

Hastings Borough and Rother District Councils

Housing Market Assessment of Hastings and Rother

Final Report

March 2006



www.dtzpiedaconsulting.com

DTZ Pieda Consulting
Greyfriars Gate
5 Greyfriars Road
Reading
RG1 1NU

Tel: 0118 967 2020
Fax: 0118 958 4378

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1 INTRODUCTION AND BACKGROUND

- 1.01 An enhanced awareness of how the housing market functions is essential in facilitating greater integration of wider housing, planning, economic development and regeneration strategies. There is an increasing recognition from stakeholders of the need to better understand the complexities of the housing market and the dynamic between housing supply and demand in order to inform the spatial planning process. As a consequence, local authorities have been tasked with developing a more strategic, long-term view of housing demand and need.
- 1.02 Housing Market Assessment (HMA) provides a tool to help achieve these strategic aspirations and equips local authorities and their partners with a framework for better understanding of how housing markets operate. The HMA process can also help local authorities and their partners to understand the effect of planning decisions on housing markets. Put more generally, it is a key tool for aligning future policy to ensure the policy objective of balanced housing markets is achieved.
- 1.03 Hastings Borough and Rother District Councils commissioned DTZ Pida Consulting in November 2005 to undertake the HMA of Hastings and Rother to enhance their understanding of the structure of the sub-region's housing market and to help achieve a better balance between housing demand, need and supply in the future. The HMA also provides the evidence base, with regard to the future balance of supply and demand in terms of tenure, type and location, to inform the emerging Local Development Frameworks (LDFs) and for the development and future refinement of the Councils' Local Housing Strategies.

Objectives of the Hastings and Rother HMA

- 1.04 The overall purpose of the HMA is to help Hastings Borough and Rother District Councils and partners to:
- establish a strategic vision of housing supply and demand over the next 10 years
 - provide the authorities and their partners with a better understanding of the local and sub-regional housing market
 - provide a robust evidence base to inform the emerging LDF process.
- 1.05 More specifically, the core requirements of the Hastings and Rother HMA are to:
- help the Councils understand the function and spatial extent of the Hastings and Rother housing market and its sub-areas to inform regeneration, housing and planning policy
 - provide advice on possible strategies and initiatives to be included in the joint Hastings-Rother Housing Delivery Action Plan
 - provide an up to date evidence base for policy development for the Hastings and Rother Local Development Frameworks
 - input into both Council's response to consultation on housing provision figures set out in the South East Plan and hence inform regional planning policy
 - provide an input to the development of the Councils' Housing Strategies and help prioritise bids for Housing Corporation funding

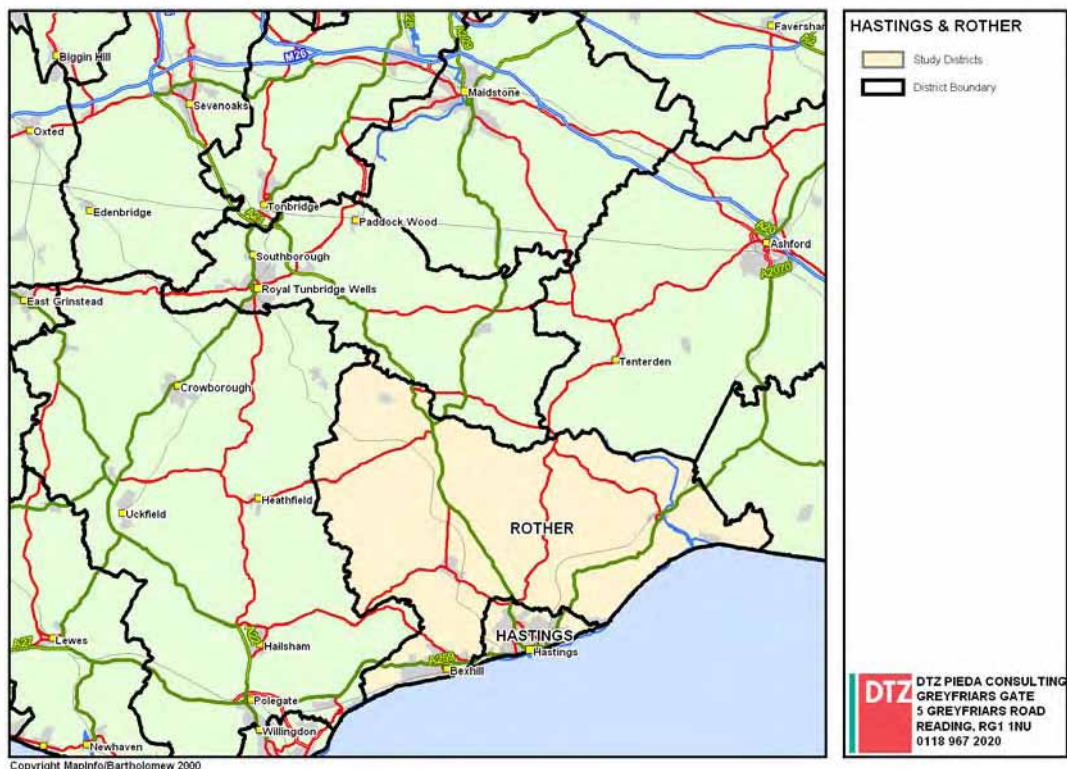
- provide a basis for discussion with Sea Space (the regeneration company set up by the Hastings and Bexhill Task Force in 2003 to develop an effective, partner-led regeneration strategy for the area) about the Hastings Millennium Community and other proposed developments affecting the local housing market
- provide baseline statistics for annual monitoring of housing development.

1.06 The analysis is conducted in accordance with the 2004 ODPM guidance on preparing Housing Market Assessments, which DTZ PIEDA Consulting prepared. It is also consistent with the key elements of the draft HMA guidance published by ODPM in December 2005, though an analysis of Housing Needs does not form part of the brief for this HMA.

Hastings and Rother Context

1.07 The Hastings and Rother sub-region comprises the coastal towns of Hastings and Bexhill and their encompassing rural hinterland. The area lies to the south east of Royal Tunbridge Wells and is located between Ashford to the east and Lewes to the West. There is no motorway connection to the sub-region, with road accessibility limited to the A259 and A21. A context map of Hastings and Rother is presented in Figure 1.1.

Figure 1.1: Hastings and Rother Context Map



Policy Background

- 1.08 The new Planning Policy Statement (PPS) 3 sets out the **national** planning policies for housing, which will guide regional planning bodies and local authorities in developing regional spatial strategies and local development frameworks. Its objective is to deliver new homes at the right time in the right place. The national policy framework reflects the need for flexibility in planning between urban and rural areas, and in areas experiencing high or low demand.
- 1.09 The aim is that the planning system is used to its maximum effect to ensure the delivery of decent homes that are well designed, make the best use of land, are energy efficient, make the most of new building technologies and help to deliver sustainable development.
- 1.10 PPS3 has guided the development of the **Regional** Spatial Strategy for the South East (the South East Plan). The South East Plan sets out the spatial strategy for the South East region to 2026. Key objectives of the plan are to ensure adequate levels of development, make better use of land, secure a step-change in the delivery of affordable housing, provide the right type of housing, and make better use of the existing housing stock.
- 1.11 In order to meet these objectives across the South East, it is deemed essential that housing allocations translate into high-quality homes, with a clear purpose and social structure, and adequate transport links. One of the ongoing challenges highlighted in the South East Plan is the declining affordability of housing. Demographic and social change in the region also means that there is a trend towards an ageing population and smaller households, and correspondingly, there has been a reduction in the proportion of new detached homes brought forward.
- 1.12 The South East Plan offers focuses on each of the planning **sub-regions** in the South East, including the Sussex Coast sub-region that spans Hastings and parts of Rother. The area is recognised as being characterised by greater deprivation, lower GVA per head, higher unemployment, poor business performance, and a poorly qualified workforce than other parts of the South East. The significant flow of in-migrants to the sub-region is also highlighted in the Plan, many of whom continue to work outside the area.
- 1.13 The overall strategy for the sub-region is to secure sustainable economic regeneration, with an appropriate provision for future housing development. The overall scale of delivery has been provisionally set at 2,700 dwellings a year – lower than previous requirements, reflecting the sub-region’s realistic prospects for future employment growth. **Hastings** accounts for 210 units of this total per annum, whilst **Rother** has an allocation of 280 units per annum (200 units of which lies in the Sussex Coastal sub-region). Whilst the focus of development will be on previously developed land, there is also a suggestion that future development will require urban extensions to towns in Rother.
- 1.14 Hastings and Rother stand at an important point in their history. Significant commitment to the sub-region’s future regeneration has been secured with the formation of the SEEDA led Hastings and Bexhill Task Force and a ten year £400 million package of public and private sector investment. Five key themes have been identified by the Task Force (urban renaissance, education, business and enterprise, broadband and ICT and transport) to underpin the area’s future regeneration. Progress to date includes development of 1,400 homes, the first phase of the University Centre Hastings complete with 700 full time students, a new railway station for Hastings and new accommodation for 1,400 jobs. These key themes will guide the future economic development of Hastings and Rother and the achievement of the strategic objectives to:

“make Hastings and St Leonards an exciting place to live, work and to visit, renowned for our culture, our enterprise, our community and our stunning environment” and that;

“Rother will be a place where everyone can live together sustainably and residents are properly informed, consulted and involved as part of an effective local partnership that recognises and addresses the needs of everyone in our community.”

- 1.15 Housing provision is viewed as an essential part of securing the future regeneration of Hastings and Rother. *‘To seek to meet the housing and support needs of our residents by increasing the provision of affordable accommodation in Rother district’* is one of the top priority themes identified in the Rother Community Plan 2004-2009. Providing more affordable housing is given similar importance in the Hastings and St Leonard’s Community Strategy 2003 to 13.

Benchmarks

- 1.16 Throughout the analysis, in order to provide an understanding of comparative performance, Hastings and Rother have been benchmarked against one another, East Sussex and the South East.

Report Structure

- 1.17 The remainder of this report is set out as follows;
- In **Section 2**, we define the geographical extent of the Housing Market
 - **Section 3** contains a discussion of the drivers of the housing market
 - **Section 4** focuses on demographic drivers of demand
 - **Section 5** continues with analysis of the economic drivers of demand
 - In **Section 6**, there is a discussion of the characteristics and scale of supply
 - **Section 7** brings together the analysis from sections 4, 5 and 6, with analysis of market prices and affordability
 - **Section 8** contains a discussion of the future requirements for housing
 - And **Section 9** continues by focusing on the future requirements for affordable housing

2 IDENTIFYING THE SPATIAL EXTENT OF THE SUB-REGIONAL HOUSING MARKET

- 2.01 In order to undertake meaningful analysis of the housing market in Hastings and Rother it is first necessary to establish the boundary of the sub-regional housing market and the spatial extent of any smaller housing markets which operate within and across it. It is also important to establish the functional linkages the area has with adjacent housing and labour markets. Determining the spatial extent of the housing market area is the first step in the HMA process, as set out in the current Draft Practice guide. It is important, therefore, to ensure that there is a common understanding of what is meant by the term 'the housing market'. Once this is understood it is possible to explain what is meant by the sub-regional component of the phrase 'sub-regional housing market'.

Definition of Sub-Regional Housing Markets

- 2.02 In economic terminology a market is where buyers and sellers come together to exchange goods or services at an agreed price. The price mechanism is the means by which demand and supply are brought into balance. Excess demand will result in prices being bid up. Excess supply will mean that prices fall until buyers are found for the surplus goods or services.
- 2.03 The housing market is a particularly complex market for a variety of reasons:
- First, housing is a high value commodity. Purchases by individuals are typically financed over a long period of time. The decision to purchase is therefore of great importance to individuals and subject to the influence of the cost of capital – interest rates.
 - Second, housing is both a consumer good and an investment good. A consumer good is one that people buy to derive immediate benefits from – a pleasant place to live, a roof over their head. An investment good is bought to provide a financial return.
 - Third, because housing is built to last, at any point in time only a fraction of the total stock of housing is 'on the market' – that is, available for sale. Typically in any year around 10% of the stock of housing may change hands, and new supply (newly built homes) comprises only 10% of total sales in any year (that is 1% of the total stock).
 - Fourth, the housing market is highly regulated. The location and volume of new development is controlled through the town planning system. Minimum quality standards are set for new building and existing housing.
 - Finally, because shelter is a basic human requirement, considerable resources are provided to ensure that those who cannot afford market housing are adequately housed either through direct provision of housing (council or housing association homes) or subsidy (Housing Benefit).
- 2.04 The final dimension that distinguishes the housing market from many product markets is that it has a strong spatial dimension. Location matters. Thus, while it is possible to talk of a national housing market and regional housing markets, in practice most buyers seek to move within the same sub-region because they wish to continue to live in that general area because of their sense of belonging, their family or broader social relationships, their jobs or access to particular services – most notably particular schools.
- 2.05 Typically one expects a sub-regional housing market to comprise an area in which some 70% of all household moves are contained, excluding long distance moves which are

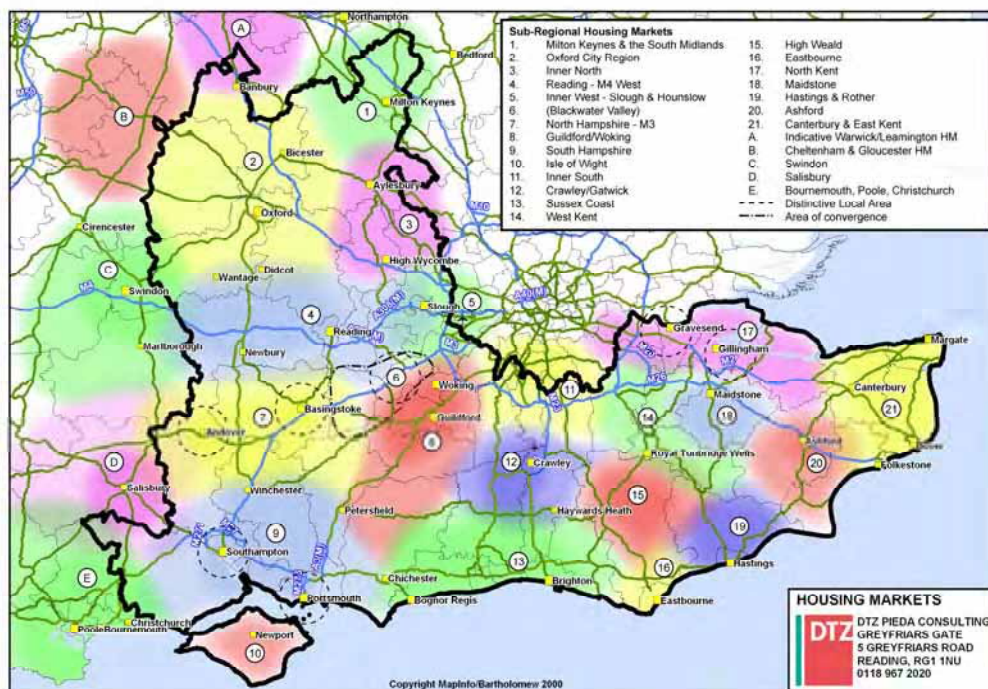
associated with a major lifestyle change – for example a change in the place of work, retirement to a different part of the country, or a decision to share accommodation with a partner who is located in a different part of the country. This sub-regional market is likely to cover an area that falls at least partly in the administrative area of a number of local authorities.

- 2.06 There are a number of other ways to think about the likely extent of sub-regional housing markets. The area of the sub-regional housing market will map onto the area of search considered by the majority of households when looking to move home – not ignoring the fact that many people will confine their search to a much more localised area, or have limited choice to move further afield. However the fact that certain socio-economic groups may have more limited choices is a characteristic of the housing market, not something that determines the boundaries of the sub-regional housing market.
- 2.07 One would also expect a close relationship between the boundaries of sub-regional housing markets and sub-regional labour markets – generally referred to as Travel to Work Areas (TTWA). TTWAs delineate the areas within which at least 70% of the workforce in employment live and work. Across the South East around 65% of all households contain people who are in work, and unless these people are taking up a job in another location outside an acceptable journey time, they are likely to look for somewhere to live within the same travel to work area if they move home.
- 2.08 Below the sub-regional level there are local housing markets. For example smaller towns have their own housing market characteristics, as will particular parts of larger towns and cities. Such areas can achieve a high level of self containment – because many household moves are of relatively short distance. Rural areas also have their own market characteristics though many rural areas are functionally part of sub-regional housing markets based on large centres of employment – cities or towns.

The Hastings and Rother Sub-Regional Housing Market

- 2.09 In May 2004 DTZ were commissioned by the South East England Regional Assembly and Regional Housing Board to undertake a study to identify the spatial extent of sub-regional housing markets across the whole of the South East Region. The findings and recommendations of the study have now been accepted by the Housing Board and will be used to inform the future development of the Regional Housing Strategy and Regional Spatial Strategy. The final map of the South East's housing sub-regions to emerge from the study is presented in Figure 2.1.

Figure 2.1: Spatial Delineation of the South East's Sub-Regional Housing Markets (Source: DTZ)



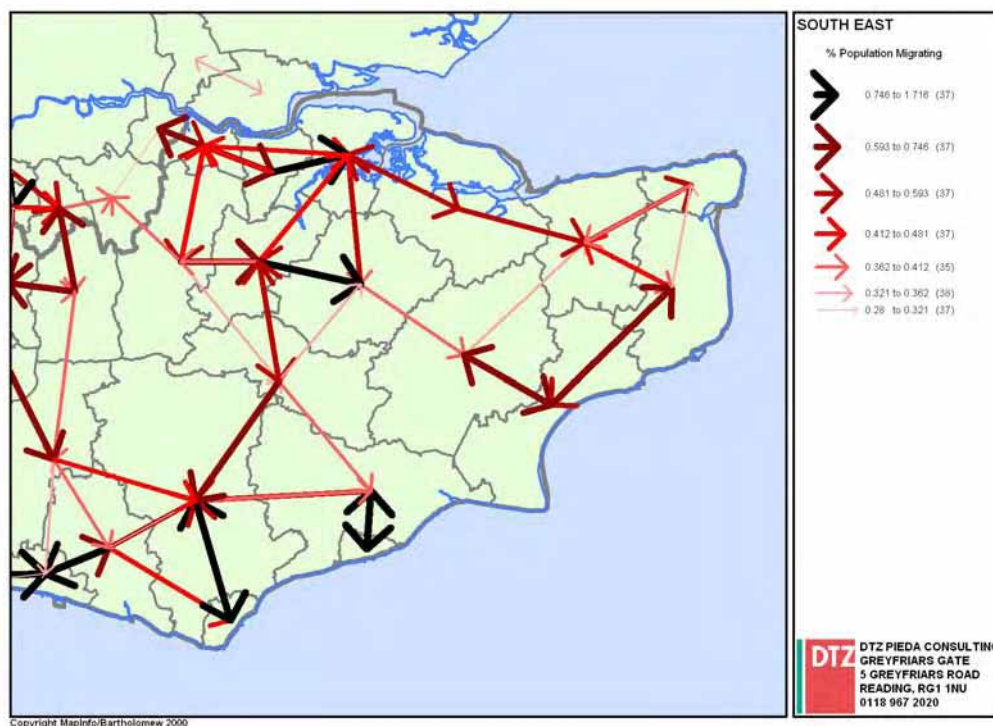
2.10 DTZ concluded that the Hastings and Rother sub-region comprised the towns of Hastings and Bexhill and much of the rest of Rother District. Hastings and Rother exhibit significant cross border household movements and share the same functional labour force with the two districts mapping onto the travel to work area for Hastings.

2.11 It is an important component of this HMA to analyse the evidence base more thoroughly to establish the degree to which Hastings and Rother operate as a single sub-regional housing market and the extent of the housing and economic relationship with adjacent housing markets (such as High Weald, Eastbourne, Ashford and West Kent). Presented below is a detailed analysis of household and travel to work movements (which examines the data down to a ward level) between Hastings and Rother and the encompassing area. District level household movements were examined as part of the study for the Regional Assembly.

Household Migration Movements

2.12 The analysis conducted as part of the study for the Regional Assembly revealed a strong pattern of relative household movement between Hastings and Rother, but comparatively little movement to or from encompassing districts (Figure 2.2). Based upon district level analysis, therefore, the sub-region demonstrates a high degree of self-containment in its household movement patterns, which suggests a well-defined sub-region and a closely integrated housing market.

Figure 2.2: Annual Relative Household Movements Between the Districts of the South East Year to 2001 (Source: Census 2001)



- 2.13 In the Regional Assembly study, DTZ were not commissioned to make sub-district level analyses of the identified housing markets. It is therefore an important requirement of this HMA to understand the interrelationship between different parts of the Hastings and Rother housing market and how they relate to surrounding market areas.
- 2.14 In order to investigate the pattern of household movements across the Hastings and Rother area in more detail ward based household movements in the year preceding the 2001 Census¹ have been collated and mapped. Figure 2.4 presents all movements that are greater than 0.25% of the population of the ward of origin, whereas Figure 2.5 presents all movements that are greater than 0.4% of the population of the ward of origin. Introducing such thresholds allows a progressively more detailed picture of the main movements across the study area to be established.
- 2.15 A ward based context map of Hastings and Rother is presented in Figure 2.3 that should be referred to in conjunction with the mapping presented in the remainder of the section.

¹ There are no alternative sources other than the 2001 Census for ward based household movements, which despite being out of date are still likely to be indicative of recent trends.

Figure 2.3: Hastings and Rother Ward Context Map (Source: DTZ)

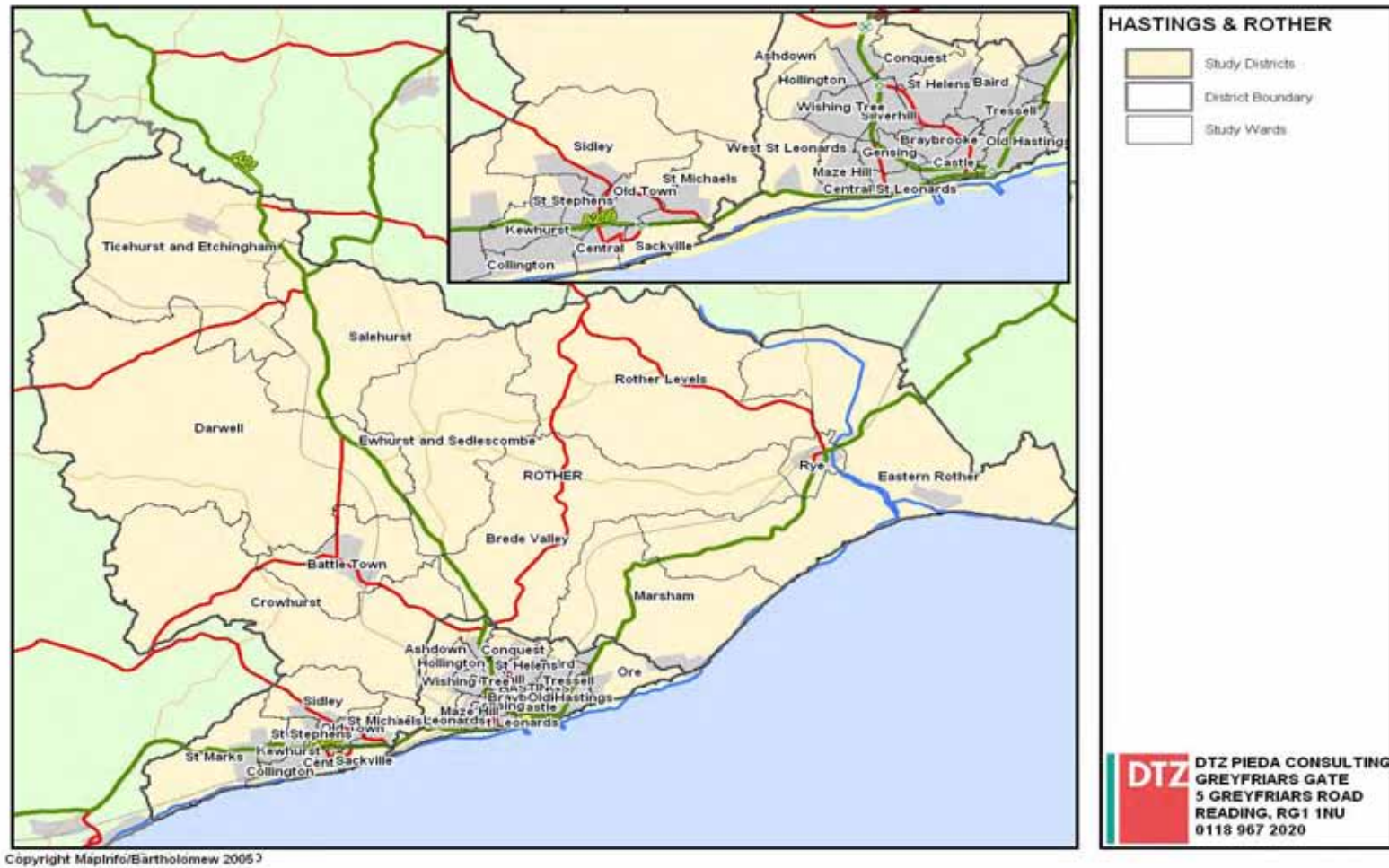


Figure 2.4: Ward Based Household Migration Movements (Movements > 0.25%)
(Source: Census 2001)

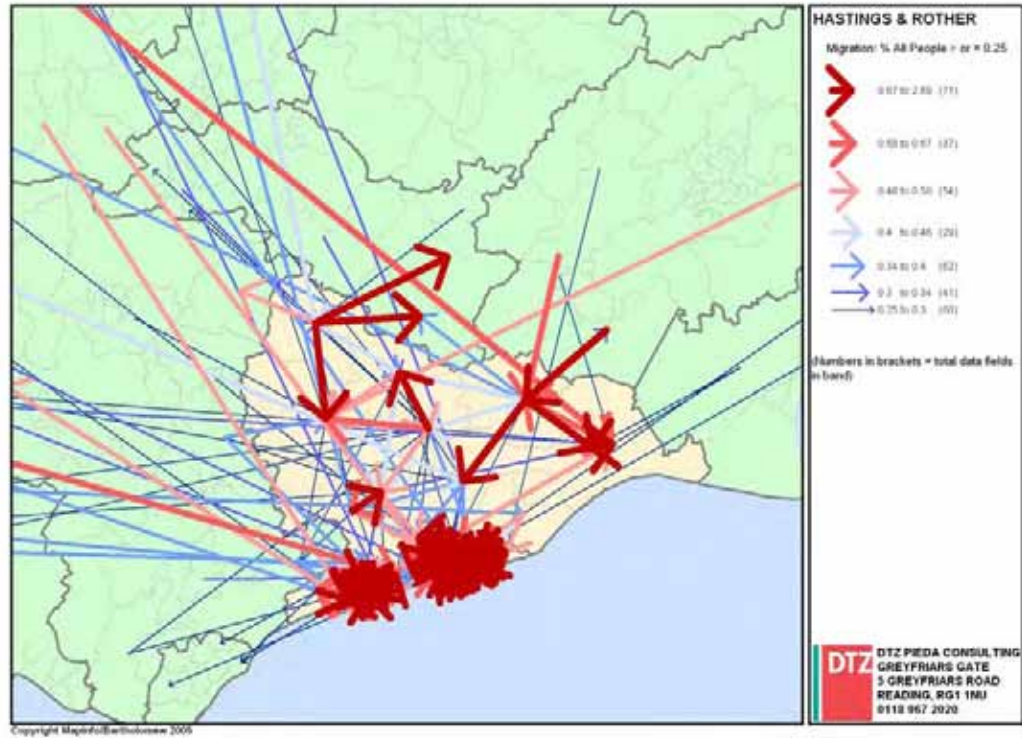
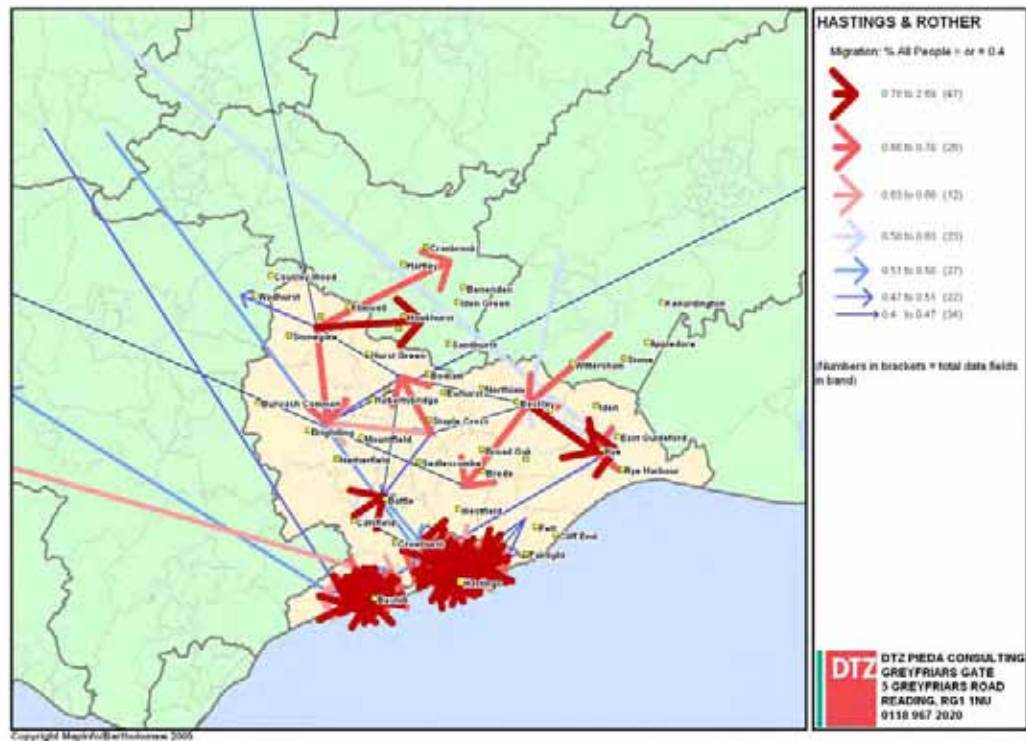
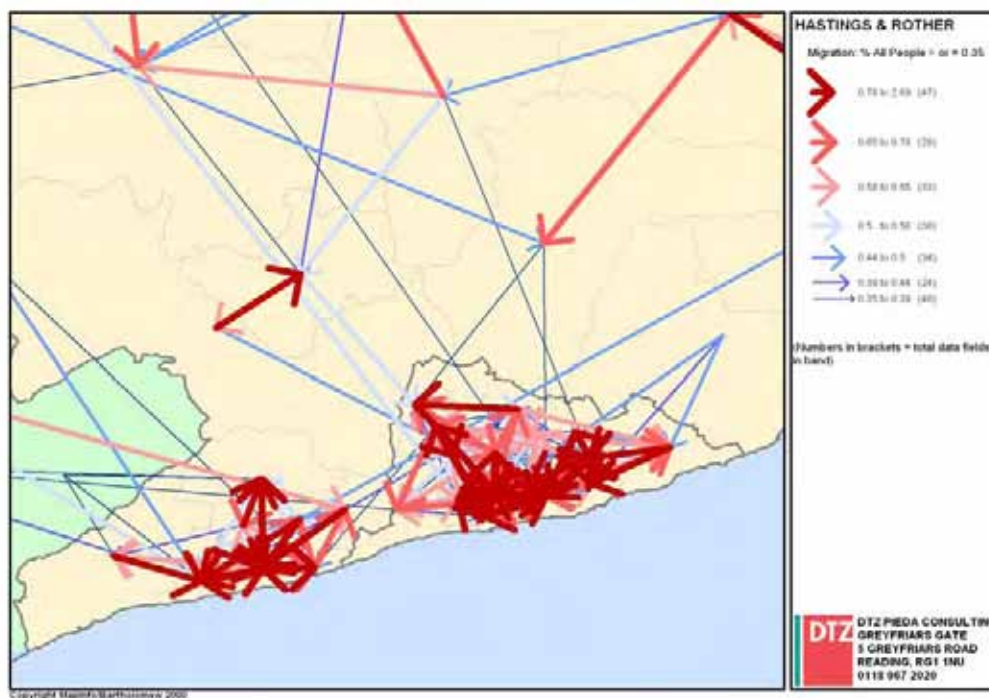


Figure 2.5: Ward Based Household Migration Movements (Movements > 0.4%)
(Source: Census 2001)



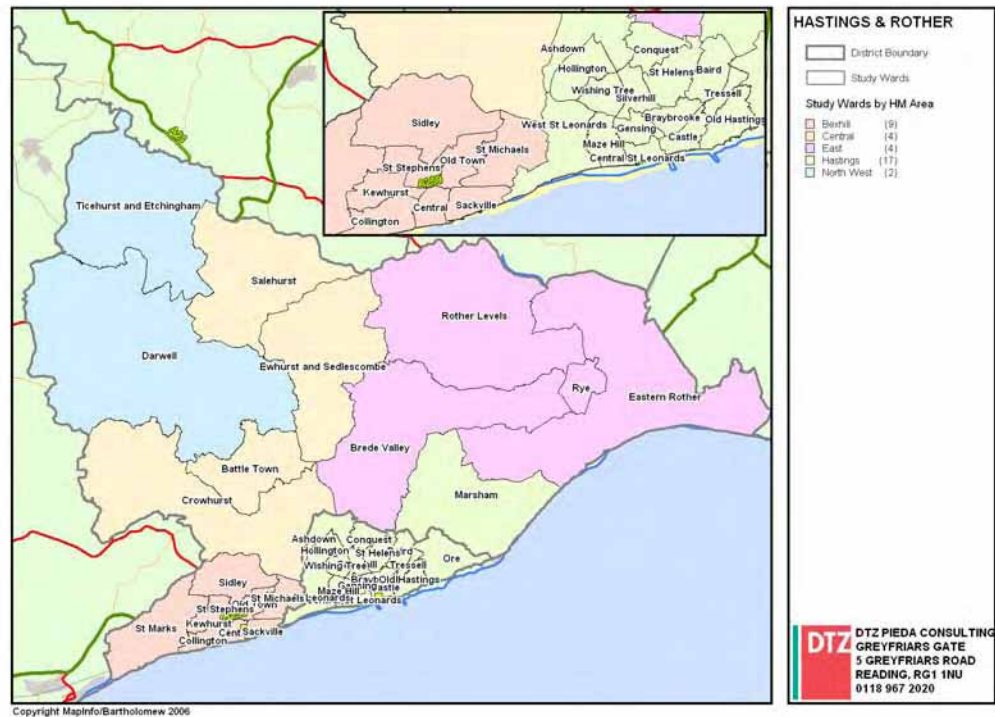
- 2.16 The mapping presented in Figure 2.5 reveals particularly strong localised housing markets centred upon Hastings and Bexhill. Each of these markets displays a high degree of self-containment, with only a limited amount of movement evident between them. However, when a lower threshold is introduced into the mapping (Figure 2.4) a greater degree of integration between Bexhill and Hastings is apparent, with inward migration from a number of Rother wards (such as Battle Town, Marsham and Rye) into Hastings.
- 2.17 Movements from Hastings into areas of Rother are much less in evidence within the mapping, a pattern that is likely to reflect the higher house prices in rural Rother compared with Hastings and the restriction to household mobility which this engenders. Overall, both Hastings and Bexhill are the recipient of a high number of long distance inward migration movements, with a notable proportion of these originating in Sevenoaks (there are also a number originating in South London). A closer view of the household movements between Hastings and Bexhill is presented in Figure 2.6.

Figure 2.6: Focus on Household Migration Between Bexhill and Hastings (Source: Census 2001)



- 2.18 A series of localised markets across Rother can also be identified within the analysis in Figures 2.4 and 2.5. A well defined cluster of household movements, which links the wards of Rye, Eastern Rother, Rother Levels and Brede Valley suggests a local housing market in operation across the east of district. This market also shows connectivity to the wards in the far south west of Ashford. The high relative household movements between the wards of Ticehurst and Etchington, which reach across and into the south east of Tunbridge Wells, indicates another localised housing market operational towards the north of Rother.

Figure 2.7: Housing Market Sub-Areas in Hastings and Rother

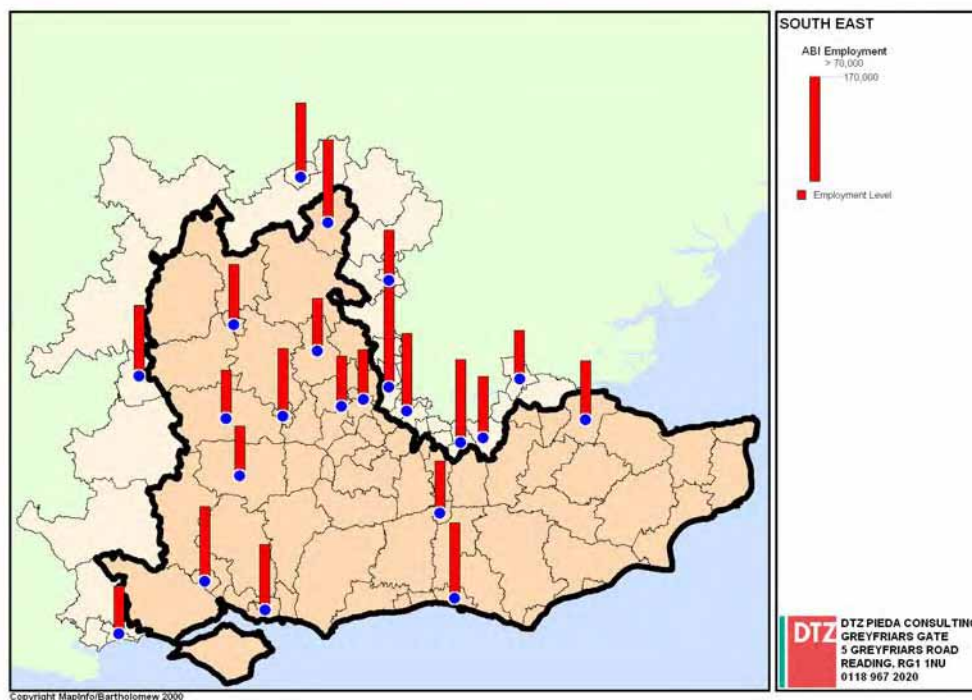


- 2.19 The pattern of household movements suggest that around 5 housing sub-areas can be delineated within the sub-region, which are presented in Figure 2.7. The sub-areas reflect the strong level of household migration between these areas that is evident in the mapping shown in Figures 2.4 and 2.5. The defined east, central and north west sub-areas are predominantly rural areas, whereas the Hastings and Bexhill sub-areas are both urban in nature.

Travel to Work Patterns

- 2.20 The South East region has a number of centres of employment, which act as anchors for its sub-regional housing markets. However the major employment concentrations in the region are dispersed relatively widely and (largely) have notable geographical separation. This is reflected in the spatial distribution of the main employment concentrations (70k +) throughout the South East, as presented in Figure 2.8.

Figure 2.8: Key Employment Nodes (70k + Employees) in the South East



- 2.21 Figure 2.8 illustrates the relative isolation of Hastings and Rother from the key employment nodes in the South East, with the nearest concentration of large scale employment located in Brighton. The influence of the major centres of employment in the South East underlies the spatial pattern of the region's travel to work movements. Figure 2.8 presents the origin and destination, and the relative size, of absolute travel to work movements across the South East which are greater than 2,500 in magnitude. Again, the purpose of introducing this threshold is to remove smaller and less significant movements so that a clearer picture of the main movements is established.
- 2.22 The district level analysis presented in Figure 2.9 highlights the strong integration of the labour market in Hastings and Rother, with significant travel to work flows evident between the Borough and District. This relationship contrasts with the absence of movements to areas outside and adjacent to the sub-region. The travel to work areas (TTWAs) in the South East (defined as the area within which the majority of people both live and work and presented in Figure 2.10) also show that Hastings and Rother share the same Travel to Work Area (Hastings), which broadly covers the entire area of the sub-region and is bordered by the TTWAs of Eastbourne, Tunbridge Wells and Ashford.

Figure 2.9: Spatial Pattern of Travel to Work Movements Across the South East
(Source: 2001 Census)

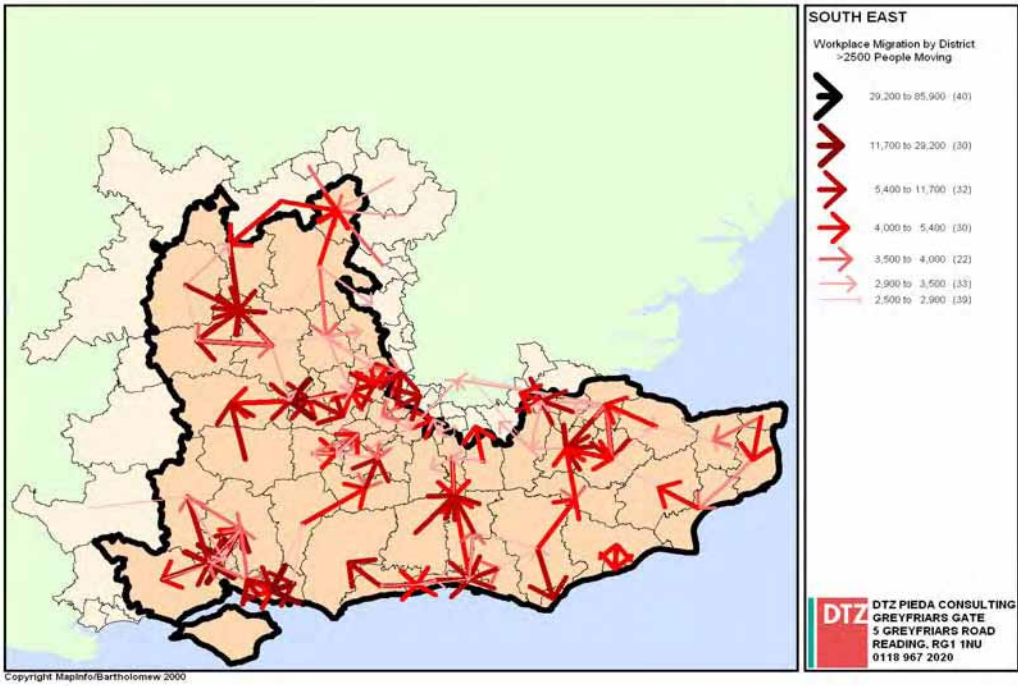
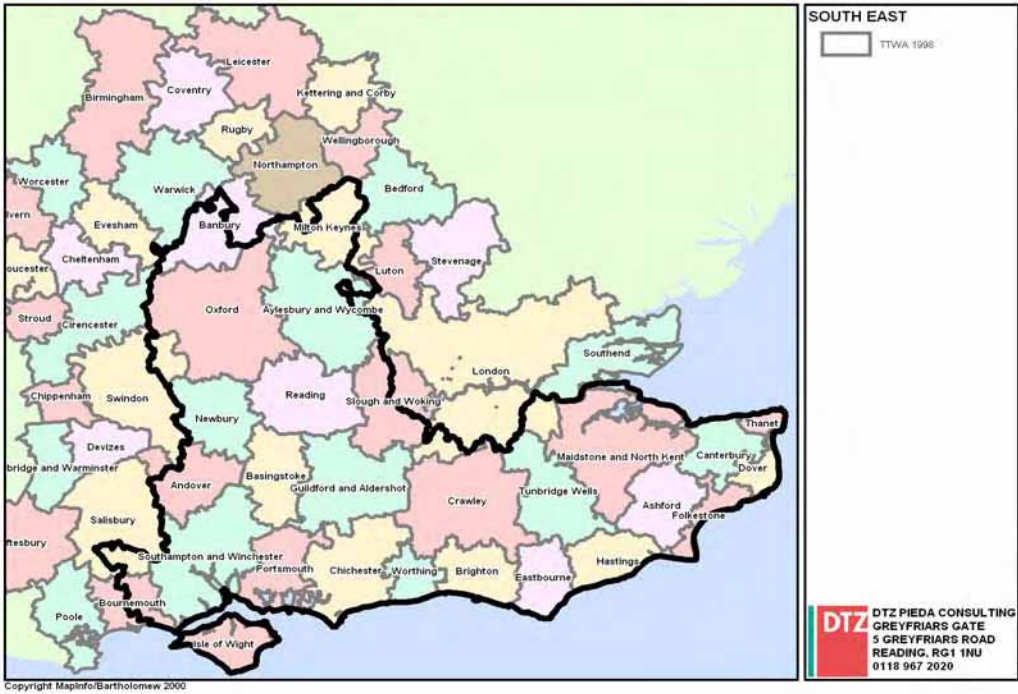
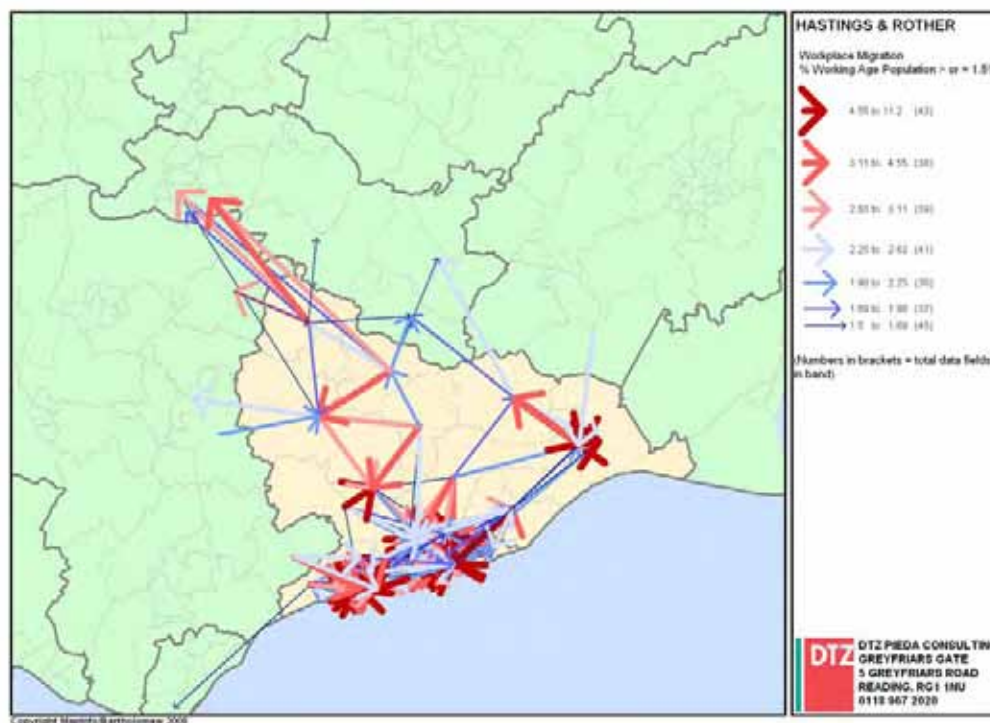


Figure 2.10: Travel to Work Areas Across the South East, 1998



- 2.23 Analysis of ward level travel to work movements across Hastings and Rother again shows that the sub-region possesses a highly self-contained labour market, although a number of well defined linkages with surrounding labour markets also begin to emerge. Ward level travel to work movements are presented in Figure 2.11, where travel to work movements are expressed as a proportion of the working age population in the ward of origin (residence).

Figure 2.11 Ward Based Travel to Work Patterns Across Hastings and Rother (Source: 2001 Census)



- 2.24 Unsurprisingly, the majority of the travel to work movements within the sub-region are focussed upon Hastings. Significant cross-district travel to work movements from Bexhill into Hastings are apparent within the analysis, which provide a contrast with the more divided pattern of household movement patterns between the two areas. Hastings also draws travel to work movements from Rye, Marsham and Battle Town.
- 2.25 Across the sub-region a number of relatively self contained travel to work movements and more localised labour markets are evident, focussed upon Rye, Battle Town and Darwell. The sub-region also shows close economic linkages with encompassing districts, with those living in the north of Rother in Ticehurst and Etchingham displaying considerable dependency on Tunbridge Wells as a centre of employment. In addition, northeast Wealden and the southern areas of Tunbridge Wells districts also draw in commuters from the eastern and western fringes of Rother.
- 2.26 A range of further maps have been produced for the sub-region that examine absolute travel to work and household movement patterns, as opposed to the relative pattern of movements presented above. These maps, which show a broadly similar pattern of movement to those examined above, are presented in Figures 2.12 to 2.16 for purposes of comparability.

Figure 2.12: Absolute Pattern Of Household Movements Hastings and Rother (Source: 2001 Census)

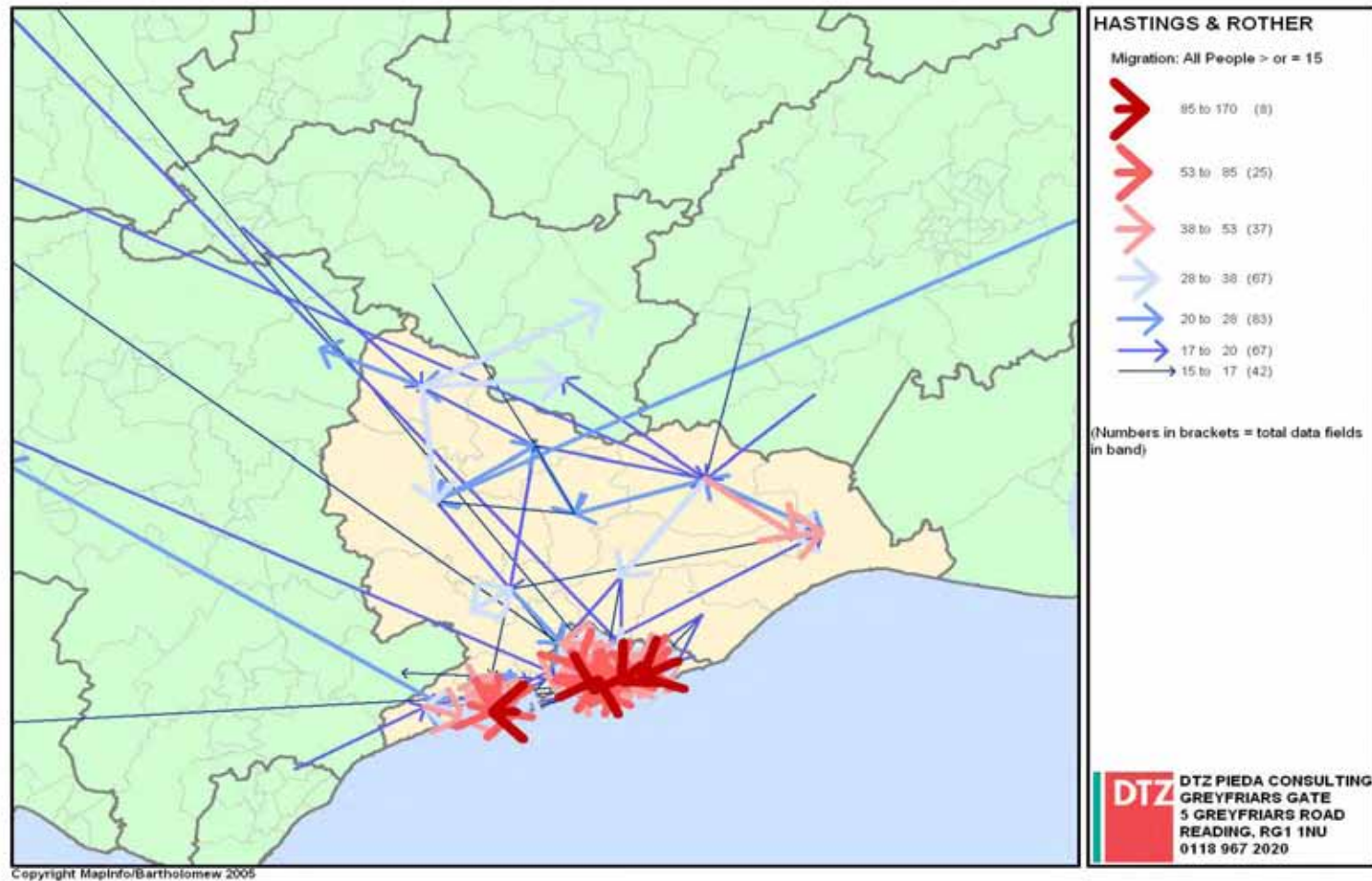


Figure 2.14: Absolute Pattern Of Household Movements Hastings and Rother Zoom In View (Source: 2001 Census)

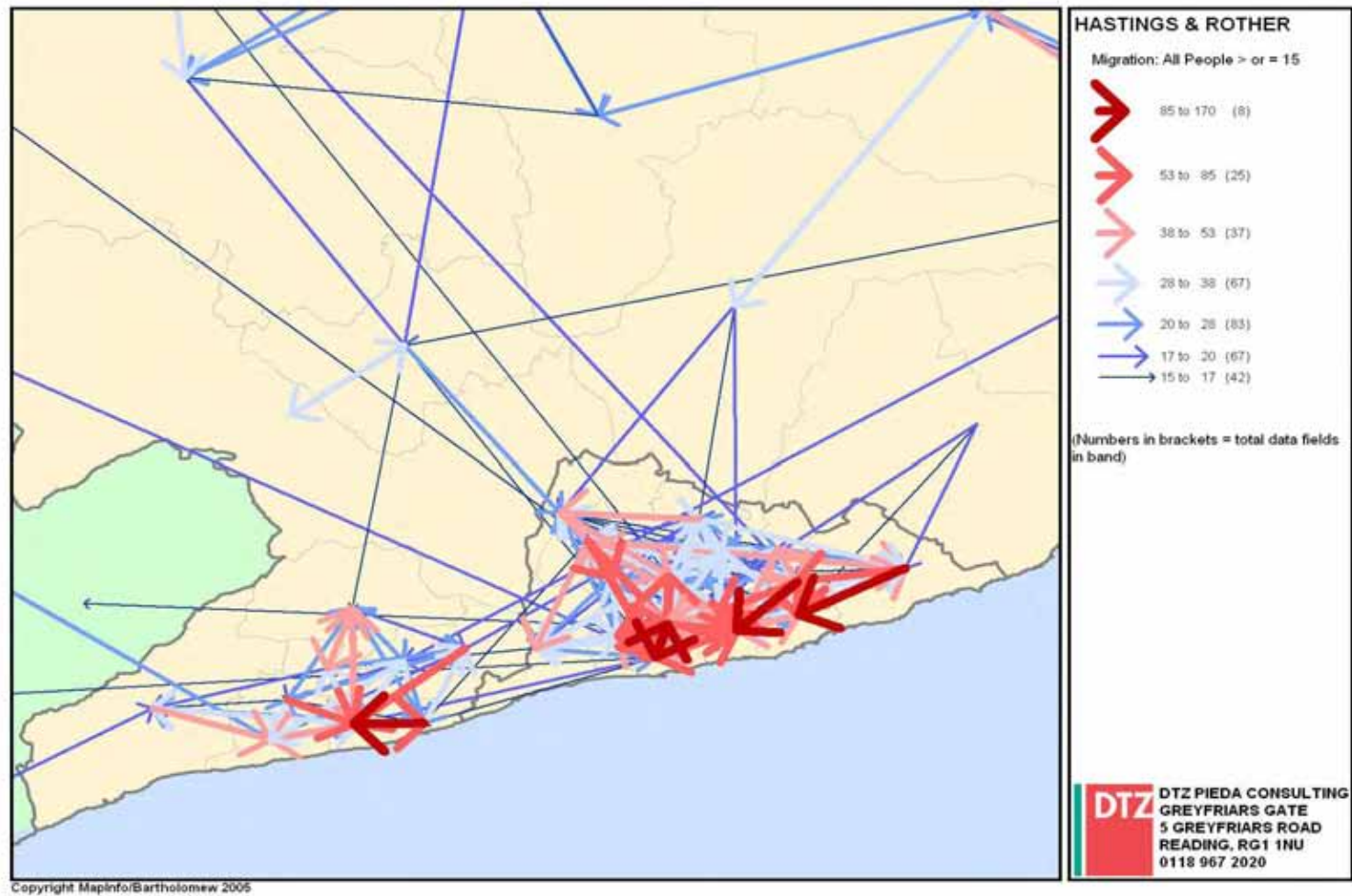


Figure 2.15: Absolute Pattern Of Travel to Work Movements Hastings and Rother (Source: 2001 Census)

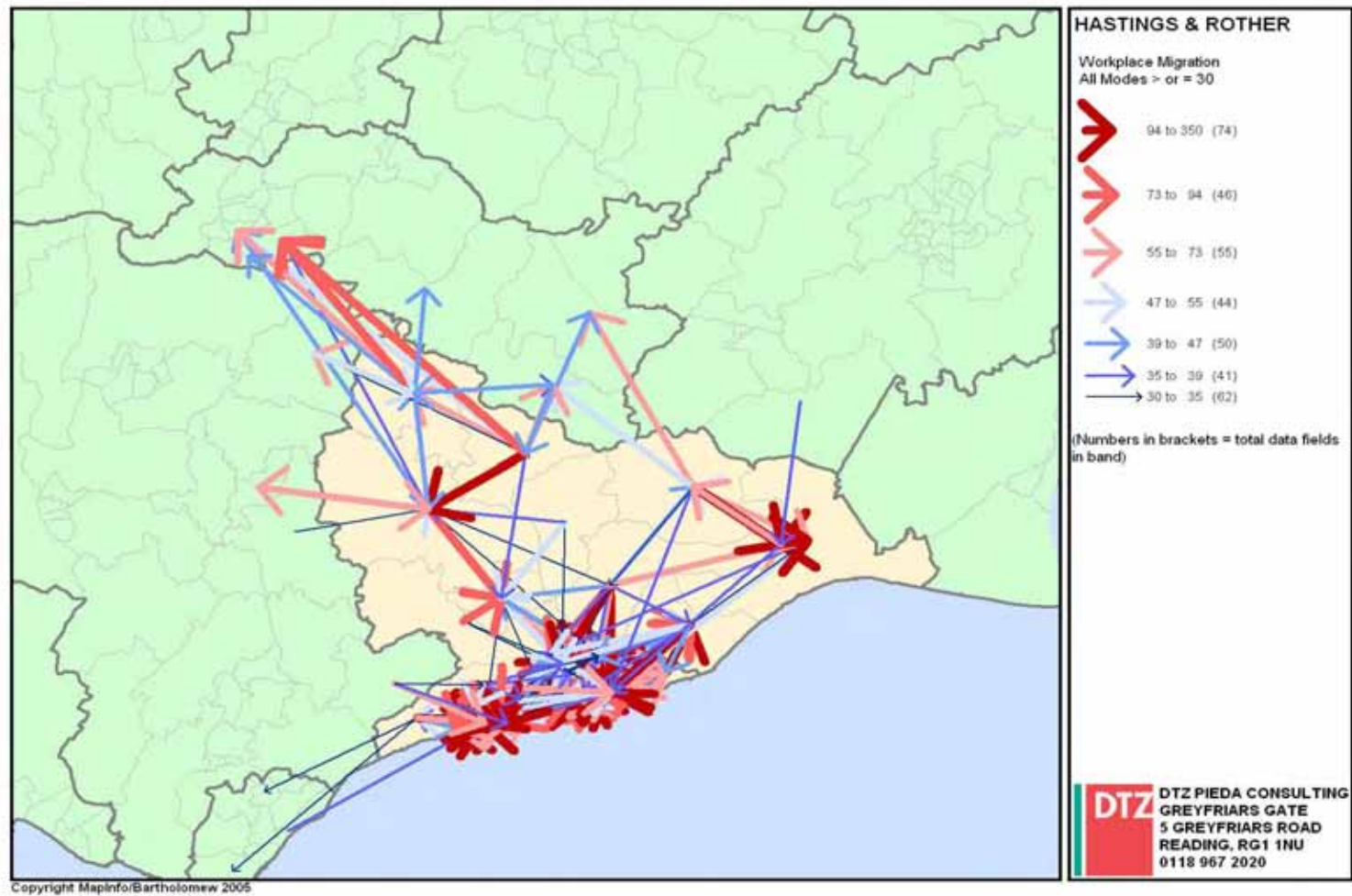
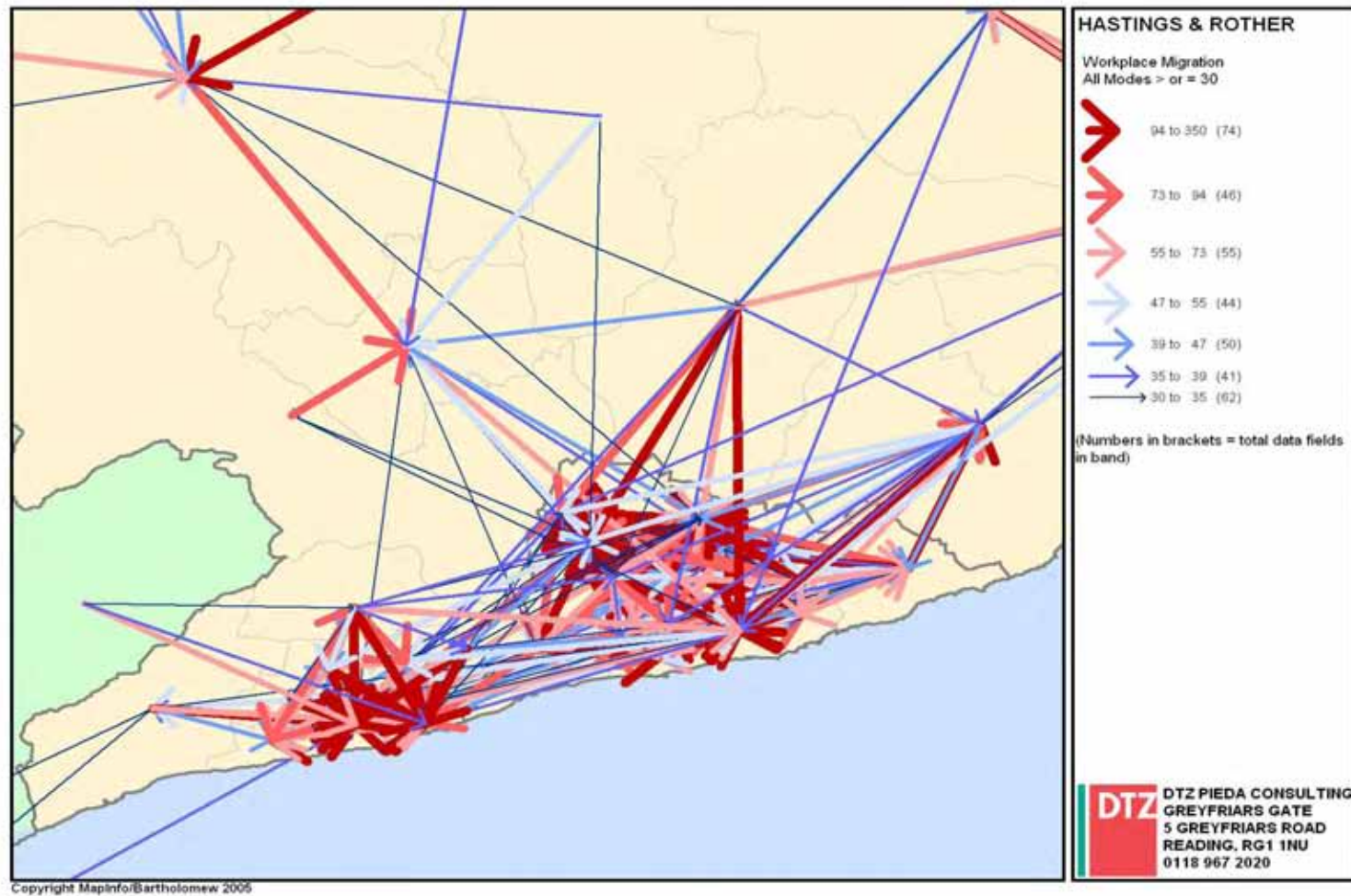


Figure 2.16: Absolute Pattern Of Travel to Work Movements Hastings and Rother Zoom In View (Source: 2001 Census)



3 DRIVERS OF THE HOUSING MARKET

- 3.01 The housing market of any area is driven by a range of demand and supply factors (see Figure 3.1). The same factors exist across the country but the way in which these factors operate differs considerably between different housing markets. It is this which gives rise to significant differences in housing markets across the country. This section outlines the generic factors which to varying degrees impact on all housing markets before subsequent sections address the specific trends and dynamics of the Hastings and Rother housing market.

Market Demand and Housing Need

- 3.02 In thinking about the housing market it is helpful to recognise the distinction between housing demand, housing need and housing requirement.

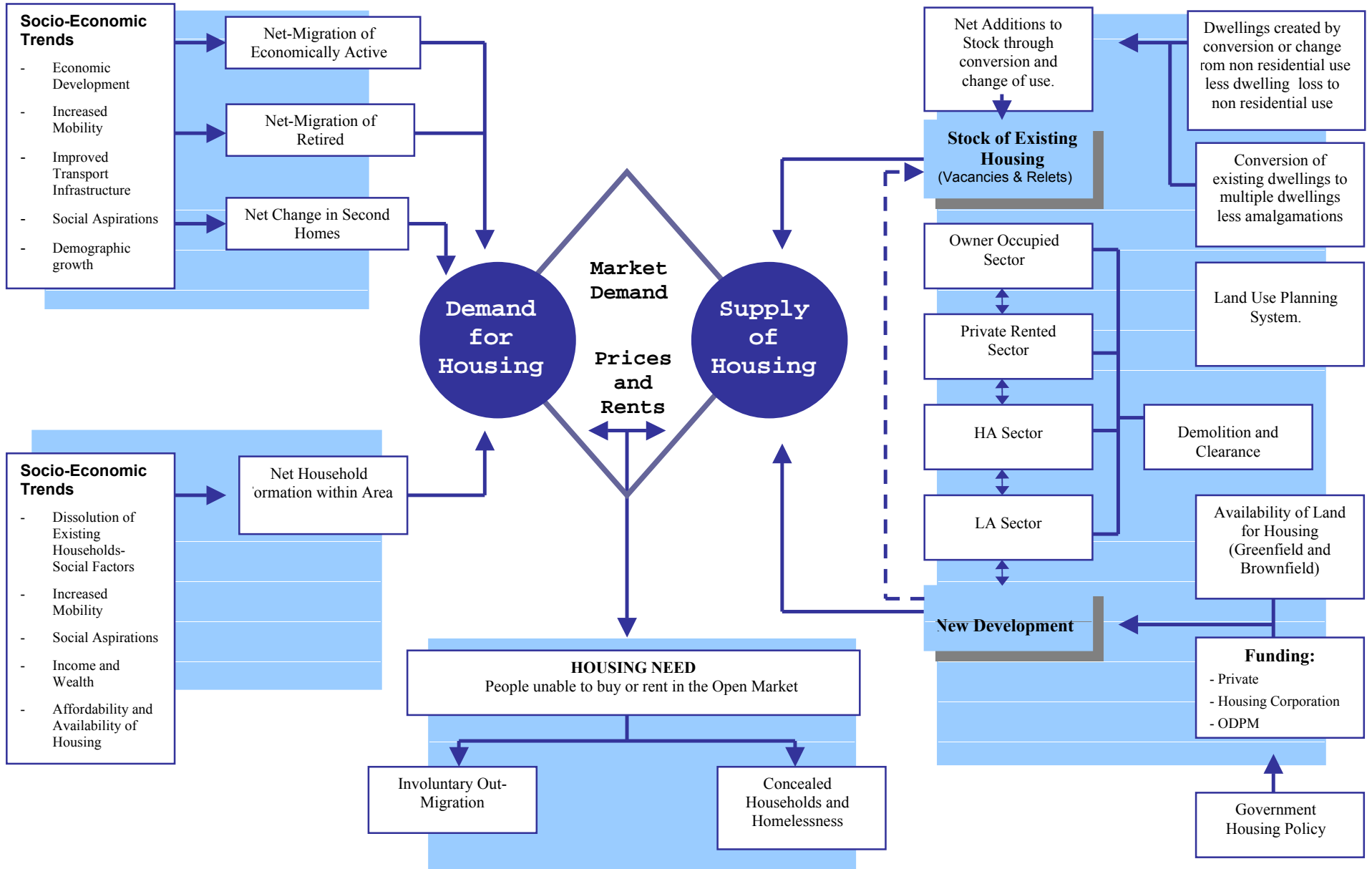
- **Housing Demand** is the quantity of housing of the type and quality that households both want and can afford to buy or rent in the open market without subsidy. Housing demand thus takes into account both preference and the ability to pay.
- **Housing Need** is the quantity of housing of the type and quality necessary to house those households currently lacking their own housing, or living in housing which is unsuitable or inadequate and who can not afford to buy or rent suitable housing in the open market. So housing need takes account of those without adequate housing who are unable to resolve their situation without assistance.
- **Housing requirement** encompasses both housing demand and housing need, and is therefore the quantity of housing necessary for all households to have access to suitable housing, irrespective of the ability to pay. Put simply, it is the amount of housing needed to accommodate the population at appropriate minimum standards as defined by government or in local policies.

- 3.03 Some confusion arises in housing policy around the use of the term ‘affordable housing’ since the term can be used to embrace entry-level market housing as well as extending to include shared ownership and social rented housing. Thus Circular 6/98 Planning and Affordable Housing states *‘the term affordable housing and affordable homes are used in this Circular to encompass both low cost market and subsidised housing (irrespective of tenure, ownership – whether exclusive or shared – or financial arrangements) that will be available to people who cannot afford to rent or buy houses generally available on the open market’*.

- 3.04 DTZ believe that it is preferable to categorise housing provision into the following market segments:

- **Market Housing** where the purchaser, owner or tenant pays the full market cost or rent without subsidy. Since the abolition of Mortgage Interest Relief in 2001 there is no longer any subsidy for owner occupiers. It is relevant to note however that the Barker Review estimates that private tenants incur costs around 18% higher than an owner occupier occupying an identical property. Standard entry level housing that is delivered without any subsidy and without any protection that ensures that the housing remains ‘affordable’ would fall within our definition of market housing.
- **Social Rented Housing** where housing is allocated on the basis of need rather than ability to pay and rents are set below market levels. The development of new social rented housing is critically dependent on subsidy of development costs either from public funds or cross subsidy based on the capture of enhancements in land value associated with the award of planning permission. The social rented housing sector comprises both local authority and housing association housing for rent.

Figure 3.1: A Conceptual Framework for the Operation of Housing Markets



- **Intermediate Housing** is a relatively new phrase designed to describe the growing number of interventions that seek to assist those who are ineligible for social rented housing but can not afford market housing. This is what is referred to in the Barker Review as sub-market housing. Such interventions include the provision of shared ownership, discounted equity and fixed equity and cost rent schemes. Such schemes typically require an element of public subsidy or cross-subsidy from commercial development secured through capturing part of the enhancement in land value associated with the granting of planning permission. The ODPM defines intermediate housing as *“housing at prices or rents above those of social rent but below market prices or rents, including sub-market renting, low cost home ownership and shared ownership.”*

3.05 It is relevant to note in this discussion that key worker housing could in theory fall into any of the above categories, though in practice most schemes fall into the intermediate housing category. Key worker housing is targeted at a particular group of occupiers and is not a particular form of tenure.

THE DEMAND FOR HOUSING

3.06 The overall demand for housing is a function of the number of households living in an area. Changes in the total number of households are brought about either by:

- net changes in the number of households living in the area attributable to change within the population already living in the area and average household size
- net changes in the population, and hence households, brought about by migration into or out of the area.

The key drivers of these two components of demand are examined in brief below.

Internal Drivers of Demand

3.07 Internal drivers of demand can be thought of as those factors that influence the rate of household formation or dissolution among the resident population of an area. The key influences are as follows:

- **The natural rate of population growth.** This refers to the growth or decline of the population of an area excluding the effect of migration into or out of the area. Broadly speaking the faster the growth of population in an area, the more rapidly one would expect the number of households to increase and the greater the demand for housing. The converse is true if the population of the area is declining. In the UK the natural rate of population growth is low since birth rates have fallen dramatically over the past century. This has been partly offset by people living longer and the associated fall in death rates.
- **The rate of household formation.** A major driver of housing demand in recent years has been the increase in the number of households per thousand of population associated with declining average household size. This has been brought about by a number of influences – the growing proportion of adults in the population as birth rates have fallen; the increasing number of adults who chose to live alone as people form stable relationships at a later age; and the increasing number of older people couples or singles who live alone since children have grown up and left the family home.

- 3.08 Social change underpins the changes in the rate of household formation and natural population growth described above. These include changing attitudes to marriage, to the role of women in the workplace, and changes in the number of children couples choose to have. Social change is brought about in part by economic and technological change. The decline in the average number of children per family has been associated worldwide with rising incomes and the availability of birth control. Generally, however, such changes occur relatively slowly and their impact on the housing market is fairly predictable.
- 3.09 Of more direct relevance to this study is the impact that a variety of other changes can have on the composition of demand. Rising incomes and wealth have been and will continue to be associated with demand for higher standards of housing. At the same time the availability and affordability of housing can itself influence the rate of household formation or average household size. Where housing becomes less affordable young people may delay leaving the parental home, or there may be an increase in households comprised of unrelated individuals who share accommodation and housing costs.

External Drivers of Demand

- 3.10 The other major component of demand, the effect of migration, is much less predictable than factors that change the underlying rate of household formation or dissolution. In the South of England as a whole there is increasing requirement for housing development which reflects the strength of the economy and a growing population. However in many areas there are significant tensions between this demand and the supply of development land.
- 3.11 Another key feature of the South East region is the relationship with London, which exerts a considerable influence over the whole of the South East. London is the largest source of in-migrants to the South East region. In 2003, 96,000 people moved from London to the South East while only 49,000 people moved from the South East to live in London. Overall, therefore, net inward migration from London to the South East is around 50,000 people per annum, according to latest estimates.
- 3.12 We have not analysed the pattern of migration as part of this study, but there is a well documented process that London experiences in-migration of young people as students, young single people and childless couples from around the country (as well as significant levels of international in-migration). As these people get older and start to purchase property or consider starting families they often move to more suburban areas, such as those found in the South East. Therefore, London acts as a form of conduit through which migrants from around the country enter into the South East.
- 3.13 These in-migrants may continue to work in London – so the pattern of in-migration is linked to the observed pattern of commuting into London, though there will also be those who move into the South East from London who also change their place of work. Those moving into the region from London will tend to have greater financial resources due to higher salaries obtained in the capital and possibly greater housing equity than local residents. This has an impact on sub-regional markets in the South East.
- 3.14 This situation has led to the designation of the Thames Gateway, Milton Keynes and Ashford as priority growth areas to help accommodate the excess demand from elsewhere in the region, arising from net in-migration, natural population growth and declining household size.

- 3.15 In Great Britain more generally, internal migration patterns are influenced by the relative performance of regional economies and employment opportunities and then by regional and sub-regional house price differentials.

THE SUPPLY OF HOUSING

- 3.16 There are two key dimensions of housing supply that it is important to understand. First the overall stock of housing changes only slowly, though it is important to assess the extent to which housing supply responds to price signals that indicate rising demand. Second it is important to understand the inter-relationship between the stock of housing in different tenures and how tenure shifts occur in response to demand and other factors.

Changes to the Overall Stock of Housing

- 3.17 In general the overall stock of housing only changes slowly. The lack of responsiveness of housing supply to increases in house prices is examined in the Independent Review of Housing Supply conducted by Kate Barker on behalf of HM Treasury. The Final Report published in March 2004, notes that over the last 30 years real house prices in the UK have increased by around 2.4% per annum, while in Europe as a whole they have increased by only 1.1%. The Review concludes that a key factor in the inflation of house prices is persistent inadequate supply of new housing supply.
- 3.18 The Review identifies the constraints on housing supply in the UK. The Review indicates that the underlying constraint of housing is the supply of land. The Review suggests that land supply is constrained by a number of factors:
- The housebuilding industry, its response to risk and the speculative nature of land leading to a reluctance to build out large sites quickly
 - The increasingly complex nature of sites (especially brownfield sites) where significant remediation may be required
 - Land ownership and the incentives to bring forward for development along with the difficulties of site assembly where ownership is fragmented
 - The planning system and its influence over the amount of land which is made available and whether development is viable through the delivery of necessary infrastructure
 - Land use is politically contentious.
- 3.19 Within the Hastings and Rother context, it is the role of organisations such as SEEDA and Local Authorities to overcome such constraints through site assembly, reclamation of brownfield sites, and forward planning. The approved RPG and emerging Regional Spatial Strategy provide the agreed framework for land use planning in the Sussex Coast sub-region. Constraints on development imposed in connection with the High Weald AONB are a significant local factor affecting development in Hastings and Rother.

Changes to the Tenure Balance of the Stock

- 3.20 The stock of dwellings in different tenures has changed significantly over the past decade as a result of differential rates of development of housing of different tenure and shifts in tenure within the existing stock.
- **The overall stock of owner occupied property has increased.** The majority of new housing development has been for sale, though the emergence of the Buy-to-Let

phenomenon has meant that some new development has resulted in the expansion of the private rented sector. The stock of owner occupied dwellings has also expanded as a result of people exercising the Right to Buy on housing association or local authority owned dwellings.

- **The stock of local authority owned dwellings has shrunk significantly in the last decade.** For all practical purposes there has been no development of new local authority dwellings. Nationally there has been a trend towards local authorities transferring stock to the management of Housing Associations (RSLs), whilst the stock of local authority dwellings has also continued to dwindle as people exercise the Right to Buy.
- **The stock of housing association properties has increased as a consequence of new development and stock transfer.**
- **The stock of private rented housing has expanded considerably over the last decade.** This growth has been achieved at the expense of the owner occupied sector. By implication growth must have been achieved both through a significant proportion of new dwellings being bought under Buy-to-Let¹ arrangements or more commercial investors; and through some of the existing owner occupied stock of housing moving into the private rented sector.

- 3.21 It is also important to understand the way in which demand for different tenures impacts other tenure sectors.
- 3.22 The owner occupied sector is the dominant form of tenure and the tenure of preference of the vast majority of residents. The sector is so dominant in terms of the housing market (since social rented and intermediate housing can be thought of outside the market mechanism) that what happens in the owner occupied sector has major implications for all other forms of tenure. Put simply, if people cannot access owner occupied housing, this will increase demand in both the private rented sector and the social rented housing sector.
- 3.23 The converse is also true as is evident in areas of the country with systemic low demand. If the owner occupied sector is easily accessed, then typically one sees the impact in terms of low demand for social rented housing and private rented housing, and abandonment of the worst privately owned properties. Understanding the dynamics of the owner occupied sector is therefore critical to social and private sector landlords.
- 3.24 Where declining affordability in the owner occupied sector leads to increased demand in the private rented sector, this can be expected to have a number of effects. Increasing demand can generally be expected to lead to increased rents. Little is known about how the supply of rented properties responds to increasing rents, but in the context of a general shortage of housing it seems unlikely that a significant new supply of private rented properties will be called forth by higher prices.
- 3.25 Increased private sector rents are likely to have two important implications. First it is probable that those on the margins of owner occupation can outbid those already in the sector in the competition for the best properties. So over time, one can expect to see a process by which those on slightly higher incomes displace those on lower incomes into less good properties, and at all levels in the market people end up paying higher rents. This

¹ The growth of the Buy-to-Let market has been a key characteristic of the housing market in the UK during the early 00s. According to Datamonitor, the number of buy-to-let mortgages rose by 50% in 2001 as people looked to profit from soaring house prices and growing demand for rented property.

is likely to lead to higher Housing Benefit costs, with a consequent diversion of public sector resources from other priorities.

- 3.26 At the bottom end of the market, typically where the most vulnerable people live, tenants may find themselves unable to access rented properties. They are likely to look to social rented housing providers to assist them, putting already stretched social rented housing resources under further pressure. In many cases these tenants may not be accorded priority by social housing landlords, so they may end up sharing or on the streets. What appears therefore as house price inflation has direct knock on effects that ultimately can lead to increased street homelessness.
- 3.27 Rising costs in the owner occupied sector therefore impact on the social housing sector, largely by displacing people from the private rented sector. It is increasingly possible to think of the local authority and housing association sectors as a single sector, albeit it is comprised of two different types of landlord, with different governance structures. Local authorities have nomination rights over a large proportion of new housing association tenancies, and increasingly housing association development priorities are agreed in conjunction with local authority partners.
- 3.28 Figure 3.1 above, shows the key underlying factors which contribute to the working of a housing market and it is this framework which underpins the subsequent analysis of the Hastings and Rother housing market.

Distinction Between Housing Market Assessment (HMA) and Housing Needs Assessment (HNA)

- 3.29 Housing Needs Assessments are primarily undertaken to justify and support affordable housing policies in Local Plans and now in the emerging Local Development Frameworks. In contrast Housing Market Assessments take a different approach. HMAs are more strategic in focus and ask deeper questions about housing, economic and social strategy than HNAs.
- 3.30 The recommendations made in the HNA and HMA on size and type of dwelling therefore relate to different sectors of the housing market. The HMA focuses on the size and type of dwelling required in the market sector and across tenures to achieve economic and social balance, whereas the HNA relates to housing need for those unable to access market housing and who require subsidy, in terms of either social rented or intermediate housing.

Gypsies and Traveller Sites

- 3.31 The Housing Act 2004 introduced requirements for local housing authorities to take the needs of Gypsies and Travellers into account when producing local housing assessments, and to include the accommodation needs of Gypsies and Travellers as part of their wider housing strategies. The draft guidance says that consideration should be given to the need for private and public site provision, including transit sites and emergency stopping places where Gypsies and Travellers may legally stop in the course of travelling.
- 3.32 DTZ recommend that the local authorities in East Sussex come together to agree a framework on how best to tackle the issues raised by Gypsies and Travellers. This should build upon the survey work currently being undertaken across the area. There will be considerable economies of scale to this work, which will be lost if local authorities work independently from one another. Moreover, the nature of Gypsy and Traveller movements means that a sub-regional approach is likely to be the only credible mechanism to establish the need for private and public site provision.

4 DEMOGRAPHIC DRIVERS OF DEMAND

- 4.01 This section analyses the underlying components of housing demand by examining demographic change over the last two decades, alongside historic and current structures and trends of those who occupy housing within Hastings and Rother. Where possible the data for Hastings and Rother is benchmarked against East Sussex and the South East.
- 4.02 The following section, Section 5, continues this examination through a comparative assessment of the performance of the Hastings and Rother economy and the way in which economic performance has had an impact on housing demand.

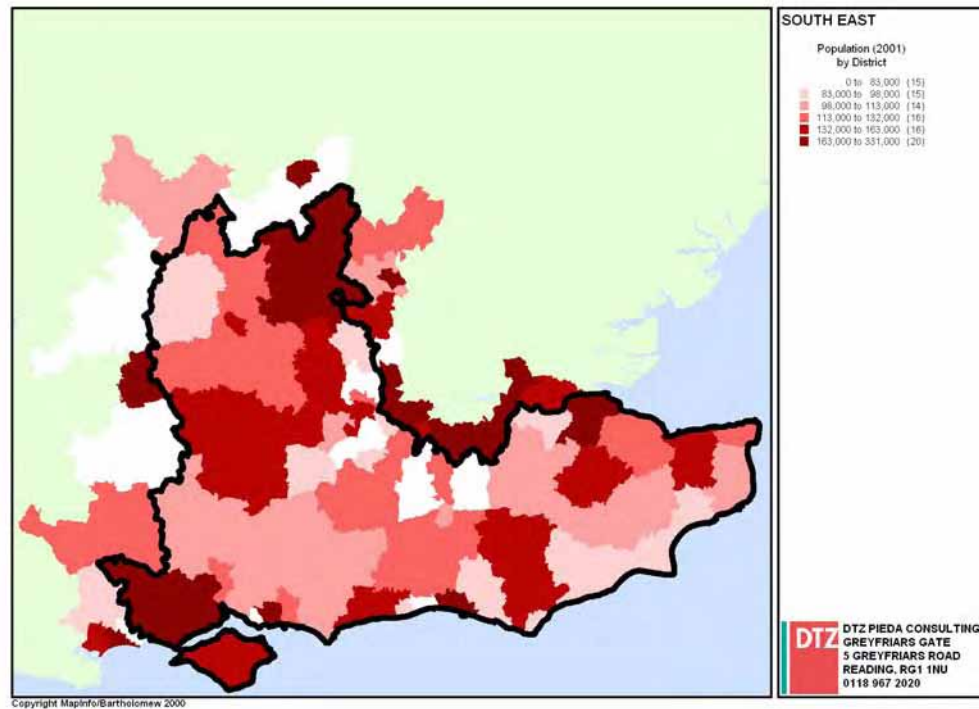
Key Points (Sources for Statistics Shown Throughout Section)

- The current combined population of the Hastings and Rother sub-region is 171,000.
- Overall growth in population over the period 1981-2003 was 12% in both Hastings and Rother (equal to that at the regional level). This level of increase for Hastings and Rother equates to an increase in population of 9,000 per district over the period.
- There is a greater concentration of younger families and single adult households in Hastings, and a greater concentration of retirement-age households in Rother.
- Over the period 1991 to 2001, there was a significant growth in the number of people in the 45-64 age group in the Hastings and Rother sub-region, and to a lesser extent, the 15-24 age group. However, both districts experienced a decline in the number of people aged 65-74 and 25-44
- Census data shows that there was a net-migration of 920 into the Hastings and Rother sub-region in the year to 2001, representing 1.2% of all households. This net in-flow is a product of an in-flow of 2,850 households combined with an out-flow of 1,930 households.
- The household composition of in-migrants and out-migrants reveals that the largest moving groups are Single Adults, Family Households, and Couple households. There is a higher proportion of single adult households in the flow of in-migrants and a higher proportion of couple households in the flow of out-migrants.
- Of resident households, the largest household groups comprise couples with no dependent children (21%), and couples with dependent children (18%). Single Adults account for 15% of the population, whilst the elderly account for 32% (19% single elderly and 13% elderly couples).
- Compared to the South East there is a concentration of single elderly households in both Hastings and Rother. The corollary of this is that there is a lower representation of family households relative to the South East.
- In terms of tenure, owner-occupation tends to be concentrated in the suburbs of Hastings and across Rother. Private rented tenure is concentrated in the central parts of Hastings, whilst social rented tenure is found across the whole sub-region, but the distribution tends to be polarised.
- Average household size (2.19 people per household) is low compared to the South East (2.38)
- The number of households in Hastings and Rother increased by 9% over the period 1991-2001, marginally below the growth in the South East (11%).

Population

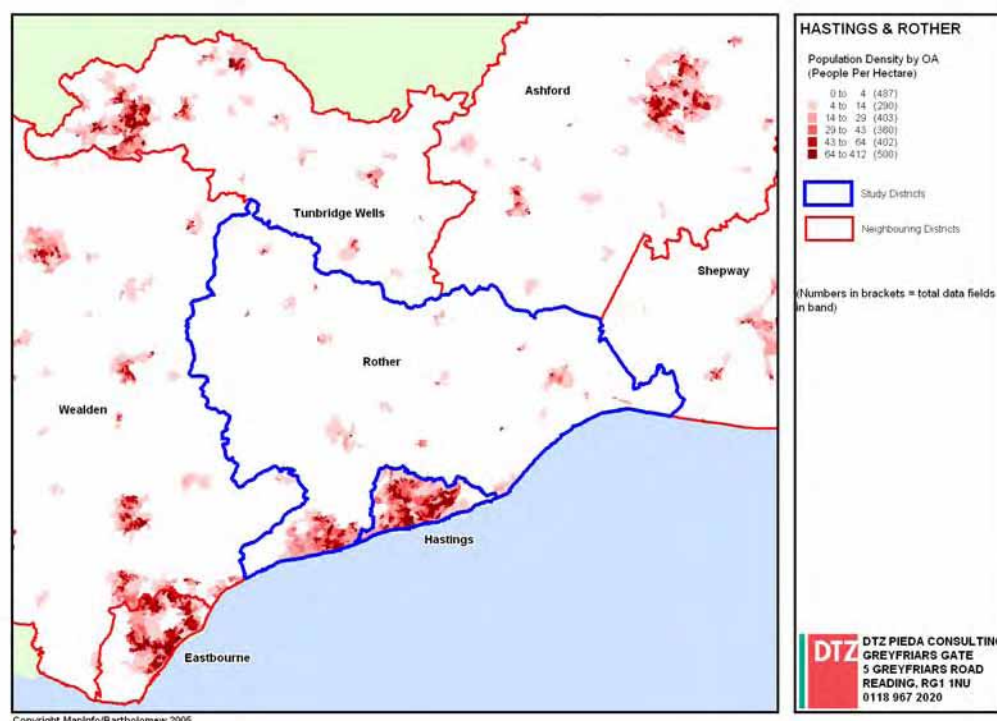
- 4.03 The current (2004) combined population of the Hastings and Rother sub-region is 171,000 (85,000 and 86,000 respectively for Hastings and Rother), accounting for around 2% of the total population of the South East. Hastings and Rother each account for around 17% of the total population of East Sussex, which has a population (in 2004) of almost half a million (6% of the region). Compared with the rest of the South East, Hastings and Rother lies in an area of the South East that is relatively sparsely populated, as reflected in Figure 4.1.

Figure 4.1: Population by District in the South East (Source: 2001 Census)



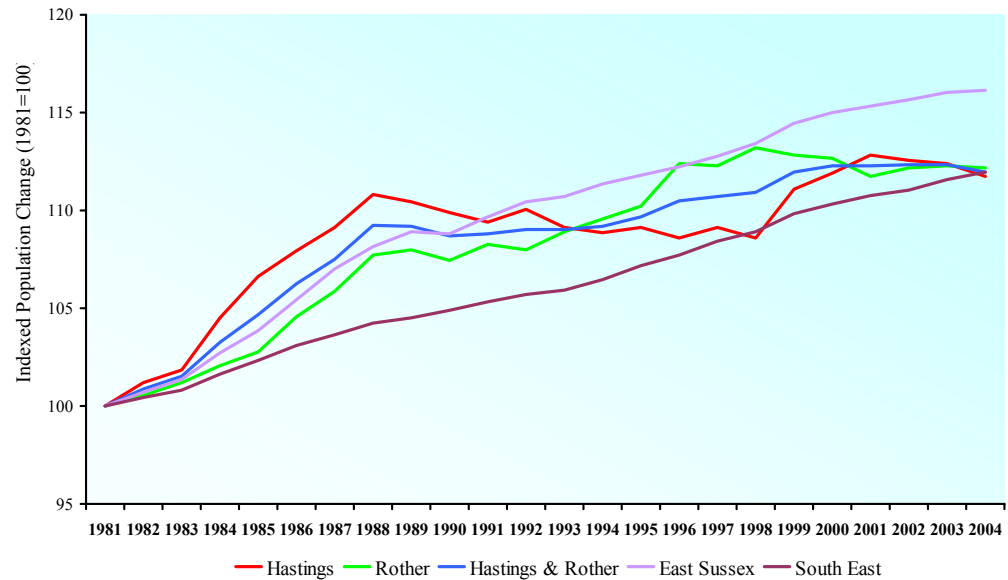
- 4.04 Figure 4.1 does not take into account the size of districts, only the absolute population in each district. Therefore another useful measure in determining the concentration of the population in an area is the number of people per hectare, as shown in Figure 4.2, (which examines population across Hastings and Rother at a Super Output Area (SOA) level). Given the similar sized populations in both Hastings and Rother, but much larger area of Rother relative to Hastings, population density is much lower in Rother than Hastings.
- 4.05 Hastings Borough covers little more than the town of Hastings conurbation itself, with high population densities displayed throughout the Borough. By contrast, Rother has large areas with very low population density, with the only major concentration of population in Bexhill. This pattern is similar to that of the neighbouring districts such as Tunbridge Wells and Ashford.

Figure 4.2 – People per Hectare (Source: Census 2001)



- 4.06 The population density of the Hastings and Rother sub-region is similar in nature to the Eastbourne and Wealden sub-region lying adjacent to the west, which also has a concentrated urban core encompassed by a predominantly rural hinterland.
- 4.07 Figures 4.3 and 4.4 show that population growth in Hastings and Rother over the period 1981 to 2003 was equal to the regional average. Both Hastings and Rother experienced significant population growth for most of the 1980s. Whilst the population of Rother continued to increase following this, the population of Hastings followed an alternative path and declined until 1998. In the period since 1998, the population of Hastings has once again increased, whilst it has declined in Rother.
- 4.08 Overall growth over the period was 12% in both Hastings and Rother (equal to that at the regional level). This level of increase for Hastings and Rother equates to an increase in population of 9,000 per district over the period. The rate of population growth was higher in East Sussex at 16%.
- 4.09 Thus the sub-region has experienced significant increases in population, in line with regional trends. Hastings and Rother have both accommodated very similar levels of overall growth, both in proportional and absolute terms. However, the population growth trend has been highly variable between the two areas, with periods of population increase in one being offset by population decreases in the other.

Figure 4.3: Indexed Population Change, 1981-2004



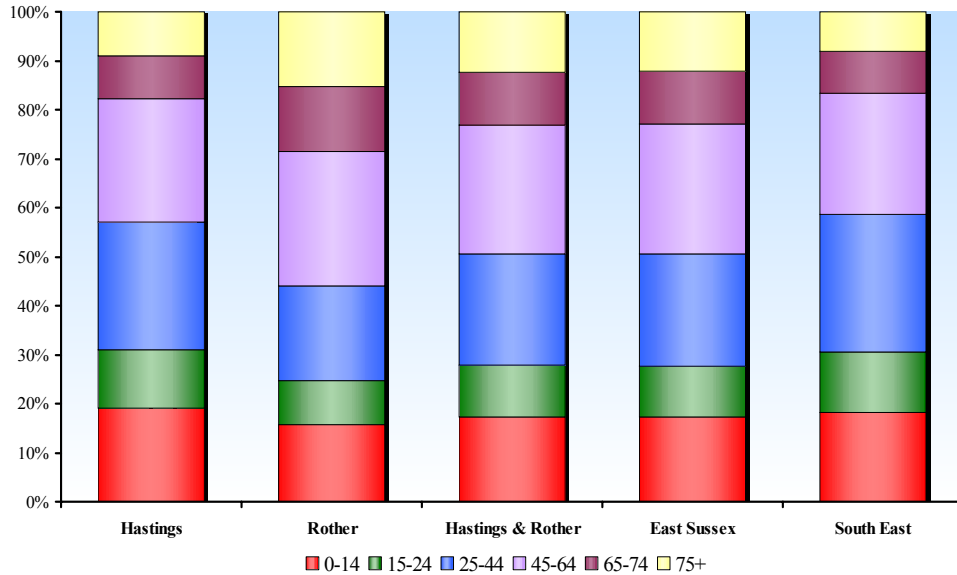
Source: ONS Mid Year Population Estimates

Figure 4.4: Population Change, 1981-2004 (Source: Mid Year Population Estimate)

Area	Population 1981	Population 2004	Absolute Change	% Change
Hastings	76,000	85,000	9,000	12%
Rother	77,000	86,000	9,000	12%
Hastings & Rother	152,000	170,000	18,000	12%
East Sussex	428,000	497,000	69,000	16%
South East	7,243,000	8,110,000	867,000	12%

- 4.10 The age structure of the population influences the level, type and tenure of housing that is required. For example, a population that is younger and more mobile tends to have a higher demand for privately rented accommodation and faces greater difficulties accessing owner occupied property than older populations.
- 4.11 Figure 4.5 shows that the overall age profile of the Hastings and Rother sub-region is similar to that of East Sussex, with 17% of people aged 0-14, and 23% aged 65+. The chart also highlights the differences between Hastings and Rother in terms of age profile. Hastings has a relatively young population, with 19% aged 0-14, and 57% of people aged under 45. By comparison, 16% of people in Rother are aged 0-14, and 44% under 45. Thus in general there is a greater concentration of younger people in Hastings, and a greater concentration of retirement-age people in Rother.

Figure 4.5: Age Structure Breakdown, 2004



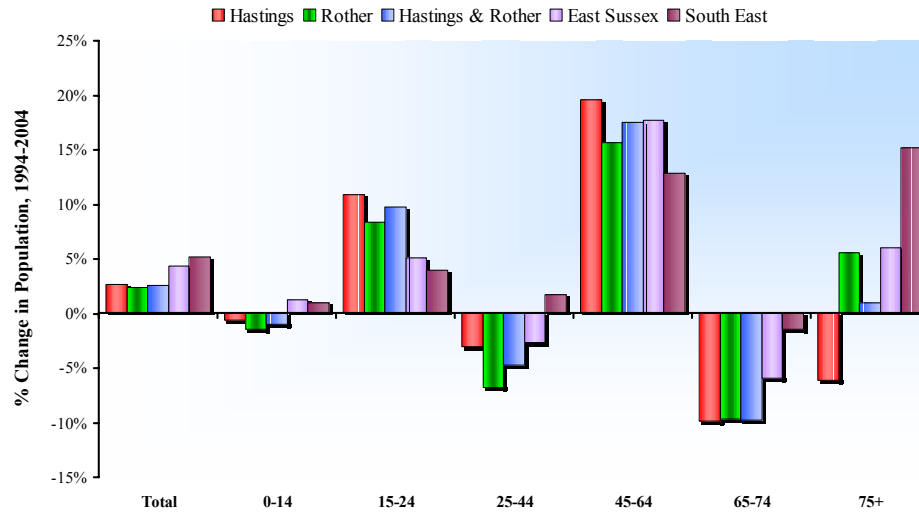
Source: ONS Mid Year Population Estimates, 2004

Figure 4.6: Population by Age 2004

	Total Population	0-14	15-24	25-44	45-64	65-74	75+
Hastings	84,600	19%	12%	26%	25%	9%	9%
Rother	85,800	16%	9%	19%	28%	13%	15%
Hastings & Rother	170,400	17%	11%	23%	26%	11%	12%
East Sussex	496,700	17%	10%	23%	27%	11%	12%
South East	8,110,200	18%	12%	28%	25%	8%	8%

- 4.12 It is important to establish whether population growth is being driven by expansion in one or more specific age brackets, as this may indicate demand for a particular type or tenure of housing. Figures 4.7 and 4.8 show that over the period 1991 to 2001, there was significant growth in the number of people in the 15-24 and 45-64 age groups in both Hastings and Rother, with growth rates in these age cohorts significantly above the East Sussex average. Both areas experienced a 10% decline in the number of people aged 65-74 and a more modest decline in the 25-44 age group.
- 4.13 The proportion of people in the 65 to 74 year age group fell significantly in both Hastings and Rother over the 10 year period. This is particularly relevant for the sub-region and suggests that whilst Rother may currently have an elderly population, it is likely to decline in future and be replaced by stronger growth in the 45 to 64 age cohort.

Figure 4.7: Percentage Population Growth by Age Group – 1994-2004



Source: ONS Mid Year Population Estimates

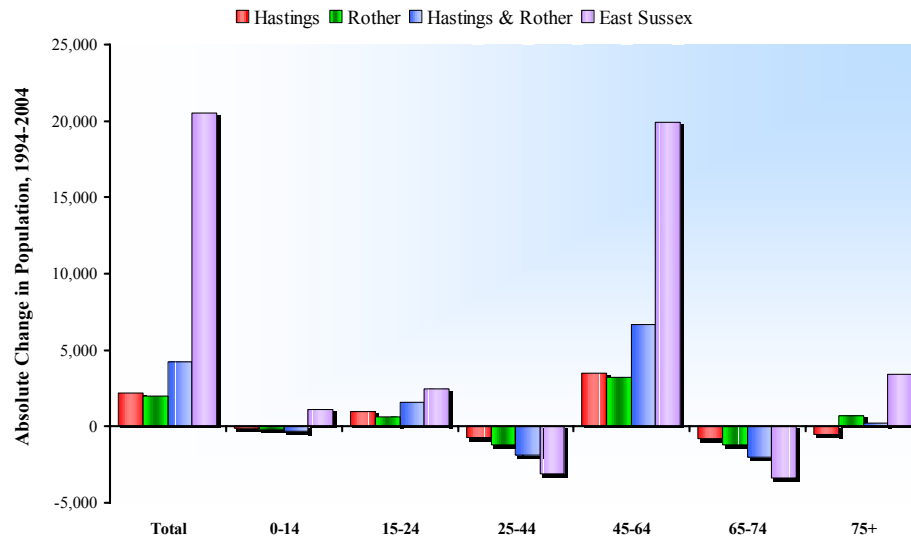
Figure 4.8: Percentage Population Growth by Age Group – 1994-2004

	Total Population	0-14	15-24	25-44	45-64	65-74	75+
Hastings	3%	-1%	11%	-3%	20%	-10%	-6%
Rother	2%	-1%	8%	-7%	16%	-10%	6%
Hastings & Rother	3%	-1%	10%	-5%	17%	-10%	1%
East Sussex	4%	1%	5%	-3%	18%	-6%	6%
South East	5%	1%	4%	2%	13%	-1%	15%

4.14

Figure 4.9 presents the same data as outlined in Figure 4.6, but in absolute terms. In order to avoid distortion of the scale of the chart, due to the higher absolute population base, we have not presented the data for the South East. The overall increase in population in Hastings and Rother between 1994 and 2004 was largely driven by an increase of 6,700 people in the 45-64 age group. Whilst significant in proportional terms, in absolute terms the fall in number of people aged 65-74 was modest at 2,000 people.

Figure 4.9: Absolute Change in Population by Age, 1994-2004



Source: ONS Mid Year Population Estimates

Figure 4.10: Absolute Change in Population by Age, 1994-2004

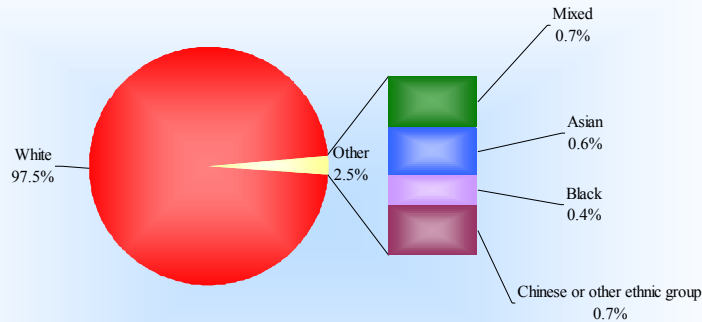
	Total Population Change	0-15	16-24	25-44	45-64	65-74	75+
Hastings	2,200	-100	1,000	-700	3,500	-800	-500
Rother	2,000	-200	600	-1,200	3,200	-1,200	700
Hastings & Rother	4,200	-300	1,600	-1,900	6,700	-2,000	200
East Sussex	20,500	1,100	2,500	-3,100	19,900	-3,400	3,400
South East	398,600	13,700	38,000	39,700	230,100	-10,000	87,000

Ethnicity

4.15

The Hastings and Rother sub-region has a predominantly white ethnic composition and only a small proportion of ethnic minorities. Figure 4.11 below shows that 97.5% of the population of Hastings and Rother are white and just 2.5% of all households are classed as 'Other' ethnic groups. Mixed race households, Asian households, Black households, and Chinese or other ethnic group each represent less than one percent of total households within the sub-region.

Figure 4.11: Household Ethnicity Composition within Hastings & Rother

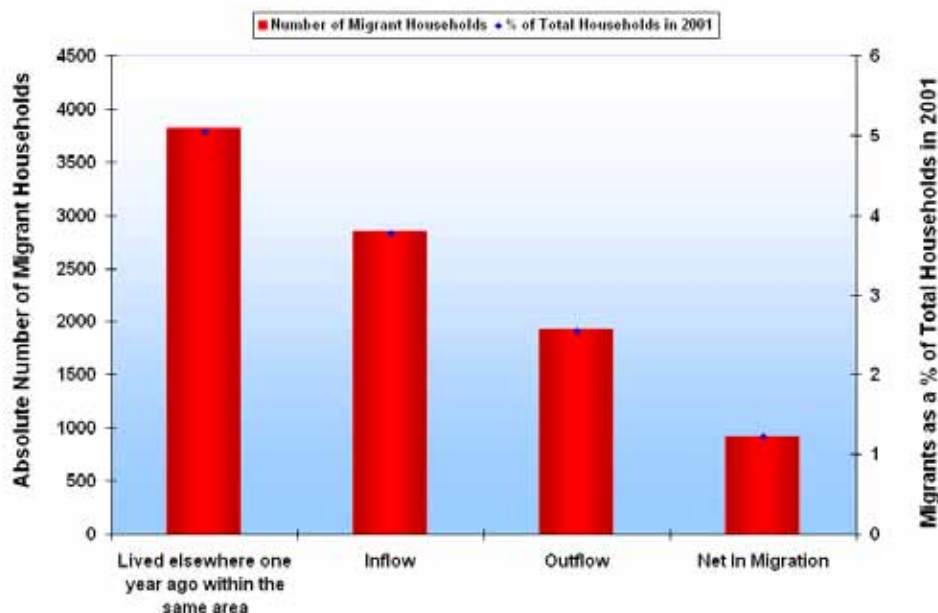


Source: Census 2001

Migration

- 4.16 The key drivers of population growth are natural changes in population, caused by a disparity between the number of births and deaths, and migration. Migration is generally associated with the relative economic prosperity of an area, with workers moving to areas where they have the best chance of finding employment. However, migration can also be associated with lifestyle changes, such as retirement, or moving to an area with a high quality of life.
- 4.17 The migration data presented in Figure 4.12 has been obtained from the Census 2001. The data was collated through analysing the address of households at the time of the Census, and also one year previously, and thus the chart presents the number of households moving in one year. The chart shows that there was net in-migration into Hastings and Rother of 920 households in the year preceding the 2001 Census. This represented 1.2% of all households in the area in 2001.
- 4.18 The net in-flow is a product of an in-flow of 2,850 households combined with an out-flow of 1,930 households. A further 3,820 households moved within Hastings and Rother, amounting to 5.05% of the total population. This implies a significant movement of households, both within the districts and in terms of migrant flows into the sub-region. This level of in-migration, if maintained year on year, represents a significant source of additional demand for housing.

Figure 4.12: Hastings & Rother Household Migration Flows, Year Preceding 2001 Census



4.19 The household composition of in-migrants and out-migrants reveals that the largest moving groups are Single Adults, Family Households, and Couple households (2 Adults, no dependants). On the whole it appears that the household composition of in-migrants and out-migrants is broadly similar. The only notable difference is the higher proportion of single adult households in the out-migrant flows and the higher proportion of couple households in the in-migrant flows. Also of note are the higher absolute numbers of in-migrant households across all categories.

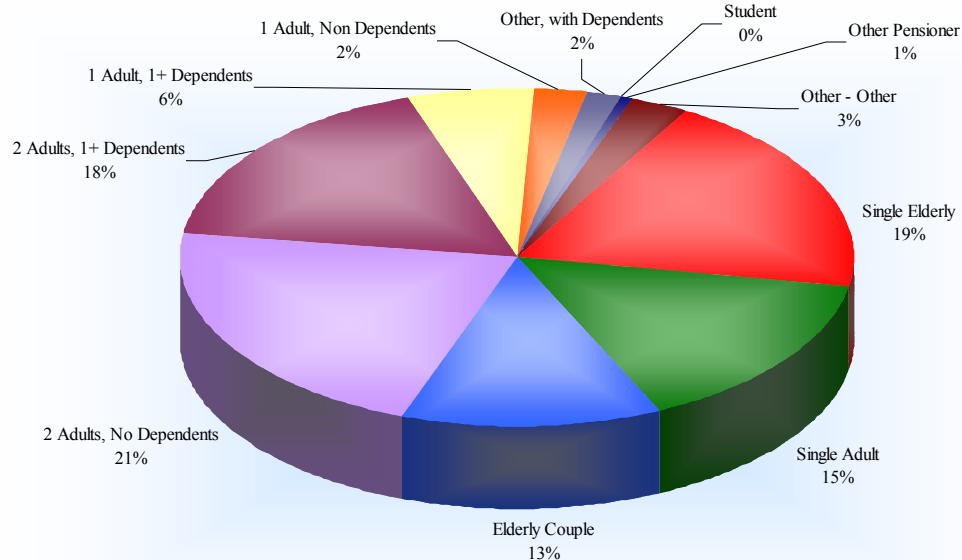
Figure 4.13: Household Composition of Migrants Into and Out of Hastings & Rother

	Same Address One Year Previous or moved within area	%	In Migrants	%	Out Migrants	%
All Households	68,850	100%	2,860	100%	1,930	100%
Single Elderly	14,360	21%	320	11%	230	12%
Single Adult	10,280	15%	970	34%	730	38%
Elderly Couple	9,210	13%	200	7%	110	6%
2 Adults no dependents	14,380	21%	650	23%	370	19%
2 Adults, 1+ dependents	12,000	17%	420	15%	290	15%
1 Adult, 1+ dependents	4,270	6%	200	7%	130	7%
1 Adult, non-dependents	1,560	2%	40	1%	10	1%
Other with Dependents	930	1%	20	1%	10	1%
Students	10	0%	0	0%	0	0%
Pensioner	470	1%	0	0%	10	1%
Other - Other	1,390	2%	40	1%	20	1%

Household Composition and Tenure

- 4.20 Figure 4.14 presents the breakdown of household types within Hastings and Rother. The chart shows that the largest household groups comprise couples with no dependent children (21%), and couples with dependent children (18%). Single Adults account for 15% of the population, whilst the elderly account for 32% (19% single elderly and 13% elderly couples).
- 4.21 The proportion of households classified as students is less than 1% in Hastings and Rother. This is due to the fact that students were counted at their term-time address in the 2001 Census. This treatment of students differs from the 1991 Census, where students were counted at their home address. Whilst there is now a higher education campus in Hastings (University Centre Hastings), it only opened in 2003, and thus at the time of the 2001 Census there were very few student households recorded. It is likely that the number of student households in Hastings and Rother has increased since 2003.

Figure 4.14: Household Composition, Hastings & Rother (Source: Census 2001)



- 4.22 In order to gain a clearer insight into household composition in Hastings and Rother it is important to analyse the differences and similarities it shares with the benchmark areas. Figure 4.15 shows that whilst couple households and family households account for a significant proportion of total households in both Hastings and Rother, there is a relative concentration of single adults in Hastings, and a concentration of elderly couples and single elderly households in Rother.
- 4.23 In contrast to the South East, there is a concentration of single elderly households in both Hastings and Rother, reflecting the coastal area's status as a popular retirement location. Also of note is the very high proportion of single adult households in Hastings (20%), which is around 7% higher than in East Sussex (13%). The corollary of this is that there is an under representation of couple households in the sub-region relative to the South East.

Relating this back to Figure 4.13, we can see that the net migrant flow is increasing the concentration of couple households.

Figure 4.15: Household Composition, All Benchmarks (Source: 2001 Census)

	Hastings	Rother	Hastings & Rother	East Sussex	South East
All Households	38,000	38,000	76,000	215,000	3,287,500
Single Elderly	17%	22%	19%	19%	14%
Single Adult	20%	11%	15%	13%	14%
Elderly Couple	8%	17%	13%	13%	10%
2 Adults 1+ children	21%	22%	22%	23%	22%
2 Adults, with no dependent children	19%	16%	18%	19%	25%
1 Adult, 1 + children	8%	5%	6%	5%	5%
1 Adult, non-dependents	2%	2%	2%	2%	3%
Other + dependent child(ren)	2%	2%	2%	2%	2%
Students	0%	0%	0%	0%	0%
Other Pensioner	1%	1%	1%	1%	0%
Other	3%	2%	3%	3%	4%

4.24 Analysis of the household composition of Hastings and Rother by tenure highlights that single elderly households comprise the greatest proportion of households in social rented accommodation. Single adult households account for the majority of private rented households. Owner-occupation is the dominant tenure, of which couple households and family households account for the most significant proportions.

Figure 4.17: Hastings & Rother Household Composition by Tenure, (Source: 2001 Census)

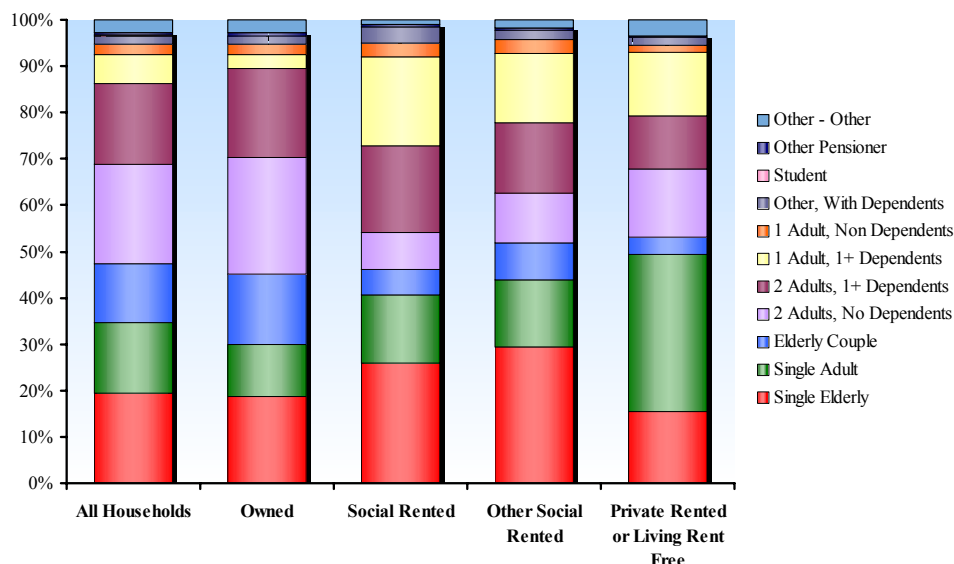


Figure 4.18: Hastings and Rother Household Composition by Tenure (Source: 2001 Census)

Household Type	All Households	Owned	Rented from Council	Other social rented	Private rented or living rent free
All Households	75,700	53,600	1,500	8,500	12,200
Single Elderly	14,700	10,000	400	2,500	1,900
Single Adult¹	11,600	6,000	200	1,200	4,100
Elderly Couple	9,500	8,200	100	700	500
2 Adults, with no dependent children	16,300	13,500	100	900	1,800
2 Adults, 1+ children	13,300	10,300	300	1,300	1,400
1 Adult, 1+ children	4,700	1,500	300	1,300	1,700
1 Adult, non-dependents	1,800	1,200	0	300	200
Other + dependent children	1,300	900	100	200	200
Students	0	0	0	0	0
Other Pensioners	500	400	0	0	0
Other	2,000	1,500	0	100	400

- 4.25 Single elderly and single adult households account for 40% of all households living in social rented housing (see Figure 4.16). Depending on stock and future demand, the small average household size associated with social rented property in Hastings and Rother intimates that future provision could be tailored towards smaller sized units. This would help to achieve greater efficiency of output and utilisation of social rented units, and a better match between dwelling and household size.
- 4.26 Trends in tenure between 1991 and 2001 (Figure 4.19) reveal that the number of social rented households in Hastings and Rother over the last ten recorded years has remained relatively static, rising from 9,400 units in 1991 to 10,000 units in 2001. This suggests that development of new socially rented units has more than offset the number of households exercising their right to buy.
- 4.27 The private rented sector has experienced the largest relative expansion of all the tenures and has grown by almost 50%, from 8,100 in 1991 to 12,000 in 2001, compared with 3.5% growth in the owner occupied tenure (2,300 units). This may reflect the attraction of the sector to single people who are not eligible for social housing, yet are unable to buy.
- 4.28 The private rented sector has also expanded considerably as a proportion of the overall housing stock, rising from 12% of the stock in 1991 to 16% of the stock in 2001. As a result, the owner occupied and social rented sector both declined as a proportion of the overall housing stock.

¹ The distinction between Single Adult households and 1 Adult Non-Dependent households is that the latter category (whilst still single person households) have children that are either aged 15 or above and in full time education and who live elsewhere or 18 and above and economically active and who live elsewhere. In size terms, therefore, the households are the same, but in age terms it is likely that 1 Adult Non-Dependent households will generally be older.

Figure 4.19: Tenure Change 1991 to 2001 (Source: 2001 Census)

	Hastings	Rother	Hastings & Rother	East Sussex	South East
Total Dwellings 1991	33,600	35,200	68,800	192,400	2,923,800
Total Dwellings 2001	37,500	38,100	75,600	214,100	3,279,500
Owned 1991	69%	80%	75%	77%	74%
Owned 2001	64%	78%	71%	75%	74%
Private Rented 1991	15%	9%	12%	10%	10%
Private Rented 2001	21%	12%	16%	13%	12%
Social Rented 1991	16%	11%	14%	13%	16%
Social Rented 2001	16%	10%	13%	12%	14%

Spatial Distribution of Households by Tenure

- 4.29 The three maps below illustrate the spatial distribution of households by tenure across the Hastings and Rother sub-region and encompassing areas. There are separate maps for the proportion of households in owner-occupation, private rented and social rented housing. It is worth noting that the colour coding does not relate to the same percentage band in each map.
- 4.30 The first map (Figure 4.19) suggests that there is little variability between Hastings and Rother in terms of levels of owner-occupation. The only distinct pattern is that there is a very low level of owner-occupation in the centre of Hastings. However in the outer, more suburban parts of Hastings Borough, owner-occupation is much more prevalent.
- 4.31 In contrast the level of private rented housing is higher in the central urban parts of Hastings, accounting for more than 14% of households in many SOA's. The distribution of social rented housing is more polarised and tends to be concentrated in particular areas, with many SOA's displaying less than 1.5% of households in social rented tenure compared with other SOAs which have more than 10% of households in the social rented tenure. In general it appears that the level of social rented housing is higher in Hastings, although there are pockets of social rented housing across Bexhill and the remainder of Rother District.

Figure 4.19 – Percentage of Households in Owner-Occupation (Source: 2001 Census)

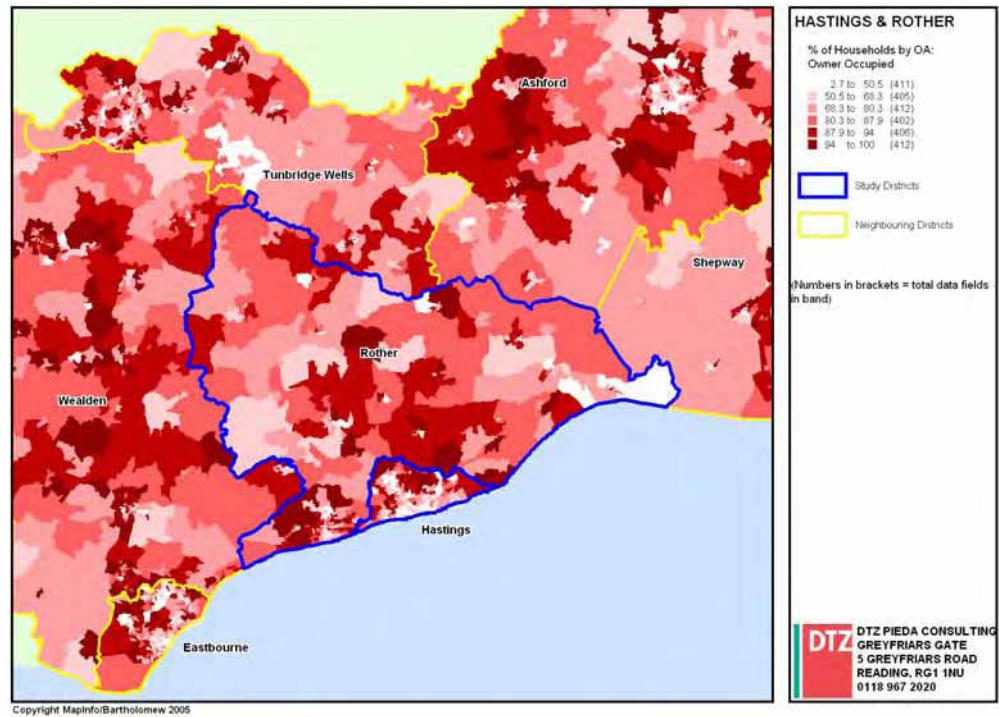


Figure 4.20 – Percentage of Households Private Rented Housing (Source: 2001 Census)

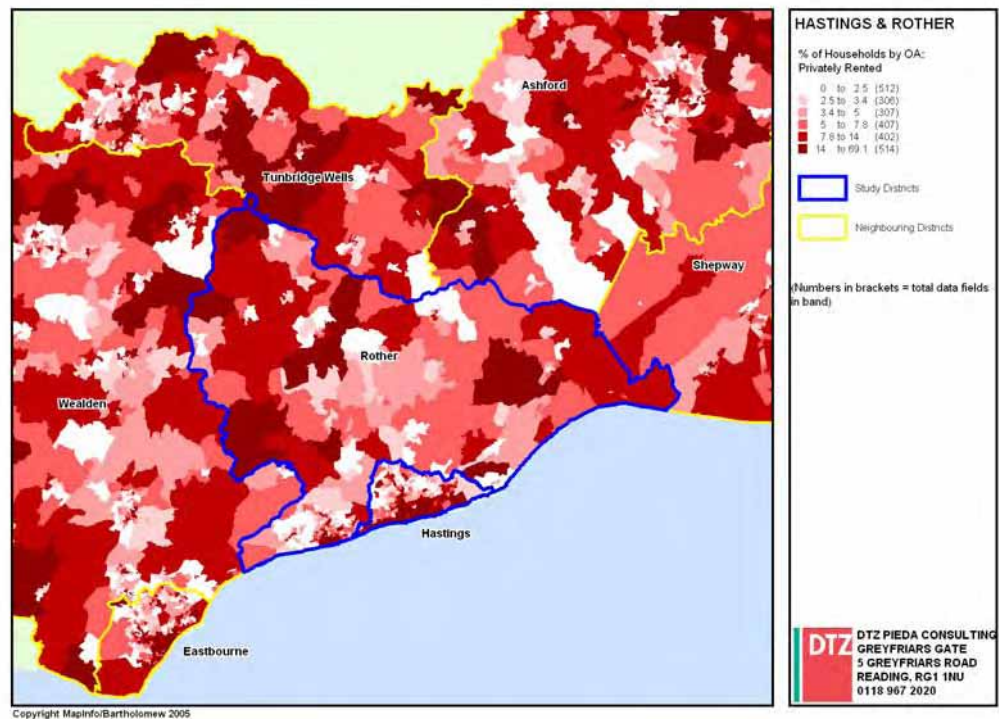
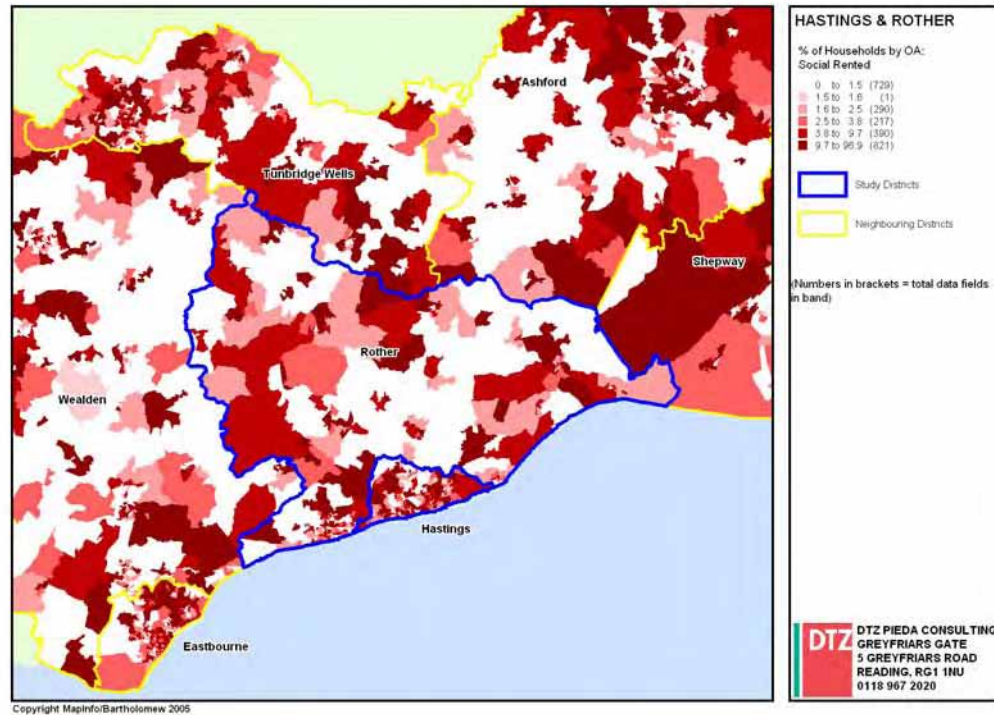


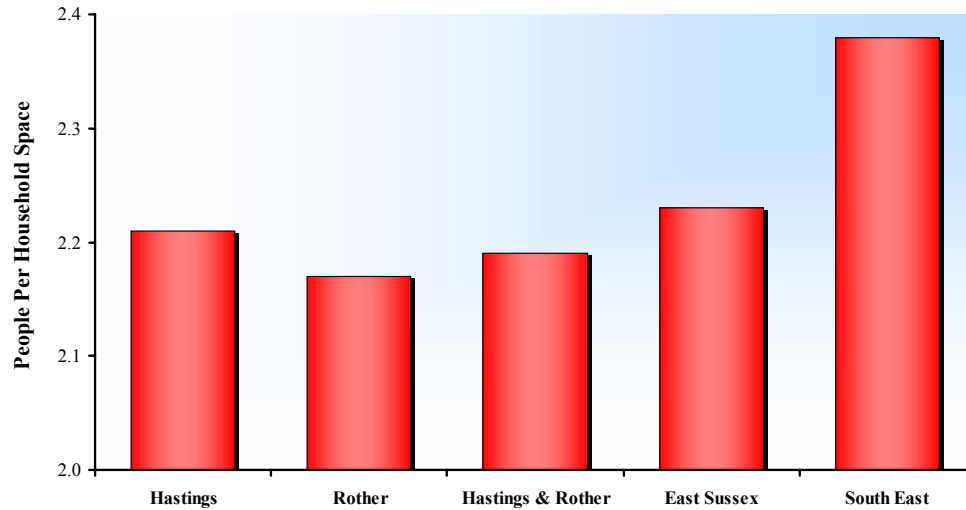
Figure 4.21 – Percentage of Households Social Rented Housing (Source: 2001 Census)



Household Size

- 4.32 Trends in household size and the number of households are crucial in determining the demand for future housing. Future changes in the number of households will be determined by increases in population and the extent to which an area follows national trends in reducing average household size. This also has implications for the size of property that will be required to house the population of an area in the future.
- 4.33 Figure 4.22 shows that the Hastings and Rother sub-region has an average household size below the average for East Sussex and the South East (2.19 compared to 2.22 and 2.38). This reflects the concentration of single elderly households, and relative under representation of family households compared to the benchmark areas.

Figure 4.22 – Average Number of People per Household Space (Source: 2001 Census)



- 4.34 ODPM figures show that over the period 1991 to 2001, the average household size in the South East dropped from 2.51 to 2.38 persons per household. The average household size has been falling for many years. Average household size is expected by the ODPM to fall by 14% in the South East between 1991 and 2021, and 12% in London during the same period. The decline in average household sizes in southern England, combined with growing population, generates a significant additional requirement for housing. Declining average household size raises the relative requirement for additional housing units as a given population requires a greater number of dwellings to house it.

Household Growth

- 4.35 Census figures show that the total number of households in Hastings and Rother has increased over the period 1991 to 2001 by almost 9%, compared with population growth over this period of around 3%. This highlights the strong trend within the Hastings and Rother area towards a declining average household size and the ongoing substitution of family sized households with smaller single person households. Over the 1991 to 2001 period the increase equated to an additional 3,400 households (34,200 in 1991 to 37,600 in 2001). Proportionately, this increase is below the level of growth in East Sussex and the South East, which have experienced growth of 10% and 11% respectively.

Figure 4.23 – Percentage Change in the Number of Households, 1991-2001

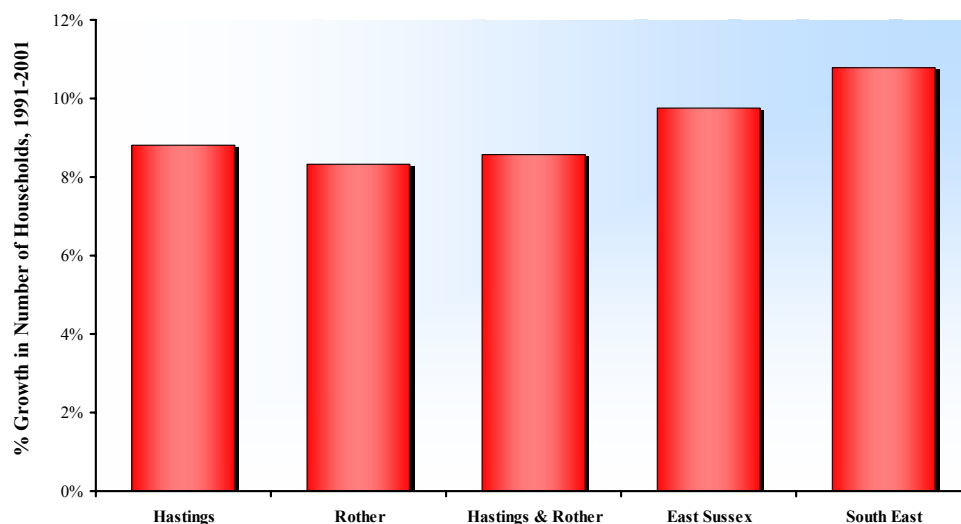


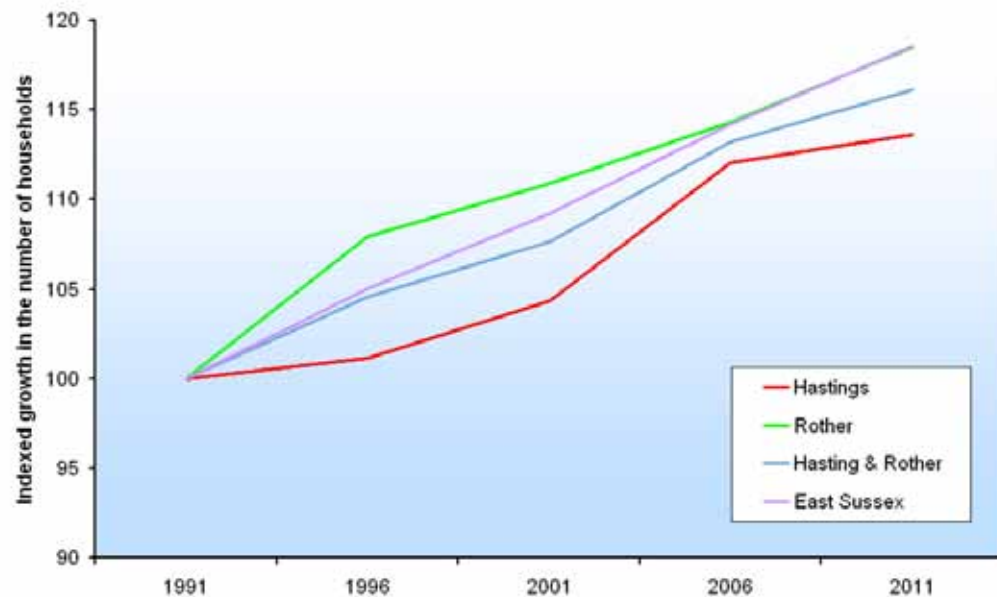
Figure 4.24: Household Growth 1991 - 2001

	1991	2001	Household Growth	% Change
Hastings	34,200	37,600	3,400	10%
Rother	35,500	38,100	2,600	7%
Hastings & Rother	69,800	75,700	5,900	9%
East Sussex	195,200	214,600	19,500	10%
South East	2,967,700	3,287,500	319,700	11%

Household Forecasts

- 4.36 DTZ has obtained projections for household numbers by type for Hastings and Rother for the period to 2011 from East Sussex County Council. Figure 4.25 below presents overall growth figures from these forecasts. Over the whole period 1991 to 2011, the strongest growth in household number is projected to occur in Rother (an 18.5% increase). The corresponding increase in Hastings is forecast to total 13.5%.

Figure 4.25: Household Growth Projections (Source: East Sussex CC)



- 4.37 Figure 4.25 shows that the rate of increase in household numbers is expected to slow in Hastings over the period 2006-2011. The following chart (Figure 4.26) provides a breakdown of the overall increase in household numbers for the period 2006 to 2011 for Hastings and Rother by type of household. The increase in household numbers equates to 1,500 in Rother (300 pa) and 550 (110 pa) in Hastings, representing a 3.7% and 1.4% increase respectively. The chart shows that in both areas, the absolute number of married and lone parent households is forecast to decline, but the number of cohabiting couples, multi-person households and one-person households (the largest contributor) are expected to grow.
- 4.38 The forecasts prepared by East Sussex CC therefore indicate that household size in the sub-region will continue to decline, with future household growth being increasingly underpinned by growth in smaller household types. However, it should also be recognised that the forecasts are based upon historic trends and therefore do not recognise the implications of potential policy interventions on the future demographic structure of the Hastings and Rother sub-region.

Figure 4.26: Change in Number of Households by Type 2006 to 2011 (Source: East Sussex CC)

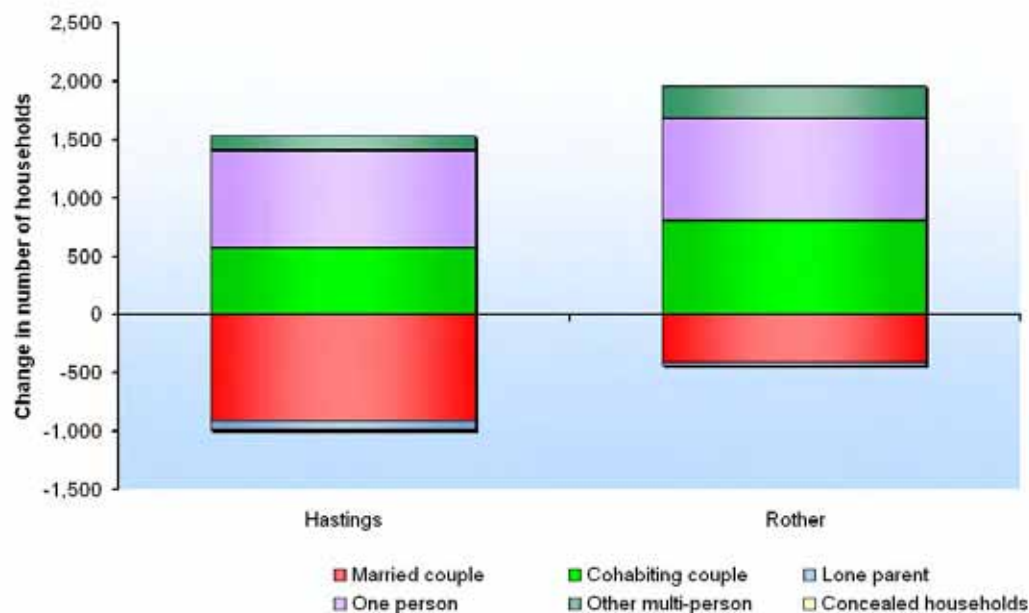


Figure 4.27: Annualised Household Change 1991 to 2011

	1991	1996	2001	2006	2011	Annualised Change 1991-2011	Annualised Change 2006-2011
Total Households	71395	74646	76841	80815	82879	574	410
Married couple	37133	36187	34293	33144	31826	-265	-260
Cohabiting couple	4523	5702	7535	9723	11102	329	280
Lone parent	3165	3777	4007	4278	4167	50	-20
One person	22622	24892	26874	29237	30953	417	340
Other multi-person	3952	4088	4132	4433	4831	44	80
Concealed households	479	444	402	384	368	-6	0

5 ECONOMIC DRIVERS OF DEMAND¹

- 5.1 Demographic changes within an area create the need for different levels and types of housing provision. However the economic development of an area can be of equal importance in driving change in housing markets, especially due to the effect on migration. This section analyses the recent economic performance of the Hastings and Rother sub-region against the benchmark areas and how its economy has influenced the demographic and socio-economic profile of the area.
- 5.2 It is important to highlight the reciprocal relationship between economic development and the provision of housing. While there is an obvious and established link between economic development and the requirement for housing, the type of housing provided within an area can also often play an equally central role in addressing and facilitating economic development and regeneration objectives.

Key Points (Sources for Statistics Shown Throughout Section)

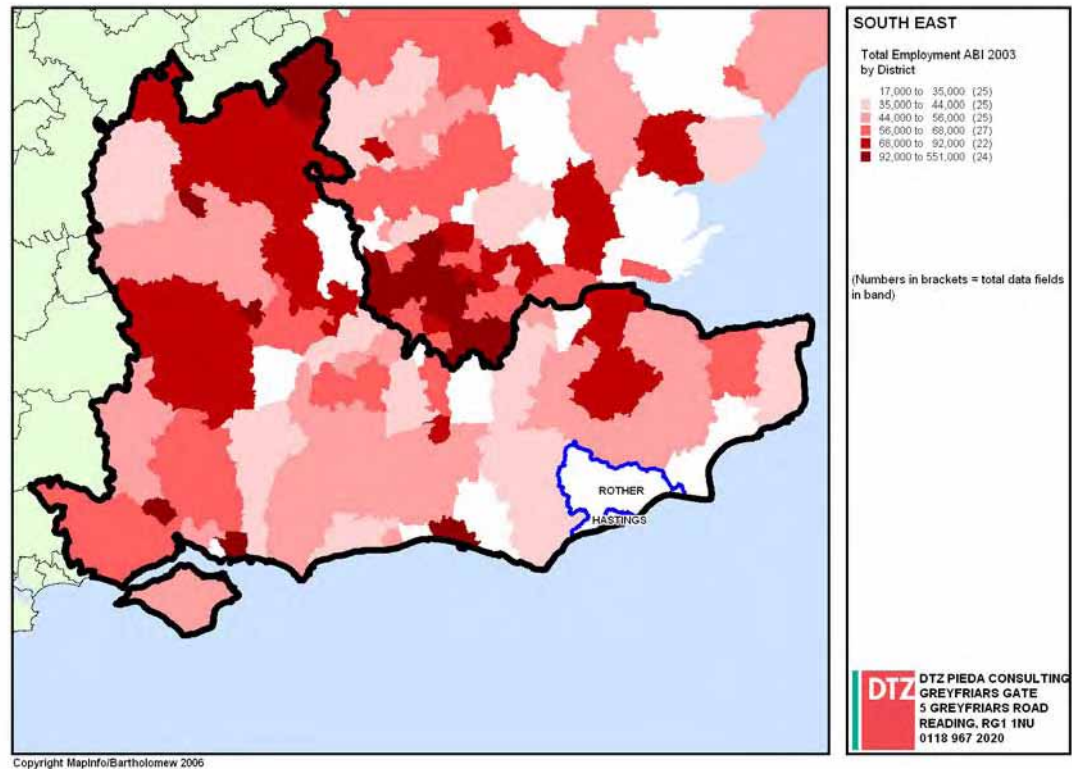
- There are currently 52,000 jobs within Hastings and Rother.
- For the period 1995-2003, growth in the number of jobs in the sub-region overall (11%) was below that in East Sussex (13%) or the South East (19%). However, growth in Rother (16%) was far higher than that in Hastings (7%).
- The most important industrial sectors in Hastings and Rother in terms of employment are Public Administration, Education & Health (38%), and Distribution, Hotels & Restaurants (26%).
- The Hastings and Rother economy has undergone considerable change in the past 8 years with an increasing dependence on public sector employment and tourism.
- The economic activity rate in the Hastings and Rother sub-region is lower than that in East Sussex or the South East (62.5% compared to 65% and 70%).
- Hastings has a higher rate of economic activity than Rother (which has a far higher proportion of retirees aged 16-74).
- The unemployment rate in Hastings (4%) is higher than in Rother (2.3%).
- Economic activity is very low in Bexhill, and this is due to the high proportion of retirees (aged 16-74) in the town.
- The number of unemployed people declined by around 40% between 1991 and 2001.
- There is a bias towards low-value occupations in both Hastings and Rother, although the bias is more pronounced in Hastings.
- GVA per resident in Hastings and Rother is equivalent to the regional average
- Hastings and Rother have underperformed the rest of the South East in terms of growth in real GVA.
- Residence-based pay is higher than workplace-based pay in Rother, indicating that workers are able to achieve a higher wage by commuting out of the district. However, residence-based pay is still below the average for the South East.
- The Index of Multiple Deprivation demonstrates that Hastings is a relatively deprived area, with 6 output areas in the top 5% most deprived in England. Hastings appears to suffer from deprivation related to crime, employment and income.

¹ A glossary of economic terminology used in this section is presented in Annex A.

Employment

- 5.3 Figure 5.1 below shows that compared with other districts in the South East, Hastings and Rother have a low number of jobs located in the area. The total number of jobs in Hastings and Rother in 2003 was 29,000 and 23,000 respectively. Although job density and the size of a district determine the relative number of jobs in an area, the overall figure offers an indication of the relative scale of the number of people working in Hastings and Rother. The areas of Greater London and the Thames Valley can clearly be seen as having much higher numbers of people working within them (coloured dark-red).

Figure 5.1: Spatial Distribution of Jobs (Source: ABI², 2003)



- 5.4 As measured by the most recent (2003) ABI, there are currently 52,000 jobs located within Hastings and Rother. For the period 1995-2003, growth in the number of jobs in the sub-region overall (11%) was below that in East Sussex (13%) or the South East (19%). However, since 1995 overall job growth in Rother (16%) was far higher than that in Hastings (7%).
- 5.5 More recent trends show that there has been a slight decline in the number of jobs in Rother since 2000, in line with the trend for East Sussex. At the same time, the number of jobs located in Hastings and at the regional level has stagnated.

² The ABI measure of employment measures the number of employment positions within a given location.

Figure 5.2: Indexed Employment Growth, 1995-2003 (1995 = 100, Source: ABI)

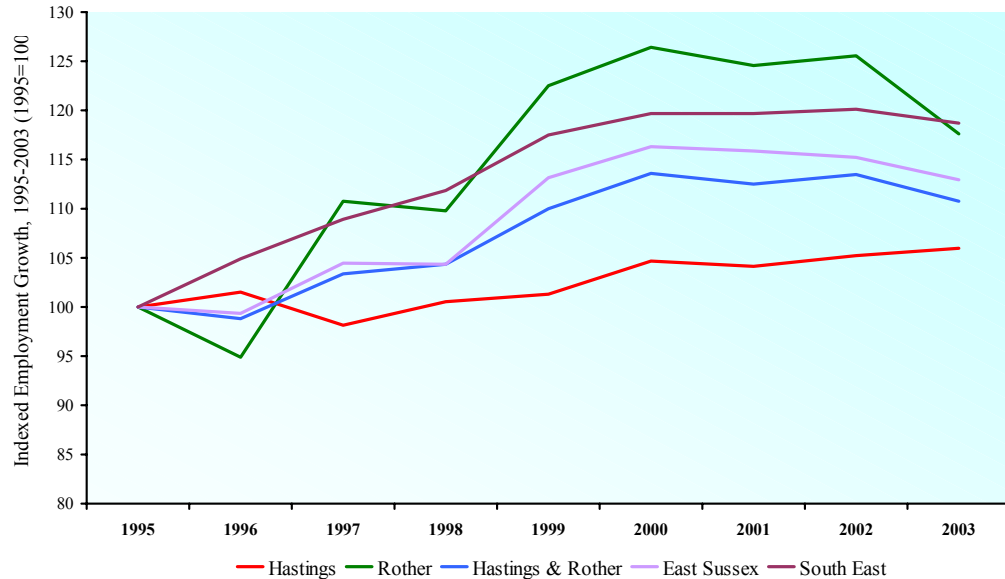


Figure 5.3: Employment Change, 1995-2003 (Source: ABI)

	Employment 1995	Employment 2003	Absolute Change	% Change
Hastings	28,000	29,000	2,000	7%
Rother	19,000	23,000	3,000	16%
Hastings & Rother	47,000	52,000	5,000	11%
East Sussex	141,000	159,000	18,000	13%
South East	3,062,000	3,633,000	571,000	19%

5.6 Figure 5.4 shows that the most important industrial sectors for those that work within Hastings and Rother are Public Administration, Education & Health (38%), and Distribution, Hotels & Restaurants (26%). The Manufacturing and Banking, Finance & Insurance sectors account for 11% of employment each.

5.7 Figure 5.5 shows that the most significant contributions to overall employment growth have come from the 2 largest sectors - Public Administration, Education & Health and Distribution, Hotels & Restaurants. There was a slight decline in manufacturing employment over the period (5%), and a more significant decline in the Banking, Finance & Insurance sector (8%). Construction and Transport & Communications experienced strong growth, although these are relatively small sectors.

5.8 The Hastings and Rother economy has undergone considerable change over the past 8 years. There is an increasing dependence on public sector employment and tourism, whilst manufacturing and financial services have been in decline. However, the overall

consequence of these shifts in the economy has been an increase in the number of jobs located in the sub-region, with job growth in the public administration sector offsetting the decline in jobs in manufacturing and banking & finance.

Figure 5.4: ABI Employment by Broad Sector, 2003

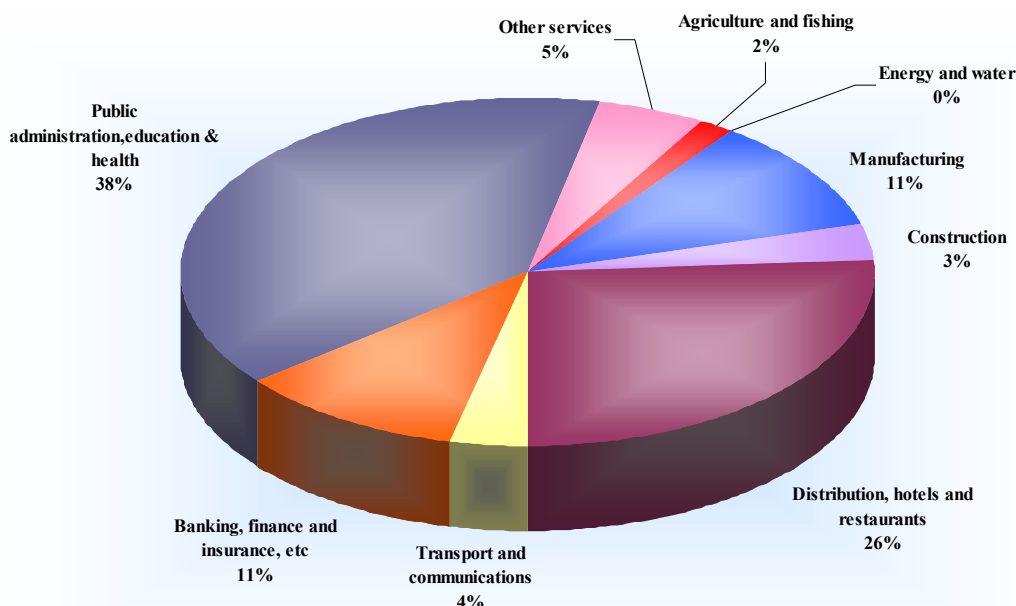


Figure 5.5: Employment Growth by Broad Sector, 1995-2003 (Source: ABI)³

Industry	1995	2003	Absolute Change	% Change
Total	46,920	51,970	5,040	11%
Agriculture and fishing	80	810	740	925%
Energy and water	190	20	-180	-95%
Manufacturing	5,800	5,530	-270	-5%
Construction	1,100	1,730	640	58%
Distribution, hotels and restaurants	12,210	13,550	1,350	11%
Transport and communications	1,530	1,820	300	20%
Banking, finance and insurance, etc	6,100	5,600	-510	-8%
Public administration, education & health	17,620	20,300	2,670	15%
Other services	2,300	2,610	300	13%

Economic Activity and Unemployment

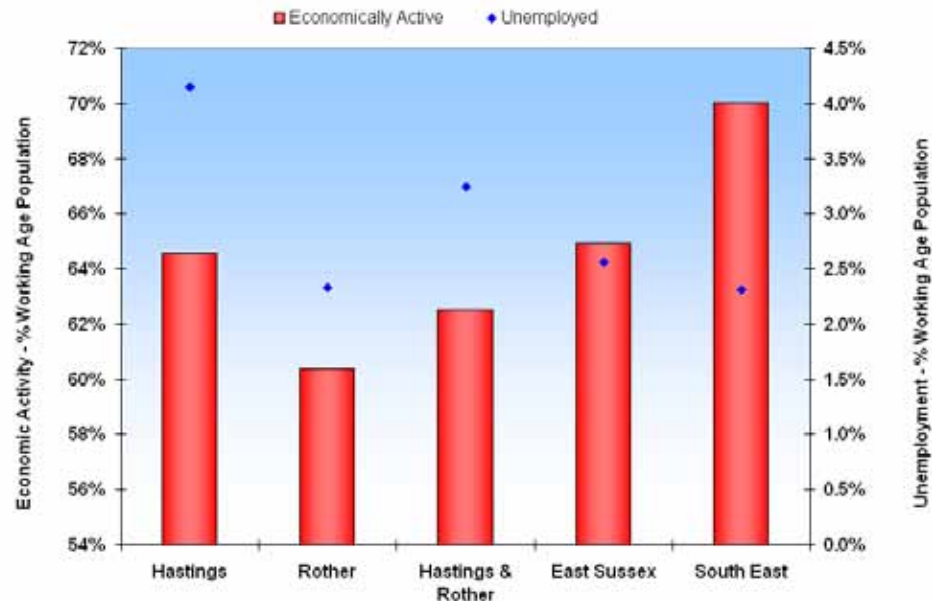
5.9 The above analysis provides an indication as to the number of jobs and employment structure within Hastings and Rother. However it is also important to understand how well the local workforce is engaged with the labour market, in terms of the economic activity associated with those people in work who live in Hastings and Rother. Data from the

³ Absolute figures have been rounded.

Labour Force Survey provides an indication of the economic activity of an area, defined by the proportion of the working age population who are employed, self-employed, unemployed but available for work, or full time students. The Labour Force Survey also provides an insight into the unemployment level within an area.

- 5.10 Figure 5.6 shows that the economic activity rate in the Hastings and Rother sub-region (shown by the bars and left hand axis) is lower than that in East Sussex or the South East (62.5% compared to 65% and 70%). In addition, the rate of unemployment in the sub-region is higher than the benchmark areas at over 3% (blue triangles and right hand axis).
- 5.11 The chart also highlights the difference in labour market engagement between Hastings and Rother. Hastings has a higher rate of economic activity than Rother, indicating a higher rate of engagement of the labour force. The low rate of economic activity in Rother can partly be accounted for by the very high rate of economic inactivity due to retirement (22% of all people aged 16-74). Yet the level of economic activity experienced in Hastings is low by regional standards. This can also be partly explained by the comparatively larger proportion of retirees. It is also the consequence of the high relative rates of unemployment in Hastings (who count towards the Economically Active total, as they are actively seeking work).
- 5.12 The higher rates of unemployment in Hastings (than Rother) indicate that there is potential spare capacity in Hastings to accommodate growth in the sub-region's economy. Rother, by comparison, has limited spare labour resource. If labour force expansion in Rother is constrained by a lack of local housing, this may result in labour being drawn into the District, for example from Hastings.

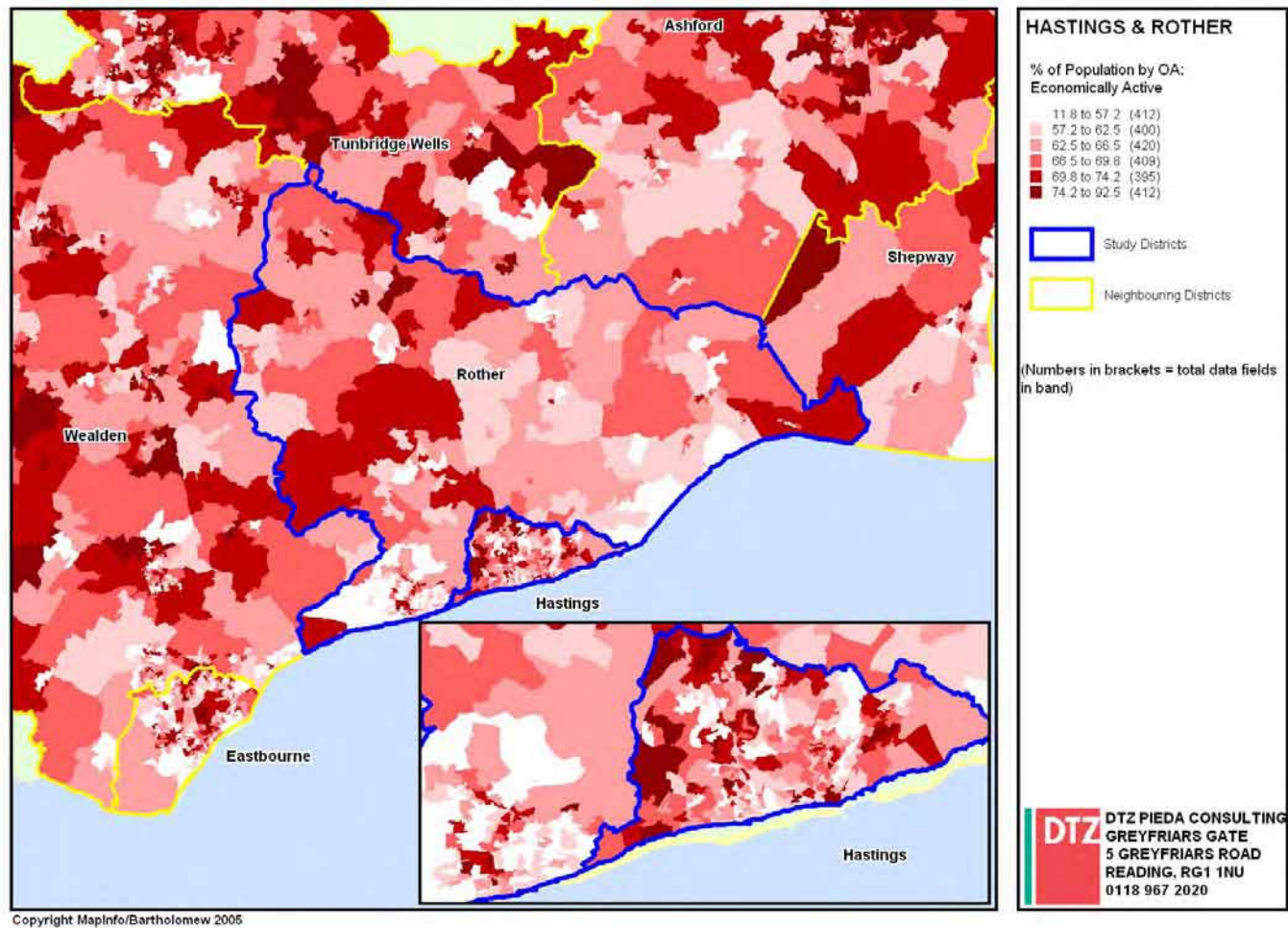
Figure 5.6: Economic Activity Rate and Unemployment Rate, All people aged 16-74, 2001



- 5.13 Figure 5.7 illustrates the proportion of the working age population who are economically active at an output area level. It is clear from the map that economic activity rates are generally higher in Hastings than Rother. The rate of economic activity in Hastings is more

akin to that in the neighbouring districts of Ashford, Tunbridge Wells and Wealden. In contrast, Rother displays some significant areas of low economic activity. In particular, in the town of Bexhill, many output areas fall into the lowest band of economic activity, which will be due to the high proportion of retirees living along the sea front. The same is true for the coastal areas to the East of Hastings.

Figure 5.7 – Proportion of Working Age Population Who Are Economically Active



- 5.14 In terms of economic activity by tenure (Figure 5.8) it is of no surprise that economic activity rates are highest amongst those in owner-occupation or in the private rented sector, at 65% and 64% respectively. By comparison, economic activity amongst those in local authority and other social rented properties is between 45% and 48%.
- 5.15 It is interesting to note that the proportion of retired people is highest amongst owner-occupiers at 20%. The proportion of retirees in social housing is relatively high (15%-17%) but far lower in private rented accommodation (9%). The other major driver of the differences in the level of economic activity by tenure is the proportion of people who are classed as either permanently sick/disabled or looking after home/family. This is just 10% for owner-occupiers, rising to 18% for those in private rented accommodation, and 29% for those in social housing.
- 5.16 Finally, the rate of unemployment varies considerably by tenure, from 2% of owner-occupiers to 7% of social housing tenants and 8% of private rented tenants.

Figure 5.8: Economic Activity In Hastings & Rother by Tenure, Proportion of People Aged 16-74

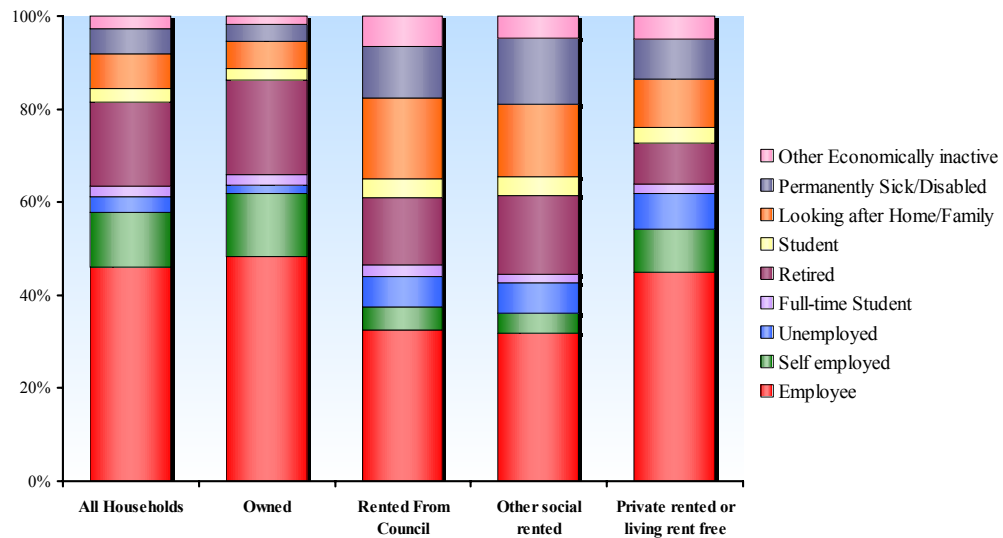


Figure 5.9: Economic Activity by Tenure – Percentages (Source: Census)

	All Households	Owned	Rented From Council	Other social rented	Private rented or living rent free
All People	115,010	85,850	1,990	11,010	16,160
Employee	46%	48%	33%	32%	45%
Self employed	12%	13%	5%	4%	9%
Unemployed	3%	2%	7%	7%	8%
Full-time Student	2%	2%	3%	2%	2%
Retired	18%	20%	15%	17%	9%
Student	3%	3%	4%	4%	3%
Looking after Home/Family	7%	6%	18%	15%	10%
Permanently Sick/Disabled	5%	4%	11%	14%	8%
Other Economically inactive	3%	2%	7%	5%	5%

5.17 Figure 5.10 below shows that the absolute level of unemployment reduced by more than one third in all the benchmark areas over the period 1991 to 2001. The Hastings and Rother sub-region experienced a 37% decline in the number of unemployed, with even more significant reductions in East Sussex (39%) and the South East (47%).

5.18 As shown previously, each of the benchmark areas has enjoyed growth in employment, which has consumed spare labour capacity within these economies. It may be the case in Rother, and more generally in the South East, that spare capacity has now reduced to the level that any further increases in labour demand will require net additions to the labour supply, rather than further reductions in the number of unemployed, to satisfy demand for labour. This will generally raise demand for additional housing. It is however plausible that further labour demand in Rother could be satisfied in the short term by means of the spare capacity evident in Hastings (as highlighted in the Borough's current level of unemployment), although this is unlikely to provide a long-term solution to economic expansion in the sub-region. In the longer term it could be satisfied by an increase in economic activity rates in Rother itself.

Figure 5.10: Unemployment Change Between 1991 and 2001 (Source: Census)

	1991	2001	Change	% Change
Hastings	3,800	2,500	-1,300	-34%
Rother	2,300	1,300	-900	-39%
Hastings & Rother	6,000	3,800	-2,200	-37%
East Sussex	14,300	8,700	-5,600	-39%
South East	250,200	133,500	-116,700	-47%

5.19 An alternative measure of unemployment is the number of people claiming unemployment benefit (claimant count unemployment). However, due to restrictions in the length of time a person can remain on unemployment benefit, this figure is likely to understate the true level of unemployment, by omitting those who are long term unemployed.

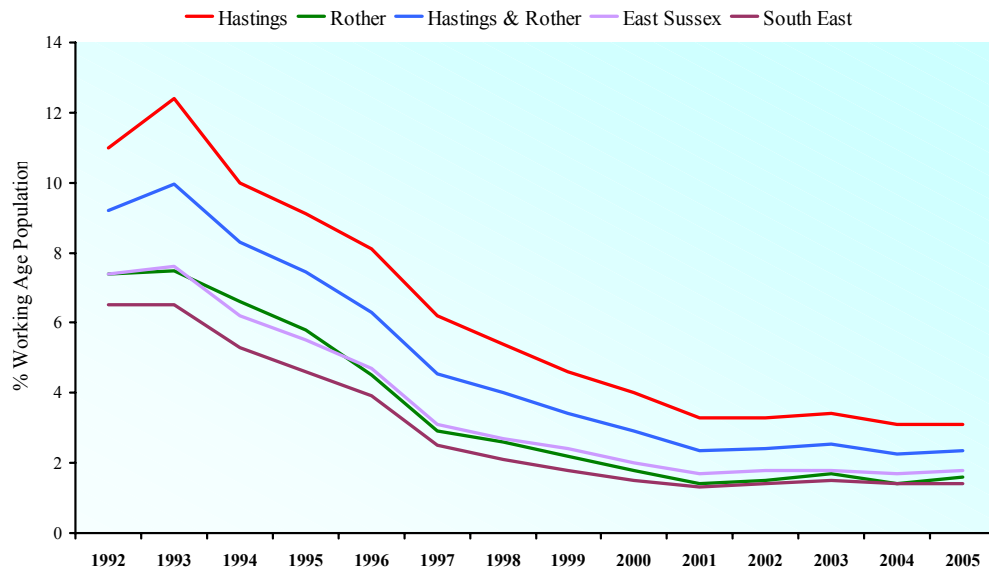
5.20 The following chart (Figure 5.11) shows that the number of claimants as a proportion of the working-age population has declined significantly in all areas since 1992. In 2005, 2.4% of the working age population in Hastings and Rother claimed unemployment

benefit. This compares to 9.2% in 1992. As with the previous measure of unemployment, Hastings suffers from a relatively higher claimant count than Rother (3.1% compared to 1.6%).

5.21 The comparative current figures for East Sussex and the South East are 1.8% and 1.4% respectively, indicating that in general, the claimant count rate is higher in Hastings and Rother than the rest of East Sussex and the South East.

5.22 The pattern once again highlights the growing absorption of unemployed labour resources into the economy. Historically, Hastings and Rother have been able to respond to labour demand by consuming unutilised labour resources, rather than having to rely on net additions to the labour force, which raise net demand for housing. In the future, there will be less scope to meet increases in labour demand through further reductions in the unemployment rate, however, there are other opportunities to increase economic activity rates (e.g. a reduction in the number of permanently sick/disabled, or retired people). Depending on the success of measures to further increase economic activity rates, there could be a requirement for net additions to the housing stock to accommodate labour force expansion.

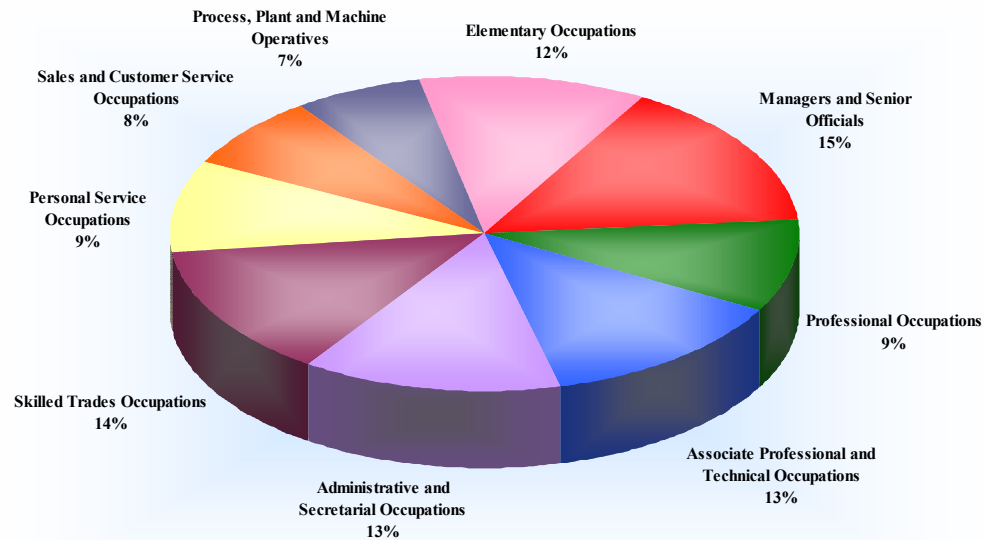
Figure 5.11: Hastings & Rother Claimant Rate, 1992-2005



Occupational Structure

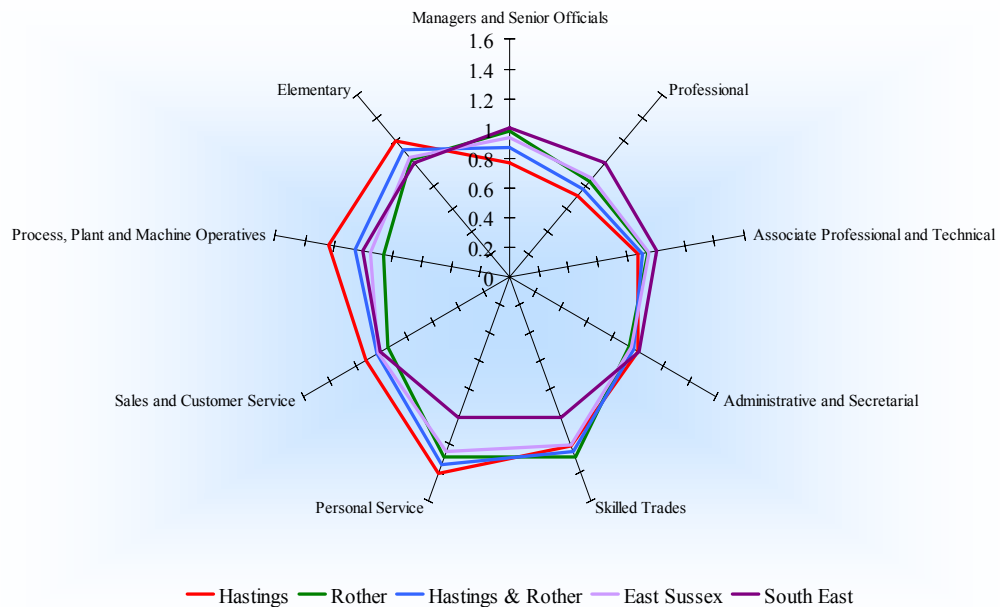
5.23 The following chart indicates that the most common occupational groups of those in work and who live in Hastings and Rother are Managers & Senior Officials (15%), Skilled Trades occupations (14%), and Administrative & Secretarial occupations and Associate Professional and Technical occupations (both 13%).

Figure 5.12: Occupational Structure of Hastings & Rother, 2001



- 5.24 Occupational structure data is more usefully presented as a location quotient (Figure 5.13). Location quotients identify the relative concentration of each occupation type versus the South East for each area (a score greater than one indicates a relative concentration of employment, and a score less than one represents a relative scarcity of employment for the occupation type).
- 5.25 As shown in Figure 5.13, Managers, Professional, and Associate Professional occupations are under-represented in the Hastings and Rother sub-region. Skilled Trade, Personal Service and Process/Plant occupations are over-represented compared to the South East average. This indicates a bias towards generally lower-value occupations in the Hastings and Rother sub-region.
- 5.26 This occupational pattern is typical for the whole of East Sussex. However, in Hastings, the bias towards low-value occupations is even greater than that in East Sussex or the Hastings and Rother sub-region as a whole. For example, Hastings has a 30% lower proportion of professional occupations compared to the South East average, but there are 40% more people employed in personal service occupations compared with the regional pattern of employment. These results confirm the previous comments regarding the dependence of the Hastings economy on tourism.

Figure 5.13: Occupational Structure Location Quotients 2001



Productivity and Output

5.27 Gross Value Added⁴ is a key measure of the output generated within an area. Assessing GVA per head of a resident population is a useful benchmark for measuring the economic health and wealth of an area. Figure 5.14 shows that GVA per resident in Hastings and Rother is equivalent to the average for the South East at £16,000. However, this is below the average for East Sussex (£18,000). Within the Hastings and Rother sub-region, Hastings has a higher GVA per resident at £18,000 - a pattern that is likely to be due to the concentration of better-paid employment in Hastings

⁴ Gross value added is the difference between output and intermediate consumption for any given sector/industry. That is the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used up in production. A full overview of the definition of GVA and its relationship with GDP can be found in Annex B.

Figure 5.14 –GVA per Resident, 2001 (Source: DTZ Research)

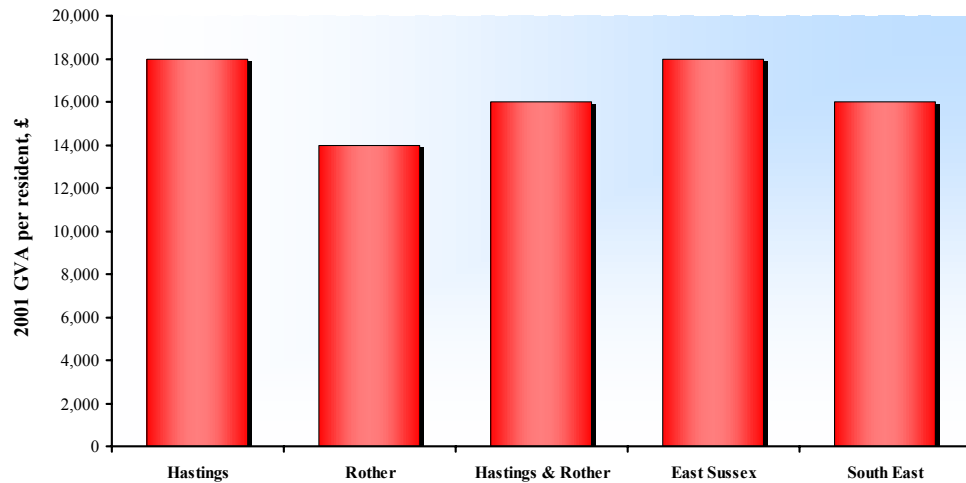


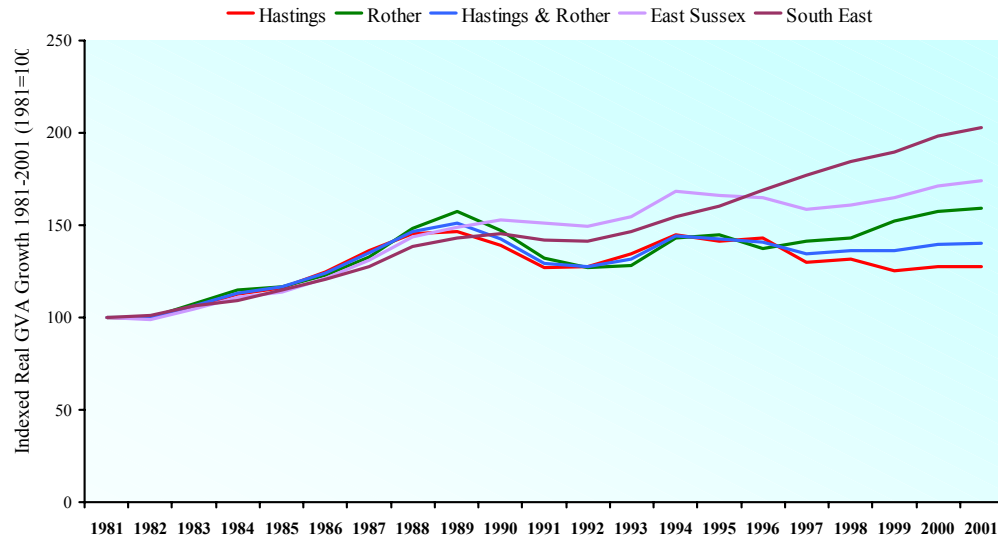
Figure 5.15 –GVA per Resident, 2001 (Source: DTZ Research)

	2001 GVA per resident, £
Hastings	18,000
Rother	14,000
Hastings & Rother	16,000
East Sussex	18,000
South East	16,000

- 5.28 Figure 5.16 shows that the real GVA of the South East doubled over the period 1981-2001. The level of growth experienced in the South East far exceeded that in Hastings and Rother, where real GVA grew by around 40% over the same period. Whilst the chart does not take into account the population growth within each area it provides a useful proxy for the growth in overall wealth in each area.
- 5.29 The pattern of GVA expansion presented in Figure 5.16 for Hastings & Rother and East Sussex clearly shows the cyclical nature of the sub-region's economy, which experienced an expansion in output during the late 1980s followed by a reduction in real GVA in the recession years of 1990 to 1992. However, the data indicates that the economy has significantly lagged the South East as a whole.
- 5.30 Real GVA in the South East has continued to increase strongly for the entire period since 1992. By contrast, after some limited growth in 1994, the economy of Hastings and Rother has stagnated, with real GVA falling by around 10% since 1994. The overall pattern of economic output presented in Figure 5.16 indicates that the Hastings and Rother economy has failed to capitalise on the growth generated in the wider region, with a moribund economy evident in the sub-region over recent years, caused by the poor performance of

the Hastings economy, which has largely offset the output gains made in the Rother economy.

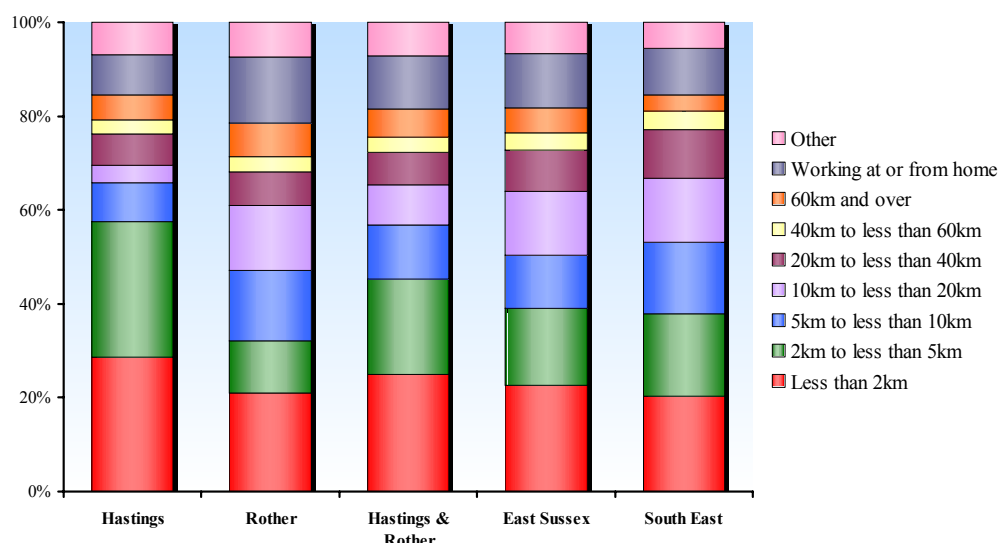
Figure 5.16: Indexed Growth in GVA, 1981 – 2001 (All Measured at 1995 prices)



Commuter Times

- 5.31 Hastings and Rother have very different characteristics in terms of the distance people travel to work. Due to the compact and urban nature of Hastings 58% of all employed people travel less than 5km to work. This compares to 32% of all workers in Rother. Workers in Rother are more likely to travel between 5km and 20km than those in Hastings (29% compared to 12%). The proportion of people who work from home is higher in Rother (14%) than Hastings (9%) - a pattern commonly found in the South East, whereby rural districts have a greater number of home workers than urban districts.
- 5.32 Compared to regional trends, the Hastings and Rother sub-region tends to be more localised in its commuting patterns than the South East. The proportion of people commuting less than 5km is 45% in Hastings and Rother compared to 38% in the South East. Restricted accessibility to London and other major employment centres compared with other locations in the South East is likely to underpin this pattern.

Figure 5.17: Commuter Times of Residents within Hastings and Rother and the Benchmark Areas 2001



Income

- 5.33 Income, and particularly household income, is one of the fundamental determinants of the ability of households to access home ownership or the private rented sector. Figures 5.18 and 5.19 present two different measures of income: gross weekly pay by workplace and gross weekly pay by residence. The Hastings and Rother sub-region exhibits a similar relationship between workplace and resident weekly pay rates to the benchmark areas, with residence-based pay some 15% higher than workplace-based pay. This pattern suggests that some residents are able to achieve a higher wage by commuting out of the area.
- 5.34 An examination of workplace and residence based wages between Hastings and Rother shows that in Hastings, workplace and residence-based pay is equal. This is due to the fact that the Hastings labour market is relatively self-contained, and that the average pay of people commuting into Hastings is roughly equivalent to those commuting out.
- 5.35 However, residence-based pay in Rother is 30% higher than workplace-based pay. As shown by the pattern of commuter distances, the labour market in Rother is far less self-contained than Hastings, with many more people commuting longer distances. Also, as discussed previously, the occupational profile of people working in Hastings is biased towards low-value occupations compared to Rother. A further driver of this difference is that, of the working age population in Rother, a greater proportion fall into the 45-64 age-bracket than in Hastings, indicating a greater focus of workers in the later stages of their careers who are more likely to earn higher wages.
- 5.36 The difference observed at the sub-regional level between workplace and residence based pay is therefore driven by the disparity between these two income measures in Rother, which, as the pattern of travel to work movements presented in Section 2 highlighted,

demonstrates considerable dependency on surrounding centres of employment, such as Tunbridge Wells, Eastbourne and Ashford, where commuters from the District are likely to earn higher wages.

Figure 5.18: Gross Weekly Pay by Workplace and Residence, £s, 2005 (Source: Annual Survey of Hours and Earnings 2005)

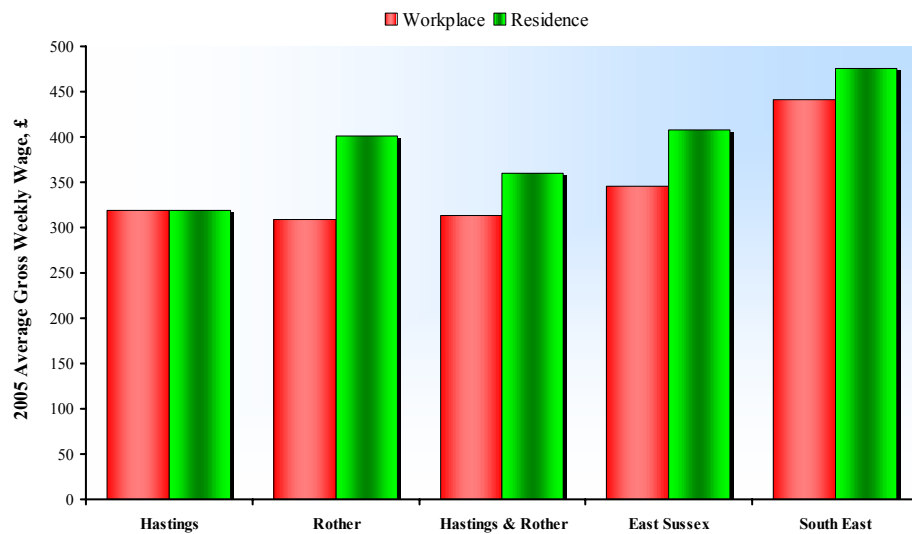


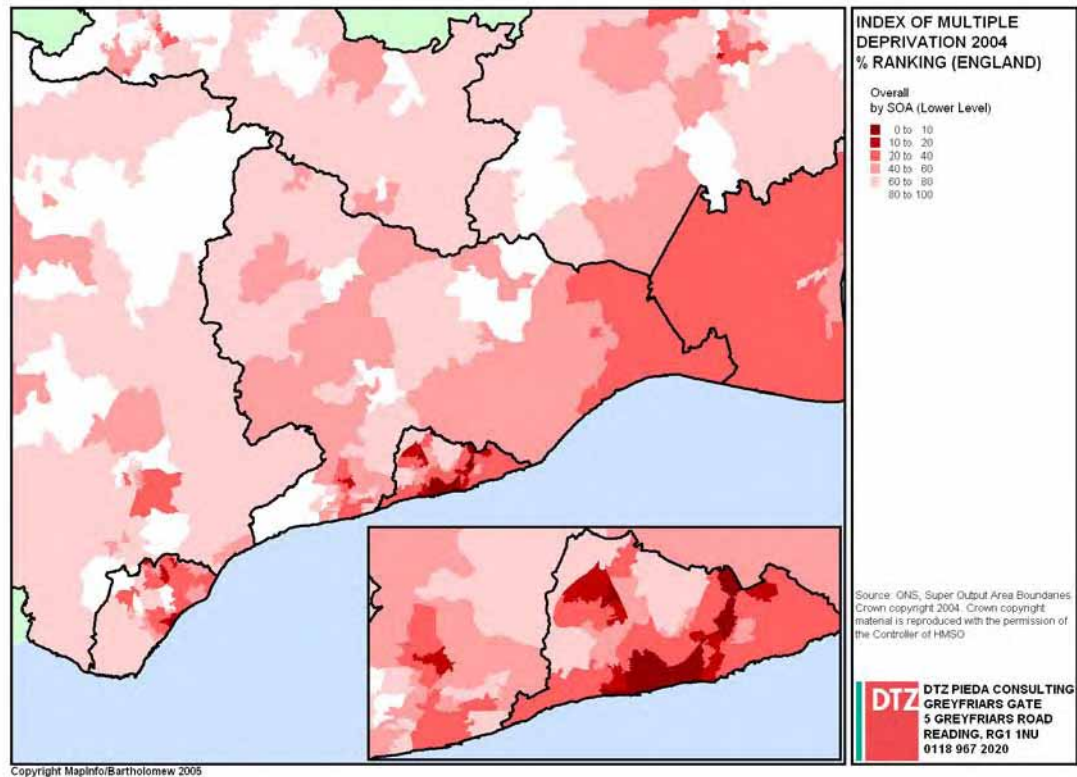
Figure 5.19: Gross Weekly Pay, £s, 2005 (Source: ASHE 2005)

	Workplace Based	Residence Based
Hastings	319	319
Rother	309	401
Hastings & Rother	314	360
East Sussex	346	408
South East	441	475

Index of Multiple Deprivation

- 5.37 The socio-economic characteristics of Hastings and Rother presented in the previous two chapters manifest themselves in the levels of deprivation experienced within the sub-region. Figure 5.20 below presents 2004 IMD Rankings across Hastings and Rother and the surrounding districts at an Output Area level - the lowest area level for spatial analysis. Maps of each of the IMD sub-domains across Hastings, Rother and the encompassing area are presented in Annex A.
- 5.38 Almost all of the output areas in Rother fall into the 60% least deprived areas in the country. However, there are a small number of output areas in the top 40% most deprived areas, and one output area in the top 20% most deprived. Rother District as a whole has a below-average level of deprivation when compared to all 354 districts in England, being ranked 191st.
- 5.39 In contrast, Hastings has a significantly higher number of areas in the top 40% most deprived areas, with 10 output areas ranked in the top 10% most deprived areas in the Country. Moreover, Hastings has 6 output areas in the top 5% most deprived areas in England, indicating a number of pockets of high-level deprivation.
- 5.40 Hastings Borough is ranked 38th out of 354 districts in terms of the average deprivation score for its constituent output areas, ranking as one of the most deprived districts in the South East.
- 5.41 If one analyses the scores for the most deprived output areas under the IMD sub-headings (see Annex A), it is clear that deprivation in Hastings is largely related to the sub-measures of crime and disorder, income levels, and employment prospects and conditions.
- 5.42 This analysis of IMD scores presents a stark contrast between the more affluent, less deprived area of Rother compared with Hastings, which experiences significantly higher levels of deprivation, poorer employment prospects, a stagnating economy, and dependence on low-value jobs and sectors.

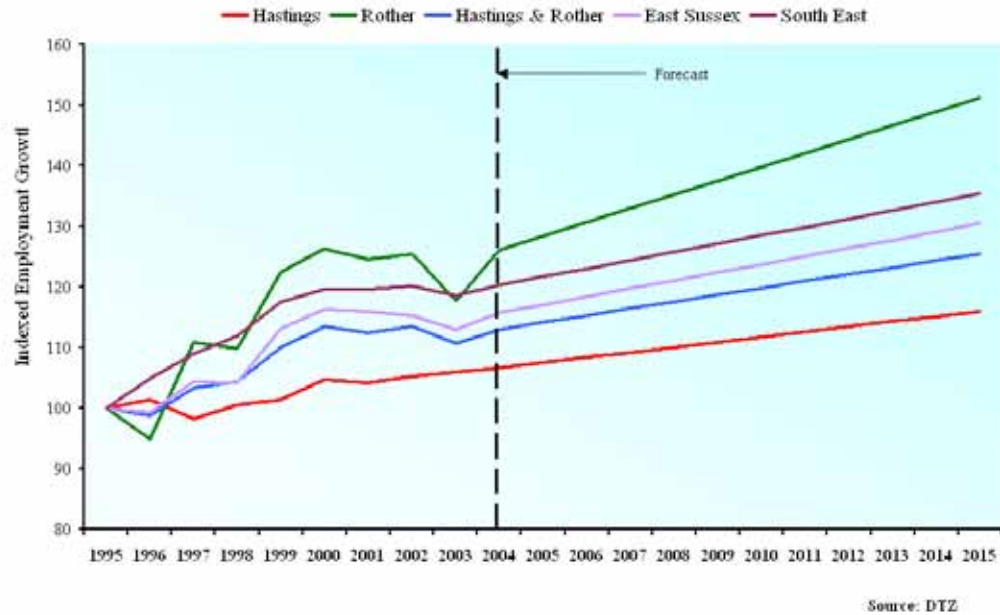
Figure 5.20: Index of Multiple Deprivation Rankings 2004



Employment and GVA forecasts

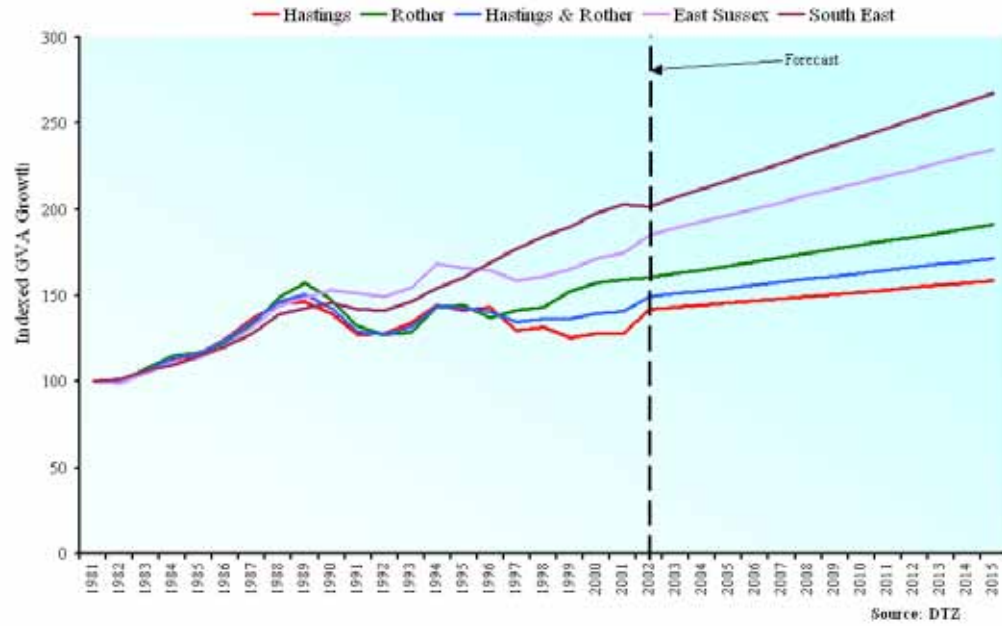
- 5.43 Employment and GVA forecasts are useful in providing a measurement of future economic growth. It is important to have an understanding of the likely path of economic growth, as it can have an impact on the future demand for housing in an area. As economic growth is associated with both employment growth and greater productivity, substantial forecast economic growth indicates a likely increase in the demand for housing.
- 5.44 In the absence of any policy-based forecasts, it has been necessary to construct our own trend-based forecasts using historic data. When considering these forecasts, the reader should bear in mind that they merely represent the likely outcome based on historic data, and should therefore be used as a tool to show general trends rather than precise outcomes. They do not for example take into account the likely benefits of the considerable regeneration programme in place for the sub-region.
- 5.45 Figure 5.21 shows DTZ's trend based forecast for employment using ABI data (which measures the number of people whose job is located within Hastings and Rother). This shows that, based on historic trends, the strongest employment growth of all areas shown is expected in Rother. If past trend continues, our forecast shows that employment will grow by a further 20% in the period to 2015.
- 5.46 Employment growth has been much less significant in Hastings since 1995. As a result, our forecast suggests that a continuation of the trend would imply 9% growth in employment in the period to 2015.

Figure 5.21: Employment Forecast to 2015 (Source: DTZ, ABI)



- 5.47 It has been possible to access a longer time-series of data for GVA growth, with current data going back to 1981. Assembling a forecast on the basis of the entire series produces the forecasts shown in Figure 5.22. Using this approach, it is expected that there will be substantial continued growth in GVA in the South East and East Sussex over the period to 2015. However, growth in Hastings and Rother will be much more constrained if past trends continue.
- 5.48 The need for the current regeneration programme to engender a step change in the performance of the economy of the sub-region therefore manifests itself clearly in trend based forecasts. It is also important to note that using a different start date for our time-series data would have given rise to a different set of results. For example, there was no recorded growth in GVA in Hastings and Rother over the period 1989 to 2001. If we had used this period as our base for the forecasts, it would have shown zero growth in the Borough, District and sub-region to 2015.

Figure 5.22: GVA Forecast to 2015 (Source: DTZ)



6 CHARACTERISTICS AND STRUCTURE OF HOUSING SUPPLY

6.01 Analysis of the supply of housing allows an assessment of the range, quality and spatial distribution of housing that is currently available in the sub-region. This section of the report examines the characteristics and structure of the housing supply in Hastings and Rother. As in previous sections, the data for Hastings and Rother has been benchmarked against East Sussex and the South East.

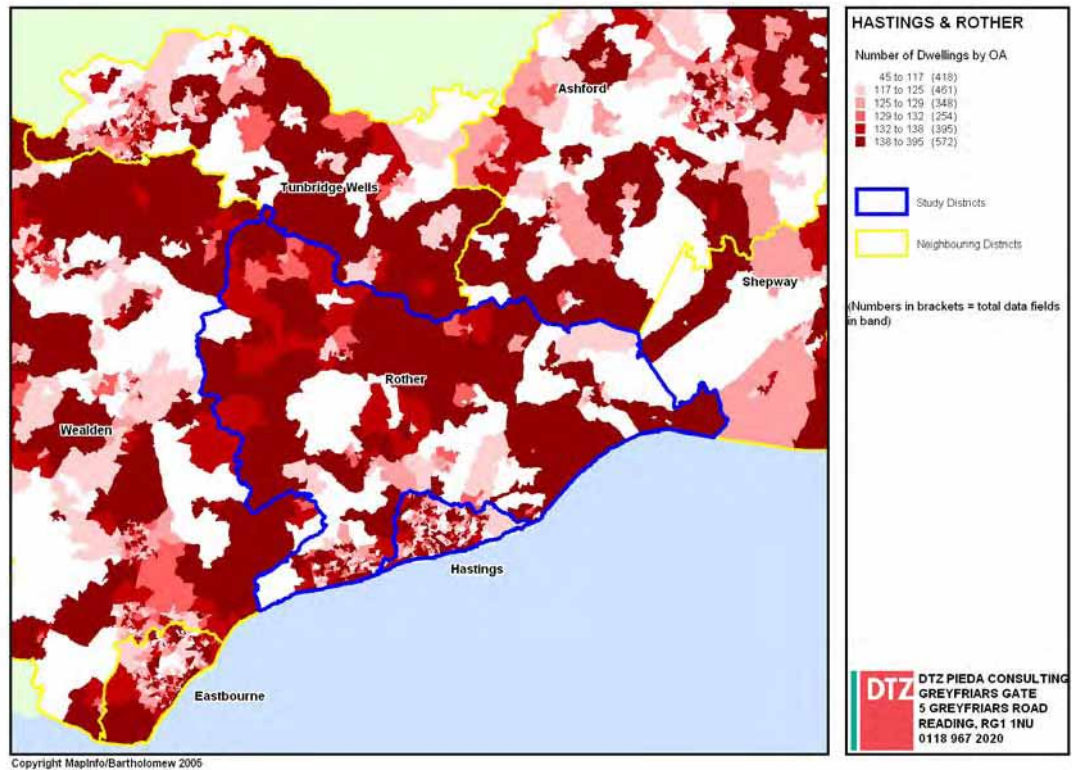
Key Issues (Sources for Statistics Shown Throughout Section)

- According to the 2001 Census, the Hastings and Rother sub-region contains approximately 76,000 dwellings (around 38,000 per district).
- Over 45% of the stock of housing in Hastings and Rother is either terraced housing or flats (over 60% in Hastings compared to 35% in Rother).
- The predominant tenure in the Hastings and Rother sub-region is owner-occupation (73%), accounting for 80% of all households in Rother, and 64% in Hastings.
- Between 1995 and 2004 the housing stock in the Hastings and Rother sub-region increased by 4% (3,400 units), compared to 8% at the regional level.
- The growth in overall stock is largely being driven by growth in the number of detached and semi-detached dwellings, not flats.
- Dwellings in the Hastings and Rother sub-region are generally bigger than at the regional level (dwellings are particularly large in Rother).
- Vacant stock accounts for 4.5% of total stock in Hastings and Rother, compared to 2.7% in the South East. This implies a lower degree of efficiency in utilisation of the existing stock in Hastings and Rother.
- In 2001, the rate of second home ownership was far higher in the Hastings and Rother sub-region (1.9%) than in the South East (0.7%). Second homes accounted for more than 2.5% of the stock in Rother, and 1% of stock in Hastings.
- The proportion of households in Hastings classed as overcrowded is higher than that in Rother and benchmark areas. By contrast, the number of households in under-occupied accommodation is highest in Rother of all the benchmark areas.
- Historic completions since 1991 have been below the Structure Plan target of 575 units per annum in the sub-region. The annual requirement for the remainder of the Structure Plan period to 2011, allowing for past completion levels, is 765 units.
- However, projections for completions rates, show that a surge in completions is expected for the remainder of the period, with more than 800 completions per annum.
- Household growth outstripped completions in the period 1991 to 2001, assuming repeat undersupply of completions in the early years of the period, suggesting a decline in vacant properties.

Current Housing Stock

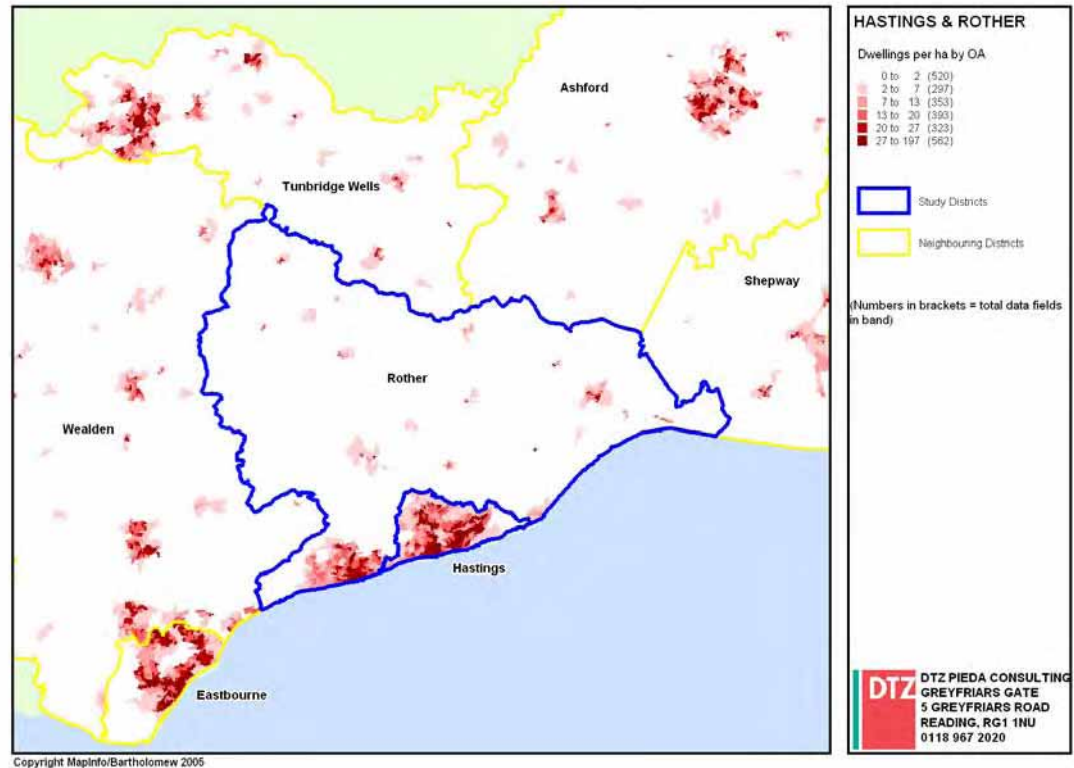
- 6.02 According to the 2001 Census, Hastings and Rother each contain approximately 38,000 dwellings. Figure 6.1 below shows how the total stock of dwellings is distributed across the area according to the 2001 Census. This is presented in terms of the total number of dwellings in each Super Output Area (SOA) in Hastings and Rother and the surrounding area.

Figure 6.1: Spatial Distribution of Dwellings



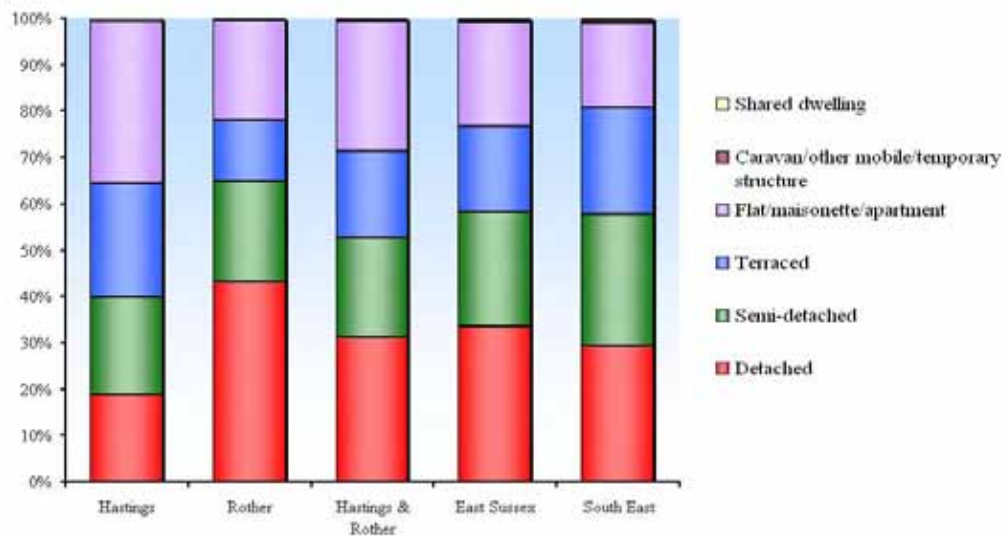
- 6.03 Figure 6.1 does not offer a very clear representation of the density of dwellings, since it does not take into account the differences in geographical size between SOA's. Therefore, it is more useful to consider dwelling density per hectare, as shown in Figure 6.2.
- 6.04 Hastings generally has a high dwelling density, reflecting the urban character of the Borough. By contrast, with the exception of the town of Bexhill, dwelling density is far lower in Rother. The map highlights a number of small towns across the district as small concentrations of moderate dwelling density. The neighbouring districts generally follow a similar pattern of dwelling density to Rother, with a number of small towns, encompassed by predominantly rural areas.

Figure 6.2: Ward Level Dwelling Density: Number of Dwellings per Hectare



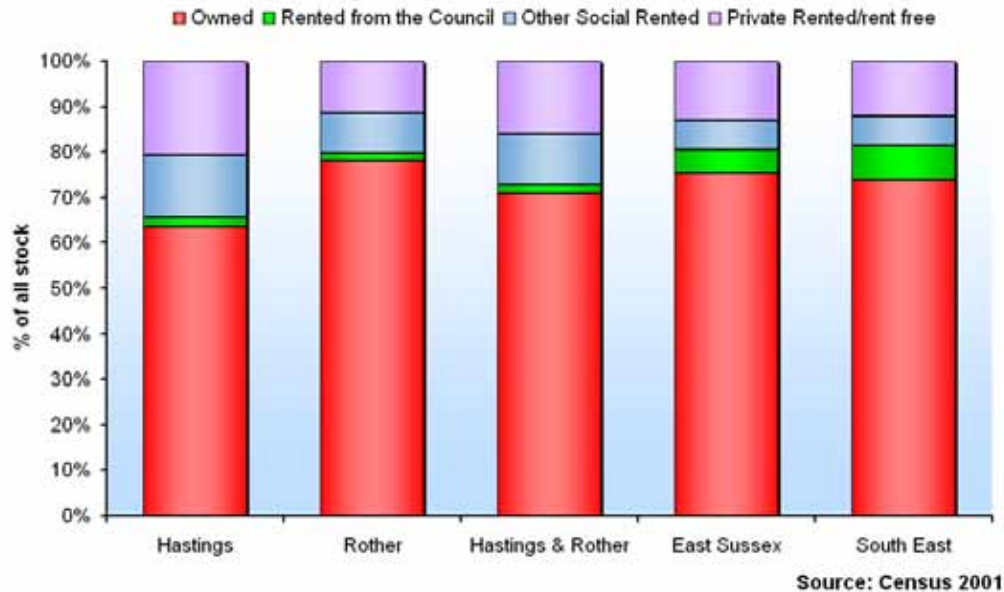
- 6.05 Figure 6.3 shows that there is a marked difference between the composition of the stock of housing in Hastings and in Rother. Over 60% of the stock in Hastings is either terraced housing or flats, compared to 35% in Rother. Just 20% of the stock in Hastings is detached houses, compared to over 40% in Rother. This pattern of dwelling type helps to explain the dwelling density map shown above, with relatively smaller housing units in Hastings, and a higher density of development compared to Rother.
- 6.06 The housing stock in the overall Hastings and Rother sub-region is similar to that of the region, albeit with a higher proportion of flats. Therefore, whilst the characteristics of housing in Hastings Borough and Rother District display notable variations, overall the sub-region's housing market possesses a dwelling stock composition that is broadly similar to the region.

Figure 6.3: Housing stock by Type, 2001



- 6.07 Figure 6.4 shows that the predominant tenure in the Hastings and Rother sub-region is owner-occupation. Of all areas shown, the rate of owner-occupation is highest in Rother, at almost 80%. The chart also highlights the fact that a relatively small proportion of dwellings in Hastings and Rother are recorded as council-rented tenure compared to benchmark areas. This is due to the fact that council-owned properties have all been transferred to housing association ownership via housing stock transfers, however clearly some residents remain unclear about their status.
- 6.08 Hastings has a relatively high proportion of private-rented housing, accounting for 20% of all stock, and low levels of owner occupation. This is likely to be associated with the generally younger age-profile of Hastings compared to Rother, and the high proportion of dwellings that are flats. Young working-age people in the sub-region are likely to be attracted to the urban centre of Hastings for employment and the cheaper cost of housing. However, it is likely that they will have some difficulties in purchasing in the area due to lower wages and affordability constraints, hence the dependence on the private rental market in meeting this need.

Figure 6.4 Housing Stock by Tenure 2001



- 6.09 There are therefore marked differences in tenure composition within the sub-region, with low levels of owner occupation and a very large private rented sector in Hastings compared with Rother. However, the overall tenure structure of the sub-region demonstrates a strong similarity with the East Sussex and South East housing market.

Growth in Stock

- 6.10 Figures 6.5 and 6.6 present the pattern of growth in the stock of housing over time in the Hastings and Rother sub-region and the benchmark areas. Between 1995 and 2004 the housing stock in Hastings and Rother increased by 5% and 4% respectively. Overall growth in the sub-region was 4%, amounting to an increase of 3,400 dwellings. By contrast, growth in East Sussex and the South East region over the same period was 8%. Thus, in comparative terms, the growth in stock has been slower than in other parts of the South East. In recent years, growth in the dwelling stock in the sub-region has begun to stagnate, whereas it has continued to increase in the South East and East Sussex.

Figure 6.5 – Change in Housing Stock 1995-2004 (1995 = 100)

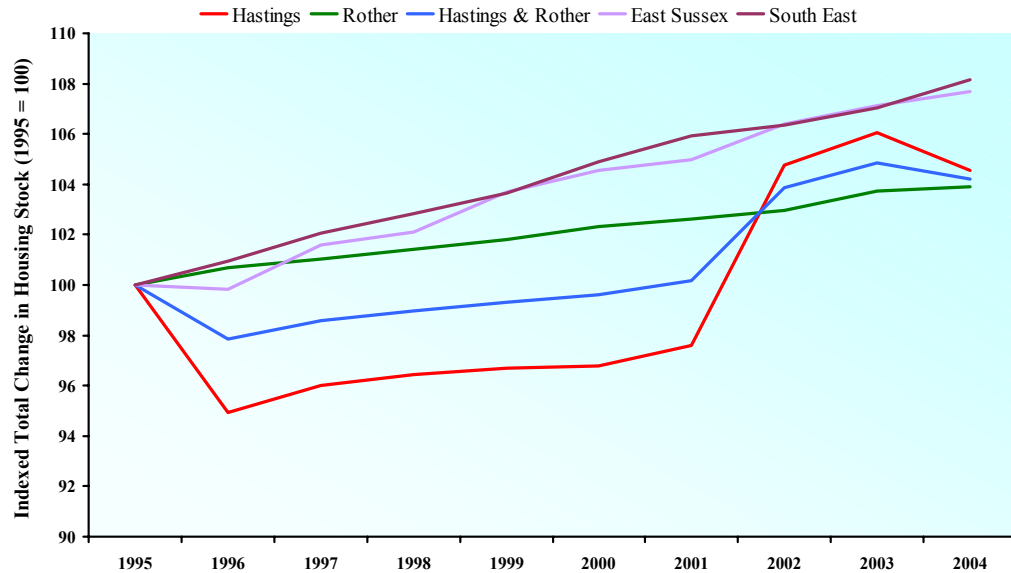


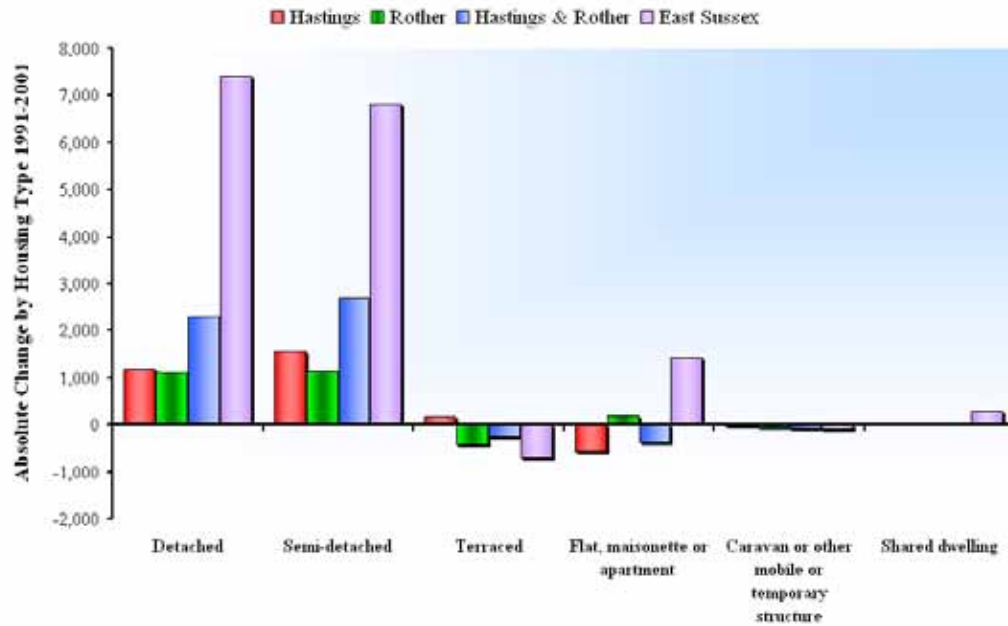
Figure 6.6 – Change in Housing Stock 1995-2004

	1995	2004	Absolute Change	Change (%)
Hastings	39,000	40,700	1,800	5%
Rother	40,500	42,000	1,600	4%
Hastings & Rother	79,400	82,800	3,400	4%
East Sussex	215,200	231,800	16,600	8%
South East	3,210,800	3,473,200	262,400	8%

Source: Community Data Services

- 6.11 It is interesting to analyse whether the growth in the housing stock experienced in the Hastings and Rother sub-region has been engendered by growth in a particular housing type. As shown in Figure 6.7, the growth in overall stock in Hastings and Rother is largely being driven by growth in the number of detached and semi-detached dwellings.
- 6.12 The chart also highlights the absolute decrease in the number of terraced properties in Rother and flats in Hastings. Thus, whilst flats account for a significant proportion of dwellings in Hastings it would not seem that new flats have been a significant feature of recent development, in contrast to the position in East Sussex. Indeed, the number of flats in the HMA area declined in the period 1991 to 2001.

Figure 6.7: Absolute Change in Dwellings by Type (1991-2001)



- 6.13 A good proxy for the quality and price structure of the housing stock is the distribution of dwellings by council tax band. Figure 6.8 shows that 80% of properties in Hastings fall into the lowest bands A-C (up to £68,000) compared with 49% in Rother. The figure for Rother is far closer to the regional average (at 51%). In contrast, the proportion of properties in Hastings in Bands F to H (the highest bands in terms of price) is very low at 2%, compared to 14% in Rother.

Figure 6.8: Dwellings by Council Tax Band, 2001

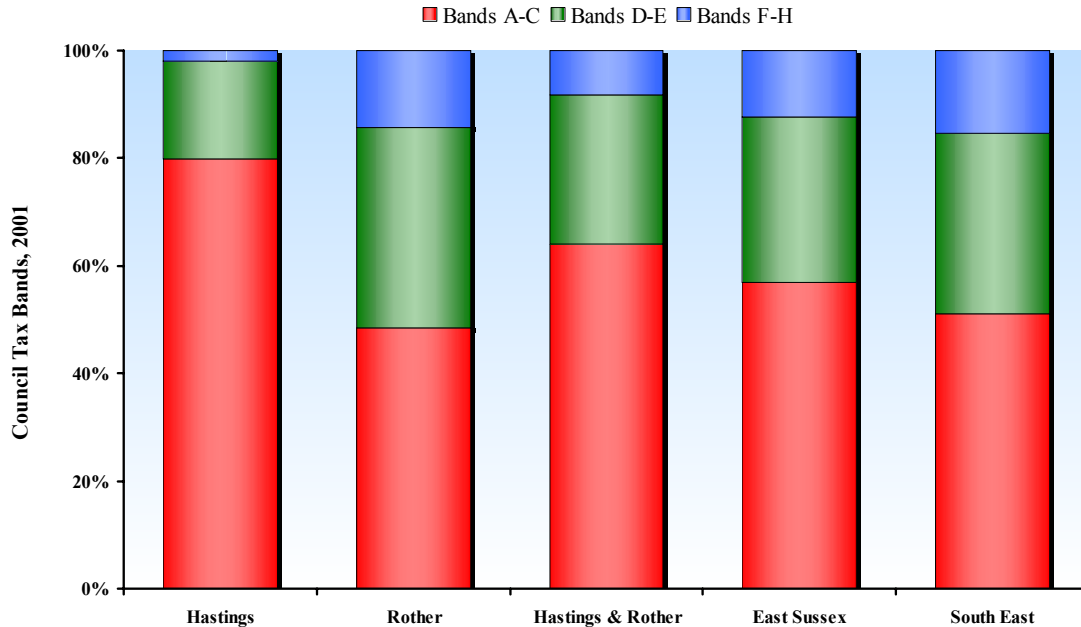


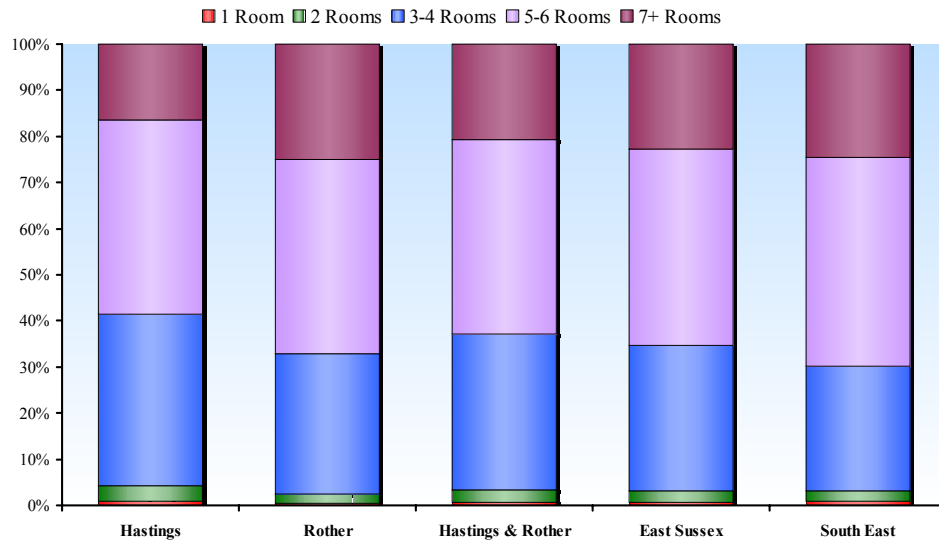
Figure 6.9: Dwellings by Council Tax Band, 2001

	Total	Bands A-C	Bands D-E	Bands F-H
Hastings	40,000	80%	18%	2%
Rother	41,300	49%	37%	14%
Hastings & Rother	81,300	64%	28%	8%
East Sussex	225,800	57%	31%	12%
South East	3,387,600	51%	33%	15%

- 6.14 The size of housing in an area plays a fundamental role in determining its desirability as a residential location and in its affordability. Rother has a greater concentration of detached and semi-detached properties than Hastings – a common feature of more rural locations. Consequently, on average, dwellings in Rother have more rooms (total rooms, not just bedrooms)¹, and are larger than those in Hastings (see Figure 6.10).
- 6.15 The pattern of dwelling size in Rother is typical of that at the regional level. However, in Hastings, the number of dwellings with 4 rooms or less (42%) is far higher than in the South East (30%).

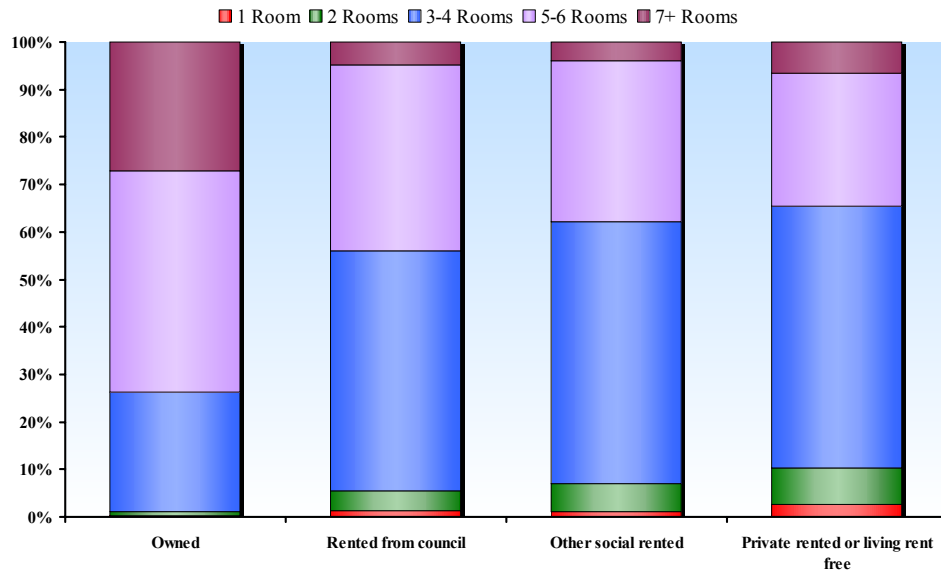
¹ The count of the number of rooms in a household's accommodation does not include bathrooms, toilets, halls or landings, or rooms that can only be used for storage. All other rooms, for example, kitchens, living rooms, bedrooms, utility rooms and studies are counted. If two rooms have been converted into one they are counted as one room. Rooms shared between a number of households, for example a shared kitchen, are not counted.

Figure 6.10: Size of Stock



- 6.16 The fact that dwellings are generally smaller in Hastings than in Rother suggests a mismatch with household size within the sub-region. As shown in section 4, households in Hastings are on average larger than in Rother (number of people per household). This points to a greater likelihood of overcrowding in Hastings, coupled with the likelihood of under-occupancy in Rother. This difference is likely to be explained by income levels, since residence-based pay is much higher in Rother than Hastings. Therefore, residents in Rother, many of whom commute out to well-paid jobs in other parts of the South East, are better able to afford the higher-priced, larger dwellings in Rother, irrespective of their household size. Household size and dwelling size are often not correlated. The relationship between household size, income and housing aspirations is explored in more detail in Section 9.
- 6.17 Within the Hastings and Rother sub-region there are also considerable differences in the size of dwellings in different tenures. Figure 6.11 below shows that only 27% of owner-occupied dwellings have fewer than 5 rooms, compared to around 60% for of social rented homes and 65% of private rented dwellings.

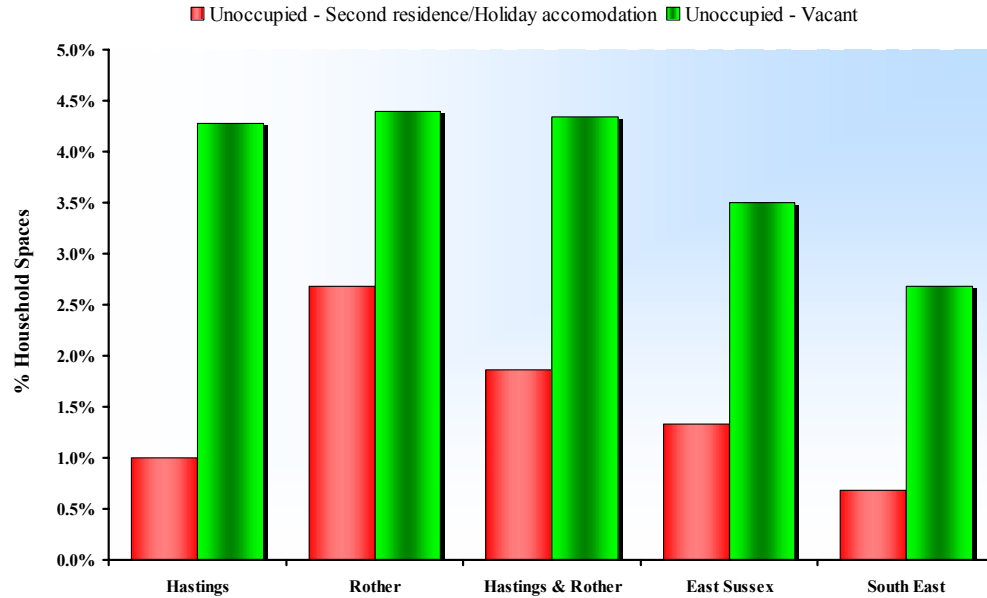
Figure 6.11: Hastings & Rother Size of Stock by Tenure (Source: Census 2001)



Vacancy, Occupancy, and Overcrowding

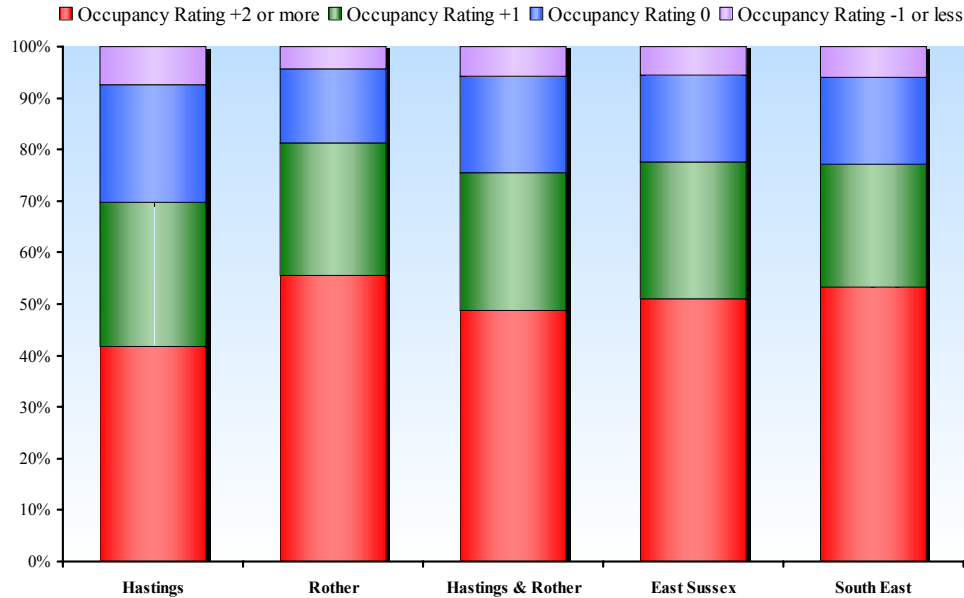
- 6.18 In 2001 vacant stock accounted for around 4.5% of overall stock in the Hastings and Rother sub-region (or 3,500 dwellings). This compares to around 2.7% for the South East. This high rate of vacancy implies a lower degree of efficiency in utilisation of the existing stock in Hastings and Rother and is probably connected with a poorer overall condition of housing, although over more recent years the level of vacant homes has declined in the sub-region.
- 6.19 Figure 6.12 also shows the proportion of total stock accounted for by second-home ownership. In 2001, second homes accounted for more than 2.5% of the stock in Rother, and 1% of stock in Hastings (1,100 and 400 dwellings respectively). A high rate of second home ownership can often put pressure on a local market, pushing prices beyond those which would otherwise prevail. This is more likely to be a problem in Rother, where the rate of second home ownership is three times the regional average. This probably reflects the quality of the rural environment, the proximity to the sea, and the fact that Rother is one of the cheapest rural coastal areas in the South East of England.

Figure 6.12: Vacancy Rates, Second-Home Ownership (Source: Census 2001)



- 6.20 Earlier in this section our analysis showed that whilst the average dwelling size in Hastings is smaller than that in Rother, the average household size is larger. This pattern is also reflected in data on occupancy ratings, which reveals the number of households classed as being in overcrowded accommodation. The occupancy rating provides a measure of under-occupancy and overcrowding in the household, by relating the actual number of rooms to the number of rooms 'required' by the members of a household (based on the relationship between them and their ages). For example a value of -1 implies there is one room too few and that there is overcrowding in the household.
- 6.21 As a result of the higher average household size and lower average dwelling size, the proportion of households in Hastings classed as overcrowded (occupancy rating of -1) is higher than that in Rother and benchmark areas. By contrast, the number of households with an occupancy rating of +2 (implying under-occupancy) is highest in Rother out of all the areas shown.

Figure 6.13: Household Occupancy/Overcrowding Proportions



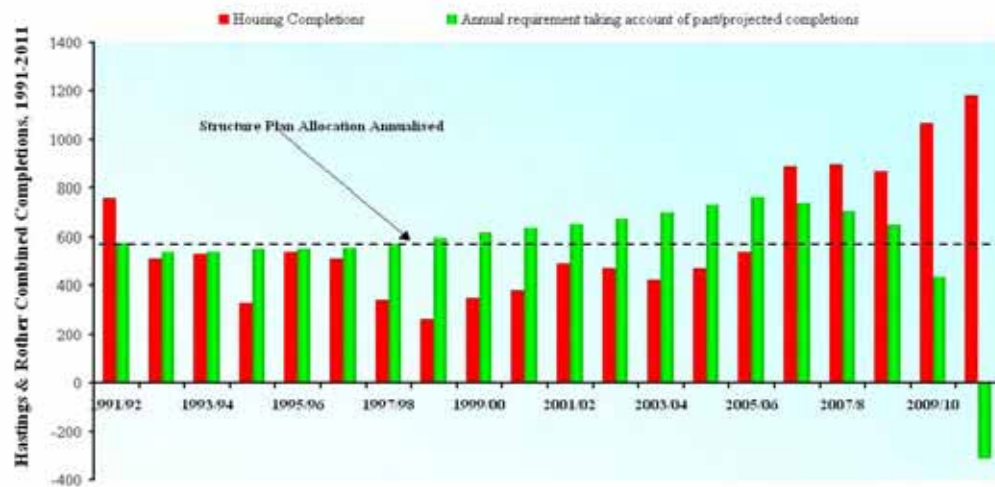
Historic Flows

- 6.22 The East Sussex Structure Plan indicates that in the period 1991 to 2001, a total of 11,500 new homes should be built in Hastings and Rother. This equates to completion of 575 units per annum over the period. Figure 6.14 plots the annualised Structure Plan allocation against historic housing completions since 1991/92 (red bars). The green bars show how the annual requirement for the remainder of the period has changed when taking into account past completions. Given that historic completions were below the annual target of 575 for every year shown to date excluding 1991/92, the annual target now stands at 765 units per year.
- 6.23 However, the forecast for residential land allocations² show that a substantial increase in dwelling completions is expected for the remainder of the structure plan period, with more than 800 potential completions per annum forecast to 2011. If this level of completions is achieved, it is expected that the eventual total number of completions for the whole Structure Plan period will be 11,810 units: an excess of 310 units over the target.
- 6.24 The challenge for Hastings and Rother will therefore be to deliver the step change in completions currently forecast over the period to 2011. This level of housing provision will exceed the current annual housing provision proposed in the South East Plan for the sub-region between 2006 and 2026, which sets a combined figure of 490 dwellings pa for Hastings (210 pa) and Rother (280 pa).

² Housing trajectory and future completion figures have been derived through informal discussions with Sea Space and developers within the sub-region, together with an assessment of future planning allocations and applications. It should be noted that these figures are based around having sufficient land allocated for housing, rather than predicting actual completion numbers.

- 6.25 DTZ suggest that delivering the higher level of dwelling provision early in the plan period will help the sub-region to secure the regeneration benefits of increased housing development quickly. At the same time, 'front loading' delivery of housing will reduce pressure on the sub-region during the latter stages of the South East Plan period to achieve housing targets. DTZ would however note that whilst there is immediate capacity in the sub-region, particularly in Hastings, to deliver increased rates of housing on brownfied sites, the area is likely to become progressively constrained by the High Weald AONB.
- 6.26 The issue of whether delivering this higher level of housing provision is realistic in housing market terms is focussed upon in the final two sections of the report that look at forward projections of demand and supply. It will, however, be critical that any increase in housing provision in the future is accompanied by a commensurate and appropriate level of infrastructure improvements and investment.

Figure 6.14: Sub-Regional Completion Rates and Structure Plan Targets



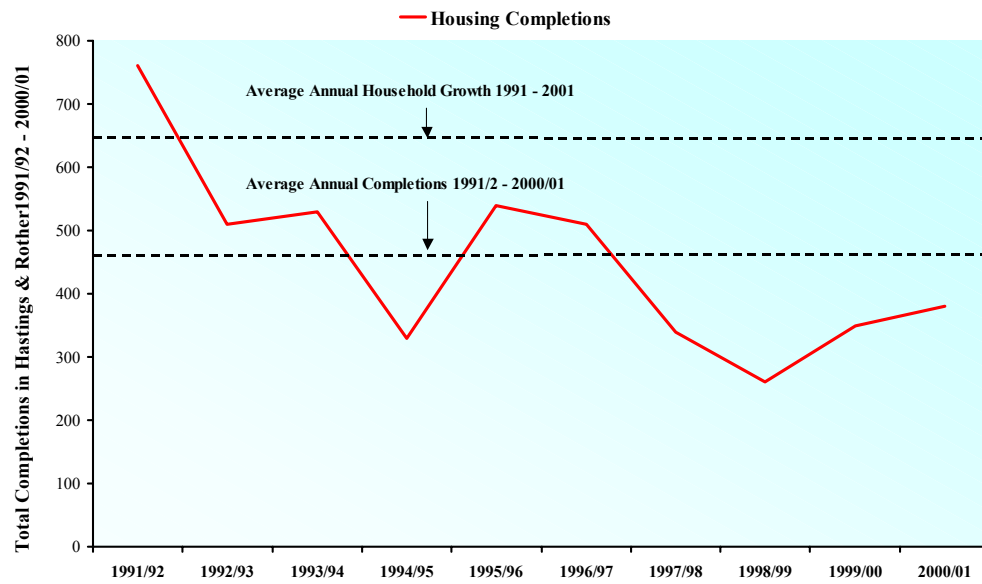
- 6.27 The housing provision numbers set out in Figure 6.15 take into account estimates for completion rates on large sites (100+ units) for the remainder of the period to 2011. This shows that there is an even distribution of allocated large sites for development in both Hastings and Rother once residential land to the north of Bexhill is taken into consideration. However, it should be noted that the land releases at north-east Bexhill (an established strategic location for growth) are dependent on the construction of the Bexhill Hastings Link Road. The Local Plan anticipates the building of 500 dwellings by 2011, with the expectation that the Link Road will be completed in 2008.

Figure 6.15: Estimated Completions on Large Sites to 2011

	Units allocated in LP 2004	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	Planning Status (PP= Planning Permission
Hastings									
Ore Valley	166					55	55	56	No PP
Former Hollington Park School,	145				40	40	40	25	Outline PP
Harrow Lane Caravan Site	113	53	60						Full PP
Broomgrove Redevelopment Area (See also Policy B1)	112				28	28	28	28	No PP
Former Stills Factory (part) (see also Policy B6)	120					40	40	40	No PP
Holmhurst St Mary (excl Harrow Lane Caravan Site) (See Policy HSM1)	197					40	40	40	No PP
Rother									
Bexhill College Turkey Road	105		52	53					Full PP
Brookside Farm	174		58	58	58				Full PP
Nazareth House Hastings Road	104		47	29	28				Full PP
Land east and west of Link road	500					100	200	200	N/a
Blackfriars	204				52	52	50	50	N/a
TOTAL	1940	53	217	140	206	355	453	439	

- 6.28 Figure 6.16 shows that the rate of completions achieved over the period 1991 to 2001 in Hastings and Rother has apparently fallen behind the rate of household growth in the sub-region. The divergence between housing completions and household growth amounts to around 190 dwellings per annum between 1991 and 2001, totalling 1900 over the entire period. It is likely that the divergence between household and dwelling growth will have engendered rising levels of unmet demand over the period.
- 6.29 DTZ suggest that this is probably the result of two factors. First, vacancy levels have probably fallen since 1991/92, so the stock is being used more efficiently. This cannot continue into the future. DTZ's work also suggests that local authorities under-recorded dwelling completions in the early 1990s. This may be the case in Hastings, in which case, some of the gap between households growth and dwelling completions may be attributed to underestimates of the level of dwelling completions.

Figure 6.16: Completions Vs Household Growth 1991-2001



Gypsy/Traveller Sites

6.30 Hastings and Rother have only restricted capacity to accommodate gypsies and travellers, as highlighted in Figure 6.17. In the whole sub-region there are just 8 residential caravan pitches, which are all located in Rother. Thus the sub-region's contribution to the South East's total capacity for 1,600 caravans is very small. As shown by Figure 6.18, the majority of Traveller sites in East Sussex are located either in Wealden or Lewes.

Figure 6.17: Gypsy/Traveller sites Jan 2005

	Total number	<i>of which are:</i>		Caravan capacity
	of pitches	Residential	Transit	
Hastings	-	-	-	-
Rother	8	8	0	8
East Sussex	37	27	10	40
Total for South East	994	944	50	1609

Figure 6.18: Sites in Surrounding Districts

	Total number	<i>of which are:</i>		Caravan capacity
	of pitches	Residential	Transit	
Lewes (Southerham)	10	0	10	10
Rother (Redlands gipsy site, Fair Lane, Robertsbridge, TN32 5AR)	8	8	0	8
Wealden (Batts Bridge, Batts Bridge Road, Maresfield, TN22 2HN)	8	8	0	11
Wealden (Polly Arch, Polegate, BN26 6JP)	6	6	0	6
Wealden (Swan Barn, Station Road, Hailsham, BN27 2RU)	5	5	0	5
East Sussex CC	37	27	10	40
Total for South East	994	944	50	1609

7 AFFORDABILITY AND HOUSING NEED

7.01 This section provides an analysis of the affordability and housing need issues within the Hastings and Rother area. This represents the culmination of the supply and demand analysis presented in the previous three Sections.

Key Points (Sources for Statistics Shown Throughout Section)

- Overall average house prices in the Hastings and Rother sub-region (£185,000) are lower than the average for East Sussex (£213,000) or the South East (£235,000). The average price in Rother is £220,000, compared to £151,000 in Hastings.
- Generally the lowest house prices in the South East are found in coastal areas such as Kent and East Sussex. However the mix of housing partly explains why house prices are lower in these areas.
- The lowest priced areas in the South East have generally experienced the most rapid house prices inflation over the last 5 years – average prices have increased by 106% in Rother and 145% in Hastings since 1999.
- The rate of house prices increase has slowed considerably in the past year, although overall prices have not fallen.
- Sales volumes have recovered in the past two quarters, following a massive drop in sales in the last quarter of 2004 and early part of 2005.
- RSL rents in Hastings and Rother are in line with regional averages. However, private rents are amongst the lowest in the South East.
- Affordability has become a big issue in the sub-region with the significant house price escalation of the past few years. The ratio between lower quartile house prices and lower quartile income is now 16 in Rother, and 9 in Hastings, indicating a severe problem of affordability at the lower end of the market, especially in Rother.
- Research by the Joseph Rowntree Foundation shows that Rother is ranked in the top 30 least affordable districts in Great Britain.
- A typical key worker salary amounts to 90% of the income required to purchase a home in Hastings, or 56% of the income required to purchase in Rother.
- Almost two-thirds of working households in Rother are unable to purchase a home at lower quartile prices (the equivalent figure for Hastings is 49%).
- The proportion of households on the housing register in the Hastings and Rother sub-region is close to the regional average, at 50 households per 1,000
- The Housing Needs Assessment of East Sussex and Brighton and Hove revealed that lack of affordable housing is the reason cited by 40% of the out migrants moving out of the South East altogether
- The needs assessment model shows that there is an annual shortfall of 866 units of affordable housing in the Hastings and Rother sub-region. However, delivery of new units amounts to just 100 units per annum.
- DCA recommend that Districts should try to negotiate for affordable units on all suitable sites, perhaps with a target of 40% of new units as the basis for negotiation for subsidised affordable units.
- However, the DCA report also recognises the fact that it is not feasible for new delivery of units to meet the annual shortfall of need for affordable housing, and thus there is a case to pursue other means of meeting this need, such as intermediate housing

House Prices

7.02 The latest data on house prices (Source: Land Registry, September 2005) are summarized in Figures 7.1 and 7.2. Overall the average house price in the Hastings and Rother sub-region (£185,000), is lower than the average for East Sussex (£213,000) or the South East (£235,000). The pattern of house prices by type follows almost the same pattern in each of the benchmark areas, with detached houses the most expensive, followed by semi-detached houses, then terraced houses and then flats.

7.03 Figure 7.1 also shows the difference in price between Hastings and Rother, with the average price in Rother (£220,000) around £70,000 higher than Hastings (£151,000). Some of this difference in price may be accounted for by the difference in stock, with a greater concentration of flats and terraced properties in Hastings, and greater concentration of detached and semi-detached properties in Rother. However, even when one compares price by type between the two areas, Rother is more expensive. For example, the average price of a flat in Rother is £126,000, compared to £94,000 in Hastings.

Figures 7.1 – Current House Prices by Type, July-September 2005

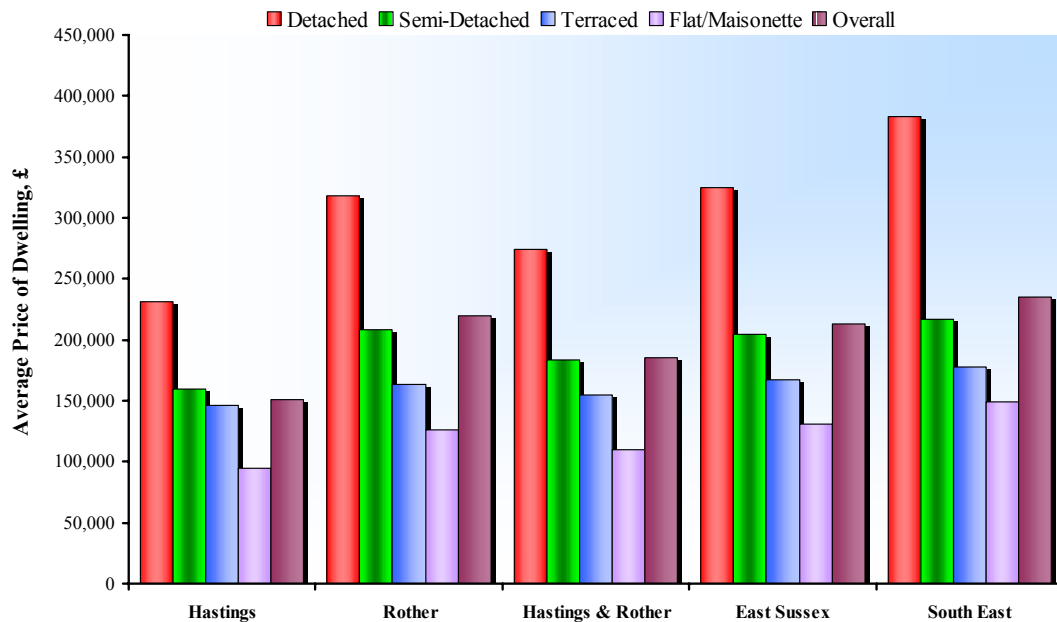
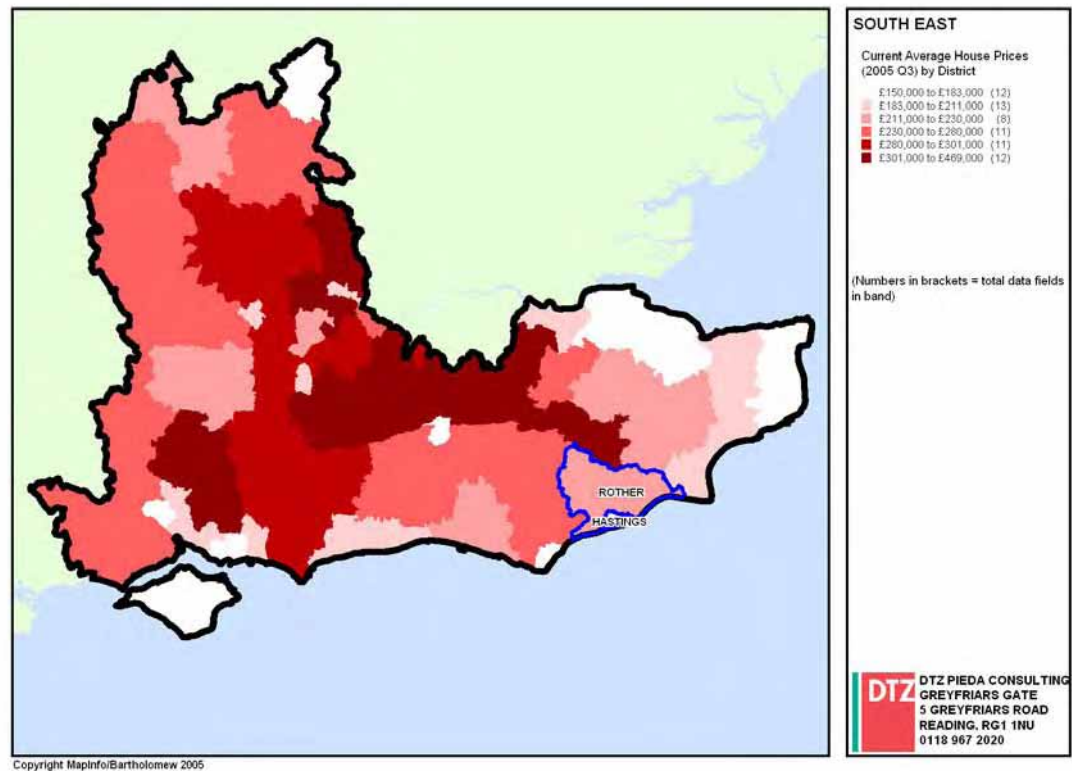


Figure 7.2 – Current House Prices by Type July – September 2005

	Detached	Semi-Detached	Terraced	Flat/Maisonette	Overall
Hastings	230,900	159,600	146,200	94,400	150,900
Rother	318,000	208,000	163,300	125,700	219,600
Hastings & Rother	274,400	183,800	154,800	110,100	185,300
East Sussex	324,600	204,700	167,100	131,000	213,000
South East	382,900	217,200	178,100	149,100	234,800

7.04 Figure 7.3 highlights that compared to the rest of the South East, Hastings and Rother form an area with relatively low prices. Generally the highest overall prices are located away from the coast and along the main arterial transport routes to London; for example the M4 and M3 corridors. The lack of accessibility to these arterial routes from Hastings and Rother is likely to have constrained demand for housing (and therefore house prices) in the sub-region over recent years. The lowest overall house prices in the South East are found in coastal areas to the east such as Kent and East Sussex (including Hastings and Rother). However, differences in the mix of types of housing in these areas accounts for part of this effect on total prices.

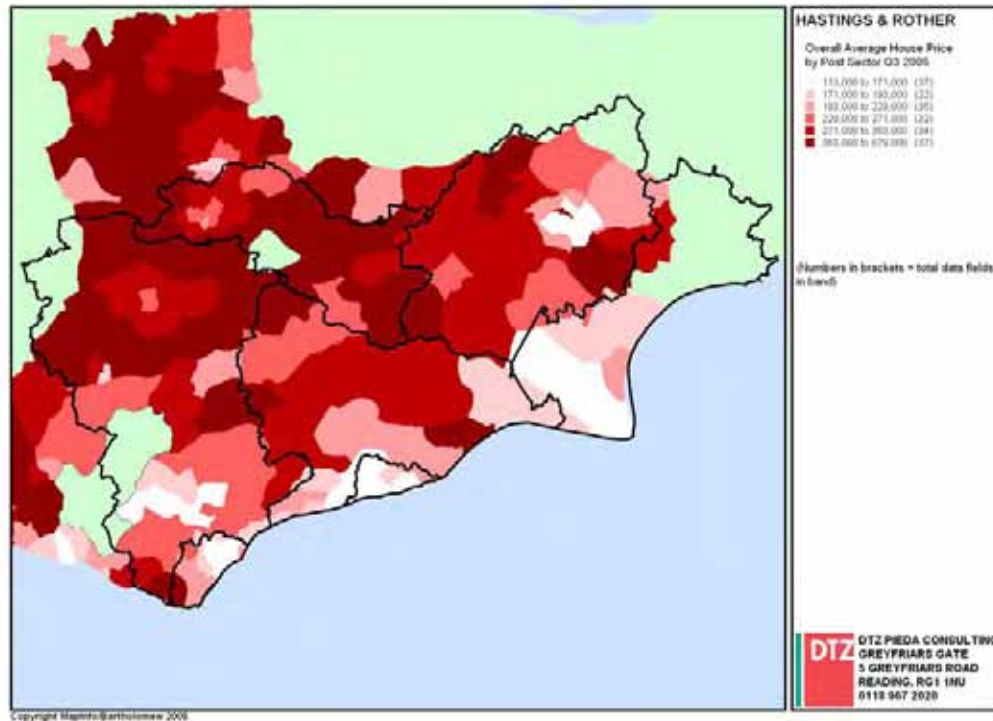
Figure 7.3 – Overall Average House Prices in the South East, by District, 2005 Q3



7.05 The lowest spatial level at which house price data is available is postcode-sector level. This enables analysis and mapping of data to be undertaken at a very local level, as illustrated in Figure 7.4. The map shows that within the Hastings and Rother sub-region the most expensive postcodes are Rye and the rural areas away from the coast. The least expensive postcodes in the sub-region are those in Hastings Borough, followed by neighbouring postcodes along the coast. Again, this may be explained partly by the smaller dwelling types that are generally found on the coast (e.g. a greater concentration of flats on the coast itself, and a greater concentration of detached houses in rural inland areas).

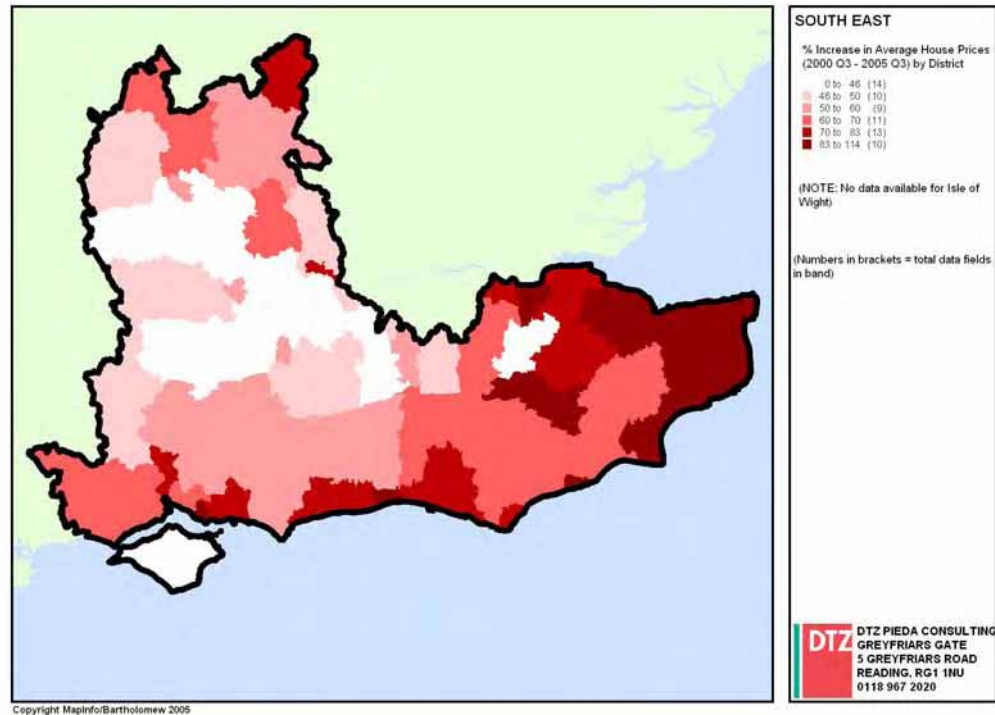
7.06 Neighbouring districts generally display the same pattern of prices, with the more expensive postcodes found within inland rural areas.

Figure 7.4 – Overall Average House Prices at Postcode Sector Level, 2005 Q3



7.07 In terms of affordability it is relevant to look at trends in prices in addition to current prices. In general, house prices in the South East have exhibited sustained and marked growth for at least the last 5 years. Between 2000 and 2005 house prices in some districts of the region grew by more than 100%. A clear spatial pattern of house price rises within the region is also evident, with coastal areas demonstrating the most rapid house price rises, as shown in Figure 7.5. This may be due to the fact that the coastal areas started the period with the lowest average prices, and so prices may be beginning to converge.

**Figure 7.5: Average House Price Change Across the South East and Its Fringe
2000 to 2005 (Source: Land Registry)**



- 7.08 This pattern of house prices and house price increases, whereby the highest percentage increases are recorded in the least expensive districts, suggests that affordability will have become more of an issue for these areas in recent years. Households are progressively looking away from higher priced districts to lower priced areas, thus generating inflationary pressure on prices in neighbouring (lower priced) districts. This effect has had the adverse consequence of rapidly increasing prices in Hastings and Rother.
- 7.09 Figures 7.6 and 7.7 illustrate the extent to which average overall house prices have increased in the Hastings and Rother sub-region between 2000 and 2005, compared to benchmark areas. Overall average prices have increased by around the same absolute amount in both the District and the Borough (between £90,000 and £114,000). Therefore the most significant relative increases have been in the lowest priced area, with an increase over the period of 145% in Hastings. By comparison, the increase in price in Rother was 106%, similar to the increase seen at the regional level (97%). Thus, in absolute terms, the price differential between Hastings and the other areas has not changed. However, in relative terms, prices in Hastings have risen at a much higher rate.
- 7.10 A prominent feature of Figure 7.6 is the slow rate of price rises across each of the benchmark areas over the past year. Although the average price has increased in every area since Q3 2004, the rate of increase has slowed considerably, to just 0.6% in the Hastings and Rother sub-region, and 3% in the South East as a whole.

Figure 7.6 – Average Overall House Price, 1999-2005

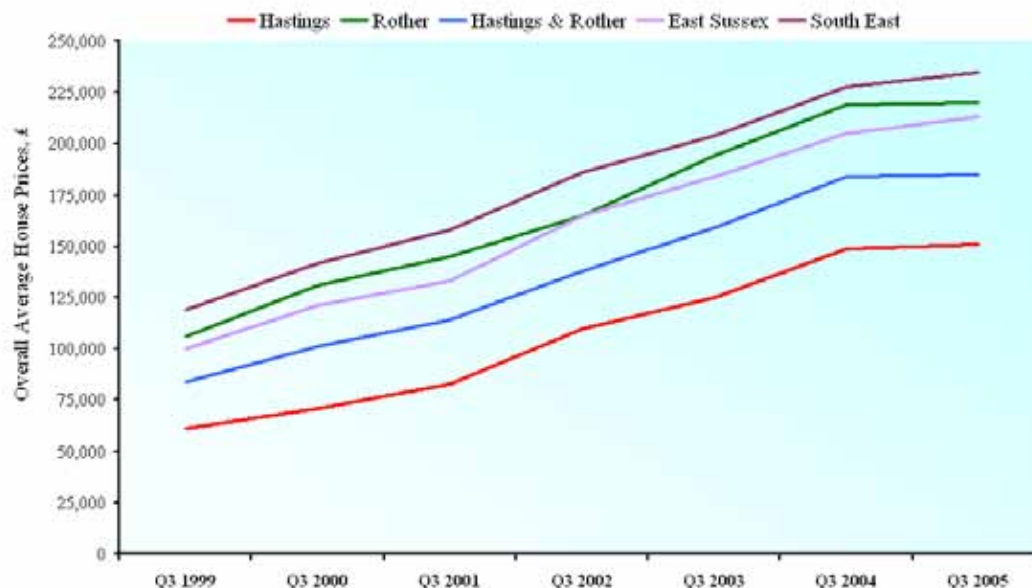
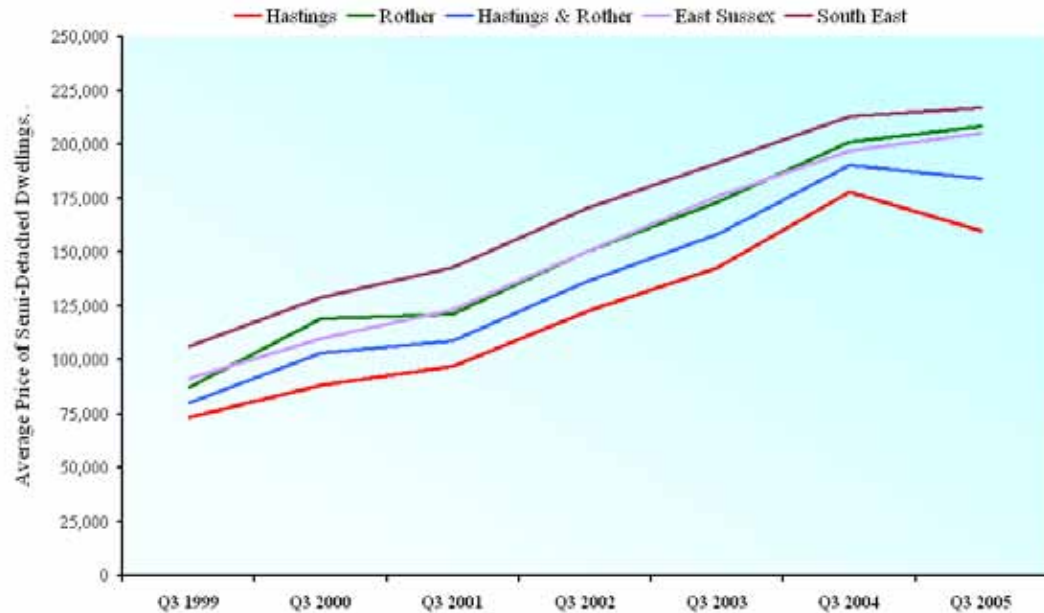


Figure 7.7 – Average Overall House Price, 1999 Q3 – 2005 Q3

	Q3 1999	Q3 2000	Q3 2001	Q3 2002	Q3 2003	Q3 2004	Q3 2005	Change
Hastings	61,000	71,000	83,000	110,000	125,000	149,000	151,000	90,000
Rother	106,000	131,000	145,000	165,000	194,000	219,000	220,000	114,000
Hastings & Rother	84,000	101,000	114,000	138,000	159,000	184,000	185,000	101,000
East Sussex	100,000	121,000	133,000	165,000	184,000	205,000	213,000	113,000
South East	119,000	142,000	158,000	186,000	204,000	228,000	235,000	116,000

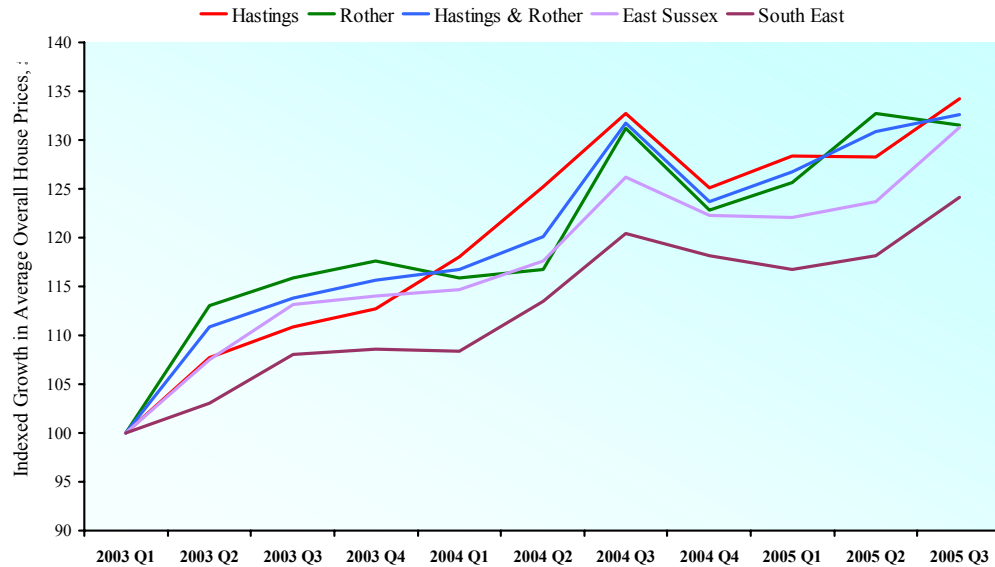
7.11 Whilst the analysis above provides a synopsis of overall trends in prices, it does not reflect differences in the distribution of price increases across different types of housing (e.g. detached, semi-detached, terraced, flats), or indeed the mix of types of housing within each area. Figure 7.8 presents the growth of average semi-detached house prices for the same period as above – 1999 to 2005.

Figure 7.8 – Average Semi-Detached House Prices, 1999-2005



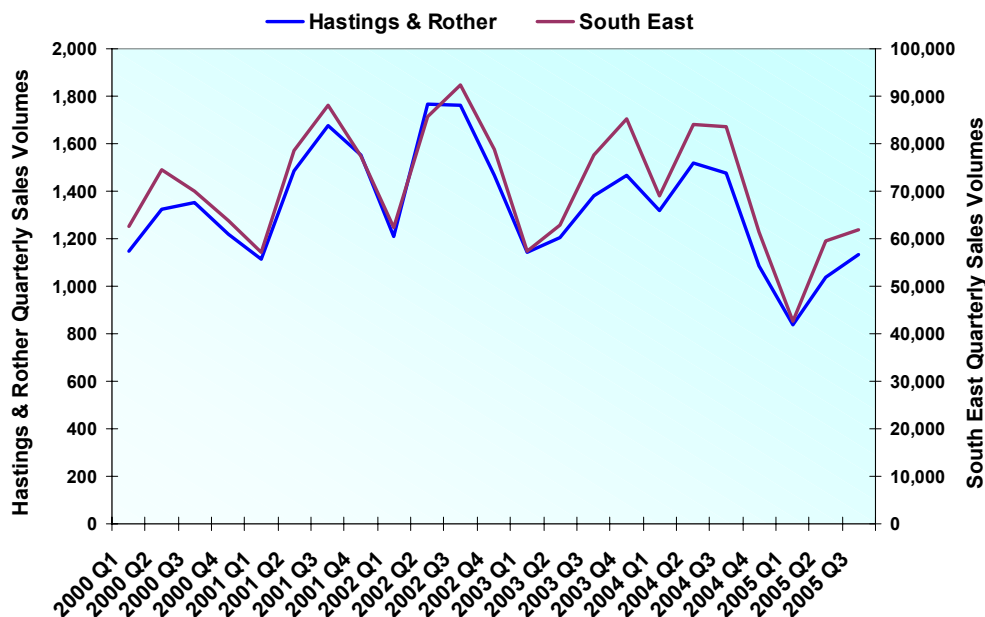
- 7.12 At the regional level, semi-detached house prices have increased at approximately the same rate as overall average house prices. The same is true in Rother. However, in Hastings the average sale price for a semi-detached house has actually fallen in the past year by 10%. Moreover, in Hastings, the average price of each type of housing has fallen. The only reason overall average sale prices have continued to increase is the mix of sales achieved, with flats accounting for a lower proportion of sales in 2005Q3 than 2004Q3. Therefore, overall house prices have continued to rise because a higher number of more expensive property types are being sold than in the past.
- 7.13 Another notable pattern that emerges from quarterly house price data is the seasonality of house price variations. The following chart (Figure 7.9) shows that over the past two years, the most significant peaks in house price movements have occurred in Q3. The peak in 2003Q3 was followed by two successive quarters where prices in most areas were in decline. In 2004, a similar peak can be observed followed by an absolute decrease in prices for at least one quarter in all areas. It appears from the 2005Q3 data that prices have once again begun to rise, although it is difficult to predict what will happen following this (potential) peak.

Figure 7.9 – Indexed Growth of Overall House Prices – 2003 Q1 to 2005 Q3



- 7.14 The volume of house sales is highly seasonal, as shown in Figure 7.10. Generally the largest number of sales take place in the third quarter of each year, with the volume of sales typically around one third higher than in the first quarter. Over the five-year period from 2000 to 2005, the highest level of sales in both Hastings and Rother and the South East occurred in the third quarter of 2002. In this quarter, there were almost 1,800 sales in Hastings and Rother, and 90,000 in the South East.
- 7.15 The lowest volume of sales occurred in the first quarter of 2005. This drop in sales was far more significant than that which would be expected given the seasonality of sales. At this point, the housing market had slowed dramatically, and there was widespread concern that prices might crash. However, as shown by the sale price figures, prices have not dropped significantly, but appear to have reached a plateau. As a result there has been a rise in confidence in the housing market, with buyers returning and the volume of sales increasing for the past two quarters.

Figure 7.10 – Total Quarterly Sales Volume, 2000-2005



Rents

- 7.16 Average RSL rents in Hastings and Rother are in line with those at the regional level, at £69 per week. Rents in Rother have increased at a similar rate to those at the regional level, but rents in Hastings have increased considerably, from £51 per week in 1999.

Figure 7.11 – Average Weekly RSL Rents, 1999-2005 (Source: ODPM)

	1999	2000	2001	2002	2003	2004	2005
Hastings	51.00	53.00	55.00	58.00	60.00	63.00	69.00
Rother	59.00	62.00	63.00	62.00	65.00	66.00	69.00
Hastings & Rother	55.00	57.00	59.00	60.00	62.00	64.00	69.00
East Sussex	55.00	57.00	59.00	61.00	63.00	64.00	69.00
South East	58.00	60.00	61.00	64.00	65.00	67.00	71.00

- 7.17 Increases in rents from 2002 onwards are probably a reflection of the Government's rent restructuring policy, whereby all social rents are based on a formula that uses property size, value and local earnings to calculate rent levels. This system has been implemented to iron out differentials in rents between social landlords and to keep social rents at affordable levels, including caps on rent increases.
- 7.18 At the regional level, private rents (in 2002) were far higher than RSL rents, with an average of £103 per week compared to £64 per week. The differential between market and RSL rents was far less significant in Hastings and Rother, where the average private rent in 2002 was £83, compared to the average RSL rent of £60.
- 7.19 In 2002, the last year when centrally collated data was available for private rents, the average private rental cost in Hastings was the lowest in the South East. This is likely to

have created a strong pull factor to Hastings from those unable to access social housing elsewhere in the region, who are attracted into Hastings and the sub-region by the low private sector rents.

- 7.20 The cycle this creates is one of inward migration of those households in need of social housing, who tend to have low skills levels, lower rates of economic activity and who are in greater need of housing assistance. The very low private sector rent levels may also provide a strong explanation for the high levels of single person households migrating to the sub-region.

Figure 7.12 – Average Private Weekly Rents, 2002, (Source: Housing Corporation)

	2-Bed	All
Hastings	£ 86.00	£ 78.00
Rother	£ 97.00	£ 89.00
Hastings & Rother	£ 91.00	£ 83.00
East Sussex	£ 106.00	£ 99.00
South East	£ 115.00	£ 103.00

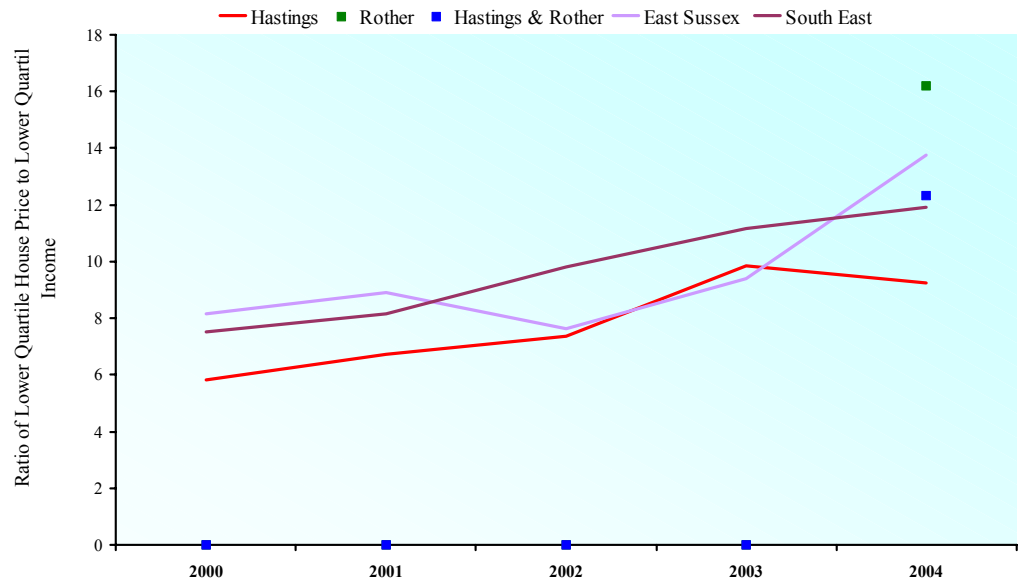
Affordability

- 7.21 The housing affordability indicator used by ODPM under PSA target 5 (SR 2004) ‘Housing Demand and Supply’ is the “long term trends in the ratio of lower quartile house prices to lower quartile earnings,” which reflects entry-level affordability ratios. The Government intends to use this indicator as its headline measure of housing market affordability in response to the recommendations of the Barker Review of Housing Supply in the UK.
- 7.22 Figures 7.13 and 7.14 show how affordability ratios for Hastings, Rother and the benchmark areas have changed over time. Due to a lack of data on lower quartile earnings in Rother, it has not been possible to calculate the affordability ratios for the years 2000 to 2003 (and equally, the same is true for the Hastings and Rother sub-region).

Figure 7.13 - Lower Quartile House Prices to Lower Quartile Income Ratios (Source: ODPM/ Land Registry and Annual Survey of Hours and Earnings)

	2000	2001	2002	2003	2004
Hastings	5.8	6.7	7.4	9.8	9.2
Rother	-	-	-	-	16.2
Hastings & Rother	-	-	-	-	12.3
East Sussex	8.1	8.9	7.6	9.4	13.8
South East	7.5	8.2	9.8	11.2	11.9

Figure 7.14- Lower Quartile House Prices to Lower Quartile Income Ratios



Source: ODPM & ONS & DTZ

7.23 Some of the key points highlighted in Figures 7.13 and 7.14 are that:

- House price to income ratios have increased for all benchmark areas between 2000 and 2004, highlighting that affordability has worsened during this period.
- Ratios for Hastings are below those for the South East, indicating that people living within the area experience fewer problems of affordability compared to the region.
- However, even in Hastings, the affordability ratio implies that the average lower quartile house price is 9 times the average lower quartile income. Thus, both single and dual-income households will face difficulty in purchasing even an entry-level dwelling in the area, since the standard amount available through a mortgage is 3.5 times gross income.
- Affordability ratios in 2004 for Rother are higher than in Hastings (data is not available for lower quartile incomes in Rother in earlier years, hence a time series cannot be made), indicating even greater problems for households in purchasing a home.
- The affordability ratio in Rother is far higher than that in the South East, despite the fact that house prices in Rother are below the regional average. This indicates that it is the low income level in Rother that cause the high affordability ratios, not house prices.

7.24 The Joseph Rowntree Foundation (JRF) study ‘Affordability and the Intermediate Housing Market’¹ provides additional useful information relating to affordability. Firstly, the study provides an alternative measure of affordability, relating the average price of 2/3 bedroom dwelling to the average household income of those aged 20-39 (those most likely to be

¹ ‘Affordability and the Intermediate Housing Market’ (Steve Wilcox), Published by the Joseph Rowntree Foundation

This report was published in 2005, and contains results relating to 2004. This is the update to the original report - ‘Can Work – Can’t Buy, Local Measures of the ability of working households to become home owners’ (Steve Wilcox), Published by the Joseph Rowntree Foundation May 2003

purchasing a first home). This cannot be related to the ratios presented above due to the difference in methodology and definition of affordability ratios.

- 7.25 The results below nevertheless confirm those shown above in that Rother is the least affordable area of all the benchmark areas. However, the main difference is that Hastings is calculated under this measure of affordability as less affordable than the South East as a whole. It is interesting to note that the regional figures in this report show that the South East is the third least affordable region, after London and the South West. Rother is ranked 27th in the list of least affordable districts in Great Britain (out of a total of more than 450).

Figure 7.15: Affordability Ratios (Source: Joseph Rowntree Foundation)

	House Price to Income Ratio
Hastings	4.59
Rother	5.61
South East	4.55
England	4.20

- 7.26 A secondary focus of this research is the extent to which key workers are able to purchase a home. Lack of key worker affordability creates difficulties in recruitment for public services and ultimately acts as barrier to the successful delivery of public services. This is a potentially significant issue in the sub-region given the very high proportion of employment based in the public sector.

- 7.27 In the JRF report, the income of key workers has been expressed as a proportion of the income required to purchase a home. This is based on the following information:

- The salaries of four key workers (a nurse, police officer, social worker and teacher) have been used. In each case a point on the salary scale has been selected to correspond with a key worker that has been in post for some three to four years, and may be sufficiently settled to consider house purchase. The basic salaries have been supplemented as appropriate with London and South East weightings, allowances or other equivalent supplements for these localities where they apply. Figures are for October 2002.
- House prices are based on lower quartile prices for 4/5 room dwellings (where a kitchen is counted as a room together with other living rooms and bedrooms). The local house price data used is Halifax plc. data for the period 1996-98 updated by regional indexes to Q4 2002 levels.

Figure 7.16 - Key Worker Affordability (Source: JRF Study 'Can Work-Can't Buy')

	Entry Level House Price	Income Required to purchase	Key Worker Income % of Income Required
Hastings	78,181	24,757	87.9
Rother	102,907	32,587	66.8
South East	124,078	39,291	56.1
England	91,212	28,884	75.0

- 7.28 As shown in Figure 7.16, average key worker earnings are less than the income required to purchase a home in each of the benchmark areas examined. In Hastings, an average key

worker salary is almost 90% of the income needed to purchase a home, and this is the most affordable of the benchmark areas. Rother is less affordable, with the average key worker salary equating to 67% of the income required to purchase a home.

7.29 A third finding of the ‘Can Work - Can’t Buy’ report relates to the intermediate housing market. Two distinct definitions of the intermediate housing market are used, namely;

- the broad definition, being the proportion of working households unable to purchase at lower quartile house prices, for two or three bedroom dwellings.
- the narrow definition, being the proportion of working households that can afford to pay a social rent without recourse to housing benefit, but cannot purchase at lowest decile house prices for two and three bedroom dwellings.

7.30 As presented in Figure 7.17, in the South East, 53% of households are within the intermediate housing market (using the broad definition) indicating that these households are unable to buy a dwelling at the average lower quartile price, but are in work. Using the narrow definition, 34% are in the intermediate housing market, indicating that they are able to afford social rents without support, but cannot afford to purchase at lowest decile house prices. A comparison of the figures between the areas show that in proportional terms, the intermediate market is most extensive in Rother. Over 60% of working households in Rother are unable to afford to purchase a home at lower quartile prices, equating to 4,300 households.

Figure 7.17: Intermediate Housing Market (Source: JRF Study ‘Can Work-Can’t Buy’)

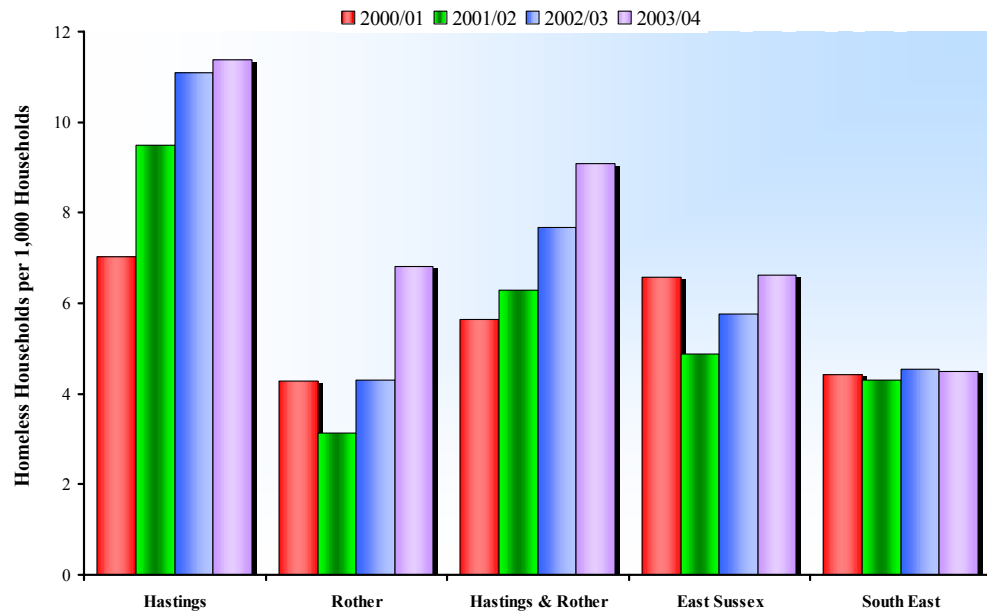
	Proportion of working households	
	Broad Definition	Narrow Definition
Hastings	48.8	31.2
Rother	63.0	40.8
South East	52.9	33.8
England	43.3	23.5

Homelessness and the Housing Register

7.31 Trends in homelessness and numbers on the housing register provide an important proxy for unsatisfied demand in the social rented sector and, more generally, the extent to which housing has become unaffordable and difficult to access for the poorest elements of society. Figure 7.18 shows that in Hastings and Rother, the rate of homeless acceptances has increased in the past four years, and is far higher than the average for the South East. This measure can be viewed as a flow of households into homelessness.

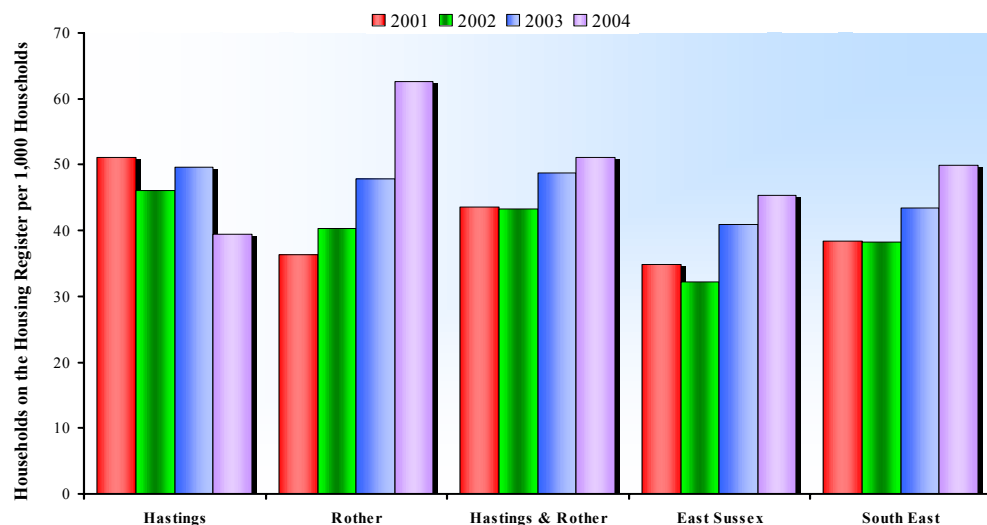
7.32 Homelessness and housing exclusion tend to be urban phenomena. Homeless people often live concentrated in pockets in urban areas. Consequently, it is not surprising that Hastings has a higher rate of homeless acceptances than Rother. There is also likely to be greater migration towards Hastings of homeless households, given the very low private sector rent levels and higher proportion of social housing stock. Worsening affordability levels across the sub-region, and particularly in Rother, are likely to have compounded this pattern and acted as a further catalyst to rising numbers of households accepted as homeless.

Figure 7.18 – Households Accepted as Homeless per 1,000 Households



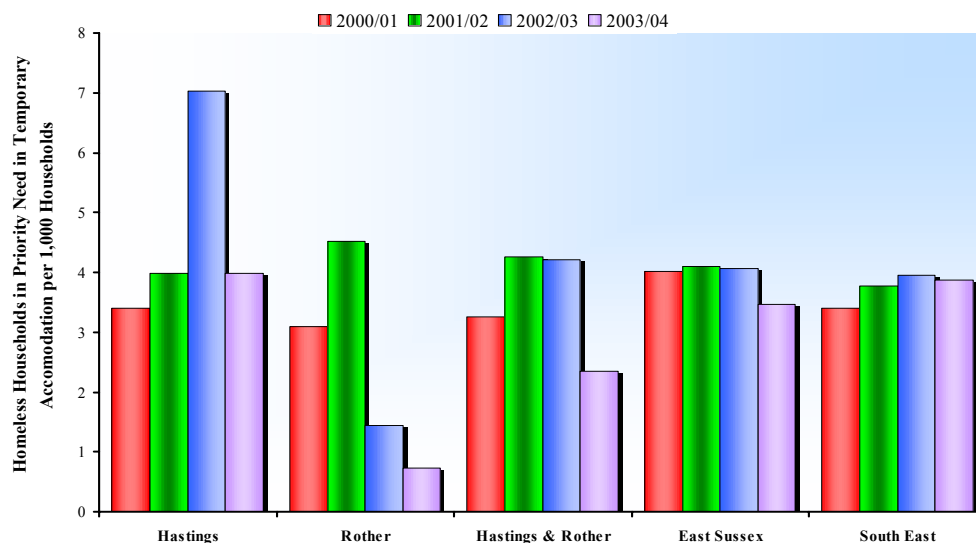
7.33 Figure 7.19 shows that despite the increasing number of homeless household acceptances, numbers on the housing register have declined in Hastings over the period 2001 to 2004, although they have increased across the sub-region. There are increasing numbers of people indicating interest in social housing in Rother. This is again probably the result of declining affordability in Rother, which means that fewer households can realistically afford to buy in the sub-region.

Figure 7.19 – Households on the Housing Register per 1,000 Households



- 7.34 Despite the high and increasing numbers of households registering interest in social housing in Rother, the reliance on temporary housing in both Rother and Hastings has declined, indicating that increasingly, homeless households have been accommodated in the social housing sector. This suggests greater efficiency in the use of available social housing resources in the HMA area.

Figure 7.20: Homeless Households in Priority Need in Temporary Accommodation



Housing Need in Hastings and Rother

- 7.35 In 2005, a partnership of districts in East Sussex commissioned David Couttie Associates (DCA) to produce a sub-regional Housing Needs Survey. This study consisted of the key findings from full Housing Needs Surveys in each of the six districts involved.
- 7.36 A key factor in needs assessments is to be able to determine the issues of affordability and access to housing for new forming and concealed households. The subsequent table shows that Hastings has the lowest proportion of existing and concealed households unable to buy of all the districts in East Sussex, and is therefore the most affordable district in the county. However, despite this, over 40% of existing households, and 60% of concealed households are unable to buy in the Borough.
- 7.37 Brighton and Hove has the highest entry-level prices, with the cheapest available properties at £92,000. Correspondingly, 60% of existing households are unable to afford to purchase a home. However, the situation is even worse in Rother, where 63% of existing households cannot afford to purchase a home.
- 7.38 As part of the wider survey of households within the study, DCA identified that lack of affordable housing is the reason cited by 40% of out migrants from the East Sussex and Brighton and Hove sub-region who are leaving the South East altogether.

Figure 7.21: Entry Level House Prices (Source: DCA)

	Brighton & Hove	Eastbourne	Hastings	Lewes	Rother	Wealden
Entry Level Price-lowest	92,000	70,000	49,000	87,000	79,000	76,000
Entry Level Price-highest	183,000	128,000	108,000	147,000	178,000	140,000
% of concealed households unable to buy	80	75	62	84	83	91
% of existing households unable to buy	60	60	43	63	63	52

7.39 The second major output from the needs assessment is the calculation of shortfall in the provision of social housing units. As shown below, Hastings and Rother have a combined total need of 1,640 units per annum. After accounting for the supply of re-lets, this amounts to a shortfall of around 870 social housing units across the sub-region. This compares to a total shortfall of 3,470 units for East Sussex as a whole. Allowing for existing stock supply, new delivery would need to increase by a factor of 7 to meet the shortfall of social units in East Sussex.

Figure 7.22: Annual Shortfall of Affordable Units (Source: DCA)

Area	Brighton & Hove	Eastbourne	Hastings	Lewes	Rother	Wealden	East Sussex
Total Affordable Need	2,520	849	1,049	566	593	1,256	6,833
Re-lets	1,318	480	453	336	396	382	3,365
Annual Shortfall after re-lets	1,202	369	569	230	197	874	3,468
New Unit Delivery	254	64	41	32	59	52	502
Scale of Need/supply level	4.73	5.77	14.53	7.19	3.33	16.80	6.91

7.40 The housing requirement for Hastings, as set out in the Structure Plan for East Sussex and Brighton and Hove, is for 6,000 units – 360 units per annum to 2006 and 120 units per annum to 2011. Therefore clearing the annual shortfall in social housing supply of 569 units is unachievable, in that even if the totality of the district's supply were affordable housing, it would still not meet the annual shortfall. On the basis of this, DCA recommend that affordable units should be negotiated on all suitable sites, bearing in mind the constraint that housing development still needs to remain sustainable and viable.

7.41 Similarly in Rother, where there is an annual shortfall of 197 affordable units per annum, it is not feasible that the shortfall could be met by new delivery. DCA recommend that a target of 40% of new units from sites in the district should form the basis for negotiation of subsidised affordable housing.

7.42 These issues are explored in more detail in Section 9 of this report.

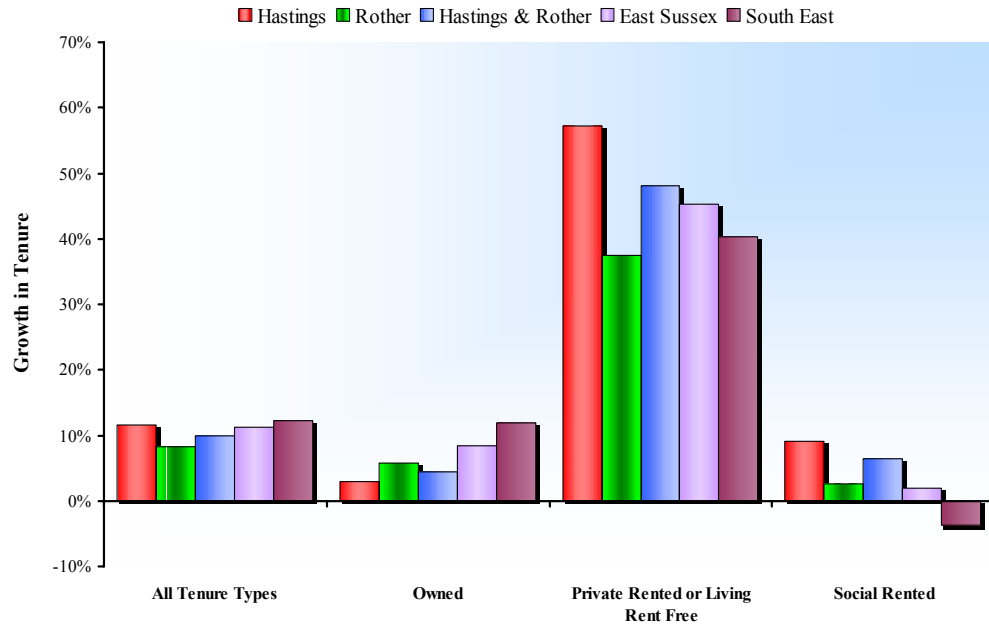
8 FUTURE HOUSING REQUIREMENTS

- 8.01 This section of the report focuses upon the likely scale and composition of future housing demand in the Hastings and Rother housing market and the resulting implications this has for the supply of housing development. The analysis draws upon the demand and supply examination presented in the previous report sections, as well as a wider body of evidence taken on the historic and forecast pattern of change within the overall housing market.

Tenure Change

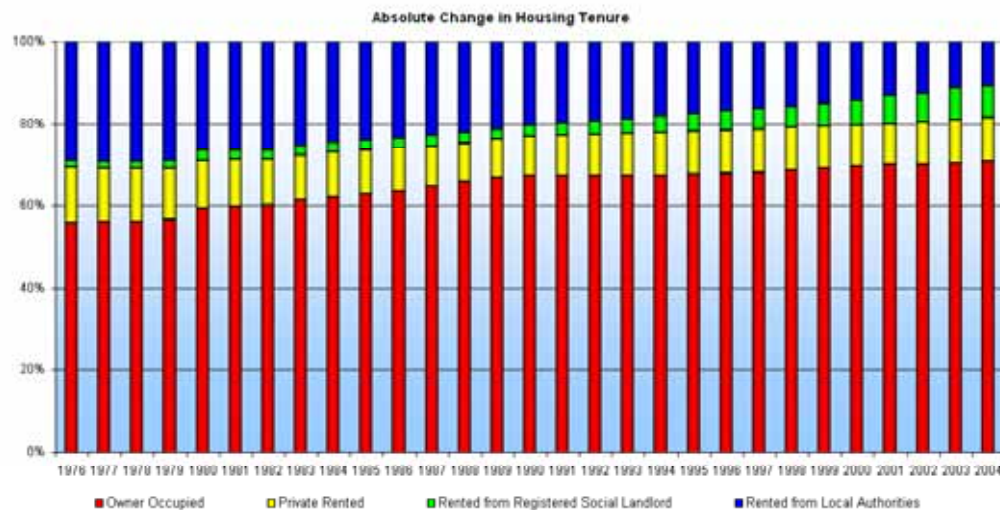
- 8.02 Whilst patterns of tenure change in Hastings and Rother have tended to mirror those exhibited in the regional housing market, the magnitude of these changes have been more variable. Owner occupation has tended to grow at a slower pace than the regional and county average, whilst the private rented sector has expanded much more rapidly. The overall growth in the number of households in the sub-region (9%) has, however, been marginally below that in East Sussex (10%) and the South East (11%), as shown in Figure 8.1.
- 8.03 The most notable change in the tenure structure in the Hastings and Rother housing market over the last 10 recorded years has been the marked expansion in the private rented sector. Between 1991 and 2001 the number of private rented households in Hastings and Rother increased by 3,900, an increase of 33%. The rise was a combination of very high growth in the private rented sector in Hastings (36%), coupled with a more subdued expansion in Rother (27%). The considerable enlargement in the private rented sector in Hastings and Rother exceeded the rate experienced in the South East, which itself grew by a significant 29%.
- 8.04 The large expansion of the private rented sector in the South East has largely been associated with the difficulties faced by households in accessing owner occupation, due to the decline in affordability of market housing over the last decade, and the growth of the buy to let market that has responded to this imbalance. The private rented sector has therefore grown to accommodate those that find themselves priced out of owner occupation and who do not wish or are unable to access social rented accommodation. The restricted development of new social housing across the South East has further compounded this pattern.
- 8.05 It would appear that the lack of affordability of market housing and limited development of new social housing in the South East has therefore meant that households unable to access social housing have migrated to parts of the region where private rents remain low. The Hastings and Rother housing market, which has some of the lowest private rents in the South East, is likely to have been the recipient of many of these households. The additions to the social housing stock, which despite being low in Hastings and Rother have nevertheless remained positive (+6% compared with the contraction of social housing at the regional level), will also have contributed to this trend.

Figure 8.1: Proportional Change in Tenure 1991 to 2001



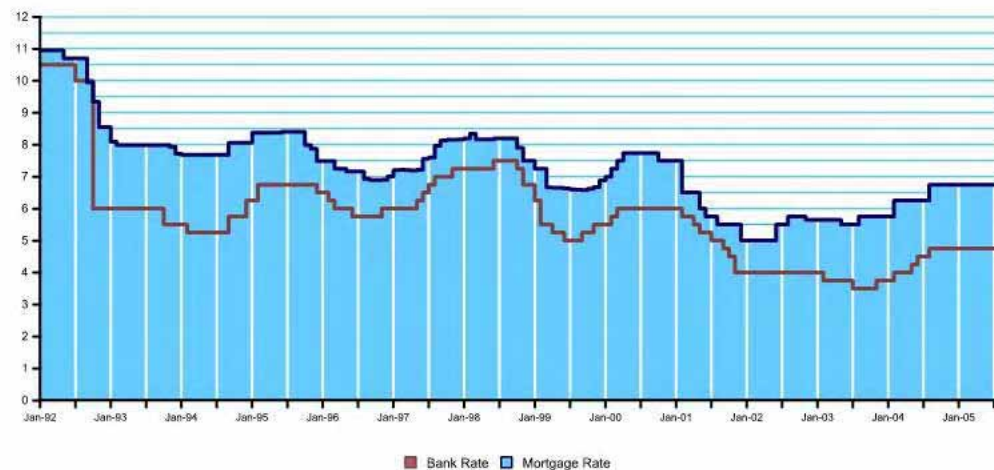
8.06 Figure 8.2 below presents the national pattern of long-term change between tenures over the last thirty years. It shows the expansion of owner occupation, the decline in the proportion of the population that rent from a local authority, and the slow expansion of renting from RSLs. The RSL sector has grown due both to new development and stock transfer. The chart shows that private renting accounts for a relatively small part of the market – albeit larger than renting from a RSL.

Figure 8.2: Absolute Long Term Change in England's Housing Stock By Tenure



- 8.07 The tenure structure of the Hastings and Rother housing market has followed a somewhat different path to the pattern displayed in the national housing market (Figure 8.2) in terms of its moderate enlargement of the social rented sector and decline in owner occupied housing as a proportion of the total housing stock. This has been due to the substantial increase in the private rented sector and the high proportion of the total housing stock that it now accounts for.
- 8.08 The private rented sector therefore plays a particularly important role in the Hastings and Rother and wider South East housing market. However, in the immediate future the buy-to-let phenomenon, which has underpinned growth in the private sector in the wider South East, is likely to slow. Mechanisms to boost institutional investment in residential property (such as REITS) are being considered by government, but even if taken forward, would take time to have an impact on the market.¹ Overall it seems likely that the private rented sector in the South East will continue to grow, but at a slower pace, before a new equilibrium is found.
- 8.09 Owner occupation will continue to be society's preferred tenure choice, and the majority of the new development over the coming 10 years will be for owner occupation. But demand may be constrained for some years until house prices and incomes move back into close alignment. The likelihood is that problems of affordability will not go away for some time. Mortgage affordability will also depend on the path that interest rates follow. Figure 8.3 shows how interest rates have begun to increase in the last few years, though remain low by historic standards. It is probable that there will be growing numbers of households unable to buy.

Figure 8.3: Mortgage Rates vs Bank Rates 2002 to 2005 (Source: HBOS)



- 8.10 Housing need will therefore continue to rise, as will the need for intervention and provision of new social rented accommodation. However, resources for the development of new social rented accommodation are limited and the provision of social housing is subsidy hungry.

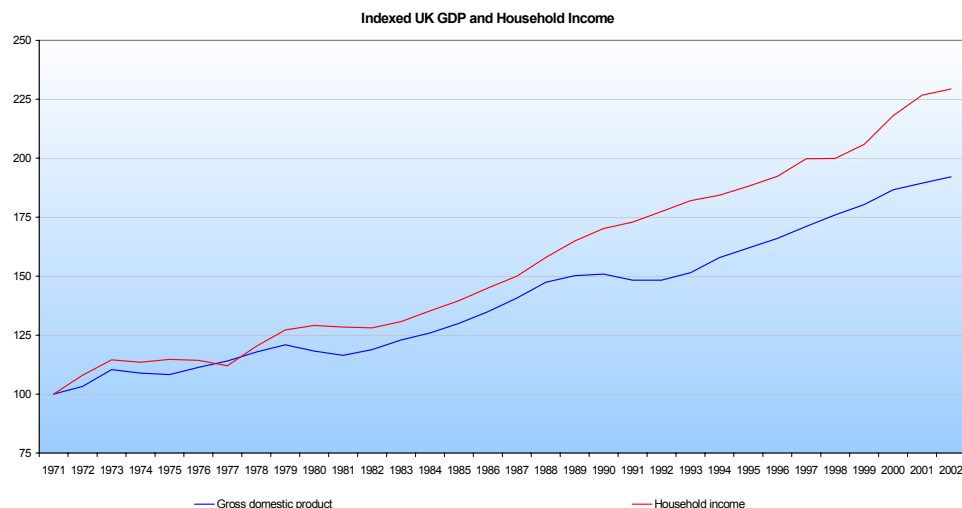
¹ Real Estate Investment Trusts (REITS) were cited in the Barker Review as offering the potential to open up new sources of private investment for housing in the UK. The Barker Review recommended that "there is merit in the Government considering a vehicle, based on the U.S. Real Estate Investment Trust model, to encourage increased institutional investment in the property market" and that REITs would help to "improve liquidity, transparency and scrutiny, [and] provide access to property for long-term savings."

- 8.11 The likelihood is therefore that there will be a need to develop the market for intermediate housing market products. These require less subsidy per unit than social rented housing (thereby allowing more units to be produced). Thus they permit a greater number of affordable homes to be built within a given budget.
- 8.12 Intermediate market products offer the potential to bridge the future gap between tenures examined above. The development of intermediate market products is given closer examination in Section 9.

Household Income

- 8.13 People's income determines how much they are able to spend and save and therefore the access that they have to goods and services for which payment is required. The level and distribution of income within the economy therefore determines the level of access that individuals are able to gain to the housing market; normally the most expensive good for which payment is required. As a result, the level and distribution of household income within the economy underpins the structure of demand for different types of housing.
- 8.14 Thus, although income is primarily an economic concept, it also has an important influence on social well-being. Shelter is a basic human requirement, which, if left to the free market mechanism, would be denied to those without sufficient income. Consequently, considerable resources are provided to ensure that those who cannot afford market housing are adequately housed either through direct provision of housing (council or housing association homes) or subsidy (Housing Benefit).
- 8.15 Figure 8.4 charts the growth in total household incomes² in the UK against GDP³ since 1971. Between 1971 and 2003 total household income growth in the UK has been markedly greater than the growth in GDP, which is likely to be attributable to the higher participation rates of women in the workforce and the increasing numbers of earners within a given household. Ironically the cost of housing is one of a number of factors that have encouraged the greater participation of women in the workforce.

Figure 8.4: Indexed UK Real Household Disposable Income per Head and GDP per Head- 1970 to 2003 (Source: ONS)



² Household income is derived not only from economic activity in the form of wages and salaries and self employment income but also through transfers such as social security benefit.

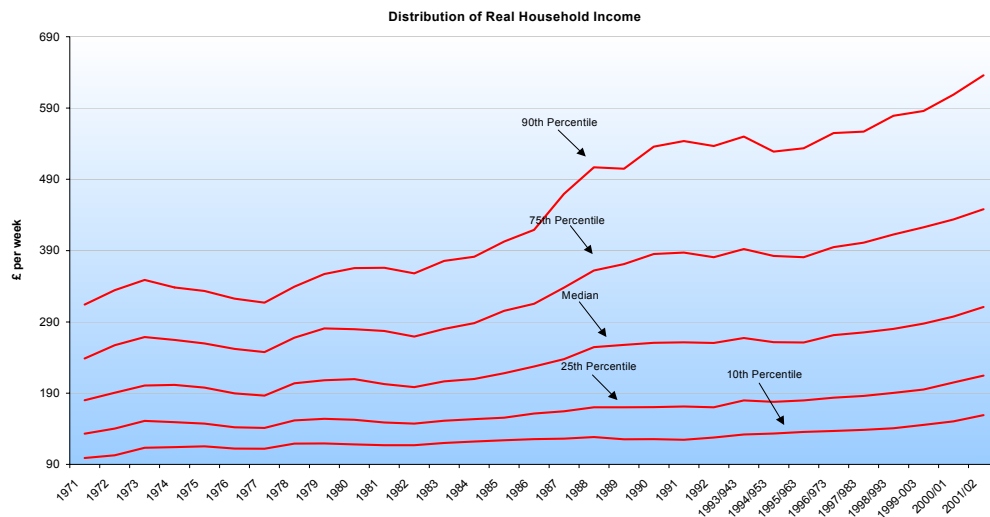
8.16 The growth in real household incomes and overall economic output would intuitively lead one to believe that more people in the UK would be able to gain access to the property market and that the pressure for affordable housing provision would ease as a result. Yet the rise in overall household income highlighted in Figure 8.4 above masks the way in which the growth in household income has been distributed across different income groups.

8.17 Figure 8.5 presents the distribution of the growth in the UK in real household disposable income since 1971, as documented by the Institute of Fiscal Studies (IFS). As reflected in the graph, the 1980s were characterised by a large increase in household income inequality, with the higher income groups enjoying faster income growth than lower income groups. Thus between 1981 and 1989:

- average (median) income rose by 27% when adjusted for inflation,
- the income of the richest 10% in society rose by 38%
- the income of the poorest 10% of society rose by only 7%.

8.18 In the late 1990s there was a further small increase in inequality even though incomes have continued to grow in real terms.

Figure 8.5: Distribution of Real UK Household Disposable Income 1971 to 2002



Source: IFS

8.19 The overall message to emerge from Figure 8.4 is that households occupying the higher percentile income groups have disproportionately captured the overall growth in household income generated from recent rises in overall economic prosperity. Conversely, those households occupying lower percentile income groups have witnessed only marginal increases in their income.

8.20 One of the primary factors underlying the increase in inequality is wage growth. Inequality tends to rise during periods of rapid wage growth as the poorest households are the least likely to contain people in work. Other factors lie in the retrenchment of welfare in the

³ Gross Domestic Product (GDP) is the most commonly used measure of overall economic activity

1980s and 1990s, which contributed partly to the increase in inequality (Anderson, 2004). The recent small increase in inequality has been caused by changes at the very top and very bottom of the income distribution.

- 8.21 A similar trend can be observed in the South East of England, one of the most buoyant regional economies in Europe. Overall, the historic performance of the South East economy has consistently outstripped the national average. Over the last decade, for example, GVA per head in the South East has steadily been greater than the UK average in nominal terms and has risen more rapidly in proportionate terms.
- 8.22 However, the South East also currently has one of the most polarised household income structures in the UK. Figure 8.6 presents weekly household distribution at the regional level and exposes the highly polarised household income distribution in the South East. For example, the South East contains 21% of the UK's households which earn more than £1,000 per week and 10% of the households earning less than £100 per week. The South West, by contrast, contains just 7% of the UK's households which earn more than £1,000 per week and 8% of the households earning less than £100 per week. Overall, the distribution of household income in the South East most closely resembles that of London.

Figure 8.6: Regional Weekly Household Income Distributions 2002/03- Percentage of Households in Weekly Total Income Bracket

£/REGION	<100	>100 but <200	≥ 200 but <300	≥ 300 but <400	≥ 400 but <500	≥ 500 but <600	≥ 600 but<700	≥ 700 but<800	≥ 800 but <900	≥ 900 but ≥ <1000	≥ 1,000	All hholds
UK	100	100	100	100	100	100	100	100	100	100	100	100
England	83	81	82	82	85	83	85	84	87	85	88	84
South East	10	10	10	12	13	13	15	17	16	15	21	13
London	13	10	12	12	12	11	12	15	16	17	20	13
South West	8	8	8	9	10	8	8	8	7	8	7	8
North East	5	6	6	5	4	5	3	3	5	4	2	5

Source: DWP Family Resources Survey

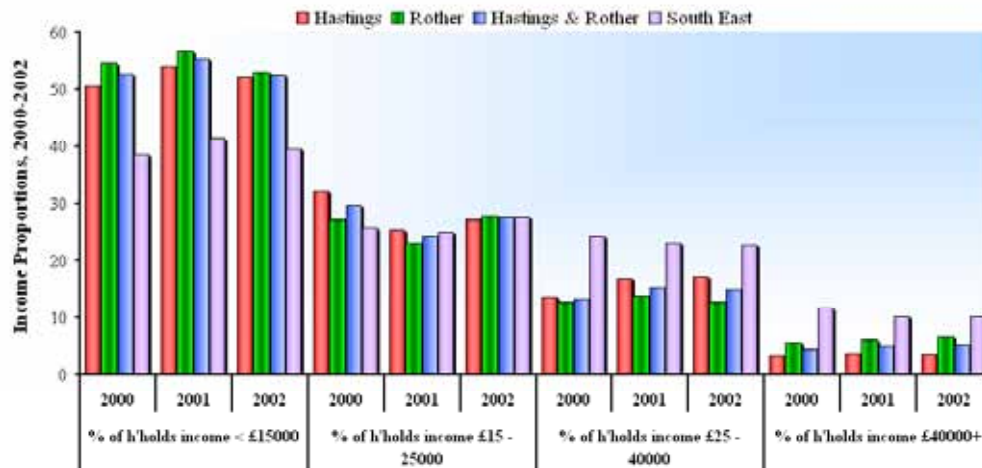
- 8.23 The corollary of the preceding analysis is that whilst economic expansion is associated with overall household income growth, the distribution of this income growth tends to disproportionately favour higher income households. Economic growth appears to have only a negligible impact on raising the incomes of the poorest households in society and those that are most reliant upon the provision of social housing. Moreover, as the economy expands over time and as the total number of households increase, a comparatively larger number of households may enter and occupy the income brackets associated with the need for affordable housing provision.
- 8.24 The evidence base therefore suggests that, contrary to expectations, affordable housing provision is unlikely to decrease during periods of rising economic prosperity, rather it is more liable to rise. Equally there should be no expectation that as an area becomes more prosperous its requirement for affordable housing will fall. In fact the reverse may be the case. This is very evident in London and the South East, the most prosperous parts of the

UK, but which have very high levels of housing need (though in the South East this is in part because the region has historically had a rather smaller stock of social rented housing than other regions).

8.25 This has clear implications for the Hastings and Rother economy and housing market and its future development and expansion. It suggests that a period of sustained economic growth and regeneration of Hastings and Rother is not only unlikely to reduce the demand for affordable housing, but that due to the polarised nature of household income distribution during times of economic expansion, higher economic growth may actually generate an enhanced need for affordable housing provision in the area in the future. In addition, the Hastings and Rother sub-region is likely to experience continued in-migration of households who are unable to access social housing in the wider region and who are attracted to the area by the low private rents and higher provision of social housing.

8.26 Figure 8.7 presents household income distribution in Hastings, Rother and the South East and how this has changed over the most recent recorded years. One is able to observe that, despite high regional economic growth during the early 2000s, the proportion of households within the lowest household income bracket (0 to £15,000) has remained the same in Hastings and Rother and increased in the South East between 2000 and 2002. The significantly higher proportion of households occupying the lowest household income bracket (0 to £15,000) in Hastings and Rother (53%) compared with the South East (40%) is also evident in Figure 8.7.

Figure 8.7: Household Income Distribution 2000-2002



8.27 Thus, not only is there likely to be sustained need for additional affordable housing provision in Hastings and Rother in the future, but historic patterns of household income distribution suggest that this could be heightened by a period of economic growth. It is of course to be hoped that current regeneration plans achieve this, but it should not be assumed that this will reduce the need for affordable housing.

8.28 The general growth in the number of households in lower income groups (it should be borne in mind that if the proportion of low income household groups remains constant but

total households increase then the number of households occupying the lowest household income bracket will rise) indicates that there will be an even greater need for additional affordable housing in the future, though a significant part of need could be met by intermediate housing.

- 8.29 The need for increasing the supply of affordable housing resulting from growth in income inequality is increasingly recognised in national policy and research. The Barker Review estimated that, over the next ten years, the number of social and affordable houses provided in England would need to be increased by at least 17,000 per year, requiring annual investment building up to around £1.2 billion, in order to meet the flow of new needy households. If the backlog of those whose need has not been met in the past is to be reduced, then up to 23,000 further houses p.a. would need to be supplied, at a cost building up to £1.6 billion.
- 8.30 However, the number of social houses built in the UK has fallen from around 42,700 per year in 1994-95 to around 23,000 in 2004-05. In recent years expenditure on social housing has increased, from £800 million in 2001-02 to over £1.4 billion in 2003-04. However the rate of new supply has continued to decline. This is due both to the strong rise in land prices (which has pushed up the cost of units) and the importance attached to improving the existing stock of social housing (bringing the proportion of social units falling below the decency threshold down from 46 per cent in 1996 to 33 per cent in 2002).
- 8.31 The UK Housing Review 2002/03 also highlights that the ODPM housing budget will not be sufficient to increase the supply of affordable housing to required levels. Plans for 2002/03 show approvals of 22,000, against the recent estimates of affordable housing requirements at over 80,000 per annum (Holmans, 2001). However, account must also be taken of the other programmes that add to the supply of new affordable housing, including the local authority funding for new housing association schemes. For example, in 2000/01 local authorities funded some 8,500 new housing association dwellings.⁴
- 8.32 In order to examine the implications of rising household income on the structure of housing demand it is therefore necessary to establish the link between household income and household tenure. Household income by tenure for the South East is presented in Figures 8.8 and 8.9, which illustrate the proportion of households within each tenure category that fall within each household income bracket.

⁴ Local Authority Social Housing Grant (LASHG) has, however, now ended.

Figure 8.8: South East Weekly Household Income By Tenure 2002-2003

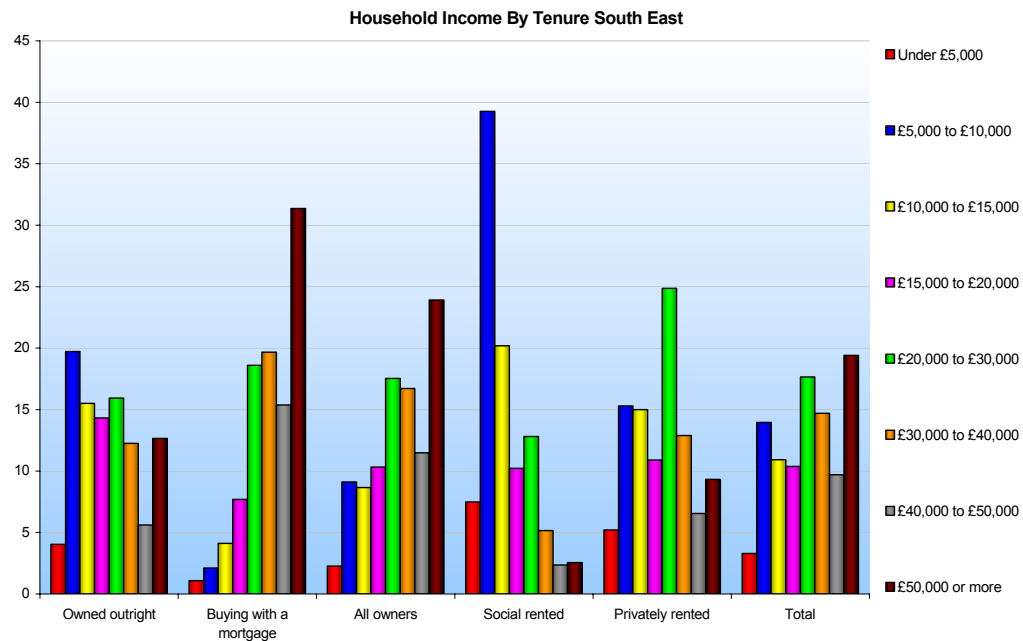


Figure 8.9: South East Weekly Household Income By Tenure 2002-2003 (percentage by income band)

	Under £5,000	£5,000 to £10,000	£10,000 to £15,000	£15,000 to £20,000	£20,000 to £30,000	£30,000 to £40,000	£40,000 to £50,000	£50,000 or more
Owned outright	4	20	16	14	16	12	6	13
Buying with a mortgage	1	2	4	8	19	20	15	31
All owners	2	9	9	10	18	17	11	24
Social rented	7	39	20	10	13	5	2	3
Privately rented	5	15	15	11	25	13	7	9
Total	3	14	11	10	18	15	10	19

Source: ODPM Specially Commissioned Tables

8.33 Unsurprisingly, within the South East, the highest proportion of households occupying the lowest income brackets is to be found among social tenants, with 45% of social tenants earning between £0-10,000 per annum. Those owning outright, which will tend to comprise older and retired population groups, have the next highest proportion of low income households. By contrast, those buying with a mortgage tend to have the highest household incomes of all tenures, with 31% of households within this tenure earning more than £50,000 per annum.

8.34 As highlighted in Figure 8.7, over 50% of households in Hastings and Rother earn less than £15,000. This suggests that, in terms of household income, there is a significant need for affordable housing provision in the sub-region, particularly given that around 65% of those within the social rented sector in the South East fall within the 0-£15,000 per annum household income bracket (Figure 8.9).

Proportion of Income People are Willing to Spend on Housing

- 8.35 Contrary to popular belief, an examination of the relationship between house prices and incomes does not indicate that people are spending more of their income on housing. This is because interest rates are historically low and stable and borrowing is relatively cheap (see Figure 8.3).
- 8.36 According to the Office for National Statistics (ONS) UK Family Spending Survey, the percentage of income that households on average spent in 2002-03 on housing was 17% (see Figure 8.10). This percentage has changed very little over the past 25 years, varying only between 15% and 18% over the period. According to the Bank of Scotland, people in London spend slightly less as a percentage of their income than the average on housing due to relatively higher incomes within London.

Figure 8.10: Housing Costs as Percentage of Income 2002-03

REGION	Average Gross Household Income £s	Cost of Housing as % of Gross Income
South West	£29,900	18.4%
South East	£37,200	17.6%
North West	£31,300	17.3%
Wales	£27,200	17.2%
East	£34,600	17.0%
Scotland	£34,000	16.8%
East Midlands	£32,900	16.7%
Northern Ireland	£28,100	16.7%
West Midlands	£30,500	16.6%
North East	£31,000	16.2%
London	£44,300	16.1%
Yorks & the Humber	£28,600	15.9%
UK	£33,400	17.0%

Source: ONS Family Spending Survey 2002 – 2003

- 8.37 However, new entrants to the housing market pay a proportionately higher level of their income on housing due to their average low incomes. Research conducted by the ODPM, which analysed regular housing related payments as a percentage of income between 1969 and 2002, found that in 2002 repayments represented 20.4% of income for first time buyers in London and 18.3% in the UK as a whole. Compared to the 1970s and early 1980s, these appear high. However, these proportions are considerably lower than those reached during the last property boom. For example, in 1990 first-time buyers in London had to pay 32% of income in repayments (27.7% for the UK as a whole).
- 8.38 As property prices have risen people have increasingly found that they need to borrow larger multiples of their income in order to buy the property they desire. In the past lenders have placed the limit at 3 times the first applicant's income plus 1 times the second, or 2.5 times the joint income. However in recent years lenders have been willing to lend higher multiples of income, particularly to those on higher incomes or those with potential high future earnings. This has been encouraged by the low interest rate environment which has made larger mortgages more affordable.
- 8.39 Recently, some lenders have increased the multiples of income they will lend to up to 4 + 1 or even 5 + 1. Access to these higher income multiples based mortgages is more restricted if the applicant is borrowing at high loan to value ratios (i.e. over 90% loan to value) or if their credit score is not perfect. Lenders are more willing to contemplate higher income multiples on mortgages when the borrower has a larger equity stake. As a result, many

lenders limit the risk they are taking by making larger mortgages available only to those who have a large deposit to put down - often at least 20 per cent, or to those on high incomes. Figure 8.11 shows examples of mortgages available to those on higher salaries.

- 8.40 Increasing sophistication and innovation in the financial markets can reasonably be expected to help households access the housing market and reduce the barriers to owner occupation created by current affordability constraints. These products have ensured that demand for housing has remained robust despite the widening gulf between house prices and household income. One can expect the level of sophistication of these products to remain commensurate with the level of need expressed by those wishing to purchase new property.

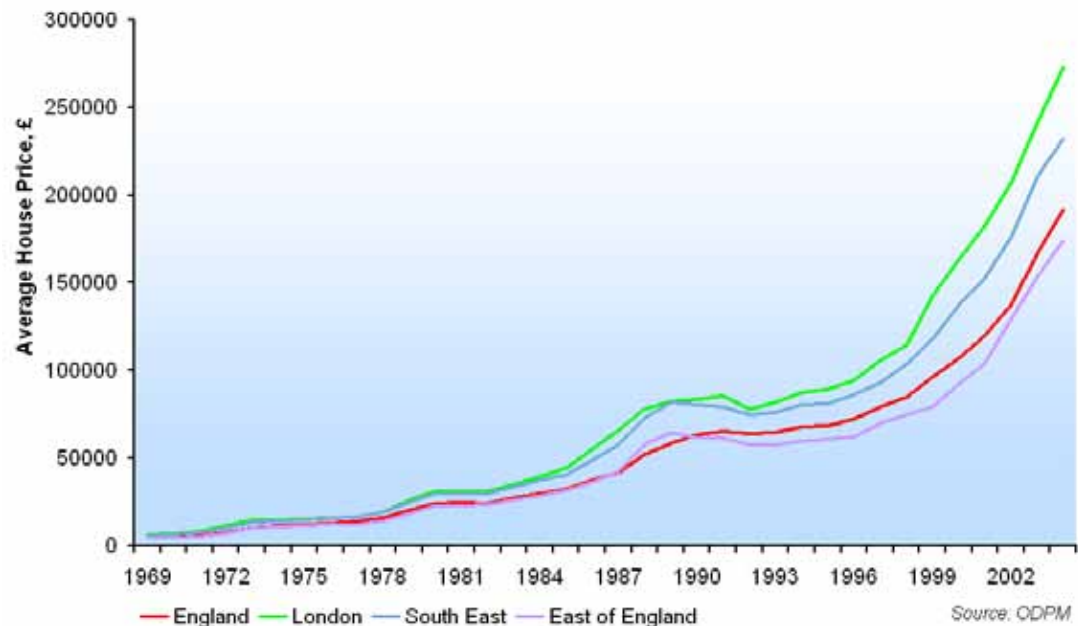
Figure 8.11: Examples of Mortgages Available Based on High Income Multiples

Lender	Loan Multiples of Salary	Conditions
Mortgage Express	4.5x single income 3.5x joint income	£50,000 minimum salary £100,000 minimum loan
Halifax	4.25x salary	£100,000 minimum salary uses credit scoring
Woolwich	4x salary	Uses credit rating and discretion
Abbey National	4.2x salary	Uses credit rating and discretion

Long Run Change in House Prices

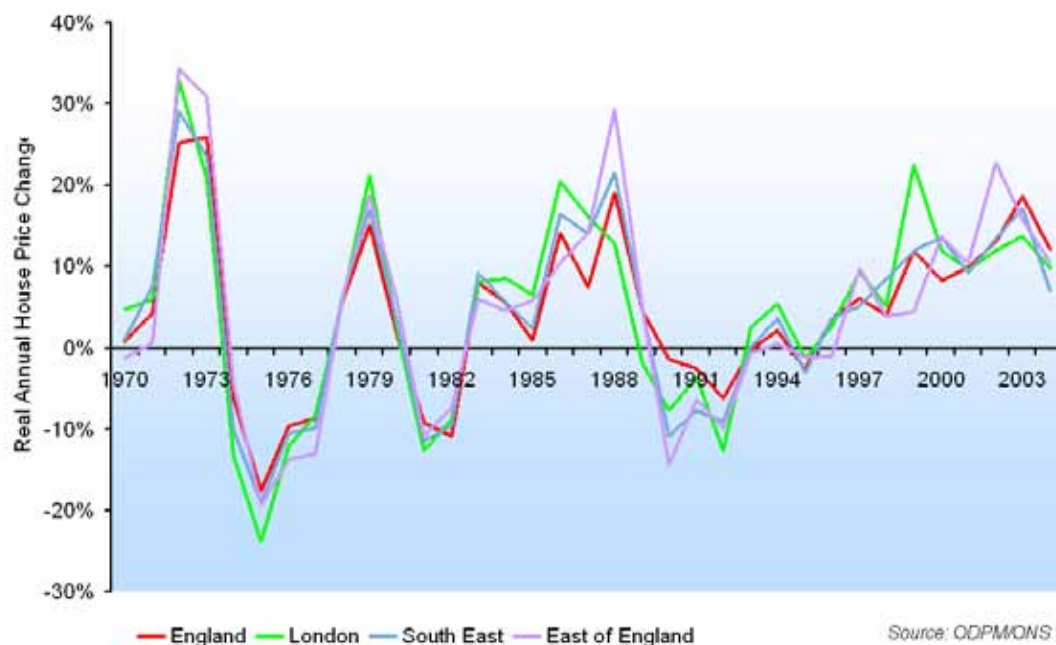
- 8.41 Figure 8.12 shows the pattern of average house prices in England, London, the South East, and East of England from 1969 to 2004, the latest year for which figures are available. Predictably, average house prices in London are the highest, followed by the South East, England and Wales as a whole. As the chart shows, the difference between actual prices in these regions has only developed in the last twenty years or so.

Figure 8.12: Long Run Average Nominal House Prices By Region



- 8.42 Real house price changes⁵ are a more accurate measure of house price changes in an area over time as they take into account the potentially distorting effect of inflation. Figure 8.13 presents annual real house price changes in England, Wales, London and the South East from 1969 to 2003. As one would expect, the chart shows that real house prices move in line broadly with the U.K economic cycle.

Figure 8.13: Long Run Real House Price Change (1970-2004)



- 8.43 The current high house prices in England and Wales are the culmination of a protracted period of house price inflation that began in the early 1990s. However, the overall pattern of real house price change highlighted in Figure 8.13 suggests that the peaks and troughs of the housing market are becoming further spaced apart as time goes on. The recent period of sustained growth in real house prices has been longer in duration than any recorded previously, suggesting that current prices are either likely to stabilise or fall rather than continue to rise. Indeed, this pattern is borne out by Land Registry data on the first quarter of 2005.
- 8.44 There are different opinions about the short-term future of the housing market. Nationwide predicted a soft landing for the housing market, with a small increase in overall average prices in 2005, which the data for the past year supports. Buyers have returned, but with a greater consciousness of price, and there is unlikely to be a re-ignition of house price inflation. As for the longer term, a recently published forecast by the Centre for Economic and Business Research shows a fall in sale prices of 5% by 2007, compared to 2005 levels. Looking even further ahead, the report forecasts that prices will recover to 2005 levels in 2010, and then start to grow at a higher rate than average earnings. However, given the uncertainty of the housing market, it is unwise to rely on the outcome of any single forecast.
- 8.45 Whilst these forecasts show slightly different outcomes, there is a broad consensus that in the short term prices will remain stable, underpinned by economic fundamentals, with the

⁵ Actual house price changes adjusted for inflation using RPI inflation rates obtained from ONS

outcome in the medium term much more uncertain. Previous crashes have been caused by a combination of economic recession, sharp increases in unemployment and rising interest rates (directed at controlling retail price inflation) and such economic phenomena are not expected to occur again in the short or medium term. In contrast to the conditions that led to previous housing market crashes, consumer spending is still reasonably high, and unemployment levels have not increased significantly.

- 8.46 The most recent house price information from Land Registry (Q3 2005) indicates that in Hastings and Rother there has been little variation in house prices for the last four quarters.
- 8.47 The implication of relatively stable house prices is that the recent above average inflation in house prices and the effect this has had on affordability levels should begin to ease, particularly once wages have had an opportunity to draw nearer with house prices. However, home ownership may well remain relatively unaffordable by historic standards, with implications for those on the margins of ownership.

Size and Type of Dwelling Stock in Hastings and Rother

- 8.48 Data presented in Sections 4 and 6 highlighted that Hastings and Rother has a small average household size and low dwelling size relative to the South East. This suggests that dwelling size is currently broadly matched with household structure in the sub-region. Given the recent and forecast decline in average household size in Hastings and Rother and the South East one could argue that the provision of future housing should be geared towards the provision of smaller dwellings that better match household size (particularly in-migrant households) and which would enable a more efficient utilisation of existing residential space.
- 8.49 However, recent research by Professor Dave King of Anglia University warns of a looming crisis in the supply of homes for families as the demand for larger houses increases. According to Professor King's findings, Government policy orientated towards building smaller properties for smaller households fails to understand the aspirations and needs of British people. Dwellings with more than seven rooms are popular and widely purchased and occupied by single or two-person households.
- 8.50 Professor King's research shows that small households accounted for 60% of growth in the number of dwellings of seven or more rooms between 1981 and 2001, demonstrating that many small households own larger homes. Therefore, he argues that Government policy aimed at building small homes to meet theoretical demand from small households will not address the aspirations and needs of the population, and will lead to an oversupply of the 'wrong type' of houses.
- 8.51 Based on Census trends, Professor King presents projections that show by 2021 some 2.5 million extra 7+ room dwellings will be needed, and 0.68 million fewer homes required with 4 rooms or less. With policy focussed upon the provision of small dwellings, and an increasing number of older people continuing to occupy larger family houses, there is the risk that demand for larger properties will not be met. Rising demand for larger properties will tend to force prices up, taking them out of reach of many who might have been able to afford such property, had supply been planned.
- 8.52 This research has important messages for future housing provision in Hastings and Rother, suggesting that moving too far towards the provision of small dwellings could lead to long term imbalances in the housing market. Under provision of larger dwellings may also limit the scope to retain local residents who wish to live in Hastings and Rother but can afford to trade-up and move into a larger dwelling from their current accommodation. In addition it may act as a restraint on drawing in higher skilled and higher paid individuals who can

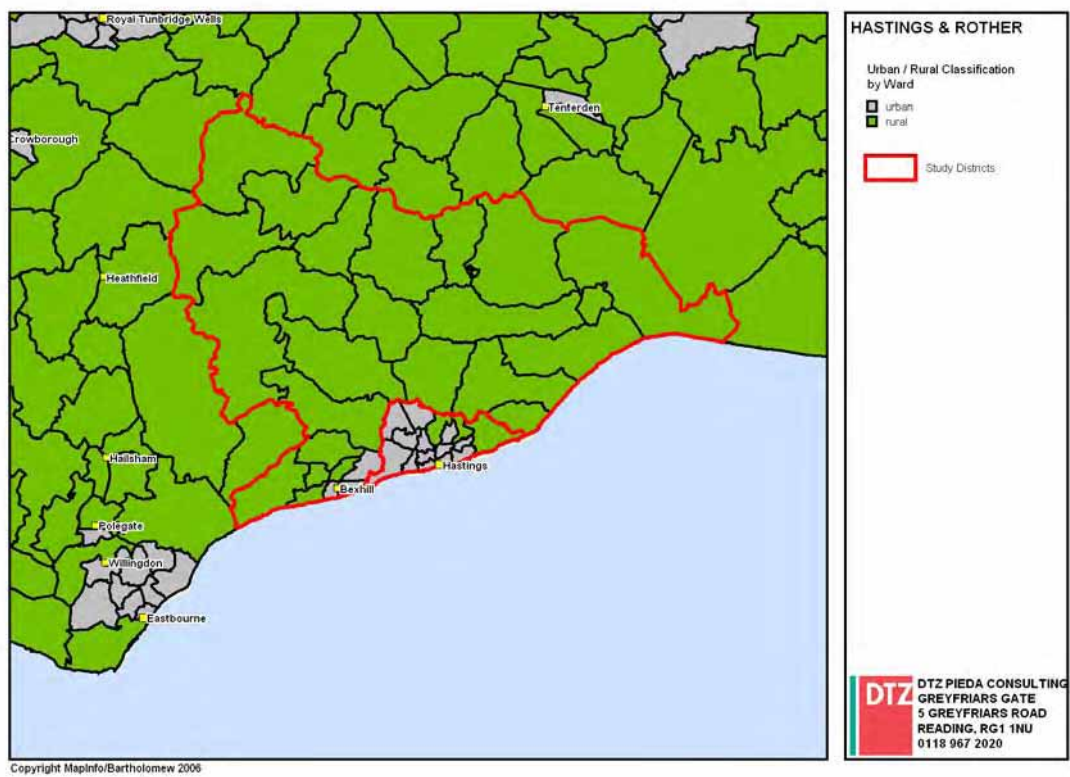
afford a higher standard and size of accommodation, who might consider living in the sub-region generally and Hastings in particular.

- 8.53 Nonetheless, there are likely to be risks in seeking to develop a significant element of larger up-market housing, since Hastings is generally not a well-established and prestigious residential location. But this does not mean that a market does not exist for larger up-market housing provision. Simply that greater effort would need to be devoted to make an attractive neighbourhood, and creating a sense of quality and diversity. Current initiatives being developed under the Five Point Plan (such as the Hastings Millenium Community) will also enable parts of the sub-region to enhance their standing as high quality residential locations.
- 8.54 The issue of what type and tenure of dwellings should be provided in future is discussed in more detail in Section 10. The emphasis in the section is upon Hastings Borough and Rother District Councils and their strategic partners to think what type of place they wish the sub-region to be in the future, what changes in the demographic profile of the sub-region would be beneficial, and how best to meet the housing needs of local people. This needs to be meshed with issues concerned with the location, quality and environmental impact of new development.

Comparison of Rural and Urban Sub-Areas Within the Hastings and Rother Housing Market

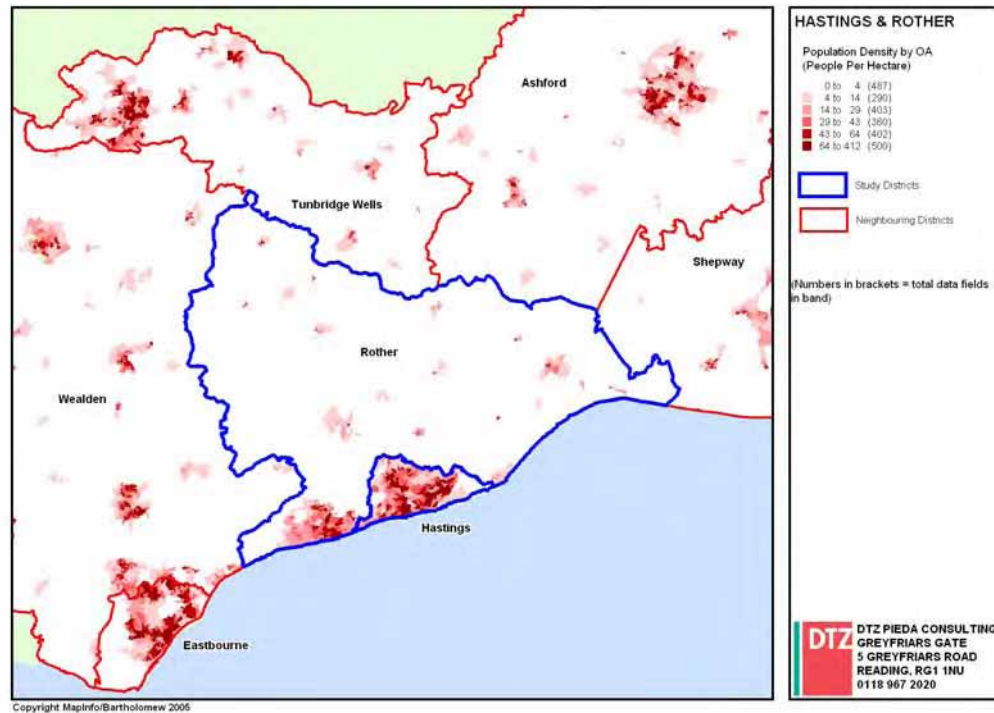
- 8.55 In determining the scale and composition of future demand within the Hastings and Rother market it is important to understand the internal dynamics of smaller markets that operate within and across it. The analysis of household and travel to work movements, conducted as part of the examination of the sub-region's spatial extent, revealed that while Hastings and Rother operates as an autonomous sub-region, a number of smaller localised housing markets can also be traced. Two dominant urban markets are evident, centred upon Hastings and Bexhill, as well as a series of localised rural markets, positioned around nuclei such as Rye, Battle and Ticehurst and Etchington.
- 8.56 There is therefore a clear urban and rural divide within the Hastings and Rother sub-region. The remainder of this section focuses upon differences between the urban and rural parts of the Hastings and Rother sub-region, with particular reference to the relative levels of affordability in each.
- 8.57 In determining the split within the sub-region between its urban and rural areas each ward in the sub-region has been classed according to the Countryside Agency's definition of a rural area (presented in Figure 8.14). This classification is constructed by analysing a range of socio-economic variables, drawn from a number of sources including the Census and the Index of Multiple Deprivation. The selected variables indicating strong rural/urban differences include:
- Population density;
 - Economically active population;
 - Public transport to work;
 - Employment in agriculture/forestry/fishing;
 - Employment in primary production (mining/energy/water); and
 - Ethnicity.

Figure 8.14: Urban and Rural Wards Across Hastings and Rother



8.58 Figure 8.14 shows that most of the geographical area of the sub-region is classed as rural. However, it should also be recognised that the majority of the sub-region's population live in the urban areas of Hastings and Bexhill, as shown in Figure 8.14. Outside of these two areas and across the rural parts of the sub-region, smaller scale population concentrations are evident in Rye, Battle, and to a lesser extent, Ticehurst and Etchingham.

Figure 8.15: Population Density (Source: 2001 Census)



8.59 A comparison between figures 8.16 and 8.17 reveals the significant difference in the composition of the dwelling stock between the urban and rural parts of the sub-region. High concentrations of flats are located throughout Hastings and Bexhill, particularly along each area's coastal frontages. In contrast, the dwelling stock in the rural areas predominantly comprises detached properties (Figure 8.17), with the highest concentrations of detached properties evident to the west of Rye and to the south and west of Battle.

Figure 8.16: Proportion of Dwellings That Are Flats (Source: 2001 Census)

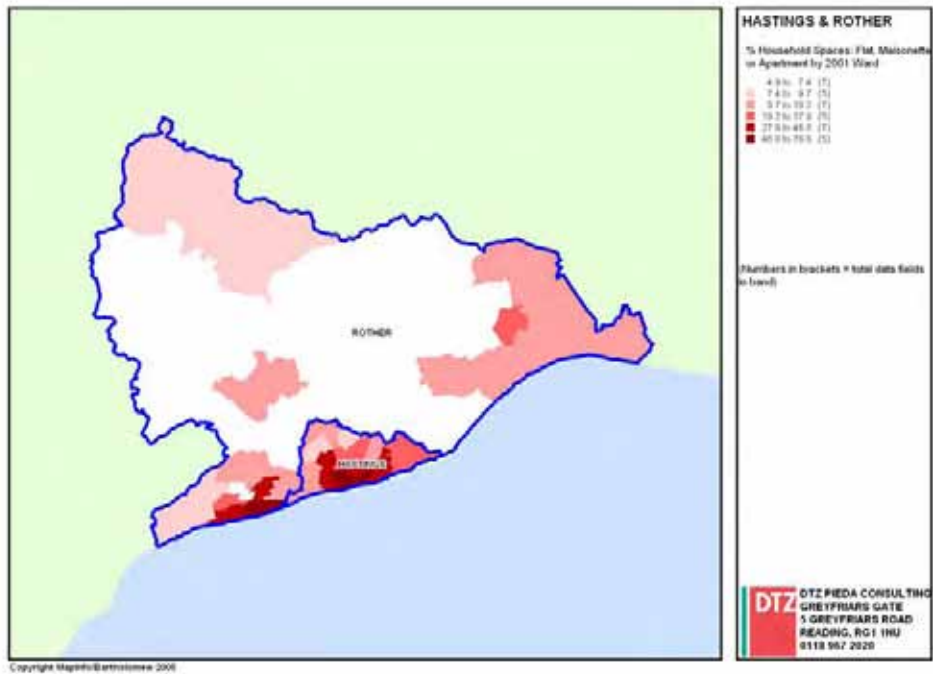
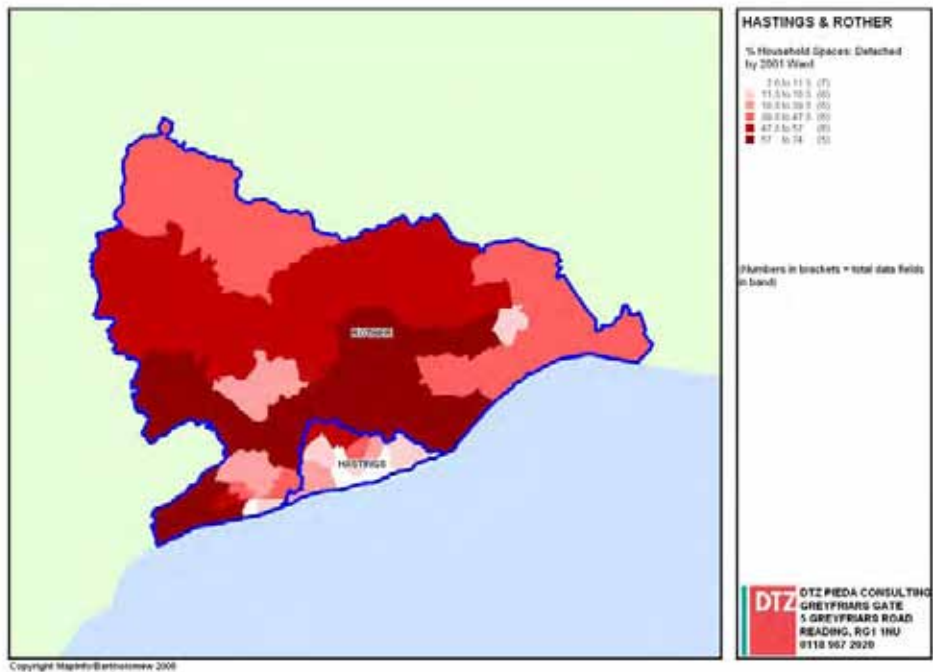
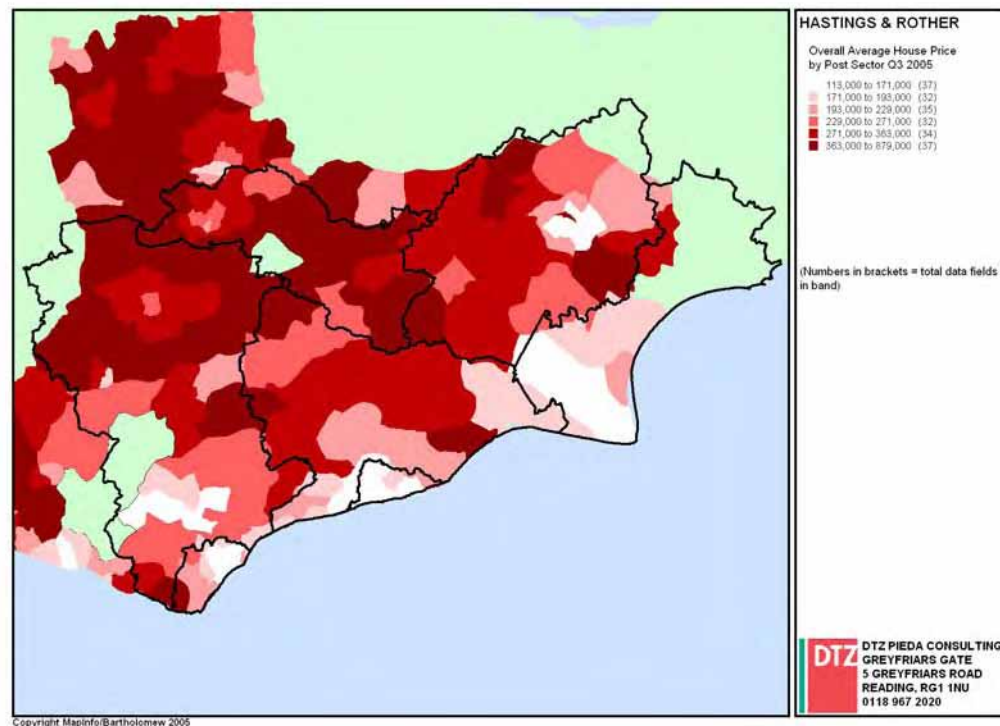


Figure 8.17: Proportion of Dwellings That Are Detached (Source: 2001 Census)



- 8.60 House price differentials between the rural and urban areas of the sub-region are considerable. The divergence is illustrated in Figure 8.17. Average house prices (Q3 2005) in Hastings and Bexhill are on average between £117k and £171k. In contrast, house prices within the rural parts of the sub-region tend to be between £229k and £363k, with the highest prices (363k+) to the south and west of Rye.
- 8.61 House prices in rural parts of the sub-region therefore tend on average to be around twice as high as those in urban areas. Whilst the higher proportion of detached houses in rural areas and the composition of the dwelling stock can explain part of this difference, the significant gulf in price between the rural and urban areas is a notable and divisive feature of the Hastings and Rother housing market.

Figure 8.17: Average House Price by Postcode Sector (Source: Land Registry)

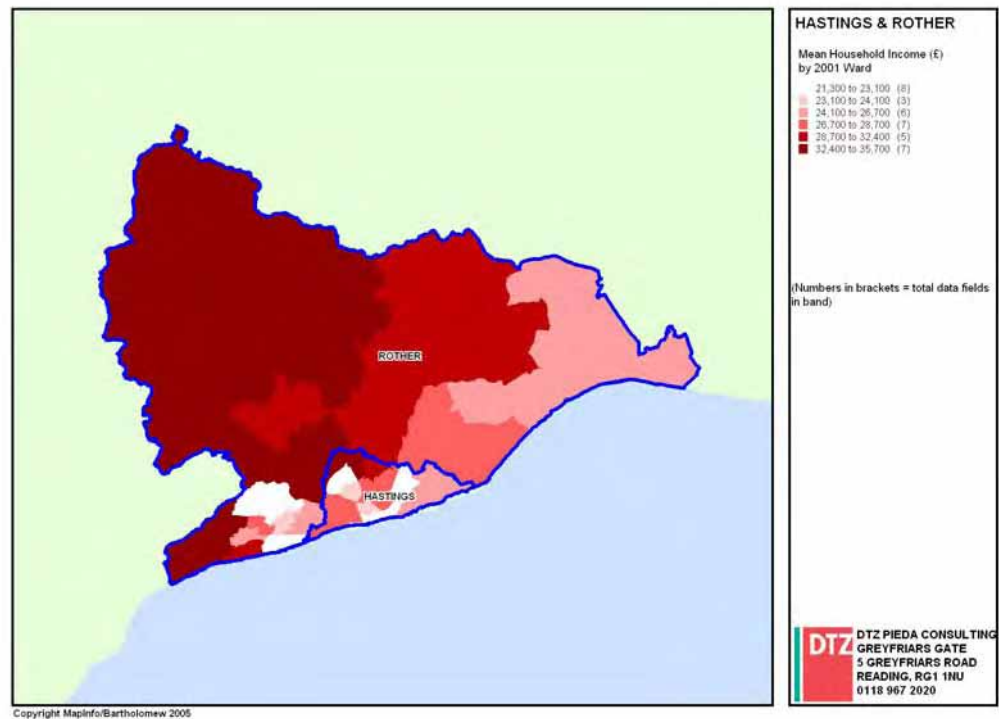


- 8.62 Household income tends, however, to be higher in the rural areas of the sub-region. Figure 8.18, which maps average household income, shows that income is highest in the northern and central areas, particularly in Ticehurst and Etchingham and in the area around Battle. This will partially reflect the higher incomes of those living in the northern part of the sub-region that, as the pattern of travel to work movements highlight, tend to commute out of the sub-region to higher paid jobs in surrounding employment areas. The average income in the rural parts of the sub-region tends to be between £27k and £36k per annum, compared with £21k to £24k in the urban areas of Hastings and Bexhill.
- 8.63 The corollary of this pattern is that whilst household incomes are marginally higher in the rural areas compared with urban areas of the sub-region, the difference is markedly lower than the divergence between the two areas in terms of house prices. Household income tends to be around 40% higher across the rural parts of the sub-region, whereas house

prices are around twice as expensive. The significantly higher house prices are therefore not offset by commensurately higher wages and household income in the rural areas.

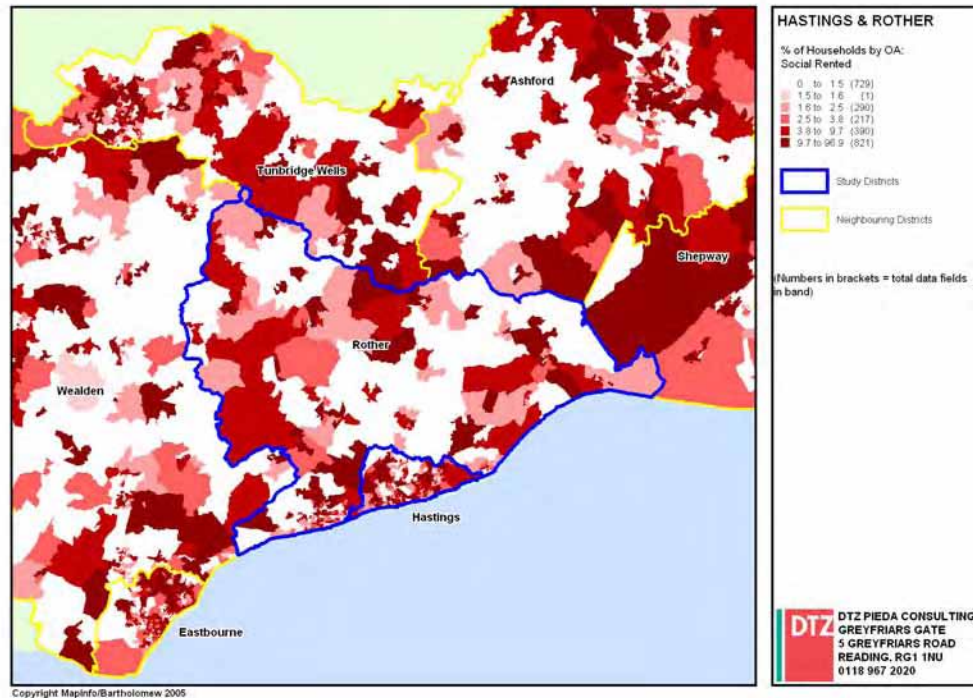
- 8.64 The consequence of the disparity between household income and house prices are the acute affordability difficulties currently faced in the rural areas of the sub-region. Analysis contained in Section 7 of this report highlights that Rother has the highest ratio of household income to house prices of all the benchmark areas. Average lower quartile house prices are around 16 times average household income in Rother, compared with around 12 times in the South East, itself one of the least affordable regions in the UK.

Figure 8.18: Median Household Income by Ward (Source: CACI)



- 8.65 Wage and income growth in rural areas of the sub-region has therefore been far outstripped by the pace of house price inflation. Affordability problems have been further compounded by the restricted provision of social housing in rural areas and exercising of Right to Buy. Figure 8.19 shows that across the central rural belt of the sub-region, between Rye and Battle, there is only limited provision of social rented property. Moreover, this is likely to have been further eroded since the 2001 Census was compiled as the pace of Right to Buy has exceeded the rate of new social housing dwelling provision.

Figure 8.18: Provision of Social Housing Across Sub-Region



- 8.66 In terms of inward migration, the data indicates that the rural areas attract higher rates of older working households that have established and built up housing equity. This is reflected in Table 8.19, which provides a summary of Census-derived variables relating to the urban and rural area within Hastings (according to the Countryside Agency definition). The rural area has a higher proportion of people aged 45-64 (28%) than the urban area (24%).
- 8.67 The urban and rural areas have comparable rates of people aged 0-19 and 65+. The only notable difference is in the 20-44 category, which accounts for 25% of the population in the rural area, and 30% in the urban area. The concentration of younger households in the urban area, and older working-age households in the rural area, is likely to be a key driver in terms of tenure. Indeed, compared to the Hastings and Rother sub-region as a whole, the urban area has a higher concentration of private rented housing and a lower proportion of owner-occupation. Thus, the urban area tends to attract more young transient households who demand private rented housing, whereas the rural area attracts more older working-age households, who demand owner-occupation.
- 8.68 It appears that the rate of economic activity is comparable in the urban and rural areas, at around 63%. However the urban area has a higher proportion of full-time employees (34%) than the rural area (30%). Again, economic inactivity rates are comparable across the areas, although the proportion of people who are permanently sick or disabled is higher in the urban area (4%), which is likely to be due to the higher provision of social housing in the urban area.

Figure 8.19: Characteristics of Urban and Rural sub-regions within Hastings and Rother

	Hastings and Rother	Rural	Urban
Tenure:			
Owned	71%	76%	68%
Social Rented	13%	12%	13%
Private Rented	16%	12%	19%
Age:			
0-19	23%	23%	24%
20-44	28%	25%	30%
45-64	25%	28%	24%
65+	23%	24%	23%
Economic Activity (of people aged 16-74)			
Economically active	63%	62%	63%
Employee - part-time	12%	12%	13%
Employee - full-time	33%	30%	34%
Unemployed	3%	2%	4%
Economically inactive	37%	38%	37%
Retired	18%	20%	17%
Looking after home family	7%	8%	7%
Permanently sick or disabled	6%	4%	7%

9 FUTURE AFFORDABLE HOUSING PROVISION

- 9.01 The South East is one of the most expensive regions in which to buy or rent a house, second only to London in terms of lack of affordability. The cost of housing is a barrier to continued economic growth, contributing to problems in recruitment and retention. The cost of housing in economically buoyant areas also encourages longer distance commuting which, in turn, adds to levels of road congestion, pollution and reducing air quality. High housing costs also have social consequences. The failure to meet the housing needs of the most vulnerable and lower paid has knock-on effects in terms of lower educational achievement and poor health. All of which put additional strains on essential public services.
- 9.02 One of the top priority themes identified in the Rother Community Plan 2004-2009 is 'to seek to meet the housing and support needs of our residents by increasing the provision of affordable accommodation in Rother district'. Providing more affordable housing is given similar importance in the Hastings and St Leonard's Community Strategy 2003 to 2013. These objectives include ensuring that "we achieve 100% of possible affordable housing on private developments approved in the (Rother) Local Plan."
- 9.03 The provision of a high proportion of affordable housing on all new housing developments was also a fundamental part of both Hastings' (2004) and Rother's¹ (2003) Local Plans and is included in both councils' Housing Strategies.
- 9.04 There are, however, tangible signs of a shortfall in social housing across the Hastings and Rother sub-region, as evidenced by increasing levels of households accepted as homeless and a high level of unsatisfied housing need as identified by the Housing Needs Surveys. There remains a limited supply of affordable housing to address newly arising housing need and the backlog of homeless households is increasing.
- 9.05 Within this context, the question arises over the most appropriate mix of market and affordable housing going forward. A number of considerations inform the answer to this question.
- **Housing Need:** Housing Needs Assessments identify the number of households who are currently inadequately housed, who cannot afford market housing, and those newly arising households who will not be able to afford market housing. Affordability is defined using set ratios about the level of mortgage a household can raise or the proportion of income that should be spent on rent.
 - **Definitions of Affordability:** The weakness of Housing Needs Assessments, however, as a tool for determining the mix of tenures to be provided in future developments is that they provide only a snapshot of need at a moment in time. Household and societal attitudes to affordability may change over time. Recent research has shown that many households deemed under conventional assessment criteria to be unable to afford a home, in fact manage to buy or rent privately. Whether that is because their income is understated, they access savings from friends and family, take a lodger to defray mortgage costs, or take out a larger mortgage than they are assumed to be able to afford, is not known.
 - **Funding:** The number of affordable homes that can be provided is also constrained by available public sector funding or the level of cross subsidy that can realistically be achieved from land value enhancement associated with award of

¹ Rother has received endorsement of this quota from the Planning Inspector.

planning permission (planning gain). In current housing market conditions the output of affordable homes is inextricably linked with the development of market homes. So if planning policy pushes for too high a quota of affordable homes it may both reduce the overall number of dwellings built, as well as reducing the actual output of affordable homes.

- 9.06 While it is difficult to accurately quantify the current and future requirement for affordable housing, and this will constantly change depending on what happens to house prices and rents, it is clear that Hastings and Rother need as much affordable housing as can realistically be secured, without damaging the overall output of new homes. This can be readily and simply evidenced given that the annual shortfall (after re-lets) in affordable housing provision (566 in total, comprising 197 units pa in Rother and 369 units pa in Hastings) is in excess of the historic annual average number of completions in the sub-region of *both* social and private units between 1995-2004.
- 9.07 Whilst forecasts for the remainder of the period to 2011 show a marked rise in completions in the sub-region, it is likely that the majority of this will be private housing. Thus, with the current levels of funding and at current levels of housing market development, it is unlikely that there will be sufficient provision of affordable housing to both clear the current housing need backlog and meet newly arising need.
- 9.08 Economic growth is also unlikely to reduce the need for affordable housing. Analysis in Section 8 of this report has shown that the demand for affordable housing may actually rise as a consequence of economic growth, due to the way in which increases in household income are distributed through the economy. These increases in household income can push house prices up, while leaving those in lower income groups no better off, creating a still greater requirement for affordable housing.
- 9.09 The Hastings and Rother sub-region therefore requires as much affordable housing as can realistically be delivered to meet need. The Hastings Local Plans stipulates that Hastings will seek to secure a target of 25% social rented housing on previously developed (brownfield) sites and a minimum of 30% social rented housing on greenfield sites. The Rother Local Plan seeks to achieve a 40% quota of total dwellings to be provided for affordable housing for local people. Exception sites will also further contribute to raising affordable housing provision in the rural parts of the sub-region. Both quotas are consistent with the 40% limit identified in the consultation draft of the South East Plan. However, DTZ believe there is a need to establish that these are feasible in terms of development economics of sites within Hastings and Rother without having an adverse effect on output.
- 9.10 It will be necessary to reflect the differences in the economics of developing different sites in establishing appropriate levels of affordable housing on that site. A higher level might be achievable on greenfield sites, but this may need to be offset by a lower quota on brownfield sites (as is broadly the case with the contributions set by Hastings BC). An important consideration is that if landowners are expected to fund other infrastructure provision under Section 106 agreements this will, other things being equal, reduce the amount of affordable housing provision that can be secured.
- 9.11 The mix of social rented and intermediate housing also has a bearing on the quota that can be achieved, as does the issue of whether public subsidy is available for affordable housing delivered through Section 106 agreements. From a development perspective, provision of intermediate housing as part of the affordable housing quota on new developments is more cost effective, and therefore more units of output can be produced when compared with provision of purely social rented accommodation. This is, however, likely to be more difficult to achieve in Hastings where, according to the Local Plan, “the overwhelming

requirement is for social rented housing provided by an RSL.” Presented below is an analysis of the scale of the intermediate housing market in Hastings and Rother, followed by an overview of intermediate housing products and their current standing in the housing market.

Intermediate Housing Market – Potential Market Demand

- 9.12 Historic household growth in the Hastings and Rother sub-region has been accommodated predominantly by growth in the owner occupied and most notably the private rented sectors. However, there is a growing number of resident households in the sub-region that can afford to pay more than a social rent, that aspire to home ownership, but who are currently unable to access it.
- 9.13 The development of a market in intermediate housing products in Hastings and Rother, which seeks to bridge the gap between social renting and home ownership, has the potential to make a significant contribution to meeting housing need in the area in the future. Estimates of the scale of potential demand for intermediate housing products in Hastings and Rother have been derived from the recently published JRF (2005) report *“Affordability and the Intermediate Housing Market.”*
- 9.14 The report sets out two measures of the intermediate housing market:
- **The broad definition:** the proportion of working households in each local authority area unable to purchase at lower quartile house prices for two and three bedroom dwellings.
 - **The narrow definition:** the proportion of working households in each local authority area that can afford to pay a social rent without recourse to housing benefit but cannot purchase at lowest decile house prices for two and three bedroom dwellings.
- 9.15 Estimates of the scale of the intermediate housing market in Hastings and Rother, in terms of both the broad and narrow definition, are presented in Figure 9.1. The data suggests that within Hastings and Rother, there are around 2,600 and 2,800 households respectively that could afford to pay a social rent without recourse to housing benefit, but who cannot afford to purchase at lowest decile house prices for two and three bedroom dwellings (the narrow definition of the intermediate housing market, which DTZ believe to be a more robust indication of the scale of potential intermediate housing demand).
- 9.16 The data indicates that there is significantly greater scope to introduce intermediate housing products in Rother than in Hastings. Indeed, Rother has the one the highest percentages of households classed in the narrow intermediate housing market in East Sussex and is ranked within the top 40 authorities (31) in the whole of the country on this measure.

Figure 9.1: Estimates of Scale of Intermediate Housing Market

	% Working Hholds in Broad Definition	% Working Hholds in Narrow Definition	No Working Hholds in Broad Definition	No Working Hholds in Narrow Definition
Hastings	49	31	4,070	2,600
Rother	63	41	4,330	2,805
Eastbourne	57	40	4,640	3,235
Wealden	57	39	5,610	3,830
Lewes	58	40	4,320	2,970

Source: JRF

- 9.17 The rest of this section examines intermediate housing products, exploring how Hastings and Rother and partners in the sub-region could position themselves in the future to take advantage of these products. Our recommendations section then presents suggested options for the delivery of intermediate housing products in the sub-region in the future.

Intermediate Housing Market Schemes

- 9.18 For those living in social rented accommodation, housing assistance has been provided to help free up social rented housing through schemes such as Homebuy. Some associations have developed shared equity schemes. There has also been some development of key worker housing – which generally entails shared equity, though this has been limited to the Starter Home Initiative which has operated on a very modest scale up to now in the South East. Such developments have met with mixed success.

- 9.19 Over past years schemes have been launched, then discontinued when priorities have changed or resources have been used up. Equally at various points in the housing market cycle, shared ownership has not appeared to provide value for money to purchasers. Such a stop-start approach has had a number of consequences.

- There is very little consumer understanding of what shared ownership involves and indeed a degree of suspicion given people's overwhelming desire to become owners (though shared equity can be a stepping stone to achieving this).
- There are few organisations dedicated to developing intermediate housing products. Some housing associations have a track record, and some developers have dabbled in the market, but there is not the same expertise or market knowledge as in the development of housing for sale or social renting.
- The limited volume of past activity means that there is in practice a very limited market in the sense that people can readily sell a shared ownership dwelling in one location and buy another elsewhere. There is no volume provision, such as might drive cost reductions and provide the funds for marketing further developments in the market.
- There is the problem of continued product leakage, in the sense that with shared ownership schemes, owners can staircase to 100% ownership and then sell on the open market.

- 9.20 However, there are positives with regard to the development of a market in intermediate housing products. The need for intermediate housing products is becoming more apparent. A recent report from the Commission for Sustainable Development entitled, *'Meeting Housing Need in the South East'* maintains that, *'the South East has the largest potential market for intermediate housing in England.'* This position is informed by recent analysis by Professor Glen Bramley that suggests that there is a potential national market of around 33,000 units a year for LCHO among new households in England. This need is found to be overwhelmingly concentrated in the southern regions, particularly in London, the South East and the East of England.

- 9.21 There are indications that some developers would prefer to see shared ownership schemes rather than social rented housing developed as part of their schemes. If the presence of social rented housing is believed to depress values then it should be possible to extract more land value through a scheme involving shared ownership than social rented housing. Put simply it should be possible by negotiation to secure a larger number of shared ownership properties than social rented properties.

- 9.22 In April 2004 the Government launched a new fund in the South East of England (along with London and the East of England) to support the development of key worker housing. The Key Worker Living initiative provide funds for the development of a number of intermediate housing products
- Homebuy which provides an equity loan of at least 25% of the property value up to a limit of £50,000 (which of course generates additional demand without making a contribution to enhanced supply).
 - An intermediate renting product with rents set between social rented housing and open market rates.
 - New build shared ownership schemes where the purchaser buys a share of the equity from a minimum of 25% and pays rent on the balance.
- 9.23 The Barker Review recommends that the provision of sub-market housing be increased, but does not indicate how resources should be split between social rented housing and intermediate housing products. The government has indicated in its response to the Barker Review that it accepts the case for increased investment in social housing. The Treasury outlined in its 2004 Spending Review that in response to the Barker Review, funding will be provided for 10,000 new social housing units a year by 2007-08.
- 9.24 Housing spending – including regional and local programmes – will be over £1.3 billion higher in 2007-08 than in 2004-05, equivalent to an annual average growth rate of 4.1% in real terms. However, beyond an indication by the Deputy Prime Minister of the need for more affordable housing, especially for key workers and families, there has been no indication of how resources might be divided between different forms of sub-market housing.
- 9.25 In principle an increased use of intermediate housing products should be an efficient way of assisting those who are unable to afford market prices or rents. The delivery of social rented housing involves a high level of subsidy. Yet it is not the tenure of choice of most households. Moreover, many of those unable to afford market prices can afford to pay a higher contribution to their housing costs than paid by social housing tenants. The level of subsidy required to deliver intermediate housing products is less than that required for social rented housing, so if such products meet the needs of those unable to afford market housing, available resources can be stretched further and so assist more people who have been excluded from the market by rising prices and rents.
- 9.26 DTZ would recommend the following actions to Hastings Borough and Rother District Councils regarding the development of intermediate housing products:
- The Councils needs to take an in principle decision whether they are willing to see resources secured through the planning process (via Section 106 agreements or future arrangements) for delivery of intermediate housing products rather than social rented housing. Clear criteria need to be established to inform decisions about the balance of resource allocation between these two competing demands on available resources.
 - These decisions need to be informed by up to date Housing Needs Assessments. In future it is imperative that Housing Needs Assessments identify both the tenure preferences of those deemed to be unable to afford market housing, and the proportion of market prices they can reasonably be expected to pay. HNAs should identify what proportion of those in need can afford between 90-99% of market prices, 80-89% of market prices, 70-79% of market prices etc, so that a view can be taken of the need for housing products with different levels of implied subsidy.

- Assuming that resources from central government or through the planning system will be available for products targeting the intermediate market, partners need to keep up to date with government and other research programmes on what works and how best to develop intermediate housing products. Research topics of particular interest will be those that focus on areas such as lessons learnt from past development, reviewing overseas practice, and the scope for development of specialist providers and the products they would provide.
- In due course additional government resources will be made available to support the development of intermediate housing products in response to the Barker Review's recommendations on this subject. The development of Key Worker Living programme is starting to embed the principles underpinning intermediate housing market provision, but DTZ would argue that intermediate housing products have wider applicability than just to key workers. English Partnerships is also developing new intermediate housing products, based on equity sharing.

9.27 Action at the sub-regional level can position Hastings and Rother and sub-regional partners to take advantage of new funding by developing market knowledge and institutional capacity. It could also demonstrate to government the value of a more strategic approach to developing intermediate housing products and social housing.

10 FUTURE DRIVERS OF THE HOUSING MARKET

10.01 This section discusses the key social and economic factors that will influence the Hastings and Rother housing market in the future. Specifically the section considers:

- Drivers of Change
- Key Challenges
- Demographic Change to 2026
- Planning for the Range of Future Household Types
- Economic Futures and the Housing Market

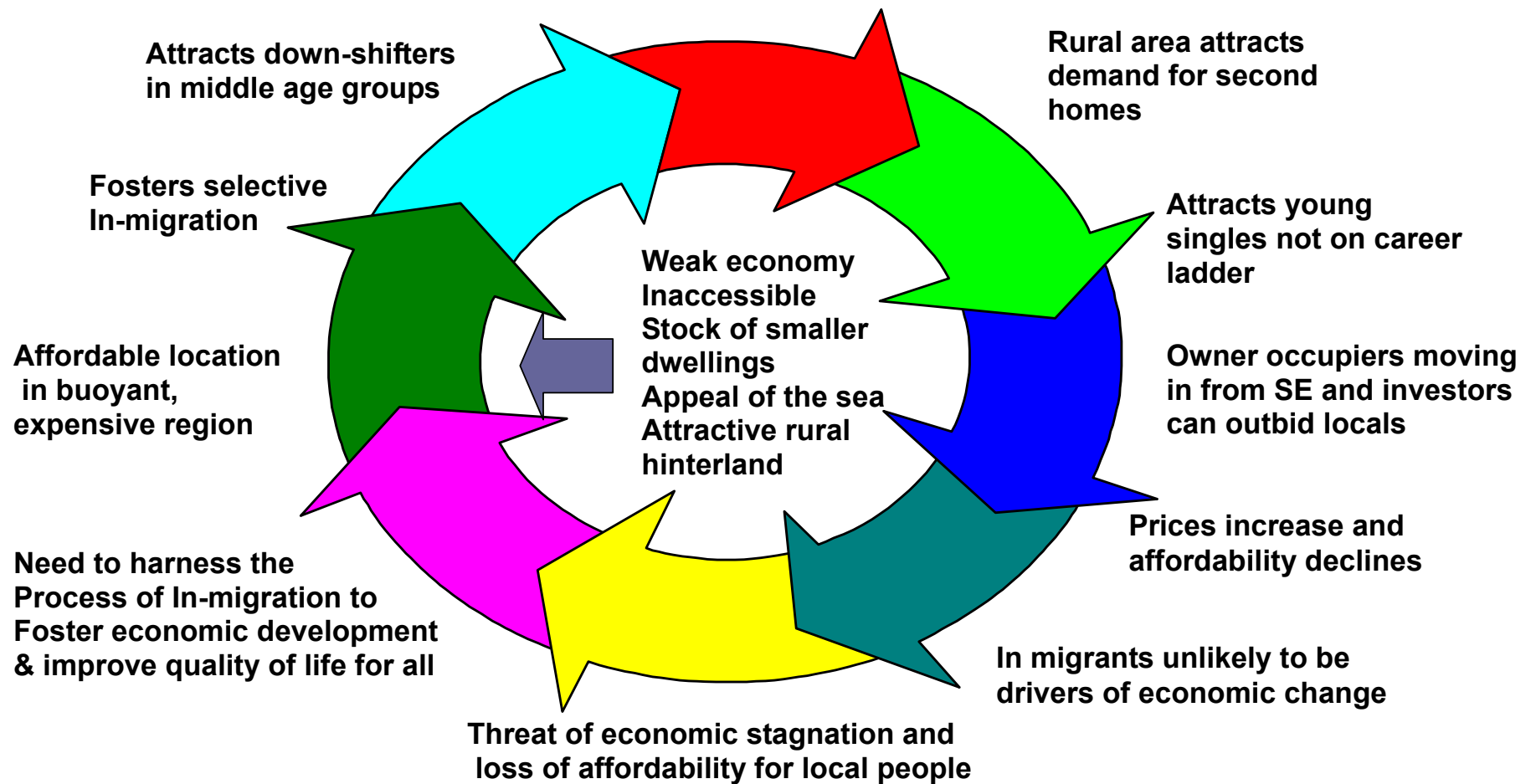
Drivers of Change

10.02 The data presented in previous sections describes key trends in the housing market in the Hastings and Rother sub-region and examines the current economic, demographic and housing profile of the sub-region. It does not, however, show how different factors interact to bring about change that result in the observed socio-economic and housing market characteristics of the area.

10.03 Figure 10.1 draws out the key features of the Hastings and Rother sub-region and explains how these impact upon patterns of migration, household characteristics and economic performance. DTZ would highlight 4 key characteristics of the sub-region that are critical in shaping patterns of change:

- **Weak Economy:** Section 5 shows how on almost every indicator of economic performance the Hastings and Rother economy has under-performed the South East average. In terms of output and employment growth the sub-region has lagged the county average which lags the South East average. Earnings are significantly below the regional average, unemployment higher and economic activity lower. Within the sub-region Hastings performs significantly worse than Rother.
- **Inaccessible:** A key factor in the sub-region's poor economic performance is that it is inaccessible. Road and rail links to London and the national motorway network are slow by comparison to many parts of the South East. East-west road and rail links are relatively poor. Long journey times to key centres of employment mean that the area is not subject to the same degree of pressures as many areas in terms of commuters buying into the area, and travelling out of the area to work.
- **Stock of Smaller Dwellings:** Hastings in particular is characterised by a stock of smaller dwellings. While this is counterbalanced in part by Rother, the sub-region as a whole has a higher proportion of small dwellings than the county as a whole, which has a higher proportion than found in the region. It has a correspondingly smaller proportion of larger dwellings.
- **Appeal of the Sea and an Attractive Rural Hinterland:** the sub-region is an inherently attractive place to live. Throughout the UK coastal locations prove attractive destinations for migrants – particularly those at or close to retirement age. They often appeal to young people as well, especially those not tied into the mainstream economy. The sub-region also has a very attractive rural hinterland, reflected in its AONB designation.

Figure 10.1: Selective Migration: A Key Driver of Change



10.04 These underlying facets of the sub-region, combined with its location within the South East, the most economically buoyant region in the UK and the least affordable outside London, give rise to a number of processes:

- Housing in the main urban centres in the sub-region, Hastings and Bexhill, is relatively cheap compared to most of the South East, and despite low wages is relatively affordable (although Bexhill remains more expensive than Hastings). Housing in rural Rother is, relative to local wages and the situation in Bexhill, far from affordable, but house prices on a like for like basis are probably cheaper than in other attractive rural areas of the South East.
- The combination of relatively cheap housing encourages in-migration, but because of the weak economy and relative inaccessibility it encourages selective in-migration. DTZ's view, confirmed in discussions with local stakeholders, is that the area tends to attract a disproportionate number of in-migrants in the 45+ age category who are down-shifting in terms of their work commitments. This explains the relatively large proportion of the population in this age group. Bexhill and rural Rother also attract retirement in-migration.
- Hastings in particular also attracts young and middle aged singles, who are not wedded to progression up a career ladder and attracted by the availability of cheap rented accommodation and being able to live next to the sea. This explains the large representation of single households and of 16-25 year olds who live in Hastings. The very sizeable private rented sector in the sub-region is both cause and effect of this pattern, in-migrants being a source of demand, but the availability of cheap rented accommodation also being a draw.
- Owner occupiers who move into the area from other parts of the South East will in general be able to outbid local residents for property since they will have greater equity from the sale of property in higher prices locations. This helps to explain the pattern seen in recent years of rising house prices and declining affordability. Rural Rother experiences additional pressures as a result of people buying second homes, the area being relatively cheap compared to other attractive rural locations, but still reasonably accessible to London (the main source of second home purchasers).

Key Challenges

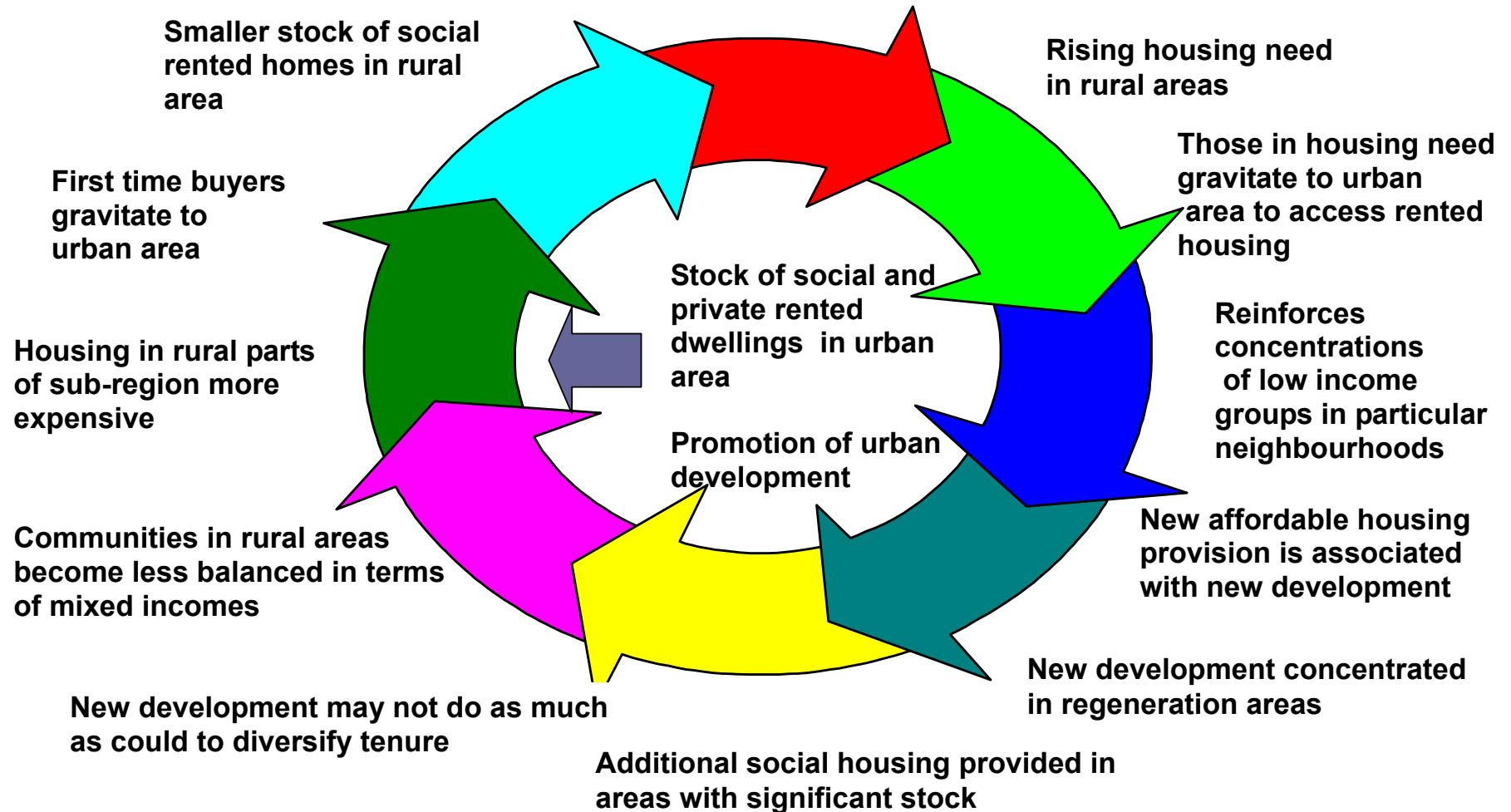
10.05 A major issue the analysis above presents for policy makers in the sub-region is that the pattern of in-migration makes housing less affordable for local residents, but does nothing to improve the prospects for economic development. This reflects the fact that many of the in-migrants are unlikely to be those that will drive the process of economic change, since they are coming to live in the area for quality of life reasons, rather than moving to the area for economic reasons. This opens up the issues of whether changing the housing offer of the sub-region has a role to play in fostering economic development, as part of a wider strategy for economic development of the sub-region.

10.06 A second issue that needs to be highlighted is that there are processes at work within both the market and social housing sectors that tend to encourage social segregation within the sub-region (see Figure 10.2). There are three features of the housing market which start this process:

- The urban areas of the sub-region have a much greater stock of social rented dwellings and cheap private rented property than the rural areas.

- The majority of new housing development – and hence provision of additional market and affordable housing will be in urban areas, due to the constraints on development in rural Rother associated with the AONB.
 - Housing in rural Rother is more expensive than in the urban areas of the sub-region, in part because of the attraction of living in market towns and villages, in part because a higher proportion of the stock comprises larger and detached dwellings which attract a premium.
- 10.07 These features of the housing market lead to a pattern of selective migration that development patterns tend to reinforce and that lead to greater social segregation and work against the achievement of balanced and mixed local communities.
- First time buyers are squeezed out of rural Rother because house prices are not affordable, in part because of higher house prices on a like for like basis, but also because of a smaller stock of small dwellings. They move into the urban areas.
 - There is also a smaller stock of social rented housing in the rural areas, in part because for historic reasons councils built more housing in urban areas, but also because of higher levels of Right to Buy sales in rural settlements.
 - The consequence is rising levels of housing need in rural areas. The local authority finds it difficult to satisfy this need, so households move into the urban area to access either social or privately rented housing
 - New development is often concentrated in regeneration areas – areas which are already fairly disadvantaged. Since new affordable housing is associated new development this may mean adding to the stock of affordable housing in areas which already have a large stock of affordable housing or low cost private rented dwellings.
 - This will tend to reinforce concentrations of low income households in particular neighbourhoods.
- 10.08 In this way new development may not do as much to diversify tenure and social composition as it could, and may in some circumstances even reinforce concentrations of low income households.
- 10.09 If left unchecked these processes are likely to lead to increased polarisation within the sub-region. There is scope however for policy makers to seek to counter these processes which lead to social segregation and creation of areas of concentrated disadvantage. These are discussed in Section 11.

Figure 10.2: The Threat of Increasing Social Segregation



Demographic Influences

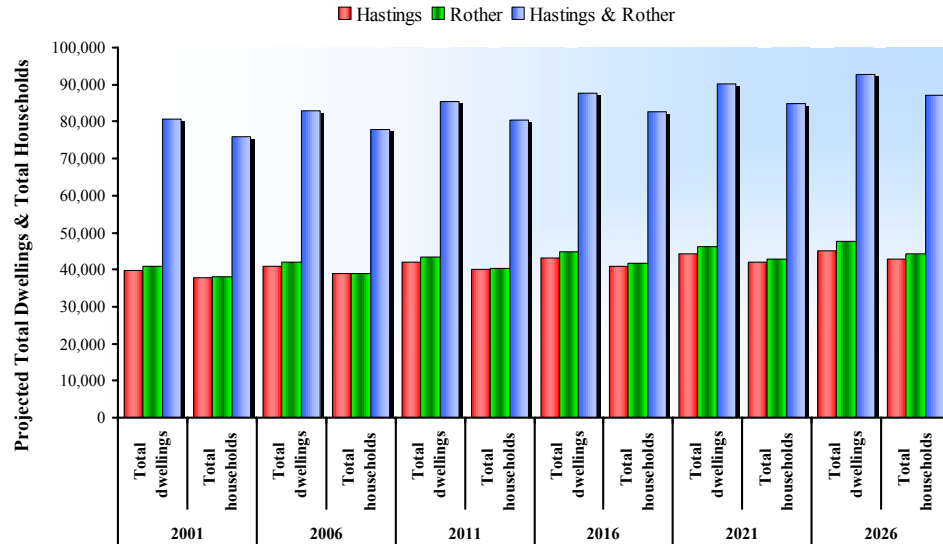
- 10.10 Over the period 1991- 2001 comparison between Census data on the number of resident households in the Hastings and Rother sub-region and the number of dwellings completed would indicate that the number of households has grown faster than the additions to the housing stock (see Figure 6.17). Total household growth has outstripped the addition to supply by 400 households over the period. While part of this may be attributed to under-recording of completions in the early 1990s, the excess of household growth over new dwelling provision has almost certainly been accommodated by a decline in the number of vacant properties. This cannot continue indefinitely.
- 10.11 Household forecasts prepared by East Sussex County Council envisage that by 2026 there will be 11,000 more households in the Hastings and Rother sub-region than in 1991, equivalent to annual growth of 440 households (see Table 10.3). These demographic projections are linked to the proposal for new dwellings contained in the Sussex Coastal sub-region's response to the Regional Assembly which envisage provision of some additional 12,000 dwellings over the period 2001-2026. Growth in household numbers and new dwellings is evenly shared between Hastings Borough and Rother District (see Figure 10.4)

Figure 10.3: Total Dwellings Hastings and Rother 2001 to 2026

	2001	2006	2011	2016	2021	2026	Total Change	Annual Change
Total dwellings	81,000	83,000	85,000	88,000	90,000	93,000	12,000	480
Total households	76,000	78,000	80,000	83,000	85,000	87,000	11,000	440

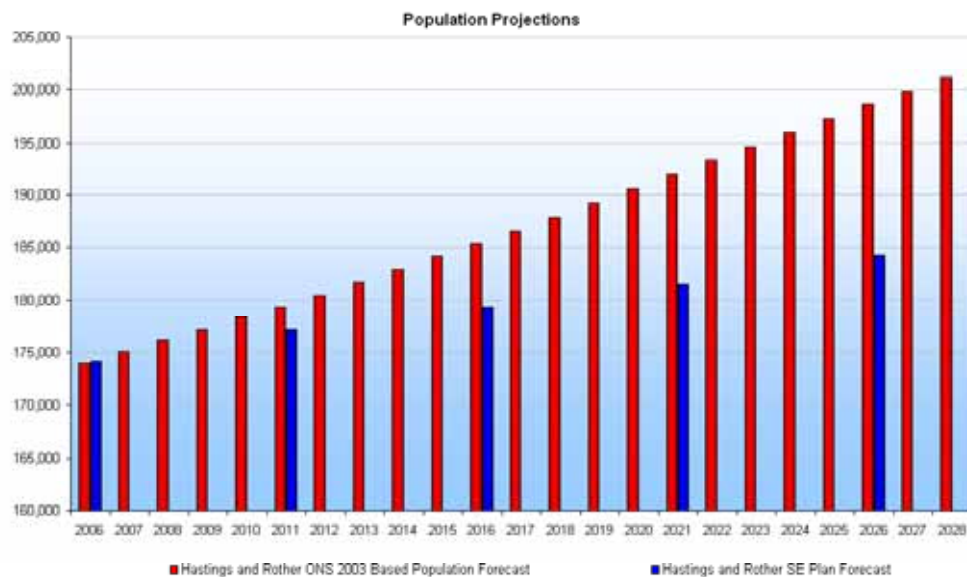
Source: East Sussex CC

Figure 10.4: Projected Total Household & Dwelling Growth 2001-2026



10.12 Comparison of the East Sussex County Council population projections, which are aligned with the proposal for new dwellings contained in the Sussex Coastal sub-region's response to the Regional Assembly South East Plan, and the ONS 2003 based population projections are considerably at variance. The ONS projections, which are not constrained by policy, indicate that the population would grow much more rapidly than envisaged by the ESCC projections (see Figure 10.5).

Figure 10.5: SE Plan Based Population Forecast vs ONS Based Population Forecasts



- 10.13 The implication is that the housing proposals put forward for the purposes of the South East Plan imply a degree of constraint on the growth of population in the sub-region. The sub-region is quite significantly constrained in terms of its ability to accommodate new housing by the extensive AONB designation. The level of planned provision is also much more closely aligned with the actual level of housing built in the sub-region over the past decade (though higher), than a level that would be consistent with the ONS projections, which would be much higher than has been delivered in recent years.
- 10.14 Although there are questions surrounding the government's agenda for greater housing provision in the South East, DTZ would suggest that the planned level of provision and the associated population and household growth is probably more realistic than would be implied by the ONS projection unless there was a fundamental change in the economic performance of the sub-region. But it will be important to monitor what is actually happening in terms of household growth. DTZ's expectation is that given the ONS projections, there will be some tightening of the housing market, which will improve incentives for development. However quite a substantial amount of potential demand may be displaced to other sub-regions. The size of the private rented sector means that there is quite a sizeable mobile population, which will make this displacement easier to achieve than in some areas.

Housing Market Balance

- 10.15 In addition to considering the quantum of household growth it is important to consider how the numbers of different household types will change in the future. DTZ would also highlight the need to ensure that household and housing growth is commensurate with employment growth so that balance is achieved in the market and the 'vicious' cycle processes shown in Figure 10.1 are avoided.
- 10.16 The current consultation draft of PPS 3 states that local authorities are expected to plan for the range of household types that will be accommodated in the sub-region when preparing their Local Development Documents, specifically mentioning the need to identify the overall balance of change in terms of families, single person and multi-person households. How this requirement should be translated into policy is discussed in more detail in Section 11.
- 10.17 To fulfil this element of the HMA process, it is possible to compare the actual numbers of different types of households as recorded by the 2001 Census, and forecasts by household type prepared by East Sussex County Council. Figure 10.6 shows the breakdown of household type within the sub-region in 2001. A prominent feature of the Hastings and Rother sub-region is the disproportionately high concentration of single person households. In Hastings, around 35% of households are classed as single person households, whereas in Rother 33% of households are classed as single person. Figure 10.6 has been colour coded to correspond with household type forecasts presented later in this section

Figure 10.6: Household Composition 2001

	Size	Hastings	Rother	Hastings & Rother
Total Households 2001		38,000	38,000	76,000
One person - Pensioner	1	6,316	8,413	14,729
One person - Other	1	7,404	4,175	11,579
Pensioners	2	3,134	6,342	9,476
Couple households - No children	2	6,199	6,769	12,968
Couple households - With only one dependent child	3	2,661	2,185	4,846
Couple households - With two or more dependent children	4+	4,375	4,053	8,428
Couple households - All children non-dependent	2	1,548	1,772	3,320
Lone parent households - With only one dependent child	2	1,503	887	2,390
Lone parent households - With two or more dependent children	3+	1,489	847	2,336
Lone parent households - All children non-dependent	1	913	846	1,759
Other - One dependent child	2	340	279	619
Other - Two + Dependents	3+	388	329	717
Other - All student	1	17	3	20
Other - All pensioner	2	203	293	496
Other - Other	2	1,122	926	2,048

- 10.17 East Sussex County Council produced forecasts by household type for Hastings and Rother as part of evidence prepared in connection with the Structure Plan base. These forecasts run to 2011. DTZ have extrapolated these trends evident for the period 1991-2011 forward to 2026 and combined these with ESCC's forecasts of household growth to 2026 prepared in connection with preparation of the South East Plan. The figures presented for 2016-26 are not forecasts; they are illustrations of what would happen if past trends continue. The breakdown of household composition is shown separately for Hastings, Rother and for the Hastings and Rother sub-region in Figures 10.5, 10.6 and 10.7.

Figure 10.7: Forecast Change in Household Structure to 2011 and Projected Change 2011-26 Rother

	1991	1996	2001	2006	2011	2016	2021	2026	Change
Total Households				39,000	40,000	42,000	43,000	44,000	5,000
Married Couples	56	53	50	47	44	42	39	37	-19
Cohabiting couple	5	6	8	10	12	13	14	16	11
Lone Parent	3	4	4	4	3	4	4	4	1
One Person	31	32	33	34	35	36	37	38	7
Other Multi-Person	5	5	5	5	6	6	6	6	1
Total	100	100	100	100	100	100	100	100	

Figure 10.8: Forecast Change in Household Structure to 2011 and Projected Change 2011-26 Hastings

	1991	1996	2001	2006	2011	2016	2021	2026	Change
Total Households				39,000	40,000	41,000	42,000	43,000	4,000
Married Couples	48	44	39	35	33	29	26	23	-25
Cohabiting couple	8	9	11	14	15	17	19	20	12
Lone Parent	6	7	7	7	7	7	7	8	2
One Person	33	35	37	38	40	41	43	44	11
Other Multi-Person	6	6	5	5	6	6	6	6	0
Total	100	100	100	100	100	100	100	100	

Figure 10.9: Forecast Change in Household Structure to 2011 and Projected Change 2011-26 Hastings and Rother Sub-Region

	2006	2011	2016	2021	2026	Change Overall	Change Annual
Married Couples	31,907	30,717	29,073	27,604	26,161	-5,746	-287
Cohabiting couple	9,402	10,783	12,383	13,950	15,503	6,101	305
Total Couple	41,308	41,500	41,456	41,553	41,663	355	18
Lone Parent	4,147	4,066	4,474	4,686	4,897	750	38
One Person	28,228	30,018	31,917	33,738	35,547	7,319	366
Other Multi-Person	4,277	4,677	4,717	4,890	5,062	786	39
Total	77,960	80,260	82,563	84,867	87,170	9,210	461

- 10.18 Figure 10.9 shows that on average the total number of households in Hastings and Rother will increase by around 460 households per annum (somewhat higher than the ESCC projections). The bulk of this increase (c370 households) is accounted for by single person households, with an annual increase of around 40 multi-person households and 40 lone parent households and 20 couple households.
- 10.19 While the growth in single person households will be significant, DTZ suspect that these forecasts may overstate the level of growth of single person households. Hastings and Rother may have experienced a particularly big increase in single person households between 1991 and 2001 associated with a depressed economy and housing market and a consequent growth in the private rented sector which has drawn many single people into the area. These circumstances are unlikely to be repeated and growth in the numbers of single person households should not be expected to continue at the same rate as in the past.
- 10.20 To work out the implications of these forecasts for the number of dwellings of different size, it is necessary to disaggregate each broad household group used into household size and type sub-categories. In order to do this, DTZ have used data from the 2001 Census on the breakdown of household composition (shown in Figure 10.6) and matched these to the broad household type categories used within the East Sussex CC projections. We have then applied the same rates and ratios to the projected household composition by 2006 and 2026 to obtain a quantitative forecast of household size and type in the sub-region over the 2006 to 2026 period. The results of this exercise are presented in Figures 10.10 and 10.11.

Economic Influences

- 10.21 As shown in Figure 10.1 the underlying performance of the economy of the Hastings and Rother sub-region has been one of the key factors that has shaped the housing market and had an impact on patterns of migration and on the socio-economic structure of the area. In thinking about the future it is therefore relevant to consider the prospects for economic development and regeneration.
- 10.22 Weak economic performance has been a characteristic of the Hastings and Rother sub-region for many decades. It has this in common with many of the coastal towns of the South East, though Brighton and Hove have in the last decade enjoyed a renaissance. While additional resources have been found for regeneration since 2001 and the launch of the Hastings and Bexhill Task Force, the task of improving the economic performance of the sub-region is a long term venture.

- 10.23 A sober assessment of the sub-region would suggest that there is the potential to improve in terms of most current key indicators, and perhaps to narrow the gap with the South East average in terms of the key indicators such as earnings, unemployment, GVA per worker, and GVA per employee. But the economy will remain comparatively weak in terms of its potential for employment growth.
- 10.24 The reason for our sober assessment of the prospects for the Hastings and Rother economy reflects DTZ's assessment of the economy's positioning in relation to the three drivers of local economic performance:
- **Strategic Accessibility:** Hastings has poor strategic accessibility and there are no immediate prospects of schemes that would address this fundamental weakness in terms of greatly enhanced rail or road links to key locations such as London, Brighton, Gatwick and the national motorway network. Investment in broadband can only partly offset the disadvantages of relative inaccessibility.
 - **Skills:** Hastings and Rother have a weak skills base. It is hard to change the relative profile of the skill base of the local population since all areas are investing in workforce development. Change tends to happen more quickly if policy can encourage in-migration of higher skilled people. Housing policy has a part to play in this.
 - **Quality of Life:** The sub-region should be able to capitalise on the scope to sell itself to investors, employers and individuals as a good place to work and live and current investments are linked to capitalising on this potential. Some key elements of local infrastructure such as the Bexhill Link Road may create the opportunity to capitalise on this offer.
- 10.25 Our sober assessment of the economic growth prospects for the sub-region are also informed by the emergence of significant competing centres for investment to the south east of London. Ashford has been identified as a centre for major housing growth, and with that the intent to promote significant housing growth. Ashford will enjoy a significant boost to its strategic accessibility with the start of domestic service on the CTRL, and is already linked into the national motorway network. This will help Ashford to compete for investment. Similarly Thames Gateway Kent will be competing for jobs, and investment and seeking to promote significant housing growth.
- 10.26 The implications of modest economic growth in the Hastings and Rother sub-region is that by South East standards the housing market will remain comparatively affordable. The processes described in Figure 10.1 are likely to continue. However with recent increases in house prices, DTZ would expect to see a halt to the growth of the private rented sector, and perhaps a decline in the sector as demand from owner occupiers grows, and over time this would help change the demographic profile of the area.
- 10.27 It is hard to predict the impact on the residential development market. We would expect the development market in rural Rother to remain robust, and to remain positive in Bexhill and upon smaller sites in Hastings. The cooling of the housing market nationally may make it more difficult to ensure that major schemes in Hastings get underway, since they will rely to a significant degree on demand being generated from outside of the local market area. This would indicate that continued efforts to sell the quality of life in the area be maintained.
- 10.28 Were a faster rate of economic growth than anticipated above to be achieved, with significant creation of new jobs, this would provide a powerful stimulus to the development market, and create confidence. It would encourage a different pattern of in-

migration and start to reverse the pattern of selective migration apparent in the 1990s. The likelihood is that the process would encourage some restructuring in the private rented market and sale of private rented properties for owner occupation. A less welcome development would probably be a decline in the affordability of home ownership and potentially an increase in homelessness as people are displaced from the private rented sector.

- 10.29 A slow down in economic growth within the sub-region would most likely be associated with a slow down in the national and regional economy. As a relatively weak economy the effects could well be magnified in the sub-region. Rising unemployment would have an impact on the housing market in terms of potentially fewer transactions and stagnant or slowing/declining house prices. This would discourage new development. If an economic slow down is associated with rising interest rates, the combination of higher outgoings on consumer debt and unemployment could present many households with severe difficulties in servicing their mortgage.

Figure 10.10: Household Composition Breakdown 2006

	No. of Persons	Hastings	Rother	Hastings & Rother
Total Households 2001		38,939	39,021	77,960
One person - Pensioner	1	6,852	8,918	15,770
One person - Other	1	8,032	4,426	12,458
Pensioners	2	3,353	6,647	10,001
Couple households - No children	2	6,633	7,095	13,728
Couple households - With only one dependent child	3	2,847	2,290	5,137
Couple households - With two or more dependent children	4+	4,681	4,248	8,929
Couple households - All children non-dependent	2	1,656	1,857	3,514
Lone parent households - With only one dependent child	2	1,056	483	1,539
Lone parent households - With two or more dependent children	3+	1,046	461	1,507
Lone parent households - All children non-dependent	1	641	460	1,102
Other - One dependent child	2	352	326	677
Other - Two + Dependents	3+	401	384	785
Other - All student	1	18	4	21
Other - All pensioner	2	210	342	552
Other - Other	2	1,160	1,081	2,241

Figure 10.11: Household Composition Breakdown Forecast for 2026

	Size	Hastings	Rother	Hastings & Rother
Total Forecast Households 2026		42,931	44,239	87,170
One person - Pensioner	1	8,695	11,134	19,829
One person - Other	1	10,193	5,525	15,718
Pensioners	2	3,214	6,994	10,207
Couple households - No children	2	6,357	7,464	13,821
Couple households - With only one dependent child	3	2,729	2,409	5,138
Couple households - With two or more dependent children	4+	4,486	4,469	8,956
Couple households - All children non-dependent	2	1,587	1,954	3,541
Lone parent households - With only one dependent child	2	1,253	564	1,818
Lone parent households - With two or more dependent children	3+	1,242	539	1,780
Lone parent households - All children non-dependent	1	761	538	1,299
Other - One dependent child	2	396	404	800
Other - Two + Dependents	3+	452	476	929
Other - All student	1	20	4	24
Other - All pensioner	2	237	424	661
Other - Other	2	1,308	1,340	2,648

10.30 The analysis presented in Figures 10.10 and 10.11 enables a detailed estimate to be established of the broad magnitude of change in household type and size between 2006 and 2026 in the sub-region, using the available evidence. The data suggests that across the sub-region the highest growth will occur in single person households, with around 7,300 additional single person households over this period (Figure 10.10), though as noted in para 10.12 DTZ believe that this may overstate growth of this household type. Despite this caveat it is clear that, without policy intervention to seek to change the type of households entering the sub-region, single and elderly households are likely to be the dominant drivers of household growth in the future.

Figure 10.12: Forecast of Net Household Type 2001 and 2026

	Size	Hastings and Rother 2001	Hastings & Rother 2026	Net Enalrgement
Total Households		77,960	87,170	9,210
One person - Pensioner	1	15,770	19,829	4,059
One person - Other	1	12,458	15,718	3,260
Pensioners	2	10,001	10,207	207
Couple households - No children	2	13,728	13,821	93
Couple households - With only one dependent child	3	5,137	5,138	1
Couple households - With two or more dependent children	4+	8,929	8,956	26
Couple households - All children non-dependent	2	3,514	3,541	28
Lone parent households - With only one dependent child	2	1,539	1,818	279
Lone parent households - With two or more dependent children	3+	1,507	1,780	273
Lone parent households - All children non-dependent	1	1,102	1,299	198
Other - One dependent child	2	677	800	123
Other - Two + Dependents	3+	785	929	143
Other - All student	1	21	24	3
Other - All pensioner	2	552	661	109
Other - Other	2	2,241	2,648	407

The Relationship Between Household Size/Type and Dwelling Size

- 10.31 The relationship between household size and type and dwelling size and type is not straightforward. The conventional logic that household size and dwelling size have a direct correlation is misleading. Research examined in Section 8 of this report (Anglia University), for example, highlights that dwellings with more than seven rooms are popular and widely purchased and occupied by single or two-person households. According to this research, government policy orientated towards building smaller properties for smaller households fails to understand the aspirations and needs of British people.
- 10.32 The complexity of the relationship between household size and dwelling size is illustrated in Figures 10.13, 10.14 and 10.15. These show the relationship of household size and dwelling size in the South East of England. Figure 10.13 and 10.14 show the proportion of those living in different sized properties in terms of the household size of those that live in dwellings of that size. Figure 10.15 show what proportion of households of a particular size live in different sized dwellings. It is possible to undertake the same analysis using household type instead of household size (see Figures 10.16, 10.17 and 10.18).
- 10.33 Figure 10.14 shows that while 1 and 2 bed dwellings are lived in almost exclusively by small households, significant numbers of larger properties accommodate one or two person households. Thus two person households account for a greater proportion of dwellings with 6 or more bedrooms (14%) than six person households (13%). Two person households also occupy the largest proportion of four bed houses (39%). Figure 10.15 shows that over a third of all one person households live in dwellings with three or more bedrooms.

Figure 10.13: Household Size by Size of Property in the South East (2001)

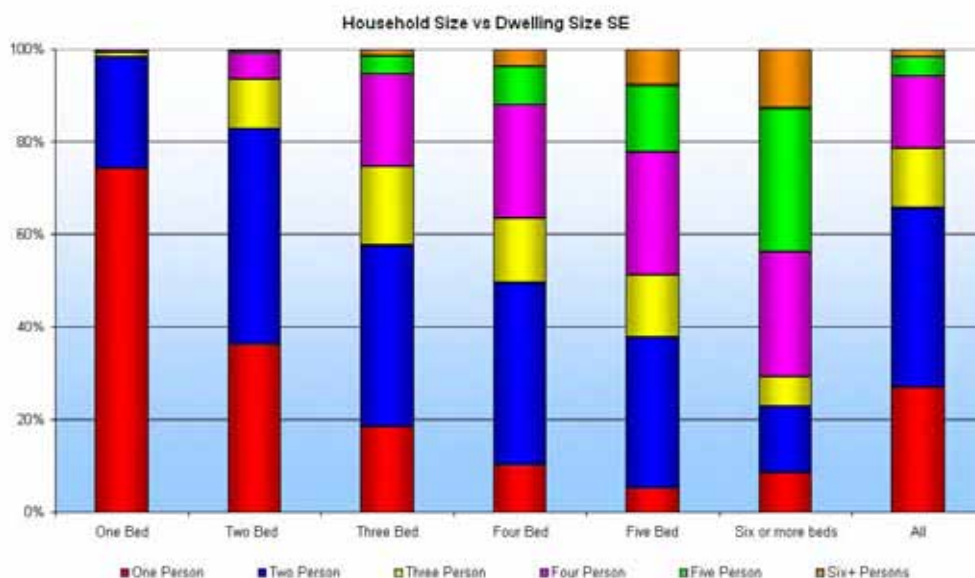


Figure 10.14: Size of Household by Size of Property in South East England

	One Bed	Two Bed	Three Bed	Four Bed	Five Bed	Six or more beds	All
One Person	74	36	18	10	5	9	27
Two Person	24	47	39	39	33	14	39
Three Person	1	11	17	14	13	6	13
Four Person	1	6	20	24	26	27	15
Five Person	0	1	4	8	14	31	4
Six+ Persons	0	0	2	4	8	13	2
Total	100%	100%	100%	100%	100%	100%	100%

Source: Survey of English Housing/ODPM

Figure 10.15: Size of Property by Size of Household in South East England

	One Bed	Two Bed	Three Bed	Four Bed	Five Bed	Six or more beds	All
One Person	32	31	29	7	1	0	100
Two Person	7	28	43	18	3	0	100
Three Person	1	19	56	19	4	1	100
Four Person	1	9	55	27	7	2	100
Five Person	0	4	39	35	14	8	100
Six+ Persons	0	2	38	36	17	7	100
Total	41	94	260	141	46	18	

Figure 10.16: Household Type by Size of Property in the South East (2001)

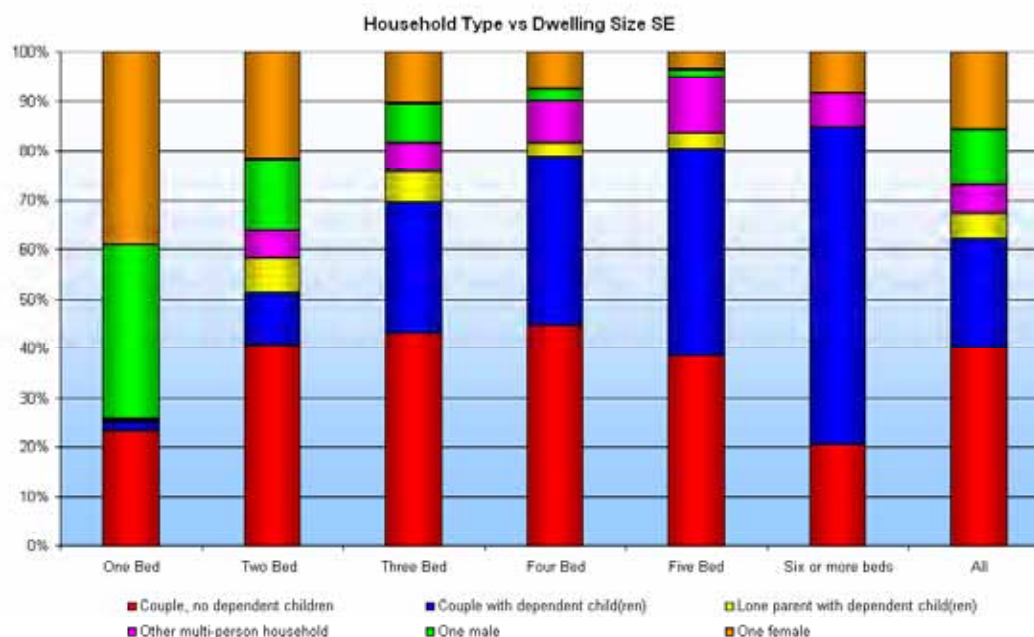


Figure 10.17: Household Type by Size of Property in South East England

	One Bed	Two Bed	Three Bed	Four Bed	Five Bed	Six + beds	All
Couple, no dependent children	23	41	43	45	38	21	40
Couple with dependent child(ren)	2	11	26	34	42	64	22
Lone parent with dependent child(ren)	0	7	6	3	3	0	5
Other multi-person household	0	6	6	8	11	7	6
One male	35	14	8	3	1	0	11
One female	39	22	11	8	4	9	16
Total	100%	100%	100%	100%	100%	100%	100%

Source: Survey of English Housing/ODPM

Figure 10.18: Size of Property by Type of Household in South East England

	One Bed	Two Bed	Three Bed	Four Bed	Five Bed	Six + beds	All
Couple, no dependent children	7	24	46	19	4	1	100
Couple with dependent child(ren)	1	11	51	27	8	3	100
Lone parent with dependent child(ren)	1	32	54	10	3	0	100
Other multi-person household	1	23	43	25	8	1	100
One male	36	30	29	4	1	0	100
One female	29	33	28	8	1	1	100
Total	75	153	251	93	23	5	

10.34 Figure 10.17 shows very significant numbers of couples without children living in 4/5/6 bed dwellings. Figure 10.18 shows that while two thirds of all single person households

live in one or two bed dwellings, many live in three bed properties. The implications are that it is very hard to translate projections of particular household types into forecasts of what the market demand will be for particular types of property, not least because the figures presented include both market housing and social housing.

- 10.35 Clearly the relationship between household size, type and property size reflects a complex mix of socio-economic variables. The relatively high proportion of couples without children occupying larger properties may reflect the existence of many 'empty nesters' – those who have had children who have now left the family home, but have not downsized. Equally it may reflect the growing number of dinkies – dual income households with no children, who have substantial purchasing power.
- 10.36 In terms of policy implications for the Hastings and Rother sub-region, DTZ would counsel considerable caution in interpreting the anticipated growth in single person households as implying a requirement for the bulk of new housing provision to take the form of small unit for the following reasons:
- We are not wholly confident that the projections are not biased by particular circumstances that may have led to considerable growth in single person households in the sub-region in the 1990s, that will continue in future.
 - In any event policy makers may wish to try to restrain the trend. For policy reasons concerned with maintaining a balanced population and achieving mixed communities, policy makers may wish to counter the current bias to single person households in Hastings and Rother.
 - As evidenced by the analysis above, there can be no presumption that growth in small households necessarily implies that these households can only afford to purchase small dwellings. This may be true of new market entrants, but some of the growth in single households will be the result of the aging population which are likely to under-occupy larger properties for a long period of time.
 - In any event it may be that any increase in demand for smaller properties is better met by adaptation within the existing stock. It would be probably deemed a positive development if some of the stock of poor condition private rented property was improved and sold for owner occupation.

11 CONCLUSIONS AND IMPLICATIONS

11.01 A key reason for undertaking this HMA is to inform the development of the Local Development Frameworks for Hastings and Rother. There are three major housing issues that need to be addressed within the emerging LDFs:

- The overall volume of housing to be developed in the plan period
- The tenure and type of market housing to be provided
- The level and type of affordable housing provision

11.02 Each of these issues is discussed in turn.

The Overall Volume of Housing to be Developed in the Plan Period

11.03 The South East England Regional Assembly issued a draft of the Regional Spatial Strategy for the South East region, known as the South East Plan in July 2005. This identifies various options in terms of the overall level of planned housing provision in the South East in the period to 2026, and its spatial distribution between various sub-regions. The full plan is to be submitted to the government in Spring 2006.

11.04 Hastings and around half the area of Rother District fall within the Sussex Coast sub-region as defined in the South East Plan. The local authorities in the sub-region have worked in accordance with a brief issued by the Assembly to determine the planned distribution of new housing provision by district. The proposals brought forward by the local authorities envisage net additional provision of some 10,400 dwellings in the sub-region between 2006 and 2026, a net annual provision of almost 500 dwellings pa. Table 11.1 summarises the breakdown by area within the sub-region.

Table 11.1: Planned Dwelling Provision in the Hastings & Rother Sub Region

	Annual Average Net Dwelling Increase 2006 – 2026	District Total 2006 – 2026
Hastings	210	4,800
Rother	280	5,600
<i>of which:</i>		
<i>West Sussex Coast Sub Region</i>	200	
<i>Rest of County area</i>	80	
Total for Hastings & Rother Sub Region	490	10,400

11.05 Over the period 1991 to 2004 on average 450 new dwelling have been built each year. The proposed rate of net dwelling provision in the response to the RSS (490 dwellings pa) is much more in line with historic rates of completions than the former Structure Plan requirement of 575 new dwellings per annum. The local authorities' joint housing trajectory (see Figure 6.15) indicates a very sizeable increase in housing completions over the next 5 years, which is required to catch up with the shortfall of completions against Structure Plan targets over the last decade. This may be difficult to achieve in a slowing market, and the appetite of the market for the level of planned new provision is largely untested.

- 11.06 It is important also to note that the figures put forward by the authorities in the Sussex Coast sub-region may not be accepted by the Regional Assembly and the government may take the view that the Assembly should be planning for higher levels of housing provision than contained in the Final Plan submitted to government. The government has indicated in its December 2005 response to the Barker Review its intention to increase the overall annual provision of new housing in England from around 150,000 dwellings pa to 200,000 dwellings pa by 2016 as part of a strategy to improve the affordability of market housing.
- 11.07 The levels of housing provision set out in Table 11.1 are therefore the minimum that the sub-regional partners are likely to be required to deliver. DTZ expect that delivering this volume of new housing consistently year in year out will be challenging. The sub-region is fortunate however in that there is an established delivery vehicle – Sea Space – that can be involved in pushing forward new housing development and co-ordinating infrastructure provision etc. It will be important that Sea Space continues to be resourced to perform this role.
- 11.08 Hastings and Rother is therefore well placed in terms of institutional capacity to secure development compared to many other parts of the South East and South West where DTZ has been undertaken HMAs. However market appetite for new development may still act as a constraint, particularly on more difficult sites. This may mean that the authorities have to be flexible in terms of the degree to which they can achieve other housing and planning objectives when approving development proposals. We have taken this into account in the development of our recommendations regarding the type and tenure mix of both market and affordable housing, as set out below.
- 11.09 Hastings BC, Rother DC and Sea Space will also need to consider the new requirements set out in draft PPS3: Housing issued in December 2005 with regard to the supply of housing land. Authorities are expected in Local Development Documents to ensure provision of at least 5 years supply of land for residential development. The five year supply should be allocated land that is developable – meaning that it is capable of being developed within 5 years, suitable for residential development and that housing development on the site is viable. Authorities will be expected to undertake land availability assessments on a sub-regional basis.

Government Policy Relating to Tenure Mix and Housing Type

- 11.10 The new draft PPS3 consolidates government thinking on planning for mixed communities and what that should mean in terms of planning for a mix of tenures and housing types in new development. The government wishes to foster the creation of mixed communities – though what this means in practice is not defined, nor the spatial level at which a mix is to be achieved (eg within neighbourhoods, or across sub-regions).
- 11.11 DTZ take the view that it is clearly important to avoid creating concentrations of disadvantage, such as associated with large estates of social rented housing, or areas dominated by low cost private renting. It is also probably desirable to avoid neighbourhoods where everyone is of the same income and socio-economic group, though in practice this is what many home owners would prefer and is probably characteristic of many neighbourhoods.
- 11.12 It is also important to recognise that neighbourhoods have different characteristics and that this is important to providing a variety of choice in the housing market. It is broadly accepted for example that the development of city centre housing appeals particularly to younger single people and couples. Suburban locations are often favoured by families who

place a higher value on having gardens and access to schools. Such variety should be valued as part of creating diverse and liveable towns .

- 11.13 Policy as set out in draft PPS3 is that authorities should be aware of the *'overall balance of different household types to be provided for across the plan area, to ensure housing provision is made for example for family, single person, and multi-person households. In planning at site level, it is important that a broad mix of housing suitable for different household types is provided on larger sites. For smaller sites, the mix of housing should contribute to the creation of mixed communities'*. PPS3 does not indicate a requirement for specific targets for different types or sizes of dwellings.
- 11.14 Thus Local Development Documents need to provide indications of the type of dwellings to be provided to meet household demand within the sub-region. But the government has made it clear that it does not envisage highly prescriptive targets for different types of dwelling, since this would undermine the responsiveness of the market to demand: rather, authorities should provide a strategic assessment of where there are gaps within current housing provision and identify in broad terms the relative priority to be accorded to development of different types of dwelling.
- 11.15 With respect to affordable housing, draft PPS3 indicates that there is a need to establish an overall target for affordable housing provision. Separate targets should be set for social rented and intermediate housing. Local authorities will need to consider the location, size and type of affordable housing provision; but these are not necessarily things that need to be set out in Local Development Documents. Local authorities can influence the pattern of provision in the light of current needs, as identified by analysis of Local Housing Registers, through their relationship with housing associations.

Policies to Influence the Type and Tenure of Housing

- 11.16 Hastings BC and Rother DC therefore has a responsibility to think about the implications of planning for mixed communities and planning for the types of household that will be living in the sub-region in the future. This thinking should inform how the local authorities seek in to influence the type and size of dwellings both in new private sector development and in terms of affordable housing provision, the latter through its partnership with Registered Social Landlords.
- 11.17 In addition to planning for mixed communities and for the types of household that will be living in the sub-region in the future (discussed in Section 10) DTZ believe that three additional considerations that need to be taken into account by the authorities in seeking to influence the type and size of dwelling provision:
- Evidence of market demand
 - The nature and location of the site
 - Long term policy objectives.
- 11.18 We consider each of these factors in turn.
- 11.19 **Market Demand:** It is accepted throughout the majority of the economy that markets provide a highly effective way of matching demand and supply, and that the relative profitability of different products provide a powerful signal to enable the allocation of those resources to where they produce the greatest benefits to society. The market for new housing is a highly regulated market, because the private market cannot fully take into account all the societal costs and benefits arising from a certain pattern of land use. But

market signals can still play a very important role in indicating what type and size of dwelling is most in demand.

- 11.20 DTZ would therefore argue that there should be a presumption in favour of permitting house builders and developers to interpret current market requirements in terms of the size and type of dwellings, within a framework of what is deemed suitable in terms of different locations and appropriate household types. This is consistent with draft PPS3. This framework may, for example, indicate that higher density development is desirable in more central locations well served by public transport, than in areas characterized at present by lower densities and where houses rather than flats currently predominate.
- 11.21 It needs to be appreciated that at different stages in the housing market cycle different forms of development may be brought forward in different quantities. Arguably the high proportion of flats produced over the last few years, reflects the particular characteristics of a rising market, where new entrants have been keen to get a foothold in the market, and where there has been a shortage of suitable housing product. Given the volume of this product developed in recent years it is quite realistic to anticipate a relative shift back to building of houses in the next 5 years, or the development of a different type of flatted product.
- 11.22 In a similar way as house builders interpret market data and respond accordingly, local authorities and RSLs need to work together to identify priority needs in terms of affordable housing provision based on analysis of the size of dwelling required by those in priority housing need. Proper consideration needs to be given both to households' current housing needs and their future requirements, assuming they remain in the social housing sector. It may not always be sensible to seek to provide smaller units even if this reflects the current requirements, if it is anticipated that the number of families requiring social housing will increase in future as those households currently being housed have more children.
- 11.23 **The Nature and Location of the Site:** Different sites and locations will lend themselves to provision of different dwelling types, densities, and hence size of dwellings.¹ Normal planning considerations need to be applied taking into account the characteristics of particular sites and the surrounding area. This implies it will not always be appropriate to maximise density. Town centres will typically lend themselves to higher density development than more suburban locations. Regard will be had to density and hence type of development with respect to access and traffic generation.
- 11.24 In Hastings and Rother there are in reality a number of different local housing markets, based on Hastings and Bexhill and the market towns and villages of rural Rother. Within such settlements it may well be appropriate to seek to ensure a choice of housing provision, so that people in different circumstances and with different requirements can live in that settlement without the need to move elsewhere in the sub-region. It may therefore be sensible to deliberately seek to encourage greater variety of provision (in terms of dwelling type and size) at the level of individual settlements.
- 11.25 **Long Term Policy Objectives:** Sections 4 and 10 highlighted how there is a close inter-relationship between the economic performance of Hastings and Rother sub-region, its housing market, patterns of net in-migration and the social composition of the sub-region. As shown in Section 4, the Hastings and Rother sub-region has significantly under-performed the South East and East Sussex on virtually every indicator of economic health for many years. An improvement in the economic performance of the area would not only

¹ Different sub-areas within the sub-region have been identified in the identification of the sub-region's spatial extent and operation in Section 2.

enhance the prospects of existing residents, but also help to attract higher paid and more skilled labour into the sub-region.

- 11.26 SEEDA and its local partners are seeking to address the historic economic underperformance of the sub-region. Policy makers should consider the contribution that new housing provision might make to improving the economic performance of the area. Inward investment is powerfully influenced by three key factors; the availability of skilled labour, the quality of life (including attractive housing and neighbourhoods) and strategic accessibility. Hastings and Bexhill are never going to enjoy a competitive advantage in terms of accessibility, though widespread access to broadband can offset some of the disadvantages of distance.
- 11.27 The sub-region therefore has to compete more in terms of its quality of life offer, and try to redress the lack of higher level skills in the sub-region. Development of good quality new housing could help to change the image of the Hastings and Bexhill and enhance the perceived quality of life of both towns. It is also possible that provision of suitable new housing could help foster the in-migration of more skilled people. A more skilled resident workforce would enhance the ability of Hastings and Bexhill to attract mobile business investment and thus contribute to economic development.
- 11.28 Changes in the structure of in-migration to the sub-region would over time have some impact on the social structure of the sub-region. Policy makers in the sub-region should also appreciate that the type of market housing developed and the balance between market and affordable housing is one of the mechanisms by which they can influence the social make up of particular neighbourhoods, and hence reduce concentrations of disadvantage. Annual housing completions are currently the equivalent of around 0.5% of the stock. Thus over the next 20 years, there is the scope to exert some influence over the characteristics of at least 10% of the households and stock of dwellings in the sub-region.
- 11.29 The implication is that policies on the type of market housing to be provided for in the Hastings and Rother sub-region should not be dictated solely by analysis of where there are gaps in relation to future housing demand arising from forecast household types in the sub-region. There is a need to take into account wider economic and social regeneration objectives. Decisions about future provision of housing, both in the market and affordable sector should not be divorced from policy ambitions that Hastings BC, Rother DC and their partners have for the sub-region as a whole as an integrated housing and labour market.
- 11.30 Thus in considering policies for mix of tenures and type of housing there is a need to consider the contribution that future housing provision can make to four distinct objectives:
- The need to plan for future requirements in terms of household types – where the evidence presented in Section 10 highlights a substantial increase in single person households. This should not be taken as simplistically meaning that all, or even necessarily the majority, of new provision should be of 1 or 2 bed properties, the authorities must consider how this growth is likely to be accommodated. Satisfying demand for larger property through new development could well free up significant volumes of smaller dwellings.
 - The desire to promote economic development, which would indicate the desirability of bringing forward significant brownfield sites identified for housing at an early stage, as a means of improving the physical environment of Hastings and Bexhill, and helping to create a positive image of progress. It could also indicate the desirability of creating housing attractive to potential in-migrants who have higher level skills.

- The need for regeneration of particular neighbourhoods with high levels of disadvantage. In such areas new housing provision can help to improve the physical environment, but it can also help to start to change the social balance of the neighbourhood through decisions about the tenure mix and type of new housing provided. In this way concentrations of disadvantage may be diluted through new development.
- The pressing need for affordable housing in rural Rother where high housing costs relative to local incomes, makes access to owner occupation unaffordable for many, but there is also a lack of social housing or cheap private rented accommodation when compared to Bexhill and Hastings.

11.31 The identification of the above policy objectives would suggest the need for different policies regarding the mix of tenure and types of new housing in different parts of the sub-region (see for example the different sub-areas of the Hastings and Rother housing market identified in Section 2) to recognise the different characteristics, needs and opportunities for development. Interweaved with these differences it is also important to recognise that the mix of dwelling types and tenures that is appropriate will depend in part on the nature of the site; for example high density development, which implies often a high proportion of flats, are better suited to some locations than others. Equally site economics need to be considered when determining the mix of affordable and market housing.

11.32 In the debate about the mix and type of dwellings that should be provided locally in future it is important that policy makers determine the extent of their ability to shape the outcome of provision. In doing so it is helpful to identify those processes at work in the market and society that the authority (or the public sector as a whole working through the LSP) can or is obliged to:

- **Control:** in planning terms, authorities have greater scope to prevent certain types of development, though through the appeal process they may find they do not have absolute control to prevent certain types of development. Authorities rarely have the ability to ensure with certainty that a certain type of development takes place, because development is undertaken by the private sector, and if the conditions are not right, developers will not invest.
- **Influence:** in practice most planning policies seek to influence the pattern of development, and planning does indeed influence the pattern of physical development. What is much less subject to influence are some outcomes. Thus an authority may seek to promote a certain type of housing development to help change the socio-economic profile of an area. However, it has no control over who buys or rents market properties, and hence who comes to live in them – though it can exert influence on the characteristics of the resident households through the allocation of affordable housing.
- **Accept:** there are important influences on the housing market that local authorities have no control over. For example the decline in interest rates over the past 5 years has been an important factor in making mortgages more affordable, and this has helped maintain demand despite rising house prices. Notwithstanding the recommendations of the Barker Review for action to tackle long term house price inflation, the reality is that at local authority level there is little that can be done to influence the pattern of house price change – and this can have significant effects on the need for affordable housing.

11.33 It is important that authorities have an accurate assessment of what they can control, what they can influence and what they have to accept and plan an appropriate response to.

Considerations in Determining Tenure Mix

- 11.34 Local authorities have no real control over the tenure mix of the market sector. Properties move in and out of private renting and owner occupation according to market conditions. The sub-region is unusual in having a high level of private renting (16% overall, with more than one in 5 homes in Hastings being rented compared with 12% in Rother). The scale of private renting in Hastings is probably a key factor in the particularly large number of single person households. There are areas of significant disadvantage associated with concentration of private renting.
- 11.35 The large scale of private renting in Hastings probably reflects in part the historic stock of housing in Hastings – with large dwellings lending themselves to sub-division. It may well also reflect the fact that house prices have been low, so private renting has provided a good return on capital despite relatively low rents. Demand has been buoyed by the attractions for single people of low rents and the chance to live next to the sea.
- 11.36 On balance DTZ believes that the local authorities, and particularly Hastings, should not seek to further encourage development of the lower cost private rented sector – though there is little that it can do to prevent it. But the authorities do need to be prepared for the possibility that if prices in Hastings (and Bexhill) continue to increase then landlords may decide to realise their capital gains, and sell to owner occupiers. This could create additional demand for social rented housing.
- 11.37 There are fewer issues associated with private renting for the upper end of the market, though were buy-to-let investors to purchase a high proportion of units in new developments, this may work against objectives of creating more stable communities in some parts of the urban area. It is worth noting that the development of additional Higher Education provision in Hastings is likely to increase demand for private renting in Hastings, and may potentially displace some existing private rented tenants.
- 11.38 However the main policy concern of Hastings BC and Rother DC is the split between market provision of housing and affordable housing provision. The local authorities can exert considerable influence over this through its planning policies; though it cannot ultimately control the overall output of affordable housing provision, since the volume of affordable housing provided is largely determined by the level of market housing developed – and whether planning permissions are submitted or built out is in the hands of the private sector. Affordable housing policy is one of the factors that influences the decision making processes of private house builders.
- 11.39 In determining an appropriate quota for affordable housing provision as part of new development consideration needs to be given to six inter-related factors:
- Housing needs
 - Development economics
 - Grant aid
 - Affordability
 - Housing aspirations
 - Mixed communities.

- 11.40 A key factor in determining policy on affordable housing provision is the scale of housing needs. In Hasting and Rother sub-region this has been assessed recently through the recent Housing Need Surveys. DTZ would summarise the report as indicating that there is a need within the sub-region for as much affordable housing as can realistically be developed. Looking at the scale of need, relative to the amount that is likely to be provided in association with new development, there is little prospect of all the needs identified being satisfied. Indeed the overall annual shortfall across the sub-region of some 570 dwellings pa is more than the combined total of new market and affordable housing built each year over the last decade. The issue of what level of housing quota to set thus depends on the assessment of the other five factors.
- 11.41 In particular consideration must be given to the effect of requiring a certain proportion of new housing development in the form of affordable housing on development economics. If the requirement for affordable housing is set too high, then this may act as a deterrent to new development, and both the output of new market and affordable homes may fall below desired levels. Setting the affordable housing quota too high may thus reduce the output of affordable homes. Equally in some contexts, where there is scope for incentivising new housebuilding and planning policy is such that an overall increase in housing completions is deemed desirable, a higher output of affordable housing could be achieved by having a relatively modest affordable housing quota.
- 11.42 Development economics are likely to vary considerably across the sub-region. In Hastings most of the available sites are brownfield sites, many of them small, and the hilly character of the town adds to development costs. The relatively weak market and unproven market for innovative new product is another consideration. In contrast land values and the appetite for development in rural Rother are much more positive, which provides greater scope for securing higher levels of affordable housing provision.
- 11.43 Thus there is likely to be a need to establish different affordable housing targets for different parts of the sub-region. Flexibility may also be required in applying any target depending on particular site characteristics: it may for example be necessary to accept a lower level of provision where the development is on land that requires complex and costly remediation or unusual infrastructure requirements.
- 11.44 The changing funding arrangements for affordable housing provision also introduce a degree of uncertainty into the overall economics of new housing developments. In the past it has generally been possible for RSLs to secure grant aid for affordable housing provision on sites made available through the Section 106 process. This may not be the case in future.
- 11.45 These considerations point to a need for the Hastings BC and Rother DC, to enhance their appreciation of development economics, so that they understand where and when it is appropriate and realistic to insist on full achievement of the target quota, and where and when it is appropriate to agree a lower percentage figure for affordable housing provision. It is worth seeking to develop a collective appreciation amongst the public sector stakeholders in the sub-region and is perhaps something that Sea Space could be tasked with. It is important that authorities cannot be played off against one another; and that they develop their collective negotiating skills.
- 11.46 Some flexibility in how the achievement of the affordable housing quota can be met will be helpful in negotiations and is likely to be appropriate in terms of the pattern of housing needs and affordability and in the light of people's housing aspirations and the desire to build mixed income communities. Key considerations are as follows:

- Even if it were possible to negotiate that $\frac{1}{2}$ of all new dwellings on a site should be affordable housing it might not be desirable that these should all be traditional social rented properties, this might not be deemed desirable on larger developments. In recent years there has been growing recognition of the undesirability of creating large concentrations of social housing tenants, and the desirability of creating mixed income communities at the neighbourhood level. On larger developments or developments in areas which already have a high level of social rented housing it may be deemed desirable in terms of building balanced communities to encourage an element of shared ownership or other forms of intermediate housing.
- Home ownership is the tenure of choice of virtually all households in England regardless of tenure. government policy has reflected this in the past through encouragement of the Right to Buy, and the current government has indicated its intention to develop new intermediate housing products such as Home Buy to meet the aspiration for home ownership. Provision of intermediate housing can go some way to meeting identified needs. Not all those in housing need want or need social rented housing. It therefore makes sense in terms of an overall housing strategy to plan for a certain level of intermediate housing provision.
- Finally it is often the case that separate funding provision is made for intermediate housing. Planning for a certain level of intermediate housing provision is therefore sensible as part of a strategy to maximise the level of public funding secured for affordable housing. It also provides flexibility in negotiation with developers. In general developers are more willing to envisage provision of intermediate housing as part of their development than social rented housing since the impact on development value is less. Thus, being willing in principle to envisage that part of the affordable housing requirement may be met by provision of intermediate housing can be helpful in reaching agreement with developers on affordable housing provision.

11.47 All of the above indicates that the provision of shared ownership and other intermediate housing products should form part of Hastings BC and Rother DC's affordable housing policies. It is hard to say how significant an element it should play since the affordability of shared ownership products varies with market conditions and interest rates; funding opportunities come and go; and there remains a generally poor understanding of intermediate housing products among consumers – which is not helped by the variety of initiatives and different products launched, each with different eligibility criteria and characteristics.

Recommendations Regarding Tenure Mix and Dwelling Type Mix

Hastings

- 11.48 Hastings BC currently seeks to achieve a target of 25% affordable housing on brownfield sites within the Borough, and 30% on greenfield sites. The majority of sites within Hastings are brownfield sites. At present the expectation is that all affordable housing should take the form of social rented housing; there is no expectation of part of the affordable housing quota being met through provision of intermediate housing.
- 11.49 A key consideration in Hastings is the need for both economic development and regeneration at the neighbourhood level. DTZ has not undertaken an assessment of housing sites as part of this study, not investigated development economics within Hastings. However our understanding is that many housing sites are relatively small, and the fact that many are brownfield sites makes them relatively expensive to develop.
- 11.50 While there is a considerable need for additional affordable housing, DTZ believe that there could only be a justification for increasing the affordable housing quota if there is clear evidence that this will not adversely impact the overall level of residential development. The housing market is generally less robust than it was 18 months ago, so DTZ take the view that probably now is not the time to seek to increase affordable housing quotas.
- 11.51 Relatively low house prices in Hastings has meant that home ownership is relatively affordable compared to many parts of the South East. The environment is therefore less conducive to shared ownership than in many areas of the South East, and there can be little justification for intermediate renting in a market with a large and generally low cost private rented sector.
- 11.52 DTZ doubt therefore that there will be much call for intermediate housing products in Hastings. DTZ would recommend however that Hastings BC ensures that affordable housing policy is drafted to as to allow the possibility of part of the affordable housing requirement on development sites to be provided in the form of intermediate housing. This would serve three purposes:
- Often funds are allocated for low cost home ownership through separate processes to those allocated for social rented housing. A policy that acknowledges the scope for intermediate housing keeps open the possibility of drawing in additional resources for affordable housing, that would not be otherwise available (though if funds are available it might be that they are better used elsewhere in the sub-region).
 - It could be helpful on larger sites in neighbourhoods that already have a large concentration of social or low cost private rented housing to be able to promote low cost home ownership, rather than reinforcing the neighbourhood concentration of very low income households, by further development of social rented housing.
 - A policy that allows for an element of the affordable housing component to be met by provision of intermediate housing, provides a degree of flexibility in negotiation with developers over affordable housing provision. If the development economics on a particular site look like they may preclude provision of 25% social rented housing, it may still be possible to deliver 25% affordable housing if this is a mix of social rented and intermediate housing.

- 11.53 It would be important however, where any form of intermediate housing is proposed that care is taken to ensure that such a scheme is attractive to potential purchasers and competitive compared to buying entry level housing elsewhere in Hastings.
- 11.54 While DTZ would recommend an overall quota to secure 25% affordable housing on new development sites, we would recommend that Hastings BC considers the characteristics of the neighbourhood in determining whether this provision should be made on site, or a commuted payment made to permit off-site provision elsewhere in the Borough.
- 11.55 This recommendation reflects the fact that there are a number of severely disadvantaged neighbourhoods in Hastings, generally associated with neighbourhoods that high levels of social rented or privately rented accommodation. The maximum impact in terms of creating a more mixed community will be achieved if, in these areas, all (or most) new housing is built for home ownership.
- 11.56 Where some affordable housing provision is provided off site or developers make a commuted payment in lieu of provision, this would allow Hastings BC to promote affordable housing development in those parts of the Borough which are predominantly owner occupied and thereby promote more mixed communities in those areas.
- 11.57 The size and type of affordable housing provided in connection with new development should take account of analysis of the characteristics of those households that the local authority has a duty to house and the existing pattern of available relets. This evidence should be regularly monitored and the implications fed into discussions with housing associations.
- 11.58 With respect to size and type of new market housing, planning policy does not require the local authority to be prescriptive. Hastings BC should take into account the site and neighbourhood characteristics. But in a relatively weak development market, the Borough Council should pay close attention to what developers propose since they are likely to have the best idea of what will sell. It is also often the case that developers specialise in different products and markets, so different developers will have different knowledge as to what will sell.
- 11.59 There are three caveats to this general advice:
- The local authority should consider whether the type of new dwellings are to be used for permanent occupation or holiday letting. Second homes or holiday lettings may make a contribution to the local economy, but will do nothing to meet locally arising demand. Certain types of development may attract such interest – eg sea front apartment developments.
 - Hastings BC and its partners may wish to encourage developers to provide certain dwelling types to support their economic development objectives. This might be certain dwelling types that will attract higher income, higher skill in-migrants to the area, or innovative developments that would help to change perceptions of Hastings as a place to live and do business.
 - While household forecasts show a huge increase in single person households, it may not be desirable to concentrate very large numbers of new developments catering for this market in certain locations. It may well be that much of this requirement can be met by adaptation within the existing stock eg conversion of larger dwellings, and new developments should promote greater balance and mix.

Rural Rother

- 11.60 The rural parts of Rother experience major issues in terms of housing affordability. This is the product of high average house prices associated with a stock of larger dwellings, attractive market towns and villages set within an Area of Outstanding Natural Beauty, but low local wages. Opportunities for new residential development are constrained, and in view of both potential demand but limited opportunities for new supply, there is likely to be little difficulty in promoting new development where it is permitted.
- 11.61 Rother DC currently seeks to achieve a target of 40% affordable housing on sites within the District. In rural Rother it would probably be realistic to seek to achieve a target of 50% of affordable housing on development sites, and justifiable in terms of housing need. The majority of sites coming forward for development in Rural Rother will be small sites so consideration also needs to be given to a lower threshold for application of affordable housing policies.
- 11.62 The stock of social rented housing in rural Rother has been eroded by the Right to Buy, and therefore the majority of market towns and villages are owner occupied. In the light of this, and the small average size of new developments, DTZ see no major issues in seeking to ensure that all of the affordable housing component on sites in rural Rother are social rented housing.
- 11.63 However funding may present a constraint on the development of social rented housing. Moreover high costs of entering the owner occupied sector in rural Rother means that there may be more of a market for intermediate housing than in Hastings and Bexhill. It may also be deemed desirable to offer people with strong local connections the opportunity to buy in the rural area. Hence it would be sensible to plan for a proportion of intermediate housing – say up to 20% of the total housing provision.
- 11.64 Draft PPS3 Housing also contains a proposal that authorities can allocate sites in market towns and larger villages solely for affordable housing. This could be a very useful tool for Rother DC to use in encouraging provision of additional affordable housing in its rural area. Existing powers to foster new development on exception sites remain unaltered and should also be reflected in policy and active steps taken to identify and bring forward such sites.
- 11.65 The size and type of affordable housing provided in connection with new development should take account of analysis of the characteristics of those households that the local authority has a duty to house and the existing pattern of available lets within the rural area. This evidence should be regularly monitored and the implications fed into discussions with housing associations.
- 11.66 With respect to size and type of new market housing, DTZ would recommend that policy encourage the provision of smaller units. One of the reasons for high average house prices within the rural area is a bias to larger and detached properties. Encouraging the development of smaller dwellings helps to broaden the range of entry level housing available, and should make a real contribution over time to improving affordability.
- 11.67 Encouraging enhanced provision of smaller entry level housing as part of new developments would help younger households to have amassed less equity to live in rural Rother. This will help to create more balanced communities, since the bias to larger, more expensive properties has a tendency to be reflected in a bias towards older age groups among the resident population.

Bexhill

- 11.68 Rother DC currently seeks to achieve a target of 40% affordable housing on in connection with new housing developments. Future housing provision in Bexhill will depend on a mix of urban extension on greenfield development and development of brownfield sites and small infill developments. The variety of sites to be developed may mean that economics of development are very varied and hence the potential for securing affordable housing is varies.
- 11.69 DTZ has not examined the economics of development in Bexhill, but a 40% target would seem reasonable, given the scale of housing need and the level of activity in the market. DTZ would expect, however, that an element of this might take the form of intermediate housing. However relatively low house prices in Bexhill means that home ownership is relatively affordable compared to many parts of the South East which may limit interest in shared ownership. The bias in the population to older people may also limit interest in shared ownership.²
- 11.70 DTZ would recommend however that Rother DC ensures that affordable housing policy is drafted to as to allow the possibility of part of the affordable housing requirement on development sites to be provided in the form of intermediate housing. This would serve three purposes:
- Often funds are allocated for low cost home ownership through separate processes to those allocated for social rented housing. A policy that acknowledges the scope for intermediate housing keeps open the possibility of drawing in additional resources for affordable housing, that would not be otherwise available (though if funds are available it might be that they are better used elsewhere in the sub-region).
 - On larger sites DTZ would have concerns about the impact that provision of 40% of all new dwellings as social rented housing would have on the social mix and dynamics of that community. DTZ would recommend that on major development sites the level of social rented housing should not exceed 25% of new dwellings in neighbourhoods, and that the balance comprises intermediate housing.
 - A policy that allows for an element of the affordable housing component to be met by provision of intermediate housing, provides a degree of flexibility in negotiation with developers over affordable housing provision. Intermediate housing generally has less of an adverse impact on values than social housing
- 11.71 It would be important however, where any form of intermediate housing is proposed that care is taken to ensure that such a scheme is attractive to potential purchasers and competitive compared to buying entry level housing elsewhere in Bexhill or Hastings.
- 11.72 The size and type of affordable housing provided in connection with new development should take account of analysis of the characteristics of those households that the local authority has a duty to house and the existing pattern of available re-lets. This evidence should be regularly monitored and the implications fed into discussions with housing associations.

² Shared ownership and intermediate market products tend to be overwhelmingly taken up by younger households. For example, the report for SEERA "Need for Intermediate Housing in the South East" by Cambridge University (2005) finds that 80 percent of those entering intermediate housing are under the age of 40.

- 11.73 With respect to size and type of new market housing, planning policy does not require the local authority to be prescriptive. Rother DC should take into account the site and neighbourhood characteristics. Regard should be had to:
- Market information, including the developers own intelligence about what will sell in the market conditions prevailing at the time of the application. At different stages of the market, different products may offer the best prospect of worthwhile development. As in Hastings, Rother DC may wish to take into account the extent to which the type of development provides for local demand or will stimulate in-migration, or might be associated with second home purchase.
 - The overall requirement for a significant growth in provision for smaller households, and in particular single person households. There could be concern however in seeking to concentrate very large numbers of new developments catering for this market in certain locations. Allowance should be made for the scope to meet much of this demand by adaptation of the existing housing stock.
 - Rother DC may wish to encourage developers to provide certain dwelling types to support wider policy objectives. In the context of Bexhill, this might be to encourage provisions for families and younger households. It might be deemed desirable to promote certain dwelling types that will attract higher income, higher skill in-migrants to the area, or innovative developments that would help to change perceptions of Bexhill as a place to live and do business.

ANNEX A

HMA Glossary

HMA GLOSSARY

Gross Domestic Product (GDP)

A measure of the total value of goods and services produced by the domestic economy during a given period, usually one year. Obtained by adding the value contributed by each sector of the economy in the form of profits, compensation to employees, and depreciation (consumption of capital).

Gross Value Added (GVA)

Gross Value Added is the difference between output and intermediate consumption for any given sector/industry. That is the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used up in production.

The difference between GVA at basic prices and GDP at market prices is the inclusion of taxes less subsidies on products in the latter. Since these taxes (such as VAT, excise duties etc) do not reflect output (value added) produced by the UK economy, the former measure is better for productivity analysis. As a result, GVA is now the preferred measurement for economic output in the UK.

Output

The value of final goods and services produced. In comparing output in different time periods, the effect of changes in the price level is removed. GDP is a common measure of economic output, as is GVA.

Productivity

The amount of output per unit of input (labour, equipment, and capital). There are many different ways of measuring productivity. For example, in a factory productivity might be measured based on the number of hours it takes to produce a good, while in the service sector productivity might be measured based on the revenue generated by an employee divided by his/her salary.

Unemployment/Claimant Count:

Unemployment is a count of jobless people who want to work, are available to work, and are actively seeking employment. Unemployment is calculated using data from the Labour Force Survey (LFS), so it is subject to sampling differences.

The claimant count measures only those people who are claiming unemployment-related benefits (Jobseeker's Allowance). It is always the lower measure because some unemployed people are not entitled to claim benefits, or choose not to do so. Benefits rules vary over time and between different countries, so it is more difficult to make comparisons. The claimant count comes from the administrative records of Jobcentre Plus (formerly Employment Service), and is available earlier than the LFS-based unemployment data.

Annual Business Enquiry (ABI)

The ABI measures the number of jobs located within a given geographical location.

Location Quotient

A location quotient is a commonly utilized technique for comparing locations. It measures the concentration of a specific variable in one location relative to a benchmark. For example, we have used location quotients to show the concentration of employment by sector relative to the South East

benchmark. In this case, if a location scores greater than one for a given sector, this indicates a relative concentration of employment in the sector relative to the South East. A score of less than one indicates an under-representation of employment in the sector relative to the South East.