

Strategic Housing Market Assessment



THE ROYAL BOROUGH OF
KENSINGTON
AND CHELSEA

Royal Borough of Kensington & Chelsea



Main Report

November 2009

Fordham
RESEARCH

Foreword

This report describes the Strategic Housing Market Assessment (SHMA) undertaken in Kensington and Chelsea in 2009. It contains a wide ranging examination of the housing market and it conforms to the major Government Guidance on the subject. It also provides part of the 'evidence base' on which a wide range of planning and housing policies can be based.

This report is accompanied by a Supporting Report which gives a detailed account of the household survey and the housing needs estimate, and provides supporting detail for the SHMA report.

Acknowledgements

A large-scale assessment of this nature is a collaborative effort and Fordham Research wish to thank all members of the SHMA Steering Group for their support, guidance and contributions. We would also like to thank those local stakeholders who participated in the discussion and whose local knowledge and views have been immensely helpful.

It is also important to recognise that this report would not have been possible without the co-operation of the general public who gave up their time to take part in household surveys for Kensington and Chelsea. Their assistance is gratefully acknowledged.

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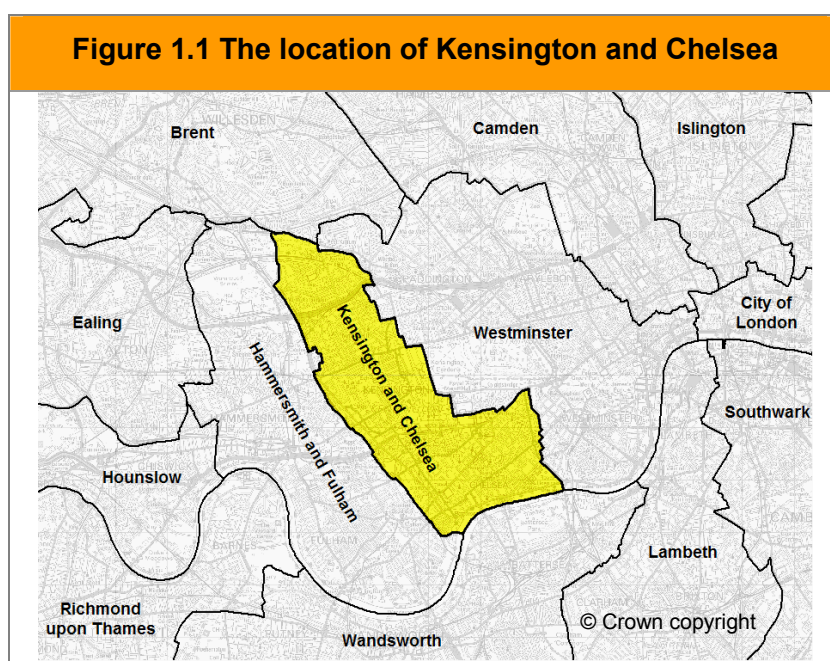
1. Introduction

Overview

- 1.1 This report presents a comprehensive analysis of the Kensington and Chelsea Housing Market. It includes a review of the current local situation, a discussion of housing market dynamics and recommendations as to appropriate action in Kensington and Chelsea. The report follows the general structure of the CLG Strategic Housing Market Assessment Practice Guidance of August 2007. In addition the research carried out meets the requirements of Planning Policy Statement 3 (PPS3) and also Planning Policy Statement 12 (PPS12) in ensuring that all necessary outputs are provided and that such outputs pass the prescribed tests of soundness.
- 1.2 A range of evidence was used to inform the outputs of this Strategic Housing Market Assessment (SHMA) report. This includes a range of data from a primary survey of local households, secondary sources and consultation with key stakeholders in the Borough.

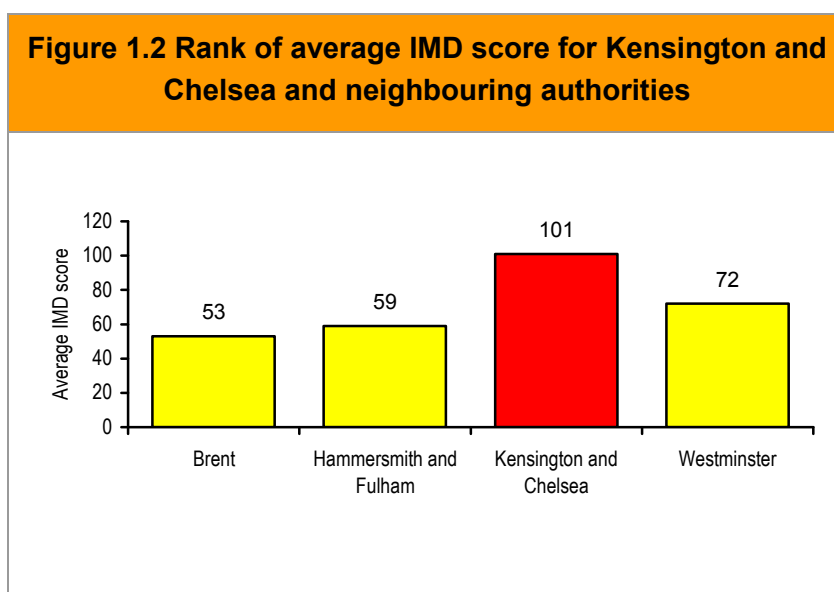
An introduction to Kensington and Chelsea

- 1.3 The Royal Borough of Kensington and Chelsea is located in the western part of Inner London and covers an area of just under five square miles. It is the most densely populated Borough in the country, as well as being home to a range of internationally recognised arts, cultural and retail facilities and a number of parks and open spaces.



Source: Fordham Research 2009

1.4 House prices in Kensington and Chelsea are the highest in the country. However, although the Borough contains areas of extreme wealth, it is tremendously polarised, containing a number of deprived neighbourhoods particularly to the north of the Borough where the majority of the social housing stock is concentrated. Overall the Borough was ranked 101st of the 354 local authorities in England in the 2007 Index of Multiple Deprivation. Kensington and Chelsea is ranked lower than neighbouring authorities, suggesting that it is less deprived overall. However, this masks the differences that exist within the Borough.



Source: Communities and Local Government 2007

1.5 It was estimated that as of March 2009, there were 84,200 households resident in Kensington and Chelsea and the population was estimated to comprise approximately 169,000 people. These estimates are based on a number of sources including the Council Tax register. Further detail is provided in Chapter S1 of the Supporting Report.

What is a Strategic Housing Market Assessment?

1.6 Strategic Housing Market Assessments were established by Government Guidance: Planning Policy Statement 3: Housing (November 2006) and detailed Practice Guidance (Strategic Housing Market Assessment Practice Guidance) published in March and August 2007. The aims of a Strategic Housing Market Assessment are to provide clear evidence as to what is going on in the housing market and what the future prospects for the market may be.

1.7 Important features of the SHMA process are:

- i) Involvement of an authority or a group of local authorities representing a meaningful market area

- ii) A process in which key stakeholders are involved throughout the production of the evidence as well as being consumers of it
 - iii) Inclusion in the process of all tenures of housing
 - iv) Higher standards of quality: the tests of rigour are more strict than before
 - v) It is an ongoing process, so that once the present reports are completed the stakeholders keep updating the results and using them as the basis for housing and planning policy.
- 1.8 The most important output requirements of PPS3, as regards the SHMA, are stated in paragraph 22:
- '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) *The likely overall proportions of households that require market or affordable housing, for example, x% market housing and y% affordable housing*
 - ii) *The likely profile of household types requiring market housing e.g. multi-person, including families and children (x %), single persons (y %), couples (z %)*
 - iii) *The size and type of affordable housing required.'*
- 1.9 It is recommended that the outputs from this report are viewed in conjunction with those from the assessment of viability undertaken in parallel in Kensington and Chelsea.

The evidence base

- 1.10 In accordance with Practice Guidance a range of data sources were used to create a robust and diverse evidence base. In addition to the use of data, information was gleaned from a number of important publications and through discussions with local stakeholders. Below we provide a brief summary of the main sources of information used in this report:
- 1.11 **Secondary data:** There are a range of data sources already available at the local, regional and national level which provide a good background to the housing market and how it is changing. Data sources considered in analysis include Land Registry data, the 2001 Census, the Annual Survey of Hours and Earnings (ASHE), Housing Strategy Statistical Appendix (HSSA) data and published household/population projections. In addition, a number of relevant documents were reviewed to inform the policy context in which the Kensington and Chelsea housing market exists.

- 1.12 **Primary data:** In addition to studying secondary data sources it was necessary to conduct a local household survey for Kensington and Chelsea. The survey data allowed many of the 'gaps' in secondary data to be overcome. Most notably the survey data found out in some detail households' future demands and aspirations along with financial data on a household-by-household basis.
- 1.13 **Estate agent information:** A key part of the project was a series of face-to-face interviews with estate/letting agents in the local area. The dynamics of the housing market (e.g. what types of households are seeking properties) were discussed at these interviews, which provided a good overview of what has actually been happening locally. The interviews were supplemented by an internet property/rent price search to establish the costs of housing in the local area.
- 1.14 **Stakeholder events:** Throughout the project a number of stakeholder events were carried out. The stakeholder events were used to disseminate information and to encourage feedback via a group discussion. Attendees were given the opportunity to share their views on the nature of the housing market in Kensington and Chelsea and the factors that affect it, in order to help shape the study. In addition, in the later stages of the assessment stakeholders were taken through the key findings and given the opportunity to discuss the potential implications and issues for policy.
- 1.15 The production of the SHMA has been an iterative process; the views of stakeholders have been necessary to help the research evolve. The resultant document addresses the particular situation in Kensington and Chelsea in addition to presenting the outputs required by both PPS3 and the Practice Guidance.
- 1.16 Since a SHMA is designed to be an ongoing process, we recommend that the Steering Group continue to build on the relationships developed as part of the SHMA to ensure the sustained involvement of a wide range of agencies in developing further understanding of the Kensington and Chelsea housing market.

Policy context

- 1.17 This study should be understood within the context of other strategies that describe the plans for the future of the economic and housing markets at a regional and local level. A range of relevant documents have been reviewed and this section details the parts relevant to the Kensington and Chelsea housing market. This SHMA will form part of the Local Development Framework (LDF) evidence base and will be used to inform the Council's Housing Strategy and Community Strategy.

- 1.18 The **London Plan** *‘is the strategic plan setting out an integrated social, economic and environmental framework for the future development of London, looking forward 15–20 years’*. The Plan was adopted in 2004 and a revised version *‘consolidated with alterations since 2004’* was published in February 2008. During 2009 and beyond, the London Plan will be formally reviewed and the ‘draft replacement’ London Plan consulted upon.
- 1.19 A major influence on the future housing market is the target for additional homes. In the (2008) London Plan, Kensington and Chelsea’s Housing Provision Target was an average of 350 dwellings per annum between 2007/08 and 2016/17. The Council intend to retain this housing target until the London Plan is replaced (estimated to be in 2010/2011). From 2011/2012 the Council plan to make provision for a minimum of 600 net additional dwellings per year.
- 1.20 In terms of its sub-regional position, Kensington and Chelsea forms part of the **West London Housing Partnership**, along with the Boroughs of Brent, Ealing, Hammersmith and Fulham, Harrow, Hillingdon and Hounslow. The purpose of the Housing Partnership is to work together to meet the housing strategy objectives of the member Boroughs. There are currently a number of collaborative projects in operation across the Partnership area, including the choice-based letting system London Locata.

Summary

- i) This Strategic Housing Market Assessment (SHMA) is designed to provide a detailed analysis of the housing market in Kensington and Chelsea. It is compliant with Government Practice Guidance and involves the consideration and analysis of a wide range of information sources as well as input from stakeholders.
- ii) The Royal Borough of Kensington and Chelsea is home to a range of internationally recognised arts, cultural and retail facilities and has the highest house prices in the country. It is however extremely polarised, containing a number of deprived areas, particularly to the north of the Borough.
- iii) It was estimated that as of March 2009, there were 84,200 households resident in Kensington and Chelsea and the population was estimated to comprise approximately 169,000 people
- iv) The most recent housing provision target in the (2008) London Plan is for 350 new dwellings per annum. The Council intend to retain this housing target until the London Plan is replaced (estimated to be in 2010/2011). From 2011/2012 the Council plans to make provision for a minimum of 600 net additional dwellings per year.

2. Demographic and economic context

Introduction

2.1 Two of the main drivers of the housing market are the resident population and the local labour market. They affect the nature of housing demand including household formation rates and households' investment in housing. This chapter documents the current socio-economic profile in Kensington and Chelsea and recent trends that have occurred. The information presented compares the circumstances in the Borough to the regional and national situation.

Population

2.2 The table below suggests that the population as a whole and the number of resident households in Kensington and Chelsea increased at a similar rate between 2001 and 2006; hence the average household size in the Borough remained stable at 2.0 persons per household. The figures used are the Greater London Authority's (GLA) Post London Plan (PLP) low projections, which are based on known and assumed additional homes available since 2001. Household projections are produced at 5-yearly intervals; hence 2006 is the most recent year available. Chapter 7 considers population projections beyond 2006.

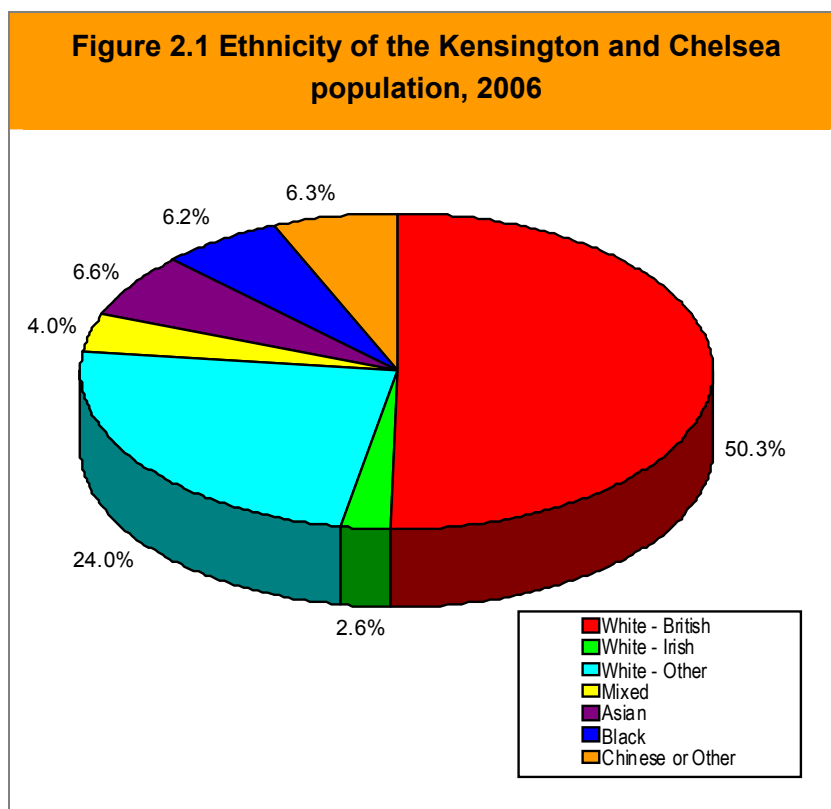
Table 2.1 Household and population change, 2001 to 2006			
	<i>2001</i>	<i>2006</i>	<i>% change</i>
Households	79,306	80,967	+2.1%
Population	161,143	164,805	+2.3%
Average household size	2.0	2.0	-

Source: GLA Household and population projections – 2007 round PLP low

2.3 In terms of the typology of households within the Borough, GLA (low) population projections suggest that in 2006 almost half (48.5%) of households were comprised of single people, around 30% were married/co-habiting couple households and 7.3% were lone parent households. The remaining 13.7% were defined as other multi-person households.

2.4 The 2001 Census indicates that a quarter of the population are classified as being in the 'White-Other'¹ ethnic group in Kensington and Chelsea, much higher than is recorded regionally and nationally (8.3% and 2.7% respectively). The non-White population accounts for 21.4% of people in Kensington and Chelsea, lower than the London average (28.8%) but higher than nationally (9.1%).

2.5 The Office of National Statistics (ONS) has produced some estimates of the changes in population by ethnicity to 2006, although these are classed as experimental statistics and should be treated with caution. They suggest that the non-White population of Kensington and Chelsea increased from 21.4% to 23.1% of the total population since the Census. This amounts to an increase from 33,995 to 41,110 people (+20.9%) in non-White ethnic groups between 2001 and 2006. The proportion of the population in White Irish and White Other categories is expected to have decreased slightly since 2001, but the size of these groups is still expected to have increased in real terms. Figure 2.1 presents the ethnicity of the population in the Borough according to the latest (2006) estimates.

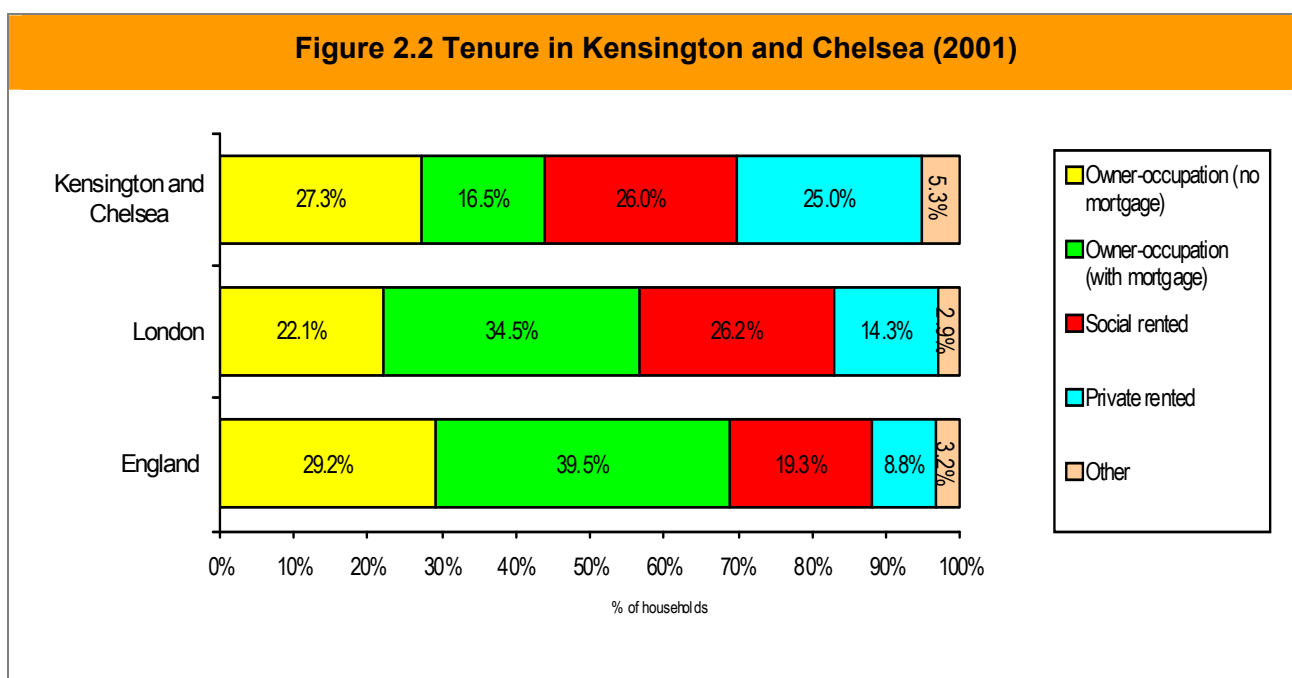


Source: ONS Resident Population Estimates by Ethnic Group, June 2006

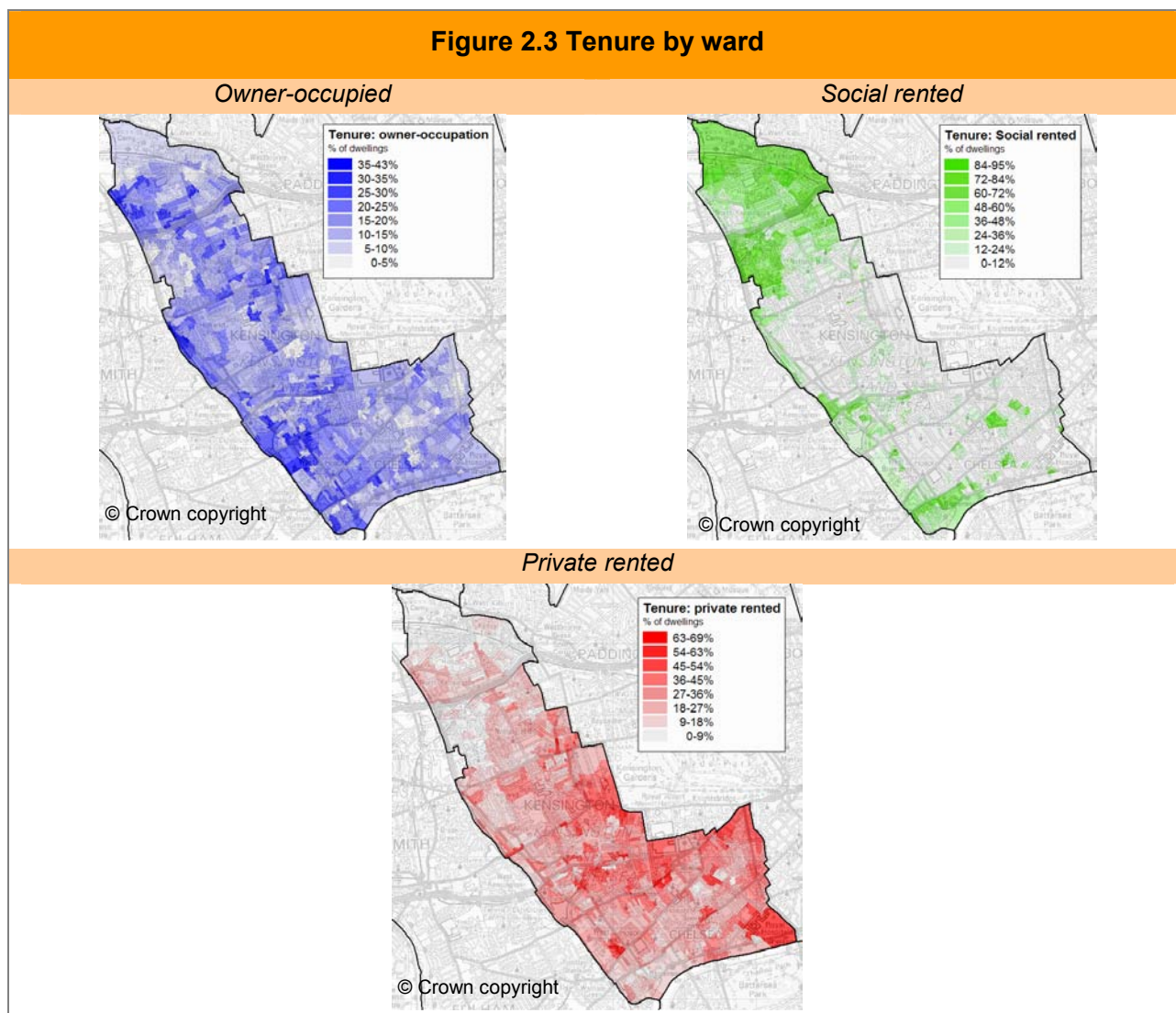
¹ 'White – Other' is the third of the three 'White' categories listed in the 2001 Census; the first two being 'White British' and 'White Irish'.

Tenure profile

2.6 Analysis of 2001 Census data reveals that 43.7% of households in the Borough were owner-occupiers, much lower than the regional and national proportions, although the proportion of owner-occupiers without a mortgage was higher than the London average. Just over a quarter of households resided in the social rented sector, similar to the London average. A quarter of households in the Borough lived in private rented accommodation, notably higher than the London average.



2.7 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 output area. There are clearly considerable variations within the Borough, with social rented housing concentrated to the north of the Borough and the private rented and owner-occupied sectors being more widely dispersed.



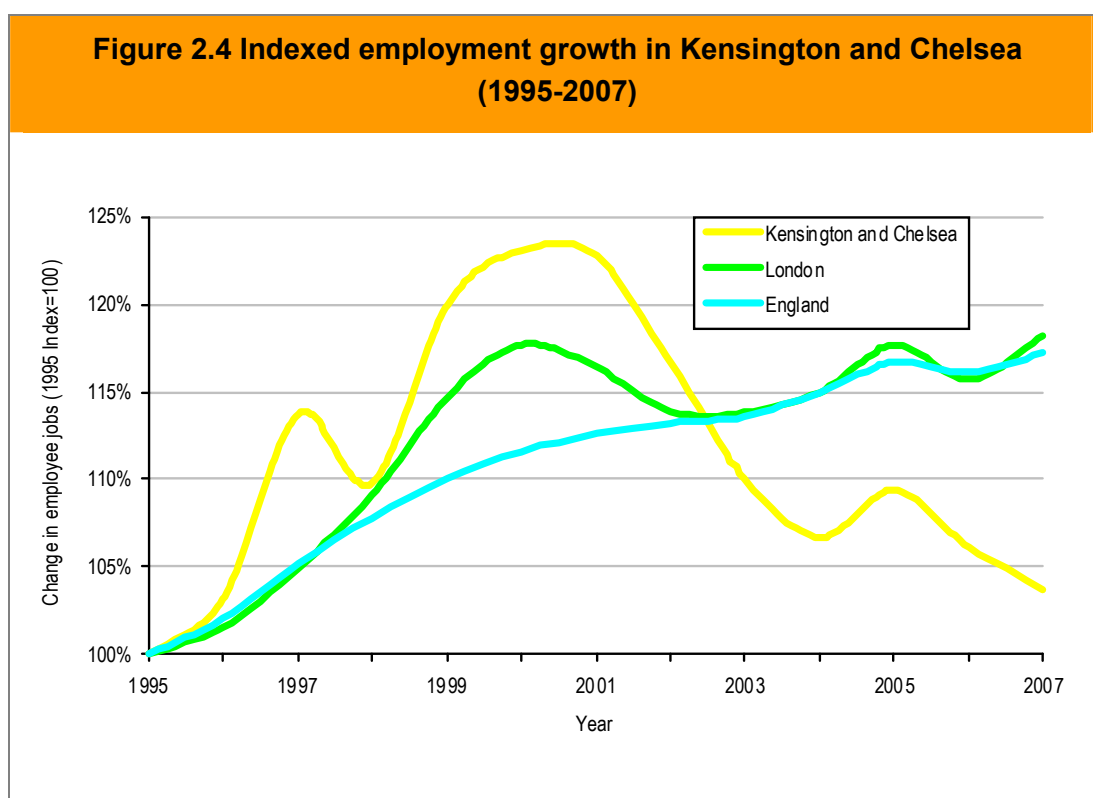
Source: Census 2001

2.8 According to figures from CLG (2008), some 7.5% of dwellings in the Borough are second homes. This is much higher than the regional and national average (1.5% and 0.9% respectively). Stakeholders expressed concern about the number of second homes in the Borough. It was perceived that large developments were going to offshore owners rather than being made available to permanent residents. It was agreed that this was a difficult situation to regulate.

2.9 The level of empty homes in the Borough resulting from this was also raised as a concern, although the Council clarified that second homes are classified separately from vacant dwellings. Data from CLG (2008) suggests that the proportion of vacant homes (excluding second homes) in Kensington and Chelsea at 3.9% is higher than the London average (2.7%), though only slightly higher than the national average (3.6%).

Employment

2.10 Measured by the most recent Annual Business Inquiry (ABI), there were 106,800 **employee jobs** in Kensington and Chelsea in 2007. In terms of change over time, the level of employee jobs appears to be more changeable in Kensington and Chelsea than is the case both regionally and nationally. Although the proportional increase in the number of jobs was greater in Kensington and Chelsea than both regionally and nationally between 1995-2001, the number of jobs decreased in Kensington and Chelsea between 2001-2007, with the 2007 figure representing only a 3% increase from 1995. London and England experienced employment growth to a greater extent over this time, with the number of jobs increasing by more than 15% in both cases.

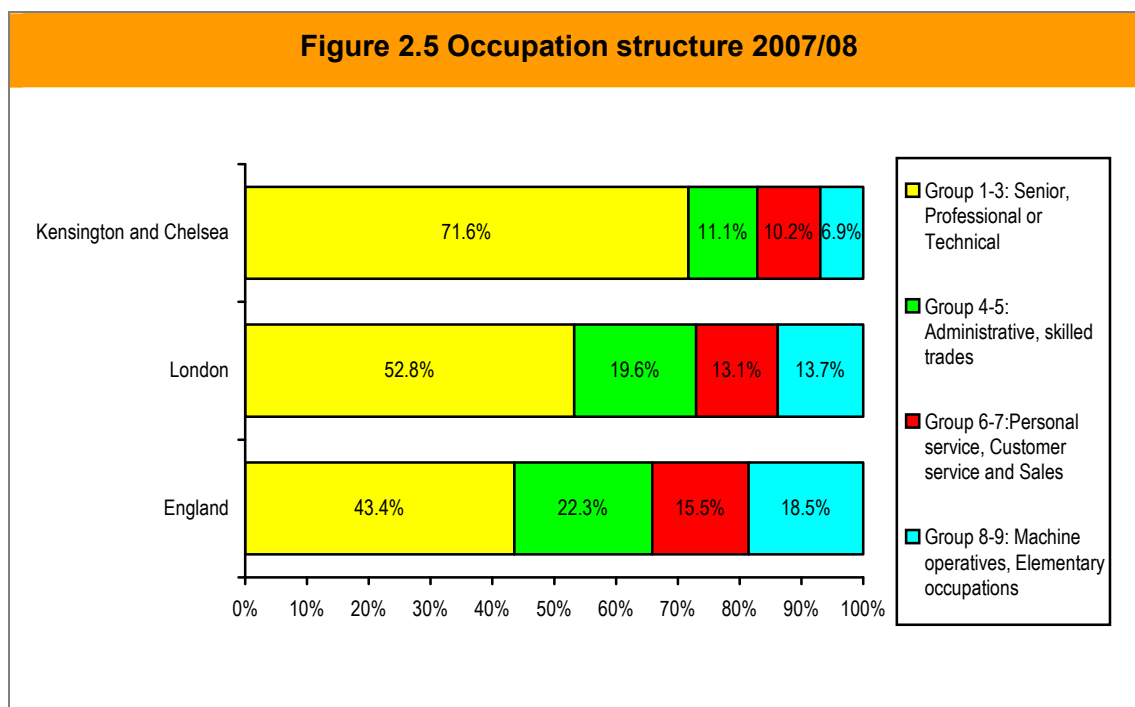


Source: ONS Annual Business Inquiry Employee Analysis 2007 (from Nomis)

2.11 In terms of **industry of employment**, the 'distribution, hotels and restaurants' sector is an unusually large sector of employment, providing 34.4% of all jobs available in the Borough in 2007: This compares with 21.0% in London and 23.5% in England as a whole (data is from ONS's Annual Business Inquiry). 'Finance, IT and other business activities' accounts for almost a quarter of employee jobs in the Borough, compared to almost 35% of employee jobs in London. Tourism-related jobs account for more than a fifth of jobs in the Borough², compared with less than 10% regionally and nationally. Stakeholders also emphasised the importance of retail as a source of employment within the Borough, with Harrods cited as an example of a significant local employer.

² This category overlaps with the other services categories mentioned above

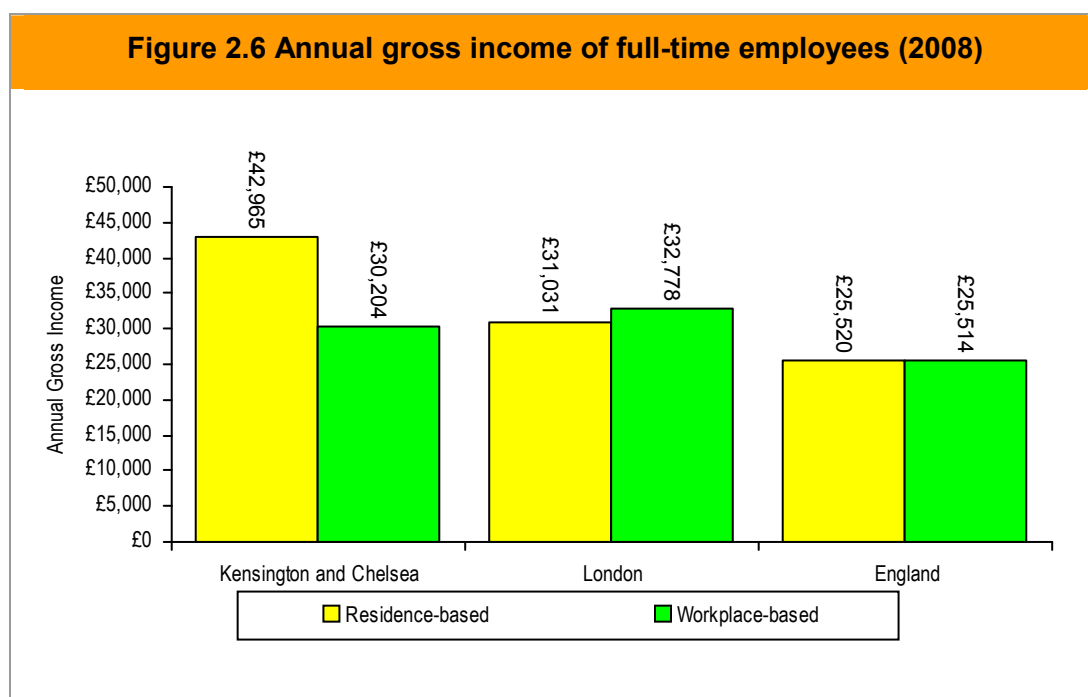
- 2.12 BERR (the Department for Business, Enterprise and Regulatory Reform) provides information about the number of **VAT registered businesses** in an area and how this has changed over time. This can provide a good indication of the state of the economy as an increase in VAT registered business would suggest either new companies moving to the area or an increase in local entrepreneurship. The number of VAT registered businesses in the Borough at the end of 2007 was 10,685; this is an increase of 2,640 since 1997 (32.8%). This proportional increase is higher than that recorded for the region (29.0%) and nationally (22.4%).
- 2.13 ‘**Job density**’ is a measure of the number of jobs per person of working age in an area. According to ONS data, in 2006 there were 1.23 jobs per working-age person in the Borough. This is a high ratio and compares with 1.02 for the London region and 0.88 for England.
- 2.14 The level of **unemployment** in the Borough recorded by ONS’s Annual Population Survey at 5.0% (for June 2007 – July 2008) is lower than regional and national equivalents: in London, the figure is 6.3% and nationally it is 5.3%.
- 2.15 The Annual Population Survey provides information on **employment by occupation**, categorising all working people resident within an area into one of nine groups depending on the nature of the skills that they use. These nine groups are graded from managerial jobs (Groups 1-3) to unskilled jobs (Groups 8-9). As illustrated below, some 71.6% of employed residents in Kensington and Chelsea are classified as being in groups 1 to 3, which is significantly higher than both the regional and national averages.



- 2.16 The occupation profile of Kensington and Chelsea's residents is a stark contrast to the type of employment available within the Borough itself. This is manifested to an extent in the differing tenure profiles of households who work inside and outside of the Borough. Data from the household survey suggests that 20.0% of households headed by someone who worked within the Borough live in social rented housing, compared to 10.1% of households headed by someone working outside the Borough. The latter group were more likely to owner-occupy (51.4%, compared to 42.9% of the former group of households). Both groups contained a similar proportion of households living in the private rented sector (around 38% of households).

Income

- 2.17 Income has a crucial affect on the level of choice a household has in their future accommodation. The median earned income for full-time employed Kensington and Chelsea residents in 2008 was £42,965, according to the ONS Annual Survey of Hours and Earnings (ASHE), notably higher than both the London average (at £31,031) and the average for England as a whole (at £25,520).
- 2.18 The figure below compares the median incomes of full-time employed Kensington and Chelsea residents with those of people working in jobs located in the Borough. The latter group appear to have significantly lower wages than those living in the Borough, possibly reflecting the high proportion of jobs in the Borough in the hospitality sector noted earlier. The median wage of those employed in jobs located in the Borough was slightly lower than for those employed in jobs located in London as a whole.



Source: ONS Annual Survey of Hours and Earnings (2008)

- 2.19 Historical data from ASHE on Kensington and Chelsea residents' incomes is rather limited, therefore it is not possible to perform a historical analysis.
- 2.20 ASHE data enables a useful comparison between areas, but the data covers employees only and so cannot be used to provide a full profile of the area. Furthermore the data is presented at an individual level, rather than at a the household level, on which a housing market assessment must be based. It is necessary to supplement this analysis of ASHE data with a profile of household income in Kensington and Chelsea recorded by the household survey. The primary survey obtained information from all types of households in the Borough and collected income information at the household rather than individual level.
- 2.21 Survey results for household income estimate the median gross household income level to be £52,385 per annum, including households without any members in employment. This is noticeably lower than the mean income (£111,695 per annum).
- 2.22 Figure 2.7 shows the distribution of incomes in Kensington and Chelsea. It is clear that there is a vast range of incomes in the Borough, with almost 30% having an income of less than £20,000 and a similar proportion having an income in excess of £100,000.

Figure 2.7 Distribution of annual gross household income in Kensington and Chelsea



Source: RBKC household survey, Fordham Research 2009

- 2.23 Almost 40% of households with incomes of less than £20,000 have a retired household reference person (HRP). Households where the HRP is in employment have a mean income of around £130,319 (median of £78,907).

Dwelling stock

2.24 Analysis of the current stock of housing allows a broad assessment of the range and condition of properties currently within the Borough. The Council's 2007/2008 Housing Strategy Statistical Appendix (HSSA) records that there are 86,116 dwellings in the Borough. The table below presents a summary of key information on the Kensington and Chelsea housing stock compared with regional and national equivalents.

Table 2.2 Dwelling stock profile in Kensington and Chelsea			
	Kensington and Chelsea	London	England
10 year change in total stock (1998 – 2008)*	9.1%	7.4%	7.9%
10 year change in social rented stock (1998 – 2008)*	-0.5%	-4.7%	-8.4%
Proportion of dwellings that are flats**	82.5%	48.3%	19.4%
Proportion of dwellings which contain 5 or more rooms**	32.3%	50.7%	67.4%
Proportion of dwellings in highest Council Tax Bands (G/H)***	39.7%	7.9%	4.1%
Vacancy rate in the private sector*	3.3%	2.6%	3.3%
Proportion of household spaces in shared dwellings**	2.7%	0.9%	0.4%

Sources: *HSSA/HIP data (1997/1998 & 2007/2008), ** 2001 Census, *** CLG (2007)

- 2.25 HSSA data indicates that the overall increase in the housing stock in Kensington and Chelsea over the period 1998 to 2008 was higher than experienced regionally and nationally, and that the decline in the stock of social rented dwellings was smaller than that recorded for both London and England as a whole.
- 2.26 According to the 2001 Census, more than four-fifths of the Borough's dwellings are flats, much higher than the average for London. Only 14% of dwellings were terraced houses and less than 5% were semi-detached or detached dwellings.
- 2.27 The 2001 Census contains information about the size of properties (in terms of the number of rooms excluding bathrooms, toilets and hallways). The data shows that dwellings in the Borough tend to have fewer rooms than was the case regionally and nationally: only a third of dwellings had five or more rooms.
- 2.28 A good indication of the quality and price structure of the housing stock is the distribution of dwellings by Council Tax Band. Almost two-fifths of properties in the Borough fall into the highest Council Tax Bands. This is well above both the regional and national average, indicating the high property values in the Borough.
- 2.29 A certain level of vacant dwellings is necessary to ensure the housing market is dynamic. HSSA data indicates that the proportion of market dwellings vacant in Kensington and Chelsea is the same as the national figure although slightly higher than the regional figure.

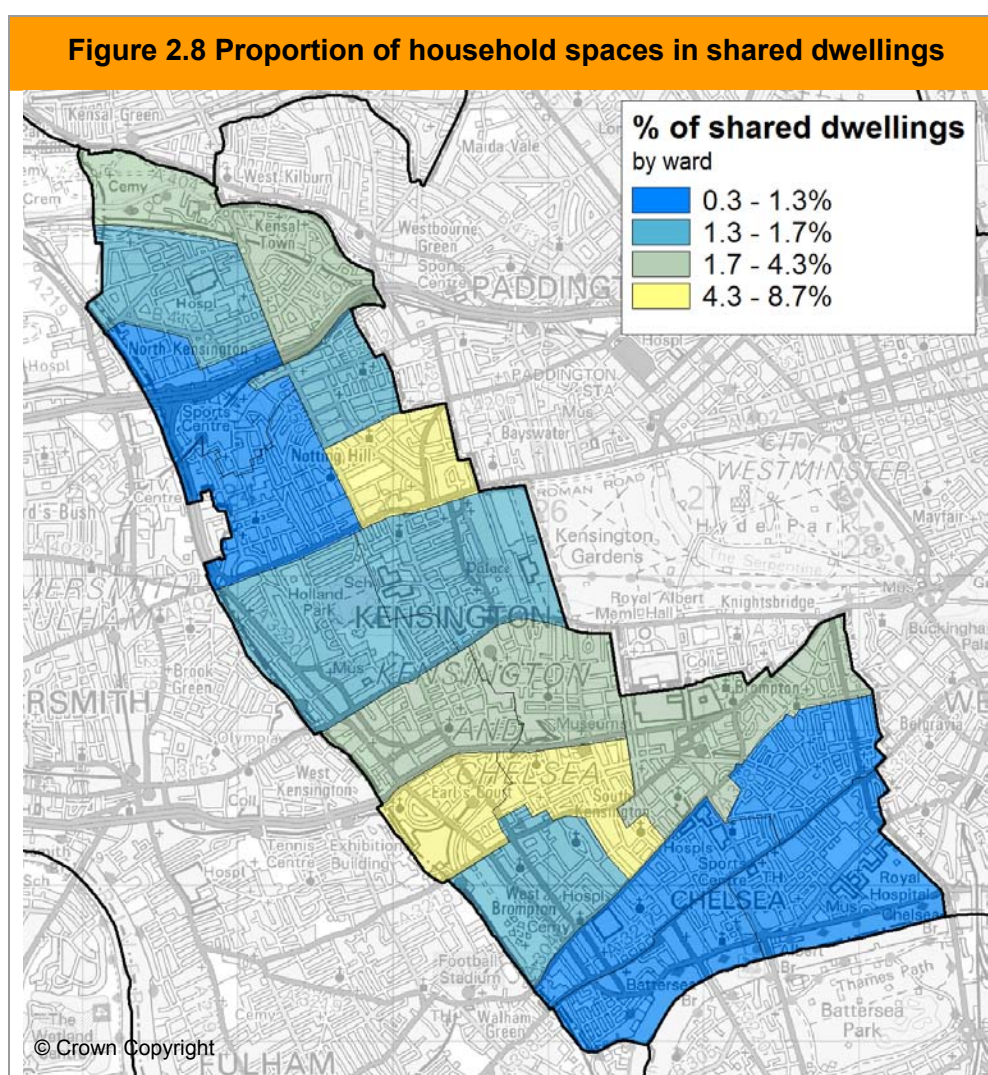
- 2.30 Shared dwellings are a household space within 'part of a converted or shared house' in which a household does not have exclusive use of a part of the dwelling (including bathroom and toilet). Almost 2,300 households in Kensington and Chelsea were sharing a dwelling at the time of the 2001 Census, amounting to 2.7% of the total. This small percentage of households is still notably higher than the regional and national figures however. Houses in Multiple Occupation are discussed in more detail in the following section.
- 2.31 Relating to the condition of the stock, the 2007/2008 HSSA reported that 4,096 dwellings in the Borough had a Category 1 hazard according to the Housing Health and Safety Rating System (HHSRS). The Housing Health and Safety Rating System (HHSRS) is a means of identifying faults in dwellings and of evaluating the potential effect of any faults on the health and safety of occupants, visitors, neighbours and passers-by. 'Excessive cold' is usually found to be one of the most common hazards. In order for dwellings to meet the Decent Homes Standard, they must not contain a Category 1 hazard (amongst other criteria).

Houses in Multiple Occupation (HMOs)

- 2.32 The Housing Act 2004 provides the legal definition of an HMO, and introduced a requirement for some HMOs to be registered. If a landlord lets a property which is one of the following types it is a House in Multiple Occupation:
- An entire house or flat which is let to three or more tenants who form two or more households³ and who share a kitchen, bathroom or toilet
 - A house which is being entirely used as bedsits or other non-self-contained accommodation and which is let to three or more tenants who form two or more households and who share kitchen, bathroom or toilet facilities
 - A converted building that contains one or more flats which are not wholly self contained (i.e. the flat does not contain within it a kitchen, bathroom and toilet) and which is occupied by three or more tenants who form two or more households
 - A building which is converted entirely into self-contained flats if the conversion does not meet the standards of the 1991 Building Regulations and less than two-thirds are owner-occupied

³ It should be noted that the definition of a 'household' under the 2004 Housing Act differs from the definition used in the household survey conducted by Fordham Research and used within this report. Under the 2004 Housing Act, only related people/couples living together are considered to be a 'household', therefore three friends living together would be considered as three households. The household survey definition of a household (which appears in the glossary) considers a group of people (not necessarily related) living at the same address and who share a living room and/or one meal a day to be a household.

- 2.33 As shown in Table 2.2, Kensington and Chelsea has a relatively high proportion of household spaces in a shared dwelling according to the 2001 Census. The map below shows the proportion of household spaces in shared dwellings in each ward. The wards to the east of Notting Hill and around Earls Court had the highest proportion of shared dwellings. The lowest proportions were found in the wards in the Chelsea area and to the west of Notting Hill.
- 2.34 There was some debate at the stakeholder events surrounding the issue of HMOs (in the form of bedsit-type accommodation). Some felt that they should be seen as an asset to the Borough, as a cheap form of private rented accommodation meeting the needs of low paid workers or students. The view was also expressed that some households choose to live in bedsit-type accommodation since it is generally cheaper than self-contained accommodation (this is supported by the analysis in Chapter 3, which suggested that in general bedsits do tend to be cheaper, particularly as bills are often included in the cost). Some stakeholders felt that the presence of bedsit-type accommodation was indicative of a lack of affordable housing in the area, however.



Source: 2001 Census

- 2.35 It is possible to use household survey data to provide an estimate of the number of HMOs described as shared house/shared flat accommodation⁴. The household survey estimated that there were 1,641 HMO shared flats/houses (1.9% of households). Less than 10% of these were student-only households.
- 2.36 The interviews with estate and letting agents revealed that Earls Court and Chelsea were popular amongst students, many living in shared houses (HMOs). However, student households were not thought to account for the majority of HMOs in the Borough. Ascertaining precise details about HMOs tended to be problematic, since estate and letting agents tended not to deal with house shares or bedsits. HMOs are more likely to be let via more informal methods e.g. websites such as a Gumtree, newspapers and local adverts.

⁴ Student-only households have not been excluded from this analysis

Summary

- i) GLA's Post London Plan (PLP) low projections estimate that between 2001-2006, the number of households increased at a similar rate to the population as a whole (around 2%). The average household size has therefore remained unchanged in recent years. In 2006, almost half of households were comprised of single people.
- ii) Kensington and Chelsea has a relatively large 'White Other' population (around a quarter of people) but a smaller non-White population than London as a whole.
- iii) Owner-occupation in Kensington and Chelsea at 43.7% is lower than national and regional equivalents. Around a quarter of households reside in the social rented sector and a quarter in the private rented sector, the latter being notably higher than the London average. Some 7.5% of the Borough's dwellings are second homes, considerably higher than the regional and national average.
- iv) The number of employee jobs in the Borough increased by around 3% between 1995-2007, lower than the regional and national increase, although the job density ratio is relatively high, suggesting that there are 1.23 jobs per working-age person living in the Borough. The 'distribution, hotels and restaurants' sector accounts for more than a third of employment within the Borough.
- v) Some 71.6% of the Borough's working residents are employed in senior, professional or technical occupations, much higher than regional and national equivalents. The average income of full-time employees living in the Borough was notably higher than for those employed in jobs located in the Borough. The level of unemployment at 5.0% is lower than the London average.
- vi) Survey results for household income estimate the median gross household income level to be £52,385 per annum, including households without any members in employment. This is noticeably lower than the mean income (£111,695 per annum). There is a vast range of incomes in the Borough, with almost 30% having an income of less than £20,000 and a similar proportion having an income in excess of £100,000.
- vii) The housing stock in Kensington and Chelsea is characterised by a large proportion of flats (82.5%), a small proportion of dwellings with five or more rooms (32.3%), a large proportion of dwellings in the highest Council Tax bands (39.7%) and a relatively large proportion of shared dwellings (2.7%).

- viii) HMOs and bedsits in particular were raised as an issue by stakeholders – there was some debate as to whether they should be seen as an asset to the Borough or whether their presence was indicative of a lack of affordable housing in the area. Analysis suggests that in general, bedsits tend to be cheaper than self-contained studios, particularly as bills are often included in the cost. HMOs were more likely to be let via more informal methods e.g. websites such as Gumtree, newspapers and local adverts, rather than through estate and letting Agents.

3. The current housing market

Introduction

- 3.1 This chapter initially considers the issues of migration and travel to work which are relevant to the Kensington and Chelsea housing market. The cost of housing in the Borough is then examined via Land Registry data and a survey of entry-level house prices, drawing on information from interviews with estate and letting agents regarding the current housing market. A comparison of the cost of different tenures and the income required to access them is used to identify the housing market gaps that exist – this enables the suitability of products within these gaps to be assessed.

Defining the Housing Market Area

- 3.2 PPS3 defines housing market areas as *“geographical areas defined by household demand and preference for housing. They reflect key functional linkages between places where people live and work”*.
- 3.3 As recognised by the CLG advice note ‘Identifying sub-regional housing market areas’ (March 2007) there is no single preferred methodology to defining housing market areas and a range of information sources should be considered. The most frequently adopted methodologies have been based upon household migration patterns and ‘travel to work’ areas. The advice note suggests the adoption of a pragmatic approach to identifying housing market areas, following local authority boundaries.
- 3.4 According to 2001 Census data, Kensington and Chelsea has a low level of self-containment⁵ in terms of migration; 29% of households moving into a dwelling in the Borough moved from another dwelling in the Borough, and 37% of households moving out of a dwelling in the Borough moved to another dwelling within the Borough⁶. The household survey suggests a higher level of self-containment, with around half of households planning a move within the next two years expecting to move within the Borough.
- 3.5 It should be noted that low self-containment levels are not unusual in London. According to the Census, around a third of London Boroughs have self-containment levels lower than 40%, although Kensington and Chelsea has amongst the lowest levels. Self-containment levels in the neighbouring Boroughs of Westminster and Hammersmith and Fulham show a similar pattern however, suggesting that Kensington and Chelsea is not an outlier.

⁵ Defined as the proportion of household moves taking place within the Borough

⁶ The outflow does not include households moving out of the UK

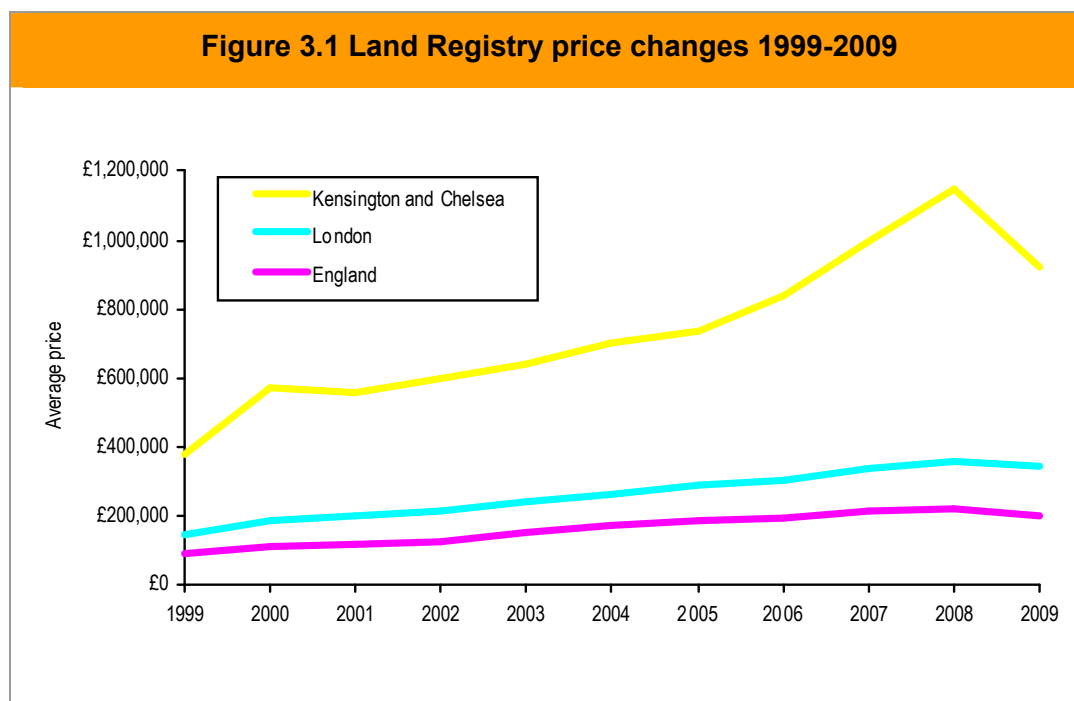
- 3.6 Census data suggests that there are strong links in terms of migration with neighbouring authorities, particularly Westminster and Hammersmith and Fulham, and to a lesser extent, the other authorities forming the West London sub-regional housing partnership⁷, as well as Wandsworth and Camden. However, the data also indicates that people move to and from Kensington and Chelsea to and from a wide variety of locations.
- 3.7 The relatively low levels of self-containment in Kensington and Chelsea are not exclusively due to families moving out of the Borough (which was expressed as an issue by stakeholders). Although Census data for Kensington and Chelsea suggests that households with dependent children do have a lower level of self containment than average (only 26% of such households moving out of a dwelling in the borough moved to another dwelling in the borough), households with dependent children only comprised 16% of all households moving out of the Borough.
- 3.8 In terms of commuting flows, data from the 2001 Census indicates that only 25% of all the people who work in Kensington and Chelsea also reside in the Borough; 34% of (working) Kensington and Chelsea residents work within the Borough. The household survey suggests that 40% of (working) Kensington and Chelsea residents work within the Borough.
- 3.9 Census data suggests that the largest outflows of (working) Kensington and Chelsea residents are to Westminster and the City of London. The largest in-flows are from people living in Hammersmith and Fulham and Wandsworth.
- 3.10 One stakeholder suggested that the relatively small overlap between those who both lived and worked in the Borough should be seen in the context of the Borough's geographical location and excellent transport links which made it easy to access employment in other Boroughs.
- 3.11 Whilst it is clear that Kensington and Chelsea forms part of the wider London housing market, for the purpose of this report, the boundary of the housing market will follow the recommendation of the advice note and is based on the Local Authority boundary.

Relative prices

- 3.12 According to data from the Land Registry, the mean house price in Kensington and Chelsea in Quarter 1 of 2009 was £918,352. This is the highest average price of all English local authorities, and compares to the London average of £344,170 and the national average of £200,539.

⁷ As stated in Chapter 1, the London Boroughs comprising the West London sub-regional housing partnership are Brent, Ealing, Hammersmith and Fulham, Harrow, Hillingdon, Hounslow and Kensington and Chelsea.

3.13 The figure below shows the change in mean prices since 1999 in the Borough, region and nation. The data shows prices increased significantly between 1999 and 2008 in all three cases. The average house price in Kensington and Chelsea almost trebled, rising by 203%. Average prices in London as a whole rose by 149% over the same time period whilst the national increase was 147%.



Source: Land Registry 1999-2009 (Quarter 1)

3.14 The figure also illustrates the recent decrease in average house prices, which Kensington and Chelsea experienced to a greater extent than regionally and nationally. In the last year, prices have fallen by around 20% in the Borough, compared to a 3% decrease in London as a whole and a 9% decrease nationally.

Interviews with Estate and Letting Agents

3.15 Around 15 Estate and Letting Agents in Kensington and Chelsea were interviewed during February 2009, in order for more qualitative information on the current housing market to be obtained. The headline findings are detailed below, while a fuller account is provided in Chapter S2 of the Supporting Report.

Sales market

- All agents reported a significant slowing in the sales market in Kensington and Chelsea, especially those dealing with the lower priced markets in the north of the Borough.

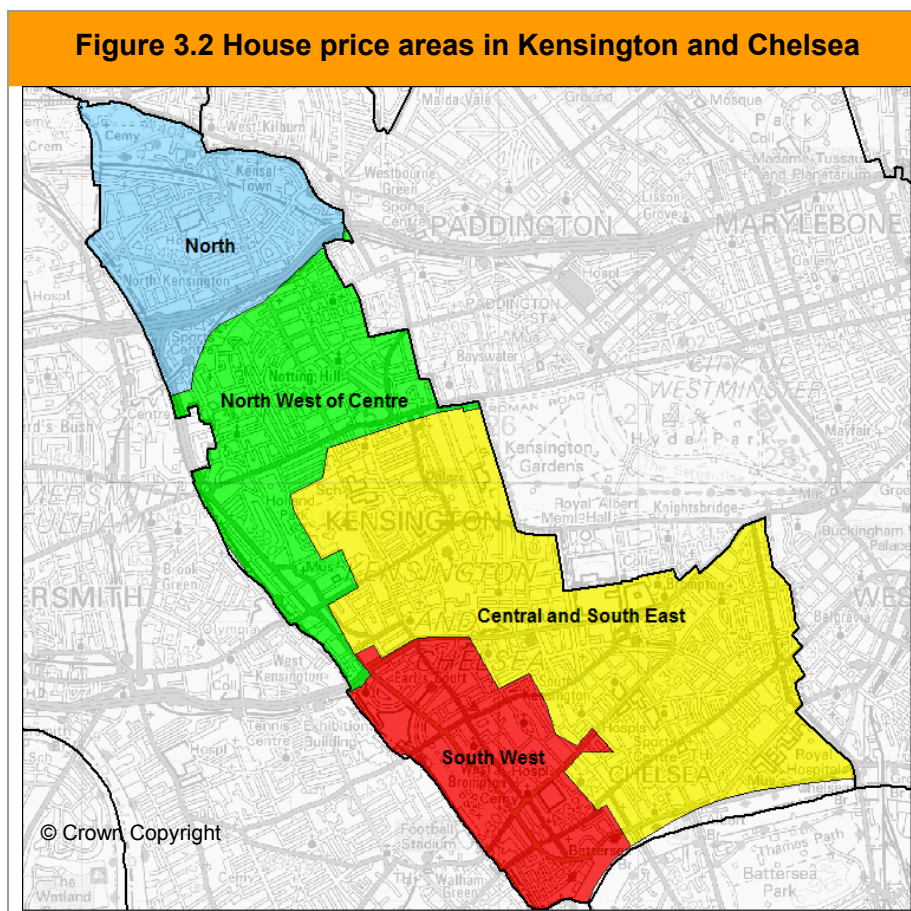
- Sales activity was reported to be dominated by buy-to-let investment buyers, particularly from outside the UK. Many agents reported an influx of Italian investors into high quality property in the Kensington, Chelsea, Notting Hill Gate and Brompton Road areas.
- The reduction in sales was thought to be both due to reductions in supply and demand; with many property owners made deciding not to sell due to the falling prices and renting out their property instead.
- The reduction in demand from private buyers was heavily influenced by the lack of credit. Mortgage lenders were requiring far higher deposits and agents suggested that deposit requirements of 50% were not unusual.
- Perceived risk of financial hardship was frequently cited as a reason for sales falling through. Employees of the financial services industry formerly looking for property in the area had pulled out as it became clear bonuses would not be paid this year.
- In total, prices were believed to have dropped by approximately 30% for equivalent properties since summer 2007. On average agents believed 10-15% was being taken from initial asking prices, if recently valued.
- Prices were found to be much lower in the far north of the Borough. Chelsea was the most expensive area to buy or rent, although Kensington came a close second. Proximity to tube stations and parks were a major factor in prices of individual properties.
- Two bedroom flats and three bedroom houses were reported to be in demand in the higher cost areas, while the bulk of enquiries in Earls Court and the north of the Borough were reported to be for smaller properties.

Rental market

- Agents reported an increase in the supply of properties to rent, resulting in substantial falls in average rents
- Most agents outside Chelsea reported surpluses of rented property of all types.
- The market in the north of the Borough remained busy, especially for cheaper lets, for example in former council property. One letting agent reported falls in demand as migrant workers returned home, possibly due to changes in the exchange rate.
- Some agents suggested that rental property was no longer being let at asking price, with discounts of 10% or more being common – some landlords had unrealistic expectations.
- A significant factor in the rental market in certain parts of Chelsea and Earls Court was the student market for Imperial College. This market was dominated by overseas students, and was highly seasonal.

Sub-markets within Kensington and Chelsea

3.16 Variation in the housing market across Kensington and Chelsea was examined via a range of sources, including Land Registry data, an online survey of house prices, interviews with estate and letting agents and consultation with stakeholders. These sources identified some clear distinctions in Kensington and Chelsea, with north of the Borough being the least expensive and the central and south-eastern parts of the Borough the most expensive. Overall four price areas were identified based on postcode boundaries – these are shown in the map below.

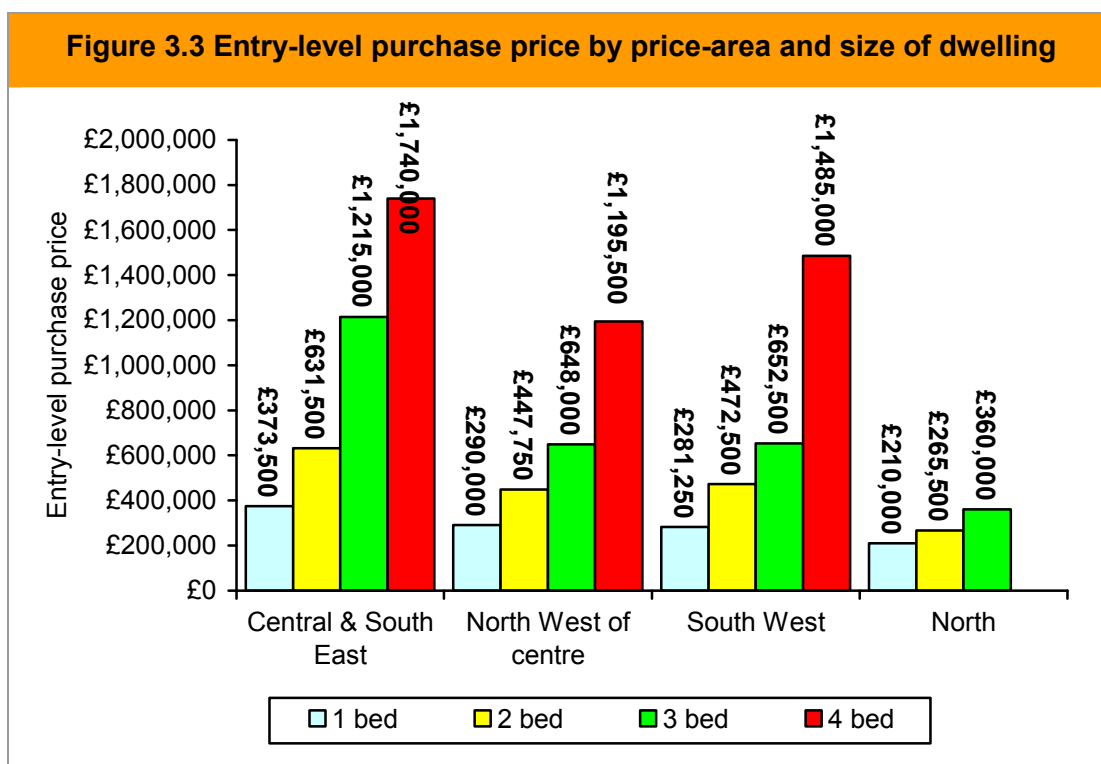


Source: Fordham Research 2009

The cost of housing in Kensington and Chelsea

3.17 To fully understand the affordability of housing within a price market it is necessary to collect data on the cost of housing by bedroom size. This allows the ability of households to afford market housing of the appropriate size (as determined by the statutory bedroom standard) to be assessed.

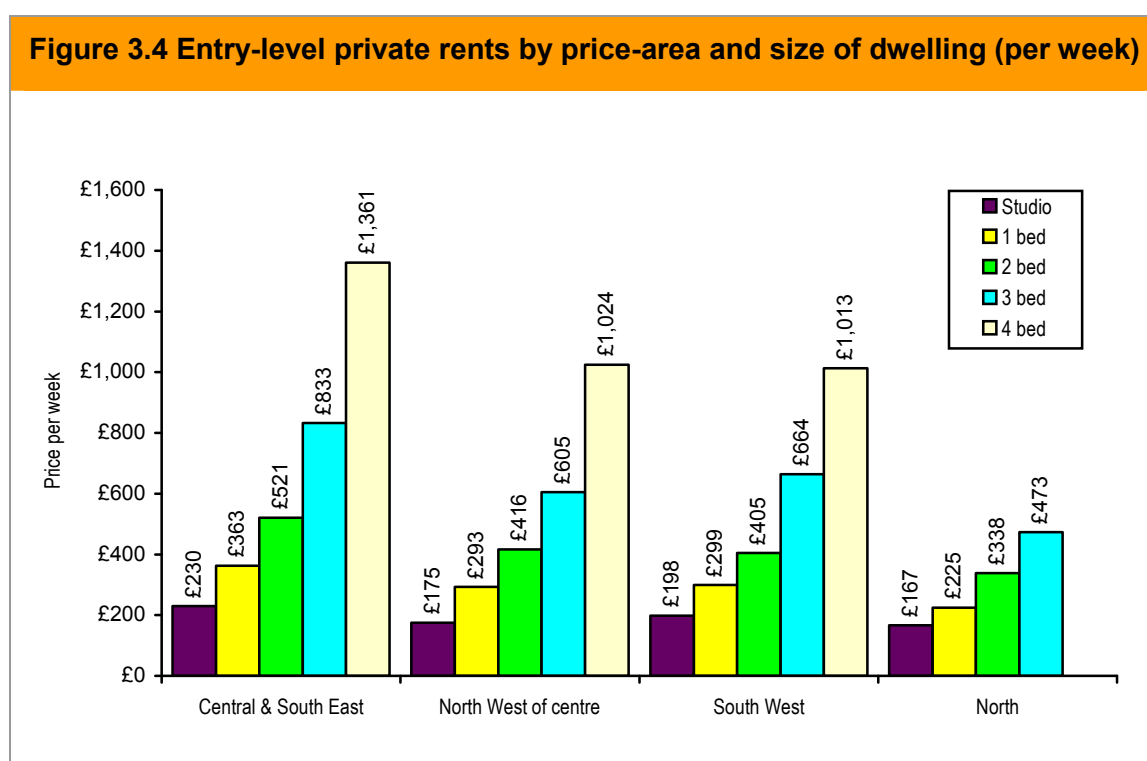
- 3.18 Entry-level costs were obtained by bedroom size for all market tenures in each price area via an online search of properties advertised for sale and to let during February 2009. These costs were qualified by the qualitative research with estate and letting agents in the area. In accordance with the Practice Guidance entry-level prices are based on lower quartile prices.
- 3.19 The entry-level price for owner-occupied property across the price areas of Kensington and Chelsea is presented in the figure below. The data shows that there are some significant variations in entry-level prices within the Borough, with an entry-level three bedroom property in the North area being cheaper than an entry-level one bedroom property in the Central and South East area.



Source: Online estate agents survey, February 2009

- 3.20 It should be noted that the supply of four bedroom properties to purchase was deemed insufficient for dwellings at the entry-level to be considered as an option within the North area. Households living in the North area requiring a four bedroom property were tested in terms of their ability to afford four bedroom accommodation in the next cheapest area, for the purposes of affordability testing.
- 3.21 As a guide, the average purchase price of a four bedroom dwelling in the North was approximately £800,000 – this figure is based on a small sample and, as stated above, is provided purely for the Council’s information and is not used in the affordability test.

- 3.22 Whilst studios have been included as an option in the private rented sector (below), the supply of studios to purchase was small, therefore studios have not been included in the test for home ownership affordability. As a guide, the average purchase price of a studio was around £250,000. This figure is provided purely for the Council's information. Due to the small sample of properties involved it is not possible to break this information down further by area.
- 3.23 The entry-level weekly cost of private rented accommodation is presented in the figure below. The data shows a similar pattern to the purchase prices, with the North the least expensive area. The entry-level cost to rent a studio in each area has also been included.



Source: Online letting agents survey, February 2009

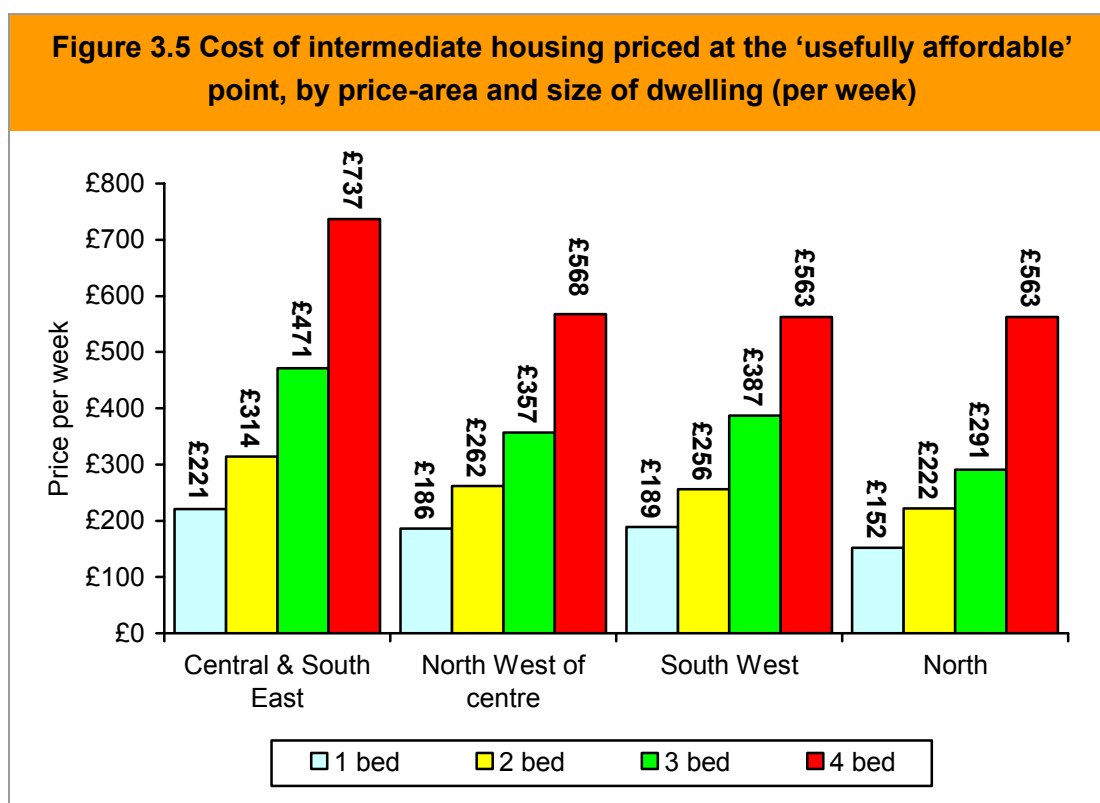
- 3.24 Again, the supply of four bedroom properties to rent was deemed insufficient for dwellings at the entry-level to be considered as an option within the North area. Households living in the North area requiring a four bedroom property were tested in terms of their ability to afford four bedroom accommodation in the next cheapest area, for the purposes of affordability testing.
- 3.25 As a guide, the average rental cost of a four bedroom dwelling in the North was approximately £530 per week – this figure is based on a small sample and, as stated above, is provided purely for the Council's information, and is not used in the affordability test.

- 3.26 The cost of bedsit accommodation in the Borough was also examined. Tenants of bedsits typically share a WC and may also share other facilities. Bedsits were found to range in price from between £110-195 per week, depending on size, condition and location. The average cost was around £150 per week, which usually included some or all bills. There was some variation by price-area, with the average in the two northern areas equating to approximately £130 per week and in the two southern areas around £165 per week (with the latter figure being based mainly on bedsits in Earls Court, as there were very few located elsewhere in the southern price-areas).
- 3.27 In general therefore, bedsits tend to be cheaper to rent than self-contained studios (for which entry-level rental costs are shown in Figure 3.4), particularly as bills are often included in the cost of a bedsit. The figures relating to bedsits are provided for information only, since non-self contained accommodation is not used in the affordability test.
- 3.28 The cost of social rented accommodation by dwelling size in Kensington and Chelsea can be obtained from Continuous Recording (CORE) which is a national information source on social rented lettings. Table 3.1 illustrates the cost of recent social rented lettings in Kensington and Chelsea. As can be seen the costs are significantly below those for private rented housing indicating a significant potential gap between the social rented and market sectors.

Table 3.1 Social rented costs in Kensington and Chelsea	
Bedrooms	Rent (per week)
1 bed	£79
2 bed	£107
3 bed	£110
4 bed	£113

Source: CORE 2007/2008

- 3.29 To assess the potential suitability for intermediate housing products in Kensington and Chelsea, the cost of such accommodation has been based on the mid-point between the cost of social rented and the cost of entry-level market housing. This is referred to as the 'usefully affordable' point by Fordham Research, as it represents a cost at which it is feasible to produce intermediate housing that will be affordable to a reasonable proportion of households unable to access the market, therefore providing a genuine step on the housing ladder.

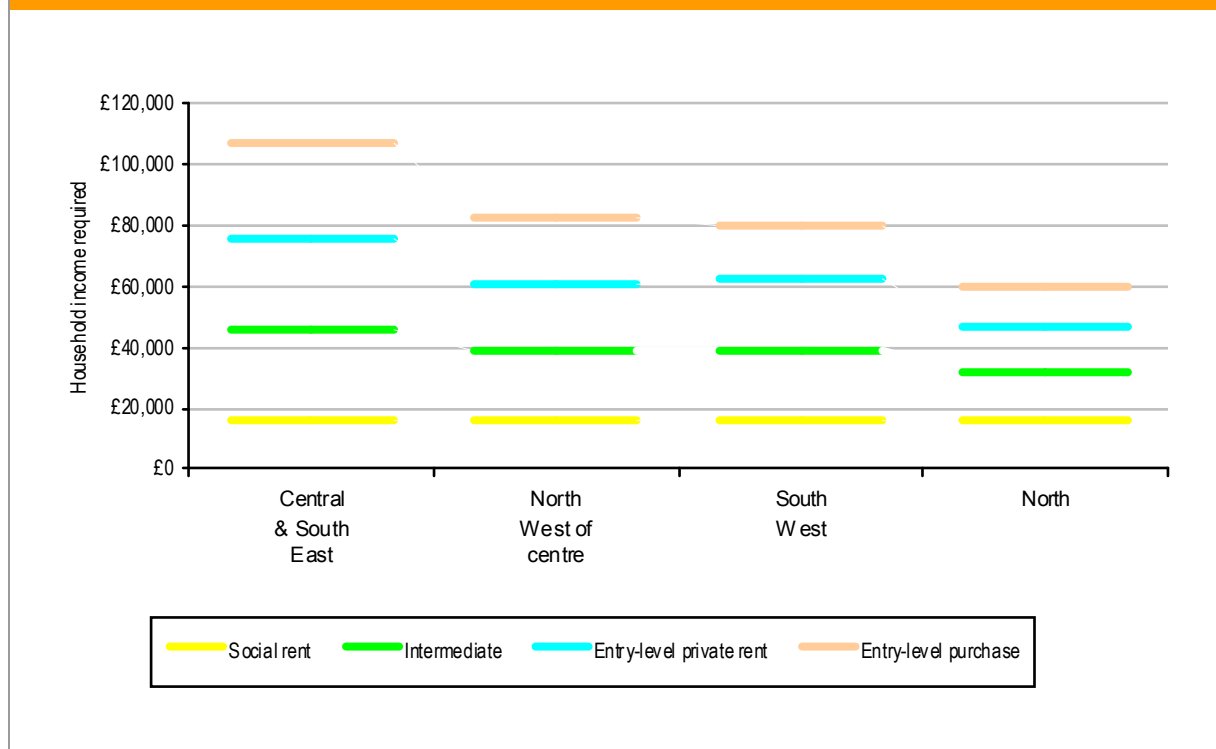


Source: Derived from online estate and letting agents survey, February 2009 and CORE 2007/2008

Analysis of housing market 'gaps'

- 3.30 Housing market gaps analysis has been developed to allow easy comparisons of the income required to access properties in 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.
- 3.31 The figure below illustrates the housing ladder that exists for a one bedroom property in each of the price areas in the Borough. Given the very low interest rates at the time of this study, it was deemed more appropriate to compare the costs of different types of housing in terms of the income required. To do this we have divided the entry-level property price by 3.5 to get an income figure and multiplied the annual rent by four to produce a comparable figure. This latter step was carried out for both social and market rents.
- 3.32 The table below shows a comparison of the likely income requirements per household for different types of housing (based on prices/rents for one bedroom accommodation). Measurement of the size of the gaps between these 'rungs of the ladder' helps assess the feasibility of households moving between the tenures - the smaller the gaps, the easier it is for a household to ascend the ladder.

Figure 3.6 Household income required to access one bedroom housing in Kensington and Chelsea



Source: Online estate and letting agents survey, February 2009; CORE 2007/2008

- 3.33 In all areas except the North, the cost of entry-level market accommodation is more than three times the cost of social rented accommodation, which indicates that intermediate housing (priced at the ‘usefully affordable’ point) could be beneficial to a number of households. One stakeholder commented that the steps on the ladder were too large between social and market rent and that there were people who could afford to move if there were more options available.
- 3.34 The figure shows that in all areas, the income required to purchase housing is around a third higher than the income required in order to access entry-level private rented accommodation. The rent/buy gap is largest in the Central and South East area, where the income requirement to purchase housing is 40% higher than the requirement to rent privately. It should be noted that no account has been taken for the need for a deposit in these figures, which is likely to be a further barrier to purchasing a home, particularly in the case of first-time buyers.

The super-prime residential market

- 3.35 As has been shown in Chapter 2, the Borough is distinct, with a significant proportion of residents working in senior/professional occupations and earning high incomes. Property prices are the highest in the country and the Borough has a relatively large number of second homes. Although the Borough is extremely polarised, the wealthy are nonetheless part of the Borough's distinct character.
- 3.36 Whilst the assessment of housing need focuses on the cost of entry-level market housing, it is also of interest to consider the super-prime residential market in the Borough. According to Knight Frank's 2009 London Residential Development Review, the super-prime sector has peaked in terms of prices, with falls starting in September 2008, and by early 2009 price decreases became more in line with those experienced across the wider central London market.
- 3.37 According to Knight Frank, the reactions of the super-rich elite are thought to be mixed, although for most City employees, fear of redundancy may reduce their willingness to acquire property. According to the interviews we undertook with estate and letting agents, this was also having an effect on the rental market. Less well presented larger properties were proving difficult to let, even in Chelsea. This was partly because wealthy families were no longer seeking short-term lets in such areas, and business from relocation agencies had largely dried up.
- 3.38 On the other hand, Knight Frank report that the weak pound is contributing to increased demand from European and American investors in many of London's prime markets⁸. This was backed up by the interviews we undertook with Estate and Letting Agents, with some agents reporting that sales activity was almost entirely dominated by buy-to-let investment buyers from abroad. An influx of Italian investors into high quality property in the Kensington, Chelsea, Notting Hill Gate and Brompton Road areas was reported by a number of agents. They were buying throughout the market, although not the most expensive properties. Agents reported that wealthy investors would consider the area a reliable long-term investment.
- 3.39 Knight Frank predict that the super-rich demographic will increase in future years, despite a possible slowing over the next few years. As such, demand for super-prime properties is set to increase. The supply of such properties is predicted to shrink however as premier sites become a finite resource. Interviews with Estate and Letting Agents confirmed that very little new build is currently taking place in Kensington and Chelsea.

⁸ Prime central London: the London Boroughs of Camden, The City of London, Hammersmith and Fulham, Kensington and Chelsea and Westminster

Summary

- i) Whilst it is clear that Kensington and Chelsea forms part of the wider London housing market, for the purpose of this report, the boundary of the housing market will follow the recommendation of the CLG advice note and is based on the Local Authority boundary.
- ii) According to data from the Land Registry, Kensington and Chelsea had the highest average house price in England at £918,352 in Quarter 1 of 2009. The increase in the average house prices was more marked than regional and national increases between 1999-2008; the same is true of the decrease in the average house price over the last year (2008-2009).
- iii) A number of Estate and Letting Agents were interviewed across the Borough. Almost all reported a significant drop in sales activity in recent months, with a subsequent increase in the supply of rental properties available.
- iv) Within the Borough itself there are distinct variations. The most expensive entry-level house prices were identified in the Central and South East part of the Borough and the least expensive in the North of the Borough.
- v) The analysis of housing market gaps suggests that entry-level market housing is more than three times the cost of social rented accommodation in three of the four house price areas, indicating that intermediate housing (priced at the 'usefully affordable' point) could be beneficial to a number of households in ascending the housing ladder.
- vi) The super-prime residential market is also characteristic of Kensington and Chelsea; whilst demand has slowed due to current economic conditions, there is still evidence of interest from foreign investors. It is suggested that the super-prime supply will shrink in future years, potentially resulting in unmet demand in this sector.

4. The active market

Introduction

- 4.1 This chapter provides an understanding of how the housing market functions in Kensington and Chelsea. Initially, affordability is assessed for different groups of resident households. The chapter then examines evidence for pressure in the housing market in terms of households living in overcrowded accommodation. The chapter also considers turnover rates and how different tenures facilitate mobility. The role of the private rented sector is then considered in more detail.

Affordability

- 4.2 Assessing the affordability of market housing in an area is crucial to understanding the sustainability of the housing market. Poor affordability can result in the loss of employees from an area, an increase in poverty and a high number of households requiring assistance with their housing either via a social rented property or through Local Housing Allowance. This can also result in a loss of mix and balance in the population within the area.
- 4.3 Although price/income ratios are an established measure of affordability, they tell us relatively little about affordable housing requirements in an area when considered in isolation, as they omit two essential elements of affordability that affect most households: savings and owned equity. Since over half of households have owned housing for at least a decade, the dynamics of the housing market can only be understood by looking at all three elements; this is termed 'financial capacity' by Fordham Research.
- 4.4 Financial capacity is calculated as: $\text{income} \times 3.5 + \text{savings} + \text{equity}$. The income is multiplied by 3.5 as this is the typical multiplier used to assess a household's ability to purchase a home. The table below provides the median financial capacity figures by tenure. The response to the survey's income question was good with 79.8% of respondents answering this question. The response to the survey savings question was similarly good, with 76.1% of respondents answering this question.
- 4.5 The data shows that owners without a mortgage (often retired) have a much higher overall ability to buy than those (typically younger) with a mortgage, but the latter have much higher incomes. Both have a far greater financial capacity than households in the rented sector. It is clear that the financial capacity of both social renters and private renters will prohibit the majority from being able to consider buying a home in the Borough.

Table 4.1 Median financial information by tenure

Tenure	Median annual gross household income	Median savings	Median equity	Financial capacity
Owner-occupied (no mortgage)	£73,216	£186,606	£783,102	£1,225,964
Owner-occupied (with mortgage)	£114,162	£34,982	£403,193	£837,742
Social rented	£9,136	£303	-	£32,280
Private rented	£67,249	£5,793	-	£241,166
Average	£52,385	£14,277	£633,462	£831,087

Source: RBKC household survey, Fordham Research 2009

4.6 Financial information is presented in the table below for households in each of the four house price areas identified in Chapter 3. (A median equity figure has not been provided as not all households were owner-occupiers). Households in the Central and South East area had noticeably higher median income and savings levels than households in the other three areas. Households in the North had particularly low median income and savings levels.

Table 4.2 Median financial information by price-area

Price area	Median annual gross/household income	Median savings
Central & South East	£82,256	£33,783
North West of centre	£39,419	£11,243
South West	£47,704	£22,617
North	£15,391	£424
Average	£52,385	£14,277

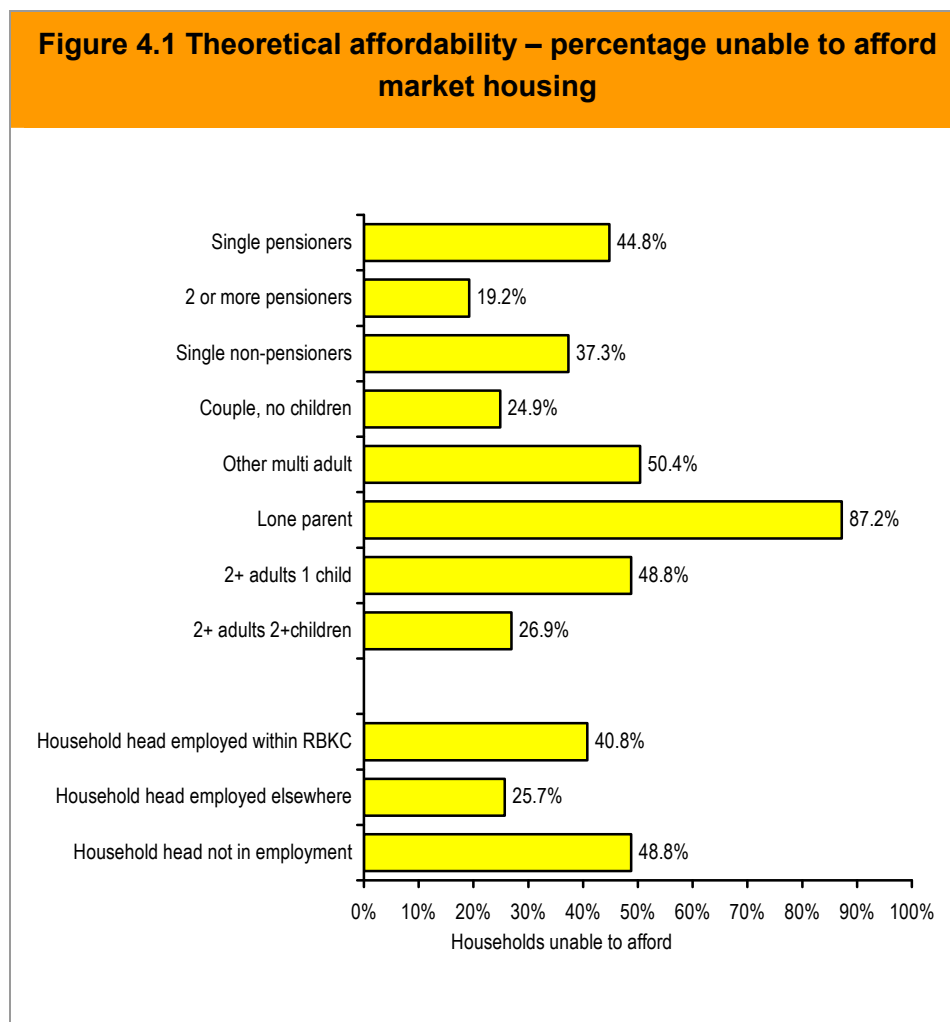
Source: RBKC household survey, Fordham Research 2009

4.7 The household survey contains an estimate of the overall financial capacity of each household in the Borough. This information can be used to examine the ability of households to afford housing locally, based on the affordability criteria set out in the Practice Guidance and presented below.

Assessing whether a household can afford home ownership: A household is considered able to afford to buy a home if it costs 3.5 times gross household income. Allowance is also made for any access to capital that can be used towards home ownership (e.g. savings or equity).

Assessing whether a household can afford market renting: A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than 25% of gross income.

- 4.8 The figure below shows the current affordability of households by household type and location of employment of household head. This is the theoretical affordability of households as the analysis considers all households in the Borough and does not take into account their intention of moving.



Source: RBKC household survey, Fordham Research 2009

- 4.9 The data indicates that almost 90% of lone parent households in the Borough would be unable to afford market housing (if they were to move home now). Households that contain two or more pensioners and childless couple households are most likely to be able to afford market housing in Kensington and Chelsea. One stakeholder commented that whilst one of the Council's aims was to keep a mixed and diverse population in the Borough, it was obvious that certain groups were being priced out of the Borough.
- 4.10 Some 40.8% of households headed by someone employed in Kensington and Chelsea would be unable to afford market housing in the Borough (if they were to move now) compared to 25.7% of households headed by someone employed outside of Kensington and Chelsea.

Overcrowding and under-occupation

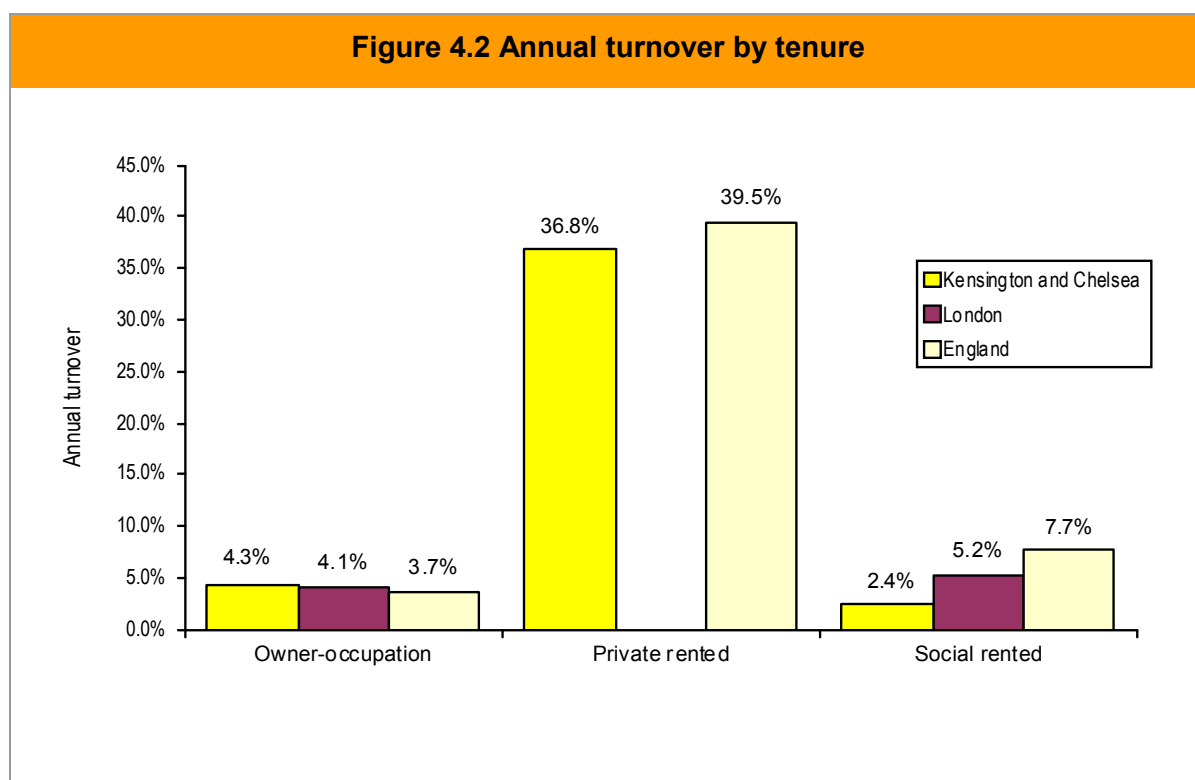
- 4.11 Using data from the household survey it is possible to study levels of overcrowding based on the bedroom standard. Essentially this is the difference between the number of bedrooms needed to avoid undesirable sharing (give the number of household members and their relationships to each other) and the number of bedrooms actually available to the household. The bedroom standard also provides the opportunity to look in more detail at households who under-occupy their dwelling.
- 4.12 The standards used to check for overcrowding and under-occupation were as follows:
- **Overcrowding:** each household was assessed as to the number of bedrooms required. Any household without enough bedrooms was deemed to be overcrowded.
 - **Under-occupation:** households with more than one spare bedroom are deemed to be under-occupied.
- 4.13 The household survey indicates that in Kensington and Chelsea some 5.5% of households are overcrowded (higher than the latest national estimate from the Survey of English Housing of 2.5%) and 16.4% of households are under-occupied.
- 4.14 Survey data further suggests that overcrowded households are more likely to be living in social rented accommodation; some 62.8% of all overcrowded households were in the social rented sector. Overcrowded households are particularly likely to state a need or likelihood of moving home over the next two years.
- 4.15 Information from the survey indicates that just 8.4% of under-occupied households in Kensington and Chelsea intend to move to smaller property within the next two years.

Turnover

- 4.16 It is important to measure the flow of dwellings available for residence in an area. This indicates how market activity in Kensington and Chelsea compares with other areas and demonstrates the role of the different tenures within the Borough.
- 4.17 A range of data sources provide information on the rate of turnover across the three main tenures in Kensington and Chelsea.
- Information on the number of property sales according to the Land Registry can be compared against the current owner-occupied stock estimate derived as part of the household survey to derive a turnover rate for owner-occupation

- Data on the number of relets and the total occupied stock recorded in the 2007/2008 HSSA is used to calculate a turnover rate in the social rented sector
- There is no source of secondary data on the turnover rate in the private rented sector at a local level with the Survey of English Housing only containing a national estimate. Therefore this figure is obtained from data collected within the household survey on the number of households within this tenure that have moved into their home within the last year⁹.

4.18 The annual turnover rates obtained from these sources are presented in the figure below. It is clear that private tenants are much more mobile than social renters or owner-occupiers. This implies that the private rented sector is important for the fluidity of the housing market. The rate of turnover recorded in Kensington and Chelsea within the owner-occupied sector is slightly higher than the national average, whilst within the social and private rented sectors it is lower. One stakeholder commented that the settled social rented population was a stark contrast to the transient private rented population and suggested that the only thing constant was the presence of the poor.



Sources: Land registry; HSSA 2007/2008; Survey of English Housing; RBKC household survey, Fordham Research 2009

⁹ Student households have not been excluded from this analysis

The private rented sector

- 4.19 The high turnover recorded in the private rented sector shows the importance of the sector in facilitating mobility in the market. Analysis of the household survey dataset shows that overall 75.8% of moves occurring in the Borough within the last two years involved private rented accommodation.
- 4.20 It is important to note that as well as accommodating those who choose and can afford to live in the sector, private rented properties also accommodate those that technically require affordable housing. As the supply of affordable accommodation is insufficient to house all those who need an affordable home, some households rent privately with financial support towards their housing costs via Local Housing Allowance (LHA) (formerly Housing Benefit).
- 4.21 Nationally, the size of the benefit supported private rented sector has increased since the end of the Council house building programmes of the late 1980s. The survey estimates that there are about 2,857 households in the private rented sector claiming LHA in Kensington and Chelsea, and these households constitute 10.8% of all households in this tenure. The proportion of households in the private rented sector claiming LHA in Kensington and Chelsea is noticeably lower than the national average of a fifth recorded in the 2006 Survey of English Housing. However, as the private rented sector as a whole in Kensington and Chelsea is around three times larger than the national average, the proportion of private rented households claiming LHA as a proportion of all households is similar to the national average (around 3%). The characteristics of these households are quite distinct from other households within the tenure, therefore it is valuable to briefly illustrate the difference between the two sets of households within the private rented sector.
- 4.22 The table below shows that 28.0% of private rented households claiming LHA are households with children, whilst households with children constitute 16.0% of those in the private rented sector without LHA. Pensioner households also form a greater proportion of private rented households claiming LHA than private rented households without LHA. Conversely multi-adult households without children form a greater proportion of private rented households without LHA than private rented households claiming LHA. Overall single non-pensioner households make up over half of households in the private rented sector claiming LHA.

Table 4.3 Private renters: household types

Household type	LHA		No LHA		Total	
	H'holds	%	H'holds	%	H'holds	%
Single pensioners	398	13.9%	758	3.2%	1,156	4.4%
Two or more pensioners	0	0.0%	278	1.2%	278	1.1%
Single non-pensioners	1,434	50.2%	9,225	39.3%	10,660	40.5%
Two or more adults – no children	225	7.9%	9,455	40.2%	9,680	36.7%
Lone parent	379	13.3%	422	1.8%	801	3.0%
Two or more adults, one child	123	4.3%	1,864	7.9%	1,988	7.5%
Two or more adults, two or more children	296	10.4%	1,490	6.3%	1,787	6.8%
Total	2,857	100.0%	23,492	100.0%	26,349	100.0%

Source: RBKC household survey, Fordham Research 2009 N.B. Student households have not been excluded from this analysis

- 4.23 Information from the survey indicates that the median annual household income of those in the private rented sector claiming LHA is £7,084, whilst for those resident in the private rented sector not claiming LHA the figure is £71,847. A similar disparity is recorded for median household savings (£16 for households claiming LHA and £8,263 for other households in the private rented sector).
- 4.24 The table below shows the turnover in the private rented sector. The turnover for the private rented sector claiming LHA is lower than the non-LHA stock. Overall it is estimated that 28.6% of LHA tenants in the private rented sector move each year, this compares with 37.8% of non-benefit tenants.

Table 4.4 Turnover of private renters

	LHA	No LHA	Total
Number moving in past year	818	8,880	9,698
Number of households	2,857	23,492	26,349
Estimated annual turnover rate	28.6%	37.8%	36.8%

Source: RBKC household survey, Fordham Research 2009
N.B. Student households have not been excluded from this analysis

Summary

- i) Lone parent households are the least likely to be able to afford market accommodation locally. Households headed by someone employed within the Borough are less likely to be able to afford market housing in the Borough than households headed by someone employed outside of Kensington and Chelsea.
- ii) The rate of overcrowding in the Borough at 5.5% is higher than the national average (2.5%). Overcrowded households are more likely to be found in the social rented sector.
- iii) The annual rate of turnover in the private rented sector in Kensington and Chelsea at 36.8% is much higher than that recorded in both the social rented and owner-occupied sectors (2.4% and 4.3% respectively).
- iv) The survey estimates that around 10% of private rented sector households are recipients of Local Housing Allowance (LHA). These households have a lower turnover rate than private rented sector households not in receipt of LHA.

5. Housing need

Introduction

- 5.1 Housing need is a term created in the mid-1990s to help provide a means-tested estimate of the requirement for affordable housing in an area. It is defined in PPS3 as *“the number of households who lack their own housing or who live in unsuitable housing and who cannot afford to meet their housing needs in the market”*. This chapter will calculate the size of the housing need in Kensington and Chelsea and the type of accommodation most appropriate to meet this need.

Estimate of net annual housing need

- 5.2 The Practice Guidance outlines the 16 steps that must be completed to obtain all of the information required to calculate the annual estimate of housing need. The table below presents the results at each of these 16 steps (a detailed explanation of how each of these figures was calculated is presented in the supporting report).

Table 5.1 Housing needs assessment model for Kensington and Chelsea

Stage and step in calculation	Notes	Number
STAGE 1: CURRENT NEED (Gross)		
1.1 Homeless households and those in temporary accommodation		768
1.2 Overcrowding and concealed households	Two steps	
1.3 Other groups	taken together	6,487*
1.4 Total current housing need (gross)	1.1+1.2+1.3	7,255
STAGE 2: FUTURE NEED		
2.1 New household formation (gross per year)		1,800
2.2 Proportion of new households unable to buy or rent in the market		61.7%
2.3 Existing households falling into need		2,401
2.4 Total newly arising housing need (gross per year)	2.1x2.2+2.3	3,512
STAGE 3: AFFORDABLE HOUSING SUPPLY		
<i>Current supply</i>		
3.1 Affordable dwellings occupied by households in need		4,032*
3.2 Surplus stock		0
3.3 Committed supply of affordable housing		85
3.4 Units to be taken out of management		0
3.5 Total affordable housing stock available	3.1+3.2+3.3+3.4	4,117
<i>Future supply</i>		
3.6 Annual supply of social re-lets (net)		463
3.7 Annual supply of intermediate housing available for re-let or resale at sub-market levels		14
3.8 Annual supply of affordable housing	3.6+3.7	477

Source: RBKC household survey, Fordham Research 2009; various secondary sources

* As required by Guidance, 4,032 affordable dwellings occupied by households in need are included in steps 1.2/1.3 but are then netted off in Stage 3.1. The supporting report provides more detail.

- 5.3 The Practice Guidance states that these figures need to be annualised to establish an overall estimate of net housing need. The first step in this process is to calculate the net current need. This is derived by subtracting the estimated total stock of affordable housing available (step 3.5) from the gross current need (step 1.4). This produces a net current need figure of 3,138 (7,255-4,117).
- 5.4 The second step is to convert this net backlog need figure into an annual flow. The Practice Guidance acknowledges that this backlog can be addressed over any length of time although a period of less than five years should be avoided. For the purposes of this study the quota of five years proposed in the Practice Guidance will be used. Therefore to annualise the net current need figure, it will be divided by five. This calculation results in a net annual quota of 628 (3,138/5) households who should have their needs addressed.
- 5.5 The final step is to sum the net annual quota of households who should have their needs addressed with the total newly arising housing need (step 2.4) and subtract the future annual supply of affordable housing (step 3.8). This leads to an annual need estimate of 3,663 (628+3,512-477). These figures are summarised in the table below.

Table 5.2 Summary of housing needs assessment model

Element		Number
Current need	(Step 1.4)/5	1,451
Current supply	(Step 3.5)/5	823
Net current need		628
Future need	(Step 2.4)	3,512
Future supply	(Step 3.8)	477
Net future need		3,035
Total net annual need		3,663
Total gross annual need		4,963
Total gross annual supply		1,300
Total net annual need		3,663

Source: RBKC household survey, Fordham Research 2009; various secondary sources

Type of affordable accommodation required

- 5.6 The type of affordable products available to meet this housing need can be grouped into three broad categories – social rented housing, intermediate rent and intermediate products based on an equity share (and requiring a capital sum).
- 5.7 Households were tested for their ability to afford intermediate housing priced at the ‘usefully affordable’ point¹⁰. Households were deemed able to afford intermediate housing where the intermediate housing cost was less than a quarter of their gross household income (the test for rental affordability). Any household able to afford intermediate housing that also has access to £20,000 or more in capital is assumed to be eligible for an equity-based product. The remainder are assumed to be eligible for intermediate rent. Any household that is unable to afford intermediate housing is assumed to require social rented accommodation.
- 5.8 A range of households¹¹ were tested for their ability to afford these products, in order to obtain the most robust profile of their suitability for households in need. Account was also taken of the likely supply of these products and a net requirement for each product type was calculated. This information is presented in the table below.

¹⁰ Defined in Chapter 3 as the mid-point between the cost of social rented and entry-level market housing

¹¹ The groups tested were all households unable to afford market housing, future moving households unable to afford market housing, households in current need and households in future need. A crude average was taken across these groups, in order to compensate for the small sample sizes involved when considering intermediate affordability of households in need.

Table 5.3 Social rented and intermediate housing requirements in Kensington and Chelsea

	Equity-based intermediate products	Intermediate rent	Social rented	Total
Total gross annual need	157	392	4,414	4,963
Total gross annual supply	22	6	1,272	1,300
Net annual need	135	386	3,142	3,663
% of net shortfall	4%	11%	86%	100%

Source: RBKC household survey, Fordham Research 2009; various secondary sources

- 5.9 The table shows that only 549 (11.1%) households in gross housing need are able to afford intermediate housing in the Borough. However, the vast majority of affordable supply comes from the social rented sector (97.8%) meaning that it is more likely that a household requiring a social rented property will have their needs met.
- 5.10 The table suggests that of the total additional affordable housing to be provided in Kensington and Chelsea to meet housing need, 4% should be equity-based intermediate products, 11% intermediate rented accommodation and 86% social rented housing.
- 5.11 The table below shows the gross requirement for social rented and intermediate housing products within each of the four house price areas identified in Chapter 3, following the same methodology for gross housing need described above for table 5.3.
- 5.12 The information suggests that households in need in the North West of Centre and North areas are less likely to be able to afford an intermediate product than households in need in the Central and South East area. The data suggests that within the intermediate sector, just over a third of households in need in the Central and South East area are able to afford an equity-based intermediate product, in the North West of Centre and North areas the majority of households able to afford intermediate housing would only be able to afford intermediate rent.

Table 5.4 Social rented and intermediate housing requirements in Kensington and Chelsea by house price area (gross)

	Equity-based intermediate products	Intermediate rent	Social rented	Total
Central & South East	6.6%	11.8%	81.6%	100.0%
North West of Centre	0.1%	4.2%	95.7%	100.0%
South West	2.6%	7.2%	90.2%	100.0%
North	0.6%	4.9%	94.4%	100.0%
Total	3.2%	7.9%	88.9%	100.0%

Source: RBKC household survey, Fordham Research 2009; various secondary sources

5.13 The figures in the table above are gross – they do not take into account the existing supply of different affordable housing types within each area. Given that social housing is currently concentrated in the north of the Borough (as can be seen in figure 2.3), the Council may wish to increase the provision of intermediate housing in the north of the Borough whilst increasing social housing provision elsewhere. Although the table above suggests that households in need in the North West of Centre and North areas are less likely to be able to afford an intermediate housing solution, it should be borne in mind that need does not necessarily have to be met in the area in which it arises.

Size of affordable housing required

5.14 Having established the overall need for affordable housing in the Borough it is necessary to consider the sizes of accommodation required. Data from the household survey can be used to assess this, although we have also considered data from the Common Housing Register provided by the Council. The table below shows the estimated need for different sizes of accommodation from four different groups. These are:

- Households currently or projected to be in need (from survey data)
- Households currently or projected to be in need (from survey data) who are also in a group likely to be considered as having a priority (pensioner households, households with children or households where someone has a special/support need)
- Households on the Common Housing Register in January 2009 (provided by the Council)
- Households on the Common Housing Register in January 2009 (provided by the Council) with 200 or more points (i.e. the households due to be re-housed soonest)

5.15 The tables below show some variation between the sources of data and groups studied although in all cases the majority of the requirement is for smaller (studios and one and two bedroom) units. Taking a crude average of all of these figures suggests that more than three quarters of the requirement is for smaller accommodation. However, all of these figures are gross and therefore do not take account of the supply of different sizes of accommodation, which as discussed in paragraph 5.18 is an important consideration because of the very low existing stock of large affordable, social rented, homes.

5.16 The size requirement resulting from the analysis of survey data is based on a strict bedroom standard (defined in the glossary), which takes no account of household preferences. Additionally, single person households in need have been assumed to require studio accommodation.

Table 5.5 Estimated size requirement for additional affordable housing (gross)

	Households in need	Households in need (priority)	Housing Register	Housing Register (200+ points)	Crude average
Studio	34.4%	10.7%	47.3%	30.0%	30.6%
1 bedroom	17.6%	24.0%	8.1%	10.5%	15.1%
2 bedrooms	27.1%	36.8%	25.9%	32.1%	30.5%
3 bedrooms	15.1%	20.6%	13.3%	15.5%	16.1%
4+ bedrooms	5.8%	7.9%	5.3%	12.0%	7.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: RBKC household survey, Fordham Research 2009 and RBKC

- 5.17 In order to obtain a net need figure by bedroom size, the likely supply of accommodation by bedroom size needs to be taken into account. This information is shown in the table below. The gross need figures by bedroom size have been derived by applying the crude averages shown in the table above to the gross need figure of 4,963. Data provided by the Council on the proportion of re-lets and new lets by bedroom size has been applied to the gross supply figure of 1,300.

Table 5.6 Estimated size requirement for additional affordable housing (net)

	Gross annual need	Gross annual supply	Net annual net	% of net annual need	Supply as a % of need
Studio	1,519	379	1,140	31.1%	25.0%
1 bedroom	748	409	339	9.3%	54.7%
2 bedrooms	1,512	378	1,134	31.0%	25.0%
3 bedrooms	800	115	685	18.7%	14.4%
4+ bedrooms	383	19	365	10.0%	4.9%
Total	4,963	1,300	3,663	100.0%	26.2%

Source: RBKC household survey, Fordham Research 2009 and RBKC

- 5.18 The table suggests that more than 40% of the net need is for studio or one bedroom accommodation, almost a third for two bedroom accommodation and almost 30% for three and four bedroom accommodation. The final column shows that the need relative to supply is greatest for larger (three and four bedroom) accommodation - less than 15% of the (gross) need for three bedroom accommodation is expected to be met from the existing stock, and for four bedroom accommodation less than 5% of the (gross) need is expected to be met from the existing stock.

Summary

- i) Following the steps of the needs assessment model specified by the Practice Guidance results in a net need estimate of 3,663 affordable dwellings per year in Kensington and Chelsea.
- ii) In terms of the type of affordable accommodation required, further analysis suggests that 14% could be intermediate (if priced at the 'usefully affordable' point) and the remaining 86% social rented. Almost three-quarters of the intermediate requirement is for intermediate-rented housing rather than an equity-based product. Households in need in the North and North West of Centre house price areas are least likely to be able to afford an intermediate housing solution.
- iii) An analysis of net need for affordable housing by bedroom size suggests that the need relative to supply is greatest for larger (three and four bedroom) accommodation. Less than 15% of the (gross) need for three bedroom accommodation is expected to be met from the existing stock, and for four bedrooms less than 5% of the (gross) need is expected to be met from the existing stock. This compares to a quarter of the need for studio and two bedroom units being met and more than half of the need for one bedroom units being met. The analysis also suggests that more than 40% of the net need is for studio or one bedroom accommodation, almost a third for two bedroom accommodation and almost 30% for three and four bedroom accommodation.

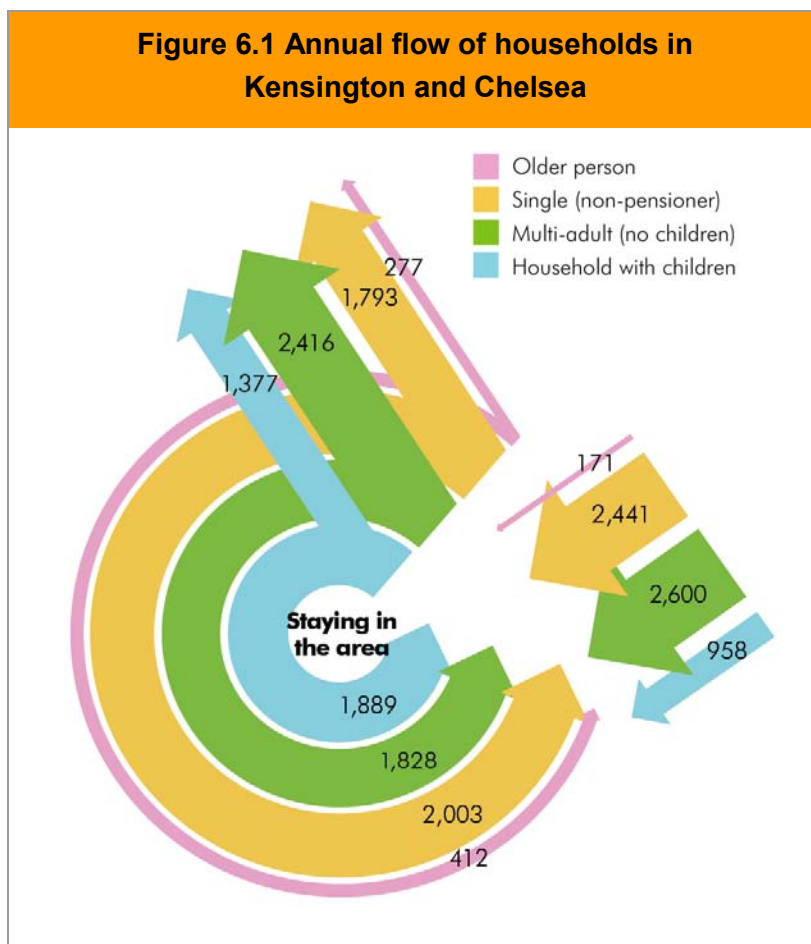
6. Future housing demand

Introduction

- 6.1 This chapter considers the likely demand for housing in the near future in Kensington and Chelsea, beginning with an analysis of the type of households moving through the market. Propensity and reasons for moving are considered and suggestions are made as to the tenure and dwelling size requirements likely to result from different types of households moving. The types of household requiring market housing is examined (in accordance with one of the requirements of PPS3), and finally a range of scenarios are presented relating to the impact of the housing market of local affordability relationships changing.

Current dynamics of the housing market

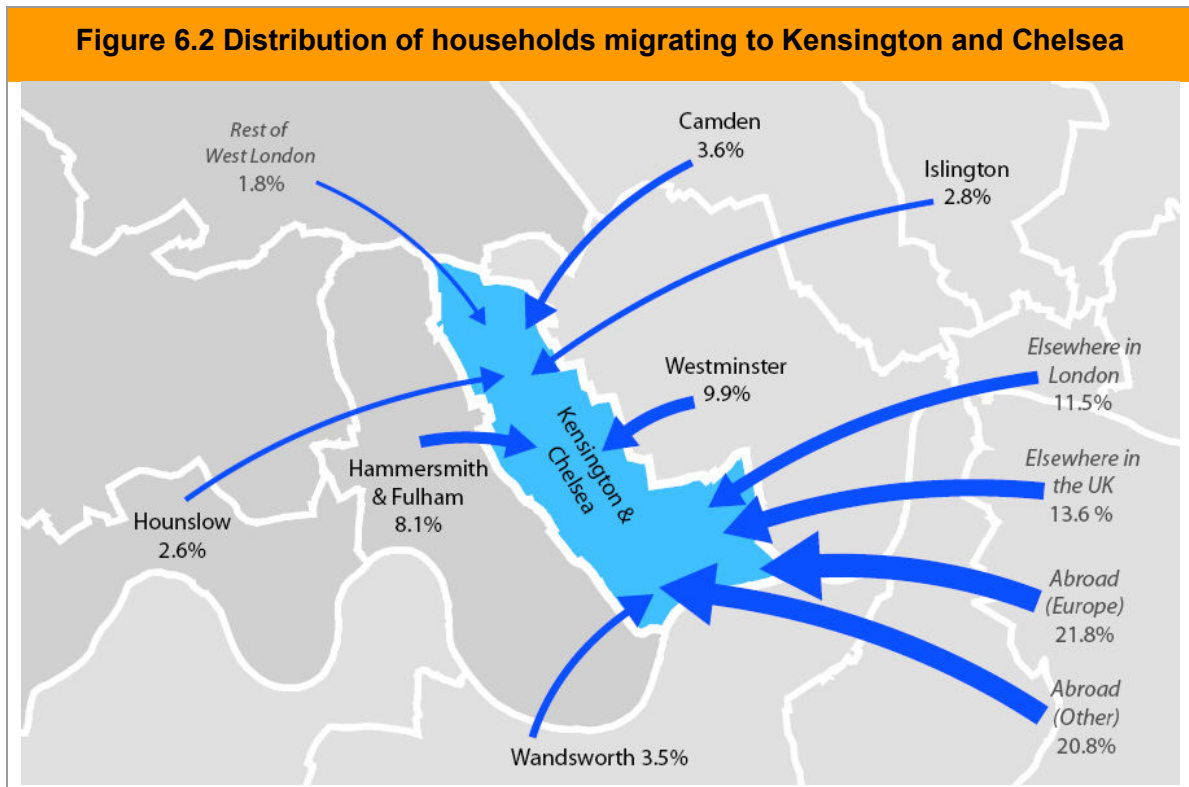
- 6.2 In terms of understanding how the demography of an area affects the housing market, it is necessary to examine the nature of households that move. The figure below presents a graphic illustration of the flow of households within the housing system in Kensington and Chelsea. This illustrates household change through migratory change.
- 6.3 The diagram shows the estimated movement of households into, out of and within the Borough (based on annualised household survey data over a two year period). The flows are distinguished according to the types of household. Data for in-migration is based on past trends whilst information about out-migration is based on households' future expectations.



Source: RBKC household survey, Fordham Research 2009

- 6.4 The figures presented are only approximations as the sample sizes do not permit very exact estimates. They should be taken to indicate the general magnitude of flows in the market. At that level they provide useful indications of housing market dynamics.
- 6.5 The profile of in and out-migration presented in the figure above suggests that there will be a net inflow of single (non-older) households and to a lesser extent multi-adult households without children. Conversely there will be a net out-flow of households with children and to a lesser extent older person households. Stakeholders identified the declining numbers of families and young people as an issue and suggested that there was a need to identify what is required to attract and retain these groups.
- 6.6 The net change in households due to migration does not provide the necessary information for indications of the likely net change in the number of households in the Borough. This will also be influenced by the function between the number of new households and the number of household dissolutions (i.e. death). Data from the household survey suggests that the net growth in households in Kensington and Chelsea due to 'natural change' is less significant than the net growth as a result of migration.

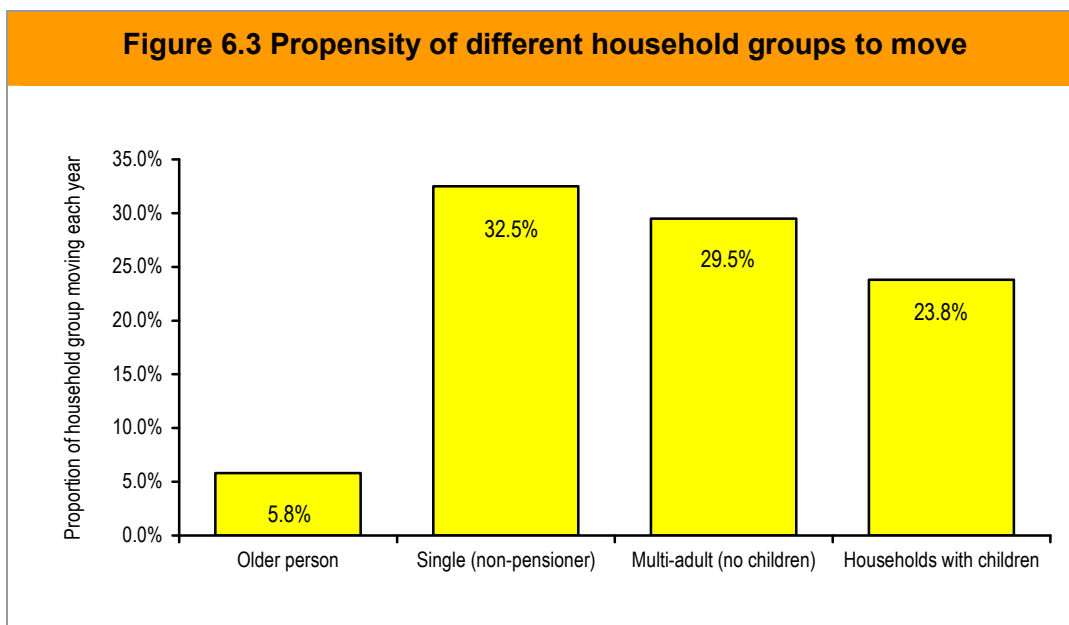
- 6.7 The map below shows the distribution of households migrating to Kensington and Chelsea in the last two years. More than 40% of households previously lived abroad (with around half of these previously living in Europe). Almost 44% of households moved from another London Borough, with the highest proportion moving from Westminster (almost 10% of all in-migrant households), followed by Hammersmith and Fulham (8.1% of all in-migrant households).



Source: RBKC household survey, Fordham Research 2009

Figures for individual London Boroughs are shown where these are above 2%. The results for Camden, Islington, Hounslow, Wandsworth and Rest of West London are based on a small sample size and should be viewed with caution.

- 6.8 To fully understand how changes in demography drive the market it is appropriate to examine the propensity of different household groups to move. The figure below presents the proportion of households in each group who moved within the last two years. (This analysis includes all moving households, not just in-migrant households).



Source: RBKC household survey, Fordham Research 2009

The percentages shown are of the following total numbers of households:

Older person - 17,790; Single (non-pensioner) - 23,458; Multi-adult (no-children) - 25,622; Households with children - 15,456

- 6.9 The data shows that across the Borough, single (non-older) person households are the most likely to move home, followed by multi-adult households without children. Older person households are the least likely to move. As was shown in Chapter 4 (figure 4.2), private rented households are much more likely to move than both owner-occupied and social rented households.
- 6.10 Although the reasons for moving are unique to each household, it is useful to understand the main motivations cited by different household groups. These illustrate the drivers for household moves experienced locally. The table below shows the three most commonly cited reasons for moving within each household group (the figures relate to households who needed or who were likely to move within the next two years). Figures may add up to more than 100% since households were able to select more than one reason for moving.

Table 6.1 Most frequently cited reasons for moving, by household type

Household type	Top 3 reasons for moving	% of household type	Number of households
Older person*	To move to a better environment	28.0%	385
	Current home is too small	23.3%	321
	Access problems (e.g. steps, stairs)	19.9%	274
Single (non-pensioner)	Current home is too small	42.7%	3,242
	To move to cheaper accommodation	29.7%	2,255
	To move to a better environment	16.4%	1,245
Multi-adult (no children)	Current home is too small	38.8%	3,294
	To move to cheaper accommodation	26.3%	1,718
	To move to a better environment	13.0%	3,119
Households with children	Current home is too small	68.8%	4,495
	To move to cheaper accommodation	24.9%	1,627
	To move to a better environment	17.8%	1,163

Source: RBKC household survey, Fordham Research 2009

*The number of moving older person households is small therefore findings for this group should be viewed with caution

- 6.11 All groups except older person households cited 'current home too small' as the main reason for moving, this applied to more than two-thirds of households with children. 'To move to cheaper accommodation' was also a contributing factor for all groups other than older person households and was cited as a reason by around a quarter of all three groups. Older person households were most likely to state 'to move to a better environment' as a reason for moving.
- 6.12 Repeating this analysis for the three main tenure groups reveals some interesting results. Almost three-quarters of owner-occupiers cited 'current home too small' as a reason for moving; this was also the most frequently cited reason for social rented households. Around 40% of private rented households cited 'to move to cheaper accommodation' as a reason for moving.

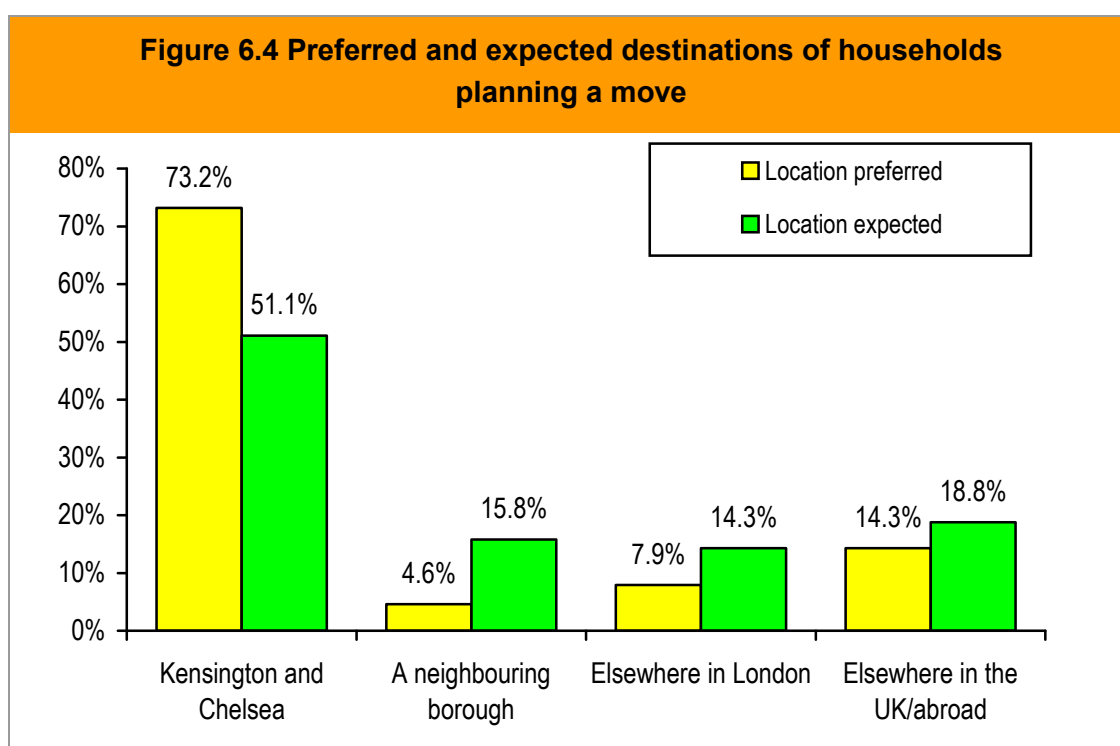
Table 6.2 Most frequently cited reasons for moving, by tenure

Tenure group	Top 3 reasons for moving	% of tenure group	Number of households
Owner-occupied	Current home is too small	72.3%	4,409
	To move to a better environment	20.6%	1,256
	Access problems (e.g. steps, stairs)	10.7%	653
Social rented	Current home is too small	46.8%	2,085
	To move to a better environment	32.9%	1,466
	Access problems (e.g. steps, stairs)	24.1%	1,074
Private rented	To move to cheaper accommodation	40.1%	5,388
	Current home is too small	36.2%	8,684
	To live closer to employment or other facilities	9.5%	2,279

Source: RBKC household survey, Fordham Research 2009

6.13 These results broadly concur with findings of Ecotec’s recent tenant profiling project (which surveyed a sample of Council tenants and those on the Common Housing Register), where respondents most frequently referred to their home being too small as a reason for moving. Other reasons included wanting better quality accommodation, a property with a garden, or accommodation suitable for people in wheelchairs or with other disabilities. High rents were cited by private rented tenants as a reason for moving.

6.14 Information on where households planning a move would both like and expect to move to was obtained through the household survey. The figure below shows that almost three-quarters of households planning a move would like to move within the Borough, but only half of moving households expected to.



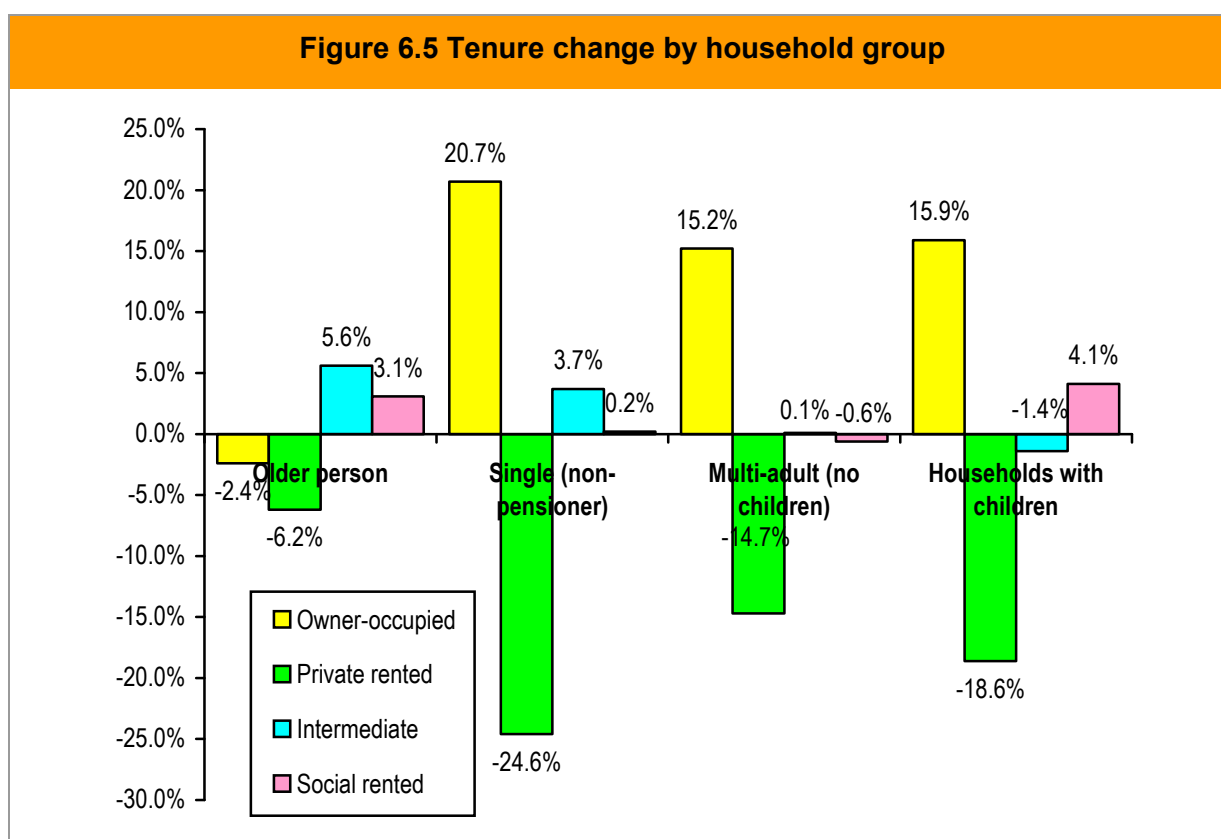
Source: RBKC household survey, Fordham Research 2009

6.15 Further analysis suggests that similar proportions of the three main tenure groups would like to stay in the Borough. However, there were more marked distinctions in terms of expectations, with social rented households most likely to expect to stay within the Borough (65.4%) and owner-occupiers the least likely (39.6%).

6.16 Ecotec’s tenant profiling project found that there was extremely strong ‘area loyalty’ expressed about the Borough. It was highly thought of, and residents referred to the ‘privileges’ of living in the area. Almost all tenants actively seeking a move at the time of the research wanted to move within the Borough. These tenants are described as being very static, with most having strong family ties, extended family and/or a long history in the area.

Impact of moving households

- 6.17 Now that the nature of household moves occurring within the market have been identified and the main motivations for moving have been discussed, the impact of these moves on housing demand can also be assessed.
- 6.18 This is achieved by comparing the expected tenure of existing households that need and/or are likely to move home in the next two years with their current tenure to derive a net tenure change exerted by the particular group of moving households. This information is presented in the figure below. The figure illustrates how people move through the housing ladder; it does not imply a requirement for additional housing.

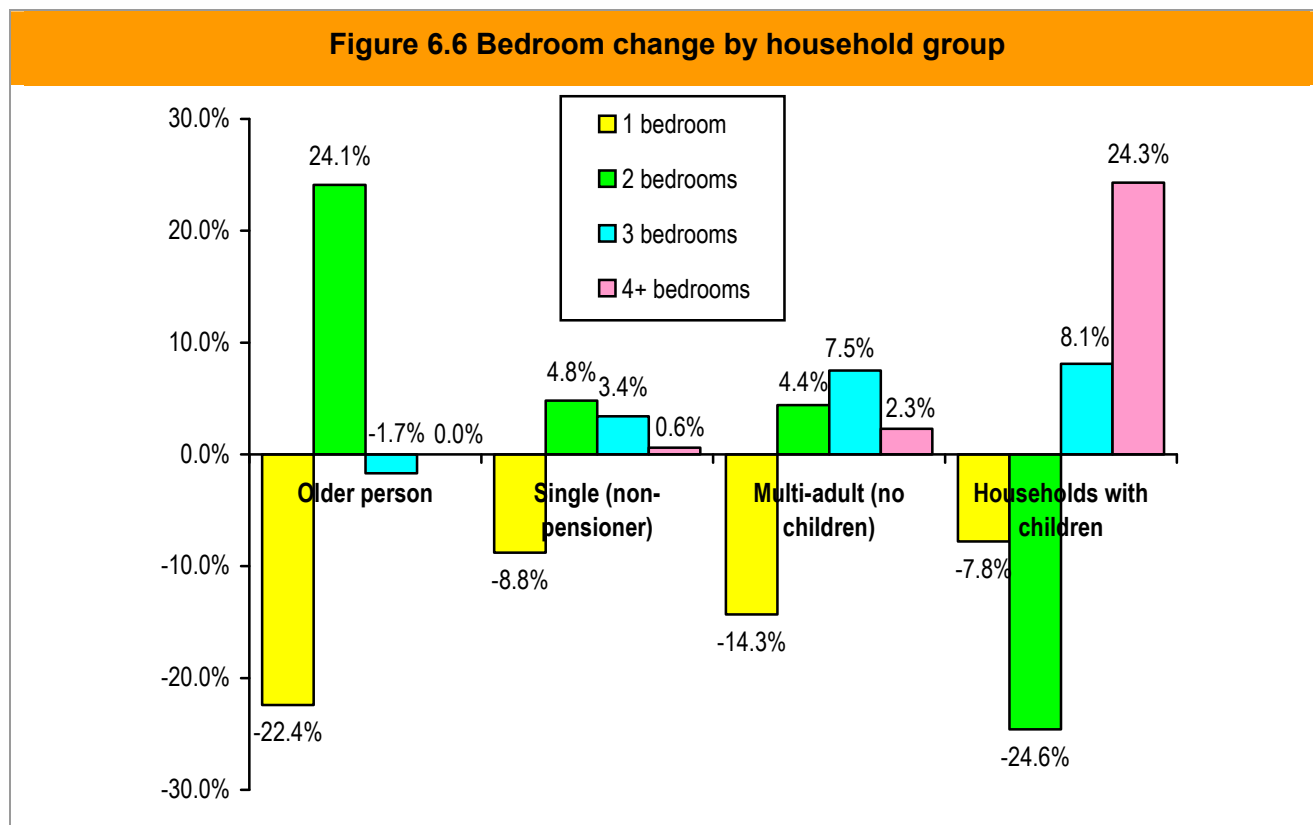


Source: RBKC household survey, Fordham Research 2009

N.B. The number of moving older person households is small therefore findings for this group should be viewed with caution

- 6.19 The figure shows for example that the proportion of moving single (non-pensioner) households that expect owner-occupied accommodation is 20.7% higher than the proportion of moving single non-pensioner households currently resident in the tenure (43.3% compared to 22.6%).
- 6.20 The analysis indicates that moving pensioner households are likely to result in a net demand for affordable housing. Moving non-pensioner households with and without children show substantial planned increases in ownership, largely from private renting. Moving households with children also show a net demand for social rented accommodation.

- 6.21 Although all household groups show a net surplus of private rented housing, this housing is usually filled by newly forming households entering the housing market.
- 6.22 An equivalent analysis can be presented to show the impact on dwelling size. The size of accommodation expected by existing households that need and/or are likely to move home in the next two years is compared with their current accommodation size to derive a net size change exerted by the particular group of moving households. This information is presented in the figure below. Again, the figure illustrates how people move through the housing ladder; it does not imply a requirement for additional housing.



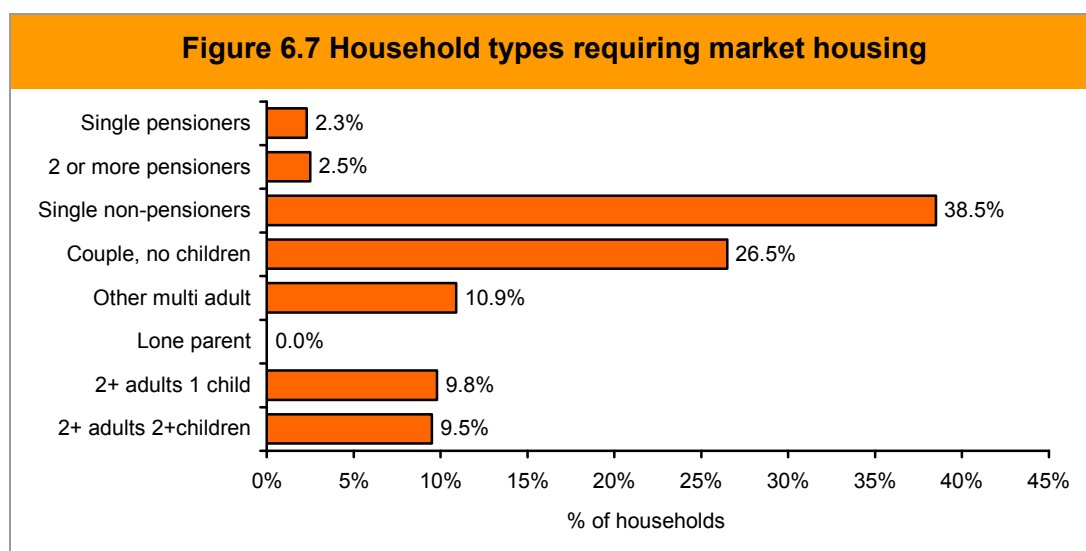
Source: RBKC household survey, Fordham Research 2009

N.B. The number of moving older person households is small therefore findings for this group should be viewed with caution

- 6.23 The data indicates that all moving household groups except older person households show an intention to upsize their current home, most notably households with children. Moving older person households are likely to result in a net demand for two bedroom accommodation at the expense of one bedroom dwellings.
- 6.24 Although all household groups show a net surplus of one bedroom housing, this housing is usually filled by newly forming households entering the housing market.

Profile of household types requiring market housing

- 6.25 The information presented in the previous section showed the changes resulting from existing households moving through the market. This analysis can be used alongside data from the survey on the housing demand arising from the other two groups of households moving in the market in the future – newly forming households and in-migrant households – to establish the type of households requiring market housing in the future. This is one of the outputs required by PPS3.
- 6.26 PPS3 requires the likely profile of household types requiring market housing to be considered. The figure below shows that the largest group requiring market housing are single non-pensioner households (almost 40%), and more than a quarter childless couples. These figures are comprised of existing households who are planning a move within the Borough within the next two years and who are currently able to afford market housing, as well as recent in-migrant and newly forming households.

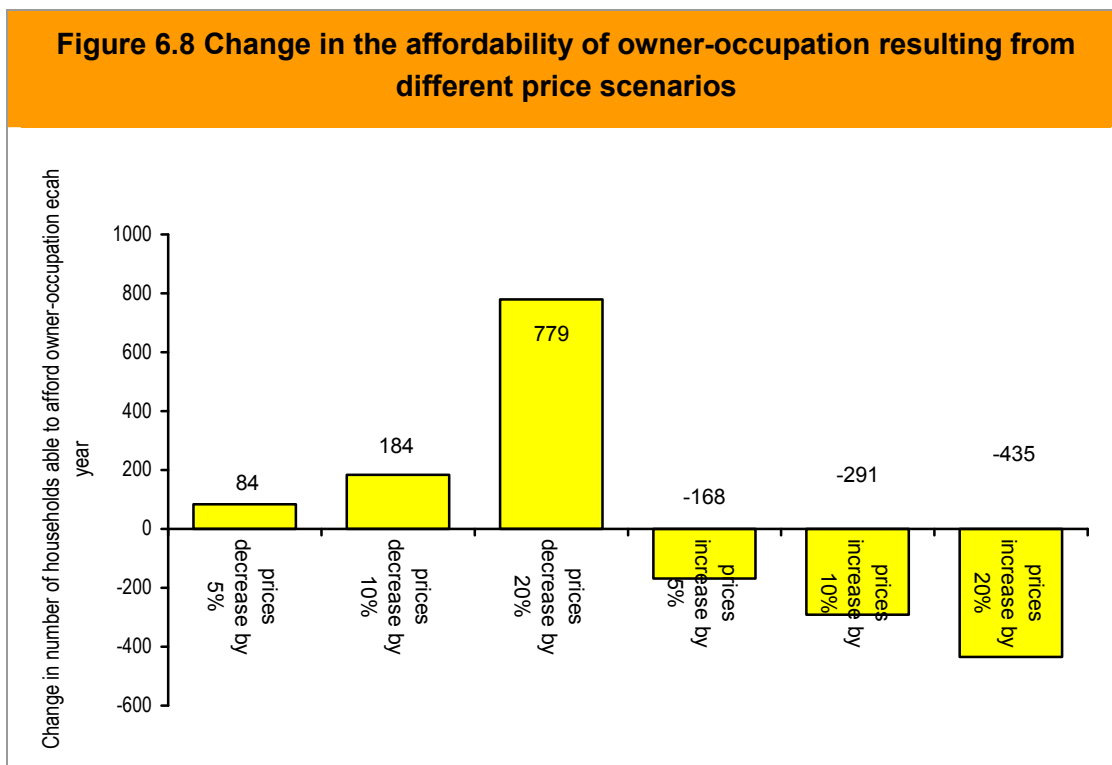


Source: RBKC household survey, Fordham Research 2009

- 6.27 Some 67.9% of these households moving to market housing would be able to afford either to rent or to buy a home. Just over a fifth of households (22.4%) would only be able to afford private rented accommodation and the remaining 9.7% of households would only be able to afford to purchase a property.

Future affordability scenarios

- 6.28 A range of scenarios have been modelled to examine the impact of changing housing market conditions on households living in Kensington and Chelsea. In line with the approach recommended in the Practice Guidance within the model, the income and savings levels of the household remain consistent; only the value of housing is adjusted. It is assumed that the adjustment to home values is equal across the market, hence the same percentage change is applied to both the cost of entry-level market housing and to the value of the equity held by any current home owners.
- 6.29 To investigate the impact on the market, the affect on the flow of households will be considered. Whilst all households are potentially affected by a change in market conditions, only those that are likely to move will adjust their housing circumstances as a result. The assessment therefore considers the same groups of households as that forming future market demand identified in the previous section – existing households who are planning a move within the Borough within the next two years, as well as recent in-migrant and newly forming households. The figures are then annualised. Under current conditions, 5,517 of these households are able to afford owner-occupation.
- 6.30 The scenarios considered are an increase and a decrease in market prices of 5%, 10% and 20% in line with that proposed in the Practice Guidance. The output is the change to the number of households that can afford owner-occupation, which is presented in the figure below.



Source: RBKC household survey, Fordham Research 2009

- 6.31 The figure above indicates that if prices were to decrease by 5% then an additional 84 households would be able to afford owner-occupation each year. If prices were to decrease by 10% an extra 184 households would be able to afford owner-occupation, whilst a decrease of 20% would make owner-occupation affordable for a further 779 households per year. This does not take into account whether the household would have sufficient funds for a deposit in order to secure a mortgage however.
- 6.32 When modelling these scenarios it is possible to investigate the potential destabilising effect of continued market uncertainty, by assessing the likely number of households that will fall into negative equity as a result of the reduction of the value of their home. However it is also important to consider the number of moving households in negative equity as these are the only households likely to be affected by it.
- 6.33 This is shown in the table below for the different house price fall scenarios. The data indicates that house prices in Kensington and Chelsea would have to fall by 20% before negative equity became a serious issue in the Borough. House price changes are however likely to adversely affect proportionally more owner-occupiers who are planning a move than owner-occupiers as a whole.

Table 6.3 Impact of fall in house prices on the extent of negative equity

Price scenario	Total number of households in negative equity	Proportion of all owners in negative equity	Number of moving households in negative equity	Proportion of moving owners in negative equity
No change to prices	178	0.5%	0	0.0%
Prices decrease by 5%	308	0.8%	86	1.4%
Prices decrease by 10%	526	1.4%	181	3.0%
Prices decrease by 20%	1,840	4.7%	586	9.6%

Source: RBKC household survey, Fordham Research 2009

Summary

- i) The profile of in and out-migration suggests that more single (non-older) households are entering the Borough than are leaving, while the reverse is true for households with children. Household growth in Kensington and Chelsea is driven more by migration than changes within the local population.
- ii) More than 40% of households who had recently migrated to Kensington and Chelsea previously lived abroad. Around 44% moved from another London Borough, with the highest proportion moving from Westminster (almost 10% of all in-migrant households), followed by Hammersmith and Fulham (8.1% of all in-migrant households).
- iii) Single (non-older) person households are the most likely to move home, with older person households being the least likely. 'Current home too small' is the most common reason cited for moving by most groups. Looking at the different tenure groups, this was also the reason for moving most likely to be cited by owner-occupied and social rented households, with private rented households more likely to cite 'to move to cheaper accommodation'.
- iv) Almost three-quarters of households planning a move stated that they would like to stay within the Borough, but only half of moving households expected to. Social rented households were the most likely to expect to stay within the Borough.
- v) An analysis of the tenure demand resulting from households intending to move in the near future to illustrate how people move through the housing ladder suggests that for most groups there are substantial planned increases in ownership. A similar analysis based on dwelling size suggests that most groups show an intention to upsize their current home, particularly households with children.
- vi) The type of households likely to require market housing in the future was examined, as requested by PPS3. Almost 40% of households requiring market housing were single non-pensioner households.
- vii) In terms of future affordability scenarios, a decrease in house prices of 5-10% would have little impact on the affordability of owner-occupation in the Borough. House prices in Kensington and Chelsea would have to fall by around 20% before negative equity became a serious issue in the Borough.

7. Improving market balance over the longer-term

Introduction

7.1 The previous chapters have identified the accommodation required to respond to short-term market pressures, this chapter considers what accommodation is required to provide housing market balance over the long-term. This is an important exercise because there is a lag in the planning system, which means that it is not possible to respond immediately to imbalances between the nature of accommodation required and the stock currently available. It is therefore appropriate to consider the intervention required to the housing stock over the long-term to enable future action to be planned effectively.

7.2 Although there is not a housing market model in the Practice Guidance, there is comment on the importance of studying mix and balance. This is summarised below before carrying out the analysis. The following extract from paragraph 20 of PPS3 addresses the issue of mixed communities:

'Key characteristics of a mixed community are a variety of housing, particularly in terms of tenure and price and a mix of different households such as families with children, single person households and older people.'

7.3 The SHMA Practice Guidance (August 2007) emphasises, as its second core output, the analysis of balance as can be seen from the following extract from page ten (repeated on page 34):

'Analysis of past and current housing market trends, including balance between supply and demand in different housing sectors and price/affordability.'

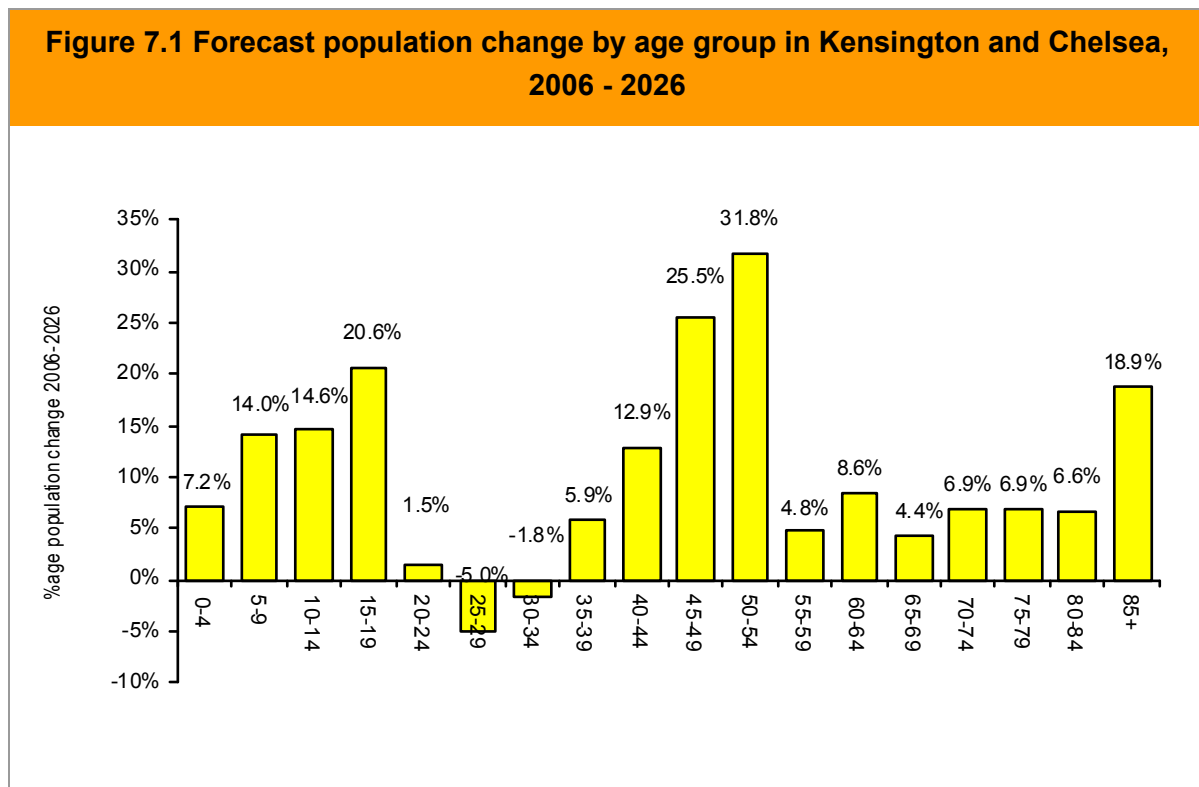
7.4 This chapter describes a model that uses secondary data in combination with the household survey dataset to compare the current housing stock against the stock of housing required in the future. The purpose of this model is to identify the new accommodation required to adequately house the future population in the Borough and ensure that the housing market is balanced.

7.5 This chapter will initially present the GLA population projections for Kensington and Chelsea and describe the changes that are predicted to happen, in terms of both its size and composition. The chapter then identifies the adjustment required to provide a sufficient range of accommodation to adequately house each household type and balance the housing stock. Finally the chapter quantifies the implications of providing the future population with a balanced housing stock.

Demographic projections

7.6 The GLA's 2007-based PLP low projections introduced in Chapter 2 indicate that the population within Kensington and Chelsea is projected to increase by 8.0% between 2006 and 2026 (an increase of almost 13,500 people).

7.7 Figure 7.1 shows the projected change within each 5-year age cohort between 2006 and 2026. The data suggests that there is likely to be a significant increase in the number of people aged 45-54, as well as in the number of 15-19 year olds and people aged 85 and over. The data also indicates that the number of 25-34 year olds will decrease. This may have implications for the proportion of economically active people living in the Borough.



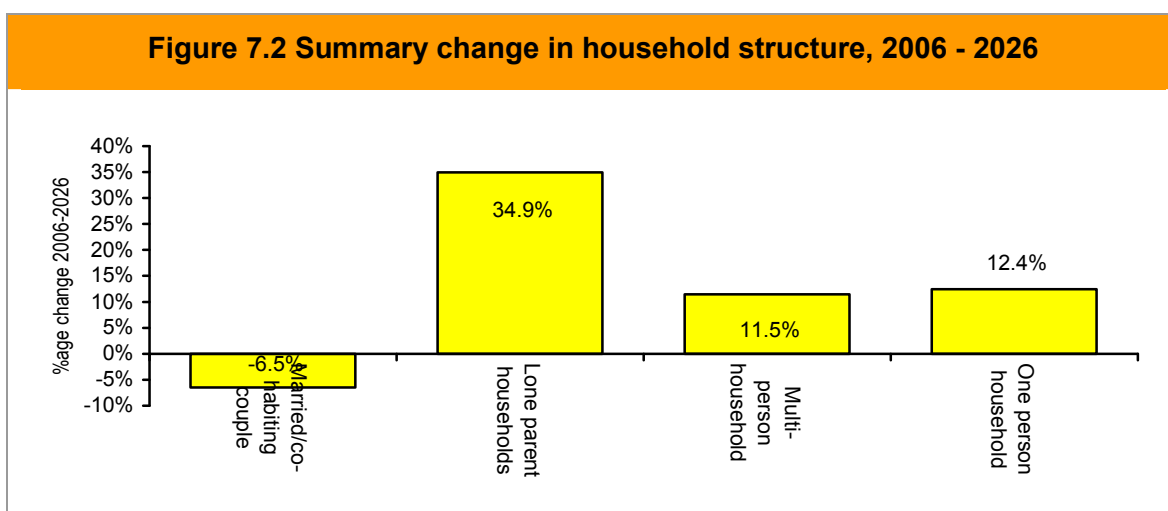
7.8 GLA (low) household projections suggest that the number of households is set to increase at a similar rate to the population. The figures suggest that the average household size will therefore remain at two persons per household over the next 20 years.

Table 7.1 Change in population, households and household size, 2006 to 2026

	2006	2026	% change
Population	164,805	178,487	+8.3%
Households	80,967	87,602	+8.2%
Average household size	2.0	2.0	-

Source: GLA Household and population projections – 2007 round PLP low

- 7.9 The household projections do however suggest that the structure of households may change over time. Whilst the table above suggests that the overall number of households is expected to increase by 8.2%, the figure below shows that this increase is not uniform across different household groups. The number of married/co-habiting couples is expected to decrease by 6.5%, whilst the number of lone parent households is expected to increase by more than a third. The number of single person and multi-adult households is also expected to increase by more than 10%.



Source: GLA Household projections – 2007 round PLP low

- 7.10 These population and household projections have been applied to the household survey dataset to provide an estimated household profile for twenty years time.
- 7.11 Before the accommodation requirements of the future population are calculated it is important to describe the approach used to create an accommodation profile adequate for each of these household types.

Adequacy of the housing stock

- 7.12 For the purpose of this model, the housing market is considered balanced if the local population is adequately accommodated. It is therefore initially appropriate to assess the adequacy of the current accommodation to house the residents of Kensington and Chelsea. This is determined through response to the household survey.

7.13 A household is considered adequately housed currently unless the household has indicated that they need to move home now because the accommodation is inadequate for the household. This is ascertained from the reason cited for the household moving. Household whose moves are caused by the accommodation size, cost and services available within it being currently unsuitable for the resident household are considered to be inadequately housed and to require alternative accommodation¹². The type, tenure and size of dwelling these households expect to achieve when they move are presumed to represent the nature of the accommodation that they require. It should be noted that the small number of households (353) who were assigned an alternative tenure as a result of this process were all assigned either social rented or intermediate accommodation – non were assigned market housing.

7.14 Some further adjustments are also made to remove over the long-term any undesirable elements of market imbalance that exist currently:

- Households that are overcrowded are assumed to require a property large enough for overcrowding not to take place¹³.
- Households in social rented accommodation that can afford market or intermediate accommodation are assumed to require this to ensure that the stock is being most appropriately and efficiently used.
- Households resident in the private rented sector on Local Housing Allowance (LHA) are assumed to move into the form of affordable accommodation that they can afford (intermediate or social rented) as this is the tenure they would be more appropriately housed in. The private rented sector on LHA is not an adequate long-term equivalent to affordable housing – analysis of survey data shows there is not the same security of tenure or quality of housing within the private rented LHA stock as within the social rented sector.
- Households resident in the private rented sector without LHA that identified that the cost of their current housing was a severe problem are assigned to a tenure that they can afford according to the Practice Guidance affordability test

7.15 The table below shows the proportion of each household type currently requiring alternative accommodation in order to be adequately housed. The table shows that some 8.7% of households are classified as inadequately housed currently. Lone parents are the household group least likely to reside in adequate accommodation, whilst all households containing two or more pensioners are currently adequately housed.

¹² These assumptions are applied to households in all tenures, since the model's purpose is to ensure that all households are adequately housed (i.e. representing the ideal situation), regardless of tenure. Where cost was identified as being a reason to need to move now, an adjustment was made to the household's tenure

¹³ This assumption is applied to households in all tenures

Table 7.2 Types of households inadequately housed currently

Household type	Number inadequately housed	All households	Proportion inadequately housed
Single pensioners	488	13,447	3.6%
2 or more pensioners	0	5,808	0.0%
Single non-pensioners	1,235	25,073	4.9%
2 or more adults - no children	2,217	27,808	8.0%
Lone parent	1,141	2,599	43.9%
2+ adults, 1 child	1,519	7,047	21.6%
2+ adults, 2+children	1,138	7,234	15.7%
Total	7,737	89,016	8.7%

Source: RBKC household survey, Fordham Research 2009

Tenure of housing required

- 7.16 Rather than prescribing the accommodation required to address the current mismatch between the household population and the current stock, the profile of suitable accommodation for each household type is applied to the household population in twenty years time. The model therefore assumes that the pattern of accommodation required by each household type remains constant.
- 7.17 The table below shows the ideal tenure profile in the Borough in 20-years time (if all households are to be adequately housed). The data shows that in 2028 the housing market should comprise 73.0% of market dwellings, 1.2% intermediate and 25.7% social rented.

Table 7.3 Ideal tenure profile in Kensington & Chelsea in 2028

Tenure	Number of households	Percentage of households
Market	65,007	73.0%
Intermediate	1,106	1.2%
Social rented	22,903	25.7%
Total	89,016	100.0%

Source: RBKC household survey, Fordham Research 2009

- 7.18 The table below shows the tenure profile required by households resident in the Borough in 20 years time in comparison to the tenure profile recorded currently. The difference between these two distributions is the change required to the housing stock over this period. The results show that 6,690 additional homes are required in the Borough over the next 20 years. The table also indicates that almost two-thirds of these new dwellings should be social rented properties with 28.8% market accommodation and 6.7% intermediate housing.

Table 7.4 Tenure of new accommodation required in the Borough over the next 20 years

Tenure	Current tenure profile	Tenure profile 2028	Change required	% of change required
Market	63,083	65,007	1,924	28.8%
Intermediate	655	1,106	451	6.7%
Social rented	18,588	22,903	4,315	64.5%
Total	82,326	89,016	6,690	100.0%

Source: RBKC household survey, Fordham Research 2009

- 7.19 The table shows that based on the model’s current assumptions, less than 30% of new dwellings in the Borough should be market accommodation. However, it is unlikely that this tenure distribution could be delivered, given the likely level of dependence on developer led housing supply (this is examined in more detail in the Viability Study).
- 7.20 The assumption that households resident in the private rented sector on LHA should be reassigned to an affordable property results in a requirement for 3,075 additional affordable dwellings over the next 20 years. This represents 46.0% of the total change required, and it is clear that this aspiration is not going to be achieved. Therefore it is necessary to prioritise certain household groups within the private rented sector on LHA.
- 7.21 Analysis of the survey data shows that single non-pensioner households and multi-adult households without children are not expected to remain in this form of accommodation for as long as pensioner households and households containing children. As single non-pensioner households and multi-adult households are more transient through this stock and are arguably less vulnerable than the other households, the other household groups are considered a greater priority for affordable housing. It is therefore assumed that only pensioner households and households with children within the private rented sector on LHA will be moved to appropriate affordable accommodation. This equates to 1,438 households living in private rented housing on LHA in the Borough in 2028.
- 7.22 The table below shows the tenure profile required once this adjustment has been made to the model in comparison to the current tenure profile. Again the change required to the housing stock is deduced from the difference between these two profiles. The table indicates that just over half of the requirement for new housing is for market accommodation.

Table 7.5 Tenure of new accommodation required in the Borough over the next 20 years (adjusted assumptions)

Tenure	Current tenure profile	Tenure profile 2028	Change required	% of change required
Market	63,083	66,445	3,362	50.3%
Intermediate	655	1,023	368	5.5%
Social rented	18,588	21,547	2,959	44.2%
Total	82,326	89,016	6,690	100.0%

Source: RBKC household survey, Fordham Research 2009

7.23 It is clear that this profile of new accommodation can be achieved in the Borough over the next twenty years and it is recommended that this is what the Council should pursue in order to provide a more balanced housing stock.

7.24 The model is able to also provide detail on the size of new dwellings required within each of these three tenures. For consistency the analysis presented within the remainder of this chapter is based on the version of the model with the adjusted assumptions.

Size of housing required within each tenure

7.25 The table below presents the size of market accommodation required by households resident in the Borough in twenty years time in comparison to the size profile recorded in the sector currently. The implied change to the housing stock is also presented. The table shows that some 42.8% of new market dwellings should be three bedroom properties, with 35.8% containing four or more bedrooms and 21.4% having two bedrooms. The results show that no additional one bedroom accommodation is likely to be required as future demand can be met by the stock currently available.

Table 7.6 Size of new market accommodation required in the Borough over the next 20 years

Dwelling size	Current size profile	Size profile 2028	Change required	% of change required
One bedroom	18,333	18,106	-227	0.0%
Two bedrooms	24,352	25,121	769	21.4%
Three bedrooms	11,693	13,229	1,537	42.8%
Four or more bedrooms	8,706	9,990	1,284	35.8%
Total	63,083	66,445	3,362	100.0%

Source: RBKC household survey, Fordham Research 2009

7.26 This analysis can be repeated for intermediate housing and is presented in the table below. The data indicates that of the 368 additional intermediate dwellings required within the Borough, over half should be two bedroom properties with a further 30.8% three bedroom accommodation. This analysis of intermediate housing requirements is based on a small sample and should therefore be viewed with caution.

Table 7.7 Size of new intermediate accommodation required in the Borough over the next 20 years

Dwelling size	Current size profile	Size profile 2028	Change required	% of change required
One bedroom	214	262	48	13.0%
Two bedrooms	346	549	203	55.0%
Three bedrooms	0	113	113	30.8%
Four or more bedrooms	95	99	4	1.2%
Total	655	1,023	368	100.0%

Source: RBKC household survey, Fordham Research 2009

7.27 The table below shows the equivalent results for the social rented sector. The table shows that of the 2,959 additional social rented units required within the Borough over the next twenty years, 43.0% should be two bedroom properties and 42.1% four bedroom accommodation.

Table 7.8 Size of new social rented accommodation required in the Borough over the next 20 years

Dwelling size	Current size profile	Size profile 2028	Change required	% of change required
One bedroom	9,034	9,101	67	2.3%
Two bedrooms	6,155	7,428	1,273	43.0%
Three bedrooms	2,924	3,298	375	12.7%
Four or more bedrooms	475	1,719	1,244	42.1%
Total	18,588	21,547	2,959	100.0%

Source: RBKC household survey, Fordham Research 2009

Summary

- i) The population of the Borough is projected to increase by 8.3% over the period 2006-2026, while the number of households is projected to increase by a similar level. The profile of the population is expected to change, with a large increase in the numbers of residents aged 45-54, as well as 15-19 year olds and people aged 85 and over.
- ii) In terms of the accommodation required to provide housing market balance over the long-term, our model which is based on secondary data in combination with the household survey data and considers a range of factors including the adequacy of current housing suggests that:
 - Around half of the requirement for new housing is for market accommodation
 - Almost 80% of new market housing should have three or more bedrooms
 - Over half of new intermediate housing should have two bedrooms
 - The majority of new social rented accommodation should have two and four bedrooms

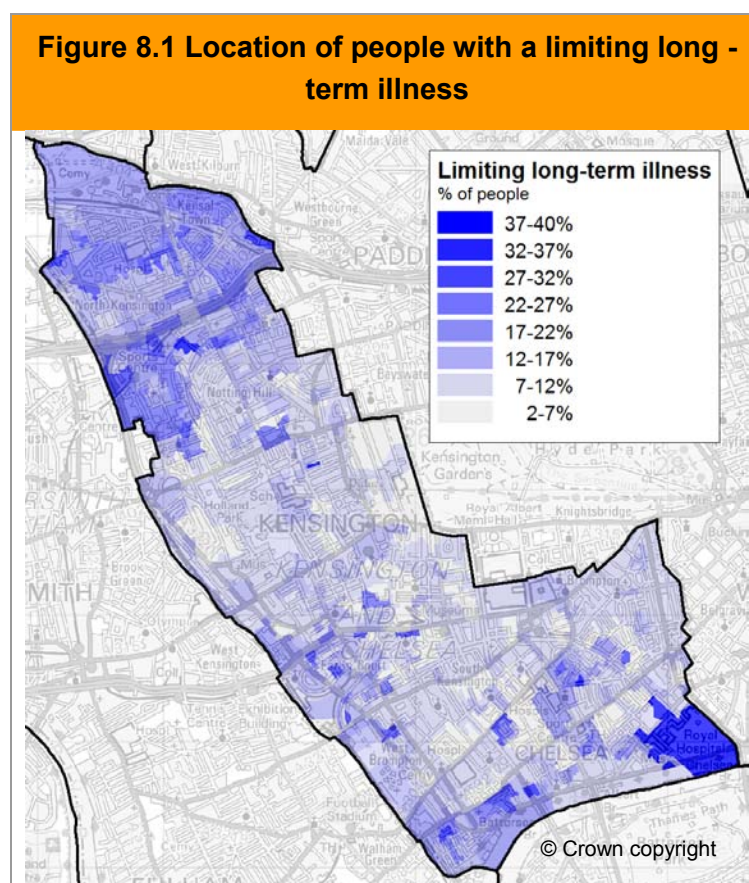
8. Particular household groups

Introduction

- 8.1 This chapter considers particular groups of households, as requested by Practice Guidance. Some groups may be disadvantaged, and some may not, but the additional detail of their circumstances should be of value in considering policy options for them.

Households with support needs

- 8.2 The figure below shows the spatial distribution of people with a long-term limiting illness in the Borough at output area level at the time of the last Census. The data suggests that the north of the Borough contains relatively high proportions of people with a limiting long-term illness, although there were smaller concentrations elsewhere in the Borough.



Source: 2001 Census

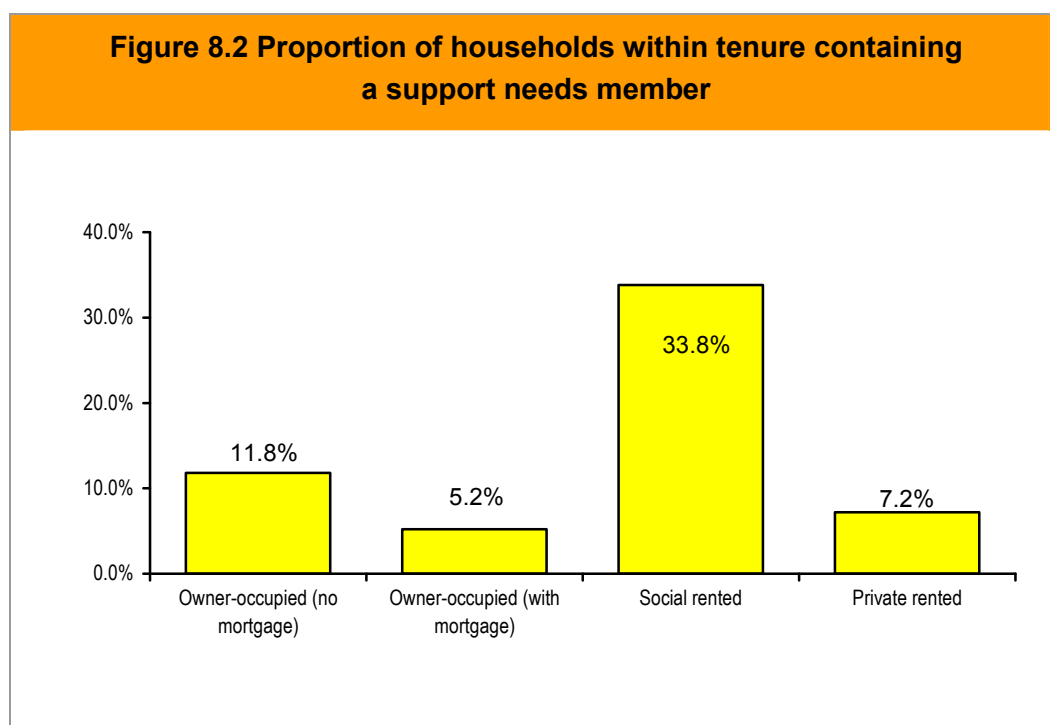
8.3 The household survey collected information about households who said that one or more of their members needed support for one or more of the reasons listed below:

- Frail elderly
- A medical condition
- A physical disability
- A learning disability
- A mental health issue
- A sensory disability
- Other

8.4 Overall there are an estimated 11,725 households in Kensington and Chelsea with one or more members in an identified support needs group - this represents 14.2% of all households. It should be noted that the finding of a household with a support need does not necessarily mean that the household needs to move to alternative accommodation. In many cases the support need can be catered for within the household's current home whilst for others the issue may be the need for support rather than any specific type of accommodation.

8.5 Households with a 'medical condition' are the predominant support needs group. The next largest group is 'physically disabled'. These two categories represent the majority of all support needs households.

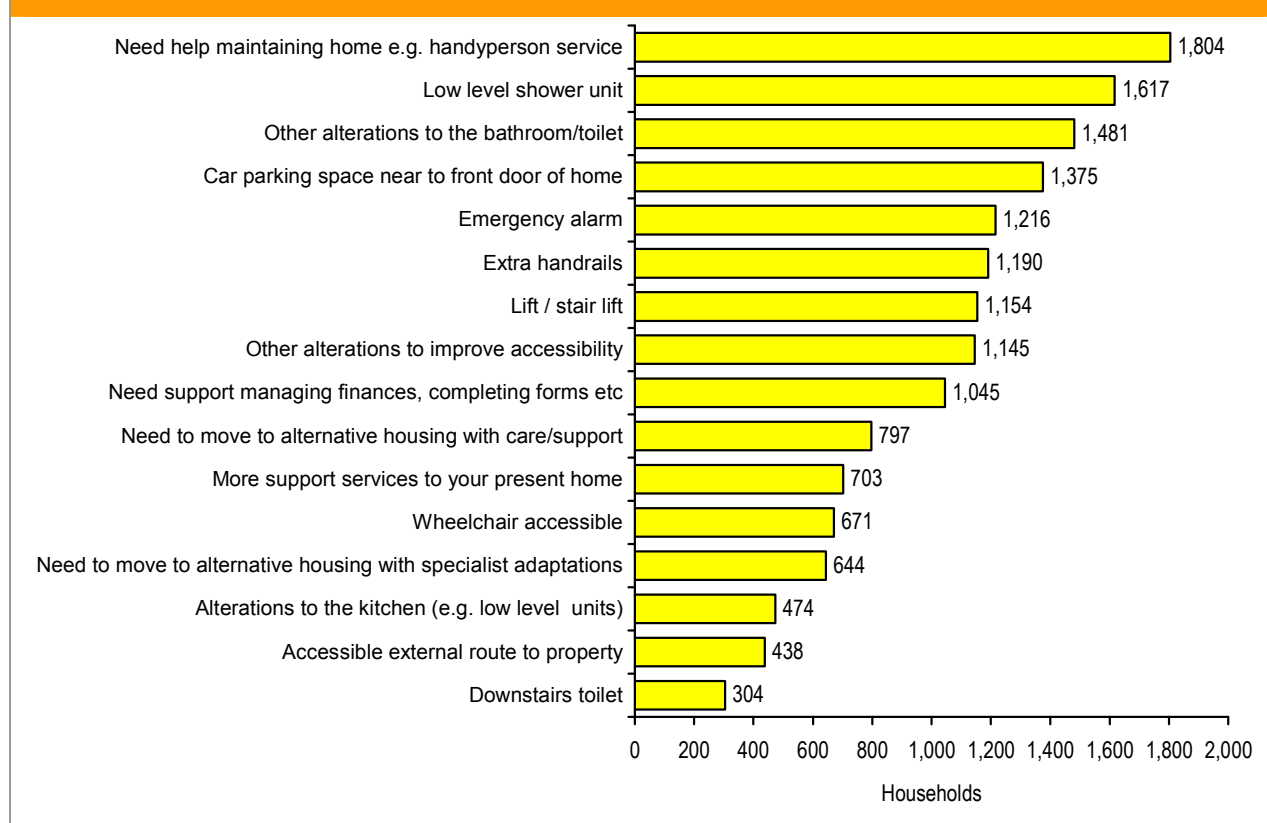
8.6 Support needs households most commonly reside in the social rented sector; older person households were most likely to contain someone with a support need.



Source: RBKC household survey, Fordham Research 2009

- 8.7 Support needs households record a median annual household income of £10,914 compared to £65,070 for non-support needs households (although this is linked to the fact that older people are more likely to have a support need).
- 8.8 Support needs households were asked to indicate if there was a need for improvements to their current accommodation and/or services. The responses are detailed in the figure below. Households most commonly required help maintaining their home e.g. a handy persons service.
- 8.9 Almost two-thirds of the 644 households stating a need to move to alternative housing with specialist adaptations live in the social rented sector: Almost 85% live in the North or North West of Centre areas identified in Chapter 3.
- 8.10 671 households required their accommodation to be wheelchair accessible and almost 85% of these households were located in the two northern areas. It should be noted that these findings relate to small sample sizes however, and should be viewed with caution.

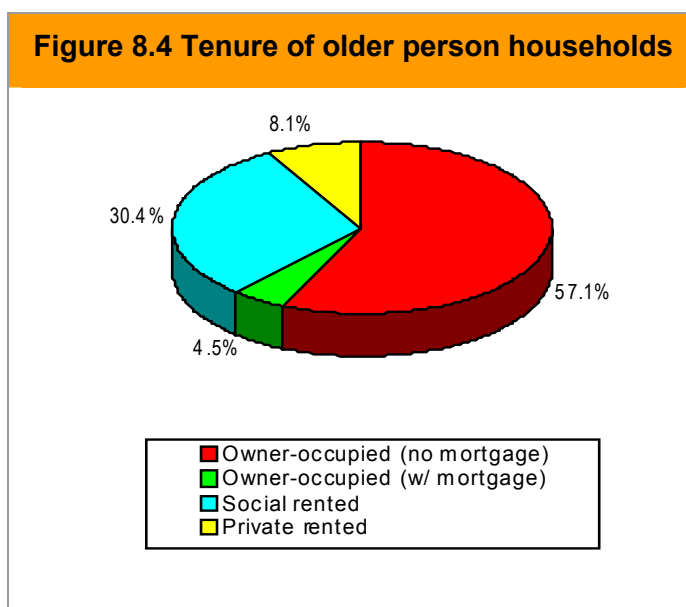
Figure 8.3 Support needs households - improvements needed to accommodation & services



Source: RBKC household survey, Fordham Research 2009

Older persons

- 8.11 Older people are defined as those over the state pension eligibility age (currently 65 for men, 60 for women). The household survey suggests that 17,790 of all households in Kensington and Chelsea contain only older people (21.6%) and a further 6.4% contain both older and non-older people.
- 8.12 The GLA population projections indicate that the number of people aged 60 or over will increase by around 8% across the Borough between 2006 and 2026; this is the same as the rate of increase expected in the population as a whole. However, the proportion of people aged 85 and over is expected to increase by almost 19% over this period.
- 8.13 According to the household survey, more than 60% of older person only households are owner-occupiers. The overwhelming majority of these do not have a mortgage. Another significant finding is the relatively high proportion of social rented accommodation containing older people only (29.1%).



- 8.14 Almost all older person only households are comprised of one or two people yet more than a quarter of older person households reside in accommodation with three or more bedrooms. This suggests that there could be potential scope to free up larger units for younger families if older person households should choose to move into suitable smaller units. The majority of older person households under-occupying their home live in the owner-occupied sector, however, suggesting the opportunity to reduce under-occupation may be limited. According to the household survey, older person only households are less likely than other households to move home.

- 8.15 Stakeholders suggested that incentives could be offered to encourage older people in social rented housing to downsize, although it was acknowledged that few would choose to do this. It was felt that the introduction of the 'Lifetime Homes' standard would also work against encouraging older people to downsize.
- 8.16 Around a quarter (24.2%) of older person only households who were likely to move over the next two years stated a preference for specialist accommodation such as a sheltered housing scheme, which compares to 17.8% who expected to move to specialist accommodation. However, the number of moving older person only households is small, therefore these results should be viewed with caution.
- 8.17 Stakeholders purported that the options available to elderly people who wished to move were currently limited, with few specialist flats being available and the elderly being 'exported' to other areas because there were not local options.
- 8.18 These points are supported by the Overview and Scrutiny Committee (OSC) Adult Social Care report '*Older People's Accommodation in the Royal Borough of Kensington and Chelsea*', (April 2008). This considers the GLA projections to underestimate the future increase in older people, and comes up with a number of conclusions and recommendations to be carried through into the development of policy and formation of practice in relation to the Planning functions of the Authority. The report found a strong demand for sheltered housing in all sectors, with a substantial waiting list for allocation.
- 8.19 The main findings in terms of the provision of residential and nursing accommodation in Kensington and Chelsea included the provision of all types of residential and nursing care being significantly less than the national average; the number of spaces declining faster in Kensington and Chelsea than elsewhere; and the substantial capacity in neighbouring Boroughs upon which RBKC is dependent in order to meet its statutory obligations.
- 8.20 However, the report found that there had been a significant increase in the number of older people in receipt of home care, which is important as most older people value their independence and wish to remain in their own homes for as long as possible. New services had been made available under the 'Staying Put' umbrella and Kensington and Chelsea are one of the few London Boroughs to continue to deliver care at home to those in "moderate need".

8.21 The Institute for Public Care's Research Paper, '*Older People's Housing Needs*' (May 2008), based on an analysis of the available local information and statistics about older people and housing, indicates the strategic direction for the Council over the next decade. The report concluded that Kensington and Chelsea should develop a more mixed economy of housing with support and care by reviewing the fitness of existing sheltered housing stock and developing extra care¹⁴ housing schemes which include housing for sale and shared ownership. The report also recommends improving targeting support towards vulnerable elderly people and raising awareness of services.

Key workers

8.22 Census data suggests that around 14.8% of Borough residents who are working are employed in public administration, education or health. This proportion is lower than equivalent figures for London and England as a whole (22.9% and 24.1% respectively).

8.23 The household survey collected information on the sector of employment of working household heads. This included information on three key worker categories – 'public administration and defence', 'education' and 'health and social work'. The nature of this study means that the key workers identified within the survey are those that are resident in the Borough.

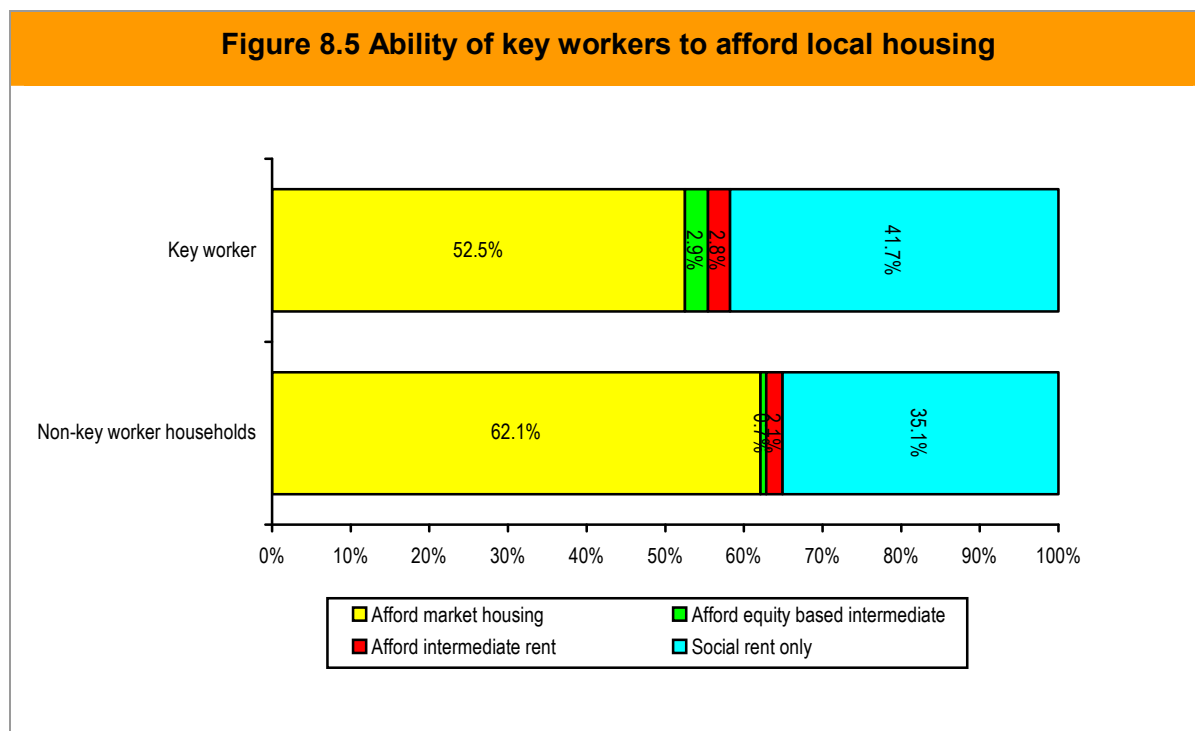
8.24 In total, the survey estimates that 7,099 households are headed by a key worker (the head of the household was taken to be the survey respondent).

8.25 The tenure distribution recorded by the household survey indicates that key worker households are less likely to be owner-occupiers than non-key workers (40.1% compared to 47.8%). Key worker households are more likely than non-key worker households to be living in the social rented sector (27.9% compared to 22.1%).

8.26 The data indicates that the median income of key worker households, at £49,410, is lower than the figure for non-key worker households in employment (£85,798). Median household savings amongst key worker households are also lower (£6,479 compared to £15,483 for non-key worker households).

8.27 The figure below presents the ability of key worker households to afford a range of housing options in comparison to non-key worker households. The data indicates that key worker households are less likely to be able to afford market housing than non-key worker households and are more likely to require social housing. A slightly higher proportion of key worker households would be suitable for intermediate products than non-key worker households.

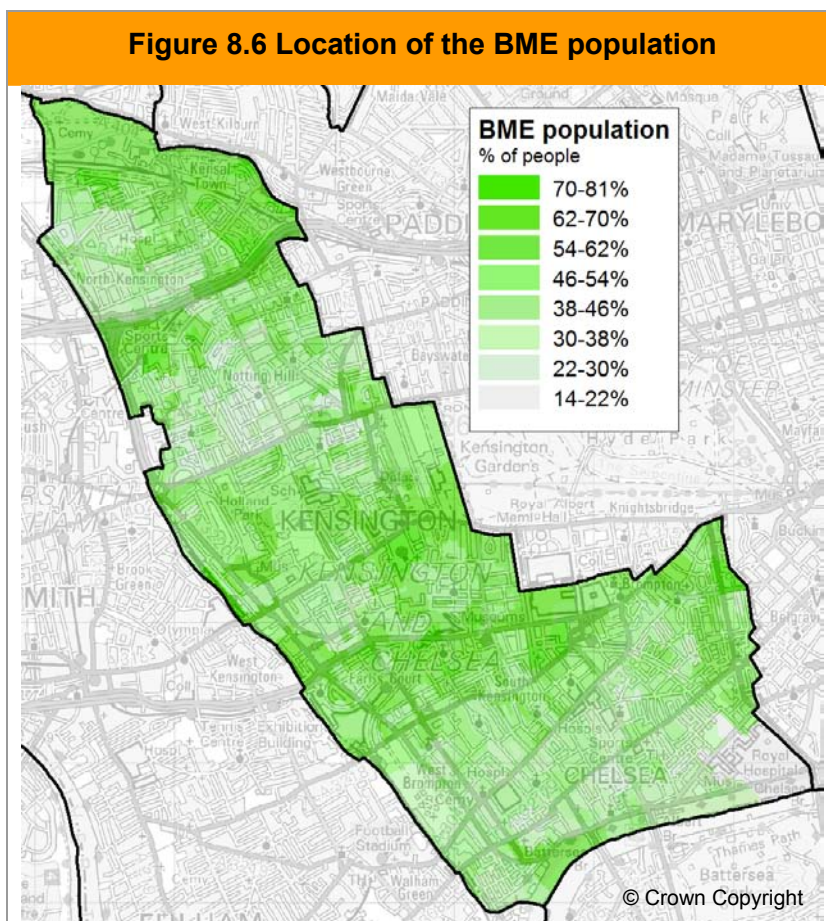
¹⁴ Independent accommodation with care and support available 24 hours a day if needed



Source: RBKC household survey, Fordham Research 2009

Black and Minority Ethnic (BME) households

8.28 As discussed in Chapter 2, the latest data from ONS suggests that almost 50% of people resident in the Borough are from an ethnic group other than White British. The figure below shows the spatial distribution of the BME population in the Borough at output area level (where 'BME' includes all groups except White British i.e. it includes the considerable 'White – Other' population). The data suggests that the north and centre of the Borough contain the highest proportion of people from a BME group.



- 8.29 The household survey collected information on the (self-defined) ethnic origin of the survey respondent. The ethnicity categories used on the survey forms were in some cases more detailed than those used in the 2001 Census, for example, information was sought on 'White – Other European' households, who would usually come under the 'White Other' category according to the Census definition.

- 8.30 The table below shows the number of households (and the sample size obtained) within eight broad ethnic groups. Results for all non-White groups and the White Irish group should be viewed with caution due to the small sample sizes of these groups.

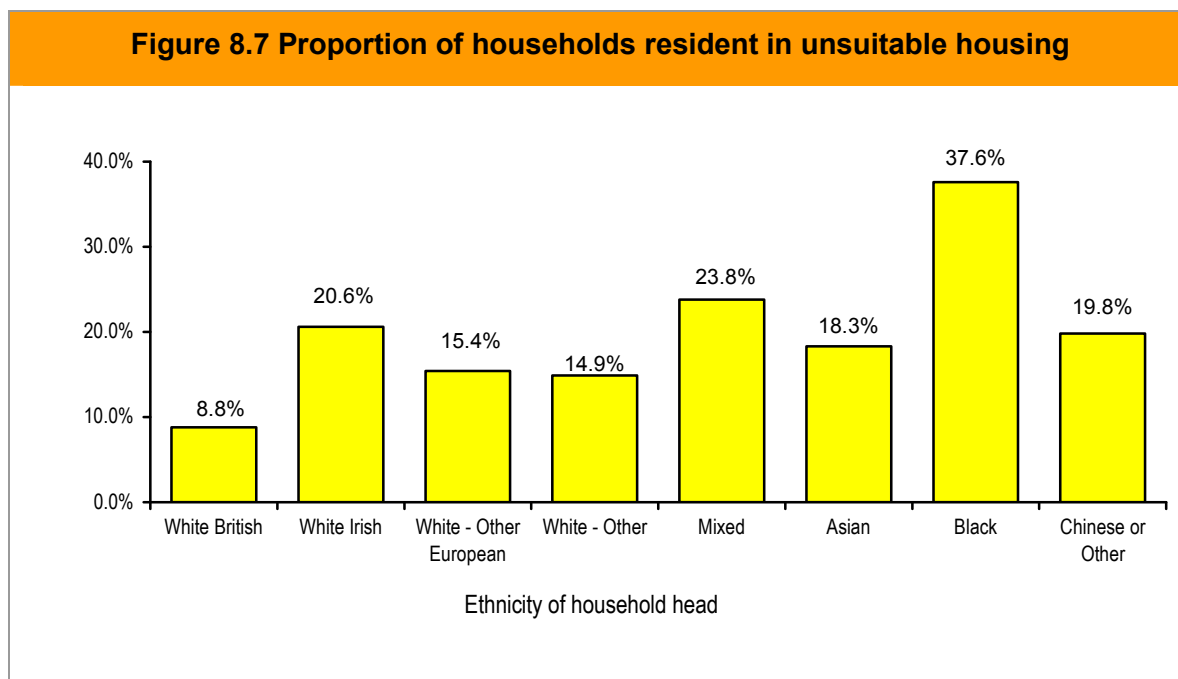
Table 8.1 Household numbers and survey sample by broad ethnic group

Ethnic group	Number of households	% of households	Sample of households
White British	44,675	54.3%	901
White Irish	2,711	3.3%	46
White - Other European	14,534	17.7%	289
White - Other	6,972	8.5%	145
Mixed	2,052	2.5%	29
Asian	5,222	6.3%	58
Black	3,818	4.6%	88
Chinese or Other	2,343	2.8%	71
Total	82,326	100.0%	1,627

Source: RBKC household survey, Fordham Research 2009

- 8.31 In terms of tenure profiles, White British households were most likely to own their own home (60.3% of White British households); this compares to only 7.6% of Black households. Black households were by far the most likely to be living in social rented housing (77.7% of Black households), followed by White Irish households (43.2%). White – Other and White – Other European households were least likely to live in the social rented sector (6.6% and 11.6% of these households respectively). More than half of White – Other European and White – Other households reside in private rented accommodation, compared to less than 15% of Black households.
- 8.32 Asian and Chinese or Other households have the highest average number of persons per household (at 2.5). In contrast the average for White British and White Irish households is 1.9.
- 8.33 The figure below indicates that Black households are most likely to be living in unsuitable housing as defined by the Practice Guidance¹⁵. White British households were least likely, followed by the White Other categories.

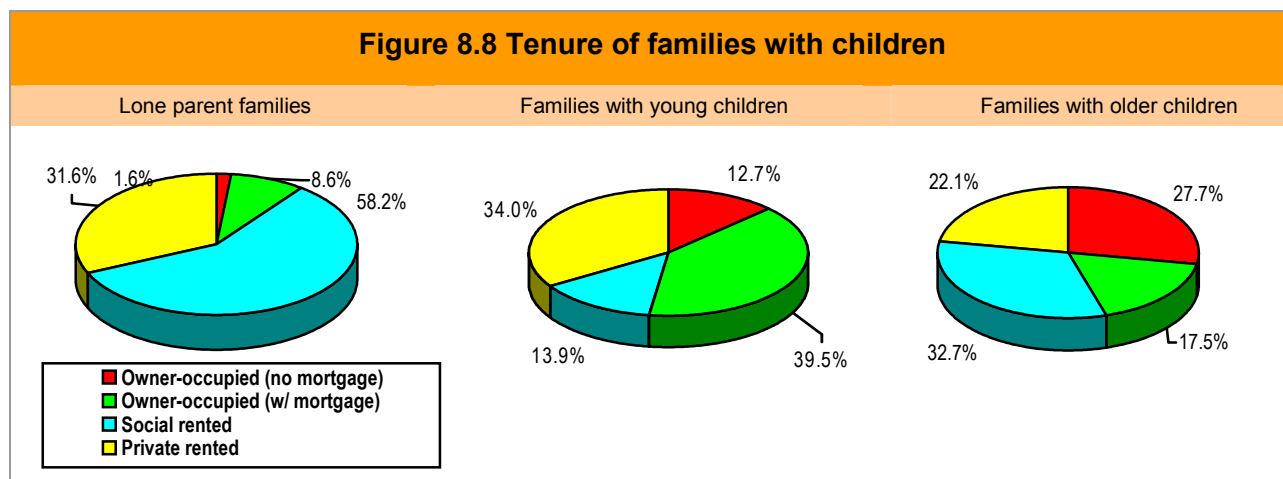
¹⁵ Unsuitable housing is discussed in more detail in the Housing Need Chapter (S3) of the Supporting Report. There are nine unsuitable housing categories including 'overcrowding' and 'accommodation too expensive'.



Source: RBKC household survey, Fordham Research 2009

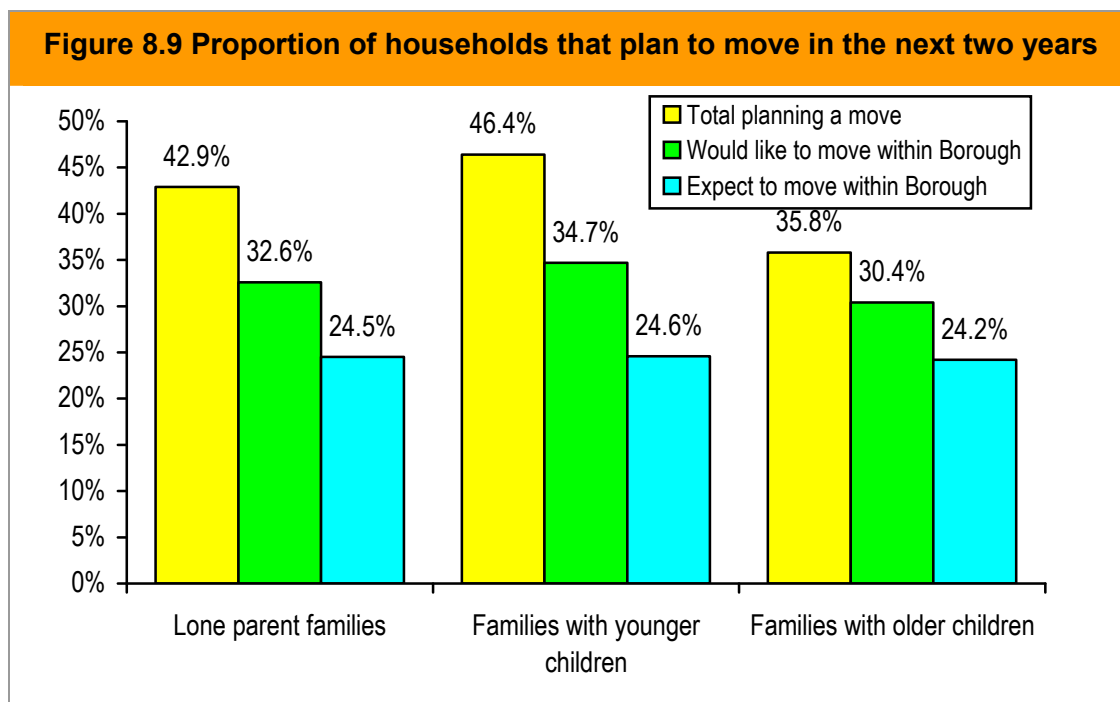
Families with children

- 8.34 The Practice Guidance acknowledges the importance of providing suitable housing for families, especially those with children, to ensure that communities are appropriately mixed. For the purposes of analysis children are defined as those aged under 16.
- 8.35 The household survey estimates that there are 15,456 households which contain at least one child in Kensington and Chelsea. Of these 16.4% are lone parent families, some 50.0% are families with younger children (the children’s age is under eight or the average age of the children is under eight) with the remaining 33.6% of families having older children (the children’s age is eight or over or the average age of the children is eight or over).
- 8.36 The figure below shows the tenure of the three groups of family households. The results suggest that lone parent families are the most likely to be living in social rented accommodation. Families with older children are also more likely than average to be living in social rented accommodation. Families with young children are the most likely to own their own homes. They are also the most likely to be living in private rented accommodation.



Source: RBKC household survey, Fordham Research 2009

- 8.37 Survey data indicates that lone parent families in Kensington and Chelsea are the most likely to reside in unsuitable housing as defined by the Practice Guidance. All three family groups are significantly more likely to be living in unsuitable housing than average.
- 8.38 The figure below considers the propensity of family households to move over the next two years and the preferred destination of these moving households. The data indicates that families with young children are the most likely to plan to move over the next two years and families with older children are the least likely, although all three family groups are more likely than average to be planning a move.
- 8.39 For all three family groups, the majority of households would like to move to a different home within the Borough, suggesting that Kensington and Chelsea is viewed as a desirable location to bring up children. However, the data suggests that the proportion of moving households expecting to move within the Borough is lower in the case of all three family groups, at around 24%.



Source: RBKC household survey, Fordham Research 2009

8.40 The most common reasons for moving amongst all family groups were the need for larger accommodation, followed by the need for cheaper accommodation. The shortage of family housing was identified as an issue by stakeholders. One stakeholder felt that there was a perception that the Borough was not a place for families, with people frequently having children and then moving out of the Borough.

Gypsies and Travellers

8.41 The SHMA Practice Guidance states that the requirements of Gypsies and Travellers to be considered alongside the other household groups in this chapter. This has been met via a separate, specialist study of this population (which follows separate practice guidance), and which is summarised below.

8.42 The first Gypsy and Traveller Accommodation Needs Assessment (GTANA) for London was published in March 2008. The report was commissioned by the Greater London Authority on behalf of 32 London boroughs, in response to the Housing Act 2004 which requires local authorities to consider Gypsies and Travellers accommodation needs in their local housing assessments. Gypsies and Travellers are amongst the most disadvantaged sectors of society in terms of their accommodation.

- 8.43 The GTANA considered a range of Gypsy and Traveller groups found in London, including English Gypsies, Irish Travellers, New Travellers, Travelling Showpeople and Eastern European Roma. It drew upon a range of data sources, including:
- Secondary information, including a literature review and secondary data
 - Stakeholder consultation, with London organisations involved with Gypsy and Traveller affairs
 - Survey of over 800 Gypsies and Travellers living on sites and in housing
- 8.44 The study's aim was to assess accommodation needs for these groups in London by Borough, sub-region and region. The purpose was to establish how many units of accommodation (either bricks and mortar dwellings, or pitches for caravans) are needed, the extent to which these should be provided socially or privately, and what the backlog of unmet need may be.
- 8.45 The following table shows the projected need for residential pitches in Kensington and Chelsea, over the 2007-2017 period. The report emphasises that these figures are evidence of need and are not targets for new provision. The minimum need figures are based on overcrowding, planned moves and newly forming family units on existing sites; the maximum need figures additionally incorporate transfer to sites from housing. The table shows the minimum need in 2007-2012 is for three additional residential pitches, the maximum need is for eight additional pitches. For the period 2012-2017, the minimum and maximum need is for three and four additional pitches respectively.
- 8.46 In addition the table shows the projected changes to the overall Gypsy and Traveller population in housing, depending on whether the minimum or maximum number of pitches is provided in 2007-2012. Where the maximum number of pitches is provided, the required level of housing is lower than if only the minimum pitches are provided. This is because housing units are freed up as housed Gypsies and Travellers transfer to sites. In Kensington and Chelsea, for the period 2007-2012, there is a negative need for housing units where the maximum number of pitches is provided. This is because providing pitches will lead to a net a transfer from housing and so free up additional units.

Table 8.2 Summary: pitches required in Kensington and Chelsea 2007 - 2017

	Base numbers 2007	Minimum need		Maximum need	
		Additional need 2007-12	Additional need 2012-17	Additional need 2007-12	Additional need 2012-17
Unauthorised pitches	0	-	-	-	-
Residential pitches	20	3	3	8	4
Housing (all)	25	3	3	-1	3
<i>Housing (not Roma)</i>	22	2	2	-2	2
<i>Housing (Roma)</i>	3	1	1	1	1

Source: London Boroughs' GTANA, Fordham Research, March 2008

Summary

- i) Some 11,725 households in Kensington and Chelsea contain a member with a support need. The most common support need was a 'medical condition'. Households with support needs indicated that a range of adaptations and services are required to enable them to continue living in their home; the most commonly cited is 'help with maintaining home'.
- ii) The household survey suggests that 17,790 of all households in Kensington and Chelsea contain only older people (21.6%). More than 60% are owner-occupiers although the social rented sector does contain a relatively high proportion of older person only households. More than a quarter reside in accommodation with three or more bedrooms. Two recent reports examining older people's accommodation within the Borough recommended an increase in the provision of supported accommodation for older people and a review of the fitness of the Borough's sheltered housing stock.
- iii) Census data suggests that across the Borough, around 14.8% of (working) residents are employed in public administration, education or health. Survey data indicates that the median income of key worker households, at £49,410, is lower than the figure for non-key worker households in employment (£85,798). Key worker households are less likely to be able to afford market housing than non-key worker households; a higher proportion would be suitable for intermediate housing however.
- iv) More than a quarter of households are headed by someone from a 'White - Other European or 'White - Other' ethnic group, whilst around 17% were headed by someone from a non-White group. Black households were the most likely to be living in the social rented sector. More than half of 'White - Other European' and 'White - Other' households resided in the private rented sector.
- v) The household survey estimates that there are 15,456 households which contain at least one child in Kensington and Chelsea. Households with children are more likely than average to be planning a move over the next two years, particularly families with younger children. The majority hoped to remain within the Borough although a lower proportion expected to.
- vi) The needs of Gypsies and Travellers in the Borough were assessed via the London Boroughs' Gypsy and Traveller Accommodation Needs Assessment (GTANA). The study drew on a range of sources including interviews with 800 Gypsies and Travellers in London. In Kensington and Chelsea there was found to be a minimum need for three additional residential pitches and a maximum need is for eight additional residential pitches between 2007 and 2012.

9. Policy issues, compliance and updating

Introduction

- 9.1 PPS3 is clear that the ultimate aim of a Strategic Housing Market Assessment is to provide robust evidence that will inform local housing strategy and planning policies. The evidence base must take account of the full range of data sources and include the involvement of key stakeholders. This chapter presents the policy suggestions resulting from evidence presented within this SHMA, which will be used to base a wider discussion on the appropriate policy outputs for the Kensington and Chelsea housing market.
- 9.2 A further requirement of a SHMA is that the results should be presented in a transparent manner and that it should be a dynamic piece of work that can be updated to ensure it remains relevant as the market changes. Within this report each result presented contains information on the source and any assumptions used, however this chapter will provide an overview of where the core outputs required by the Practice Guidance are presented. In addition it will outline the method that can be used to update the results in the future by the Steering Group.

Outputs required by PPS3

- 9.3 Figure 9.1 presents the results obtained from this SHMA for the three output requirements of PPS3 within Kensington and Chelsea.

Mix of housing required: Output 1 and Output 3(ii)

- 9.4 The very high level of housing need evidenced by the CLG needs assessment model in Chapter 5 of 3,663 dwellings would support a high affordable housing target, particularly when this is viewed in the context of the assumed average number of 350 completed dwellings (of all tenures) per annum (or even the increased provision of 600 units per annum proposed by the Council once the London Plan is replaced).
- 9.5 The model presented in Chapter 7, which aims to improve market balance over the longer-term, suggests that over the next 20 years, 50% of all new dwellings in the Borough should be affordable, with 50% market. This is the tenure split which is recommended in the Borough. A 50/50 market/affordable split is consistent with the recommendation in the (current) London Plan and the tenure split currently proposed by the Council.

- 9.6 Within the affordable sector, the analysis in Chapter 5 suggests that about 14% could be intermediate with the remainder social rented. The long-term market balance model presented in Chapter 7 indicates that a lower level (6%) of affordable housing should be intermediate.
- 9.7 Overall the figure from the housing needs model is given greater emphasis as this model is more established in the Practice Guidance; therefore it is recommended that 14% of new affordable housing in the Borough be intermediate. This target is dependent on intermediate housing being priced at the 'usefully affordable' point¹⁶; if this is not possible then social rented housing would need to be provided instead.
- 9.8 Given that social housing is currently concentrated in the north of the Borough (as can be seen in Figure 2.3, for example), the Council may wish to increase the provision of intermediate housing in the north of the Borough whilst increasing social housing provision elsewhere. Although households in need in the North West of Centre and North areas are less likely to be able to afford an intermediate housing solution, it should be borne in mind that need does not necessarily have to be met in the area in which it arises.

Profile of household types requiring market housing: Output 2

- 9.9 PPS3 requires the likely profile of household types requiring market housing to be considered. This is derived in Chapter 6 (and replicated in Figure 9.1). The results show that the largest group requiring market housing are single non-pensioner households (almost 40%) with more than a quarter childless couples. These findings broadly concur with the views of estate and lettings agents, who reported that one, two and to a lesser extent three bedroom properties (depending on area) were most in demand to buy and to rent. However, the picture is slightly distorted by the buy-to-let investment buyers currently reported to be dominating the sales market.
- 9.10 It is also of interest to consider the findings of the long-term market balance model in Chapter 7 in relation to this. The model suggests that over the next 20 years, around 80% of new market dwellings should contain three or more bedrooms. It is likely that future demand for one bedroom accommodation can be met by the stock currently available.

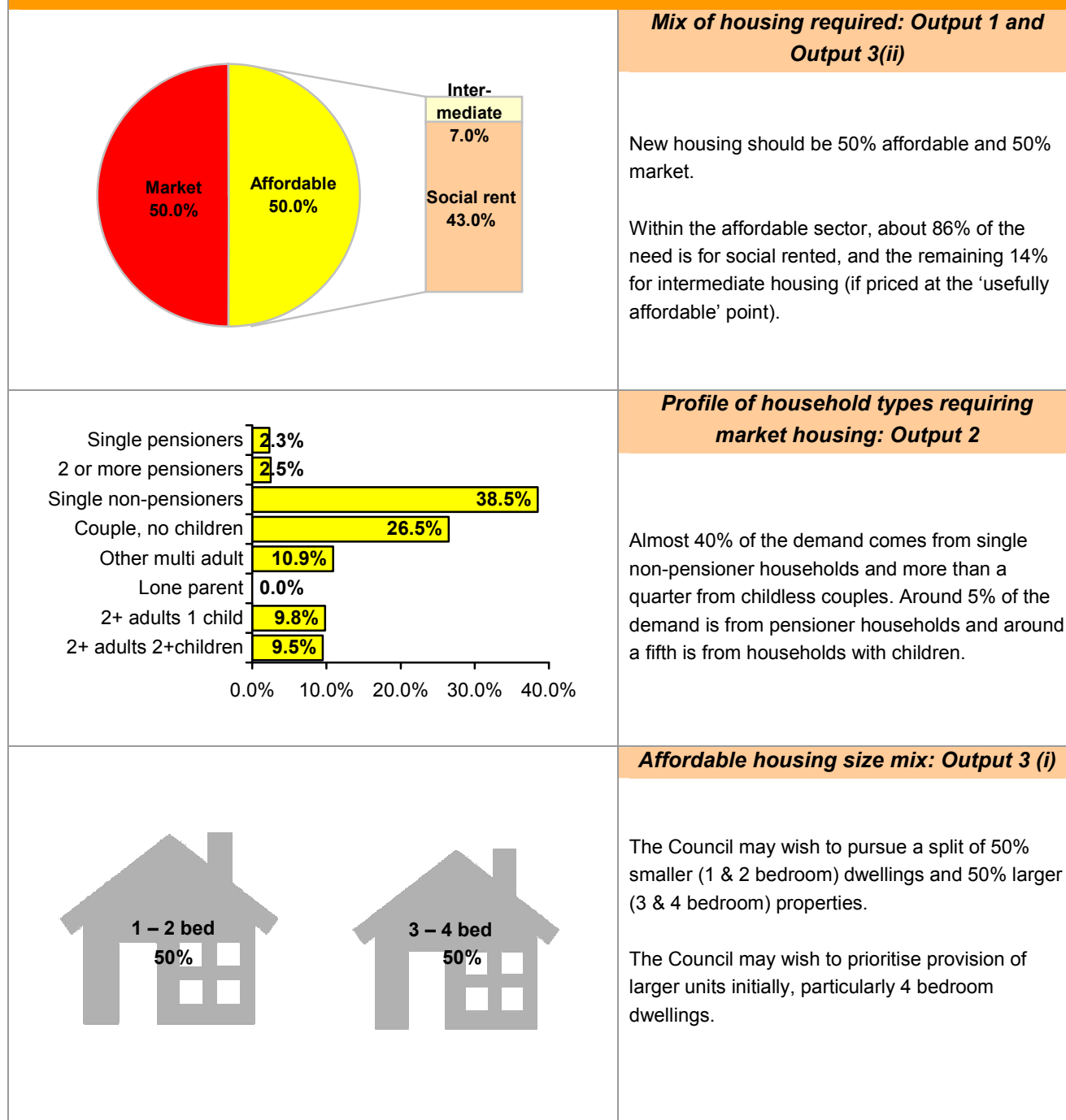
¹⁶ Defined in Chapter 3 as the mid-point between the cost of social rented and entry-level market housing

Affordable housing size mix: Output 3 (i)

- 9.11 An analysis of net need for affordable housing by bedroom size suggests that the need relative to supply is greatest for larger (three and four bedroom) accommodation¹⁷. This means that households requiring larger units are less likely to have their needs met. However, the needs model also suggests that more than 70% of the net need is for smaller units.
- 9.12 To balance the implications of these findings, the Council may wish to pursue a split of 50% smaller (one and two bedroom) dwellings and 50% larger (three and four bedroom) properties. This recommendation correlates with the size distribution for future affordable housing recorded in the long-term market balance model presented in Chapter 7. This suggests that across the affordable sector, 48% of units should be smaller (one and two bedroom) dwellings and 52% larger (three and four bedroom) properties.
- 9.13 It should be noted that where a severe imbalance has been identified in the long-term market balance model then the Council may want to skew the distribution sought initially to move more quickly to redress the imbalance. The information in Table 7.8 suggests that the number of four bedroom social rented units required over the next 20 years is 262% higher than the current provision. This figure is much higher than for any other size within any other tenure in the Borough. It would therefore be appropriate for the Council to prioritise four bedroom social rented units initially (within the long-term ambition of altering the social rented stock profile).

¹⁷ Less than 15% of the (gross) need for three bedroom accommodation is expected to be met from the existing stock, and for four bedrooms less than 5% of the (gross) need is expected to be met from the existing stock. This compares to a quarter of the need for studio and two bedroom units being met and more than half of the need for one bedroom units being met.

Figure 9.1 Summary of PPS3 requirements resulting from the analysis



The SHMA as an 'evidence base'

9.14 These findings form part of the 'evidence base' for policy, but do not form policy in itself. It is manifestly clear in a Borough such as Kensington and Chelsea that the level of housing need is far too high to be met by any foreseeable supply of newbuild affordable housing. It is therefore a policy issue for the Council to decide what level and types of affordable housing to build. The Council will want to consider its priorities in the light of the evidence, but not be directed by it.

9.15 It is recommended that the outputs from this report should be viewed in conjunction with those from the assessment of viability when determining policy. This is particularly important in view of the high level of need for affordable housing, and the difficulties for delivery likely to be generated by the economic downturn. The Viability Study in Kensington and Chelsea was undertaken in parallel to the SHMA. A summary of the Viability Study, and a brief note integrating results of the two studies' implications for policy, is provided in the section which follows.

Affordable Housing Viability Study

9.16 Government Guidance in PPS3 (2006 para 29) requires councils to set a 'plan wide' affordable housing target, and to test this target for 'deliverability' by means of the 'economic viability of land for housing within the area'. The deliverability test is 'broad brush' and applies to a council area generally. It is distinct from site specific viability considerations which have always been brought into the discussion of site development at the planning permission stage. The 'deliverability' test is a new one (defined by a court case in 2008) and applies to all local authorities.

9.17 Fordham Research was commissioned by the Royal Borough of Kensington & Chelsea to carry out a study of affordable housing viability in the Borough. The viability study is intended to inform ongoing work on the preparation of the Local Development Framework (LDF).

9.18 The study involved preparing financial appraisals for a representative range of sites to give a picture of the Borough-wide ability of housing development to afford given targets for affordable housing. The approach was to 'model' viability using a range of variables and Fordham Research's bespoke spreadsheet software.

9.19 Key features of the site selection were:

- i) A set of ten actual sites was selected, in discussion with the Council, from a longer list of possible sites. All were considered to be representative. These were then supplemented with four notional sites.
- ii) The sites covered a wide range of site size (four dwellings to 255), were all 'brownfield' and in urban areas
- iii) The sites were at various stages in the development process

9.20 The analysis included information on housing in the Borough: its prices (secondhand, and newbuild), rents and RSL information about affordable housing costs.

Testing the sites

9.21 In order to provide reliable evidence on deliverability, the sites were examined under a range of assumptions about the key factors affecting viability. The following is a summary list:

- i) Affordable housing target levels ranging from 30%, 40% and 50% of floor area. Floor area rather than dwelling numbers (the usual test) was used because of the particular nature of new housebuilding in the Borough: many mixed use sites.
- ii) Affordable housing split 75% social rented and 25% intermediate¹⁸
- iii) Land values for alternative uses for the sites: clearly the site viability cannot plausibly fall below the level of alternative use, and so this must be established
- iv) Affordable housing income has been fixed at 80% of Total Cost Indicator (TCI) level in accordance with Council policy
- v) The calculations consider planning obligations
- vi) Level 4 of the Code for Sustainable Homes was assumed as well as the London Plan requirement for 10% renewable energy
- vii) Abnormal costs were taken into account where the sites indicated they were likely

9.22 Clearly this analysis generates a large range of possible outcomes. These were assessed through Fordham Research's bespoke valuation methodology to indicate 'residual land values'. This is the standard approach, and assumes that all costs and returns are measured, except for the land value outcome. The latter is the key variable. It can then be compared with other scenarios, and with alternative use values. The latter are typically agricultural in rural areas and industrial in urban ones.

¹⁸ An early version of the SHMA suggested proportions of 75%/25% and we undertook to test this option. The SHMA tenure split proposals were subsequently revised to 85%/15%. However, because the Council has fixed the value at which affordable units are conveyed to partner RSLs, changing the tenure split will not influence the financial outcome for the developer.

Appraisal outcomes

- 9.23 To assess viability, the value of the land for the particular residential scheme adopted needs to be compared to the 'alternative use value', to determine if there is another land use which would derive more revenue for the landowner. If the assessed value does not exceed the alternative use value, then the development is not viable, that is not worth carrying out.
- 9.24 For the purpose of a strategic study like the present one, it is necessary to take a comparatively simplistic approach to determining the alternative use value. In practice a wide range of considerations could influence the precise value that should apply in each case, and at the end of extensive analysis the outcome might still be contentious.
- 9.25 The 'model' approach is outlined below.
- i) Where the development is on former industrial, warehousing or similar land, then the alternative use value is considered to be industrial, and an average value of industrial land for the area is adopted as the alternative use value
 - ii) Where an existing building remained capable of beneficial use we took its estimated value
- 9.26 Applying this approach, the results for the 14 sites can be summarised as follows:
- i) At 100% market housing 8 sites were fully viable. In effect, even without any affordable housing contribution less than 60% of the sites were viable.
 - ii) At a 30% and at a 40% target 5 sites were viable
 - iii) At 50% 4 sites remained viable and 1 became marginal
- 9.27 Sensitivity testing suggests that at the peak viability level during November 2007 (when prices were perhaps 25% higher than those assumed in our study, whilst costs may have been 15% lower), then 11 schemes would have been viable at the 40% level: double as many as now.
- 9.28 Conversely, sensitivity testing suggests that should prices fall by a further 15% whilst costs increase by 5% then only four schemes would be viable at the 40% level. The evidence suggests in our view that a 40% target, based on floorspace, would be the highest that would be reasonable to put forward in present market circumstances.

9.29 We also considered the scope for varying the size threshold from the national minimum of 15 dwellings, or alternatively from the London Plan proposed ten dwellings. The Borough envisaged a threshold based on minimum total gross floorspace which then matched the use of floorspace as a target measure. The proposed 800 sq m threshold (8,600 sq ft) corresponds to the London Plan proposed minimum of ten. Of the four sites with less than 15 dwellings but more than 800 sq m gross floorspace, three were viable at 40%, a slightly better proportion than for sites of 15 dwellings plus. We concluded that the proposed threshold was reasonable.

Joining the two studies together

9.30 The results from this SHMA suggest that in principle, the exceptionally high level of housing need in Kensington and Chelsea would justify an affordable housing target of 50%. The viability of this target and a range of other targets were tested as part of the Affordable Housing Viability Study. The Viability Study concluded that a 40% target would be the highest reasonable level in present market circumstances.

9.31 The final choice of target level is a policy issue for decision by the Council. However we also propose use of the Fordham Research Dynamic Viability approach. In effect this allows future variation of the affordable housing target as market conditions change. It is not possible to say when the market will rise, or that it will not fall further before it rises. The Guidance requires the target to be deliverable, and in present circumstances no single target could be safely put forward to the LDF, unless it was a very low one.

9.32 The Dynamic Viability approach involves setting out the full array of possible targets at the LDF stage, with the simple rule that any adjustment of the target in future should:

- (i) Not be more frequent than annual, in order to permit orderly functioning of the land market
- (ii) Be made only using changes in three published indexes of price, cost and alternative use value used to create the array

9.33 This means that, over the plan period, the target will vary to ensure both that it is always broadly deliverable, and that the profit margins and land values achieved by the private sector do not fall below reasonable levels. The Dynamic Viability process ensures that the Borough will achieve the most affordable housing that is deliverable by the market over the plan period.

- 9.34 If, through the dynamic viability approach, 40% is accepted as a reasonable target level, then if market conditions get worse, it may fall below that level in future years. If the market improves the target will rise above 40%, but will be limited by the overall 50% level suggested by the level of housing need. The ceiling of variation is therefore 50% and the 'floor' if the market got bad enough, would be zero. Within that range, it all depends on the published cost and price indexes.

Compliance with Guidance

- 9.35 Returning to a discussion of the SHMA alone, these final sections seek to address the requirement that results should be presented in a transparent manner and are able to be updated. Both PPS3 and the Practice Guidance specifically describe what the SHMA evidence base should yield. The results addressing the three specific PPS3 output requirements were presented earlier in the chapter. The Practice Guidance contains an additional set of outputs required from an SHMA report.

Table 9.1 Providing the Practice Guidance core outputs

Item	Source (Chapter)
1) Estimates of current dwellings in terms of size, type, condition and tenure	2
2) Analysis of past and current housing market trends, including balance between supply and demand in different housing sectors and price/affordability. Description of key drivers underpinning the market	3,4,6
3) Estimate of the total future number of households, broken down by age and type where possible	7
4) Estimate of current number of households in housing need	5
5) Estimate of future households that will require affordable housing	5
6) Estimate of future households requiring market housing	6
7) Estimate of size of affordable housing required	5
8) Estimate of household groups who have particular housing requirements e.g. families; older people; key workers; Black, Minority and Ethnic groups; disabled people; young people etc.	8

- 9.36 The Practice Guidance also requires a list of process requirements to be met through the SMHA process. The table below presents these process requirements alongside a demonstration of how they have been fulfilled within the course of this project.

Table 9.2 Meeting the SHMA process requirements

1) Approach to identifying housing market area(s) is consistent with other approaches to identifying housing market areas within the region

The report follows the CLG Advice Note ‘*Identifying sub-regional housing market areas*’ in taking a practical decision when determining the housing market boundary. In line with other recent Borough-level SHMAs undertaken in London, the housing market boundary is assumed to coincide with the extent of the Council area.

2) Housing market conditions are assessed within the context of the housing market area

A detail profile of the local housing market in Kensington and Chelsea is presented throughout the report in comparison to the regional and national situation. Further analysis of the dynamics of the housing market is framed by this contextual understanding of the Borough.

3) Involves key stakeholders, including house builders

A key part of this SHMA process has been the involvement of stakeholders, this dialogue provides an important input for the analysis of the housing market and the subsequent report. It is an iterative process with results being relayed to the stakeholders to help determine the further areas that the SMHA should consider.

4) Contains a full technical explanation of the methods employed, with any limitations noted

Chapter 1 describes the data sources used within this SHMA report and further detail on the approach used to ensure that the primary data is robust and truly reflective of the local population is presented in the supporting report. The housing needs calculation methodology follows the CLG Practice guidance as detailed in the supporting report. The methodology used for the long-term market balance model presented in Chapter 7 is explained and justified within that chapter.

5) Assumptions, judgements and findings are fully justified and presented in an open and transparent manner

The assumptions made in the report are clearly set out next to the analysis to which they relate, alongside reference to other relevant material. Further details of the workings behind some of the calculations are presented in the accompanying report. Furthermore transparency is assured because the household survey dataset that is used to produce many of the results contained within this report is provided to the Steering Group, alongside a demonstration of how the results are derived from it.

6) Uses and reports upon effective quality control mechanisms

Fordham Research uses detailed quality control mechanisms. These apply to fieldwork, through model-building and analytical scrutiny, to cross-review of report output.

7) Explains how the assessment findings have been monitored and updated (where appropriate) since it was originally undertaken

The report sets out how the findings presented in this report can be updated in the future in the following section.

Source: Fordham Research 2009

Monitoring and updating the results

9.37 The Practice Guidance is clear that one of the products of the SHMA should be the capacity of steering group members to monitor and update the report results.

- 9.38 There are a number of secondary data sources that present relevant information on the Kensington and Chelsea housing market that were used in this report. A full list of these sources is presented in the Supporting report, which details how frequently they are published so that the Steering Group will be able to monitor the changes in the market that they indicate.
- 9.39 Analysis of the household survey has provided a range of data that has informed the understanding of the local housing market. A training session on how to use and update the survey dataset will be provided to steering group members at the conclusion of the project.
- 9.40 A more immediate method for monitoring the housing market is to update the cost of the different tenures of housing in Kensington and Chelsea, as is presented in Chapter 3. This provides an indication of the adjustment to affordability that has occurred since the original survey. In addition it provides a visual guide as to how the ability of households to ascend the housing ladder has altered. To allow direct comparison these price and rents should be converted into the level of income required to access the tenure, as described in Chapter 3.

Summary

- i) The purpose of this SHMA is to provide robust evidence that will inform local housing strategy and planning policies. This SHMA contains the outputs required by PPS3 paragraph 22 and the core outputs required by the SHMA Practice Guidance.
- ii) In terms of the mix of housing required, the results suggest that 50% of new housing should be market and 50% affordable. Within the affordable sector, it is suggested that 14% of the requirement could be met by intermediate housing, if priced at the 'usefully affordable' point.
- iii) The largest group requiring market housing are single non-pensioner households (almost 40%), with more than a quarter childless couples.
- iv) In terms of the size of affordable housing required, the findings suggests that a split of 50% smaller (one and two bedroom) dwellings and 50% larger (three and four bedroom) properties could be pursued by the Council.
- v) It is recommended that the outputs from this report should be viewed in conjunction with those from the assessment of viability (undertaken in parallel to the SHMA) when determining policy. Whilst the evidence presented in this SHMA would justify an affordable housing target of 50%, the Viability Study concluded that a 40% target would be the highest reasonable level in present market circumstances. The final choice of target level is a policy issue for decision by the Council, but use of the Fordham Research Dynamic Viability approach would allow future variation of the affordable housing target as market conditions change.
- vi) A further requirement of a SHMA is that it should be a dynamic piece of work that can be updated to ensure it remains relevant as the market changes. The chapter outlined possible methods that can be used by the Steering Group to update the results in the future.

Glossary

Affordability

A measure of whether households can access and sustain the cost of private sector housing. There are two main types of affordability measure: mortgage and rental. Mortgage affordability assesses whether households would be eligible for a mortgage; rental affordability measures whether a household can afford private rental. Mortgage affordability is based on conditions set by mortgage lenders – using standard lending multipliers (3.5 times household income). Rental affordability is defined as the rent being less than a proportion of a household's gross income (in this case 25% of gross income).

Affordable housing

Affordable housing includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should be at a cost which is below the costs of housing typically available in the open market and be available at a sub-market price in perpetuity (although there are some exceptions to this such as the Right-to-Acquire). [There is an ambiguity in PPS3: Housing, where 'intermediate housing' is defined as being below market entry to rent, while 'affordable housing' is defined to be below the threshold to buy (normally much higher than the private rental one). But in principle the Guidance defines affordable housing as below the market threshold, and rationally speaking, that includes the private rented as well as purchase sectors].

Annual need

The combination of the net future need plus an allowance to deal progressively with part of the net current need.

Bedroom standard

The bedroom standard is that used by the General Household Survey, and is calculated as follows: a separate bedroom is allocated to each co-habiting couple, any other person aged 21 or over, each pair of young persons aged 10-20 of the same sex, and each pair of children under 10 (regardless of sex). Unpaired young persons aged 10-20 are paired with a child under 10 of the same sex or, if not possible, allocated a separate bedroom. Any remaining unpaired children under 10 are also allocated a separate bedroom. The calculated standard for the household is then compared with the actual number of bedrooms available for its sole use to indicate deficiencies or excesses. Bedrooms include bed-sitters, box rooms and bedrooms which are identified as such by respondents even though they may not be in use as such.

Current need

Households whose current housing circumstances at a point in time fall below accepted minimum standards. This would include households living in overcrowded conditions, in unfit or seriously defective housing, families sharing, and homeless people living in temporary accommodation or sharing with others.

Disaggregation

Breaking a numerical assessment of housing need and supply down, either in terms of size and/or type of housing unit, or in terms of geographical sub-areas within the District.

Entry-level market housing

The survey of prices and rents is focussed on 'entry-level' prices/rents. That is to say the price/rent at which there is a reasonable supply of dwellings in reasonable condition. The purpose of this approach is to ensure that when assessments are made of say first-time buyers, that the prices are the appropriate ones for the typical members of this group.

Financial capacity

This is defined as household (income³)+savings+equity (the value of the property owned by owner occupiers, typically the family home, net of mortgage). This provides an indication, when put on a capital basis, of the amount which the household could afford to pay for housing. Since equity is now a substantial part of the overall financial capacity of the large fraction of owner-occupiers it is essential to use this measure rather than the old price/income ratio to measure the activity of a housing market.

Forecast

Either of housing needs or requirements is a prediction of numbers which would arise in future years based on a model of the determinants of those numbers and assumptions about (a) the behaviour of households and the market and (b) how the key determinants are likely to change. It involves understanding relationships and predicting behaviour in response to preferences and economic conditions.

Headship rates

Measures the proportion of individuals in the population, in a particular age/sex/marital status group, who head a household. Projected headship rates are applied to projected populations to produce projected numbers of households.

Household

One person living alone or a group of people who have the address as their only or main residence and who either share one meal a day or share a living room.

Household formation

The process whereby individuals in the population form separate households. 'Gross' or 'new' household formation refers to households which form over a period of time, conventionally one year. This is equal to the number of households existing at the end of the year which did not exist as separate households at the beginning of the year (not counting 'successor' households, when the former head of household dies or departs).

Household reference person

For the purposes of our study the survey respondent is taken to represent the household reference person (HRP).

Housing Market Area

The geographical area in which a substantial majority of the employed population both live and work, and where most of those changing home without changing employment choose to stay.

Housing need

Housing need is defined as the number of households who lack their own housing or who live in unsuitable housing and who cannot afford to meet their housing needs in the market.

Housing Register

A database of all individuals or households who have applied to a local authority or RSL for a social tenancy or access to some other form of affordable housing. Housing Registers, often called Waiting Lists, may include not only people with general needs but people with support needs or requiring access because of special circumstances, including homelessness.

Intermediate Housing

PPS3 defines intermediate housing as 'housing at prices and rents above those of social rent but below market prices or rents and which meet the criteria set out above. These can include shared equity products (e.g. HomeBuy), other low cost homes for sale and intermediate rent.'

Lower quartile

The value below which one quarter of the cases falls. In relation to house prices, it means the price of the house that is one-quarter of the way up the ranking from the cheapest to the most expensive.

Mean

The mean is the most common form of average used. It is calculated by dividing the sum of a distribution by the number of incidents in the distribution.

Median

The median is an alternative way of calculating the average. It is the middle value of the distribution when the distribution is sorted in ascending or descending order.

Migration

The movement of people between geographical areas primarily defined in this context as local authority Districts. The rate of migration is usually measured as an annual number of households, living in the District at a point in time, who are not resident in that District one year earlier.

Net need

The difference between need and the expected supply of available affordable housing units (e.g. from the re-letting of existing social rented dwellings).

Newly arising need

New households which are expected to form over a period of time and are likely to require some form of assistance to gain suitable housing together with other existing households whose circumstances change over the period so as to place them in a situation of need (e.g. households losing accommodation because of loss of income, relationship breakdown, eviction, or some other emergency).

Newly forming households

Adult individuals, couples or lone parent families living as part of other households of which they are neither the head nor the partner of the head and who need to live in their own separate accommodation, and/or are intending to move to separate accommodation rather than continuing to live with their 'host' household.

Occupancy rating

This is used in the 2001 Census as a measure of under occupancy and overcrowding. It relates the actual number of rooms in the dwelling to the number of rooms required by the members of the household (based on relationships between them and their ages). An occupancy rating of -1, for example, implies that there is one room too few and that there is overcrowding in the household.

Overcrowding

Definition used by Fordham Research (in analysis of household survey data) and the Survey of English Housing: a dwelling which is below the 'bedroom standard' (see above).

Definition used by the 2001 Census: a dwelling with a negative 'occupancy rating' (see above).

Primary data

Information that is collected from a bespoke data collection exercise (e.g. surveys, focus groups or interviews) and analysed to produce a new set of findings.

Projection

Either of housing needs or requirements is a calculation of numbers expected in some future year or years based on the extrapolation of existing conditions and assumptions. For example, household projections calculate the number and composition of households expected at some future date(s) given the projected number of residents, broken down by age, sex and marital status, and an extrapolation of recent trends in the propensity of different groups to form separate households.

Relets

Social rented housing units which are vacated during a period and become potentially available for letting to new tenants.

Sample survey

Collects information from a known proportion of a population, normally selected at random, in order to estimate the characteristics of the population as a whole.

Secondary data

Existing information that someone else has collected. Data from administrative systems and some research projects are made available for others to summarise and analyse for their own purposes (e.g. Census, national surveys).

SHMA (Strategic Housing Market Assessment)

SHMA derives from Government Guidance suggesting that the 'evidence base' required for the good planning of an area should be the product of a process rather than a technical exercise.

Social rented housing

PPS3 defines social rented housing as 'rented housing owned by local authorities and registered social landlords, for which guideline target rents are determined through the national rent regime'. The proposals set out in the Three Year review of Rent Restructuring (July 2004) were implemented in policy in April 2006. It may also include rented housing owned or managed by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Housing Corporation as a condition of grant.

Support Needs

Relating to people who have specific needs, such as those associated with a disability.

Specialised housing

Refers to specially designed housing (such as mobility or wheelchair accommodation, hostels or group homes) or housing specifically designated for particular groups (such as retirement housing).

Supporting People

This term refers to a programme launched in 2003 which aims to provide a better quality of life for vulnerable people by aiding them to live independently and maintain their tenancies/current home life. The programme covers a wide variety of vulnerable people from Travellers, to young people at risk, to those with HIV or AIDS. Supporting People provide housing related support in many different forms but include enabling individuals to access their correct benefits entitlement, ensuring they have the correct skills to manage their tenancy and providing advice on property adaptations.

Under-occupation

An under-occupied dwelling is one which exceeds the bedroom standard by two or more bedrooms.

Unsuitably housed households

All circumstances where households are living in housing which is in some way unsuitable, whether because of its size, type, design, location, condition or cost. Households can have more than one reason for being in unsuitable housing.