

Strategic Housing Market Assessment



THE ROYAL BOROUGH OF
KENSINGTON
AND CHELSEA

Royal Borough of Kensington & Chelsea



Supporting Report

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RESEARCH

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S1. Primary data collection

Data collection and weighting procedure

S1.1 The primary data was collected via a combination of postal questionnaires and personal interviews. The sample for the survey was drawn, at random, from the Council Tax Register covering all areas and tenure groups in the Borough.

S1.2 In total, 1,154 postal questionnaires were returned and 501 interviews were undertaken (the interviews were undertaken with different households to those receiving a postal questionnaire), yielding a total of 1,655 responses. The number of responses provides sufficient data to allow complete, accurate and detailed analysis of need and demand across the Borough as a whole, and permits the presentation of data for a number of smaller sub-areas.

S1.3 Although the response represents a small percentage of the total household population, this does not undermine the validity of the survey, as paragraph 18 of Strategic Housing Market Assessment Practice Guidance Annex C states:

A common misconception when sampling is that it should be based on a certain percentage of the population being studied. In fact, it is the total number of cases sampled which is important. As the number of cases increase, the results become more reliable but at a decreasing rate... Approximately 1,500 responses should allow a reasonable level of analysis for a local authority area.

S1.4 It was necessary for the total number of households in the Borough to be estimated, in order for the data to be grossed up to represent the entire household population. It was estimated that at the time of the survey there were 84,200 households living in the Borough. This is largely based on the number of occupied dwellings appearing on the Council Tax Register from which the sample was drawn, although other sources such as the Council's Housing Strategy Statistical Appendix (HSSA) and GLA household projections were taken into account.

S1.5 The table below shows an estimate of the current tenure split in the Borough along with the sample achieved in each group. The data shows that around 46% of households were owner-occupiers, with 22% in the social rented sector and the remaining 31% in the private rented sector. It should be noted that the private rented sector includes those renting from a friend/relative or living in accommodation tied to a job.

Table S1.1 Number of households in each tenure group

Tenure	Total number of households	% of households	Number of returns	% of returns
Owner-occupied (no mortgage)	24,807	29.5%	500	30.2%
Owner-occupied (with mortgage)*	14,228	16.9%	289	17.5%
Social rented	18,816	22.3%	434	26.2%
Private rented	26,349	31.3%	432	26.1%
Total	84,200	100.0%	1,655	100.0%

Source: RBKC household survey, Fordham Research 2009

*Includes shared ownership

S1.6 Survey data was weighted to match the suggested tenure profile shown above. An important aspect of preparing data for analysis is ‘weighting’ it. As can be seen from the table above, social survey responses never exactly match the estimated population totals. As a result it is necessary to ‘rebalance’ the data to correctly represent the population being analysed via weighting.

S1.7 Weighting is recognised by the Strategic Housing Market Assessment Guidance as being a way of compensating for low response amongst certain groups. Although response rates were lower amongst certain groups of the population (e.g. private rented in the table above) the application of a sophisticated weighting process, as has been used in this survey, removes any bias.

S1.8 In addition to tenure, which is shown above, data was also weighted to be in line with the estimated number of households in each of various groups:

- Ward
- Council Tax band
- Dwelling type
- Car ownership
- Ethnicity of household head

S1.9 The population surveyed was also weighted to reflect the Borough’s age profile as recorded by the GLA population projections.

S1.10 Household survey data was collected for 28 student-only households residing in ordinary accommodation. Student-only households raise their own housing issues and although most have low incomes, they do not generally qualify for affordable housing due to the short-term nature of their residence. Since student households do not directly impact on the need for affordable housing, they have been removed from the household survey-based information presented in the SHMA report (unless stated otherwise¹), including the assessment of housing need. Removing these households means the total number of households considered in the majority of the primary survey analysis in the SHMA report is 82,326.

S1.11 The tables below show the final estimates of the number of households in each group (for the six different variables used for weighting) along with the number of actual survey responses (data for tenure can be found in the table above). Although in some cases it is clear that the proportion of survey responses is close to the 'expected' situation there are others where it is clear that the weighting of data was necessary to ensure that the results as presented are reflective of the household population in Kensington and Chelsea.

¹ Student households have been included in analysis where relevant to the topic, namely the 'turnover' and 'private rented sector' sections in Chapter 4 of the main report. It should be noted that as the number of student households is small in relation to the total number of households, their inclusion does not alter the figures to a great extent, therefore the trends described in these sections remain valid.

Table S1.2 Ward profile				
Ward	Estimated households	% of households	Number of returns	% of returns
St Charles	4,133	4.9%	122	7.4%
Golborne	4,035	4.8%	85	5.1%
Notting Barns	4,128	4.9%	98	5.9%
Colville	4,424	5.3%	100	6.0%
Norland	4,285	5.1%	85	5.1%
Pembridge	3,940	4.7%	74	4.5%
Holland	4,646	5.5%	102	6.2%
Campden	4,453	5.3%	103	6.2%
Queen's Gate	5,254	6.2%	58	3.5%
Abingdon	5,108	6.1%	103	6.2%
Earls Court	5,013	6.0%	100	6.0%
Courtfield	5,259	6.2%	99	6.0%
Redcliffe	5,024	6.0%	100	6.0%
Brompton	5,591	6.6%	79	4.8%
Stanley	4,201	5.0%	96	5.8%
Hans Town	6,267	7.4%	76	4.6%
Cremorne	4,225	5.0%	63	3.8%
Royal Hospital	4,214	5.0%	112	6.8%
Total	84,200	100.0%	1,655	100.0%

Source: RBKC household survey, Fordham Research 2009

Table S1.3 Council Tax band profile				
Council Tax band	Estimated households	% of households	Number of returns	% of returns
A	1,041	1.2%	15	0.9%
B	3,366	4.0%	77	4.7%
C	9,016	10.7%	168	10.2%
D	13,221	15.7%	283	17.1%
E	12,936	15.4%	234	14.1%
F	11,582	13.8%	202	12.2%
G	19,155	22.7%	368	22.2%
H	13,883	16.5%	308	18.6%
TOTAL	84,200	100.0%	1,655	100.0%

Source: RBKC household survey, Fordham Research 2009

Table S1.4 Dwelling type profile

Dwelling type	Estimated households	% of households	Number of returns	% of returns
Detached house	1,210	1.4%	32	1.9%
Semi-detached house	2,600	3.1%	62	3.7%
Terraced house	11,434	13.6%	263	15.9%
Flat in a purpose built block	37,636	44.7%	693	41.9%
Flat in a converted house/building	29,532	35.1%	578	34.9%
Flat in a commercial building	1,790	2.1%	27	1.6%
Total	84,200	100.0%	1,655	100.0%

Source: RBKC household survey, Fordham Research 2009

Table S1.5 Car ownership

Cars owned	Estimated households	% of households	Number of returns	% of returns
None	43,383	51.5%	848	51.2%
One	31,874	37.9%	609	36.8%
Two	7,308	8.7%	163	9.8%
Three or more	1,635	1.9%	35	2.1%
TOTAL	84,200	100.0%	1,655	100.0%

Source: RBKC household survey, Fordham Research 2009

Table S1.6 Ethnicity of household head

Ethnicity	Estimated households	% of households	Number of returns	% of returns
White British	44,840	53.3%	904	54.6%
White Irish	2,711	3.2%	46	2.8%
White Other	21,896	26.0%	442	26.7%
Mixed	2,485	3.0%	32	1.9%
Asian	5,788	6.9%	63	3.8%
Black	3,981	4.7%	92	5.6%
Chinese or Other	2,499	3.0%	76	4.6%
TOTAL	84,200	100.0%	1,655	100.0%

Source: RBKC household survey, Fordham Research 2009

Table S1.7 Age profile*

Age range	Estimated no. of people (weighted)	% of people (weighted)	Number of people (from survey returns)	% of people (from survey returns)
0-4	9,648	5.7%	183	5.5%
5-9	8,383	5.0%	179	5.3%
10-14	6,547	3.9%	123	3.7%
15-19	5,809	3.4%	127	3.8%
20-24	9,488	5.6%	189	5.6%
25-29	15,573	9.2%	246	7.3%
30-34	17,759	10.5%	250	7.5%
35-39	17,517	10.4%	326	9.7%
40-44	13,803	8.2%	260	7.8%
45-49	11,294	6.7%	239	7.1%
50-54	10,210	6.0%	223	6.7%
55-59	8,884	5.3%	176	5.3%
60-64	9,881	5.8%	241	7.2%
65-69	7,387	4.4%	187	5.6%
70-74	6,211	3.7%	164	4.9%
75-79	4,238	2.5%	97	2.9%
80-84	3,221	1.9%	73	2.2%
85+	3,169	1.9%	65	1.9%
Total	169,022	100.0%	3,348	100.0%

Source: RBKC household survey, Fordham Research 2009

*Individual persons in each household surveyed were weighted in this instance, rather than whole households

Non-response and missing data

S1.12 Missing data is a feature of all housing surveys: mainly due to a respondent's refusal to answer a particular question (e.g. income). For all missing data in the survey, imputation procedures were applied. In general, throughout the survey the level of missing data was minimal. The main exception to this was in relation to financial information, where there was an appreciable (although typical) level of non-response.

S1.13 Non-response can cause a number of problems:

- The sample size is effectively reduced so that applying the calculated weight will not give estimates for the whole population
- Variables which are derived from the combination of a number of responses each of which may be affected by item non-response (e.g. collecting both respondent and their partners income separately) may exhibit high levels of non-response
- If the amount of non-response substantially varies across sub-groups of the population this may lead to a bias of the results

- S1.14 To overcome these problems missing data was 'imputed'. Imputation involves substituting for the missing value, a value given by a suitably defined 'similar' household, where the definition of similar varies depending on the actual item being imputed.
- S1.15 The specific method used was to divide the sample into sub-groups based on relevant characteristics and then 'Probability Match' where a value selected from those with a similar predicted value was imputed. The main sub-groups used were tenure, household size and age of respondent.

S2. The current housing market

S2.1 This chapter provides a fuller account of the estate and letting agent interviews summarised in Chapter 3 of the main SHMA report.

Sales Market: Activity and recent changes

S2.2 All agents agreed that there had been significant slowing in the sales market in Kensington and Chelsea, although some suggested that since Christmas 2008 the situation had stabilised a little. The extent of the slowdown in trade was considerable. Some agents reported very few or no sales at all, especially those dealing with the lower priced markets in the north of the Borough and to a lesser extent Earls Court. Even the agents that remained busy reported that activity in the market had halved.

S2.3 Those agents still reporting significant sales activity reported that it was almost entirely 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. They were buying throughout the market but not the most expensive properties. What little demand there was from private buyers was for smaller flats due to the increasing deposit requirements.

S2.4 The reduction in sales was thought to be both due to reductions in supply and demand. Some agents felt that the lack of supply was in fact more important, as property owners made decisions not to sell due to the falling prices; many were renting out their property instead. Some buyers were also holding back, believing prices would fall further. An agent in Notting Hill Gate suggested that while initially the economic downturn caused a surplus of property on the market, this was gradually being used up, and stock would be the limiting factor on sales of the more expensive properties by the end of the year if the current climate continued.

S2.5 The reduction in demand from private buyers was heavily influenced by the lack of credit. Mortgage lenders were requiring far higher deposits; the lowest quoted by an agent as a minimum deposit was 20%. Others suggested that deposits of 50% or more would be required to get a mortgage in the current climate. In areas such as Chelsea and Kensington the bulk of buyers (even before the economic downturn) tended to pay entirely in cash in any case. Some agents felt that the restrictions on deposit levels were unreasonable and should be relaxed; others felt that this was a return to sensible lending policies. One agent pointed out that for the wealthy with big deposits to put down, mortgage finance was in fact cheaper than it had been for many years due to the low interest rate.

- S2.6 Finance was frequently a reason for deals falling through, although more frequently from the perceived risk of financial hardship than from unexpected pulling of expected mortgages. The financial services industry had been particularly badly hit; many of those looking for property in the area had pulled out as it became clear bonuses would not be paid this year.
- S2.7 In total, prices were believed to have dropped by approximately 30% for equivalent properties since summer 2007. Estimates of the proportion of the asking price being reached varied between agents. The rapidity of the fall in prices had confused the situation since the actual value of some properties dropped so much between advertisement and sale. On average agents believed 10-15% was being taken from initial asking prices, if recently valued.

Sales Market: Supply/demand and geography

- S2.8 Prices were found to be much lower in the far north of the Borough, with agents reporting entry level prices in Kensal Town far below that found in any other part of the Borough. In the south of the Borough the only areas of relatively low prices were around Earls Court. It was generally agreed that Chelsea was the most expensive area in which 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.
- S2.9 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 one bedroom or even studio flats. Agents in the north of the Borough emphasised that demand had shifted toward the bottom end of the market as people were now able to afford less; one agent suggested there was renewed interest in ex-Council property.
- S2.10 The key attractions of Kensington and Chelsea were the excellent transport links to the City and the good physical environment (architecture and parks). Schools were a major attraction, both state and private. One agent reported that families moving directly from other countries would often get private school places in advance of choosing a property. Kensington was described by one agent as an international brand, that wealthy investors would consider the area a reliable long-term investment. Notting Hill had additional attractions due to the local media and creative arts industry. Buyers and renters were attracted to Kensal Town and North Pole partly due to their location outside the congestion charge zone.

Rental Market

- S2.11 The key change reported in the rental market was an increase in supply, as people who would otherwise sell property waited for prices to recover and rented out the property in the meantime. Together with falling or static demand, this has resulted in substantial falls in average rents, of about 30% overall. Smaller, lower cost property had fallen less in price, by about 10%. Rents for family houses had fallen dramatically, by about 40%.
- S2.12 Most agents outside Chelsea reported surpluses of rented property of all types. The only property type reported with a significant shortage was two bedroom apartments in the Chelsea area. Less well presented larger properties were proving difficult to let, even here. This was partly because wealthy families were no longer seeking short-term lets in these areas; business from relocation agencies had largely dried up.
- S2.13 One letting agent in the north of the Borough reported falls in demand as migrant workers returned home, possibly due to changes in the exchange rate, but overall the market here remained busy, especially for cheaper lets, for example in former council property. One agent suggested that more prestigious property in the north of the Borough was proving difficult to let at the prices demanded by landlords. In the downturn some apartments in the area were pitched at the wrong market.
- S2.14 The situation was different in the south of the Borough although one agent did report that they were seeing people moving out of higher cost rented properties due to loss of income, some of these returning overseas. 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.
- S2.15 There was no consensus among agents as to whether turnover in the private rented sector was increasing or decreasing. However, some agents in the south of the Borough reported a decrease in turnover, with tenants more often renegotiating their rent downwards and staying put.
- S2.16 A significant factor in the rental market in certain parts of Chelsea and Earls Court was the student market, mostly for Imperial College. This market was dominated by overseas students, and was highly seasonal. Younger students would rent three or four bed houses and share the property, whereas older students would rent (usually self-contained) studios or one bedroom flats. Broadly speaking, the smaller properties were less likely to be found in the Earls Court area. The attraction of the Borough was in its reputation as a safe area, the existing concentration of international students, and the convenient transport links.

New Build

- S2.17 Very little new build is taking place in Kensington and Chelsea, although there has been a limited amount in the far north and south of the Borough. Agents generally reported that period property was more desirable than even nearly new modern dwellings in all areas of the Borough, although brand new property might attract a slight premium. Landlords on one redevelopment scheme (Portobello Dock) were reported to be having difficulty attracting tenants, and apartments were being rented at 20-30% below advertised levels.
- S2.18 One agent reported that a number of refurbishment and redevelopment schemes around Notting Hill had fallen through in recent months, with building work stopping due to the poor financial climate.

S3. Housing need

S3.1 This chapter describes the detailed steps required for the assessment of housing need appearing in Chapter 5 of the main SHMA report.

Current need

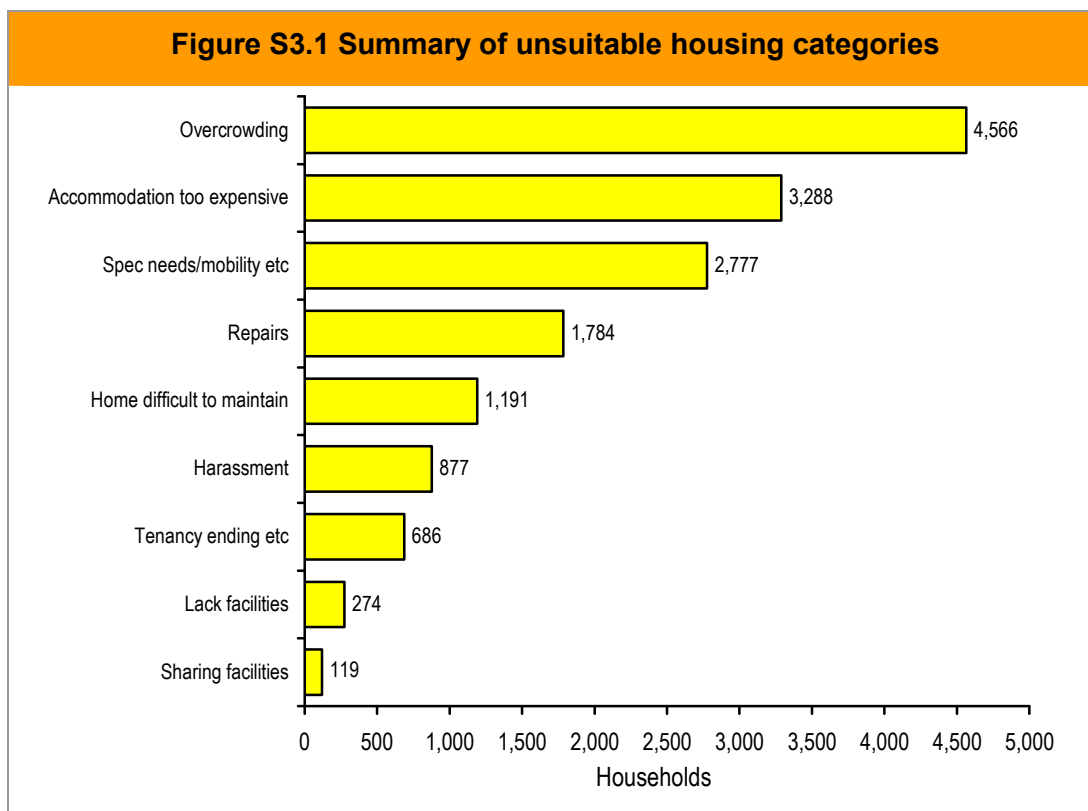
S3.2 The first half of this chapter considers Current Need: the first stage of the needs assessment model. This begins with an assessment of housing suitability and affordability and also considers homeless households before arriving at a total current need estimate (gross). An assessment of the stock available to offset this need follows, which then enables the net current need estimate to be calculated.

Unsuitable housing

S3.3 A key element of housing need is an assessment of the suitability of a household's current housing. The CLG guide sets out a series of nine criteria for unsuitable housing - which has been followed in this report. In Kensington and Chelsea it is estimated that a total of 11,121 households are living in unsuitable housing (this represents 13.5% of all households in the Borough).

S3.4 The figure below shows a summary of the numbers of households living in unsuitable housing (ordered by the number of households in each category). It should be noted that the overall total of reasons for unsuitability shown in the figure will usually be greater than the total number of households with unsuitability, as some households have more than one reason for unsuitability.

S3.5 The main reason for unsuitable housing is 'overcrowding' followed by 'accommodation too expensive'.



Source: RBKC household survey, Fordham Research 2009

S3.6 The table below shows unsuitable housing by tenure. The patterns emerging suggest that households living in social rented accommodation are most likely to be in unsuitable housing. Owner-occupiers make up only a fifth of unsuitably housed households.

Tenure	Unsuitable housing			
	In unsuitable housing	Number of h'holds in Borough	% of total h'holds in unsuitable housing	% of those in unsuitable housing
Owner-occupied (no mortgage)	1,167	24,570	4.7%	10.5%
Owner-occupied (with mortgage)*	1,009	14,203	7.1%	9.1%
Social rented	5,379	18,588	28.9%	48.4%
Private rented	3,565	24,965	14.3%	32.1%
Total	11,120	82,326	13.5%	100.0%

Source: RBKC household survey, Fordham Research 2009

*Includes shared ownership

'In-situ' solutions

- S3.7 The survey has highlighted that 11,121 households are in unsuitable housing. However it is most probable that some of the unsuitability can be resolved in the households' current accommodation. Households living in housing deemed unsuitable for the following reasons were not considered to have an in-situ solution: end of tenancy, accommodation too expensive, overcrowding, sharing facilities, harassment.
- S3.8 The survey data therefore estimates that of the 11,121 households in unsuitable housing, 8,990 (or 80.8%) do not have an in-situ solution and therefore require a move to alternative accommodation.

Affordability

- S3.9 Based on the test for affordability² it is estimated that there are 6,487 existing households that cannot afford market housing and are living in unsuitable housing (and require a move to alternative accommodation). This represents 7.9% of all existing households in the Borough – these households are considered to be in housing need.
- S3.10 The table below shows the tenure of the households currently estimated to be in housing need. The results show that households living in the social rented sector are most likely to be in housing need (21.5% of households in the social rented sector are in housing need). Of all households in need, more than 60% currently live in social rented accommodation and around a third in private rented housing.

Table S3.2 Housing need and tenure				
Tenure	Housing need			
	In need	Number of h'holds in Borough	% of total h'holds in need	% of those in need
Owner-occupied (no mortgage)	164	24,569	0.7%	2.5%
Owner-occupied (with mortgage)*	163	14,204	1.1%	2.5%
Social rented	4,002	18,588	21.5%	61.7%
Private rented	2,158	24,965	8.6%	33.3%
Total	6,487	82,326	7.9%	100.0%

Source: RBKC household survey, Fordham Research 2009

*Includes shared ownership

² Described in Chapter 4 of the main SHMA report; also appears in the Glossary

S3.11 For the purposes of the housing needs assessment, households considered to be in housing need have been split into two categories: current occupiers of affordable housing in need (this includes occupiers of social rented and shared ownership accommodation), and households from other tenures in need. It is estimated that some 4,032 households in need currently live in affordable housing.

Homeless households

S3.12 The assessment of housing need is a ‘snapshot’ that assesses housing need at a particular point in time. There will, in addition to the existing households in need, be some homeless households who were in need at the time of the survey and should also be included within any assessment of backlog need.

S3.13 To assess the number of homeless households we have used information contained in the Councils’ P1(E) return. The main source of information used is Section E6 which shows the number of households accommodated by the authority at the end of the quarter. The important point about this information is the note underneath: *“This should be a ‘snapshot’ of the numbers in accommodation on the last day of the quarter, not the numbers placed in accommodation during the quarter.”* This is important given the snapshot nature of the survey. Data compiled from the fourth quarter of 2008 is shown in the table below.

Table S3.3 Applicant households accommodated by authority (Section E6, P1(E) form)	
Category	Number of households
Bed and breakfast	<u>66</u>
Other nightly paid	<u>0</u>
Hostel	<u>42</u>
Private sector accommodation leased by authority*	<u>650</u>
Private sector accommodation leased by RSLs	228
Directly with a private sector landlord	<u>9</u>
Within Council’s own stock	0
Within RSL stock	0
Other	<u>1</u>
Total	996

Source: RBKC P1(E) return (Quarter 4 2008)

*RBKC have confirmed that this accommodation is located outside the Borough

S3.14 Not all of the categories in the above table are added to our assessment of existing and newly forming households in need. This applies to households housed in private sector accommodation leased by RSLs – such household addresses should appear on the Council Tax file from which the sample was drawn and so should already be included as part of the housing need. These households have therefore been removed from the total number of households in housing need.

S3.15 The Council have confirmed that 'private sector accommodation leased by the authority' is accommodation outside the authority, hence these addresses will not have been included in the file from which the original sample was drawn. These households are therefore included in the total number of households considered to be in housing need. Of the temporarily accommodated households identified in the P1E form, 768 (996-228) shall be considered as in housing need.

Total current need (gross)

S3.16 The table below summarises the first stage of the overall assessment of housing need as set out by the CLG. The data shows that there are an estimated 7,255 households in need in Kensington and Chelsea.

Table S3.4 Backlog of housing need		
Step	Notes	Number
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 equals Total current housing need (gross)	1.1+1.2+1.3	7,255

Available stock to offset current need

S3.17 The next stage in the backlog considers the stock available to offset the current need. This includes stock from current occupiers of affordable housing in need, surplus stock from vacant properties and committed supply of new affordable units. Units to be taken out of management are removed from the calculation.

S3.18 Firstly, it is important when considering net need levels to discount households already living in affordable housing. This is because the movement of such households within affordable housing will have an overall nil effect in terms of housing need. As stated in paragraph S3.11, there are currently 4,032 households in need already living in affordable housing.

Surplus stock

S3.19 A certain level of vacant dwellings is normal as this allows for transfers and for work on properties to be carried out. The CLG Guide suggests that if the vacancy rate in the affordable stock is in excess of 3% then some of the vacant units should be considered as surplus stock which can be included within the supply to offset needs. Since RBKC records a vacancy rate in the social rented sector of 1.4%, there is little scope for bringing vacant units back into use.

Committed supply of new affordable units

S3.20 The CLG Guidance recommends that this part of the assessment includes ‘new social rented and intermediate housing which are committed to be built over the period of the assessment’. For the purposes of analysis we have taken 2007/08 HSSA data showing the number of planned and proposed affordable units for the period 2008/09-2009/10 as a guide to new provision.

S3.21 In total, the HSSA data suggests that there are 85 affordable dwellings planned or proposed for 2008/09 and 2009/2010 (of which 45 are social rented, eight are intermediate rented and 32 are shared ownership).

Units to be taken out of management

S3.22 The Guidance states that this stage ‘involves estimating the numbers of social rented or intermediate units that will be taken out of management’. The main component of this step will be properties which are expected to be demolished (or replacement schemes that lead to net losses of stock). At the time of reporting, the proposed number of affordable dwellings expected to be ‘taken out of management’ in the future was unknown and hence a figure of zero has been used in this step of the model.

Total available stock to offset current need

S3.23 The table below brings together the information from the above stages. The data shows that in total there are an estimated 4,117 properties available to offset the current need in Kensington and Chelsea.

Table S3.5 Current supply of affordable housing		
Step	Notes	Number
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

Total current need

S3.24 It is estimated that there are currently 7,255 households in need of affordable housing. There are an estimated 4,117 properties available to offset this current need.

Future need

S3.25 In addition to Current Need, there will also be Future Need. This is split, as per CLG guidance, into two main categories. These are as follows:

- New households formation (× proportion unable to buy or rent in market)
- Existing households falling into need

S3.26 There will be a flow of affordable housing to meet this need. Calculation of the future supply of affordable units follows this analysis; this consists of the annual supply of social re-lets and intermediate housing. The following sections deal with these points in detail.

New household formation

S3.27 The estimate of the number of newly forming households in need of affordable housing is based on an assessment of households that have formed over the past two years. Such an approach is preferred to studying households stating likely future intentions as it provides more detailed information on the characteristics of these households contributing to this element of newly arising need.

S3.28 The tables below show details of the derivation of new household formation. The tables begin by establishing the number of newly forming households over the past two years – the standard affordability test³ is then applied.

Table S3.6 Derivation of newly arising need from new household formation		
Aspect of calculation	Number	Sub-total
Number of households moving in past two years		19,864
Minus households NOT forming in previous move	-16,265	3,599
Times proportion unable to afford		61.7%
ESTIMATE OF NEWLY ARISING NEED		2,221
ANNUAL ESTIMATE OF NEWLY ARISING NEED		1,111

Source: RBKC household survey, Fordham Research 2009

S3.29 The table above shows that an estimated 3,599 households are newly formed within the Borough over the past two years (1,800 per annum). Of these it is estimated that 1,111 (per annum) are unable to afford market housing without some form of subsidy – this represents the annual estimate of the number of newly forming households falling into need.

³ Described in Chapter 4 of the main SHMA report; also appears in the Glossary

Existing households falling into need

S3.30 This is an estimate of the number of existing households who will fall into housing need over the next two years (and then annualised). The basic information for this is households who have moved home within the last two years and affordability. A household will fall into need if it has to move home and is unable to afford to do this within the private sector (examples of such a move will be because of the end of a tenancy agreement). A household unable to afford market rent prices but moving to private rented accommodation may have to either claim Local Housing Allowance or spend more than a quarter of their gross income on housing, which is considered unaffordable (or indeed a combination of both).

S3.31 Households previously living with parents, relatives or friends are excluded as these will double-count with the newly forming households already considered in the previous table. The data also excludes moves between social rented properties. Households falling into need in the social rented sector have their needs met through a transfer to another social rented property, hence releasing a social rented property for someone else in need.

S3.32 The table below shows the derivation of existing households falling into need.

Table S3.7 Derivation of newly arising need from existing households		
Aspect of calculation	Number	Sub-total
Number of households moving in past two years		19,864
Minus households forming in previous move	-3,559	16,265
Minus households transferring within affordable housing	-1,030	15,235
Times proportion unable to afford		31.5%
ESTIMATE OF NEWLY ARISING NEED		4,801
ANNUAL ESTIMATE OF NEWLY ARISING NEED		2,401

Source: RBKC household survey, Fordham Research 2009

S3.33 The table above shows that a total of 15,235 existing households are considered as potentially in need (7,618 per annum). Using the standard affordability test⁴ for existing households it is estimated that 31.5% of these households cannot afford market housing. Therefore our estimate of the number of households falling into need excluding transfers is 4,801 households over the two-year period. Annualised this is 2,401 households per annum.

⁴ Described in Chapter 4 of the main SHMA report; also appears in the Glossary

Total future need (gross)

S3.34 The data from each of the above sources can now be put into the needs assessment table below. It indicates that additional need will arise from a total of 3,512 households per annum.

Table S3.8 Future need (per annum)		
Step	Notes	Number
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

Source: RBKC household survey, Fordham Research 2009

Future supply of affordable housing

The future supply of social rented housing

S3.35 The Guidance suggests that Step 3.6 of the estimate of likely future relets from the social rented stock should be based on past trend data which can be taken as a prediction for the future.

S3.36 The table below presents the figures for the supply of lettings (new lets and re-lets, excluding transfers between social rented dwellings) from RSL and LA (TMO) stock over the past two years, provided by the Council. The average number of lettings over the two-year period was 463 per annum. This represents the future supply of lettings from the social rented sector.

Table S3.9 Analysis of past housing supply			
Source of supply	2006/07	2007/08	Average
New lets	100	33	67
Re-lets	438	355	397
Total	538	388	463

Source: Royal Borough of Kensington and Chelsea

Intermediate supply

S3.37 In most local authorities the amount of intermediate housing (mostly shared ownership) available in the stock is fairly limited (as is the case in Kensington and Chelsea). However, it is still important to consider to what extent the current supply may be able to help those in need of affordable housing.

S3.38 Therefore we include an estimate of the number of shared ownership units that become available each year. Applying the re-let rate for social rented housing to the estimated stock of shared ownership housing it is estimated that around 14 units of shared ownership housing will become available to meet housing needs from the existing stock of such housing.

Total future supply

S3.39 The total future supply is estimated to be 477, comprised of 463 units of social re-lets and 14 units of intermediate housing (shared ownership).

Table S3.10 Future supply of affordable housing (per annum)		
Step	Notes	Number
3.6 Annual supply of social re-lets (net)		463
3.7 Annual supply of intermediate housing available for relet or resale at sub-market levels		14
3.8 Annual supply of affordable housing	4.1+4.2	477

Total future need

S3.40 The data suggests that on an annual basis there will be 1,111 newly forming households requiring affordable housing and a further 2,401 existing households. The total future need for affordable housing is therefore estimated to be 3,512 units per annum.

S3.41 The supply of affordable housing to meet this need has also been estimated from past trend data. This data suggests that the future supply of affordable housing is likely to be around 477 units per annum.

S3.42 The information on future need is considered alongside the information on current need (discussed in the first half of this chapter), to enable the annual estimate of housing need to be calculated. This analysis appears in Chapter 5 of the main report.

S4. Updating the findings

S4.1 There are a wide range of data sources from which the general (secondary data) findings of this SHMA can be updated. A useful list will be found in Annex B of the Strategic Housing Market Assessment Practice Guidance. The following table takes it a stage further by outlining the strengths and weaknesses of the key sources. This is something which the non-professional user may not know, and so it may be useful to provide some guidance.

Table S4.1 Secondary data sources: strengths and weaknesses

Topic and source	Frequency/scale	Strengths and Weaknesses
(1) Survey of English Housing: a wide range of socio-economic data on housing	Annual; national and regional (sample c. 20,000)	Excellent contextual source on all aspects of housing. Its weakness is that no further cross-tabulation is possible and supply and demand issues are not covered. In addition its scale does not permit accurate analysis at SHMA level
(2) English House Condition Survey. Mainly useful for housing stock evidence. Due to be combined with (1).	Annual; national and regional (sample 10,000)	Very good for provision of housing stock numbers at regional scale; also provides much detail on the 'decency' and general state of housing. Not as directly relevant to housing market analysis as (1) but valuable for the overall evidence base
(3) 2001 Census	10 years; available at very local areas	The best source for many background purposes: e.g. migration as it shows everyone moving to and from everywhere. It is now somewhat out of date. The main weaknesses for SHMA purposes are that it contains neither financial capacity information (not even income) nor indications of movement intentions. It is therefore of little use in producing plausible modelling of a housing market
(4) General Household Survey (GHS).	Annual; down to regional scale	Excellent descriptive source. Of little practical use in SHMA analysis for similar reasons to the Census. It does not provide data for individual households containing housing and financial data, essential for modelling housing market behaviour
(5) NOMIS website [contains many other general data sources]	Available all the time and at many scales	The best ready source for most secondary data; weaknesses are as per the above sources. It does not provide the analytical inputs to a SHMA process, but much valuable background.
(6) Population projections (ONS)	Annually updated; regional and Borough level	They are conveniently detailed, but are not of much direct use in SHMA analysis, since they are not based on households (see below)

(7) Household projections (CLG)	Due to be every 2 years; regional and usually Borough level availability; annual mid-year estimates are produced for Boroughs	Much more useful than population, and a vital background series. The only commonly available projections for 15-20 year horizons. The price of this long view is that the data does not reflect housing markets. Although sometimes wrongly referred to as a 'demand' forecast, it is not. It is based on assumptions about household formation drawn from the current socio-economic situation. This may change both nationally and locally if socio-economic situations change (as they normally do). Hence these projections must be treated as 'guesses' or 'policy led' (i.e. what it is hoped may happen, not as any guide to what the housing market may do).
(8) English Longitudinal Survey of Ageing (NCSR)	Bi-annual; national	Valuable background source. Useful for health; general economic situation and quality of life. Not of practical value for SHMA analysis due to scope and sample size
(9) National Health Service (NHS) Central Register	Quarterly or annual; national, regional and Borough	Extremely useful as it is the best source for migration in between the 10 year Census's. Of very limited use for checking primary data, unfortunately, as it is biased by the fact that younger men and more mobile people are less likely to register. As it is collected at an individual rather than household level there are further limitations to its use in SHMA analysis.
(10) Inland Revenue income data	Annual; regional and Borough	Valuable as background; very limited usefulness in SHMA work as it is personal (not family) and cannot be correlated with other information (such as equity and household characteristics).
(11) Annual Survey of Hours and Earnings (ASHE)	Annual; regional and some Borough level data	The best source for individual income, but it is employment and individual, not home and household based. Moreover it is not possible to relate the data to housing and other financial data for SHMA analysis.
(12) CORE (U of St Andrews)	Annual; Borough	The best source for social rents
(13) Rightmove (and other similar websites)	Continuous; very local	By far the best source for both local house prices and rents. It is quicker to scan this than to look at other secondary sources and much more up to date.
(14) Land Registry Sales of all housing	Quarterly; postcode sector	By far the best background source on value of dwellings. It does not contain information on size of property nor on repairs costs, and so it cannot be directly used in SHMA analysis. However it provides the only reliable dynamic source for past price changes.

(15) Housing Strategy Statistical Annex (HSSA) CLG	Annual; Borough	A good source for current housing at borough level, especially figures for the Housing Register and new build affordable housing. It is dependent on forms returned by borough, and is of very variable accuracy. Many boroughs, when approached directly, produce different statistics to the HSSA.
(16) Annual survey of mortgage lenders	Annual; regional	The most comprehensive source for overall mortgage amounts and types. It does not (and nor do those of particular lenders) provide the full range of financial capacity for the households concerned, and so it cannot be used in SHMA analysis.
(17) Valuation Office Agency: value of properties sold	Quarterly; postcode sector	Excellent source, now subject to a charge though; it simply provides valuation for the stock of housing and again cannot be cross-tabulated reliably with other data.
(18) Council Tax Band data (from boroughs)	Annual; Borough	The best source for value of properties in a borough; can be rendered of little value if there are wide areas of for example low priced housing, all in Band A.
(19) Labour Force Survey ONS	Quarterly; Borough	The best source for employment trends; cannot be related usefully to housing market statistics.
(20) Index of multiple deprivation CLG	4-5 years; Borough or lower	Key reference as a general description of the circumstance of the population, with obvious focus on deprivation (income, health, education, disabilities, barriers to housing).
(21) Economic forecasts Treasury and commercial sources	Regular; regional and Borough	Forecasts exist (e.g. Oxford Economic Forecasting) in considerable detail at borough level showing changes in types of employment, and migration for decades ahead. They are highly speculative, but do provide useful background to an SHMA.

Source: Annex B to the CLG Practice Guidance (August 2007); and Fordham Research 2008

S4.2 There are many other possible sources, and the list in the Annex is longer than this one. However the other sources are more minor, and are more readily accessed through such sites as NOMIS (by topic).