing Market Assessment 2010

Report of Study Findings
November 2010



Summary of Key Points

Overall

- In West London there are estimated to be large gross flows of households in and out of the sub-region over a 5 year period but the inward and outward flows are similar in size. The largest impact on the housing requirement is the change in local households i.e. the net change due to more households forming than dissolving (mainly due to the death of the last member of the household). The impact of migrant workers (not just of EU origin) is largely ignored pending further evidence about their long term actions. Anecdotal evidence suggests that they occupy housing in the informal housing market (e.g. privately advertised lodgings) which is outside the scope of the SHMA requirements study and for which street level research would be needed.
- Quantifying the housing requirement is of little value unless the net number of additional households is broken down into tenure and size requirements. The most significant factor is affordability of the existing housing supply. Households who cannot afford market prices need some form of subsidy – either housing benefit or access to cheap social rents or both for some households. Other households may seek intermediate affordable housing or market housing for sale or rent.
- Assumptions regarding the role of the private rented sector are central to a housing market model that reflects the real world actions of households. Estimating the point at which private rented sector housing is equivalent to decent self-contained market housing is difficult and is approximated to housing with rents at or above the lowest quartile of all private rented sector rents. Private lettings below lower quartile rents are filling the gap due to the shortage of intermediate affordable housing. Tenants of the private rented sector who receive housing benefit are receiving a subsidy and this arguably is helping to fill a gap due to the shortage of social housing. Boroughs have responded to the target of reducing the number of homeless households in temporary housing by leasing housing from the private rented sector and where this involves a subsidy and this can be counted as part of the social rented supply. However as previously mentioned government capping of housing benefit may lead to a revision of the balance between the tenures.
- The credit crunch, the UK recession and the government's policy response all introduce variables into the estimation of future housing requirements. Accordingly 6 scenarios have been tested.

Headline outputs of the ORS housing requirements model and findings of the scenario testing

- An estimated 35,924 additional dwellings should be provided over the 5-year period to sustain the existing supply/demand imbalance. This is the result of a net 35,645 household formations and dissolutions and a net gain of 280 households through migration.
- Any household with an income of more than £17,600 per annum requiring a 1-bed property can afford more than the social rents charged in the sub-region. The household income necessary to afford lower quartile market rents for 1-bed dwellings is £38,500. Therefore Intermediate affordable housing is required for any household requiring a 1-bed dwelling which has a household income of £17,600 to £38,500.
- The estimated 5 year net requirement of 35,924 dwellings the tenure split can be estimated as;
 - Market housing 16,147 dwellings (45%);
 - Intermediate affordable housing 3,646 dwellings (10%); and
 - Social rented housing 16,132 dwellings (45%).
- This is in excess of the London Plan (consultation draft 2010) 5 year monitoring target of 21,360 dwellings.
- The impact of ensuring that the affordable housing requirement is met from the Draft London Plan delivery is that the proportion of market housing will be smaller so the tenure split becomes;
 - Market housing to 1,784 dwellings (8%);
 - Intermediate affordable housing 3,646 dwellings (17%); and
 - Social rented housing 16,132 dwellings (75%).
- Other tenure and size mix estimates have been produced in additional scenarios; ignoring the impact of effective 'affordable' supply from the private rented sector; using wider income bands for intermediate affordable housing, and in addition, due to the impact of proposed reductions in housing benefit
- The net requirement for each local authority has also been estimated by tenure and size.