

Housing and Economic Development Need Assessment

Hastings Borough Council and Rother District Council

August 2020

Prepared by

GL Hearn with Justin Gardner Consulting

GL Hearn
65 Gresham St
London EC2V 7NQ

T +44 (0)20 7851 4900
glhearn.com

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Quality Standards Control

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This document must only be treated as a draft unless it has been signed by the Originators and approved by a Business or Associate Director.

DATE
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ORIGINATORS
David Leyden
Senior Strategic Planner

APPROVED
Paul McColgan
Director

Matt Kinghan
Director







Limitations

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1 INTRODUCTION

- 1.1 The purpose of the Housing and Economic Development Need Assessment Study (HEDNA) is to assess future development needs for housing (both market and affordable) and employment across the Hastings and Rother area. The Study considers housing and employment need to inform the preparation of the emerging Local Plans.
- 1.2 This study forms part of the evidence base which the Councils will use in preparing and updating their planning policy. The document does not set the housing target for local authorities but provides the evidence to inform its starting position.
- 1.3 Hastings has adopted a Local Plan Strategy in February 2014 and a Development Management Plan and Policies Map in September 2015. The Rother Local Plan Core Strategy was adopted in September 2014 and the Development and Site Allocations (DaSA) Local Plan was adopted in December 2019. There are also a small number of saved policies from the Rother District 2006 Local Plan covering areas where Neighbourhood Plans are currently under preparation.

NPPF (2019) and PPG

- 1.4 The methodology used in this report responds to the NPPF (2018 and update 2019) which sets out the Government's objective to significantly boost housing supply, and the current Planning Practice Guidance (PPG) on Housing and Economic Needs Assessments.
- 1.5 Chapter 5 of the NPPF (2019) relates to delivering a sufficient supply of homes. Paragraph 60 sets out that "To determine the minimum number of homes needed, strategic policies should be informed by a local housing need assessment, conducted using the standard methodology" which is contained within in this report. However, in exceptional circumstances, an alternative approach could be justified.
- 1.6 Paragraph 61 of the NPPF (2019) sets out that "Within this context, the size, type and tenure of housing needed for different groups in the community should be assessed". It adds these specific groups include but are not limited to:
- "those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes".*
- 1.7 Paragraph 10 of the PPG¹ sets out the circumstances when a higher figure than the standard method needs to be considered include but are not limited to:

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/687239/Draft_planning_practice_guidance.pdf

“growth strategies for the area that are likely to be deliverable, for example where funding is in place to promote and facilitate additional growth (e.g. Housing Deals);

strategic infrastructure improvements that are likely to drive an increase in the homes needed locally; or

an authority agreeing to take on unmet need from neighbouring authorities, as set out in a statement of common ground;

There may, occasionally, also be situations where previous levels of housing delivery in an area, or previous assessments of need (such as a recently produced Strategic Housing Market Assessment) are significantly greater than the outcome from the standard method. Authorities will need to take this into account when considering whether it is appropriate to plan for a higher level of need than the standard model suggests.”

- 1.8 It should be emphasised that this report does not set housing targets. It provides an assessment of housing need, based on Government guidance at the time of writing, which is intended to provide input to plan-making alongside wider evidence including on land availability, environmental and other development constraints and infrastructure.

The Housing Market Area (HMA)

The Housing Market Area (HMA) comprises Hastings Borough Council along with Rother District Council administrative areas, as defined in the Hastings and Rother Strategic Housing Market Update² (SHMA) Housing Needs Assessment from June 2013.

- 1.9 As part of undertaking this HEDNA, GL Hearn have tested a number of indicators to identify whether Hastings and Rother’s Housing Market Area reaffirmed in the 2013 SHMA remains relevant. This is discussed in further detail below.

Commuting Patterns Analysis

- 1.10 Analysis of commuting patterns is based on Census 2011 data. Commuting patterns may likely have changed since this period but the census remains the only robust nationally available dataset examining commuting.
- 1.11 Commuting inflow data illustrates that in Hastings, 75.3% of all workers in the borough also live in Hastings. 18.6% of the Hastings workforce live in Rother. An additional 1.9% of the workforce live in Wealden, along with 1.6% in Eastbourne and 1.0% in Ashford.
- 1.12 Commuting outflow data shows that 77% of all residents in the district also work in the district, and 8.4% of Hastings residents work in Rother. An additional portion of Hastings residents work in Eastbourne (2.7%), Tunbridge Wells (2.7%) and Tonbridge and Malling (2.0%).

² <http://www.rother.gov.uk/CHttpHandler.ashx?id=20234&p=0>

Table 1: **Commuting patterns in and out of Hastings**

Local Authority	Commuting Inflow	Commuting Outflow
Hastings	75.3%	77.0%
Rother	18.6%	8.4%
Wealden	1.9%	0.9%
Eastbourne	1.6%	2.7%
Ashford	1.0%	-
Swale	0.8%	-
Brighton and Hove	0.4%	-
Newport	0.3%	-
South Ayrshire	0.2%	-
Tunbridge Wells	-	2.7%
Tonbridge and Malling	-	2.0%
Bexley	-	1.5%
Mid Sussex	-	1.5%
Southwark	-	0.9%
Crawley	-	0.9%
City of London	-	0.8%
Leicester	-	0.8%

Source: Census 2011

- 1.13 Analysis of commuting inflow data illustrates that in Rother, 60.7% of all workers in the district live in Rother. 20.5% of the Rother workforce live in Hastings. An additional 7.5% of the workforce live in Eastbourne, along with 3.3% in Ashford and 2.8% in Wealden.
- 1.14 Analysis of commuter outflow data in Rother indicated that 63.4% of all residents in the district also work in the district, and 20.2% of Rother residents work in Hastings. An additional portion of Rother residents work in Wealden (4.5%), Eastbourne (4.4%) and Tunbridge Wells (3.3%).

Table 2: **Commuting patterns in and out of Rother**

Local Authority	Commuting Inflow	Commuting Outflow
Rother	60.7%	63.4%
Hastings	20.5%	20.2%
Eastbourne	7.5%	4.4%
Ashford	3.3%	-
Wealden	2.8%	4.5%
Suffolk Coastal	1.3%	-
Lewes	1.0%	-
Tunbridge Wells	0.9%	3.3%
Redbridge	0.7%	-
South Lanarkshire	0.6%	-
Wokingham	0.4%	-
Thurrock	0.3%	-
Vale of White Horse	-	1.3%
Crawley	-	1.2%
Brighton and Hove	-	1.2%
Epsom and Ewell	-	0.6%

Source: Census 2011

Migration Analysis

- 1.15 When observing migration patterns, ONS Migration Matrices (2018) on internal UK migration has been used. Regarding Tables 3 and 4, it is evident that the internal migration patterns of the Hastings and Rother HMA are closely aligned, with a statistically stronger relationship to one another as compared to neighbouring local authorities.
- 1.16 In table 3 below, migration in and out of the Borough of Hastings was analysed. A total of 4,505 people migrated into Hastings in 2018. In-Migration from Eastbourne and Brighton and Hove accounted for 4% each respectively. This is an increase of 22% for Eastbourne and 45% for Brighton and Hove from 2011. Despite high percentage increases, in actuality, only 183 people migrated from Eastbourne (as compared to 150 in 2011) and 159 people migrated from Brighton and Hove (as compared to 130 in 2011). This is compared to 1,217 people (or 27% of all in-migrants) migrating from Rother in 2018 as compared to 1,130 in 2011.
- 1.17 In terms of out-migration, 4,666 people moved out of the borough in 2018. 33% of all out-migrants from Hastings moved to Rother (1,518 people), an increase of 29% from 2011. 5% of all out-migrants moved to Eastbourne (227 people) and 4% to Wealden (205 people).
- 1.18 Thus, table 3 clearly shows a much stronger relationship between Hastings to Rother in terms of in and out-migration.

Table 3: Migration in and out of Hastings >40 people (2018)

Local Authority	% In	%Change From 2011	% Out	%Change From 2011
Rother	27%	8%	33%	29%
Eastbourne	4%	22%	5%	26%
Brighton and Hove	4%	45%	3%	36%
Wealden	3%	18%	4%	46%
Tunbridge Wells	2%	39%	2%	25%
Croydon	2%	60%	1%	20%
Lewisham	2%	16%	1%	-10%
Bromley	2%	38%	1%	-6%
Lewes	1%	68%	1%	-12%
Medway	1%	12%	1%	2%
Hackney	1%	87%	1%	40%
Southwark	1%	40%	1%	-7%
Lambeth	1%	8%	1%	3%
Canterbury	1%	4%	1%	0%
Folkestone and Hythe (Shepway)	1%	60%	1%	165%
Haringey	1%	140%	0%	-30%
Scotland	1%	#N/A	1%	#N/A
Ashford	1%	-30%	1%	-37%
Kingston upon Thames	1%	105%	1%	-20%
Tower Hamlets	1%	37%	0%	110%
Greenwich	1%	-33%	1%	-3%

Source: Migration Statistics, 2018 and 2011

- 1.19 In table 4 below, migration in and out of Rother District was analysed. In terms of in-migration, 5,965 people migrated to Rother in 2018. 25% of all in-migrants to Rother moved from Hastings (1,518 people). 8% of all in-migrants moved from Wealden (465 people), along with 6% from Tunbridge Wells (341 people) and 5% from Eastbourne (299 people).
- 1.20 In terms of out-migration, 4,998 people moved out of the district in 2018. 24% of all out-migrants from Rother moved to Hastings (1,217 people), an increase of 8% from 2011. 10% of all out-migrants moved to Wealden (491 people), 5% to Tunbridge Wells (263 people) and 5% to Eastbourne (261 people). Whilst there has been a higher proportion of people moving out of Wealden to Rother, the amount only grew by 4% between 2011 and 2018 as compared to an 8% increase in out-migration from Rother to Hastings over the same period.
- 1.21 Thus, table 4 clearly shows a much stronger relationship of Rother to Hastings in terms of in and out-migration.

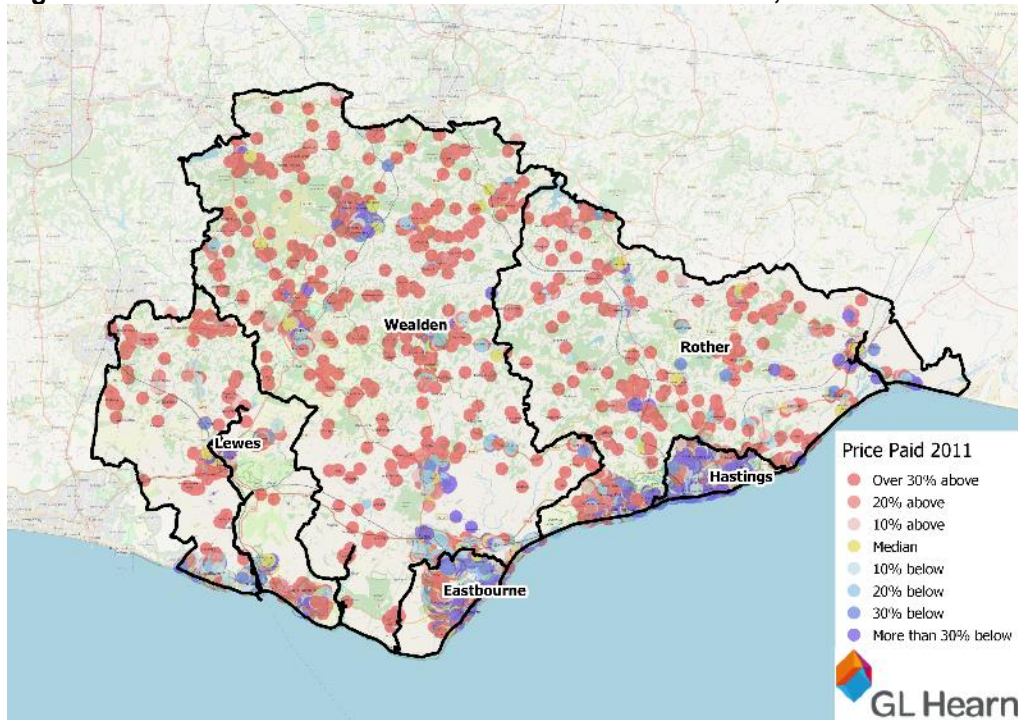
Table 4: Migration in and out of Rother >40 people (2018)

Local Authority	% In	%Change From 2011	% Out	%Change From 2011
Hastings	25%	29%	24%	8%
Wealden	8%	-7%	10%	4%
Tunbridge Wells	6%	22%	5%	20%
Eastbourne	5%	42%	5%	19%
Bromley	2%	4%	1%	-28%
Brighton and Hove	2%	44%	2%	14%
Ashford	2%	7%	3%	-9%
Maidstone	2%	65%	1%	-18%
Croydon	2%	-15%	1%	7%
Lewes	1%	42%	1%	-32%
Tonbridge and Malling	1%	42%	1%	0%
Canterbury	1%	103%	1%	20%
Folkestone and Hythe (Shepway)	1%	90%	1%	34%
Sevenoaks	1%	-7%	1%	-35%
Bexley	1%	20%	0%	-65%
Mid Sussex	1%	12%	1%	-23%
Lewisham	1%	35%	1%	30%
Dover	1%	155%	1%	150%
Medway	1%	60%	1%	40%
Southwark	1%	60%	1%	260%
Greenwich	1%	-6%	1%	60%

Source: Migration Statistics, 2018 and 2011

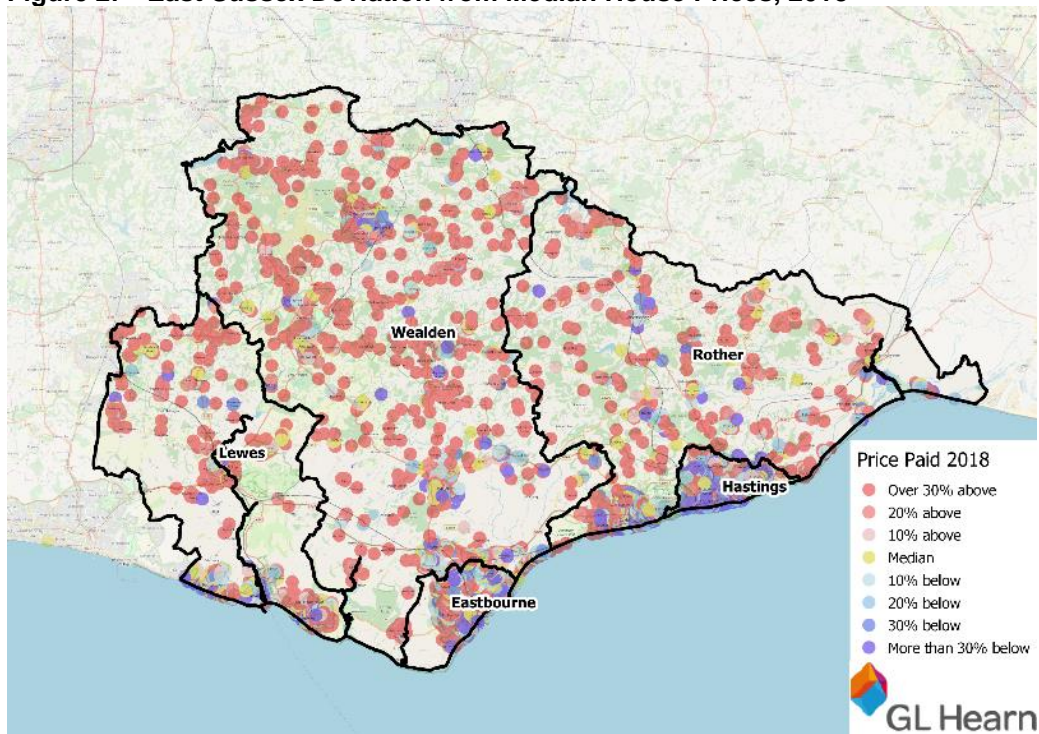
- 1.22 In addition to commuting and migration patterns, price change in East Sussex was analysed based on land registry data in 2011 and 2018.
- 1.23 In 2018, the median house price across all property types in East Sussex was £275,000. This a 30% increase from 2011, where the median house price across all types in East Sussex was £200,000.
- 1.24 The land registry data was subsequently mapped and the transactions categorised in terms of deviation from the median house price. Transactions were categorised as 30%, 20% and 10% above and below the median house price.

Figure 1: East Sussex Deviation from Median House Prices, 2011



Source: Land Registry Data (2011)

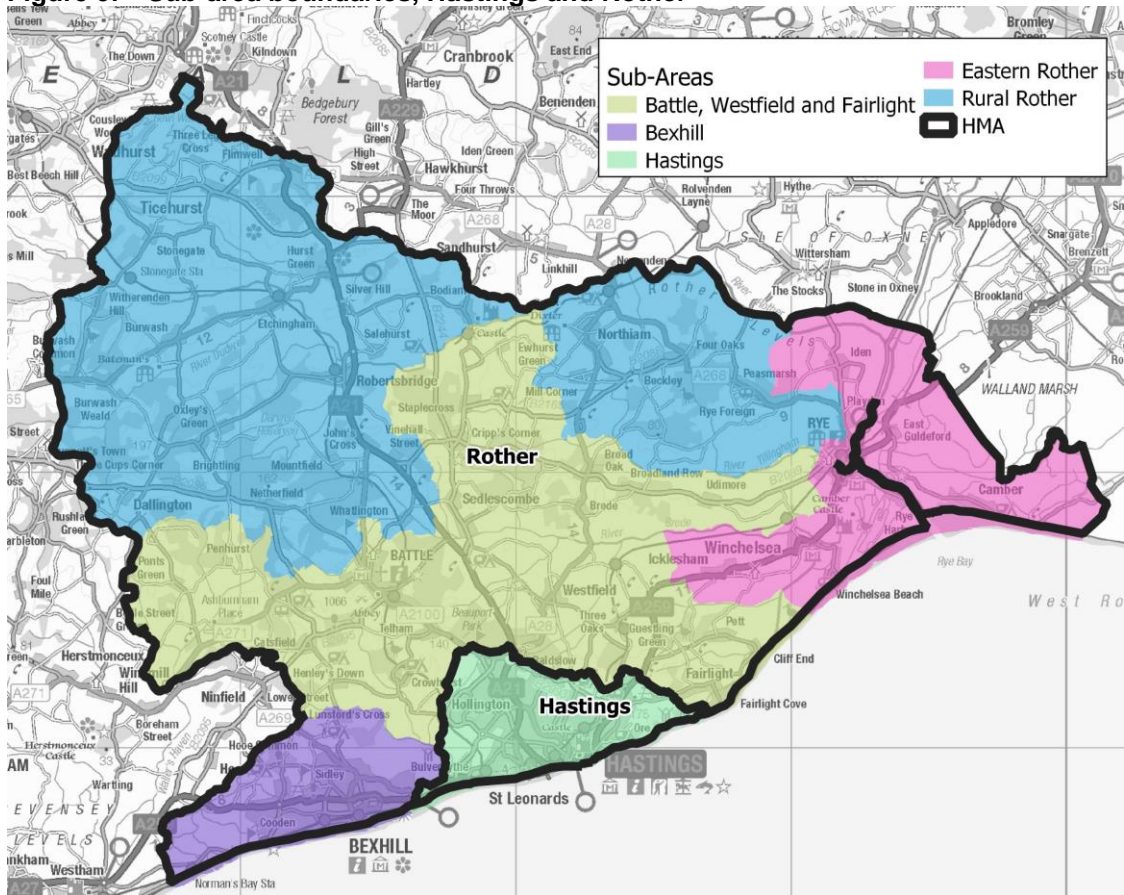
Figure 2: East Sussex Deviation from Median House Prices, 2018



Source: Land Registry Data (2018)

- 1.25 Differences were not noted in terms of house price change, particularly in areas around the outer borders of Rother, where neighbouring HMA's would most likely influence house prices disproportionately if commuting patterns were to change.
- 1.26 It is noted that there were more housing transactions below 30% of the East Sussex median house price near the town of Rye in 2011 as compared to 2018. However, this can be attributed to the residential desirability of the town of Rye and new developments such as Valley Park as opposed to changing housing market geographies.
- 1.27 It can thus be concluded that Hastings and Rother have not experienced enough of a price change across their boundaries to indicate changing geographic markets. Therefore a HMA of Hastings and Rother remains a valid conclusion.
- 1.28 However, we have considered it prudent to split the area into different sub-areas to examine market signals for the Council to develop policies, these are shown in Figure 2. We have not split Hastings into separate sub-areas as the geography is relatively small in any case.

Figure 3: Sub-area boundaries, Hastings and Rother



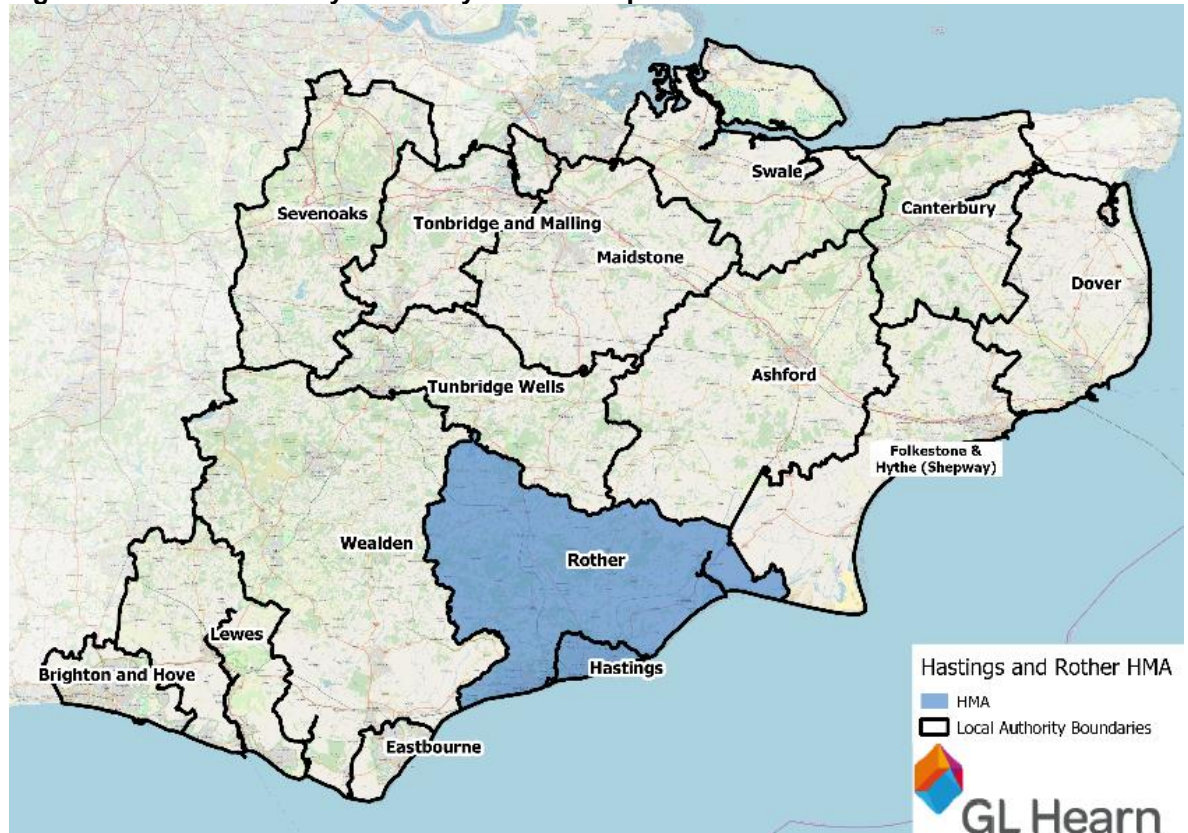
Source: GL Hearn Analysis

- 1.29 Rother has several different sub-areas which have been named Bexhill; Battle, Westfield and Fairlight; along with Rural Rother and Eastern Rother. The Rural Rother sub-area includes Ticehurst and Hurst Green. The Eastern Rother sub-area includes Rye, Winchelsea and Camber.

Neighbouring Local Authorities

- 1.30 We have also examined the neighbouring authorities approach to identifying housing market areas. This is set out below.

Figure 4: Local Authority Boundary Context Map



Source: GL Hearn

- 1.31 Neighbouring Wealden District council produced a SHMA in October 2015 which tested the defined housing market area as defined by the Centre for Urban & Regional Development Studies (CURDS) which included the authorities of Eastbourne, Hastings, Rother and Wealden. It should be noted that this SHMA was commissioned to inform their (now withdrawn) Local Plan and that the Council have commissioned an update.
- 1.32 The previous Wealden SHMA concluded that because of commuting and travel to work patterns, Rother was determined to be part of the HMA but noted that it has significant patterns with Wealden and neighbouring Eastbourne. The SHMA then expanded the HMA definition to include Tunbridge Wells, Lewes and Mid Sussex. The Wealden SHMA update will examine the extent of external housing market areas on the district.
- 1.33 The most recent SHMA for Folkestone and Hythe Council (formerly Shepway) is from March of 2017, and it notes that in- and out-migration between their HMA and Hastings and Rother is particularly

weak³. This builds on a previous 2009 East Kent Sub-region SHMA⁴ wherein the report they do not explicitly refer to a commuting or migration connection to either Hastings or Rother.

- 1.34 Nearby Ashford tested its HMA in 2014⁵, noting no strong connection between Ashford Borough Council and either Rother or Hastings in terms of commuting flows or migration data. Ashford updated their SHMA in January 2017 but did not redefine the HMA in that study but used neighbouring Maidstone, Tonbridge and Malling and Kent as geographic comparators.
- 1.35 A SHMA was produced for Eastbourne Borough Council in 2012⁶, which noted significantly stronger in- and out-flows of migration between Eastbourne and London or other areas of the South East as compared to Hastings and Rother. A 2016 Eastbourne Borough Council SHMA⁷ reported a low housing relationship between the local authority and neighbouring Hastings and Rother.

The Functional Economic Market Area (FEMA)

- 1.36 FEMA's can be identified using the criteria as covered in the Planning Practice Guidance for Plan-Making⁸. The factors for consideration are:
- the extent of any Local Enterprise Partnership within the area;
 - travel to work areas;
 - housing market area;
 - the flow of goods, services and information within the local economy;
 - service market for consumers;
 - administrative area;
 - catchment areas of facilities providing cultural and social well-being; and
 - transport network.
- 1.37 Hastings and Rother are part of the South East Local Enterprise Partnership (SELEP) which comprises the local authorities areas contained within East Sussex (including Hastings and Rother), Essex, Kent, Medway, Southend and Thurrock. The LEPs broad area is considered to be too large for any local FEMA.
- 1.38 In terms of resident commuting, as was defined in the HMA testing, Hastings and Rother have very high levels of self-containment, particularly when taking into account the two authorities combined. Over 75% of Hastings workers live in the authority and a further 18.6% live in Rother, a combined 93.9%. Rother is slightly less self-contained with 60.7% of all workers in the district living in Rother

³ https://www.folkestone-hythe.gov.uk/media/5576/SHMAPart1/pdf/SHMA_Part_1.pdf

⁴ [https://www.folkestone-hythe.gov.uk/media/2911/Strategic-Housing-Market-Assessment-of-East-Kent-SHMA-2009/pdf/Strategic_Housing_Market_Assessment_of_East_Kent_\(Doc_Ref_A6\).pdf](https://www.folkestone-hythe.gov.uk/media/2911/Strategic-Housing-Market-Assessment-of-East-Kent-SHMA-2009/pdf/Strategic_Housing_Market_Assessment_of_East_Kent_(Doc_Ref_A6).pdf)

⁵ <https://www.ashford.gov.uk/media/5474/final-ashford-shma-version-jan-2014.pdf>

⁶ <http://www.lewes-eastbourne.gov.uk/resources/assets/inline/full/0/221128.pdf>

⁷ <https://www.lewes-eastbourne.gov.uk/resources/assets/inline/full/0/278467.pdf>

⁸ PPG – Plan-Making, Paragraph: 019 Reference ID: 61-019-20190315. Revision date: 15 03 2019

and 20.5% in Hastings. An additional 7.5% of the Rother workforce live in Eastbourne, which is the next highest inflow. along with 3.3% in Ashford and 2.8% in Wealden.

- 1.39 As noted above we consider the HMA to be Hastings and Rother based on commuting, migration and house price data.
- 1.40 The HMA testing for this study concludes that Hastings and Rother are a complete distinct HMA, further evidencing that the economy is also highly linked.
- 1.41 Hastings and Bexhill remain the main services centre for goods and services within the local economy and consumers. This includes providing cultural attracts such as the Odeon Cinema, White Rock Theatre and De la Warr Pavilion. Leisure facilities such as Summerfields and Bexhill Leisure Centre. However, Eastbourne is also a preferred destination of leisure activities for around 20% of the population of Hastings according to the Hastings Retail Study (March 2006).
- 1.42 The same report identified Hastings as a centre for shopping, leisure, business and cultural activities for the Borough and the Rural Hinterland including Rother District while Bexhill Town Centre serves Bexhill itself.
- 1.43 While Priory Meadow has improved Hastings retail catchment the retail patterns in Hastings and Rother are still influenced to a lesser degree by larger centres in Eastbourne, Tunbridge Wells and to a lesser extent Ashford. This is particularly the case for outlying parts of Rother.
- 1.44 From a commercial property market and economic development perspective, consultations with agents and stakeholders identified that the Hastings and Rother industries tend to be localised and often “born and bred” in the two local authorities. Those seeking or occupying accommodation are commonly from within the area and particularly a Bexhill / Hastings urban or urban fringe preference.
- 1.45 In terms of transport, Southern and Southeastern Rail lines connect Hastings and Rother with stops in Bexhill, St. Leonards and Hastings town centre along with major road connections of the A259 and the A21 travelling north and east/west, connecting at Hastings.
- 1.46 The relationship with Eastbourne is summarised in Eastbourne Borough Council’s FEMA (October 2017) which states that its existing FEMA will change over time and is likely to be influenced by the opening up of employment opportunities along the Bexhill to Hastings Link Road. This could, in turn, expand the commercial property market area within which Eastbourne operates to encompass more of the East Sussex coastal stretch.

- 1.47 Wealden District Council's Economy Study Update (March 2018) defines a much wider FEMA incorporating the Local Authorities of Wealden, Tunbridge Wells, Eastbourne, Lewes, Mid-Sussex and Rother.
- 1.48 Rother borders three Kent local planning authorities which are all considered for the purposes of the FEMA. Tunbridge Wells District Council in their Economic Needs Study (August 2016) conclude that they have the strongest relationships with Sevenoaks and Tonbridge & Malling Council's, whilst Ashford Borough Council identify a wider FEMA within its Rural Economic Assessment (July 2014) with links to all surrounding local authorities. Folkestone and Hythe District Council, through their Employment Land Review (May 2017) identify stronger economic relationships with neighbouring local authorities in Kent.
- 1.49 In conclusion, considering the wider economic relationships that existing surrounding the local authorities, Hastings and Bexhill provide the primary services and act as service centres to the wider Rother District hinterland.
- 1.50 Therefore, it can be concluded that the FEMA constitutes the local planning authorities of Hastings Borough and Rother District and is consistent with the Housing Market Area for the purposes of this report.

Local Regeneration and Economic Interventions

- 1.51 Hastings and Rother have historically benefitted from a suite of economic development programming to drive forward national, regional and sub-regional objectives to enhance the employment, skills and business accommodation offers throughout the geography. The government initially identified Hastings and Rother as an area for growth in 2001, led by the then Regional Development Agency SEEDA. This led to a sustained period of financial and strategic economic intervention which has changed and adapted over time.
- 1.52 There are some other relevant strategies and initiatives that should be considered when looking at current and future employment needs. These include:
- "Pride of Place" – county-wide Sustainable Community Strategy 2008 -2026
 - South East Local Enterprise Partnership (SE LEP) strategic Economic Plan 2014, which made the case for investment in the LEP area
 - The draft Local Industrial Strategy (LIS) for the South East Local Enterprise Partnership, a broad economic development strategy increase productivity, potential and economic prosperity (emerging 2020)

- The emerging Sector Support Funded LEP-level Coastal Prospectus, an investment prospectus for interventions in the coastal LEP areas (emerging 2020)
- The Hastings and Rother Task Force, which drives the strategic direction for local regeneration through a “6 point plan” 2002 and acts as a steering group for SeaChange Sussex, a local development agency.
- Economic Development Strategies for Hastings (2008-13) and Rother (2010 – 15) councils, which set out economic development goals and actions
- Hastings Seafront Strategy (2015), a regeneration strategy for the seafront and associated inland “nodes”
- Regional Growth Fund, a scheme to create employment and economic growth.
- Local Growth Fund, funding to support large capital economic development projects (2015 – present)
- Stalled Sites Fund, East Sussex County Council capital funding to help remove site-specific barriers to stalled local plan sites 2016 - 2019.
- East Sussex Invest (ESI), grants and loans to support the economy and increase job numbers (ESI 1 & 2 October 2012 to July 2013; ESI 3 July 2013 – June 2015; ESI 4 July 2015 – March 2017); ESI 5 May 2017 – March 2019; ESI 6 April 2019 – close end March 2020)
- ESCC Incubator fund June 2015 – March 2018.
- Scheme Enabling Fund 2016 - 2020
- Upgrading Empty Commercial Property Fund June 2015 –March 2020.
- Connecting Hastings and Rother Together (CHART), European Structural Investment Funded programme to support enterprise and skills in the most deprived areas of Hastings and Bexhill (2018 – 2022)
- Fisheries Local Action Group (programme 1 2013-2017 and Programme 2 2017-19). European Structural and investment Funded to support the local fishing industry and marine environment in Hastings.
- Coastal Communities Funding, for regeneration and job growth in coastal areas 2012 – present.
- Big Local North East Hastings and Big Local Heart of Sidley, community-level regeneration funding (2012 – 2022)
- Growth Hubs, providing business support to start-ups and businesses looking to accelerate growth (2015 – continuing)
- Business Improvement District (Hastings), independent Town Centre management organisation (2017 – 2022).
- Town Teams (St Leonards and Bexhill), community and business lead town centre regeneration forum (2010).
- Tec66/ manufacturing group high-tech manufacturing cluster development group
- Town Deal (Hastings), a town-wide investment programme both in terms of economic development and wellbeing (2020)
- South East Creative, Cultural and Digital Support (SECCADS) Programme, business support or grants for small creative enterprise (2018 – December 2020)
- SEBB (ERDF funded, 2016 – 2019, new round Summer 2020 for three years).

1.53 The successes of a number of these initiatives are currently being reviewed through a series of studies. Key findings relevant to employment, skills and economic development in the Hastings and Rother area from some of these studies include:

Task Force Review (due for completion April 2020)

- Review of capital and socio-economic interventions in Hastings and Rother since 2002, including review of the work of the Local Development Agency.
- Identifies significant (40) capital investment in infrastructure (Combe Valley Way; Mount View Street, North Bexhill Access Road; Queensway Gateway Road); development of new employment space in Hastings and Rother; new community infrastructure (College; Gallery; Health Centres); improvements to main rail terminus at Hastings and Bexhill; housing stock renewal; public realm enhancements.
- Over £450m capital investment since 2001, plus additional £88m through Sea Space and £50m from SeaChange (Seachange figures include Eastbourne); majority publicly funded
- Over £90m investment in 35 social interventions (e.g., employment and skills) since 2001, all publicly funded.
- Most capital investment is concentrated in Hastings and Bexhill except for the Atlas Business Park Expansion; Long Rake Spar; Rye Harbour Saltings; Fishing Quay and Flood Defences (Rye).
- Hastings residents are likely to travel over a reasonably broad geography to work; within Rother and further afield to Tunbridge Wells and Wealden (2011 data).
- Bexhill residents workplaces are most concentrated in Bexhill, with some broader out commuting (2011 data) within East Sussex.

Data Pack for Sector Support Fund Coastal Prospectus (2019)

- No investment support in the area to date from industrial strategy guided resources (e.g., Sector Deals and agency funding schemes).
- Lower than South East average job densities in Hastings and Rother
- Hastings and Rother site within a Higher Education “cold spot” that extends from Brighton to Canterbury.
- Hastings (local authority level) has the highest deprivation in the LEP area.
- Hastings and Rother are within the top five areas of the LEP with the greatest levels of economic inactivity
- Gross Value Added per head in Hastings and Rother broadly in line with LEP coastal average, but well below best-performing parts of LEP
- Industrial floorspace in Hastings and Rother has increased between 2008/09 – 2018/19 (in Rother by more than 10%, in Hastings by 0.1-5%).
- Hastings and Rother lack key innovation assets that other areas in the South East benefit from including Universities; Enterprise Zones; commercial research organisations; NESTA incubators; science parks).

Covid-19

- 1.54 The data accessed and used in this report all pre-date the Covid-19 Emergency. Whilst it is currently too early to know what the full impact of Covid-19 will be on the housing market, it will be important for outcomes to be monitored and consideration given to any short- or long-term consequences for a range of groups. Below is a very brief initial discussion of some aspects that will need to be monitored:
- Affordable housing – potentially the most immediate impact will be, as a result of higher levels of unemployment a greater affordable housing need. Given that the Council has a finite amount of (social housing) stock this could put pressure on the private rented sector as well as various service providers. The immediate response from banks has been to offer those affected mortgage holidays. This has postponed the immediate increase in demand for affordable housing and PRS although it is unlikely to be offered indefinitely.
 - Housing market – it is likely that a greater focus will be on house prices and sales volumes with some analysts predicting a notable short-term fall in prices and transactions. Whilst this would arguably make housing more affordable, it does look like lenders are changing their lending criteria (requiring higher deposits) which is likely to make it more difficult for new households to access the market. This potentially will put pressure on the need for private rented accommodation. The government has responded to this by offering cuts to stamp duty on homes until March 2021.
 - Older People – whilst the number of excess deaths due to Covid-19 is relatively high in England, it still represents only a fraction of the number of deaths that might have been anticipated. However, given the groups impacted there may be a short-term shift on the population profile and hence the need for housing (particularly housing for older people). On the flip side, given high numbers of deaths in care homes, it may be (in the longer-term) that there is a change in models of care; in particular away from a traditional residential care home setting. Although the forced isolation of older people outside of this context has somewhat perversely seen a growth in demand for specialist older persons accommodation
 - Commuting and Migration – There may well be a longer term shift to increased working from home. This may well see people having less of a need to be close to their traditional place of work. This may potentially have a longer term impact on migration patterns as people move away from major employment hubs i.e. cities towards more rural locations.
 - Economic growth – There may well be short, medium and longer term impacts on the economy which will affect the demand for floorspace as well as the type and location of floorspace being delivered. This should be monitored closely.
- 1.55 These are just a small number of topics that might be impacted by Covid-19 and as noted it will be important to monitor the situation moving forward. That said, this report does project needs many years into the future and it may be that the Covid-19 Emergency will only create minor or short-term housing market impacts.

Report Structure

1.56 Following this introductory section, the remainder of the report is structured as follows:

- Section 2: Demographic and Economic Baseline
- Section 3: Housing need and population growth
- Section 4: Employment Forecasts
- Section 5: Economic growth and housing need
- Section 6: Market signals
- Section 7: Affordable housing need
- Section 8: Housing Mix
- Section 9: Needs of specific groups
- Section 10: Commercial market assessment
- Section 11: Employment land requirements
- Section 12: Summary and conclusions

2 DEMOGRAPHIC AND ECONOMIC BASELINE

Introduction

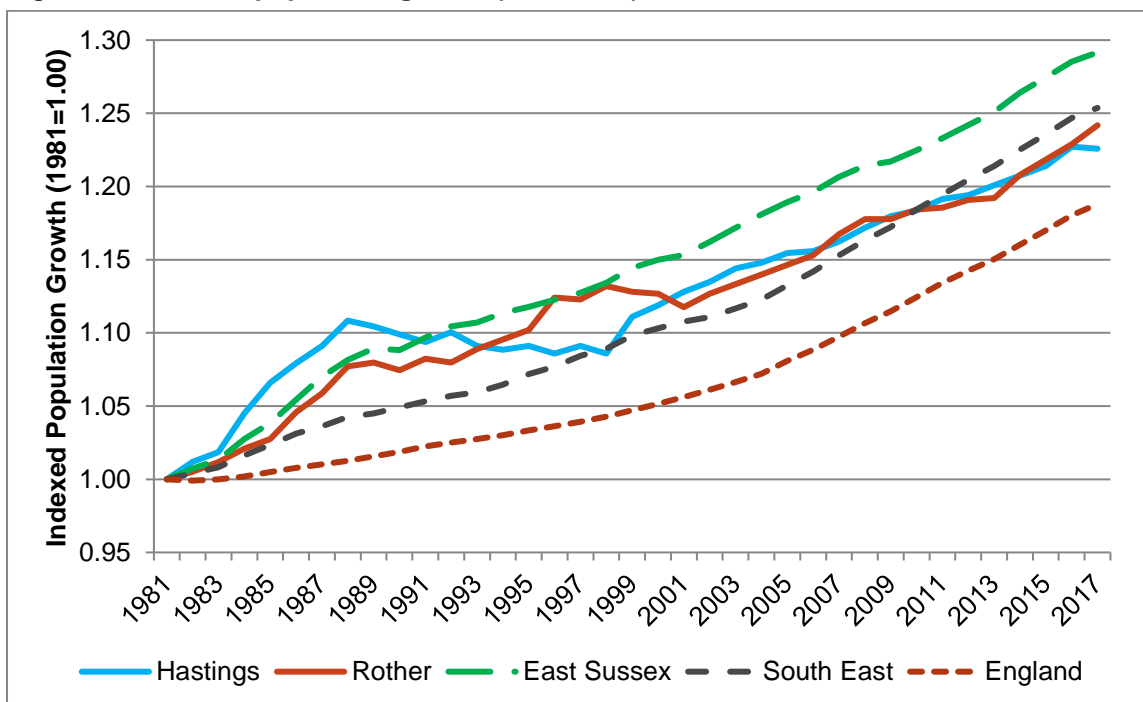
2.1 This section of the report outlines the baseline demographic, employment and economic position of Hastings and Rother, and how they compare to the South East region. The analysis in this section looks at the employment and Gross Value Added (GVA) trends, location quotient and profiles the labour market.

Population

2.2 As of 2019, Hastings had a population of 93,907 and Rother had a population of 96,411. The 2014-based household projections translated the 2019 population into 43,261 and 44,016 households respectively. This results in an average household size in Hastings of 2.17 and in Rother 2.19.

2.3 Figure 5 considers historic population growth in the period from 1981 to 2017. Hastings showed growth above East Sussex until 1990 when it plateaued and slightly declined, approximately following the regional average thereafter albeit with a slow-down in 2009. In Rother, growth was consistently just below East Sussex until a slow-down in 1999 since which it has more closely tracked the region. Growth has consistently been above England rates in both authorities.

Figure 5: Indexed population growth (1991-2017)

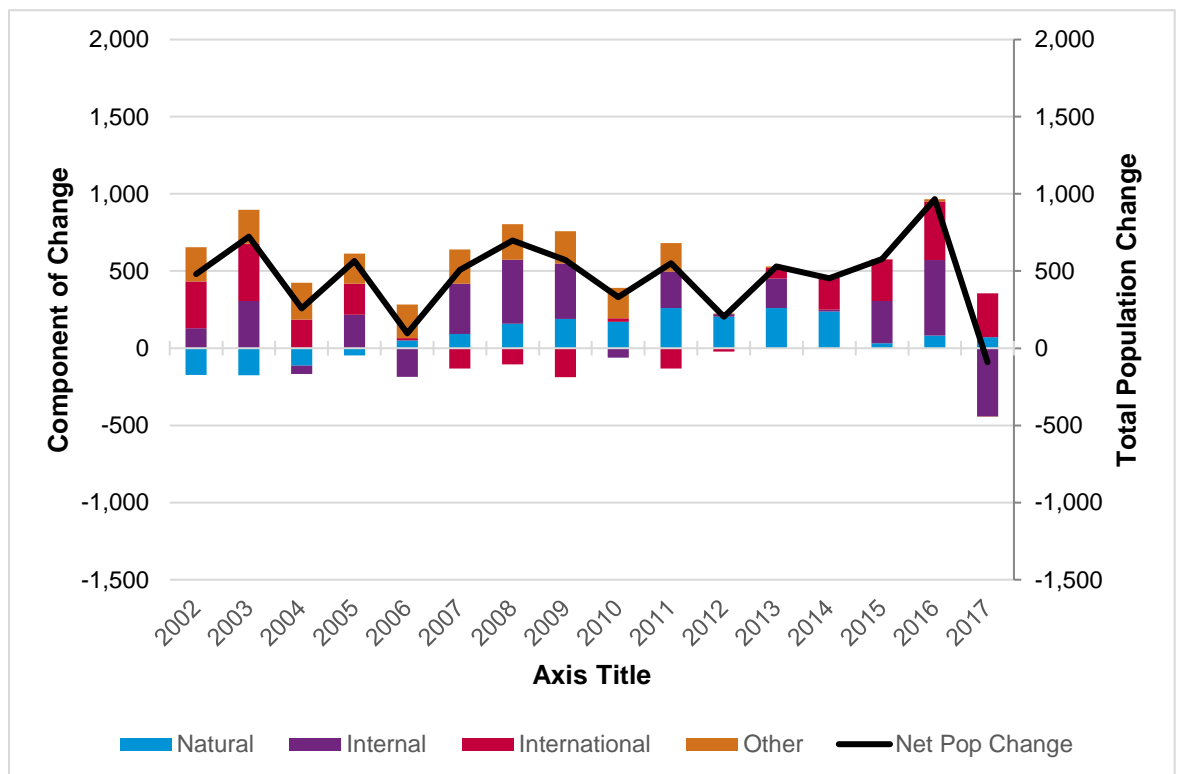


Source: ONS (mid-year population estimates)

Components of Change

2.4 The drivers of growth in for Hastings and Rother are also notably different. Hastings has seen some growth from people moving from elsewhere in the UK. International migration was strong until 2007 when more people from overseas left than moved. This trend continued until 2013, which broadly falls in line with the national economic cycle. There has been a net negative population change in 2017 (-90), contributed mostly by an internal out-migration.

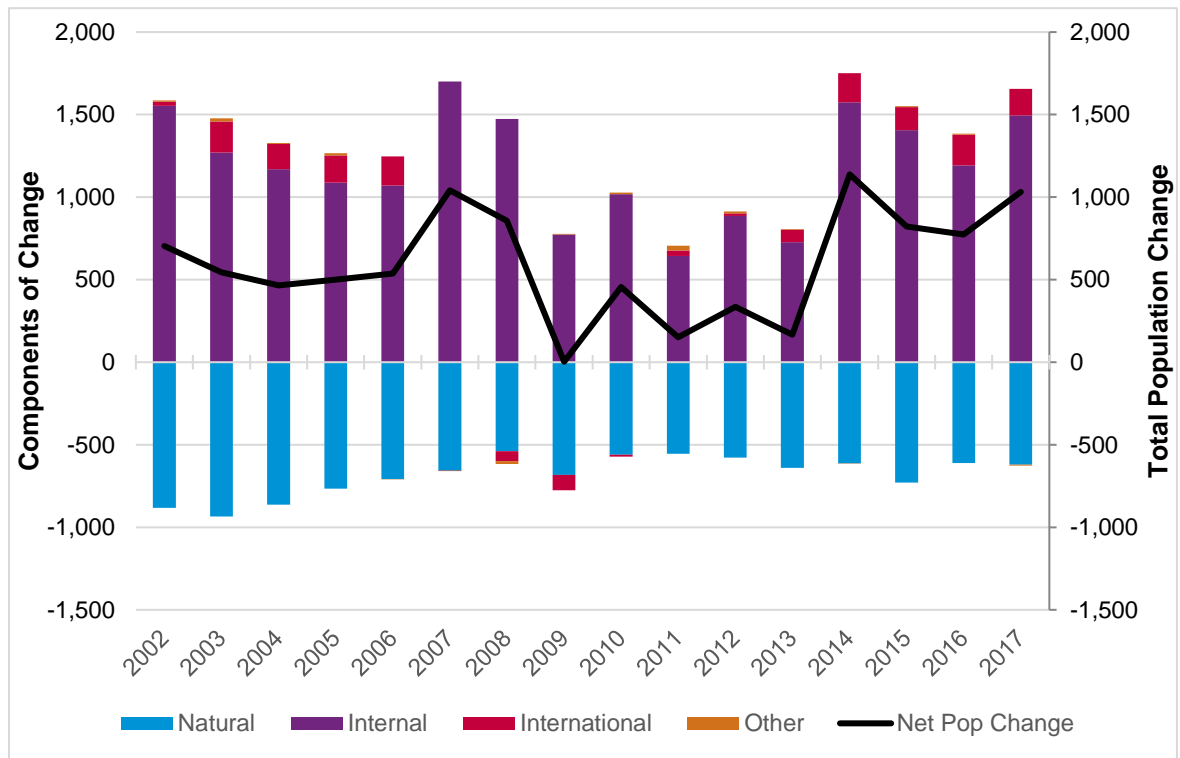
Figure 6: Components of Change in Hastings (2001-2017)



Source: ONS, 2018

2.5 Seen on the same scale are the components of population change in Rother. While Hastings population change year to year (except 2016) hovered between 100-700 people, Rother showed a variance from almost 0 growth to over an additional 1,000 people in one year. This variance could be explained in part by larger amounts of both natural change (more deaths than births) combined with high inward migration to Rother when compared to Hastings and this perpetuates the existing housing market.

Figure 7: Components of Change in Rother (2001-2017)



Source: ONS, 2018

2.6 One notable comparison is that Rother experiences much more natural change (deaths) than Hastings. This pattern is attributed to an ageing population. However, this decline is offset by relatively strong internal migration, and to a far lesser extent and international in-migration from those overseas.

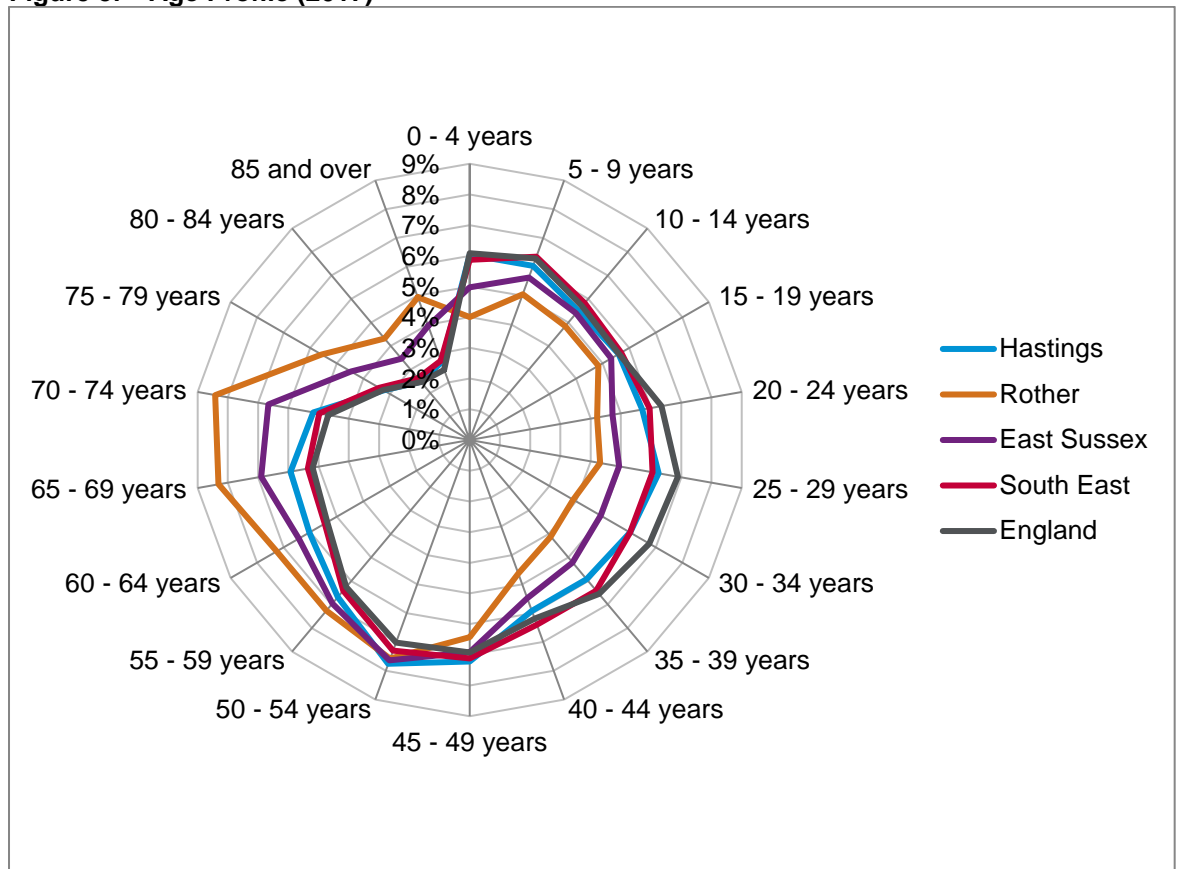
Age Profile

2.7 As discussed previously, the natural population decline is high in Rother. As seen in Figure 8, the age profile in Rother is skewed towards older age bands. Rother has nearly double the relative representation in ages 65 and above compared to both England and Hastings.

2.8 Conversely, Rother has a much lower relative representation in younger ages, particularly from 25-44 grouping. This could be due to lower levels of affordability and the more rural nature of parts of the District which can result in fewer job opportunities for people of working age (16-64). Although it is noted that the current Local Plan policies and local regeneration efforts are seeking to this imbalance.

2.9 Hastings, across all age bands, has a relatively similar age profile to both England and the South East but diverges from East Sussex and Rother in terms of young and old people.

Figure 8: Age Profile (2017)



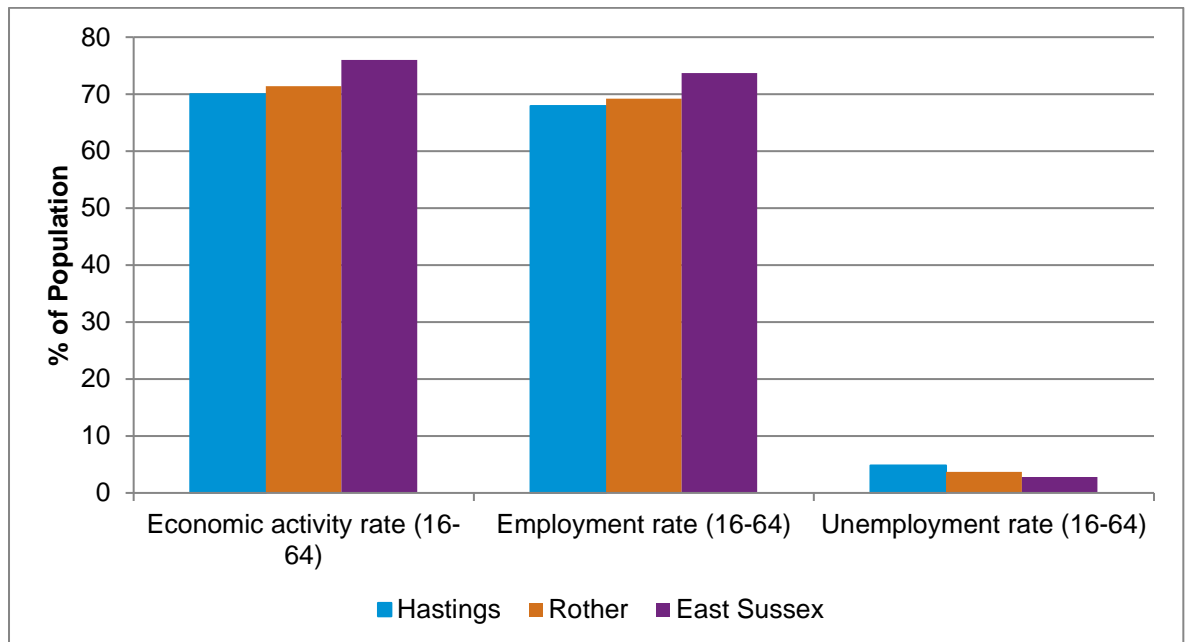
Source: ONS (mid-year population estimates)

2.10 As of 2017 Hastings had around 57,500 people in the working-age category of 16-64-year-olds equating to around 62% of the population. A lower percentage is calculated in Rother (53%) based on a working-age population of around 50,700 persons.

Labour Market

2.11 Figure 9 shows employment and unemployment as a percentage of the working-age population (defined by ONS to be the population aged 16-64 years). The figure also shows economic activity as a percentage of those aged over 16.

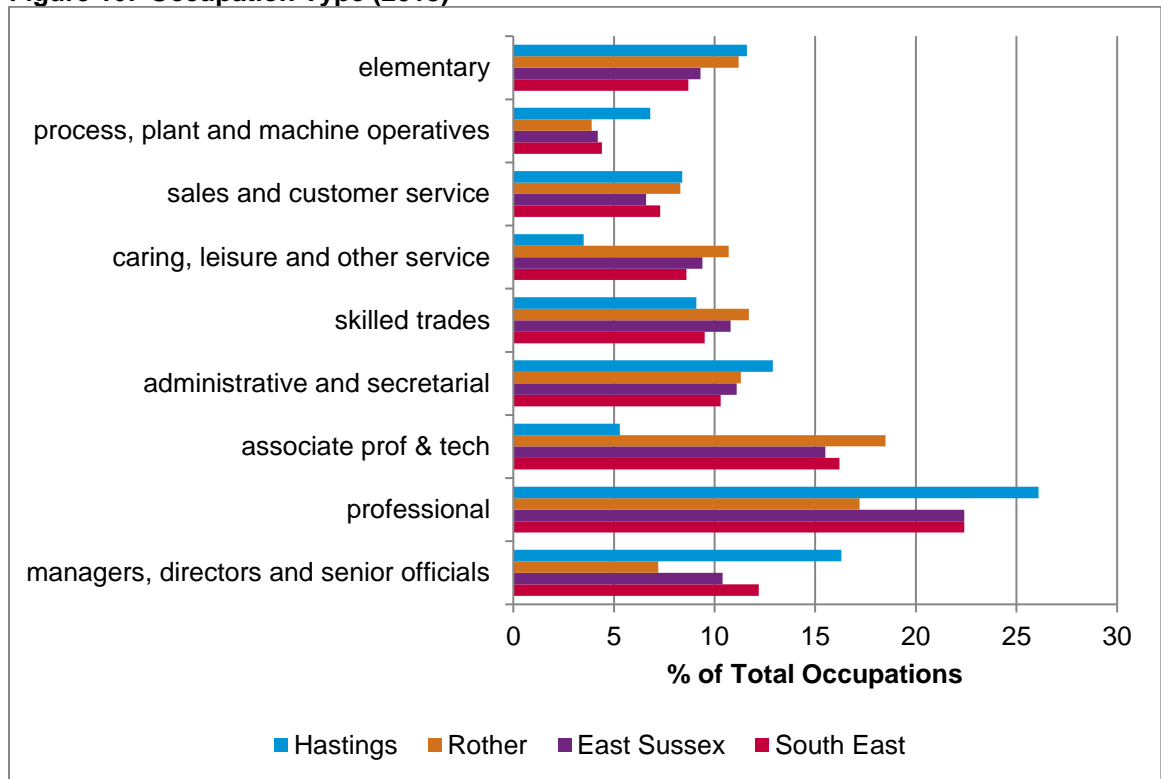
Figure 9: Economic Activity Rates (2018)



Source: Annual Population Survey, 2018

- 2.12 The economic activity rate describes the percentage of working-age adults (+16) who are working or looking for work. The economic activity rates in Hastings (70.0%) and Rother (71.4%) are lower than the South East (80.8%) region which likely reflects age differentials of the wider region compared to the two local authorities.
- 2.13 In terms of employment (those aged 16-64), Hastings' employment rate is 67.9% which is slightly lower than Rother at 69.2%. However, the employment rate in both local authorities is notably lower than the South East region (78.0%) and national (75.4%) employment rates.
- 2.14 In contrast, unemployment in Hastings is at 4.8% which is slightly higher than the South East rate of 3.4%. The unemployment rate of Rother at 3.7% is below Hastings and closer to the regional rate.
- 2.15 The analysis below looks at the percentage of the employed population in Hastings, Rother and the South East region by occupation type.

Figure 10: Occupation Type (2018)



Source: Annual Population Survey, 2018

- 2.16 In Hastings, professionals make up a notably large proportion (26.1%) of those with an occupation which is followed by manager, directors and senior officials at 16.3%. This is broadly aligned with the regional trend whereby professionals (22.4%) and associate professors and technical occupations (14.9%) are the top occupations. However, the relative proportions are higher for the professionals and managers in Hastings.
- 2.17 As in the South East, there is a high percentage of associate professionals and technical occupations (17.2%) in Rother. Similarly, Rother also has a strong presence associate prof & tech occupations (18.5%).
- 2.18 Rother also has a relatively low percentage of the population with a greater than NVQ4 qualification (25.9%) compared to the regional rate of 42.2%. Hastings has a higher rate of 31.3%, but still lags regional and national equivalents. A further focus on education could help address this as could providing suitable accommodation for higher-earning (who are typically higher qualified) individuals.

2.19 The rate of people with no qualifications in Hastings and Rother, 20.0% and 19.0% respectively, is significantly higher than the rate regionally (5.6%) and in England (7.6%). As with lower rates of employment, this is reflective of an older age profile in the HMA

Table 5: **Population with Qualifications**

Variable	Hastings	Rother	East Sussex	South East	England
% with NVQ4+	31.3	25.9	37.0	42.2	39.0
% with NVQ3+	46.5	47.7	53.6	61.8	57.7
% with NVQ2+	66.7	67.7	74.1	78.9	75.0
% with NVQ1+	76.0	75.0	84.8	89.2	85.6
other qualifications	4.1	6.0	5.0	5.2	6.8
% with no qualifications	20.0	19.0	10.1	5.6	7.6

Source: Annual Population Survey, 2018

2.20 In addition, residence and workplace-based earnings were analysed and revealed that annual gross incomes in Hastings (both residence and workplace-based) are lower than the South East and England. Incomes are higher in Rother and closer to their wider comparators in East Sussex but are still lower than the overall South East.

2.21 Of note, workplace-based incomes in Rother are lower than for residents. This indicates that those living in the district are finding higher paid work outside of Rother. In both cases, as with Hastings, these are below the wider comparators.

Table 6: **Residence vs. Workplace-based Earnings**

	Residence	Workplace
Hastings	£24,655	£24,050
Rother	£28,718	£23,516
East Sussex	£29,345	£26,699
South East	£33,357	£32,120
England	£30,661	£30,667

Source: ASHE, 2018

2.22 Job density is the ratio of jobs per working-age (16-64) resident. Ratios over 1.00 imply that there are more jobs than residents in a given geography. Job density analysis underscores that Hastings (0.70) and Rother (0.71) have lower employment densities than the South East and England.

Table 7: **Job Density (2011)**

Area	Job Density
Hastings	0.70
Rother	0.71
East Sussex	0.75
South East	0.87
England	0.87

Source: ONS, 2017

- 2.23 Benefit claimants⁹ out of the total working-age population were analysed across Hastings and Rother and compared to their wider geographies. Hastings has a higher level of claimants compared to its wider comparators. Rother has lower levels of benefit claimants compared to all wider comparators except for the South East. The level of benefit claimants in Hastings is double that of the South East demonstrating the level of deprivation of in the area.

Table 8: **Benefit Claimants per Working-age Population**

Age	Benefit Claimants	Total Aged 16 - 64	%
Hastings	2,655	57,500	4.6%
Rother	1,325	50,700	2.6%
East Sussex	8,655	317,800	2.7%
South East	113,245	5,607,500	2.0%
England	1,008,855	34,950,900	2.9%

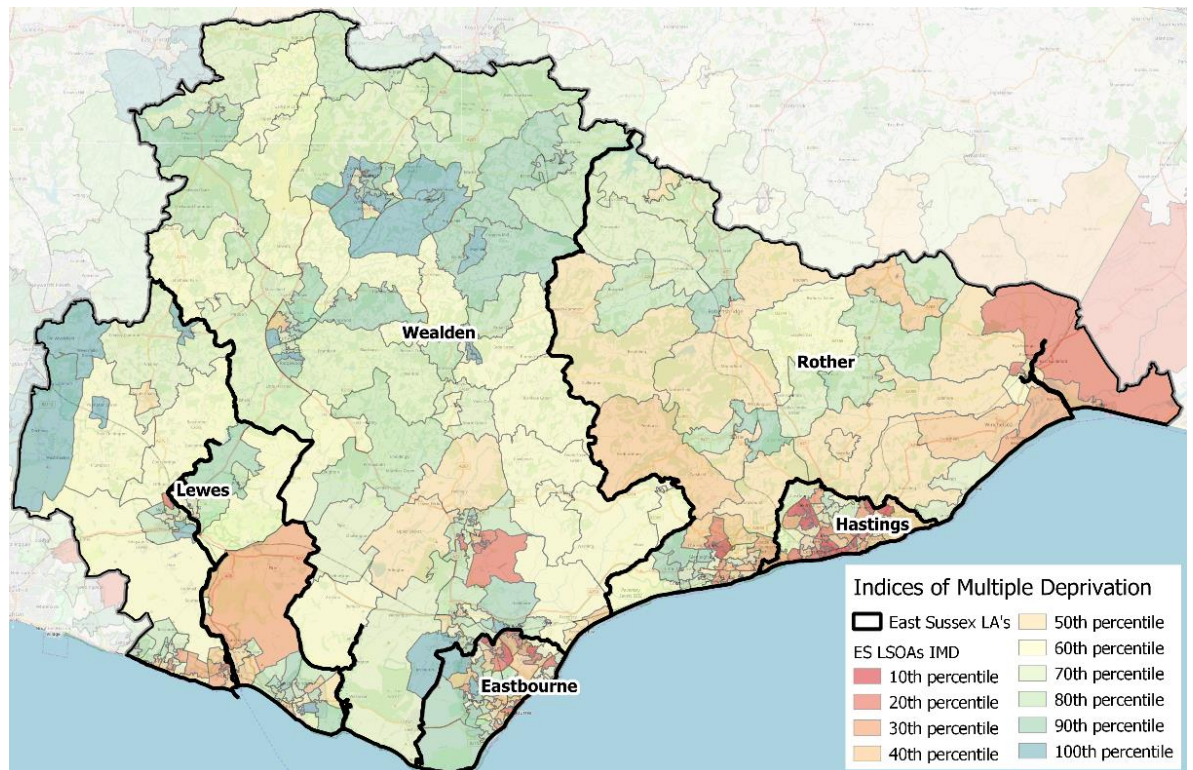
Source: ONS, 2017

- 2.24 MHCLG through their Index of Multiple Deprivation rank all lower super output areas (32,844 areas in total) in England by deprivation. This is based on various metrics such as income, employment, education, health and others¹⁰. The rankings were also placed into deciles, with the 10th percentile representing the most deprived areas and 100th percentile representing the least deprived areas.
- 2.25 IMD across East Sussex has been mapped and colour coded, with areas in blue showing as less deprived and areas in red as more deprived. As illustrated deprivation is higher in Hastings although the urban coastal parts of Rother are also relatively deprived.

⁹ The Claimant Count measures the number of people claiming benefit principally for the reason of being unemployed, ONS 2015

¹⁰ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/833959/iod2019_Infographic.pdf

Figure 11: Indices of Multiple Deprivation by LSOA – East Sussex (2018)



Source: ONS, 2018

2.26 This is further illustrated by the higher number of LSOAs in more deprived deciles in Hastings in comparison to Rother. Specifically, a third of all LSOAs in Hastings, 16 in total, fall into the 10% of most deprived local authorities in England. In contrast, only 3% of LSOA in Rother are in the most deprived LSOA nationally.

Table 9: IMD Percentile (2018) by LSOA – Hastings and Rother

Percentile	Hastings	Rother
	53 LSOAs	58 LSOAs
10th	30%	3%
20th	13%	7%
30th	15%	10%
40th	15%	10%
50th	11%	26%
60th	4%	9%
70th	9%	14%
80th	2%	12%
90th	0%	9%
Total	100%	100%

Source: ONS, 2018

2.27 The table and chart above suggest that economic development interventions should be targeted at Hastings in particular, notably the north-west, centre/seafront and east of the authority area. Rye Harbour and areas of north and central Bexhill are also identified as particularly deprived in Rother.

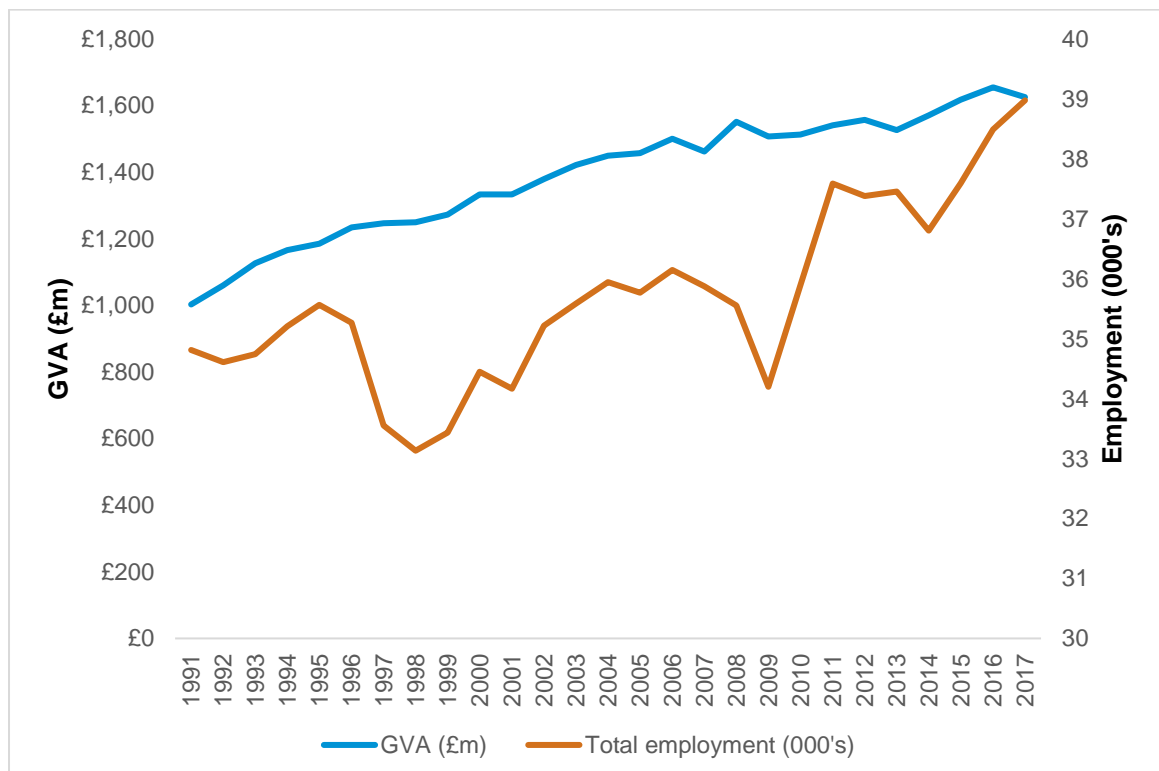
Employment and Economic Growth

2.28 Figure 12 illustrates the growth in GVA¹¹ and employment in Hastings between 1991 and 2017. GVA in Hastings was strong in the years leading to 2009 and, despite flat-lining to 2014, has continued to grow following the economic downturn of the global financial crisis.

2.29 Employment dropped from 1995-1998, which took until 2003 to return to previous levels, and again dropped in 2006 - 2009, but quickly rebounded by 2011. Since 2014 jobs have increased notably.

2.30 GVA in Hastings has grown up to 2019, the economy produced goods and services valued at just over £1.6bn GVA and supported 38,800 jobs. This equates to around 0.8% of total jobs in the South East region (4.8m) and 0.6% of the regional GVA (£265bn).

Figure 12: Employment and GVA Trend (1991-2017) – Hastings

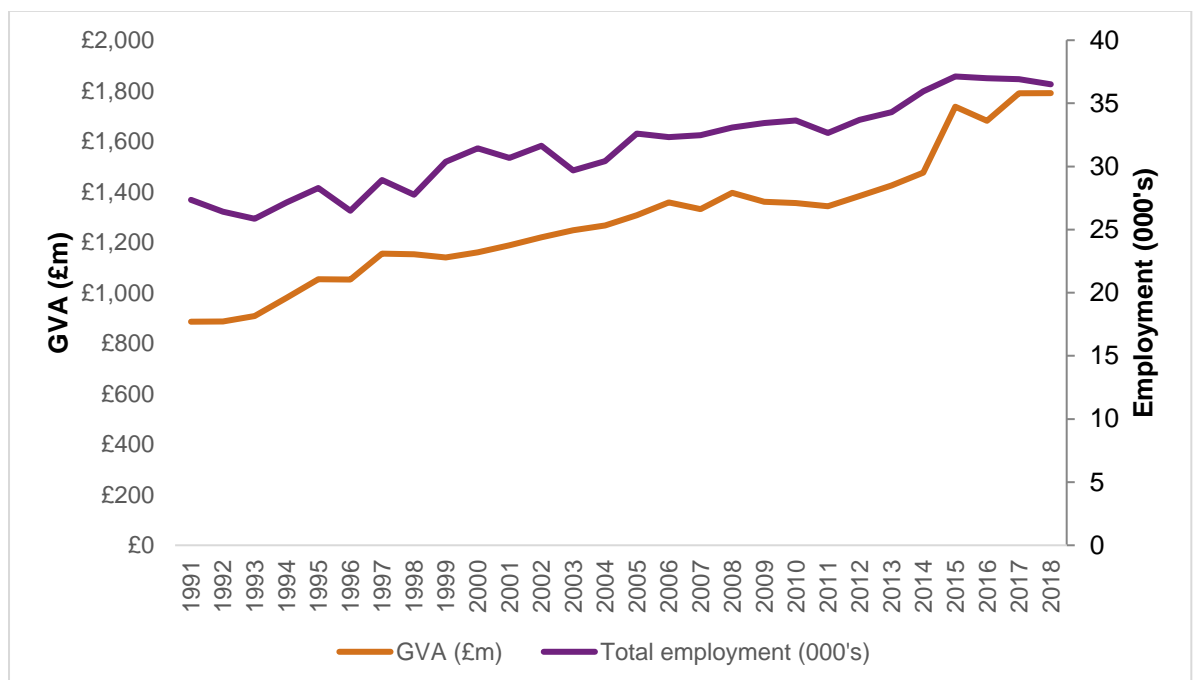


Source: Oxford Economics, 2019

¹¹ GVA is defined as Gross Value Added, and is often used as a productivity metric for the economic outputs of a geography.

- 2.31 Figure 13 shows the employment and GVA growth trend in Rother over the same period. Historic GVA trends in Rother followed a similar pattern. Employment in Rother, however, did not see the same variation that Hastings experienced – indicating a more stable labour market.
- 2.32 At 2017, the value of goods and services produced by the Rother economy was slightly more than Hastings at just under over £1.8bn, equating to 0.7% of the regional GVA. The Rother economy supported 36,500 jobs in 2018, accounting for 0.8% of total regional jobs.

Figure 13: Employment and GVA Trend (1991-2018) – Rother



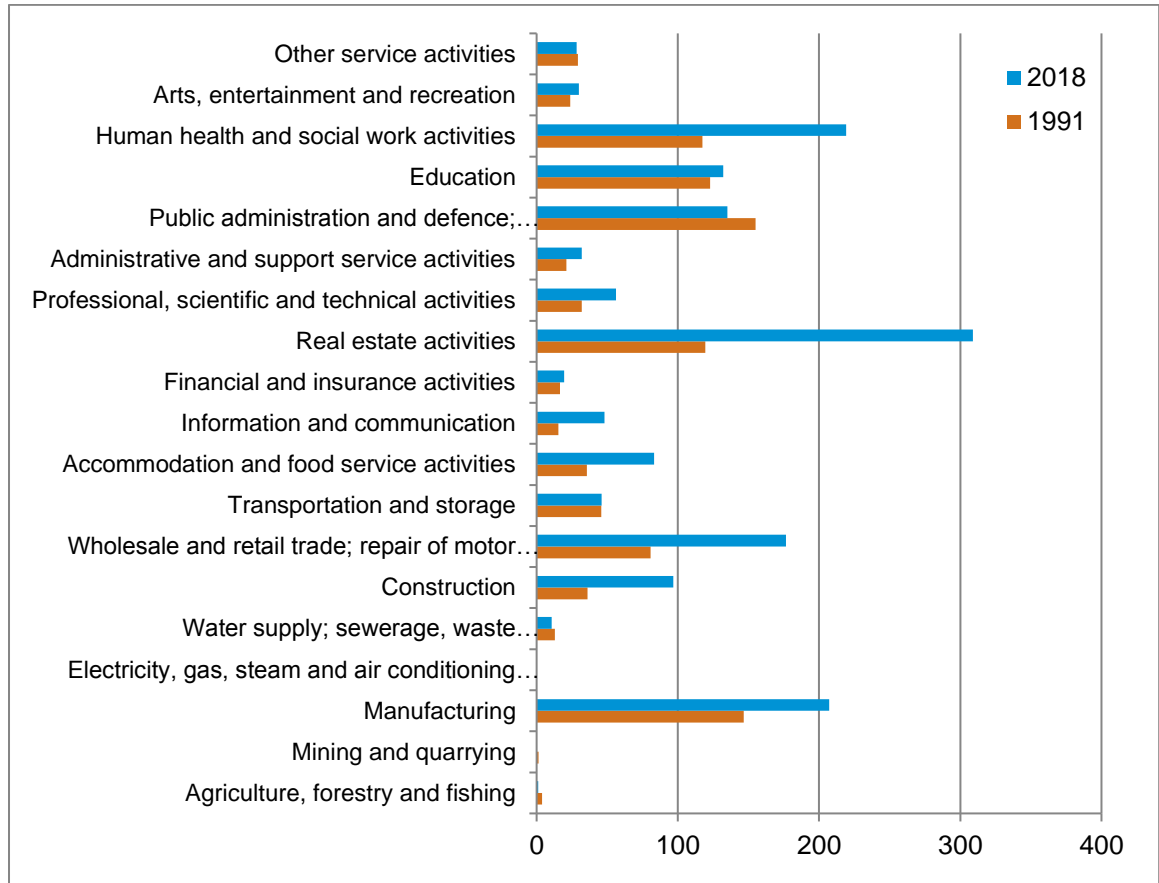
Source: Oxford Economics, 2019

GVA Growth by Sector

- 2.33 Figure 14 shows the breakdown of GVA in Hastings by sector. It compares growth in GVA from 1991 to 2018 indicating strong growth in GVA across most sectors. Real Estate, Human Health and Social Work, along with Wholesale saw the greatest growth in GVA over the period, increasing by 159% to £309m, 87% to £219m and 119% to £176m respectively. Notably, manufacturing GVA increased in Hastings, indicating either higher productivity or an expansion of the sector.
- 2.34 A notable decline in GVA over the period was in the Public Administration and Defence sector. This sector made a relatively strong GVA contribution to the local economy in 1991, however, decreased

by 13% to reach £135m in 2017. Agriculture, Forestry and Fishing also decreased in GVA by 73% to £1m in 2017, but this change is nominal compared to the former.

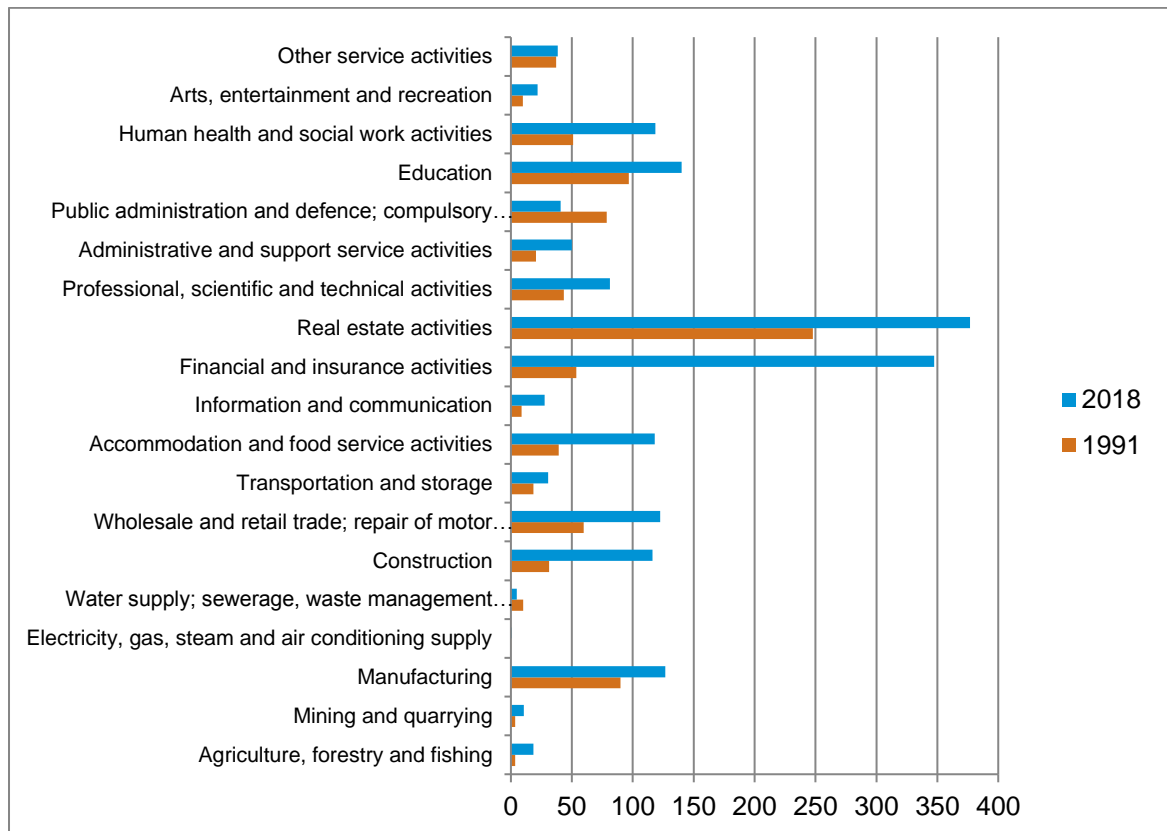
Figure 14: GVA by Sector (1991-2018) – Hastings



Source: Oxford Economics, 2019

- 2.35 Figure 15 shows the breakdown of GVA in Rother by sector. Since 1991, GVA has increased across most sectors in the local economy with the Financial and Insurance sectors demonstrating significant growth.
- 2.36 GVA in the Financial and Insurance sector grew by £293m to £347 over the period. Real Estate Activities increased in GVA by 52% to reach £376m in 2017. Sectors with a declining GVA over the period were Public Administration and Defence (-48%) and Water Supply (-5%).

Figure 15: GVA by Sector (1991-2018) – Rother

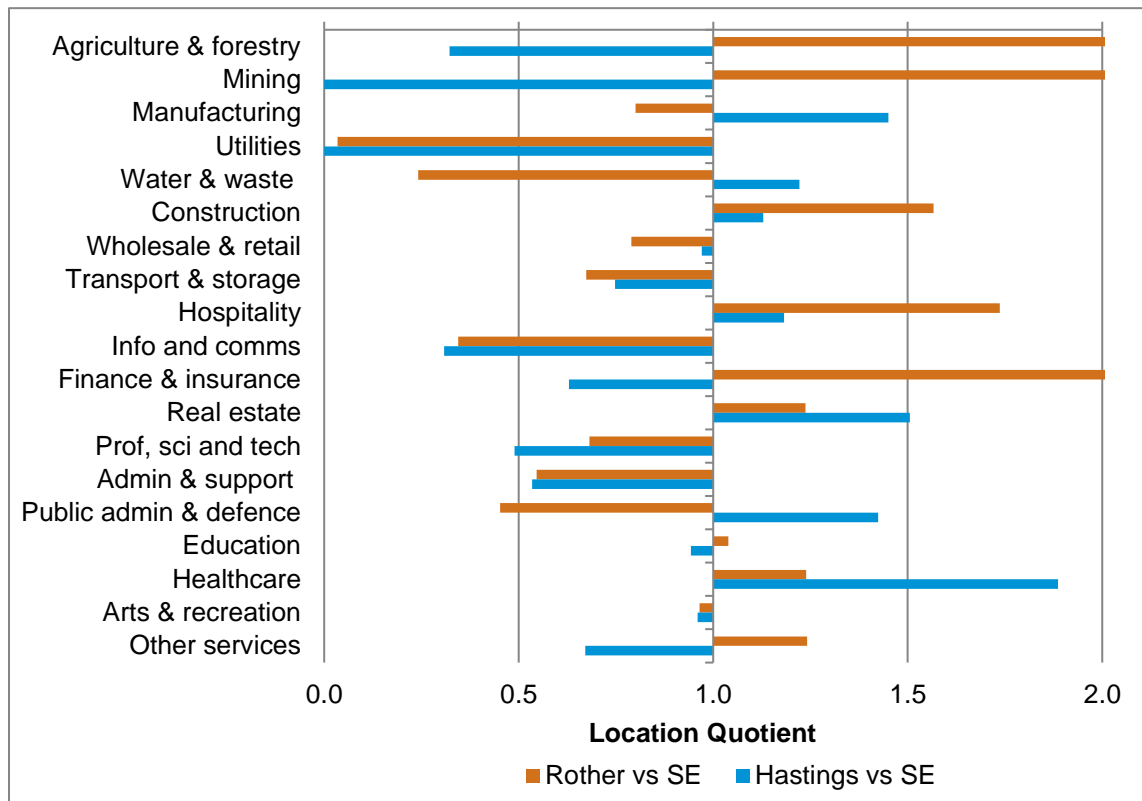


Source: Oxford Economics, 2019

Location Quotient

- 2.37 A location quotient analysis has been undertaken to quantify the concentration of a particular industrial sector in Hastings and Rother compared to the South East region. The purpose of the analysis is to identify sectors with particular strengths or specialisations. The relative strength of most sectors is factored into the economic forecasts for most sectors. Specifically, the distribution of growth from regional to the local level is in part driven by this relationship.
- 2.38 Figure 16 shows the location quotient analysis of Hastings' employment structure compared to the regional structure of the South East and of Rother's employment structure compared to the South East. The data represents employment in 2017.
- 2.39 In terms of the Hastings economy, the people serving sectors such as Healthcare, Real Estate, along with the Manufacturing sector show greater representation compared to the greater South East Region.

Figure 16: Location Quotient – Hastings v South East and Rother v South East (2017)



Source: Oxford Economics, 2019

- 2.40 There are some sectors in Hastings that are relatively weak in comparison to the regional representation. Of particular note are the Utilities, Information and Communications, Admin & Support, and Transport and Storage. Unlike Rother, the Mining, Agriculture and Forestry sectors in Hastings are relatively weak compared to the regional representation; however, the number of jobs in these sectors is low. Hastings is relatively more urban whereas Rother is primarily rural (except for Bexhill), and in many ways, the two local authorities have complementary roles as part of one functioning economic area.
- 2.41 In relative terms, key sector strengths in the Rother local economy are Mining, Agriculture and Forestry, Finance and Insurance, Hospitality and Construction. These sectors are all stronger in representation compared to the South East region. These sectors represent key strengths for the local authority.
- 2.42 Sectors with less representation in Rother compared to the greater South East are the Utilities, Information and Communications, and to a certain extent Transport and Storage sectors.

Demographic and Economic Baseline: Summary Points

- As of 2019, Hastings has a population of 93,907 and Rother had a population of 96,411. This is a population increase of 23% and 24% respectively since 1981.
- Rother has a notably older population with low representation in the younger ages, whereas Hastings' age profile is similar to the age profile of England and the South East.
- The drivers for population growth in Hastings and Rother are notably different. Hastings population has been driven by the high rate of natural change, whereas Rother experience high levels of internal migration;
- Hastings has a working population of 62,700 and Rother has a working population of 48,500.
- Hastings's employment rate is 67.9% while Rother's is 69.2%. Unemployment in Hastings is at 4.8% which is somewhat higher than the South East rate of 3.4%. The unemployment rate of Rother at 3.7% is marginally below Hastings and closer to the regional rate.
- The economic activity rates in Hastings (70.0%) and Rother (71.4%) are lower than the South East (80.8%) which likely reflects the older population.
- Hastings has higher levels of deprivation, benefit claimants along with lower job densities and employment rates compared to the wider region and country. A further focus on education could help address this as could providing suitable accommodation for higher-earning (who are typically higher qualified) individuals.
- The GVA in Hastings is valued at just over £1.6bn supporting 38,800 jobs. In Rother, the GVA total is £1.8bn supporting 36,500.
- Between 1997 and 2017, Real Estate Activities (estate agents and those earning a living as a landlord) along with Human Health and Wholesale sectors experienced the largest GVA growth in Hastings, while Financial and Insurance and Real Estate grew the most in Rother.
- In comparison to the wider South East, the Hastings economy has strength in sectors such as Healthcare, Real Estate, along with the Manufacturing. Key sectors of relative strength in Rother are mining, agriculture and forestry, finance and insurance, hospitality and construction.
- Overall, there are some constraint affecting the local economy including an ageing population, lower than average economic activity rates.
- Rother shows higher employment in finance and Hastings in manufacturing. This is atypical of the south-east which broadly has strengths in technical and professional services and suggests a bespoke approach is required in Hastings and Rother to ensure successful economic growth.

3 HOUSING NEED AND POPULATION GROWTH

Housing Need

- 3.1 Paragraph 214 of the revised NPPF (2019) states that any plans submitted after the 24th of January 2019 should be based on the 2019 version of the NPPF including the standard methodology. As such the revised framework applies for Hastings Borough Council and Rother District Council.
- 3.2 In assessing housing need and deriving a housing target that means adopting the three-stage standard methodology. This is set out in the Planning Practice Guidance (PPG) concerning Housing and Economic Needs Assessments and was revised in July 2018, again in September 2018 and most recently in February 2019.
- 3.3 Our approach below sets out the three-stage standard method for assessing housing need as applied to Hastings and Rother. We have calculated the need over the 2019-29 period paragraph 12 of the PPG sets out that “The method provides authorities with an annual number, based on a 10-year baseline, which can be applied to the whole plan period.”

Step 1 - Setting the baseline

- 3.4 The baseline is set using the 2014-based national household growth projections. The PPG advises that “the projected average annual household growth over 10 years (this should be 10 consecutive years, with the current year being the first year)” should be used.

Table 10: **Step 1 - Setting the Baseline based on household projections**

	Hastings	Rother
Households 2019	43,261	44,016
Households 2029	46,566	49,209
Change in households	3,305	5,193
Per annum change	331	519

- 3.5 This is a total of 3,305 new households in Hastings and 5,193 new households in Rother over the 10 years. This equates to an average annual household growth of 331 and 519 respectively. This annual average housing need is the core output of step 1.

Step 2 - An adjustment to take account of affordability

3.6 The second step is an adjustment to the outputs of step one with a greater adjustment in reflection to the greater local affordability pressure. Affordability pressures are adjudged on “the most recent median workplace-based affordability ratios”, published by ONS¹².

3.7 The exact calculation states that “for each 1% increase in the ratio of house prices to earnings, where the ratio is above 4, the average household growth should be increased by a quarter of a percent”. The formula for the adjustment in Hastings is calculated as below:

$$\text{Adjustment factor} = \left(\frac{\text{Local affordability ratio} - 4}{4} \right) \times 0.25$$

$$\text{Adjustment factor} = \left(\frac{8.83 - 4}{4} \right) \times 0.25 = \left(\frac{4.83}{4} \right) \times 0.25 = 1.21 \times 0.25 = 0.301$$

3.8 The adjustment for Rother is subsequently calculated below:

$$\text{Adjustment factor} = \left(\frac{12.73 - 4}{4} \right) \times 0.25 = \left(\frac{8.73}{4} \right) \times 0.25 = 2.18 \times 0.25 = 0.545$$

3.9 The most recent median workplace-based affordability ratio in 2018 in Hastings is 8.83 and Rother’s is 12.73. The adjustment factor, as calculated above, is therefore 0.30 for Hastings and 0.55 for Rother. Table 11 calculates a need for 430 homes per annum for Hastings and 803 homes per annum in Rother.

Table 11: **Step 2 - Housing Need Derived from Baseline and Affordability Adjustment**

	Hastings	Rother
Per annum change (step 1)	331	519
Affordability ratio (2018)	8.83	12.73
Uplift to household growth	30%	55%
Total need (per annum) (step 2)	430	803

Source: GL Hearn based on MHCLG data

¹²

<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian>

- 3.10 This step also ensures that there is no backlog need before the assessment start date of 2019. As Paragraph 11 of the PPG states “The affordability adjustment is applied to take account of past under-delivery. The standard method identifies the minimum uplift that will be required and therefore it is not a requirement to specifically address under-delivery separately.”

Step 3 - Capping the level of any increase

- 3.11 The third step of the standard method is to cap the level of increase to a deliverable level. The cap comes in the form of a 40% cap in the increase. However, what figure the cap is placed on depends on the age of the Local Plan and the extend of the housing target within it.

- Where the Local Plan is adopted within the last 5 years (at the point of making the calculation), the local housing need figure is capped at 40% above the existing housing target.
- Where the Local Plan was adopted more than 5 years ago then the cap is placed at 40% above the higher of either the existing housing target or the household forecasts

- 3.12 Both the Hastings and Rother Local Plans are older than 5 years old therefore the cap is placed above the higher of the existing housing target or the household forecasts (Step 1).

- 3.13 In Hastings, these figures are 182 dpa and 519 respectively. Therefore the 40% cap is applied to the latter however the uplift is only 30%, therefore, no cap is applied. **As a result, the Local Housing Need for Hastings is 430 dpa.**

- 3.14 In Rother, these figures are 200 dpa and 331 respectively. Therefore the 40% cap is applied to the latter. **As a result, the Local Housing Need for Rother is 727 dpa.**

- 3.15 This report was largely prepared in 2019 and thus these assessed level of need and subsequent chapters are based on the 2019-2020 period. Final drafts of the report were completed in 2020 at which time the housing need in Hastings increased to 437 dpa and in Rother to 736 dpa as a result of the start point moving on one year from 2019 to 2020. This is an increase of 1.7% and 1.2% respectively are is not considered to be a material change.

Population Growth

- 3.16 It is clear from the guidance that the minimum housing need is 430 dwellings per annum in Hastings and 727 per annum in Rother. However, the guidance does not provide any indication of how this then translates into population growth.

- 3.17 While the population projections give us an indication of the population output for step 1, how the additional 430 dpa for Hastings and 727 dpa for Rother (from step 2) translate into population growth is unclear.
- 3.18 An indication of how this should be tackled is set out in Paragraph 6 of the PPG which relates to the affordability adjustment:

“An affordability adjustment is applied as household growth on its own is insufficient as an indicator of housing demand because:

- *household formation is constrained to the supply of available properties – new households cannot form if there is nowhere for them to live; and*
- *people may want to live in an area in which they do not reside currently, for example, to be near to work, but be unable to find appropriate accommodation that they can afford.”*

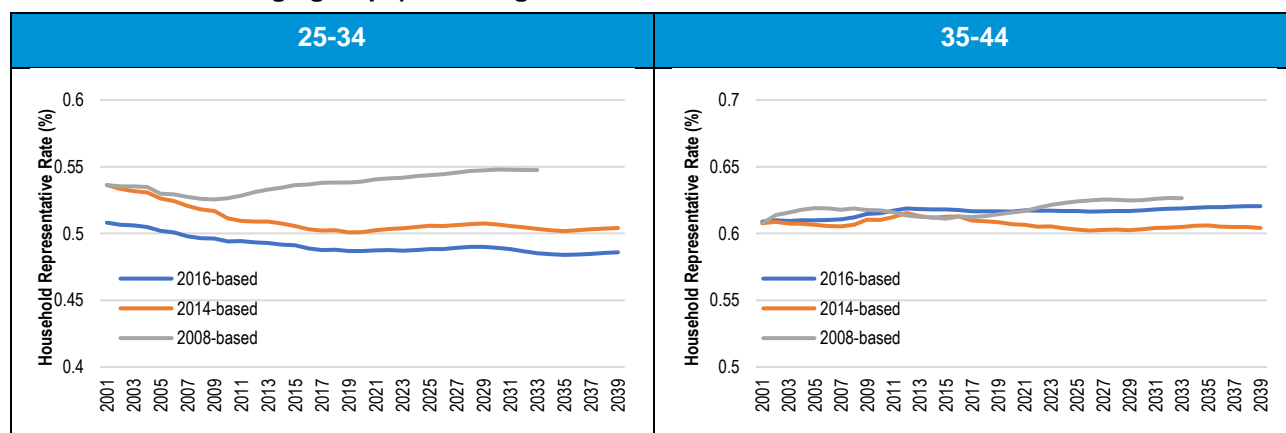
- 3.19 In other words, if the additional homes to be filled and to address the issues set out above then a combination of reasonable improvements to household formation and increases to migration have to occur.
- 3.20 To allow for additional modelling to be undertaken in this report (e.g. older persons need) and in line with the PPG, a scenario has been developed which increases migration to the local authorities and builds in an improvement to the household formation of younger people such that there are sufficient households for 430 and 727 additional homes each year.
- 3.21 To be clear, in moving from household growth in the official projections to the household growth likely to be associated with the Standard Method, increases in both migration and household formation can and should be expected.

Household Formation Rates

- 3.22 GL Hearn has first sought to establish what a reasonable improvement to household formation rates entails. The latest Household Representative Rates (HRRs) are contained in the ONS 2016-based Sub-National Household Projections (SNHP) published in September 2018.
- 3.23 The 2016-based SNHP have come under some heavy criticism, this is largely because they are based only on data in the 2001-11 Census period and arguably build in the suppression of household formation experienced in that time. The criticism of the 2016-Based HRR resulted in the consultation methodology employed in this report.

3.24 The previous (2014-based) projections used a longer time-series (all Census points back to 1971) and therefore do cover a wider housing market cycle. However, as the Figure 17 shows while the 2014- based projections in Hastings are marginally more positive than the 2016-based projections for those aged 25-34 there is still a clear and considerable deterioration in the ability to form a household since 2001 which is projected to continue.

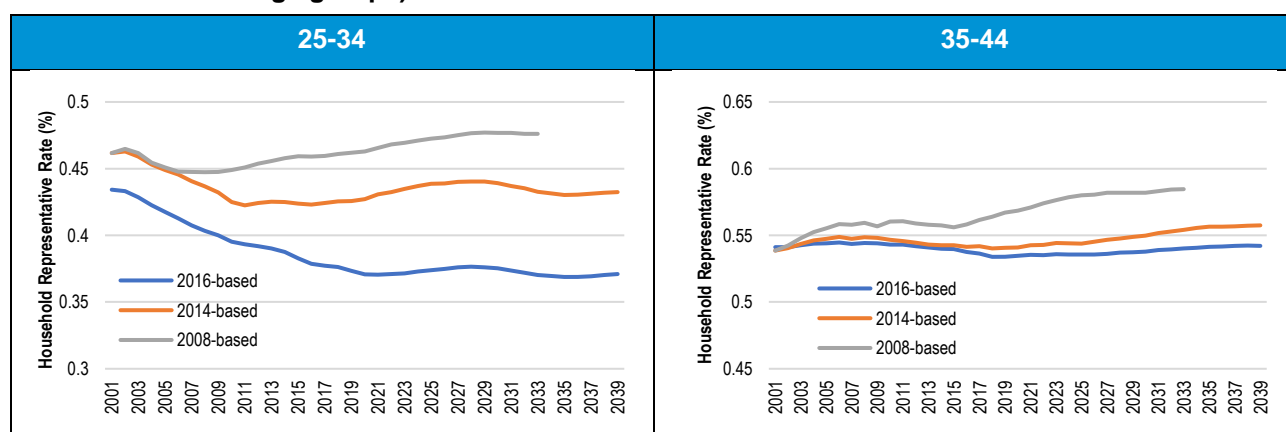
Figure 17: Projected Household Representative Rates by age of head of household (selected age groups) - Hastings



Source: Derived from ONS and CLG data

3.25 In Rother, there is a greater similarity between the 2014-based and 2016-based projections however there is still a clear and considerable deterioration in the ability of those aged 25-34 to form a household since 2001 which is projected to continue.

Figure 18: Projected Household Representative Rates by age of head of household (selected age groups) – Rother



Source: Derived from ONS and CLG data

- 3.26 The reduction in household formation rates in the 2014-based projection between 2001 and 2011 is likely to have increased the number of non-dependent children living with their parents and households sharing accommodation and concealed households.
- 3.27 In addition, when compared to the pre-recession 2008-based HRRs both the 25-34 and 35-44 age groups are much lower. These were based on pre-recession trends and are therefore reflective of a more positive housing environment.
- 3.28 If either the 2014-based or 2016-based HRR figures are used it would be clear that the objective of the affordability adjustment would not be met i.e. to improve household formation rates. This is because the households formation rates for households headed by someone aged 25-44 would not be able to return to historic trends. In such circumstances, it would be reasonable to consider a further adjustment within the modelling to the published HRR, as otherwise, residents in these younger age groups would not be able to form households in the way in which they would perhaps like to or had done so historically.
- 3.29 This step, in effect, spreads the population growth within the official projections more thinly across the households and as a result, reduces household size. This will be through a combination of reduced numbers of non-dependent children living with their parents or by alleviating existing overcrowding.
- 3.30 A sensitivity test has thus been developed to model an increase in the household formation rates of the population aged 25-44. This links back to the 2014-based SNHP and can be termed a 'part-return-to-trend', where the rate of household formation sits somewhere between figures in the 2014-based projections and those in an older 2008-based version. This approach was suggested in 2016 by the Local Plans Expert Group (LPEG)¹³.
- 3.31 However, this amended HRR applied to the population projections is still well short of the Standard Method figure of 430 dwellings per annum in Hastings and 727 per annum in Rother. On this basis, the (second stage of our adjustment to population outputs) migration assumptions have been changed so that across Hastings and Rother the increase in households matches the Standard Method housing need (including a vacancy allowance, or additional buffer to account for a regular level of vacancy in households).

Migration

- 3.32 The next step in the modelling ensures that the remaining homes are filled. This is done by assuming increased levels of migration. As a starting point, the analysis draws on the most recent projections

¹³ <http://lpeg.org/wp-content/uploads/2016/02/Local-plans-report-to-governement.pdf>

available; those being 2016-based sub-national population projections (SNPP) and the 2016-based household projections (SNHP) – both ONS data releases. The analysis also looks at the most recent population estimates (again from ONS) which updates to mid-2017.

- 3.33 While this could be perceived as being contrary to the guidance (which consciously do not use the 2016-based projections) in relation to housing need the PPG is silent on the population outputs for the standard methodology. We believe that the use of the 2016-based SNPP and 2017 MYE represent the most up to date and robust assessment of population growth to which to build on.
- 3.34 The changes to migration have been applied on a proportionate basis; the methodology assumes that the age/sex profile of both in- and out-migrants is the same as underpins the 2016-based SNPP with adjustments being consistently applied to both internal (domestic) and international migration. Adjustments are made to both in- and out-migration (e.g. if in-migration is increased by 1% then out-migration is reduced by 1%).
- 3.35 In summary, the method includes the following assumptions:
- Household representative rates from the 2014-based SNHP with an adjustment for a part-return to 2008-based trends to fill some of the additional homes with the existing and projected population; and to fill these homes with additional population
 - Base population in 2017 from the latest mid-year population estimates with additional migrants using the migration profile (by age and sex) in the same proportions as the 2016-based SNPP
 - Fertility and mortality assumptions are also taken from the most recent evidence i.e. the 2016-based SNPP.
- 3.36 In developing this projection, a notably higher level of population growth is derived for Hastings (9,772 additional people compared with 3,900 in the 2016-based SNPP (as published)). A more apparent difference occurs in Rother, with a projected increase is 2,351 versus a decline of 1,200 in the 2016-based SNPP, reflecting recent trends and the age profile in each local authority.
- 3.37 The age structure of the two projections is also somewhat different, with the projection linked to the Standard Method showing much stronger growth in what might be considered as ‘working-age’ (16-64) groups. This arises because ONS data shows that migrants are heavily concentrated in those age groups (along with their associated children).
- 3.38 The tables below show the age structure of the population projected to be consistent with the delivery of 430 dpa in Hastings and 727 dpa per annum over the 2019 to 2039 period.

Table 12: **Population change 2019 to 2039 by five-year age bands – Hastings (linked to the delivery of 430 dwellings per annum)**

	Population 2019	Population 2039	Change in population	% change
0-4	5,474	5,507	33	0.6%
5-9	5,743	5,404	-339	-5.9%
10-14	5,460	5,575	115	2.1%
15-19	5,005	5,831	826	16.5%
20-24	5,243	5,648	405	7.7%
25-29	5,623	6,049	426	7.6%
30-34	5,801	5,776	-25	-0.4%
35-39	5,648	5,280	-367	-6.5%
40-44	5,323	5,831	508	9.5%
45-49	6,348	6,385	38	0.6%
50-54	7,052	6,684	-368	-5.2%
55-59	6,704	6,699	-5	-0.1%
60-64	5,778	6,303	525	9.1%
65-69	5,182	6,751	1,568	30.3%
70-74	5,373	6,796	1,422	26.5%
75-79	3,258	5,696	2,438	74.8%
80-84	2,334	3,984	1,650	70.7%
85 & over	2,558	5,119	2,561	100.1%
Total	93,907	105,316	11,409	12.1%

Source: Demographic projections

3.39 There is projected to be a large increase in those over 60 and to a lesser extent those ages 10-29 and 40-49. In percentage terms, the largest growth is in those aged over 85 – consistent with national trends. There were notable declines in ages 5-9, 30-39, and 50-59.

3.40 In Rother, there is expected to be growth across all age bands except for ages 50-54. There is a particularly large increase in those 85 & over and those aged 75-84. This increase is in line with national trends which project a rise in the population in these age groups, which stipulate an improvement of mortality rates meaning that more of the population will live longer into old age.¹⁴

¹⁴Mortality assumptions available at:
<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/compendium/nationalpopulationprojections/2016basedprojections/mortalityassumptions>
(Last accessed in January 2020)

Table 13: **Population change 2019 to 2039 by five-year age bands – Rother (linked to the delivery of 727 dwellings per annum)**

	Population 2019	Population 2039	Change in population	% change
0-4	3,934	4,494	559	14.2%
5-9	4,800	5,050	250	5.2%
10-14	4,862	5,443	581	11.9%
15-19	4,315	5,291	976	22.6%
20-24	3,801	4,214	413	10.9%
25-29	4,084	4,733	649	15.9%
30-34	3,904	4,457	553	14.2%
35-39	4,130	4,472	342	8.3%
40-44	4,204	5,414	1,211	28.8%
45-49	5,641	6,201	559	9.9%
50-54	7,085	6,827	-259	-3.6%
55-59	7,386	7,480	94	1.3%
60-64	7,165	7,821	656	9.2%
65-69	7,601	9,762	2,161	28.4%
70-74	8,583	10,996	2,413	28.1%
75-79	5,902	9,858	3,956	67.0%
80-84	4,399	7,312	2,913	66.2%
85 & over	4,612	9,260	4,648	100.8%
Total	96,411	119,086	22,676	23.5%

Source: Demographic projections

Housing Need and Population Growth: Summary Points

- In line with the planning practice guidance housing need has been calculated using the Standard Method.

The Standard Method housing need for Hastings results in 430 dpa and for Rother, the housing need is 727 dpa based on the 2014-based household projections. This is based on the following calculation:

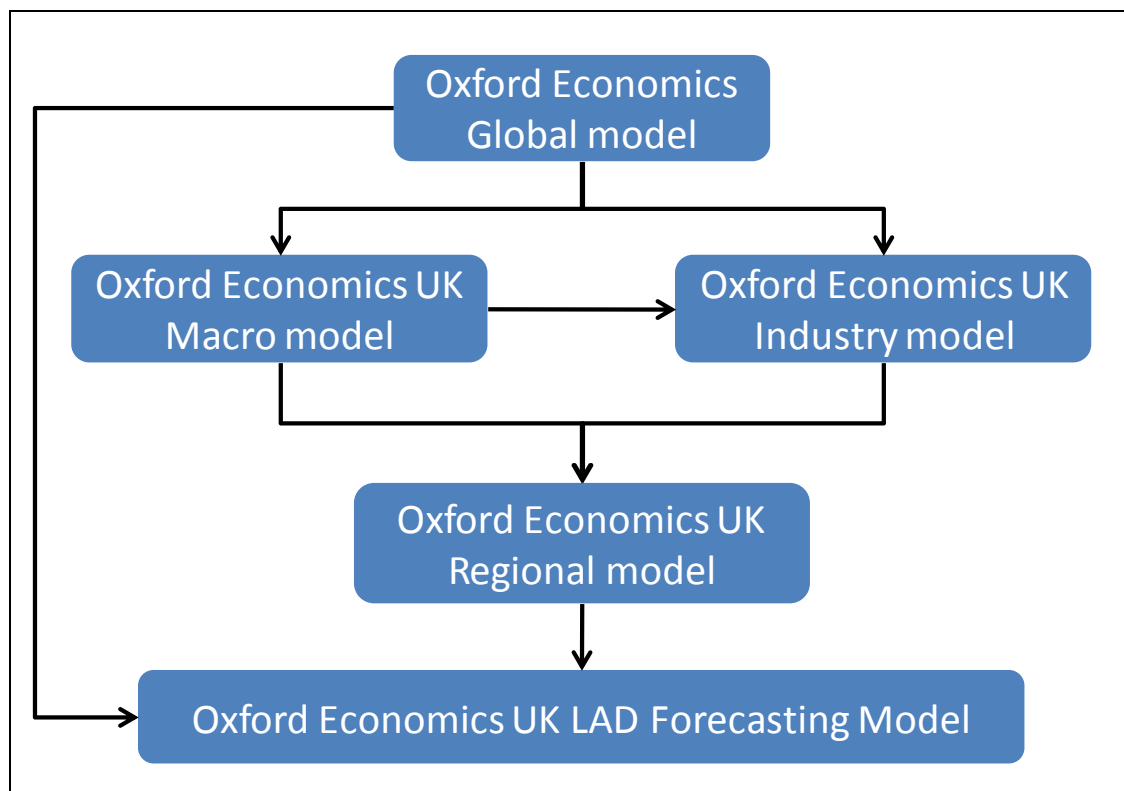
	Hastings	Rother
Per annum change (step 1)	331	519
Affordability ratio (2018)	8.83	12.73
Uplift to household growth (step 2)	30%	55%
Total need (per annum)	430	803
Total need (per annum) Capped (step 3)	430	727

- Chapter 6 sets out the current rate of delivery being 200 per annum in Hastings and 197 in Rother. This highlights that a very substantial uplift in delivery would be required to achieve the standard method and this will be tested through wider evidence in the Local Plan preparation.
- The additional 30% uplift in Hastings and 40% in Rother are, according to the PPG, in response to households who are not able to form and households that are not able to move to the area, both due to affordability constraints in part due to under-delivery.
- It is, therefore, reasonable to assume that applying this uplift would take the household formation and migration rates away from those set out in the official projections which feed into the first step of the standard method.
- We have therefore modelled what the potential population impact would be of this uplift. The modelled approach to population growth improves household formation rates and increases population growth through migration to the point where all the additional homes are filled.
- The model of population growth shows that in Hastings by 2029 it is predicted that there will be a large increase in the those over 60 years of age and a smaller proportion of the population in the age bands of 5-9, 30-39 and 50-59. In Rother, there is expected growth across all age bands apart from 50-54.
- Our modelling shows a population growth of 11,409 or 12.1% in Hastings and 22,676 or 23.5% in Rother over the 2019-2039 period.

4 EMPLOYMENT FORECASTS

- 4.1 This section considers employment forecasts for the plan period for Hastings and Rother. Initially, baseline forecasts from Oxford Economics are considered which draw particularly on national and regional trends as well as historic local performance. Thereafter a custom local scenario is considered which takes into account feedback from local stakeholders as well as several interventions and initiatives occurring in Hastings and Rother as set out earlier in the report.
- 4.2 Oxford Economics (OE) was commissioned by GL Hearn to provide baseline demand-based forecasts for the HEDNA. The OE forecast is dated Quarter 2 2019.
- 4.3 The baseline model is the lowest hierarchical level of the OE framework of forecasting models. Such a modelling framework ensures that global and national factors (such as developments in the Eurozone and UK Government fiscal policy) have an appropriate impact on the forecasts at local authority level. This framework ensures that the forecasts are much more than just an extrapolation of historical trends. Rather, the trends in the OE global, national and sectoral forecasts have an impact on the local area forecasts alongside the sectoral structure and past sector performance locally.

Figure 19: The hierarchal structure of Oxford Economics' suite of models



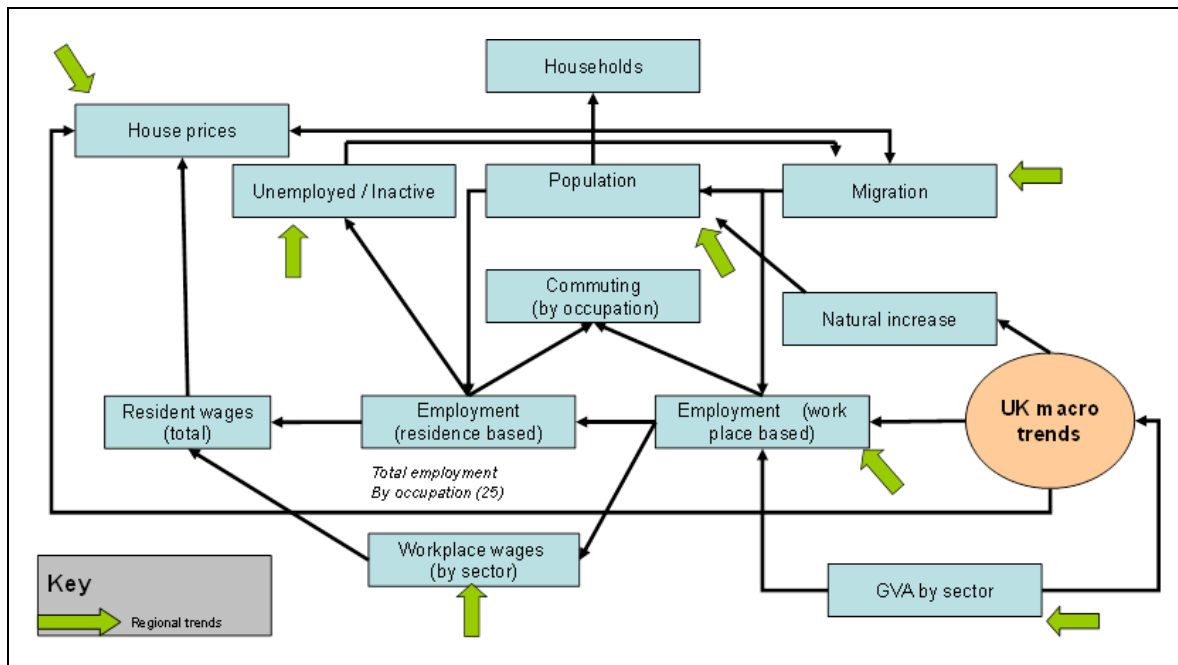
Source: Oxford Economics, 2016

4.4 The baseline forecasts for the HEDNA are essentially shaped by three factors:

- International, national and regional outlooks - all the local area forecasts produced by OE are fully consistent with broader regional, national and international models and forecasts. This ensures global events that impact on the performance of UK local economies, such as the strength of global trade are fully captured in the forecasts for a local area. So too are national-level growth and policies, whether that be the impact of monetary policy on consumer spending or government spending on locally provided public services;
- Historical trends in an area, which implicitly factor in supply-side factors affecting demand, combined with the OE and GLH knowledge of local areas and the patterns of local economic development. This ensures for example, that we recognise and factor into the forecasts any evidence of particularly high/low levels of competitiveness that local economies have in particular activities. It also means national policy programmes that have a particular local impact and that are very likely to happen; and
- Fundamental economic relationships which interlink the various elements of the outlook. OE's models ensure full consistency between variables in a local area. For example, employment, commuting, migration and population are all affected by one another.

4.5 The forecasts are produced within a fully-integrated system, which makes assumptions about migration, commuting and activity rates when producing employment and population forecasts, the latter drawing on the latest sub-national population projections. The main internal relationships between variables are summarised in Figure 20.

Figure 20: Employment Forecasting Main Relationships



Source: Oxford Economics, 2016

- 4.6 The starting point for producing employment forecasts for a local authority is the determination of workplace-based employees in employment in each broad sector. There are two key sources for this – ONS Workforce Jobs (WFJ) and the Business Register and Employment Survey (BRES). The WFJ series is reported quarterly, providing estimates of employee jobs by sector (based on the 2007 Standard Industrial Classification – SIC 2007) for the UK and its constituent government office regions. The BRES Survey is an annual survey of businesses which is used to estimate the employment levels by different sectors.
- 4.7 Within the OE model migration is expected to grow or decline in parallel with the employment total. If the employment total within an area is falling too fast, migration also falls as the model assumes that people would not be attracted into this area to live, given that the employment prospects are weak. This ensures that the relationship between the labour market outlook and the population outputs are inter-linked.
- 4.8 As discussed later in this report, the baseline forecasts cannot consider local sensitivities such as skills shortages, constricted land supply or lack of reporting in every industry. Thus, the baseline forecasts were examined through a lens of consultations with key stakeholders to arrive at a more nuanced view of future employment trends and subsequently future land need.

Disaggregating Growth

- 4.9 The Oxford Economics forecasts are based on a global view of growth which is translated to the UK, then the South East region and then each local authority within the region. Within the hierarchy, the growth in the lower level in the hierarchy must add up to that of the level above within the baseline forecast. How the national level of growth is translated into a regional and local authority level differs from sector to sector. Some of the sectors are driven predominantly by population estimates, others by total employment in the area and the remainder by the sector's performance relative to the regional performance (largely exporting sectors).
- 4.10 The methods of sectoral projection are as follows, each of which are forecast based on recent trends:
- Agriculture - the share of the regional employment
 - Mining and quarrying - the share of the regional employment
 - Manufacturing - the share of the regional employment
 - Electricity, gas, and steam - the share of the regional employment
 - Water supply; sewerage, waste management - share of the regional employment
 - Construction - location quotient (LQ) based upon total employment
 - Wholesale and retail trade - LQ based upon consumer spending
 - Transportation and storage - LQ based upon consumer spending

- Accommodation and food service activities - LQ based upon consumer spending
- Information and communication - the share of the regional employment
- Financial and insurance activities - the share of the regional employment
- Real estate activities - LQ based upon total employment
- Professional, scientific and technical activities - LQ based upon total employment
- Administrative and support service activities - LQ based upon total employment
- Public administration and defence - LQ based upon sectoral employment per population
- Education - LQ based upon sectoral employment per population
- Human-health and social-work activities- LQ based upon sectoral employment per population
- Arts, entertainment and recreation - LQ based upon consumer spending
- Other service activities LQ based upon consumer spending

4.11 Because of the way national forecasts are disaggregated, the baseline growth in any given local authority largely reflects the relative strength of the sectors expected to grow nationally. In practice, this means that local authorities with a particular strength in their professional, scientific and technical sector and/or the administrative and support sectors (as the drivers of growth nationally) will see notable growth predicted by the model.

Baseline Forecast

4.12 In this section, we have provided the baseline forecast up to 2039 with historic data up to 2017. Oxford Economics data indicated that Hastings' GVA growth is forecast at 1.5% per annum until 2039 whereas historically 1.7% was achieved from 1997 to 2007, and 1.5% over 20 years from 1997 to 2017.

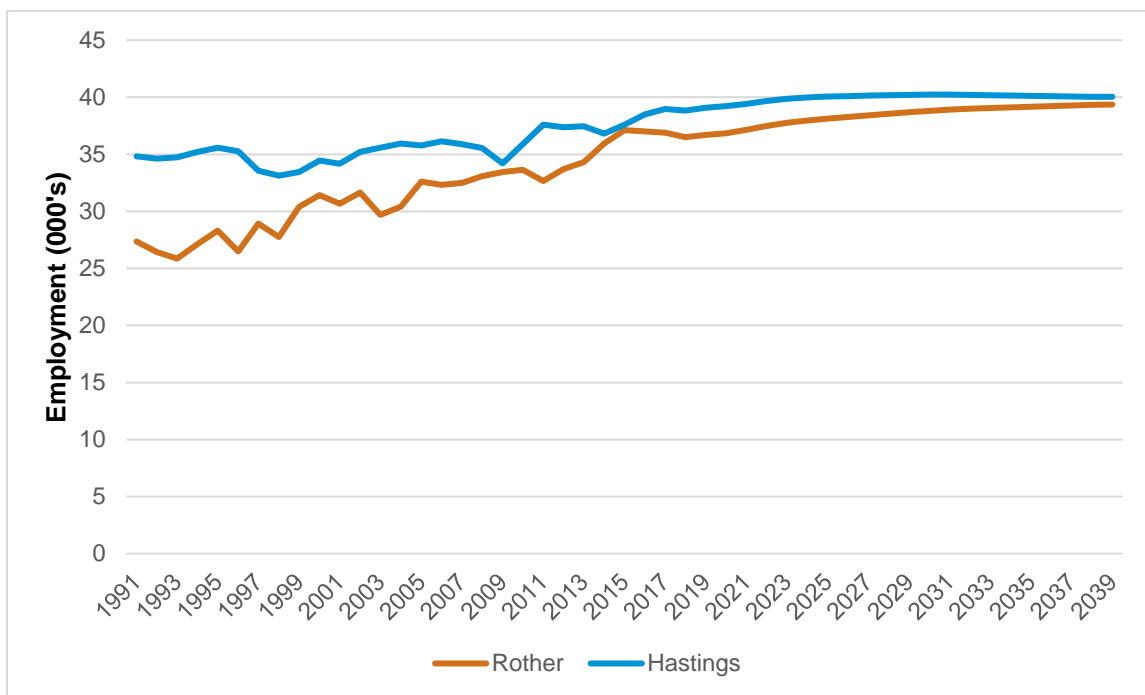
4.13 The data also indicates that Rother's economy is expected to grow by 1.9% per annum (GVA) to 2039. This is compared with the last positive economic cycle being 1.5% per annum from 1997-2007. Over 20 years there was 2.7% growth in employment in Rother from 1997-2017, a rate that is higher despite taking into account the national downturn period in the economy.

4.14 The greatest increases in Rother's GVA contributing to the economy were in Financial and Insurance Activities (£291m at 6.9% pa) and Real Estate Activities (£130m at 1.52%) accounting for 46% of all GVA growth in between 1991 and 2017.

4.15 Oxford Economics also indicate that Hastings' employment is only expected to grow by 0.1% per annum (GVA) to 2039. This is compared with the last positive economic cycle being 0.7% per annum from 1997-2007. Over 20 years there was 0.8% growth in employment from 1997-2017.

4.16 Rother’s employment is projected to grow by 0.3% per annum (GVA) to 2039. This rate is compared to 1.2% growth per annum from 1997-2007. Over 20 years there was 2.7% growth per annum in employment from 1997-2017.

Figure 21: Baseline Employment Forecast (1991-2039)



Source: Oxford Economics 2019

4.17 Table 14 sets out the absolute growth under the baseline scenario for each local authority. As shown the growth in Rother is substantially higher (2,671 jobs) over the 2019 to 2029 period than in Hastings (930 jobs),

Table 14: Oxford Economic Baseline forecasts (jobs) for Hastings and Rother

	2019	2039	Change	Change Per Annum
Hastings	39,093	40,023	930	47
Rother	36,676	39,347	2,671	134

Source: Oxford Economics and GLH, 2019

4.18 This translates into a per annum growth of 47 additional jobs per annum in Hastings and 134 additional jobs per annum in Rother.

4.19 The sectoral change in Hastings’ jobs from 2019 to 2039 is set out below. Of note, projections start from 2017 but the dates below are in line with the local authority planning period.

- 4.20 The increase in employment, especially in Healthcare, is due in part to a projected increase of older people who would require greater specialist services in the Healthcare sector.
- 4.21 In the construction industry, there will be an increase in 522 jobs from 2019-2039 with a CAGR of 0.77% (as compared to a historic per annum growth rate of 3.54% from 2001-2017).
- 4.22 The steep decline in manufacturing jobs in Hastings (1,045 fewer jobs by 2039) as compared to a projected increase in GVA (annual growth rate of 0.65% from 2019-2039) indicates that the forecasts predict increasing productivity and a lower requirement for labour for the manufacturing industry. This is in line with national and regional projections and does not take into account local economic performance or intervention.

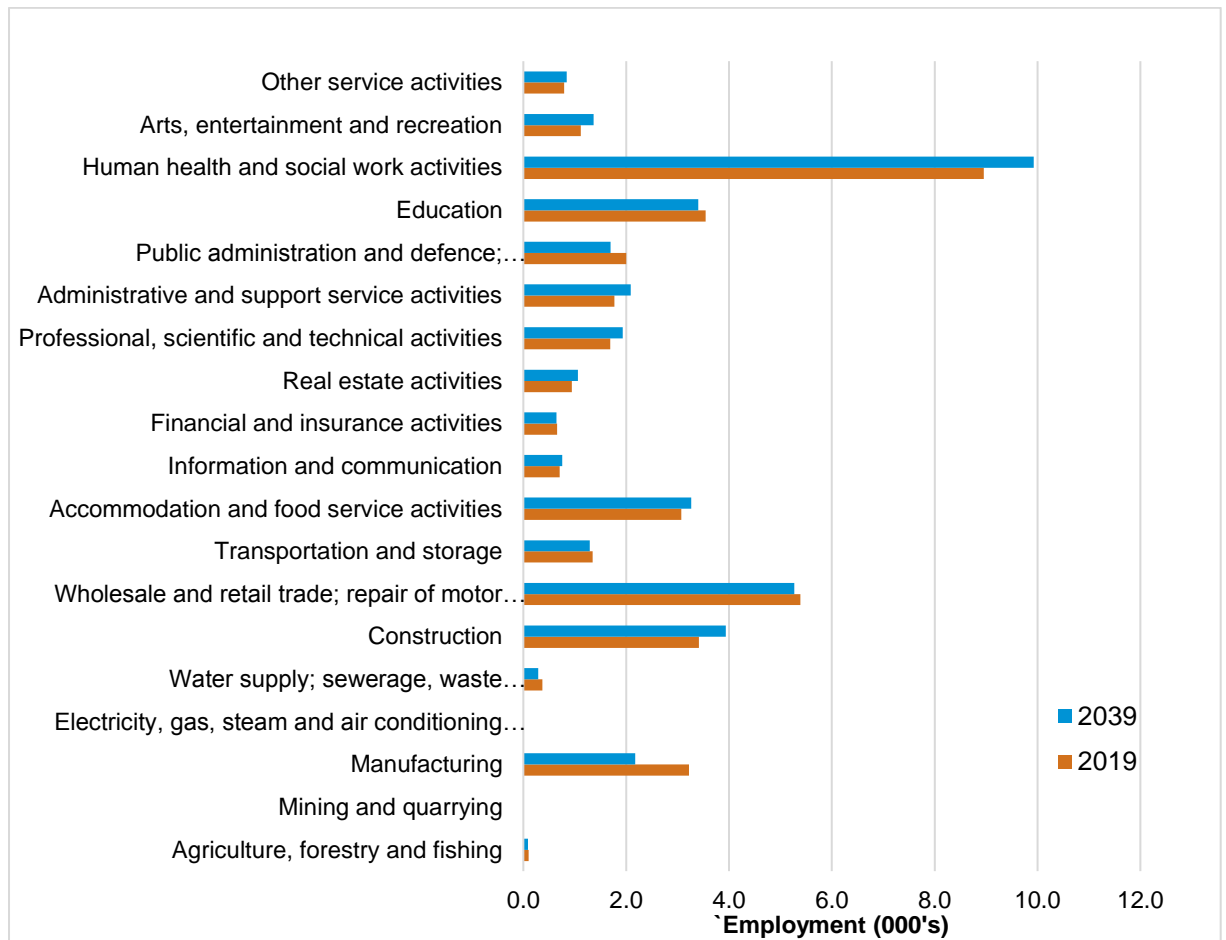
Table 15: **Key Sectoral Change in Employment (2019-2039) - Hastings**

Industry	Change in Employment 2019-39
Professional services	241
Admin & support	316
Healthcare	970
Arts & entertainment	250
Construction	522
Finance and insurance	-15
Education	-145
Public administration	-304
Wholesale / retail	-119
Manufacturing	-1,045

Source: Oxford Economics, 2019

- 4.23 In addition, a detailed sectoral breakdown is shown in Figure 22:

Figure 22: Hastings Employment 2019 & 2039 ('000s)



Source: Oxford Economics 2019

4.24 The sectoral change in Rother’s jobs between 2019 and 2039 is set out below. For Rother, the baseline forecast identifies key changes in the following sectors:

Table 16: **Key Sectoral Change in Employment (2019-2039) - Rother**

Industry	Change in Employment
Professional services	412
Admin & support	386
Healthcare	617
Arts & entertainment	267
Construction	964
Finance and insurance	-55
Education	116
Public administration	-65
Wholesale / retail	90
Manufacturing	-497

Source: Oxford Economics, 2019

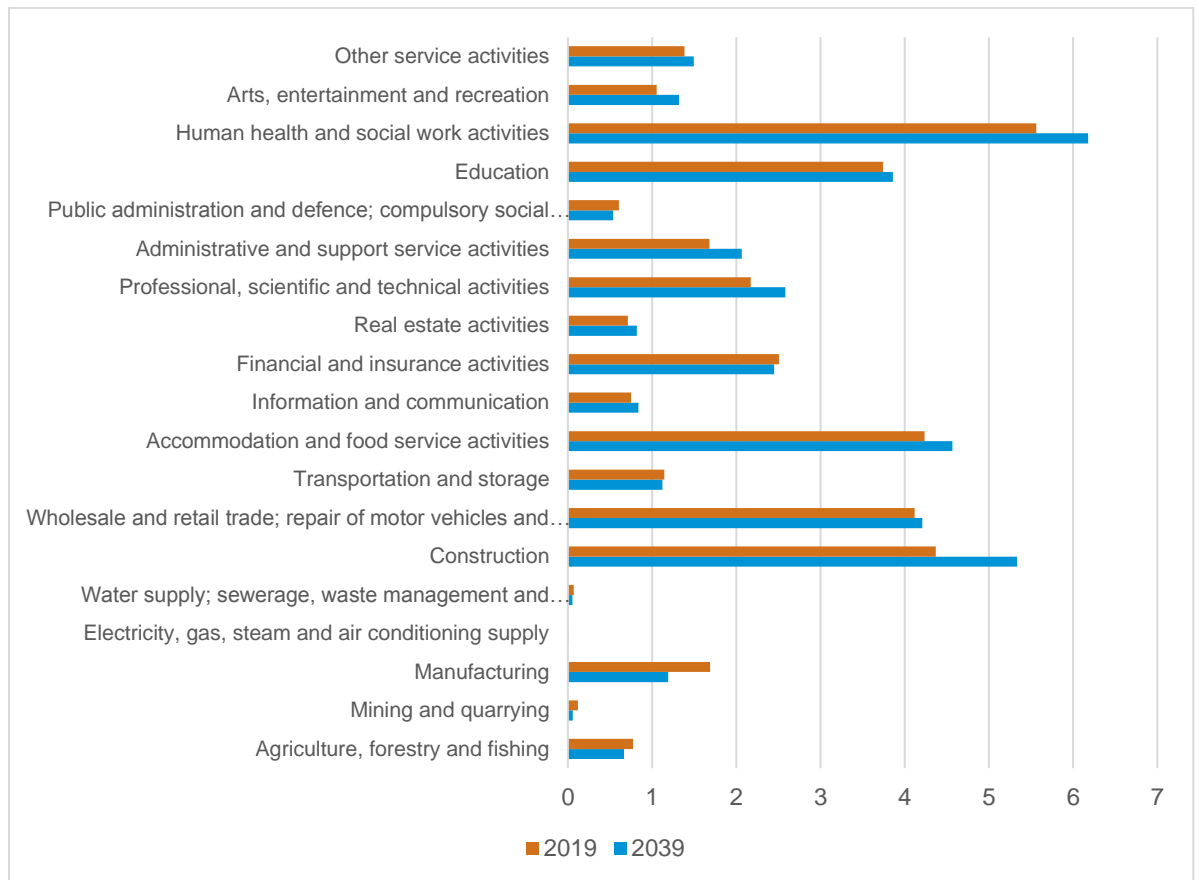
4.25 As with Hastings, the increase in employment, especially in Healthcare, is due in part to a projected increase of older people who would require greater specialist services in the Healthcare sector.

4.26 In the construction industry, there will be an increase in 964 jobs from 2019-2039 with a CAGR of 1.00% (as compared to a historic per annum growth rate of 3.69% from 2001-2017).

4.27 The steep decline in manufacturing jobs in Rother (497 fewer jobs by 2039) as compared to a projected increase in GVA (annual growth rate of 0.90% from 2019-2039) indicates that the forecasts predict increasing productivity and thus a lower requirement for labour for the manufacturing industry. This is in line with regional and national projections and does not take account of local circumstances.

4.28 Subsequently, a detailed sectoral breakdown for Rother is shown in Figure 23:

Figure 23: Rother Employment 2019 & 2039 ('000s)



Source: Oxford Economics 2019

- 4.29 The trends indicated above for the two areas broadly reflect those at the regional and national level, with gains in office-based service sector employment and declines in manufacturing, retail and some public services.
- 4.30 Table 17 sets out the change in compound annual growth rate for both GVA and employment. This demonstrates that manufacturing is forecast to see productivity gains and growth despite a decline in employment, anticipated to be driven by mechanisation, automation and international competition. Although this may require improvement to local skills.
- 4.31 The ICT sector is forecast for growth in GVA but more limited employment whereas professional services and admin and support are forecast for both GVA and employment growth). The arts & recreation sector is anticipated for employment growth but a lesser change in GVA.

Table 17: **Regional and local CAGR in GVA and employment 2019-2039**

Sector	South East		Hastings		Rother	
	GVA	Employ.	GVA	Employ.	GVA	Employ.
Manufacturing	0.5%	0.5%	0.5%	-1.9%	0.9%	-1.7%
Construction	1.0%	1.0%	1.2%	0.7%	1.4%	1.0%
Wholesale & retail	1.4%	1.4%	1.4%	-0.1%	1.5%	0.1%
Transport & storage	0.9%	0.9%	1.0%	-0.2%	1.0%	-0.1%
Hospitality	1.3%	1.3%	1.7%	0.3%	1.6%	0.4%
Info and comms	2.6%	2.6%	3.0%	0.3%	2.9%	0.6%
Finance & insurance	1.9%	1.9%	1.9%	-0.1%	2.1%	-0.1%
Real estate	2.1%	2.1%	2.2%	0.6%	2.2%	0.7%
Prof, sci and tech	2.4%	2.4%	2.8%	0.7%	2.5%	0.9%
Admin & support	2.1%	2.1%	2.4%	0.8%	2.2%	1.0%
Public admin & defence	-0.2%	-0.2%	-0.4%	-0.8%	-0.1%	-0.6%
Education	0.3%	0.3%	0.2%	-0.2%	0.5%	0.2%
Healthcare	1.8%	1.8%	2.0%	0.5%	1.9%	0.5%
Arts & recreation	0.9%	0.9%	0.7%	1.0%	1.0%	1.1%
Other services	0.9%	0.9%	0.8%	0.3%	1.1%	0.4%
Total	1.7%	0.3%	1.4%	0.1%	1.7%	0.4%

Source: Oxford Economics 2019 / GL Hearn analysis

- 4.32 As noted baseline forecasts are driven by regional and national trends as well as local historic performance, but do not reflect recent local performance or specific interventions and initiatives occurring the area. These and the resulting adjustments are considered in more detail in the local scenario below.

Local Scenario

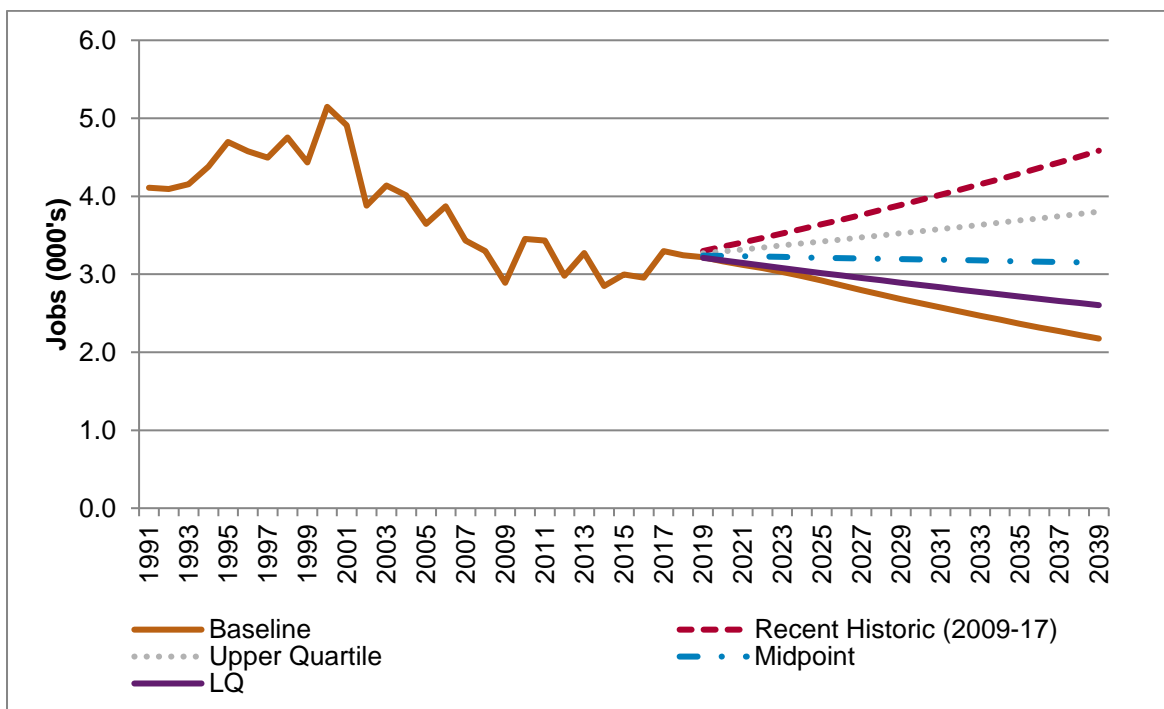
- 4.33 While the baseline forecast provides a good indication of the direction of growth it does not necessarily reflect the progression of some specific sectors locally.
- 4.34 We have considered the baseline forecast and reviewed the historic and future trends and compared these to regional trends. The earlier location quotient analysis presents sectors with local strengths and this has been supplemented by analysis of the historic performance of local sectors at the 2 digit SIC code level from BRES and Oxford Economics data.
- 4.35 Several investments and initiatives such as the activities from the LEP, SeaChange Sussex, Locate East Sussex, Hastings Borough Council and Rother District Council are also influencing local economic performance. A detailed list is provided in section 1 of this report.

- 4.36 We, therefore, considered adjustments to the forecasts to reflect feedback from a range of local stakeholders alongside the data analysis.
- 4.37 Discussions were undertaken with local authority economic development officers, local businesses, the South East Local Enterprise Partnership (SELEP), SeaChange and LocateEastSussex to identify insight into the local economy, business closures, investments or programmes that may influence the local economic performance. This is detailed in full in Section 10.
- 4.38 The baseline forecasts were discussed with stakeholders and feedback sought on whether they reflected local economic conditions. Overall, the key feedback was that anticipated performance in the following sectors will be stronger than forecasts in the baseline:
- Creative industries; and
 - Manufacturing.
- 4.39 A robust local manufacturing sector is being driven by some small and medium-sized specialist high-value businesses and their supply chain. Stable or steady employment growth potential in these sub-sectors is reported particularly if their property needs can be met which are currently reported as inadequate.
- 4.40 The creative industries sector has been reported and evidenced as dynamic locally and is receiving public sector support. Sector employment manifests in a range of SIC code sub-sectors and not necessarily a single grouping, it can cross a range of broader sectors from ICT to arts¹⁵. This sector is not considered to require a quantitative adjustment in the model but is a more targeted growth sector in terms of employment and property needs.
- 4.41 The narrative from consultations does therefore broadly accord with the baseline forecasts except for the manufacturing industry. This is notably set for a future decline, quite significantly in Hastings. As a result, we have undertaken a more detailed examination of more recent performance in the sector.
- 4.42 Whilst manufacturing employment has historically declined in both areas, this has stabilised since 2008/09. To the period to 2017 (most recent historic data) manufacturing employment has fluctuated and risen slightly. Local consultees consider that automation associated losses, particularly in Hastings, has essentially been stemmed.

¹⁵ The Department for Digital, Culture, Media & Sport definition can be found on page 21 covering 5 different 2 digit sectors
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/523024/Creative_Industries_Economic_Estimates_January_2016_Updated_201605.pdf

4.43 Analysing this recent period and projecting the growth rate forward produces a different future outcome to the baseline forecast. This is set out below alongside a mid-point and upper and lower quartile of the two trajectories.

Figure 24: Manufacturing Employment Forecast Comparison – Hastings



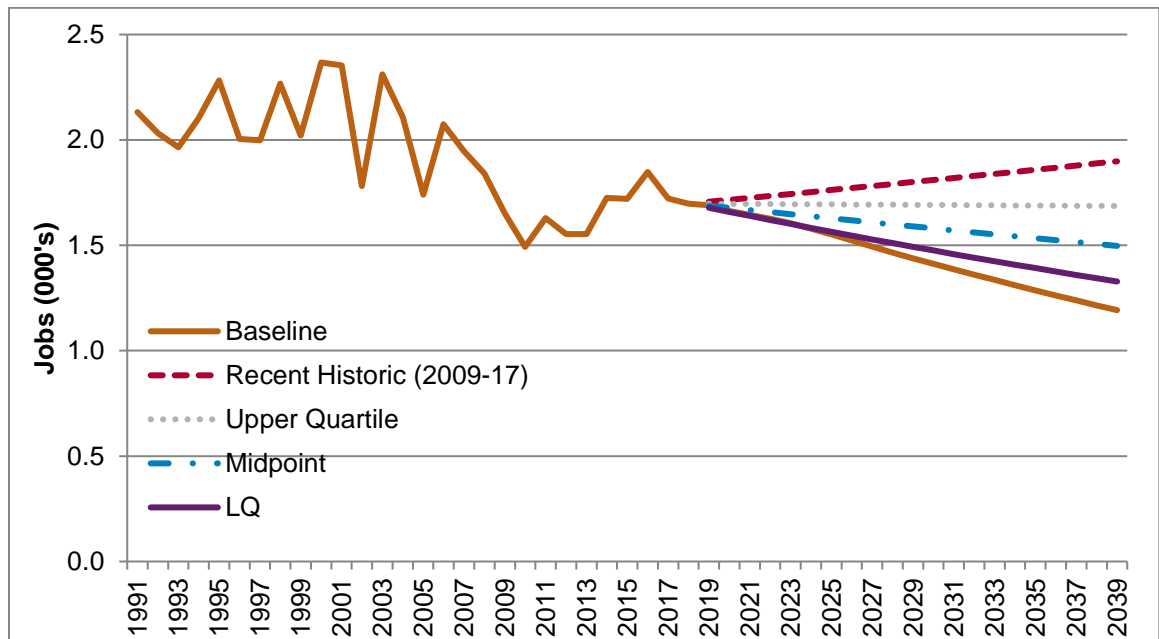
Source: Oxford Economics with GL Hearn Analysis

4.44 On balance it is considered realistic that the midpoint of the baseline and recent historic performance would be a suitable alternative scenario to consider for manufacturing employment.

4.45 Baseline employment projections forecast a loss of around 1,045 manufacturing jobs in the 2019-39 period in Hastings and 497 in Rother. When broken down to a more detailed 2-digit SIC level, it was revealed that 566 of those jobs lost in Hastings are accounted by three sub-sectors: Manufacture of fabricated metal products, Manufacture of computers, and Manufacture of electrical equipment.

4.46 It was also revealed that in Rother, the loss from the same sub-sectors accounted for 110 of these job losses. Conversely, consultation with local stakeholders has indicated that these sub-sectors are likely to contain representation from some high performing local companies that expect stabilisation or growth. For example, Manufacture of electrical equipment, in particular, has seen strong growth from 2001 to 2017 from 90 to 360 jobs.

Figure 25: Manufacturing Employment Forecast Comparison – Rother



Source: Oxford Economics with GL Hearn Analysis

4.47 Table 18 sets out the differences in growth and employment between the baseline and alternate scenario over the period for manufacturing.

Table 18: Forecast Manufacturing Employment Change Scenarios (2019-39)

Forecast	Hastings		Rother	
	CAGR	Change from 2019	CAGR	Change from 2019
Baseline	-1.94%	-1,045	-1.73%	-497
CAGR Lower Quartile	-1.04%	-607	-1.16%	-350
CAGR Midpoint	-0.14%	-90	-0.60%	-191
CAGR Upper Quartile	0.76%	534	-0.03%	-11
Recent Historic (2009-17)	1.66%	1,286	0.53%	191

Source: Oxford Economics with GL Hearn Analysis

4.48 The adjusted “local” scenario for Hastings results in additional employment growth from the Baseline Scenario (2019-39) taking the total jobs growth to 1,884. The adjusted scenario for Rother increases the total growth in jobs over the same time from to 3,158. The alternative growth scenario selected the midpoint manufacturing growth rate which halted the decline in employment to reflect a more neutral position between recent local trends and wider structural change which drive the baseline projections.

4.49 Table 19 sets out the result of the changes to the baseline economic forecasts taking into account local knowledge as well as adjustments to specific sectors particularly manufacturing. These show that Hastings can expect an additional 94 jobs per annum and Rother 158 additional jobs per annum.

Table 19: **Local Scenario Economic forecasts for Hastings and Rother**

	2019	2039	Change	Change Per Annum
Hastings	39,112	40,996	1,884	94
Rother	36,683	39,841	3,158	158

Source: Oxford Economics and GLH, 2019 * start point adjusted as adjustments made from 2018 baseline

- 4.50 There is a relatively larger increase in Rother in comparison to Hastings. While both are showing a limited growth within the sector under the local scenario the baseline scenario was showing a much larger decline in Hastings which has subsequently been redressed.
- 4.51 It is suggested that this “local scenario” is used when calculating economic led housing need, employment floorspace and land requirements as it considers local conditions indicated by stakeholders along with recent historic trends.

Employment Forecasts: Summary Points

- The baseline forecast produced by Oxford Economics indicates that the Hastings economy is expected to grow by 1.4% per annum (GVA growth pa) between 2019 and 2039. The total number of jobs growth forecast is 930 which equates to an annual growth rate of 0.1%.
- For Rother, the economy is expected to grow by 1.7% per annum (GVA growth pa) between 2019 and 2039. The total number of jobs growth forecast is 2,668 which equates to an annual growth rate of 0.4%.
- For both Hastings and Rother, the baseline forecasts indicate the sectors of construction and healthcare are predicted to grow substantially in terms of jobs. Whereas jobs in manufacturing and public administration are set to decrease by 2039 in both areas.
- As with the national forecasts, this is a slower level of growth compared to the previous business cycle. However, this is justified as both consumer and public sector expenditure is expected to fall alongside a downside short term effect of Brexit.
- However, these baseline forecasts are largely driven by regional and national trends and do not reflect local investment or planned growth. We, therefore, considered adjustments to the forecasts to reflect this focused on improvements in the manufacturing and creative industries following feedback from a range of local stakeholders and data analysis.
- Losses are forecast in manufacturing, wholesale and retail in both areas whereas manufacturing losses are restricted in both local authorities under the local scenario.
- The adjusted local scenario results for Hastings in additional employment growth from the Baseline Scenario (2019-39) taking the total jobs growth to around 1,884. The adjusted scenario for Rother increases the jobs to 3,158 from 2019-39.
- Thus, it is suggested that the revised “local scenario” be used in Hastings and Rother when arriving at employment forecasts as it considers local conditions indicated by stakeholders along with recent historic trends.

5 ECONOMIC GROWTH AND HOUSING NEED

- 5.1 In this section, consideration is given to economic growth and how this may influence the level of housing need and also what level of jobs could be supported through the standard methodology and the alternative levels of growth as set out elsewhere in this report.
- 5.2 While the standard methodology removes any consideration of economic growth within the OAN, there is still a requirement for local authorities to align their economic and housing strategies. By failing to do so Local Authorities would either struggle to meet their economic growth aspirations or draw a greater level of workforce from outside the Local Authorities thus creating unsustainable commuting patterns.
- 5.3 If the councils do not align housing growth with employment growth, it is likely to become more difficult to promote housebuilding without the prospect of local employment options. As identified in previous chapters, the HMA would continue to have a skewed in-migration of retirees or others not seeking employment.
- 5.4 A further impact of failing to align housing and economic growth would be changing and potentially unsustainable commuting patterns, this would mean more people commuting to the HMA to work, potentially causing congestion and over-crowding on key transport routes.

Number of Jobs Supported by the Standard Method

- 5.5 As set out in the previous chapter, the three-stage approach to circulating housing need results in a total need for 430 dpa and population growth of 11,409 in Hastings along with a total need for 727 dpa and population growth of 2,351 in Rother. However, to translate this into a labour force growth and jobs growth, a series of assumptions need to be made.
- 5.6 The first step is to understand how economic activity might change and therefore what the resident labour force would be. There are several factors concerning the economic activity rates including age profile, unemployment and the changing pensionable age.
- 5.7 There are 2,300 unemployed people in Hastings and 1,500 in Rother as of 2018. The model assumes no further changes moving forward as current rates are low.
- 5.8 The study next considers how economic activity may change between 2019 and 2039. For this, the study draws upon the Office of Budget Responsibility (OBR) Fiscal Sustainability Report (July 2018) but adjusted to reflect the start point and age structure in both Hastings and Rother. The most notable output of the OBR report is the projected growth in the percentage of economically active female

population who will be working from the 20 to 49 age group and older and a higher percentage of older males in continuing to work within the retirement age.

- 5.9 Applying these assumptions to the population growth emanating from the standard methodology and the other scenarios it is possible to assess the growth in the economically active population in the two local authorities.
- 5.10 Table 20 shows an additional 4,535 economically active persons would be added to the population in Hastings under the standard method. In Rother, an additional 8,625 economically active persons would be added under the standard method.

Table 20: **Jobs supported by growth in the economically active population - (2019-39)**

	Economically active (2016)	Economically active (2039)	Total change in economically active
Hastings	46,705	51,240	4,535
Rother	43,269	51,894	8,625

Source: Range of sources

- 5.11 The final step is to translate this growth to jobs taking account of those with more than one job and those who are likely to commute in to and out of the District for work. For the latter, we have assumed the same rates as those at the time of the last Census (2011) by way of a commuting ratio. This is because the Census represents the most up-to-date and robust information but also any changes to commuting patterns would have an impact on neighbouring authorities (in terms of being able to meet their own economic need) and should be agreed through the duty to cooperate.
- 5.12 This is calculated as the number of people living in an area (and working) divided by the number of people working in the area (regardless of where they live). The number of people who reside in Hastings who are working is about 10% higher than the total number of people who work in the area. The ratio increases to 17% in Rother, reflecting both areas' links to neighbouring authorities. This means that for every 1,000 jobs created in Hastings and Rother then the Local Authorities needs an additional 1,100 and 1,170 residents respectively.
- 5.13 It is also important to consider that some people will have more than one job. Where data is available, double jobbing has been analysed to show the percentage of people with multiple jobs. This is drawn from the Annual Population Survey. The long-term averages are 5.0% in Hastings and 4.3% in Rother, which will be used in the modelling.

- 5.14 To translate the number of economically active residents into the number of jobs supported the commuting ratio is multiplied by the double-jobbing rate to get to an adjustment factor relevant to each area.
- 5.15 As Table 21 shows 7,697 jobs will be supported over the 2019-39 period in Rother and 4,328 jobs in Hastings. This equates to 385 and 216 jobs per annum respectively using the standard method.

Table 21: **Jobs supported by growth in the economically active population (2019-39)**

	Total change in economically active	Allowance for net commuting	Allowance for double jobbing (= jobs supported)
Hastings	4,535	4,111	4,328
Rother	8,625	7,367	7,697

Source: GLH Modelling

Comparison to Employment Forecasts

- 5.16 To ensure that the two local authorities have enough workforce concerning their local context we have compared the above outputs with economic forecasts produced by Oxford Economic Forecasts in April 2018 and the growth scenario. Also, we have calculated the number of homes required to meet the baseline and local scenario.
- 5.17 As the previous chapter set out, the Oxford Economic forecasts show a growth of around 930 for Hastings and a growth of 2,668 in Rother over the 2019-39 period. The local scenario, which added an uplift to revised these upwards to 1,884 and 3,158 jobs per annum respectively. These scenarios are summarised below.

Table 22: **Oxford Economic forecasts for Hastings and Rother**

	OE Baseline				Local Growth Scenario			
	2019	2039	Change	Change Per Annum	2019	2039	Change	Change Per Annum
Hastings	39,093	40,023	930	47	39,112	40,996	1,884	94
Rother	36,676*	39,347	2,671	134	36,683*	39,841	3,158	158

Source: Oxford Economics and GLH, 2019

- 5.18 As demonstrated even the most optimistic scenario results in a considerably smaller number of jobs than that supported by the standard methodology in the case of Rother, and a very large difference compared to the standard methodology of Hastings.
- 5.19 The reason for a greater uplift in Hastings rather than Rother is that there was a more pronounced decrease in manufacturing employment. As discussed in Chapter 4, -1,045 jobs were forecast to be

lost in the sector from 2019 to 2039 in Hastings as compared to a decrease in 497 jobs in Rother. As the uplift was applied to manufacturing in both sectors, the uplift was more evident in Hastings.

5.20 **We can, therefore, conclude that neither local authority requires any additional homes above the standard method to support their economic growth.**

5.21 However, it is also worthwhile understanding how many homes would be required to support the forecasted economic growth. To achieve this calculation the above steps are undertaken in reverse. Again, we need to translate this into population using the above economic activity rates and then into households and to do this we have used the “part return to trend” household formation rates.

5.22 It is also necessary to include a vacancy rate to translate households into dwellings. We have used a standard 3% vacancy rate for this step.

5.23 For the baseline scenario, this results in a housing need of 274 dwellings per annum for Hastings and 480 dwellings per annum for Rother. The local growth scenario this results in a housing need of 318 dwellings per annum for Hastings and 495 dwellings per annum for Rother.

5.24 While this is the number of homes required to support the local economy, it should be stressed that this is not to be used as a robust definition of housing need however it is an indicator of how jobs growth can be linked to housing need. **The OAN should remain those set out by the standard methodology.**

Economic Growth and Housing Need: Summary Points

- We have examined the link between housing and employment in Hastings and Rother drawing on several assumptions.

Linked to population growth and age profile in each area, commuting patterns, double jobbing and economic activity rates, the standard method (431 dpa) housing need in would support 7,697 jobs over the plan period in Rother and 4,328 jobs in Hastings. This equates to 385 and 216 jobs per annum respectively using the standard method.

- We have also reviewed the number of homes required to support the jobs growth based on Oxford Economics forecasts and the local scenario.
- The baseline scenario requires approximately 274 dpa in Hastings and 480 dpa in Rother, a considerable reduction from the standard method.
- The local growth scenario requires approximately 318 dpa in Hastings and 495 dpa in Rother, again a considerable reduction from the standard method. However, there is no recourse to reduce housing need from the standard method to align with lower economic growth.
- As the standard method would support a far higher rate of jobs growth than even the most optimistic economic forecasts **there is, therefore, no need for additional homes above the standard methodology to support local economic growth potential in either local authority.**

6 MARKET SIGNALS

6.1 In this section, we assess key housing market signals in Hastings and Rother. Where possible we have benchmarked the local authority figures against the regional (East Sussex), South East and national equivalents.

House Price

6.2 The median price of homes sold in the Housing Market Area (HMA), which comprises both Hastings Borough Council and Rother District Council, in 2018 was £275,000, which is higher than the national equivalent. The median value in Hastings was £216,000 in 2018, an increase of 31% compared to 2014 but still below the national and HMA average.

6.3 The median price in Rother has increased by 21% since 2014 to reach £284,950 in 2018 which is greater than the Hastings median value. The HMA median value is 20% above the national average (£230,000) and 11% above the East Sussex equivalent, however, the median value is 19% below the South East region equivalent.

6.4 Table 23 shows house prices across the HMA together with the wider comparators at different price points. The housing values in the HMA are above East Sussex and the national median house prices for all types, but below the South East region. Within the HMA, Rother has considerably higher prices than Hastings across the different calculations.

Table 23: **House Prices, 2018**

Geography	Median	Mean	Lower Quartile
Hastings	£216,000	£238,189	£151,000
Rother	£284,950	£344,654	£200,000
HMA	£275,000	£333,886	£200,000
East Sussex	£250,475	£291,421	£175,500
South East	£318,000	£421,679	£232,500
England and Wales	£230,000	£347,892	£145,000

Source: Land Registry 2018

6.5 Table 24 presents annual house price changes over the last 1, 5, 10, 15 and 20 years as derived from a calculation of total price change. Over the last year, Hastings has seen a change in house prices of 6.8% while Rother has seen a change of 3.6%. The HMA has seen a change in house prices of 5% over the last year. Except for East Sussex (with a decline of 5.5%), all the wider comparators have also experienced a growth in prices over the past year, with prices changing by 3.6% nationally.

Table 24: **House Price Growth 1998-2018**

	2018	1 Year Change	5-year annual change %	10-year annual change %	15-year annual change %	20-year annual change %
Hastings	£216,000	6.8%	5.5%	3.9%	4.6%	7.8%
Rother	£284,950	3.6%	3.9%	2.7%	3.7%	7.0%
HMA	£275,000	5.0%	4.6%	3.2%	4.1%	7.3%
East Sussex	£250,475	-5.5%	2.2%	2.1%	3.3%	6.5%
South East	£318,000	0.2%	4.9%	3.8%	4.3%	6.9%
England	£230,000	3.6%	3.6%	2.9%	3.9%	6.5%

Source: ONS, annual median house price change derived from total price change over the period

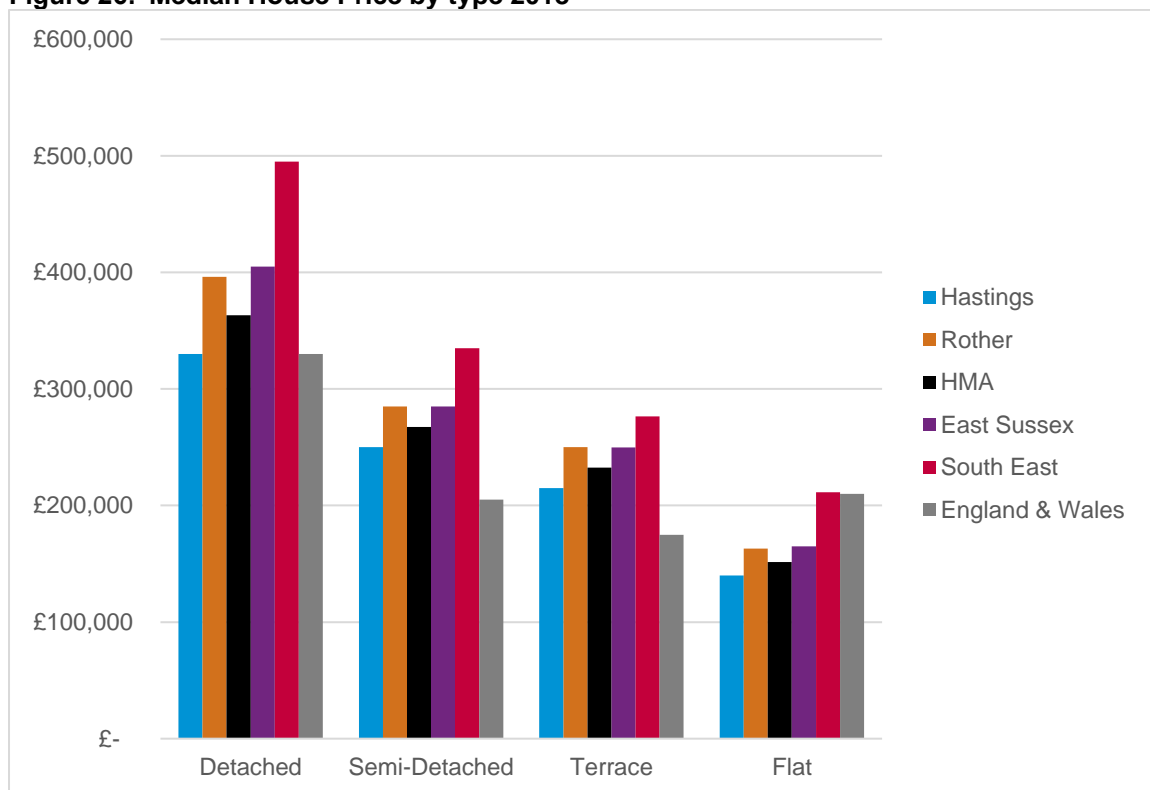
- 6.6 Over the last 5 years, the HMA has seen its median house price increase by 31.8% over the period (or at an equivalent 4.6% per annum) compared to an increase of 19.3% (2.2% per annum) in East Sussex, 35.3% (4.9% per annum) for the South East and 24.3% (3.6% per annum) nationally.
- 6.7 During the last 10 years, house price values in the HMA have increased by 37.2% (3.2% per annum). This level of growth in the HMA is above East Sussex at 22.8% (2.1% per annum), below the South East at 45.5% (3.8% per annum) and above the national at 32.6% (2.9% per annum). Within the HMA, Hastings had higher growth than regional equivalents over the ten years, whereas Rother was only just below South East and the national equivalents. This could be explained in part because Hastings had a lower median house price to start with compared to Rother, so absolute price changes have a relatively greater impact in Hastings.
- 6.8 Over the longer term, house prices in the HMA have increased by 82.4% over the last 15 years and 311.5% over the last 20 years. This growth is compared to 78.3% and 251.1% on a national level respectively. For the same periods, East Sussex has seen an increase of 62.8% and 251.7% and the South East region experienced growth of 88.4% and 279.7% respectively.
- 6.9 This illustrates that over the longer period, house price growth in the HMA has typically been above East Sussex and below that of the wider South East region. But in the last year, house price growth has been significantly stronger than all wider comparators. Increasing house prices are a signal of demand outstripping supply.
- 6.10 House prices in Hastings and Rother experienced similar growth rates 20 years ago. However, prices have grown more strongly in Hastings compare with Rother 15 years ago and more recently. This includes the period post-recession.

Prices by Type

6.11 Figure 26 shows median house prices by type of property across the HMA and the wider comparators. Hastings has lower median prices across all types compared to the county and region, although they are higher than the national median price for semi-detached and terraced homes. Rother’s median house price is typically on par with the median price in East Sussex for all types. However, these patterns may not necessarily translate to the overall figure which will be influenced by the mix of homes sold i.e. a high-cost flat is still likely to be less expensive than a low cost detached.

6.12 The median house price for detached properties in the HMA is £363,125. For semi-detached properties in the HMA, the median price is £267,500, £232,500 for terraced properties and £151,500 for flats.

Figure 26: Median House Price by type 2018



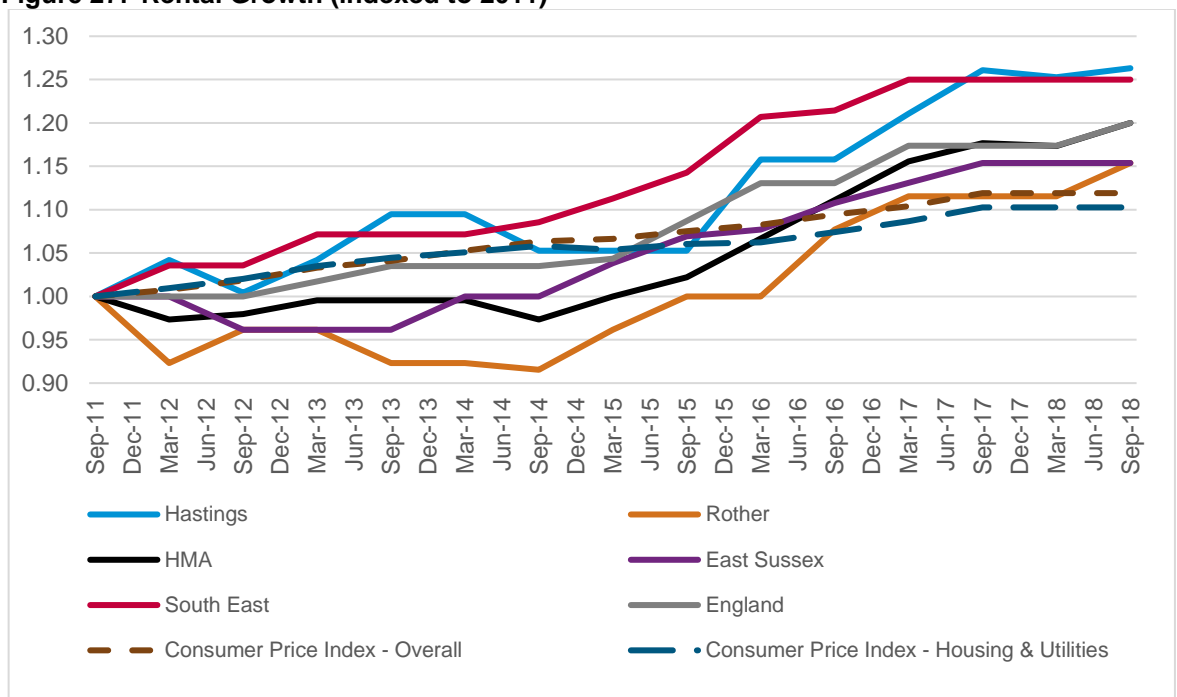
Source: Land Registry 2018

6.13 Across all types, house prices in Rother exceed those in Hastings. This is particularly the case for detached properties and to a lesser extent flat properties. Rother’s housing values are higher than the national median across all types, however except for flats, which could be due to the large volume of higher value flats in London skewing the overall data.

Rental Values

- 6.14 The average median rental values in the HMA is £675 per calendar month (pcm) for the year ending to September 2018. This was achieved through 1,810 transactions recorded by the Valuation Office Agency.
- 6.15 Median rents in the HMA have increased by 20% since 2011 which is above the 15% growth East Sussex experienced over the same period. This is aligned with the national growth (20%), yet below the growth in the South East. Rental values increased faster than both the Consumer Price Index (CPI) and the Housing CPI indices of inflation. This means that rents have increased somewhat in real terms.

Figure 27: Rental Growth (indexed to 2011)



Source: VOA 2017

- 6.16 Across the period, median rental values have been greater in Rother. Although since 2011, Hastings has seen a 26% growth in rental values whereas Rother has experienced a more muted 15% growth. Again, this is because Rother's median rental value in 2018 was lower at £750 as compared to £600 in Hastings, so absolute changes have a relatively greater impact in Hastings.,
- 6.17 Median rental values have been higher at the national level than the HMA, with rental values even higher in the South East since 2011. Rental values grew significantly in the South East from 2015 and remained strong in the following years and the growth rate in Hastings has recently caught up.

6.18 Despite rental growth appearing to be lower in Rother as compared to Hastings and the South East, there is still an indication from the local authorities that residents cannot access PRS within affordable LHA rates. Despite Rother’s slower growth compared to other geographies, it continues to have higher rental values which could indicate continued unaffordability but also the higher starting point and the market regulating itself.

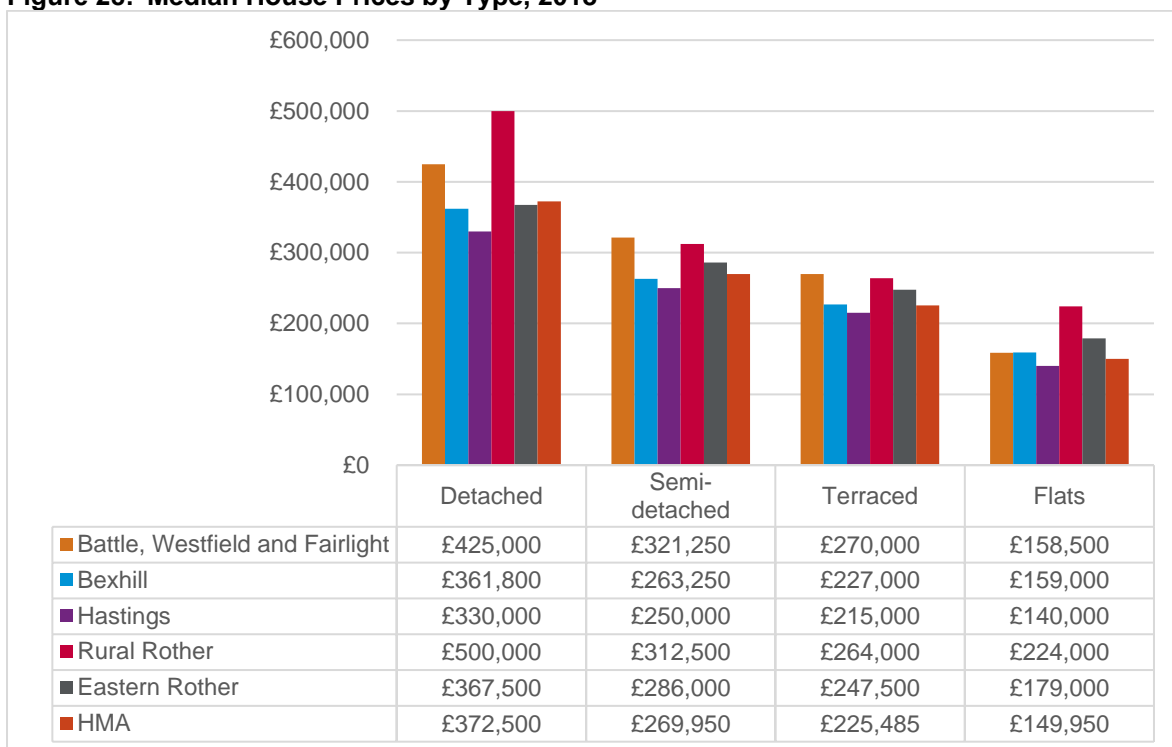
Sub-area Analysis

6.19 We sought to also analyse the local market signals at a sub-area level to reveal more localised market signals. This uses the sub-areas identified in Figure 3 of this report.

House Prices

6.20 Figure 28 illustrates median house prices by type of dwelling for 2018. Rural Rother has the highest housing values across housing types, most notably in detached homes. Hastings has the lowest housing values across all types compared to the other sub-areas in the HMA.

Figure 28: Median House Prices by Type, 2018



Source: Land Registry Price Paid Data, 2018

6.21 The differences in sales prices indicate the various needs of the different sub-areas, with Rural Rother having higher prices due to more protected and desirable land.

Sales Volume

- 6.22 At 2018, the largest number of sales across the HMA have been flats (1,083), followed by detached (943) and terraced (768) across the HMA. Although at a sub-area level Battle, Westfield and Fairlight, Rural Rother and Eastern Rother sub-areas all had the highest percentage of sales as detached homes),
- 6.23 Rural Rother has a low population density, leading it to have a relatively lower sales volume (268 homes) relative to other sub-areas. 50% of dwellings sold in this sub-area, which naturally means that it also has the highest sales price. Eastern Rother had an even lower sales volume (184 dwellings) but had a more diverse offering of dwellings by type sold.
- 6.24 By far the most homes sold were in Hastings and Bexhill with 1,770 and 996 homes sold respectively. Bexhill tends to have a higher proportion of both detached homes (30% of homes sold) and flats (41% of homes sold) as compared to Hastings at 18% and 35% respectively.

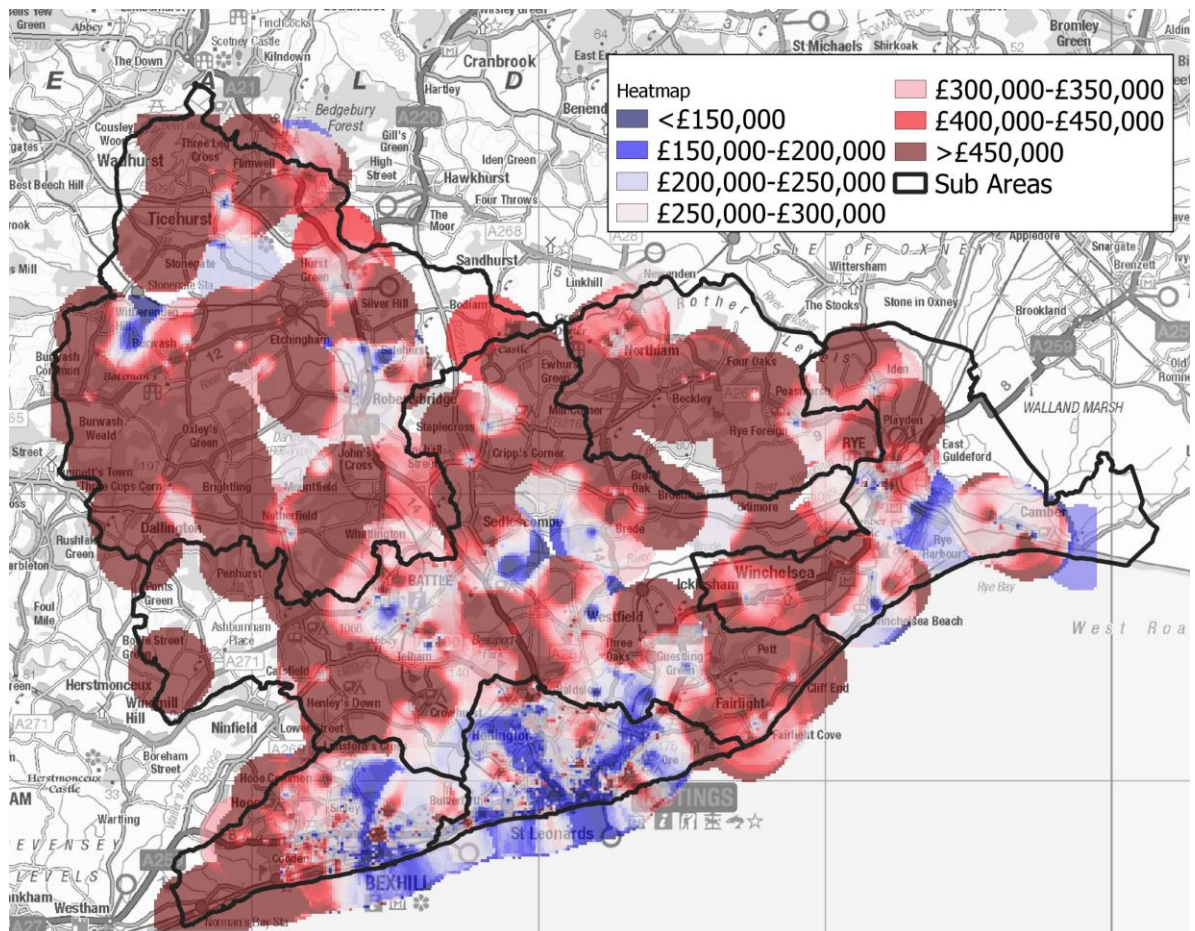
Table 25: **Number of sales (%) by type, 2018**

Sub Area	2018 Sales				
	Total	Detached	Semi-Detached	Terraced	Flats
Battle, Westfield and Fairlight	274	53%	19%	19%	9%
Bexhill	996	30%	16%	12%	41%
Hastings	1,770	18%	18%	29%	35%
Rural Rother	268	50%	28%	16%	5%
Eastern Rother	184	33%	26%	27%	15%
HMA	3,492	27%	19%	22%	31%

Source: Land Registry Price Paid Data, 2018

- 6.25 Across the HMA, there was a notably different mix of sales by type in each of the sub-areas. This is perhaps unsurprising given the link between house prices and types and sub-areas. This, however, ratifies the function of the different sub-areas.
- 6.26 Land Registry data was mapped to understand the price differentials across the two local authorities. Hastings and portions of Bexhill, due to having a higher proportion of smaller properties such as flats, notably have lower prices than areas such as Rural Rother.

Figure 29: Sales Price Heat Map, Hastings and Rother (2018)



Source: Land Registry Price Paid Data, 2018

Rental Costs

- 6.27 Analysis of rental costs by sub-area has been calculated by using data from Rightmove and aligning this to the Hastings and Rother data produced by the VOA (Year to September 2018). Also, to obtain data on room only rents data from Spare Room website was accessed.
- 6.28 Across all properties, the HMA-wide lower quartile rental value is around £525 per month. The rental value of a 1-bedroom at the HMA level is £495 per month, £600 for a 2-bedroom, £800 for a 3-bedroom and £1,000 for a 4-bedroom. Median Room only rent in Rother is around £500pcm and £477 in Hastings.
- 6.29 To sense-check these values, data provided by the Councils recording lower quartile rents in Rother were analysed. Table 26 sets out the average rents for Lower Quartile dwellings drawn from this

dataset. This is sub-divided into rents paid in the PRS that does not attract Local Housing Allowance (LHA), rents that attract LHA, and rents paid on housing association properties. This indicates that the figure above of around £525 per month is broadly accurate.

Table 26: **Lower Quartile rents, Hastings and Rother**

	Private rent (non-LHA)	LHA	Housing Association	Average
All sizes	£541	£637	£497	£559
1 bed	-	£564	£516	£540
2 bed	-	£669	£467	£568
3 bed	-	£805	£509	£657
4+ bed	-	£1,047	£589	£818

Source: RDC

6.30 It is, however, important to note variations within sub-areas. The lower quartile rental value is highest in Rural Rother at £900 per month and lowest in Hastings at £495 per month.

Table 27: **Lower Quartile Market Rents by Sub-Area (2018)**

	Battle, Westfield and Fairlight	Bexhill	Hastings	Rural Rother	Eastern Rother	HMA
Room only	-	£503	£347	-	-	£347
Studio	-	£669	£375	-	-	£370
1-bedroom	£600	£500	£450	£750	£650	£495
2-bedrooms	£780	£675	£600	£875	£725	£600
3-bedrooms	£950	£725	£795	£900	£800	£800
4-bedrooms	£1,100	£850	£995	£1,100	£1,000	£1,000
All properties	£725	£705	£495	£900	£820	£525

Source: GL Hearn Analysis of Rightmove and VOA data

Affordability Ratio

6.31 The average ratio of median house price to median gross annual residence-based earnings for the HMA was 10.78¹⁶ in 2018. As set out earlier in this report this ranges from 8.83 in Hastings to 12.73 in Rother.

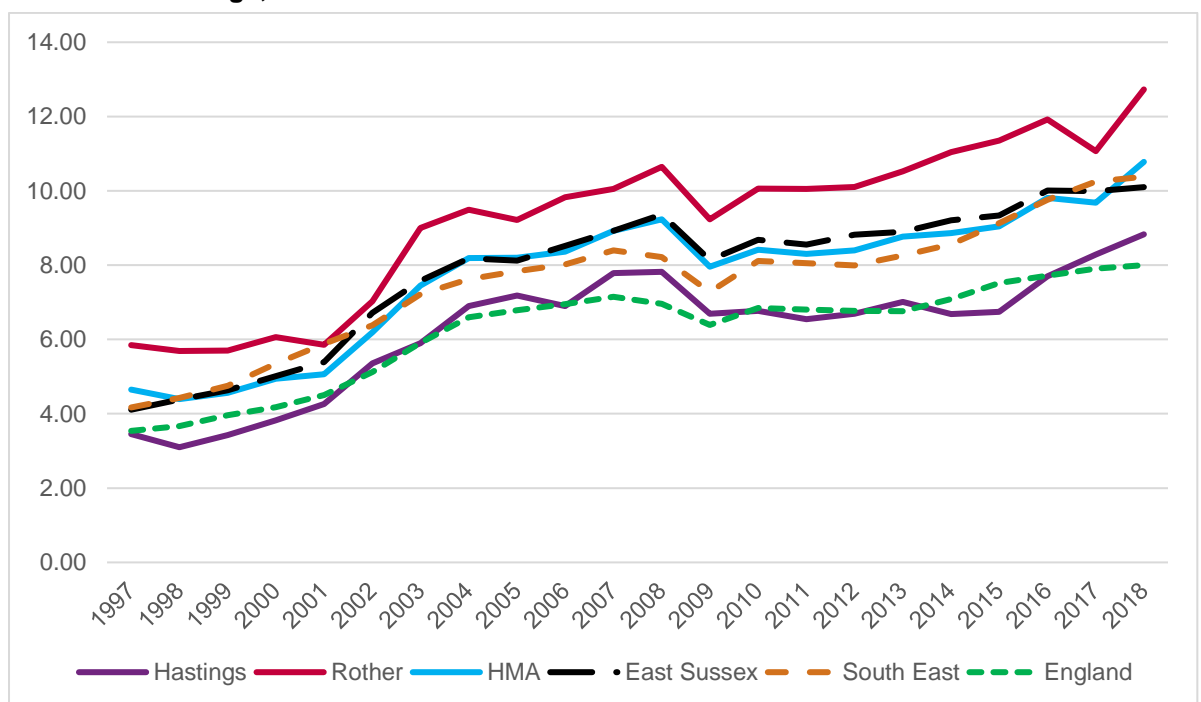
6.32 Between 2002 and 2018, the median affordability ratio for the HMA deteriorated by 74%, compared to a national equivalent of 62%, South East at 69% and East Sussex at 50%. Figure 30 shows the deteriorating affordability since 2002.

¹⁶ average of the HMA authorities

6.33 In Hastings, the median affordability ratio deteriorated between 2002 and 2008, reaching a peak of 7.82. This was then followed by a recessionary improvement, reaching 6.69 in 2009 and the following years, the ratio remained relatively flat until increasing significantly in 2016.

6.34 The affordability ratio in Rother has historically been higher than Hastings which is primarily a reflection of higher house prices. In earlier years, the affordability ratio deteriorated achieving a peak of 10.65 in 2008. The ratio improved around the recession period reaching 6.69 in 2009. However, unlike Hastings, the affordability ratio increased significantly in the following years until it experienced a slight drop from 2016 to 2017 from 11.92 to 11.07 but jumping up to 12.73 in 2018.

Figure 30: Affordability ratio – median house price to median gross annual workplace-based earnings, 1997-2018



Source: ONS 2018

6.35 We sought also to assess the lower quartile affordability ratio which is the ratio of lower quartile house price to lower quartile gross annual workplace-based earnings. In 2018, the average lower quartile ratio across the HMA was 10.18. This reflected an increase of 77% since 2002. However, England’s equivalent at 7.29 has increased by 62%.

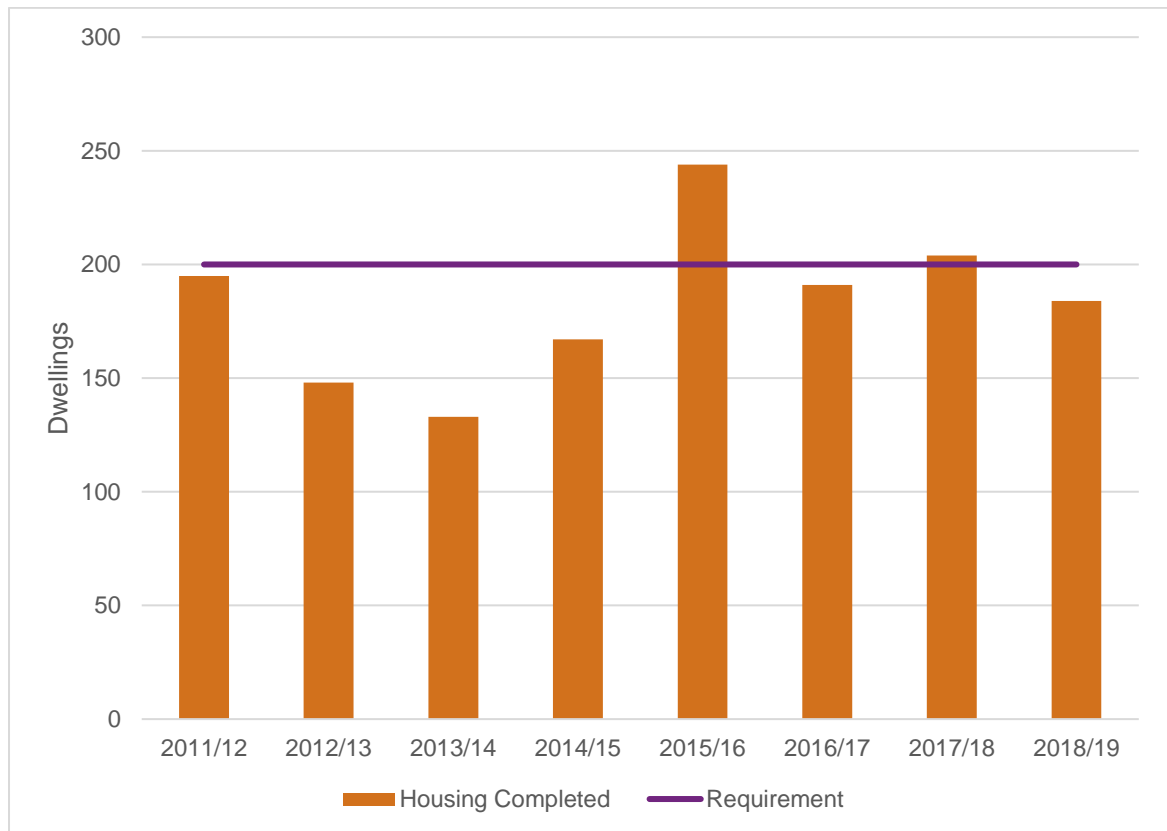
6.36 Thus, homes for lower quartile households and median households in the HMA are less affordable compared with the England average. However, when comparing Hastings to Rother, homes in Rother are more unaffordable than in East Sussex, the South East and the nation.

- 6.37 In terms of the residence-based affordability ratio, a similar conclusion can be drawn. In particular, the ratio of median house price to median gross annual residence-based earnings across the HMA is 9.83. This is greater than the national equivalent of 8.00 and the East Sussex equivalent of 9.69.
- 6.38 The steady and prolonged deterioration in the local affordability ratios are as a result of median house price increases out-stripped increases in household incomes. The increases in house prices can be down to several factors including the type of homes being sold and demand outstripping supply.
- 6.39 Demand in the study area for market sale homes comes chiefly from households seeking to own a home as their primary residence. However, some demand may be derived from second home ownership. Competition in the investor market has historically been the main driver of house price growth nationally.

Completions

- 6.40 Data has been drawn from the councils' most recent Annual Monitoring Reports and Five-Year Housing Land Supply publications. In both Hastings and Rother, the building rate has also been accelerating over the past 5 years.
- 6.41 Since 2011 the annual housing target in Hastings has only been met or exceeded twice. Hastings has a net completion 1,466 dwellings over the same period compared to a cumulative target of 1,600 dwellings (200 per annum), thus having a cumulative shortfall of only 134 dwellings. However, any historic shortfall will be addressed through the standard method.

Figure 31: Hastings Borough Council Cumulative Net Completions 20011/12-2018/19



Source: Council Monitoring Data (ESCC Structure Plan Target to 2011, Locally derived target from 2011 onwards)

- 6.42 We have also analysed Council data on completions of affordable by the number of bedrooms. For consistency across the HMA, this has only been provided since 2013/14.
- 6.43 As Table 28 sets out there have been 321 affordable dwellings completed in Hastings since 2013. This equates to around 28.5% of the 1,123 dwellings completed in the Borough over the same period. Of these around 59% have been in 1 and 2-bedroom homes and 12% in homes with 4-bedrooms or more.

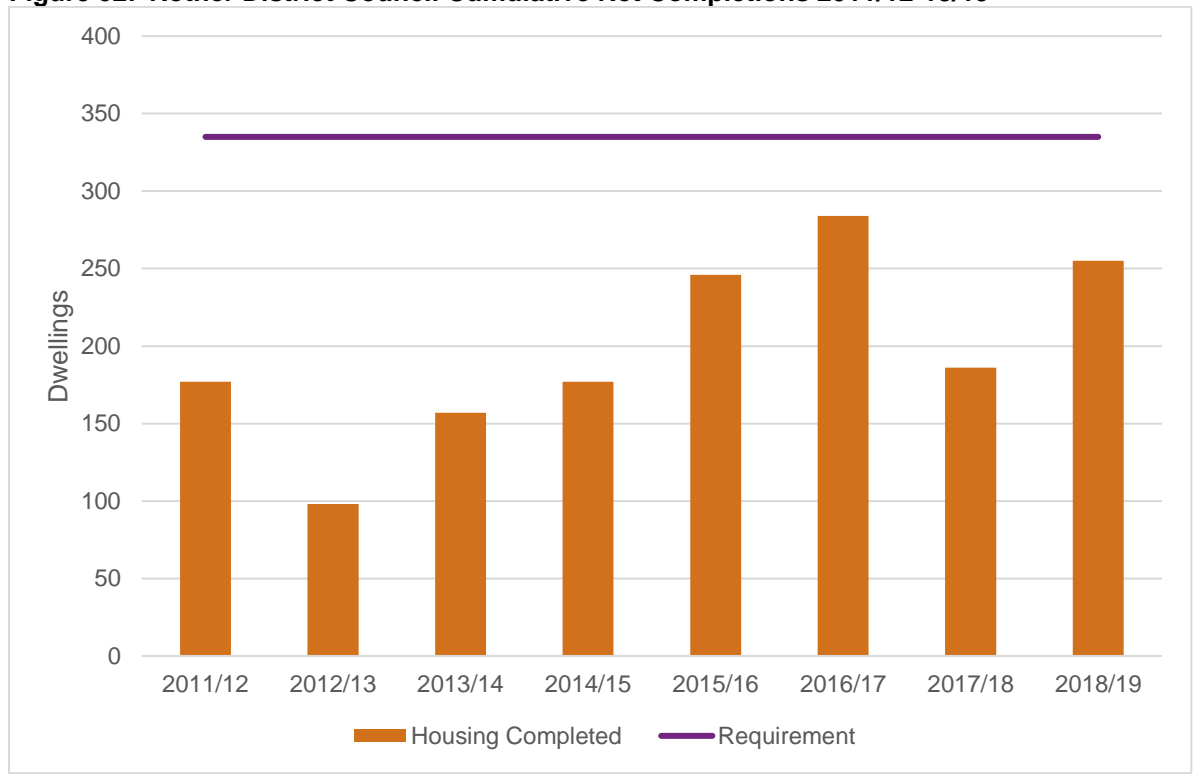
Table 28: **Affordable Housing Completions - Hastings**

Number of Bedrooms	13/14	14/15	15/16	16/17	17/18	18/19	Total	%
1	15	7	4	0	9	28	63	20%
2	8	26	22	8	41	20	125	39%
3	5	21	54	6	0	10	96	30%
4	14	3	12	6	0	0	35	11%
5+	0	0	2	0	0	0	2	1%
Total	42	57	94	20	50	58	321	100%

Source: Hastings Borough Council

- 6.44 The Hastings Planning Strategy 2011 – 2028, adopted in February 2014, aimed to encourage a wider variety of housing types and sizes. The strategy noted that Hastings typically provides smaller homes such as 1 and 2 bedroom properties.
- 6.45 In Rother, the annual housing target has not met since 2011/12. Annual completions in Rother have averaged of 197 dwellings in this time compared to an annual target of 335 dpa. This equates to a target of 2,680 over the same period, however, there have only been 1,580 homes completed in this time. This has resulted in a cumulative shortfall of 1,100 homes (some 60% of the target), however, this is addressed through the standard method.

Figure 32: Rother District Council Cumulative Net Completions 2011/12-18/19



Source: Council Monitoring Data

6.46 There have been 491 affordable housing completions in Rother since 2013/14. This equates to around 37.6% of the 1,305 total dwellings completed in that period. Of this 90% of new affordable homes had 1 or 2-bedrooms. Only 2% of completions of affordable homes had 4-bedrooms or more.

Table 29: **Affordable Housing Completions by Size (# of Bedrooms) - Rother**

Number of Bedrooms	13/14	14/15	15/16	16/17	17/18	18/19	Total	%
1 bedroom	20	48	107	38	29	33	275	56%
2 bedrooms	40	21	0	48	35	22	166	34%
3 bedrooms	11	5	0	10	10	4	40	8%
4+ bedrooms	7	0	0	1	2	0	10	2%
Total # units	78	74	107	97	76	59	491	100%

Source: Rother District Council

6.47 This is primarily due to the completion of sheltered and specialist accommodation. Also, the council have reported that over 50% of the council register comprises demand for 1-bedroom properties and has been for the past five years.

6.48 Of those affordable homes completed around three quarters are affordable rental homes with around one quarter as shared ownership. There have been no social rental completions in the District since 2013/14. There has however been a delivery of additional social rental accommodation through the redevelopment of existing sites, rather than new build

Table 30: **Affordable Housing Completions by Tenure - Rother**

Year	13/14	14/15	15/16	16/17	17/18	18/19	Total	%
Shared Ownership	22	13	15	25	25	18	118	24%
Affordable Rent	56	61	92	72	51	41	373	76%
Total # units	78	74	107	97	76	59	491	100%

Source: Rother District Council

Housing Commentary

6.49 A primary research exercise was carried out in June 2019 by way of consulting various estate agents to provide commentary in establishing the market housing demand in the area.

6.50 Eight local estate agents in the HMA provided their views on housing demand in the area. Agents from across East Sussex were able to give an insight into different sub-markets inclusive of Hastings, Rye, St Leonards, Bexhill and Battle.

6.51 The estate agents were informed of the reason for the call and were able to confirm their market knowledge in the relevant surrounding areas. Their views were based on their evidence of sales and lettings in their locality and sector of the market and may not necessarily reflect the wider market. Or other data. The following agents provided their views:

- Your Move Estate Agents Hastings (Hastings, East Sussex)
- Andrews Estate Agents Hastings (Hastings, East Sussex)
- Reeds Rains Estate Agents Rye (Rye, East Sussex)
- Hunters Estate Agents St Leonards on Sea (St Leonards, East Sussex)
- Burgess and Co Estate Agents in Bexhill (Bexhill, East Sussex)
- The Property Café (Bexhill, East Sussex)
- Batcheller Monkhouse (Battle, East Sussex)
- Castle Estate Ltd (Battle, East Sussex)

Sales

- 6.52 There was a consensus that the housing market in Hastings and Rother remained robust. In sub-markets such as Hastings, agents felt that their market has been doing well in comparison to the rest of the country. However, other agents did not see a high degree of change in their market in comparison to previous years. In Battle, one agent described the market as 'stodgy'. Generally, agents agree that the market is static for now but remain uncertain as to what the future holds due to Brexit.
- 6.53 The HMA has a diverse profile of buyers. This includes many first time buyers along with professionals, families and retired people. There is a high percentage of buyers coming to the area from South East London. The resident population that is seeking to purchase a home typically consists of growing families looking to upsize but also retirees looking for smaller properties. In this context delivery of smaller homes could address both as this would support downsizing and the release of larger homes.
- 6.54 In terms of investment, agents from Hastings and Rye noted that there is a significant number of investors in their market, occupying around 50% of the market. However, in other areas such as St Leonards, Bexhill and Battle, investment is not as popular, and agents stated that it is just approximately 10% of the market.
- 6.55 Agents reported that there is a wide variety of homes being brought to market, with investors providing a PRS option and where more lucrative to do, a holiday rental product. Agents also highlighted that the most interest in the market was from in-comers wanting a more rural location with a village feel and lower price in comparison to London.
- 6.56 According to one agent the demand in Hastings, Rye and other rural areas is likely to be driven by holiday lets. This is likely to put some strain on the housing market in these areas. A response would be to deliver more affordable home ownership products in these areas to assist those who have been priced out of the area.

- 6.57 Sales were noted as being similar to a year ago although one agent recorded a slight increase in market value. Another agent mentioned that the market had slowed slightly due to uncertainty surrounding Brexit leading to a lack of investment in the market. However, the agent emphasised the market is always cyclical, and they expect a rebound in the next 3-4 years. All of the agents surveyed are still positive about the growth of the residential property market across the HMA.
- 6.58 Hastings has a wide range of purchase prices, ranging from £80,000 to £300,000. One-bedroom flats without sea view usually sell at £150,000 but a sea view can double the market value to £300,000. Houses with 2 or 3 bedrooms typically sell for £200,000.
- 6.59 Buyers in Rye and Camber are noted as typically being within the 35-55 age range and often look for 2 to 3-bed properties, often houses, access to the sea or sea views and proximity to local shops. This might mean more family-sized homes should be targeted in these areas.
- 6.60 The market in St Leonards is dominated by younger first-time buyers in the 27-40 age range. These buyers were noted as often being young professionals moving out of London. Town centre areas were noted as being popular by estate agents, especially with younger buyers looking for properties close to train stations, suitable to commute into London. This would suggest suitability for smaller homes in this area.
- 6.61 In Battle, agents felt that higher-end properties are more popular (+£500,000) but that there is still an existing need for smaller properties. One agent highlighted that the reason could be there were more buyers from London in the market recently and they are more willing and able to invest in the property market locally. This again would suggest a need for family-sized homes across different tenures although local residents might need smaller homes.

Lettings

- 6.62 Overall, the majority of estate agents in the Hastings and Rother described the lettings market as strong and diverse. However, there was still uncertainty about the future of the lettings market due to Brexit as well as the effects from the introduction in June 2019 of the Tenant Fees Act¹⁷, which agents noted could place more of a burden on landlords and agents for the costs of leasing properties.
- 6.63 Agents in Hastings described demand for rental properties as diverse. Typically, demand for one-bed flats are most popular (£550-£600 pcm) and there is a strong supply of these properties in the area, but all property types within this sector are noted as “in-demand” demonstrating the strength of the existing market. Half the supply in the lettings market is from existing landlords re-letting their property.

¹⁷ <https://www.gov.uk/government/collections/tenant-fees-act>

- 6.64 Estate agents in Rye stated there is a strong interest in properties but little stock to keep up with the demand. Agents described the rental market dominated by holiday lets, which are full for a majority of the year but let on a weekly basis. Typically these would be rented at a premium to make up for fallow periods in the winter.
- 6.65 The Council may wish to consider delivering additional affordable housing in this area to ensure the needs are being met. Alternatively, they could consider introducing a St Ives style policy whereby the sale of new homes is restricted to those who will use it as a primary residence.
- 6.66 However, this can have unintended consequences such as shifting the second home market on to the resale stock and reducing the delivery of new stock and with it additional affordable housing as the second-hand market is restricted.
- 6.67 In Rye, there is a high demand for 2 and 3 bedroom flats which range from £750-£900 pcm. Rental prices have not increased in the past year. The profile of renters is generally mixed, although agents reported there is a strong profile of families and elderly residents looking to downsize to 3 and 2 bedroom properties.
- 6.68 A majority of rental properties are let to people already living in the area, and agents noticed a small increase in properties rented to people moving out of South London. This would suggest a need for smaller 2- and 3-bedroom properties to support downsizing and release larger homes.
- 6.69 In St Leonards, agents noted a stable rental market but applicants are often attracted to cheaper properties. This could relate to the cost of renting in this area being unaffordable to some and indicate a need for more social/affordable rental stock.
- 6.70 The profile of renters was again described as diverse and central locations were highlighted as more popular for the working population due to the proximity to the station, shops and sea views. Letting agents in St Leonards also agreed there was far more demand than supply in all types of properties in the area. This would suggest a need for smaller flats in central locations.
- 6.71 Agents were hopeful about the rental market, suggesting rents will continue to increase especially with the introduction of the Tenancy Fee Act. On average, there is a wide range of rental prices. 1-bedroom flat is £475-£600 pcm, 2 bedrooms £550-£800 pcm and 3-bedrooms £800-£1100 pcm.
- 6.72 Lettings agent in Bexhill noted a lack of 3-bedroom houses which would suggest a need for family-sized social/affordable rental accommodation.

- 6.73 The renter profile in Bexhill is mixed from retirees to working professionals. Agents described West Bexhill as the most popular area in Bexhill but highlighted that renters prefer the town centre and Sidley for value for money.
- 6.74 The average rent in Bexhill is £600-£850 and rental prices have been increasing on average 3% every year. Agents were hesitant on predicting the future of the market due to Brexit but noticed a strong demand for build to let in the area. Typically, this comes in the form of 1 and 2-bedroom homes.
- 6.75 In Battle, agents reported a diverse profile of renters. Average prices for a 1-bedroom property is £600-£700 pcm, 2 bed £700-£800 pc and 3 bed £950-£1,050 pcm. The rental market in the area is increasing an average of £25 per year (3%), agents predicted this to continue as demand outweighs supply.
- 6.76 Agents noted there were no gaps in the market however there was an overall lack of supply across all sectors and for all profiles of renters. This would suggest a need for both affordable rental and affordable home ownership properties. Or if the Council decide, encouraging the development of additional PRS homes. This is somewhat contrary to the NPPFs desire to see routes to home ownership open but is also a way of providing better quality and better-managed homes.

Market Signals: Summary Points

- The median house prices in 2018 were £216,000 in Hastings and £284,950 in Rother. Over the last year, Hasting has seen a 6.8% change in house prices while Rother has seen a change of 3.6%.
- Combined the median house prices across the HMA authorities in 2018 was £275,000. This is 20% higher than the national and 11% higher than the East Sussex averages but is 19% below the South East average.
- Over the last 5 years, median house prices in the HMA have increased by 31.8%, and over the last 10 years they have increased by 37.2%.
- Median rents in 2018 were £675 across the HMA having increased by 20% since 2011 which is above the rate of inflation. Median rental prices are greater in Rother, although since 2011 Hasting has seen a 26% growth in rental values whereas Rother has experienced a more muted 15% growth.
- The average ratio of median house prices to median gross annual workplace-based earnings for the HMA was 9.83 in 2018. This has increased by 71.7% since 2002, compared to 56.6% nationally.
- The affordability ratio in Rother has historically been higher than Hastings which is primarily a reflection of higher house prices. This is still the case today with Rother affordability ration being 10.33 in contrast to Hasting 9.33.
- Since 2011, Hastings has a net completion rate of 1,466 dwellings compared with a cumulative target of 1,600 dwellings, thus having a shortfall of 134 dwellings. In Rother, annual housing delivery has not been met since 2011 with an annual target of 335 dwellings per annum and annual average completions of 197 dwellings.
- Both delivery rates are substantially below the requirements associated with the standard methodology.
- Agent consultations revealed that the sales market is robust despite the uncertainty around Brexit. There is a diverse profile of buyers ranging from retirees and from those looking to relocate outside of London.
- In the lettings market, agents describe the market as strong and with a mixed renter profile. The agents did comments on an overall lack of supply but particularly 3-bedroom homes in Bexhill and affordable homes across the HMA.
- Overall, the evidence does not support a further uplift on the demographic needs as a result of market signals for the local authorities as this is already addressed in the standard method.

7 AFFORDABLE HOUSING NEED

Introduction

- 7.1 Affordable housing is defined in Annex 2 of the NPPF (2019). The new definition is slightly wider than the previous NPPF (2012) definition; in particular, a series of ‘affordable home ownership’ options are considered to be affordable housing. The old definition was set out in Annex 2 of the 2012 NPPF and stated:

“Affordable housing: Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.

Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.

Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).

Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low-cost homes for sale and intermediate rent, but not affordable rented housing.

Homes that do not meet the above definition of affordable housing, such as “low-cost market” housing, may not be considered as affordable housing for planning”

- 7.2 The new NPPF3 (2019) definition is slightly wider than the previous NPPF definition; in particular, a series of ‘affordable home ownership’ options are considered to be affordable housing. Again this is set out in Annex 2 of the 2019 NPPF and states:

Affordable housing: *housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions:*

a) Affordable housing for rent: *meets all of the following conditions: (a) the rent is set in accordance with the Government’s rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges where applicable);*

(b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and

(c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).

*b) **Starter homes:** is as specified in Sections 2 and 3 of the Housing and Planning Act 2016 and any secondary legislation made under these sections. The definition of a starter home should reflect the meaning set out in statute and any such secondary legislation at the time of plan-preparation or decision-making. Where secondary legislation has the effect of limiting a household's eligibility to purchase a starter home to those with a particular maximum level of household income, those restrictions should be used.*

*c) **Discounted market sales housing:** is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.*

*d) **Other affordable routes to home ownership:** is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low-cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement.*

7.3 The Planning Practice Guidance relating to the measurement of affordable housing need was updated in February 2019, although it is similar to that set out in draft in March 2018. The PPG describes the calculation of affordable housing need as relating to *'the current number of households and projected number of households who lack their own housing or who cannot afford to meet their housing needs in the market'*.

7.4 A methodology is set out in the PPG to look at affordable need, this is largely the same as the previous PPG method and does not really address the additional (affordable home ownership) definition other than to identify "the number of households from other tenures in need and those that cannot afford their own homes, either to rent or to own, where that is their aspiration".

7.5 Due to the lack of any detailed guidance the analysis below is therefore split between the current definition of affordable need and the additional widened definition. This section of the report below deals with the existing definition of affordable need with the following section considering the revised/expanded NPPF definition.

Affordable Housing Need to Rent

7.6 The method for studying the need for affordable housing has been enshrined in Strategic Housing Market Assessment (SHMA) guidance for many years, with an established approach to look at the number of households who are unable to afford market housing (to either rent or buy). The analysis below follows the methodology and key data sources in the guidance and can be summarised as:

- Current need (an estimate of the number of households who have a need now and based on a range of data modelled from local information) – Analysis in line with Paragraph 20 of the Housing and Economic Needs Assessment Planning Practice Guidance (PPG), Reference ID: 2a-020-20190220;
- Projected newly forming households in need (based on projections developed for this project along with an affordability test to estimate numbers unable to afford the market) – Analysis in line with Reference ID: 2a-021-20190220;
- Existing households falling into need (based on studying the types of households who have needed to access social/affordable rented housing and based on study past lettings data) – Analysis in line with Reference ID: 2a-021-20190220;
- These three bullet points added together indicate the gross need (the current need is divided by 20 to meet the need over the 2019 to 2039 period);
- Supply of affordable housing (an estimate of the likely number of letting that will become available from the existing social housing stock – drawing on data from CoRe¹⁸) – Analysis in line with Reference ID: 2a-022-20190220; and
- Subtracting the supply from the gross need provides an estimate of the overall (annual) need for affordable housing) – Analysis in line with Reference ID: 2a-024-20190220

7.7 Each of these stages is described below. Also, much of the analysis requires a view about affordability to be developed. This includes looking at house prices and private rents along with estimates of local household incomes. The following sections, therefore, look at different aspects of the analysis.

7.8 To assess affordability two different measures are used; firstly to consider what income levels are likely to be needed to access private rented housing (this establishes those households in need of social/affordable rented housing) and secondly to consider what income level is needed to access owner-occupation (this, along with the first test helps to identify households in the 'gap' between renting and buying).

7.9 This analysis, therefore, brings together the data on household incomes with the estimated incomes required to access private sector housing. Additionally, different affordability tests are applied to different parts of the analysis depending on the group being studied (e.g. recognising that newly forming households are likely on average to have lower incomes than existing households).

¹⁸ The continuous recording of lettings and sales in social housing in England (referred to as CoRe) is a national information source that records information on the characteristics of both private registered providers and local authority new social housing tenants and the homes they rent

Local Prices and Rents

- 7.10 An important part of the affordable needs model is to establish the entry-level costs of housing to buy and rent. The affordable housing needs assessment compares median property prices and rents with household incomes to establish what proportion of households can meet their needs in the market, and what proportion require support and are thus defined as having an ‘affordable housing need’.
- 7.11 To establish affordable housing need, the analysis focuses on lower quartile rents (for all dwelling types and sizes). Later in the report, this information is expanded on in more detail to present consideration of the types of affordable housing that might meet local needs. This section focuses on establishing, in numerical terms, the overall need for affordable housing.
- 7.12 The analysis below considers the entry-level costs of housing to both buy and rent across both Local Authority areas. The approach has been to analyse Land Registry and Valuation Office Agency (VOA) data to establish lower quartile prices and rents – using a lower quartile figure is consistent with the PPG and reflects the entry-level point into the market.
- 7.13 We recognise that some of the housing at a lower quartile level will not be of a suitable standard due to issues of the quality of the stock or the age-restricted nature of the housing. However, the PPG (Reference ID: 2a-021-20190220) is clear “This process will need to identify the minimum household income required to access lower quartile (entry-level) market housing”
- 7.14 Data from the Land Registry for the year to September 2018 shows estimated lower quartile property prices in the local authorities by dwelling type. This is taken as a proxy for entry-level costs for home purchases.
- 7.15 The data in Table 31 shows that entry-level costs to buy in Hastings are estimated to start from about £105,000 for a flat and rising to over £292,000 for a detached home. The lower quartile price across all dwelling types is £155,000. In Rother, the lower quartile cost to buy a flat is £127,000 and £328,000 for a detached home. Across dwelling types, the cost is £202,000.

Table 31: Lower quartile cost of housing to buy – year to September 2018

	Hastings	Rother
Flat/maisonette	£105,000	£127,000
Terraced	£183,000	£212,000
Semi-detached	£222,000	£245,000
Detached	£292,000	£328,000
All dwellings	£155,000	£202,000

Source: Land Registry

- 7.16 The same analysis can be undertaken for properties of different sizes. Table 32 shows that entry-level costs to buy in Hastings are estimated to start from about £81,000 for one-bedroom homes (£106,000 in Rother) and rising to over £293,000 for a 4-bedroom (£361,000 in Rother).

Table 32: Lower quartile cost of housing to buy – year to September 2018 – by size (estimated)

	Hastings	Rother
1-bedroom	£81,000	£106,000
2-bedrooms	£151,000	£162,000
3-bedrooms	£198,000	£240,000
4-bedrooms	£293,000	£361,000
All dwellings	£155,000	£202,000

Source: Land Registry

- 7.17 A similar analysis has been carried out for private rents using Valuation Office Agency (VOA) data – this covers a 12-month period to September 2018. For rental data, information about dwelling sizes is provided by the number of bedrooms (rather than types); the analysis shows an average lower quartile cost (across all dwelling sizes) of £495 per month in Hastings and £625 per month in Rother.

Table 33: Lower Quartile Market Rents and Local Housing Allowance, year to Sept 2018

	Hastings	Rother	Sussex East BRMA LHA	High Weald BRMA LHA	Eastbourne BRMA LHA
Room only	£347	*	£302	£345	£299
Studio	£375	£396			
1-bedroom	£450	£525	£411	£604	£536
2-bedrooms	£600	£650	£537	£788	£676
3-bedrooms	£795	£850	£714	£967	£814
4-bedrooms	£995	£1,727	£873	£1460	£1,020
All properties	£495	£625	-	-	-

Source: Valuation Office Agency (* is no data reported).

- 7.18 For comparison, we have also included Local Housing Allowance rates in the Sussex East Broad Rental Market Area which covers Hastings and parts of Rother as well as for the Eastbourne and High Weald Broad Rental Market Area which parts of Rother fall within.
- 7.19 This shows that in all cases, lower quartile private rents exceed local housing allowance figures in the Sussex East BRMA. This indicates that for many lower-income households, the private rented sector is out of reach even with a subsidy.
- 7.20 The LHA rates in Eastbourne and High Weald Broad Rental Market Areas again indicate that for many lower-income households, the private rented sector is out of reach even with a subsidy. This is particularly the case in the High Weald BRMA which includes Ticehurst and Hurst Green. There is also an issue with larger homes in the Eastbourne BRMA (which includes Dallington and Normans Bay).

Affordability

- 7.21 A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than a particular percentage of gross income. The choice of an appropriate threshold is an important aspect of the analysis – the PPG does not provide any guidance on this issue. CLG SHMA guidance prepared in 2007 suggested that 25% of income is a reasonable start point, it also noted that a different figure could be used. Analysis of current letting practice suggests that letting agents typically work on a multiple of 40%. Government policy (through Housing Benefit payment thresholds) would also suggest a figure of 40%+ (depending on household characteristics).
- 7.22 The threshold of income to be spent on housing should be set by asking the question ‘what level of income is expected to be required for a household to be able to access market housing without the need for a subsidy?’ The choice of an appropriate threshold is, therefore, judgement based.
- 7.23 The key consideration to understand here is that local income levels are not setting the threshold but are simply being used to assess how many can or can’t afford market housing. It is important to consider what residual income is left after households have paid for housing. The residual income should provide sufficient resources to cover other essential living costs, such as Council Tax and utilities, and some discretionary spending to avoid exclusion from social and recreational activities.
- 7.24 At £495 (Hastings) and £625 (Rother) per calendar month, lower quartile rent levels in the study area are higher than seen in some of the lower-priced areas nationally. This would suggest that a proportion of income to be spent on housing could be higher than the bottom end of the range nationally (in areas for instance where private rents are lower).

- 7.25 Across England, the lowest lower quartile rents for all property sizes are around £400 per month (areas with rents at or below this level include Hull and Liverpool and there were a total of 22 local authorities with lower quartile rents not exceeding £400 per month). If these areas are considered to be at the bottom end of the range (i.e. 25% of income to be spent on housing) then this would leave a residual income of £1,200 per month (i.e. if 25% of income =£400 then total income = £1,600. Total income of £1,600 minus rent of £400 leaves a residual income of £1,200).
- 7.26 With the same residual income applied to Hastings (as an example), the gross household income required to afford a £495 PCM lower quartile rent would be £1,695 and so the percentage spent on housing would be 29% (i.e. £495 + £1,200 = £1695 and 495 equates to 29% of £1695)
- 7.27 However, it needs to be considered that the cost of living in the area is likely to be higher than in cheaper parts of England and so a pragmatic approach to determining a reasonable proportion of income has been to take a midpoint between the bottom (25%) and the equivalent residual income figure (29% if looking at Hastings). In this example, a threshold of 27% would, therefore, be considered as reasonable.
- 7.28 There are however differences in housing costs in different parts of the study area and so this analysis has been carried out for both local authorities individually. Below are the affordability thresholds used in the analysis for each location:
- Hastings –27%
 - Rother – 30%
- 7.29 In reality, many households may well spend a higher proportion of their income on housing and therefore would have less money for other living costs – for this assessment these households would essentially be assumed as ideally having some form of subsidised rent to ensure a sufficient level of residual income.
- 7.30 Taking into account the typical maximum loan to income ratios used by the mortgage industry to set lending limits and the need to raise a deposit, the income required to access owner-occupied housing are greater than that required to rent. Therefore, the analysis of the need for social/affordable rented housing is based on the affordability of private rented housing. However, local house prices (and affordability) are important when looking at the need for affordable home ownership.
- 7.31 Based on typical lending practices, for this assessment, the income thresholds for owner-occupation assume a household has a 10% deposit and can secure a mortgage for four and a half times their

salary. These assumptions are considered to be broadly in line with typical lending practices although it is recognised that there will be differences on a case by case basis.

Income Requirement

7.32 Following on from the assessment of local prices and rents, it is important to understand local income levels as these (along with the price/rent data) will determine levels of affordability (i.e. the ability of a household to afford to buy or rent housing in the market without the need for some sort of subsidy).

7.33 Table 34 shows the estimated incomes required to both buy and rent (privately) a lower quartile market property in each local authority. This shows a notable ‘gap’ in Rother and a narrower spread of incomes required for Hastings – the figures reflect the varying housing costs in different locations.

Table 34: Estimated Household Income Required to Buy, Privately Rent a Lower Quartile Home (all sizes) by Local Authority

	To buy	To rent
Hastings	£31,000	£21,900
Rother	£40,400	£25,300

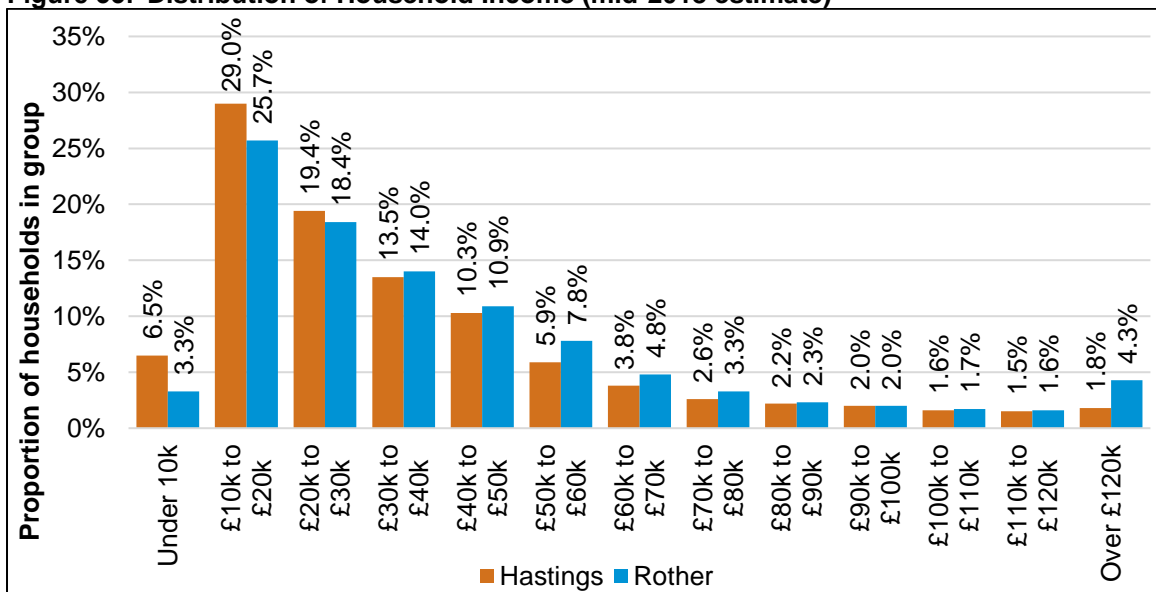
Source: ASHE and Living Rents methodology

Affordable Housing Need

7.34 Data about total household income has been based on ONS modelled income estimates, with additional data from the English Housing Survey (EHS) being used to provide information about the distribution of incomes.

7.35 Using the income distributions chart below, it is estimated that around 45.2% of people would be able to buy on the open market in Hastings, and 64.6% can privately rent. In Rother, around 38.7% can afford to buy and 61.9% can afford to rent. Thus, there is a somewhat notable gap (a difference of 19.4% in Hastings and 23.2% in Rother) in both authorities for products such as affordable home purchase, particularly in Rother.

Figure 33: Distribution of Household Income (mid-2018 estimate)



Source: EHS and ONS Data

7.36 It is possible to summarise the income data further by looking at Mean, Median and Lower Quartile household incomes. As shown in Table 35 incomes in Rother are considerably higher than in Hastings.

Table 35: Estimated household income (2018)

	Mean	Median	Lower quartile
Hastings	£35,900	£27,400	£15,800
Rother	£41,600	£31,600	£18,300

Source: Derived from a range of sources including the annual survey of hours and earnings

7.37 It is also noted that the difference between the two areas is less at the Lower Quartile than at median levels. This would suggest that there is likely to be more of an issue with getting on to the housing ladder than moving up it.

7.38 The sections below work through the various stages of analysis to estimate the need for social/affordable housing in each local authority. Final figures are provided as an annual need (including an allowance to deal with current need). As per 2a-024 of the PPG, this figure can then be compared with the likely delivery of affordable housing.

Current Need

7.39 In line with PPG paragraph 2a-020, the current need for affordable housing has been based on considering the likely number of households with one or more housing problems. Table 36 sets out

the categories in the PPG and the sources of data being used to establish numbers. The PPG also includes a category where households cannot afford to own despite it being their aspiration – this category is considered separately in this report (under the title of the need for affordable home ownership).

Table 36: Main sources for assessing the current unmet need for affordable housing

	Source	Notes
Homeless households (and those in temporary accommodation)	MHCLG Live Table 784	Total where a duty is owed but no accommodation has been secured PLUS the total in temporary accommodation
Households in overcrowded housing	Census table LC4108EW	The analysis was undertaken by tenure and updated by reference to national changes (from the English Housing Survey (EHS))
Concealed households	Census table LC1110EW	Number of concealed families
Existing affordable housing tenants in need	Modelled data linking to past survey analysis	Excludes overcrowded households – tenure estimates updated by reference to the EHS
Households from other tenures in need	Modelled data linking to past survey analysis	

Source: PPG [2a-020]

- 7.40 It should be noted that there may be some overlap between categories (such as overcrowding and concealed households, whereby the overcrowding would be remedied if the concealed household moved). The data available does not enable an analysis to be undertaken to study the impact of this and so the figures presented may include an element of double counting (although this is likely to be small). Additionally, some of the concealed households may be older people who have moved back in with their families and might not be considered as in need.
- 7.41 Table 37 shows the initial estimate of the number of households within the study area with a current housing need. These figures are before any ‘affordability test’ has been applied to assess the ability of households to meet their own housing needs and has been termed ‘the number of households in unsuitable housing’. Overall, the analysis estimates that there are currently some 6,200 households living in unsuitable housing (or without housing) across the HMA.

Table 37: Estimated Number of Households Living in Unsuitable Housing

	Homeless/ concealed household	Households in overcrowded housing	Existing affordable housing tenants in need	Households from other tenures in need	Total
Hastings	528	1,568	135	1,464	3,695
Rother	480	988	95	972	2,535
HMA	1,008	2,556	230	2,436	6,230

Source: MHCLG Live Tables, Census 2011 and Data Modelling

- 7.42 In taking this estimate forward, the data modelling next estimates housing unsuitability by tenure. From the overall number in unsuitable housing, households living in affordable housing are excluded (as these households would release a dwelling on moving and so no net need for affordable housing will arise). The analysis also excludes 90% of owner-occupiers under the assumption (which is supported by analysis of survey data) that the vast majority will be able to afford housing once savings and equity are taken into account.
- 7.43 A final adjustment slightly reduces the unsuitability figures in the PRS to take account of student-only households – such households could technically be overcrowded/living in unsuitable housing but would be unlikely to be allocated affordable housing (student needs are essentially assumed to be transient). Once these are removed, the remainder are taken forward for affordability testing.
- 7.44 Table 38 shows it is estimated that 4,100 households were living in unsuitable housing (excluding current social tenants and the majority of owner-occupiers).

Table 38: Unsuitable Housing by Tenure and Number to Take Forward into Affordability Modelling (Hastings/Rother)

	In Unsuitable Housing	Number to Take Forward for Affordability Testing
Owner-occupied	1,340	134
Affordable housing	919	0
Private rented	2,963	2,954
No housing (homeless/concealed)	1,008	1,008
Total	6,230	4,096

Source: MHCLG Live Tables, Census 2011 and Data Modelling

- 7.45 Having established this figure, it needs to be considered that a number of these households might be able to afford market housing without the need for subsidy. To consider this, the income data has been used, with the distribution adjusted to reflect a lower average income amongst households living in unsuitable housing – for the modelling, an income distribution that reduces the average household income to 88% of the figure for all households has been used to identify the proportion of households whose needs could not be met within the market (for households currently living in housing). A lower figure of 42% has been used to apply an affordability test for the concealed/homeless households who do not currently occupy housing.
- 7.46 These two percentage figures have been based on a consideration of typical income levels of households who are in unsuitable housing (based mainly on estimates in the private rented sector) along with typical income levels of households accessing social rented housing (for those without accommodation). The figures have been based on analysis of the English Housing Survey (mainly looking at relative incomes of households in each of the private and social rented sectors) as well as consideration of similar information collected through household surveys across the country by Justin Gardener Consulting (JGC). These modelling assumptions are considered reasonable and have not been challenged through the Local Plan process in other locations (where the same assumptions have been used).
- 7.47 Overall, just over half of households with a current need are estimated to be likely to have insufficient income to afford market housing and so the estimate of the total current need is of 2,200 households in the study area. Table 39 also shows how this is estimated to vary by local authority.

Table 39: **Estimated Current Affordable Housing Need (for social/affordable rented housing)**

	In unsuitable housing (taken forward for affordability test)	% Unable to Afford Market Housing (without subsidy)	Revised Gross Need (including Affordability)
Hastings	2,608	52.5%	1,368
Rother	1,487	56.6%	841
HMA	4,096	54.0%	2,210

Source: CLG Live Tables, Census 2011 and Data Modelling

7.48 The estimated figure shown above (2,210) represents the number of households with a need currently across the HMA. For the analysis, it is assumed that the local authorities would seek to meet this need over a period of time. Given that this report looks at needs in the 2019-39 period, the need is annualised by dividing by 20 (to give an annual need for 110 dwellings across both local authorities). This does not mean that some households would be expected to wait for 20-years for housing as the need is likely to be dynamic, with households leaving the current need as they are housed but with other households developing a need over time.

Newly Forming Households

7.49 The number of newly forming households has been estimated through demographic modelling with an affordability test also being applied. This has been undertaken by considering the changes in households in specific 5-year age bands relative to numbers in the age band below, 5 years previously, to provide an estimate of gross household formation.

7.50 The number of newly-forming households is limited to households forming who are aged under 45 – this is consistent with CLG guidance (from 2007) which notes after age 45 that headship (household formation) rates ‘plateau’. There may be a small number of household formations beyond age 45 (e.g. due to relationship breakdown) although the number is expected to be fairly small when compared with the formation of younger households. The number of newly forming households has been estimated through demographic modelling (linked to the Standard Method).

7.51 In assessing the ability of newly forming households to afford market housing, data has been drawn from previous surveys undertaken nationally by JGC. This establishes that the average income of newly forming households is around 84% of the figure for all households. This figure is remarkably consistent across areas (and is also consistent with the analysis of English Housing Survey data at a national level).

7.52 The analysis has therefore adjusted the overall household income data to reflect the lower average income for newly forming households. The adjustments have been made by changing the distribution of income by bands such that the average income level is 84% of the all household average. In doing this it is possible to calculate the proportion of households unable to afford market housing. For the need for social/affordable rented housing, this will relate to households unable to afford to buy OR rent in the market.

7.53 The assessment suggests that overall just under half of the newly forming households will be unable to afford market housing (to rent privately) and this equates a total of 684 newly forming households will have a need per annum on average. Table 40 provides a breakdown by local authority.

Table 40: **Estimated Need for Social/Affordable Rented Housing from Newly Forming Households (per annum)**

	Number of new households	% unable to afford	Annual newly forming households unable to afford to rent
Hastings	782	47.7%	373
Rother	653	47.6%	311
HMA	1,436	47.7%	684

Source: Projection Modelling/Affordability Analysis

Existing Households Falling into Affordable Housing Need

7.54 The second element of newly arising need is existing households falling into need. To assess this, information about past lettings in social/affordable rented has been used. The assessment looked at households who have been housed over the past three years – this group will represent the flow of households onto the Housing Register over this period. From this, newly forming households (e.g. those currently living with family) have been discounted as well as households who have transferred from another social/affordable rented property. An affordability test has also been applied.

7.55 This method for assessing existing households falling into need is consistent with the 2007 SHMA guide which says on page 46 that *‘Partnerships should estimate the number of existing households falling into need each year by looking at recent trends. This should include households who have entered the housing register and been housed within the year as well as households housed outside of the register (such as priority homeless household applicants)’*.

7.56 Following the analysis through suggests a need arising from 331 existing households each year across the HMA. Table 41 breaks this down by local authority.

Table 41: **Estimated Need for Social/Affordable Rented Housing from Existing Households Falling into Need (per annum)**

	Total Additional Need	% of Total
Hastings	199	60.3%
Rother	131	39.7%
HMA	331	100.0%

Source: Derived from a range of sources as described in the text

Supply of Social/Affordable Rented Housing Through Relets

- 7.57 The future supply of affordable housing through relets is the flow of affordable housing arising from the existing stock that is available to meet future need. This focusses on the annual supply of social/affordable rent relets.
- 7.58 The Planning Practice Guidance (PPG) suggests that the estimate of likely future relets from the stock of affordable/social rented housing should be based on past trend data which can be taken as a prediction for the future. Information from CoRe and Local Authority Housing Statistics (LAHS) has been used to establish past patterns of social housing turnover. The figures exclude lettings of new properties and also exclude an estimate of the number of transfers from other social rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing stock.
- 7.59 Based on past trend data it has been estimated that across the HMA 470 units of social/affordable rented housing are likely to become available each year moving forward for occupation by newly forming households and existing households falling into a need from other tenures.

Table 42: **Analysis of Past Social/Affordable Rented Housing Supply, 2015/16 – 2017/18 (per annum)**

	Total Lettings	% as Non-New Build	Lettings in Existing Stock	% Non-Transfers	Lettings to New Tenants
Hastings	472	83.7%	395	71.0%	281
Rother	330	91.1%	301	63.1%	190
HMA	802	86.7%	696	67.6%	470

Source: CoRe/LAHS

- 7.60 The PPG also includes the bringing back of vacant homes into use and the pipeline of affordable housing as part of the supply calculation. These have however not been included within the modelling in this report. Firstly, there is no evidence of any substantial stock of vacant homes (over and above a level that might be expected to allow movement in the stock). Secondly, with the pipeline supply, it

is not considered appropriate to include this as to net off new housing would fail to show the full extent of the need, although in monitoring it will be important to net off these dwellings as they are completed.

Net Affordable Housing Need

7.61 Table 43 shows the overall calculation of affordable housing need. This excludes supply arising from sites with planning permission (the ‘development pipeline’) to allow for a comparison with the net housing need set out in the report. The net need is calculated as follows:

$$\text{Net Need} = \text{Current Need} + \text{Need from Newly-Forming Households} + \text{Existing Households falling into Need} - \text{Relet Supply of Affordable Housing}$$

7.62 The analysis has been based on meeting affordable housing need over the period from 2019 to 2039. Whilst most of the data in the model are annual figures the current need has been divided by 20 to make an equivalent annual figure.

Table 43: **Estimated Annual Level of Affordable Housing Need to Rent (2019-2039)**

	Hastings	Rother
Current need (divided over the plan period)	68	42
Newly forming households	373	311
Existing households falling into need	199	131
Total Gross Need	641	484
Re-let Supply	281	190
Net Need	360	295

Source: Census (2011)/CoRe/Projection Modelling and affordability analysis

7.63 As the table sets out, the analysis calculates an overall net need for affordable housing of 360 units per annum in Hastings and 295 units per annum in Rother over the years 2019-39. This demonstrates a significant need for affordable homes in both areas and confirms the need for the local authorities to seek to maintain their current affordable housing policies as a minimum, subject to updated viability assessments.

Split of Affordable Rental Products

7.64 The analysis below seeks to provide some advice about a possible split between affordable and social rented housing. The analysis is based on looking at the proportion of households able to afford an affordable rent (set at 80% of current lower quartile rents) and those who can only afford housing which is cheaper than that (and in many cases being supported by Housing Benefit). Taking these proportions forward into policy should however be treated with some caution as:

- For households claiming Housing Benefit and on a low income, affordable rent might be appropriate as long as the Housing Benefit can cover all of the rent. In the analysis, very low-income households would normally be considered as needing social rented housing.
- For households with an income that would allow them to afford affordable rent, arguably, social rent would be more appropriate as the housing costs would be less of a strain on household finances. Yet these households are considered in the analysis as needing affordable rent.
- There is likely to be a trade-off between the two tenures in terms of the amount of housing that can be delivered. A higher proportion of social rent is likely to be less viable and hence a lower number of units may be delivered

- 7.65 All of these above factors need to be considered when determining the best mix of rented housing within the affordable sector. Based purely on affordability 15% of the group of households unable to afford market housing to rent would fall in the gap between the market and 80% of the market.
- 7.66 The finding that 15% of households can afford an affordable rent does not automatically lead to a policy conclusion on the split between the two types of housing. For example, many households who will need rented accommodation will be benefit dependent and as such could technically afford an affordable rent (as long as the full rent is covered by Housing Benefit) – hence a higher proportion of affordable rented housing might be appropriate.
- 7.67 Conversely, providing more social rents might enable households to return to work more easily, as a lower-income would potentially be needed to afford the lower social (rather than affordable) rent.
- 7.68 There will be a series of other considerations both at a strategic level and for specific schemes. For example, there may be funding streams that are only available for a particular type of housing, and this may exist independently to any local assessment of need.
- 7.69 Additionally, there will be the consideration of the balance between the cost of providing the affordable housing and the financial return on those dwellings which affects the amount that can be viably provided, for example, affordable rented housing is likely to be more viable than social rented housing, and therefore a greater number of units could be provided.
- 7.70 Finally, in considering a split between social and affordable rented housing it needs to be considered that having different tenures on the same site (at least at initial occupation) may be difficult – essentially if tenants of the same home are paying a different rent for the same property and services.
- 7.71 On this basis, it is not recommended that both Councils have a rigid policy for the split between social and affordable rented housing, although the analysis is clear that both tenures of homes are likely to be required in all areas.

How Much Should Affordable (rented) Housing Cost?

7.72 The analysis above has studied the overall need for affordable housing using a well-established model. This model focusses on households who cannot afford anything in the market (i.e. cannot rent or buy). These households are most likely to require rented housing and below is an analysis that sets out what might be an affordable rent for different sizes of accommodation (in different locations) based on local incomes and housing costs.

7.73 For information, Table 44 shows average social and affordable rents (taken from CoRe) and compares these with average lower quartile and median market rents for all sizes of dwelling. This analysis shows that social rents are in all areas somewhat lower than recent affordable rents; the analysis also shows that affordable rents are generally less than median market rent, but a higher proportion if compared with lower quartile figures. In Hastings, the analysis suggests recent affordable rents are slightly higher than lower quartile rents.

Table 44: **Comparison of monthly rent levels for different products (all sizes)**

	Social rent	Affordable rent (AR)	Lower quartile (LQ) market rent	Median market rent	AR as % of LQ	AR as % of median
Hastings	£389	£521	£495	£600	105%	87%
Rother	£421	£499	£625	£750	80%	67%

Source: CoRe and ONS

7.74 The current cost of social rental products in Hastings and Rother is based on a formula set by central government. This is broadly based on the relative value of the property, relative local income levels and the size of the property.

7.75 In examining what might be an appropriate level to set future rents the analysis firstly considers what might be a 'Living Rent'. These calculations are based on research by JRF/Savills¹⁹ and use the following methodology:

- Annual Survey of Hours and Earnings (ASHE) lower quartile earnings;
- Adjustment for property size by recognised equivalence model; and
- Starting rent set at 28% of net earnings
- Rent set at Local Housing Allowance (LHA) limits where calculations show a higher figure

¹⁹<http://pdf.savills.com/documents/Living%20Rents%20Final%20Report%20June%202015%20-%20with%20links%20-%2019%2006%202015.pdf>

- 7.76 The analysis as set out in Table 45 shows that overall that living rents would start at £256 for a 1-bedroom home in Rother increasing to £515 for a 3-bedroom home in Hastings.

Table 45: **Estimated living rents per month (2018)**

	1-bedroom	2-bedroom	3-bedrooms
Hastings	£322	£418	£515
Rother	£256	£333	£410

Source: ASHE and Living Rents methodology

- 7.77 It is not recommended that the local authorities implement policies which restrict rents to Living Rents, these are provided for discussion only and it would be unrealistic to do so. However, it is not sensible to charge affordable rent above LHA limits. Any rents set in excess of LHA would mean households having to top up their rent from other income sources.

- 7.78 Table 46 shows LHA limits in the three Broad Rental Market Areas (BRMAs) covering Hastings and Rother (the vast majority of the study area is within the Sussex East BRMA although parts of Rother are in the Eastbourne BRMA (Dallington and Normans Bay) and High Weald BRMA (Ticehurst and Hurst Green)). As noted, there is a case for ensuring that rents are capped at the maximum amount of benefit able to be claimed. The issue of LHA limits should be a key consideration when setting rent levels for any new developments as should the BRMA in which any specific scheme sits.

Table 46: **Maximum Local Housing Allowance (Housing Benefit) by location and property size (January 2019)**

	Sussex East BRMA	High Weald BRMA	Eastbourne BRMA
1-bedroom	£411	£604	£536
2-bedrooms	£537	£788	£676
3-bedrooms	£714	£967	£814
4-bedrooms	£873	£1460	£1,020

Source: Valuation Office Agency

- 7.79 It is recognised that charging at living rent levels will reduce the viability of affordable housing delivery and therefore the number of homes potentially provided. Therefore, a decision is to be made about the tenure split within the rented part of the affordable sector such that there will be some homes provided at living/social rents and some at affordable rents.

- 7.80 The recommendation of this report is to limit affordable rents to LHA limits within the Broad Rental Market Area the site falls. This may mean greater discounts than 20% on Open Market Values. This will ensure a larger number of households to afford this type of property.

Affordable Home Ownership Needs

- 7.81 As set out above the previously established method to look at the affordable need to rent, estimated that there is a need for around 360 dpa for Hastings and 295 dpa for Rother, totalling 655 dpa for the whole HMA. This is for subsidised housing at a cost below that to access the private rented sector (i.e. for households unable to access any form of market housing without some form of subsidy).
- 7.82 In addition to that set out above, the NPPF (2018) introduced a new category of household in affordable housing need and widens the definition of affordable housing (as found in the NPPF (2018 and 2019) – Annex 2). It is considered that households falling into the definition would be suitable for Starter Homes or Discounted market sales housing, although other forms of affordable home ownership (such as shared ownership) might also be appropriate.
- 7.83 This section considers the level of need for these types of dwellings in Hastings and Rother. The NPPF (2019) states *“Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership, unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups.”* (NPPF (2019), paragraph 64).

Establishing a Need for Affordable Home Ownership

- 7.84 The Planning Practice Guidance confirms a widening definition of those to be considered as in affordable need; now including ‘households which can afford to rent in the private rental market, but cannot afford to buy despite a preference for owning their own home’. However, at the time of writing, there is no guidance about how the number of such households should be measured.
- 7.85 The methodology used in this report, therefore, draws on the methodology for affordable housing to rent and includes an assessment of current needs, and projected need (newly forming and existing households). This section considers the level of need for all these types of dwellings in Hastings and Rother.
- 7.86 The key difference is that in looking at affordability an estimate of the number of households in the ‘gap’ between buying and renting is used. There is also the issue of establishing an estimate of the supply of affordable home ownership homes – this is considered separately below.
- 7.87 The first part of the analysis seeks to understand what the gap between renting and buying means in the study area – in particular establishing the typical incomes that might be required. As noted above,

this means those earning between £21,900 and £31,000 in Hastings and £25,300 and £40,400 in Rother.

- 7.88 Using the income distributions developed (as set out earlier in this section) along with data about price and rents, it has been estimated that of all households living in the private rented sector, around 32-38% already have sufficient income to buy a lower quartile home, with 17-23% falling in the rent/buy 'gap'.
- 7.89 The final 45% are estimated to have an income below which they cannot afford to rent privately (i.e. would need to spend more than 27-30% of their income on housing costs to access the PRS). Although in reality it should be noted that many households will spend a higher proportion of their income on housing.
- 7.90 These figures have been based on an assumption that incomes in the private rented sector are around 88% of the equivalent figure for all households (a proportion derived from the English Housing Survey) and are used as it is clear that affordable home ownership products are likely to be targeted at households living in or who might be expected to access this sector (e.g. newly forming households).
- 7.91 Table 47 shows an estimate of the proportion of households living in the private rented sector who can afford different housing products by local authority. This shows a higher proportion of households in the rent/buy gap in Rother, with a lower figure for Hastings – these findings are mainly related to the relative cost of housing in different locations.

Table 47: The estimated proportion of households living in the Private Rented Sector able to buy and/or rent market housing

	Can afford to buy and thus rent	Can afford to rent but not buy	Cannot afford to buy or rent
Hastings	38%	17%	45%
Rother	32%	23%	45%

Source: Derived from Housing Market Cost Analysis and Affordability Testing

- 7.92 The finding that a significant proportion of households in the private rented sector are likely to have an income that would allow them to buy a home is also noteworthy and suggests that for many households, barriers to accessing owner-occupation are less about income/the cost of housing and more about other factors (which could, for example, include the lack of a deposit or difficulties obtaining a mortgage (for example due to a poor credit rating or insecure employment)). However,

some households will choose to privately rent, for example as it is a more flexible option that may be more suitable for a particular household's life stage (e.g. if moving locations with employment).

- 7.93 To study current need, an estimate of the number of household living in the Private Rented Sector (PRS) has been established, with the same (rent/buy gap) affordability test (as described above) then applied. The start point is the number of households living in private rented accommodation; as of the 2011 Census, some 18,600 households were living in the sector across the whole study area.
- 7.94 Data from the English Housing Survey (EHS) suggests that since 2011, the number of households in the PRS has risen by about 26.2% - if the same proportion is relevant to the study area then the number of households in the sector would now be around 23,500.
- 7.95 Additional data from the EHS suggests that 60% of all PRS households expect to become an owner at some point (14,100 households if applied to the study area) and of these some 25% (3,500 households) would expect this to happen in the next 2-years. The figure of 3,500 is therefore taken as the number of households potentially with a current need for affordable home ownership before any affordability testing. The remainder are placed in the future need along with newly forming households.
- 7.96 As noted above, based on the income it is estimated that around 17-23% of the private rented sector sits in the gap between renting and buying (depending on location). Applying these proportions to the 3,500 figure would suggest a current need for around 665 affordable home ownership units.
- 7.97 In projecting forward, the analysis can consider newly forming households and also the remaining existing households who expect to become owners further into the future. Applying the same affordability test (albeit on a very slightly different income assumption for newly forming households) suggests an annual need from these two groups of around 380 dwellings (280 from newly forming households and 100 from existing households in the private rented sector).
- 7.98 Bringing together the above analysis suggests that there is a need for around 413 affordable home ownership homes (priced for households able to afford to rent but not buy) per annum. This is before any assessment of the potential supply of housing is considered.

Table 48: **Estimated Gross Need for Affordable Home Ownership by local authority (per annum)**

	Current need	Newly forming households	Existing households falling into need	Total Gross Need
Hastings	20	131	59	210
Rother	14	148	41	203
HMA	33	280	100	413

Source: Range of sources as set out above

Potential Supply of Housing to Meet the Affordable Home Ownership Need

- 7.99 As with assessing the need for affordable home ownership, it is the case that at present the PPG does not include any suggestions about how the supply of housing to meet these needs should be calculated. The analysis below, therefore, provides a general discussion.
- 7.100 By definition, a quarter of all homes sold will be priced at or below a lower quartile level. According to the Land Registry, there were a total of 3,820 sales in the last year (year to September 2018) across both local authority areas and therefore around 955 would be priced below the lower quartile. This is 955 homes that would potentially be affordable to the target group for affordable home ownership products and is a potential supply that is well in excess of the level of need calculated.
- 7.101 However, it is the case that market housing is not allocated in the same way as social/affordable rented homes (i.e. anyone can buy a home as long as they can afford it). It is also possible that some lower quartile homes would be sold to households able to afford more, or potentially to investment buyers).
- 7.102 In the absence of any national guidance about how to deal with the supply of affordable home ownership, a broad further assumption has been used that around half of the lower quartile homes would be available to meet the needs of households with an income in the gap between buying and renting – this amounts to around 478 dwellings per annum. This is assumes that half of the supply may not be suitable for general needs i.e. it is in a poor condition and/or age-restricted.
- 7.103 Table 49, therefore, brings together an estimate of the need for affordable home ownership, across the study area and for the local authorities. This shows no real need for affordable home ownership products per annum across the study area (a net deficit of 65 units per annum).

Table 49: **Estimated Need for Affordable Home Ownership by local authority (per annum)**

	Total Gross Need	Total supply (50% of LQ sales)	Net Need
Hastings	210	235	-25
Rother	203	243	-40
HMA	413	478	-65

Source: Range of sources as discussed

- 7.104 Although we have identified a negative net need the NPPF still states “Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership, unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups.” (NPPF2, para 64).
- 7.105 Given that the main analysis of the affordable need to rent showed a notable level of need (equating to 53% of all dwellings), and one involving households who cannot afford anything in the market without subsidy, it is not considered that there is any basis to increase the provision of affordable home ownership above the 10% figure stated in the NPPF, as to exceed this would be to reduce the supply of affordable homes to rent.
- 7.106 There is effectively a trade-off between delivering a greater number of affordable homes or fewer affordable homes but those homes addressing the most acute needs. This is because typically affordable homes to buy are more viable than affordable homes to rent.
- 7.107 Furthermore, there is still a significant gross need for 210 low-cost home ownership properties per annum in Hastings and 203 per annum in Rother. This would suggest that there could still be issues within this group in terms of accessing capital (e.g. for deposits, stamp duty, legal costs) and that 10% affordable home ownership products would still be relevant although should not be exceeded. This is discussed further later in this chapter.

How Much Should Affordable Home Ownership Homes Cost?

- 7.108 This report recommends shared ownership as the most appropriate form of Affordable Home Ownership (AHO) and encourages consideration of other packages such as providing support for deposits. However, it is possible that some housing would come forward as other forms of housing such as Starter Homes or discounted market sale. If this is the case, it will be important for the Council to ensure that such homes are sold at a price that is genuinely affordable for the intended target group.

- 7.109 On this basis, it is worth discussing what sort of costs affordable home ownership properties should be sold for. The Annex 2 (NPPF) definitions suggest that such housing should be made available at a discount of at least 20% from Open Market Value (OMV).
- 7.110 The problem with having a percentage discount is that it is possible in some locations or types of property that such a discount still means that housing is more expensive than that typically available in the open market. For example, new build typically has a built-in premium on their asking price.
- 7.111 The preferred approach in this report is to set out a series of affordable purchase costs for different sizes of accommodation. These are based on equivalising the private rent figures into a house price so that the sale price will meet the needs of all households in the gap between buying and renting. Setting higher prices would mean that such housing would not be available to many households for whom the Government is seeking to provide an 'affordable' option.
- 7.112 Table 50, therefore, sets out a suggested purchase price for affordable home ownership in the local authorities. As noted, the figures are based on trying to roughly equate a sale price with an equivalent access point to the private rental market.
- 7.113 This shows a one-bedroom home 'affordable' price in Hastings of about £81,000 rising to £293,000 for homes with 4 or more bedrooms. In Rother, the figures go from £106,000 for a 1-bedroom to as much as £361,000 for a home with 4 or more bedrooms. These figures can be monitored and updated every six months by reference to VOA data.

Table 50: **Recommended Affordable home ownership prices – 2018 base**

		1-bedroom	2-bedroom	3-bedroom	4+-bedroom
Hastings	Lower limit	-	£133,000	£176,000	£220,000
	Upper limit	£81,000	£151,000	£198,000	£293,000
Rother	Lower limit	-	£132,000	£172,000	£233,000
	Upper limit	£106,000	£162,000	£240,000	£361,000

Source: derived from VOA data

- 7.114 In some cases, the range is quite wide and in general, it is therefore recommended that the final purchase price of a home should not exceed the midpoint of the range shown below (with ideally homes also being available at a price below this midpoint and close to the lower limit figures).
- 7.115 It is often expected that the cost of AHO is to some extent determined by its discount to Open Market Value (OMV) with the NPPF definition expecting a discount of at least 20% and the proposed 'First

Homes' looking at a figure of 30%. It is impossible in this report to set out exactly what level of discount makes a home affordable as this will depend on the actual OMV of any particular product.

7.116 It is recognised that the further the discount that is applied the more likely it is to challenge viability. Therefore, a trade-off between deeper discounts and the number of homes being delivered will need to be made. This will be for the Councils to decide based on their priorities.

7.117 If the Councils do seek some affordable home ownership products, it is additionally recommended that they set up a register of people interested in these products (in a similar way to the current Housing Register). This will enable any properties to be 'allocated' to households whose circumstances best meet the property on offer. Examples of this can be seen in some London Boroughs including Greenwich.

Shared Ownership

7.118 The analysis below seeks to calculate the maximum equity share for housing to be affordable (i.e. to achieve a level of outgoings the same as accessing the bottom end of the private rented sector). The assumptions include:

- OMV at LQ price plus 20% (reflecting likelihood that newbuild homes will have a premium attached and that they may well be priced slightly above an LQ level)
- 10% deposit
- Rent at 2.75% pa on unsold equity
- Repayment mortgage over 25-years at 4%
- Service charge of £100 per month for flatted development (assumed to be 1- and 2-bedroom homes)

7.119 Table 51 presents the estimated affordable equity share by the size of dwelling for Hastings and Rother. There will likely be price variance across areas within the local authorities, with areas experiencing high vacancy potentially requiring lower equity shares to make homes more affordable.

7.120 The analysis shows that where shared ownership is achieved, there is generally between 20-55% equity share, with the lower end for 4+ bedrooms where there is likely to be few and far between. Typically, the higher the share of equity, the more affordable the property type.

7.121 The lowest equity share is 2-bedrooms in Hastings at 19%, meaning that prices for these types of properties are typically more unaffordable for those living in the area as compared to 1 and 3 bedroom properties.

Table 51: **Estimate affordable equity share by the size of dwelling - Hastings**

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
OMV	£97,200	£181,200	£237,600	£351,600
Share	53%	19%	43%	22%
Equity bought	£51,905	£34,428	£101,693	£77,000
Mortgage needed	£46,714	£30,985	£91,524	£69,300
The monthly cost of a mortgage	£247	£164	£483	£366
Retained equity	£45,295	£146,772	£135,907	£274,600
Monthly rent on retained equity	£104	£336	£311	£629
Service charge	£100	£100	£0	£0
Total cost	£450	£600	£795	£995

Source: derived from VOA data

Table 52: **Estimate affordable equity share by size of dwelling - Rother**

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
OMV	£127,200	£194,400	£288,000	£433,200
Share	43%	22%	27%	15%
Equity bought	£54,187	£42,379	£77,184	£64,114
Mortgage needed	£48,768	£38,141	£69,466	£57,702
The monthly cost of a mortgage	£257	£201	£367	£305
Retained equity	£73,013	£152,021	£210,816	£369,086
Monthly rent on retained equity	£167	£348	£483	£846
Service charge	£100	£100	£0	£0
Total cost	£525	£650	£850	£1,727

Source: derived from VOA data

- 7.122 Discussions with Rother District Council housing officers indicate that there is a relatively aged stock of homes regardless of size and tenure. At the time of this report, there were 700 single-person households on the housing register in Rother and 1,000 families. To address this need, a substantial number of 1 and 2 bedroom properties are required. Only around 40 were larger households, with the largest demand being seen for 3 bedroom properties. Typically such larger households are on the register for longer partly due to a lack of supply/turnover of homes of this size.
- 7.123 In terms of meeting the need, there is a waiting list to receive housing with around 200 to 250 homes becoming vacant each year. They indicated that changes to benefits and increasing unaffordability in the local authority being reasons why more accommodation is being sought each year.
- 7.124 Consultations with housing associations reveal that in both Hastings and Rother there are issues often with making developments viable due to high land and build costs as compared to rents achieved (which are limited by the low LHA rates which rents are capped at). They cited that building to a pre-determined specification such as smaller person-sized properties cause issues when families

are looking to grow in place. It was also noted that land opportunities for these developments were more widely available in Rother than Hastings.

Affordable Housing Need and the Link to the Housing Requirement

7.125 Paragraph 24 of the PPG (Reference ID: 2a-024-20190220) states:

“The total affordable housing need can then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, taking into account the probable percentage of affordable housing to be delivered by eligible market housing led developments. An increase in the total housing figures included in the plan may need to be considered where it could help deliver the required number of affordable homes.”

7.126 Whilst the OAN should not be impacted by the need for affordable housing the local authority could **consider** a higher housing requirement when developing a Local Plan.

7.127 However, it should be recognised that this is just a calculated number based on the series of steps above and does not directly correlate to the housing need. For example, the calculation doesn't reflect the fact that some of the identified households in affordable housing need already occupy property which would be released for other households should they vacate it. In such circumstances, there would be no need for a net additional property as this would result in a vacancy from the existing property.

7.128 Nor is it a dynamic calculation which responds to future improvements to affordability resulting from the intended consequence of step 2 of the standard methodology i.e. to make housing more affordable.

7.129 The calculation also doesn't take into account the additional future provision of affordable housing from developer contributions in line with the Local Plan Policy. These additional homes would also increase the supply through re-lets, thus addressing the need further.

7.130 That said, the Councils could be justified in increasing overall housing delivery to ensure the affordable housing need is met to the greatest extent possible. Indeed, any number above the standard methodology will also be delivering more affordable housing, subject to viability constraints, through developer contributions thus addressing this need sooner. However, this is subject to wider considerations beyond the scope of this HEDNA.

Affordable Home Ownership

7.131 The NPPF gives a clear direction that 10% of all new housing (on larger sites) should be for affordable home ownership, it is not clear that this is the best solution in the study area. The NPPF does provide

some examples of where the 10% might not be required (paragraph 64), most notably that the 10% would be expected unless this would '*significantly prejudice the ability to meet the identified affordable housing needs of specific groups*'.

- 7.132 In Hastings and Rother, the clear need for additional affordable rented housing would arguably mean that providing the affordable home ownership would 'prejudice the ability' to meet the needs of the 'specific group' requiring rented accommodation.
- 7.133 Given the analysis above, it would be reasonable to conclude, based on the evidence, that in general terms there is no substantive need to provide housing under the new definition of 'affordable home ownership.'
- 7.134 However, it is also clear that many households in Hastings and Rother are being excluded from the owner-occupied sector (including in those areas where the cost of housing is lowest). This can be seen by analysis of tenure change, which saw the number of households living in private rented accommodation increasing by 64% from 2001 to 2011 (with the likelihood that there have been further increases since).
- 7.135 Over the same period, the number of owners with a mortgage dropped notably (by 10%). That said, some households will always opt to privately rent, for example as it is a more flexible option that may be more suitable for a particular household's life stage (e.g. if moving locations with employment).
- 7.136 The analysis recognises that whilst there are some households in the gap between renting and buying, they, in many cases, will be able to afford homes below lower quartile housing costs. However, it is acknowledged that the suitability of some lower quartile housing may not always be appropriate for individuals in this gap particularly where the size, location or quality of accommodation does not meet their need or has restrictions on their occupancy.
- 7.137 It is important to recognise that some households will have insufficient savings to be able to afford to buy a home on the open market (in terms of the ability to afford both a deposit and stamp duty) and affordable home ownership homes - and shared ownership homes in particular - will, therefore, continue to play a role in supporting some households in this respect.
- 7.138 We would, therefore, conclude that the NPPF requirement of at least 10% of new homes on large sites to be affordable home ownership products is reasonable but there is no basis for exceeding the 10% minimum. Although viability on specific sites and grant funding could mean that a greater level is necessitated.

- 7.139 If the Councils do develop a policy seeking affordable home ownership products they should target shared ownership properties and discounted market sales and as these provide routes for the greatest number of people and Shared Ownership also provides much lower levels of deposits. They should also seek to introduce a register for those seeking such property.
- 7.140 Finally, it should also be noted that had this study identified a net 'need' for affordable home ownership, this would not have any impact on the overall need for housing. As is clear from both the NPPF and PPG, the additional group of households in need is simply a case of seeking to move households from one tenure to another

Affordable Housing Need: Summary Points

- Analysis has been undertaken to estimate the need for affordable housing in the 2019-39 period. The analysis is split between the affordable rental need (which is mainly for social/affordable rented accommodation) and the need for affordable home ownership products (which includes housing for those who cannot afford to buy a home).
- The analysis suggests a net social/affordable rental housing need for 360 homes per annum in Hastings and 295 in Rother to be provided over the period to 2039. Bearing in mind these numbers exceed past annual delivery rates of total housing, it justifies the Councils seeking to secure as much affordable housing as viability permits.
- When looking at the need for affordable home ownership products the analysis identifies a small surplus. However, the analysis also suggests the total gross need of 213 affordable home ownership properties in Hastings and 105 in Rother.
- Overall, the evidence does not show any strong basis to increase the provision of affordable home ownership products above the minimum 10% put forward in the NPPF. However, such homes are likely to be more viable than affordable homes to rent and therefore it may be necessary to deliver more on specific sites if viability does not allow the alternatives.
- In addition, there is a trade-off between providing an NPPF compliant level of affordable home ownership homes and delivering affordable homes to rent which would arguably meet those in more of an acute need
- If the Councils do seek to provide 10% of housing as affordable home ownership, then it is suggested that shared ownership and discount market sales are the most appropriate option. This is because they provide low deposits rates and costs would allow them to be open to the largest number of households.
- It is recommended that the Council considers setting prices at the level below which (in income terms) are equivalent to the levels needed to access private rented housing. For discount market sales this means the following prices:

		1-bedroom	2-bedroom	3-bedroom	4+-bedroom
Hastings	Lower limit	-	£133,000	£176,000	£220,000
	Upper limit	£81,000	£151,000	£198,000	£293,000
Rother	Lower limit	-	£132,000	£172,000	£233,000
	Upper limit	£106,000	£162,000	£240,000	£361,000

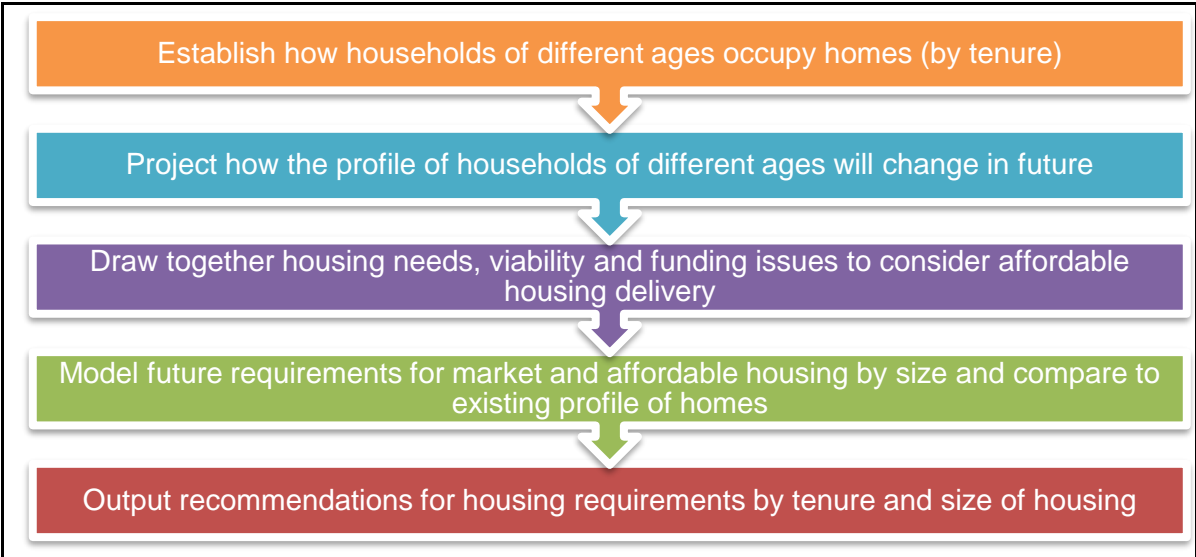
- Delivering homes at these costs would ensure that households targeted by the new definition could potentially afford housing – this might mean greater than 20% discounts from Open Market Value for some types/sizes of homes in some locations.
- It is additionally recommended that they set up a register of people interested in affordable home ownership products in a similar way to the current Housing Register.
- It does, however, need to be stressed that this report does not provide an affordable housing target; the amount of affordable housing delivered will be limited to that which can be viably provided.

8 HOUSING MIX

Introduction

- 8.1 There is a range of factors which influence housing demand. These factors play out at different geographies and influence both the level of housing demand (in terms of aggregate household growth) and the nature of the demand for different types, tenures, and sizes of homes. It is important to understand that the housing market is influenced by macro-economic factors, as well as the housing market conditions at a regional and local level.
- 8.2 This section assesses the need for different sizes of homes in the future, modelling the implications of demographic drivers on need/demand for different sizes of homes in different tenures. The assessment is intended to provide an understanding of the implications of demographic dynamics on need and demand for different sizes of homes.
- 8.3 The analysis in this section seeks to use the information available about the size and structure of the population and household structures; and consider what impact this may have on the sizes of housing required in the future.
- 8.4 The figure below describes the broad methodology employed in the housing market model we have created to consider the need for different sizes of market and affordable homes. Data is drawn from a range of sources including the 2011 Census and demographic projections.

Figure 34: Stages in the Housing Market Model



8.5 It should be noted that the current stock of housing (by size) can have a notable impact on the outputs of the modelling. Table 53 shows a comparison of the size profile of accommodation in a range of areas in three broad tenure groups.

Table 53: **Number of bedrooms by tenure and a range of areas**

		Hastings	Rother	South East	England
Owner-occupied	1-bedroom	6%	4%	5%	4%
	2-bedrooms	28%	30%	22%	23%
	3-bedrooms	42%	38%	44%	48%
	4+-bedrooms	23%	27%	30%	25%
	Total	100%	100%	100%	100%
Social rented	1-bedroom	32%	34%	32%	31%
	2-bedrooms	33%	33%	33%	34%
	3-bedrooms	30%	30%	31%	31%
	4+-bedrooms	4%	3%	4%	4%
	Total	100%	100%	100%	100%
Private rented	1-bedroom	37%	23%	24%	23%
	2-bedrooms	39%	43%	37%	39%
	3-bedrooms	18%	26%	27%	28%
	4+-bedrooms	6%	8%	12%	10%
	Total	100%	100%	100%	100%

Source: Census 2011

8.6 The table identifies that the profile of housing in Hastings and Rother are broadly like that seen in other areas. Arguably the main difference in percentage mix in Hastings as compared to other geographies is in the private rented sector where Hastings has a higher percentage of 1-bedroom properties and a lower percentage of 3-bedroom properties than typical. Rother broadly represents a similar percentage mix to its greater comparators.

8.7 Additionally, the role and function of different areas are considered. For example, the higher proportion of 1-bedroom private rented homes nationally is influenced by the housing market in London, and so the fact that the private rented sector in Hastings has a higher proportion of 1-bedrooms is given more weight in recommending the affordable home ownership mix later in this report.

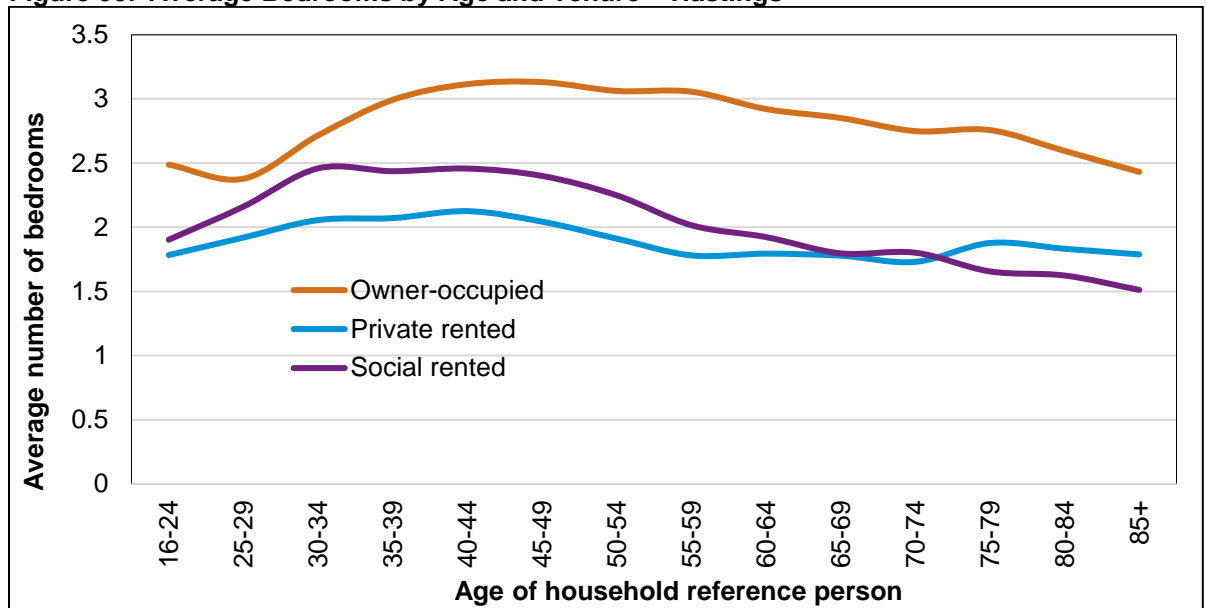
Understanding how Households Occupy Homes

8.8 Whilst the demographic projections provide a good indication of how the population and household structure will develop, it is not a simple task to convert the net increase in the number of households into a suggested profile for additional housing to be provided.

- 8.9 The main reason for this is that in the market sector households can buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided.
- 8.10 The size of housing which households occupy relates more to their wealth and age than the number of people which they contain. For example, there is no reason why a single person cannot buy (or choose to live in) a four-bedroom home if they can afford it and hence projecting an increase in single-person households does not automatically translate into a need for smaller units.
- 8.11 This issue is less relevant in the affordable sector (as houses are allocated based on need) although there will still be some level of under-occupation moving forward regarding older persons and working households who may be able to under-occupy housing even with the bedroom tax.
- 8.12 The approach used is to interrogate information derived in the projections about the number of household reference persons²⁰ (HRPs) in each age group and apply this to the profile of housing within these groups. The data for this analysis has been formed from a commissioned table by ONS (Table CT0621 which provides relevant data for all local authorities in England and Wales from the 2011 Census).
- 8.13 The figures below show an estimate of how the average number of bedrooms varies by different ages of HRP and broad tenure group. In the owner-occupied sector, the average size of accommodation rises over time to typically reach a peak around the age of 45; a similar pattern (but with smaller dwelling sizes and an earlier 'peak') is seen in the social and private rented sectors. After this peak, the average dwelling size decreases – as typically some households downsize as they get older. It is also notable that the average size for rented dwellings is lower than those for owner-occupied housing for all age groups.

²⁰ HRPs are individuals within a household that act as a reference by for further derived statistics. The characterising of a whole household is based upon the HRP.

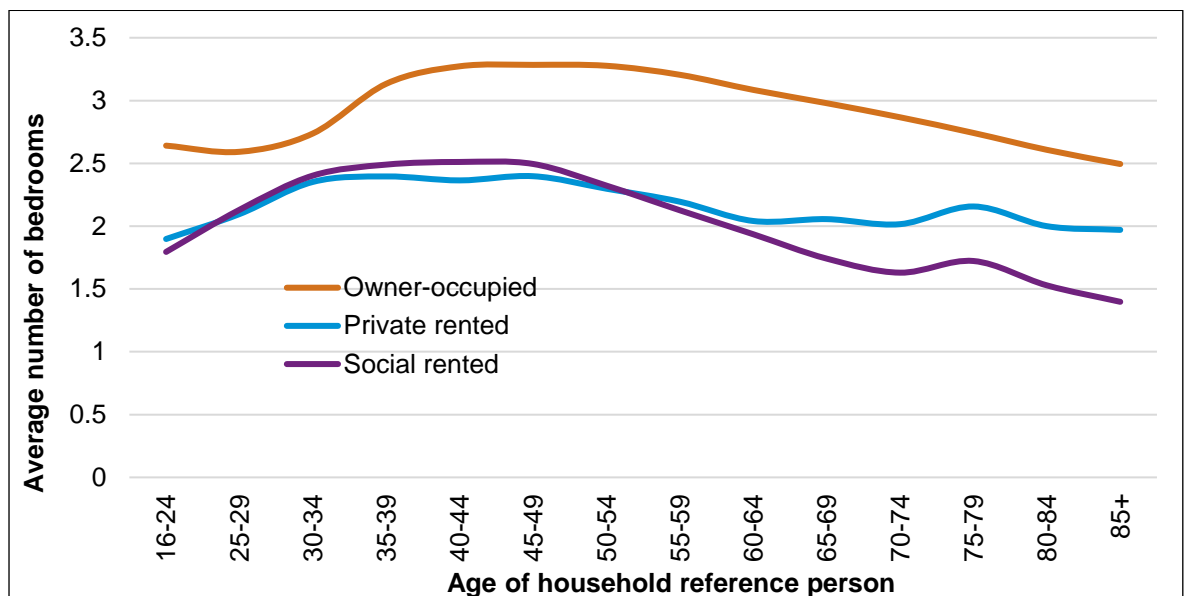
Figure 35: Average Bedrooms by Age and Tenure – Hastings



Source: Derived from ONS Commissioned Table CT0621

8.14 The private rented sector, on average hovers around 2 bedrooms for ages 60+ in Rother, whereas the number is slightly below 2 bedrooms in Hastings. The only notable differences between local authorities in social rent is the spike in the average number of bedrooms for the 75-79 age band in Rother compared to Hastings.

Figure 36: Average Bedrooms by Age and Tenure – Rother



Source: Derived from ONS Commissioned Table CT0621

8.15 In terms of the analysis to follow, the outputs have been segmented into three broad categories. These are market housing, which is taken to follow the occupancy profiles in the owner-occupied sector; affordable home ownership, which is taken to follow the occupancy profile in the private rented sector (this is seen as reasonable as the Government's desired growth in home ownership looks to be largely driven by a wish to see households move out of private renting) and affordable (rented) housing, which is taken to follow the occupancy profile in the social rented sector. The affordable sector in the analysis to follow would include affordable rented housing.

8.16 They are applied to the following projected change in age groups in Hastings, with most of the absolute growth in households headed by someone in the older age groups (aged 60 and over). Although those in the younger age categories are expected to see the stronger percentage growth. Notably, there will be a decline of 4.9% in ages 35-39 and another decline by 6.6% of those aged 50-54.

Table 54: **Projected change in households by age of household reference person - Hastings**

	Households 2019	Households 2039	Change in households	% change
16-24	1,715	1,855	140	8.2%
25-29	2,574	2,875	301	11.7%
30-34	3,154	3,394	241	7.6%
35-39	3,293	3,134	-160	-4.9%
40-44	3,317	3,800	483	14.5%
45-49	4,021	4,075	54	1.4%
50-54	4,617	4,310	-307	-6.6%
55-59	4,371	4,455	84	1.9%
60-64	3,724	4,188	464	12.5%
65-69	3,436	4,610	1,175	34.2%
70-74	3,715	5,005	1,290	34.7%
75-79	2,274	3,964	1,689	74.3%
80-84	1,729	2,918	1,189	68.8%
85 & over	1,693	3,399	1,706	100.8%
Total	43,634	51,984	8,350	19.1%

Source: GLH demographic projections

8.17 In Rother, showing only a decline in ages 50-54, which is less than Hastings. There is only a slight increase in the population aged 55-59 and the increase in the 85+ population is on par with Hastings at 98%. Overall, the greatest increases in population are in those aged over 75.

Table 55: **Projected change in households by age of household reference person - Rother**

	Households 2019	Households 2039	Change in households	% change
16-24	770	895	125	16.3%
25-29	1,435	1,756	321	22.3%
30-34	1,951	2,377	425	21.8%
35-39	2,178	2,529	351	16.1%
40-44	2,259	3,086	827	36.6%
45-49	3,006	3,269	264	8.8%
50-54	4,082	3,993	-88	-2.2%
55-59	4,359	4,442	83	1.9%
60-64	4,216	4,855	638	15.1%
65-69	4,702	6,142	1,440	30.6%
70-74	5,478	7,468	1,990	36.3%
75-79	3,963	6,610	2,647	66.8%
80-84	3,214	5,259	2,045	63.6%
85 & over	3,112	6,163	3,050	98.0%
Total	44,726	58,843	14,117	31.6%

Source: GLH demographic projections

- 8.18 The analysis below also looks at projected changes to households by household type. Most of the analysis in this report has been based on Stage 1 household representative rates in the 2014-based household projections (with or without a part-return to trend Household Representative Rates analysis set out in Chapter 3); Stage 1 figures are used as these are the main figures driving the projections. The projections do also contain Stage 2 figures which indicate household types.
- 8.19 The analysis below, therefore, looks at applying the Stage 2 figures to projections developed. Because Stage 1 and 2 projections are to some extent independent from each other it will be noted that projected household growth does differ slightly (albeit by a pretty modest amount).
- 8.20 In terms of households with no dependent children, coupled (aged 65 and over) households are projected to increase by 49.9% in Hastings and yet couples (aged under 65) households are projected to decrease by 26.4%.

Table 56: Change in household types 2019-39 – Hastings

	2019	2039	Change	% change
One-person household (aged 65 and over)	6,131	8,147	2,016	32.9%
One-person household (aged under 65)	10,726	12,396	1,670	15.6%
Couple (aged 65 and over)	4,519	6,772	2,253	49.9%
Couple (aged under 65)	5,039	3,709	-1,330	-26.4%
A couple and one or more other adults: No dependent children	2,540	3,018	477	18.8%
Other households	3,114	4,462	1,348	43.3%
Total	43,634	51,984	8,350	19.1%

Source: 2016-based SNPP and 2014-based CLG household projections

- 8.21 When looking at Rother, households with no dependent children such as couples (aged 65 and over), are projected to increase by 57.1% and yet couples (aged under 65) households are projected to decrease by -20.0%.

Table 57: Change in household types 2019-39 – Rother

	2019	2039	Change	% change
One-person household (aged 65 and over)	9,164	12,783	3,620	39.5%
One-person household (aged under 65)	6,199	7,877	1,678	27.1%
Couple (aged 65 and over)	9,153	14,378	5,224	57.1%
Couple (aged under 65)	5,632	4,504	-1,128	-20.0%
A couple and one or more other adults: No dependent children	3,093	4,556	1,463	47.3%
Other households	2,166	3,071	906	41.8%
Total	44,726	58,843	14,117	31.6%

Source: 2016-based SNPP and 2014-based CLG household projections

- 8.22 Notably, “other” households are projected to experience significant change, increasing by almost 43.3% in Hastings and 41.8% in Rother by 2039. This would include shared households such as HMOs.
- 8.23 HMOs are an acceptable dwelling type if properly managed and licenced. Indeed, in response to affordability pressures, co-living has emerged as a formalised response to demand for affordable accommodation from the under 35s.

- 8.24 It is also a suitable form of accommodation for those who are only living in the area on a short term basis. In addition, some workers with less job security can also be accommodated on a more permanent basis with assistance from housing benefit/universal Credit as and when required.
- 8.25 The Councils may therefore considering allowing an additional limited supply of this type of property to address an identified need. This might include introducing caps on the number of HMOs in a given area. Such restrictions have been introduced in Charnwood, where there is an issue with student housing. The policy there is to reject applications for HMOs in areas where more than 10% of households within 100m of the application site are current HMOs.

Families with Children

- 8.26 Based on this analysis we have also examined growth in a range of household typologies with three categories for dependent children depending on the number of children – these figures can indicate the number of family households. Unfortunately, the CLG projections no longer look at projecting lone parent households separately from couples, meaning that the data for this sub-group is unreportable.
- 8.27 Table 58 looks at a change to the number of households based on the 2016-based SNPP. This shows that the number of households with dependent children in Hastings is projected to increase by about 1,915 (16.6%) – this includes a 32.4% increase in households with one dependent child and a 3.7% increase in households with two dependent children.

Table 58: **Change in household types 2019-39 – Hastings**

	2019	2039	Change	% change
Households with one dependent child	6,023	7,973	1,951	32.4%
Households with two dependent children	3,754	3,891	137	3.7%
Households with three dependent children	1,787	1,614	-173	-9.7%
Total	43,634	51,984	8,350	19.1%
Total households with dependent children	11,564	13,479	1,915	16.6%

Source: 2016-based SNPP and 2014-based CLG household projections

- 8.28 Under the same calculations, Rother is expected to experience greater growth than Hastings both in relative and in absolute terms. The number of households with dependent children is projected to increase by about 2,354 (25.3%) – this includes a 37.8% increase in households with one dependent child and a 12.0% increase in households with two dependent children.

Table 59: **Change in household types 2019-39 – Rother**

	2019	2039	Change	% change
Households with one dependent child	4,448	6,127	1,680	37.8%

Households with two dependent children	3,283	3,677	394	12.0%
Households with three dependent children	1,590	1,869	280	17.6%
Other households	2,166	3,071	906	41.8%
Total	44,726	58,843	14,117	31.6%
Total households with dependent children	9,320	11,674	2,354	25.3%

Source: 2016-based SNPP and 2014-based CLG household projections

- 8.29 The change in the number of households with dependent children in Hastings (16.6%) is projected to be somewhat less than the change in all households (19.1%), which is also true in Rother (25.3% and 31.6% respectively).

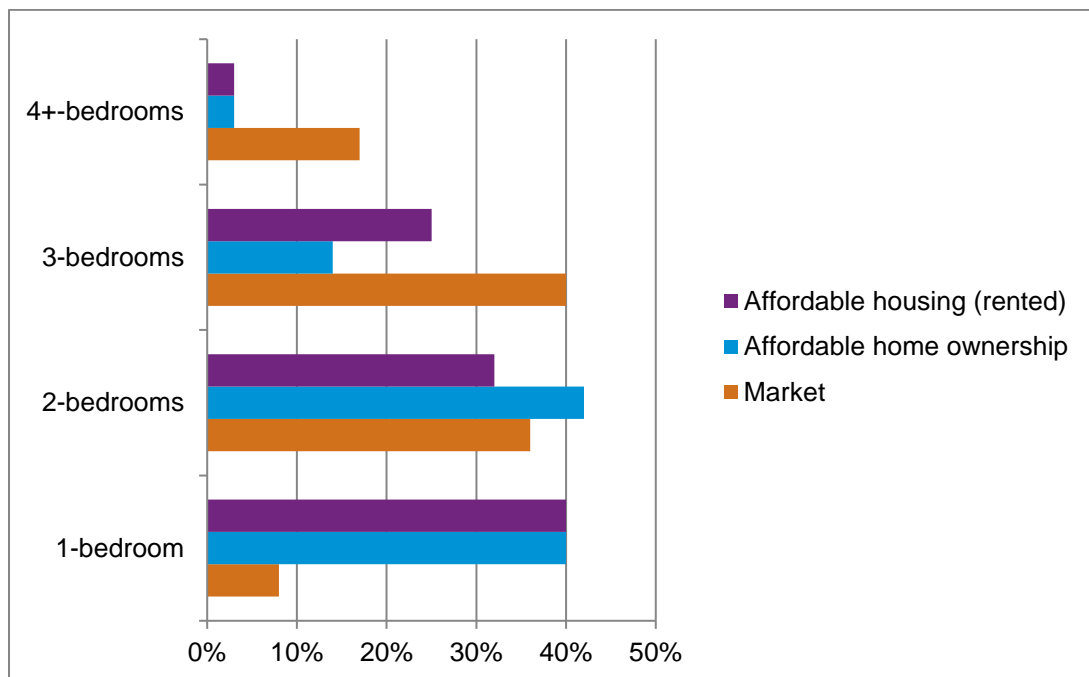
Mix of Housing

- 8.30 This is linked to the Standard Method Housing Need of 430 dpa in Hastings or 8,600 dwellings across 20 years, along with 727 dpa or 14,540 dwellings in Rother across the 20-year plan period. It should be noted that these figures will not necessarily be translated into policy but have been used to indicate the likely need for different sizes of homes moving forward.
- 8.31 The model requires input assumptions about the scale of delivery for each tenure type. We have assumed for the affordable tenure that the need is met in full. For affordable home ownership delivery is assumed to be 10% of all need, for market housing, we have a scale of delivery which equates to 70% of all delivery. Please note this does not necessarily mean that affordable need is, therefore, the residual 20% as the model runs each tenure independently.
- 8.32 It should be stressed that these figures are not policy targets. Policy targets for affordable housing on new development schemes in some cases are above this, but not all sites deliver policy-compliant affordable housing provision, whilst some delivery is on sites below affordable housing policy thresholds.
- 8.33 Equally, some housing development is brought forward by Registered Providers and local authorities and may deliver higher proportions of affordable housing than in current policy. **The figures used are not a policy position and has been applied simply to provide outputs from the modelling process.**
- 8.34 There is a range of factors which can influence demand for market housing in different locations. The focus of this analysis is on considering long-term needs, where changing demographics are expected to be a key influence. It uses a demographic-driven approach to quantify demand for different sizes of properties over the 20 years to 2039.

Key Findings and Recommended Mix

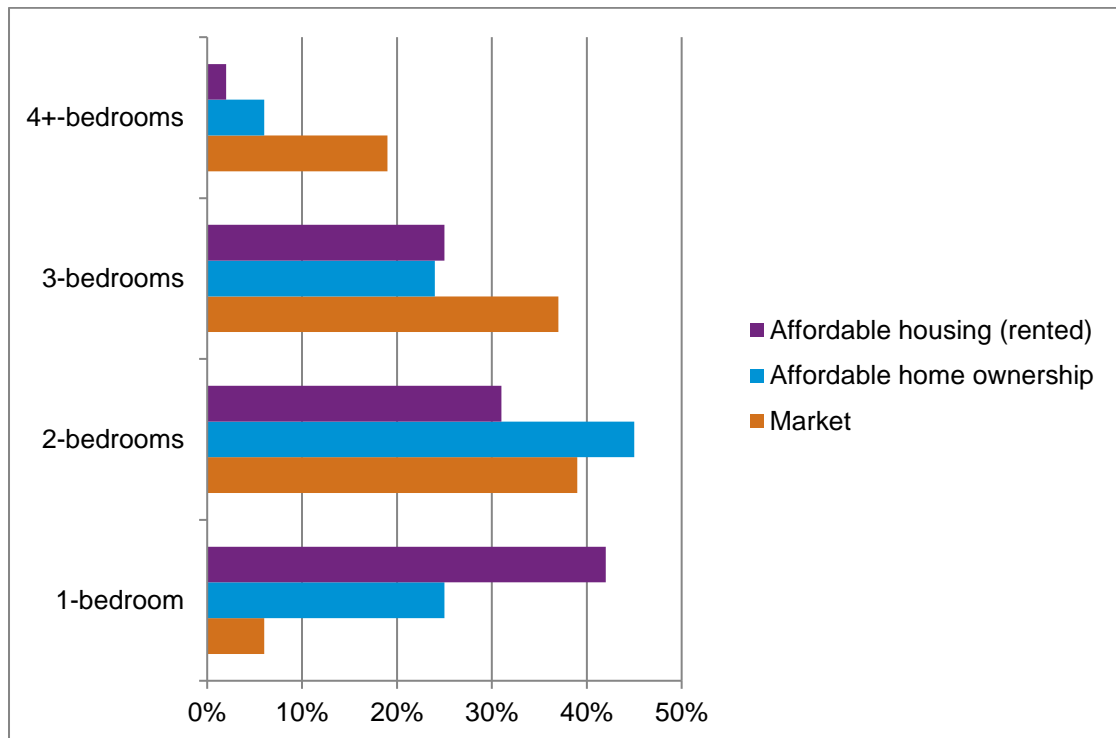
8.35 Figure 37 provides the output of the modelling by the size of home by tenure in both the market and affordable sectors under the modelling exercise. The analysis clearly shows the different profiles in the three broad tenures with affordable housing being more heavily skewed towards smaller dwellings, and affordable home ownership sitting somewhere in between the market and affordable housing.

Figure 37: Size of housing required 2019 to 2039 - Hastings



Source: Housing Market Model

Figure 38: Size of housing required 2019 to 2039 - Rother



Source: Housing Market Model

8.36 Within both Hastings and Rother, the model shows a significantly higher level of need for larger market homes in comparison to other tenures. This reflects occupancy levels within that sector including under-occupation within older households.

8.37 In the affordable housing sector, the high level of need for 1-bedroom homes reflects a large number of single-person households in affordable housing need. This is also shown in the respective waiting lists with demand for one-bedroom properties in Hastings comprising 52% of the list and 47% in Rother.

8.38 Whilst the output of the modelling provides estimates of the proportion of homes of different sizes that are needed, there are a range of factors which should be considered in setting policies for provision.

Affordable Housing to Rent

8.39 This is particularly the case in the affordable sector where there are typically issues around the demand for and turnover of one-bedroom homes (as well as allocations to older person households) – e.g. one-bedroom homes provide limited flexibility for households (e.g. a couple household expecting to start a family) and as a result, can see relatively high levels of turnover – therefore, it

may not be appropriate to provide as much one-bedroom stock as is suggested by the modelling exercise.

- 8.40 At the other end of the scale, conclusions also need to consider that the stock of four-bedroom affordable housing is very limited and tends to have a very low turnover. As a result, whilst the number of households coming forward for four or more bedroom homes is typically quite small the ability for these needs to be met is even more limited. There are also localised issues about the stock of different sizes of homes which need to be considered in conclusions (the relative lack of 2-bedroom affordable accommodation).
- 8.41 For these reasons, it is suggested in converting the long-term modelled outputs into a profile of housing to be provided (in the affordable sector) that the proportion of one-bedroom homes required is reduced slightly from these outputs with a commensurate increase in four or more-bedroom homes also being appropriate.
- 8.42 There is thus a range of factors which are relevant in considering policies for the mix of affordable housing (rented) sought through development schemes.

8.43 For Hastings, the analysis would support policies for the mix of affordable housing (rented) of:

- 1-Bedroom – 30%-40%
- 2-Bedrooms – 30%-40%
- 3-Bedrooms - 15%-25%
- 4-Bedrooms – 5%-15%

8.44 For Rother the suggested mix of affordable housing (rented) is:

- 1-Bedroom – 30%-40%
- 2-Bedrooms – 25%-35%
- 3-Bedrooms - 20%-30%
- 4-Bedrooms – 5%-15%

8.45 The strategic conclusions recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.

8.46 The need for affordable housing of different sizes will vary by area (at a more localised level) and over time. In considering the mix of homes to be provided within specific development schemes, the information herein should be brought together with details of households currently on the Housing Register in the local area and the stock and turnover of existing properties.

8.47 There will also be a degree of priority for the Councils to consider when determining an appropriate mix of housing. In general, it would be expected that households with the most acute needs are also likely to be households requiring larger accommodation (e.g. households with children).

8.48 Therefore, in determining an appropriate mix, the analysis in this report can be brought together with consideration of the number and characteristics of households on the Housing Register; this might include focussing on households in a reasonable preference category and/or those with a higher number of 'housing need' points. A slightly different mix of housing than is suggested by the modelling above could emerge from such analysis at any point in time

Affordable Home Ownership

8.49 In the affordable home ownership and market sectors, a profile of housing that more closely matches the outputs of the modelling is suggested, although some consideration of the current stock profile is also relevant.

8.50 Based on these factors, it is considered that the provision of affordable home ownership should be more explicitly focused on delivering smaller family housing for younger households. On this basis the following mix of affordable home ownership is suggested for Hastings:

- 1-Bedroom – 20%-30%
- 2-Bedrooms – 35%-45%
- 3-Bedrooms – 20%-30%
- 4-Bedrooms – 5%-15%

8.51 For Rother the suggested mix of affordable home ownership is:

- 1-Bedroom – 20%-30%
- 2-Bedrooms – 35%-45%
- 3-Bedrooms - 20%-30%
- 4-Bedrooms – 5%-15%

8.52 Registered Providers will also have their own idea of what is the most appropriate profile of homes to deliver at any point in time in any location, and demand can change over time. The Councils, therefore, may wish to liaise with them when developing a mix on a site by site basis.

Market Housing

8.53 Finally, in the market sector, a balance of dwellings is suggested that takes account of the demand for homes and the changing demographic profile. The conclusions see a slightly larger recommended profile compared with other tenure groups.

8.54 The recommended mix also makes a modest adjustment to reflect the role which smaller housing can play in supporting downsizing and better use of the existing stock. Delivery of more smaller market homes will also help improve affordability (particularly in rural areas where there is a limited supply) and reduce the demand for affordable homes. The following mix of market housing is suggested for Hastings:

- 1-Bedroom – 5%-10%
- 2-Bedrooms – 35%-45%
- 3-Bedrooms - 35%-40%
- 4-Bedrooms – 10%-20%

8.55 The following mix of market housing is suggested for Rother:

- 1-Bedroom – 10%-15%
- 2-Bedrooms – 35%-45%
- 3-Bedrooms - 30%-35%
- 4-Bedrooms – 10%-20%

- 8.56 Although the analysis has quantified this based on the market modelling and an understanding of the current housing market, it does not necessarily follow that such prescriptive figures should be included in the decision-making process.
- 8.57 Should the Council's wish to further support downsizing then the mix would reduce the need for 4-bedroom properties and increase the need for 2-bedroom homes. Conversely, if the Council's wish to support increases in high-value jobs then it could maintain the higher levels of 4-bedroom homes to attract executives.
- 8.58 The 'market' will also have their own idea of what is the most appropriate profile of homes to deliver at any point in time in any location, and demand can change over time linked to macro-economic factors and local supply.
- 8.59 The figures above can and should be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by the demographic change in the area. This may require intervention to a more stringent policy if it does become unbalanced.
- 8.60 It would be reasonable to assume that within Rother and its constituent sub-areas that the rural Rother sub-area see a greater level of larger homes and the urban area of Bexhill would see a greater number of smaller homes particularly.
- 8.61 Rother Council should also seek to ensure that there are mixed and balanced communities, therefore, there may be a case for supplying larger affordable family homes in areas where there may not have been previously e.g. in the rural sub-areas. The Council may also wish to consider the need for more affordable homes for younger people (1 and 2 bedrooms) in the rural areas for the same reason.
- 8.62 However, across the district completions should be monitored to ensure that the supply meets the identified need as best as possible.

Need/demand for Bungalows

- 8.63 The sources used for analysis in this report make it difficult to quantify a need/demand for bungalows in the study area as Census data (which is used to look at occupancy profiles) does not separately identify this type of accommodation. However, it is typical (where discussions are undertaken with local estate agents) to find that there is a demand for this type of accommodation. This is also partly evidenced by the relatively higher costs of bungalows compared to equivalent-sized properties in the same area.

- 8.64 Bungalows are often the first choice for older people seeking suitable accommodation in later life and there is generally a high demand for such accommodation when it becomes available. As a new build option, it is, however, the case that bungalow accommodation is often not supported by either house builders or planners (due to potential plot sizes and they are generally built at low densities). There may, however, be instances where bungalows are the most suitable house type for a particular site; for example, to overcome objections about dwellings overlooking existing dwellings or preserving sightlines.
- 8.65 There is also the possibility of a wider need/demand for retirement accommodation. Retirement apartments can prove very popular if they are well located in terms of access to facilities and services, and environmentally attractive (e.g. have a good view). However, some potential purchasers may find high service charges unacceptable or unaffordable and new build units may not retain their value on re-sale.
- 8.66 Overall, the Councils may wish to consider the potential role of bungalows as part of the future mix of housing. Such housing may be particularly attractive to older owner-occupiers (many of whom are equity-rich) which may assist in encouraging households to downsize. However, the downside to providing bungalows is that they are relatively land-intensive for the amount of floorspace created.

Housing Mix: Summary Points

- The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances, which feed through into higher turnover and management issues. The conclusions also take account of the current mix of housing in the HMA (by tenure). The mix identified below should inform future delivery.

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market – Hastings	5-10%	35-45%	35-40%	10-20%
Market – Rother	10-15%	35-45%	30-35%	10-20%
Affordable home ownership - HMA	20-30%	35-45%	20-30%	5-15%
Affordable housing (rented) - Hastings	30-40%	30-40%	15-25%	5-15%
Affordable housing (rented) - Rother	30-40%	25-35%	20-30%	5-15%

- Although the analysis has quantified this based on the market modelling and an understanding of the current housing market, it does not necessarily follow that such prescriptive figures should be included in the decision-making process as all sites will be different.
- The figures can, however, be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by the demographic change in the area. This may require intervention to a more stringent policy if it does become unbalanced.
- The analysis of an appropriate mix of dwellings should also inform the 'portfolio' of sites which are considered by the local authority through its local plan process. Equally, it will be of relevance to affordable housing negotiations.
- Continued demand for family housing can be expected from newly forming households. There may also be some demand for medium-sized properties (2- and 3-beds) from older households downsizing and looking to release equity in existing homes, but still retain flexibility for friends and family to come and stay or to work from a home office.
- In considering the mix of affordable homes to be provided within specific development schemes, the information herein should be brought together with details of households on the Housing Register and the stock and turnover of existing properties.
- The 'market' is to some degree a better judge of what is the most appropriate profile of homes to deliver at any point in time, and demand can change over time linked to macro-economic factors and local supply.

9 NEEDS OF SPECIFIC GROUPS

9.1 This chapter of the report examines the housing needs for specific groups in Hastings and Rother. It focusses on the need for older persons and directly linked to this those with disabilities.

9.1 Additionally, for some analysis, it is necessary to project the population to understand their particular housing needs. Reference for this is made to the demographic projections developed in this study (linking to an OAN of 430 dwellings in Hastings and 727 dwellings in Rother per annum based on the standard method).

Current and Future Population of Older People

9.2 Table 60 provides baseline population data about older persons and compares this with other areas. The data for has been taken from the published ONS mid-year population estimates and is provided for age groups from 65 and upwards; the data is for 2018 to reflect the latest published data for local authority areas and above.

9.3 We have not examined the housing need for pre-retirees as there is no evidence to suggest there is any great demand for specialist accommodation for older people for anyone under the age of 75. This group will also be covered in the general mix analysis set out elsewhere in this report.

Table 60: **Older Person Population (2018)**

	Hastings		Rother		South East	England
	Population	% of Population	Population	% of Population	% of Population	% of Population
Under 65	74,500	80.2%	65,200	70.2%	80.7%	81.8%
65-74	10,400	11.2%	16,000	17.2%	10.3%	9.9%
75-84	5,300	5.7%	9,900	10.6%	6.2%	5.8%
85+	2,600	2.8%	4,600	5.0%	2.8%	2.4%
Total	92,900	100.0%	95,700	103.0%	100.0%	100.0%
Total 65+	18,400	19.8%	30,500	32.8%	19.3%	18.2%
Total 55+	29,900	32.2%	43,800	46.1%	31.0%	29.7%

Source: ONS 2018 Mid-Year Population Estimates

9.4 The data shows that Rother has a higher proportion of people over 65 compared to the rest of England (32.8% compared to 18.2%). Hastings is similar in proportion to its wider comparators (19.8%). In particular, the age band 65-74 seems to be over-represented (17.2%) in Rother compared to Hastings (11.2%), South East (10.3%) and England (9.9%).

9.5 As well as providing a baseline position for the proportion of older persons in the local authorities, population projections can be used to indicate how the numbers might change in the future compared with other areas. The data presented below uses the population projection linked to the housing need of 430 dpa in Hastings and 727 dpa in Rother.

9.6 The population projections for Hastings show an increase in those aged 65 and over 9,641 people between 2019 and 2039. This compares to an overall increase of 11,409 and an increase in the population aged under 65 of just 1,770.

Table 61: **Projected Change in Population of Older Persons - Hastings (2019 to 2039)**

	Population 2019	Population 2039	Change in population	% change
Under 65	75,202	76,972	1,770	2%
65-74	10,555	13,547	2,992	28%
75-85	5,592	9,680	4,088	73%
85+	2,558	5,119	2,561	100%
Total	93,907	105,316	11,409	12%
Total 65+	18,705	28,346	9,641	52%
Total 55+	45,648	62,489	16,841	37%

Source: GLH Demographic Projections

9.7 In Rother, the projections show an increase in the population aged 65 and over of 16,091 people. This compares to an overall increase of 22,675 and an increase in the population aged under 65 of around 6,586.

Table 62: **Projected Change in Population of Older Persons - Rother (2019 to 2039)**

	Population 2019	Population 2039	Change in population	% change
Under 65	65,311	71,897	6,586	10%
65-74	16,184	20,758	4,574	28%
75-84	10,301	17,170	6,869	67%
85+	4,612	9,260	4,648	101%
Total	96,411	119,086	22,675	24%
Total 65+	31,097	47,188	16,091	52%
Total 55+	45,648	62,489	16,841	37%

Source: GLH Demographic Projections

Housing for Older People

9.8 Planning Practice Guidance note 56 (Housing: optional technical standards) sets out how local authorities can gather evidence to set requirements on a range of issues (including accessibility and

wheelchair housing standards and internal space standards). This section looks at these as well as considering the specific needs of older people.

- 9.9 The PPG sets out that the reason for the approach to setting standards is designed to 'rationalise the many differing existing standards into a simpler, streamlined system which will reduce burdens and help bring forward much needed new homes' (56-001) and that 'local planning authorities will need to gather evidence to determine whether there is a need for additional standards in their area' (56-002).
- 9.10 The PPG sets out that local authorities should be using their assessment of housing need (and other sources) to consider the need for M4(2) (accessible and adaptable dwellings), and/or M4(3) (wheelchair user dwellings), of the Building Regulations. It sets out that there is a range of published statistics which can be considered, including:
- the likely future need for housing for older and disabled people (including wheelchair user dwellings);
 - size, location, type and quality of dwellings needed to meet specifically evidenced needs (for example retirement homes, sheltered homes or care homes);
 - the accessibility and adaptability of existing housing stock;
 - how needs vary across different housing tenures; and
 - the overall impact on viability.
- 9.11 This section of the report draws on a range of statistics, including those suggested in the PPG (for which the Government has provided a summary data sheet 'Guide to available disability data') – termed as the Guide in the analysis to follow. The discussion below begins by looking at older persons' needs.

Need for Specialist Accommodation

- 9.12 Given the ageing population and higher levels of disability and health problems amongst older people, there is likely to be an increased requirement for specialist housing options moving forward. The analysis in this section draws on data from the Housing Learning and Information Network (Housing LIN) along with demographic projections to indicate the potential level of additional specialist housing that might be required for older people in the future.
- 9.13 The data for need is calculated by applying prevalence rates to the population aged 75+ and is projected forward. The prevalence rates have been taken from a toolkit developed by Housing LIN, in association with the Elderly Accommodation Council and endorsed by the Department of Health.
- 9.14 This database includes the need across the following categories (discussed in more detail below): sheltered housing, enhanced sheltered housing, extra care, residential care and nursing care.

Additionally, the analysis draws on current supply estimates from HOPSR (Housing for Older People Supply Recommendations) – a database developed by Sheffield Hallam University along with data from the Elderly Accommodation Counsel (EAC) which indicates the current tenure mix of such accommodation.

Definitions of Different Types of Older Persons' Accommodation

Retirement/sheltered housing (aka housing with support (Use Class C3)):

A group of self-contained flats or bungalows typically reserved for people over the age of 55 or 60; some shared facilities lounge, garden, guest suite, laundry; plus, on-site supportive management. A regularly visiting scheme manager if s/he is available to all residents when on site. An on-call-only service does not qualify a scheme to retirement/sheltered housing. Developments usually built for either owner occupation or renting on secure tenancies.

Housing With Enhanced sheltered housing(aka housing with care (Use Class C3)):

Sheltered housing with additional services to enable older people to retain their independence in their own home possible. Typically, there may be 24/7 (non-registered) staffing cover, at least one daily meal will be provided as well as additional shared facilities. Also called assisted living and very sheltered housing.

Extra care housing (aka housing with support (Use Class C3)):

Schemes where a service registered to provide personal or nursing care is available on site 24/7. Typically, at least one meal will be provided and there will be additional shared facilities. Some schemes specialise in dementia care or may have a dementia unit.

Care beds (aka Care Bedspaces Use Class C2):

Care homes: Residential settings where a number of older people live, usually in single rooms, and have access to personal care services (such as help with washing and eating).

Care homes with nursing: These homes are similar to standard care homes, but they also have registered nurses to provide care for more complex health needs.

Source: HOPSR

- 9.15 As well as setting out overall prevalence rates for different types of housing, the Housing LIN provides some suggestions for the tenure split between rented and leasehold accommodation (essentially public vs. private provision), this varies depending on an area's level of deprivation.
- 9.16 In Hastings and Rother, data from the 2019 Index of Multiple Deprivation has been used and shows that deprivation is higher in Hastings and lower in Rother. This, therefore, suggest that 51% of supply should be rented accommodation and 49% leasehold in Hastings (there is no tenure split for care beds). The balance in Rother is 44% rented with 56% leasehold. The mix is suggested on a district-wide level, but provision may differ between sub-areas with more leasehold property expected in more affluent locations.

- 9.17 At present, the current supply, based on data from the Elderly Accommodation Council, shows that in Hastings the supply is skewed towards rented properties and in Rother, it is fairly balanced. This is set out in the tables below.
- 9.18 Consideration has also been given to overall levels of disability in the older person population; given that these are slightly higher than the national average in both authorities, a small upwards adjustment has been made to overall prevalence position.
- 9.19 In table 63 two categories of accommodation are used (in addition to care bedspaces which is examine later). These are Housing with Support (which covers retirement/sheltered housing), Housing with Care (which includes the enhanced sheltered and extra-care housing)
- 9.20 In terms of the built form, both housing with support and housing with care are similar and are akin to typical sheltered accommodation (use class C3). In contrast, care bedspaces are closer to institutional accommodation such as a hospital or hospice (use class C2).
- 9.21 In Hastings, there is a current surplus of housing with support to rent but in a deficit of all other types. By 2039 there is expected to be a deficit of all types in particular leaseholder housing with support (791 units). There is also a notable need for housing with care across both tenures (667 units).

Table 63: **Older Person Housing Requirements - Hastings (2019 to 2039)**

		Housing demand per 1,000 75+	Current supply	2019 demand	Current shortfall/surplus	Additional demand to 2039	Shortfall/surplus by 2039
Housing with support	Rented	65	849	530	-319	432	113
	Leasehold	68	210	551	341	450	791
Housing with care	Rented	27	40	220	180	180	360
	Leasehold	21	0	169	169	138	307
Total (dwellings)		181	1,099	1,470	371	1,200	1,571

Source: Derived from demographic projections and Housing LIN/HOPSR/EAC

- 9.22 In Rother, there is a current deficit of all types of older person accommodation and by 2039 this only increases. Again, there is a particular need for leaseholder and rental housing with support (1,133 units). There is also a notable need for housing with care across both tenures (1,065 dpa). Although it should be appreciated that there will always be cases where households do not wish to downsize to smaller properties and these households will continue to occupy larger properties as their preference. This is consistent with paragraph 12 of the PPG (Reference ID: 63-012-20190626).

Table 64: **Older Person Housing Requirements – Rother (2019 to 2039)**

		Housing demand per 1,000 75+	Current supply	2019 demand	Current shortfall/surplus	Additional demand to 2039	Shortfall/surplus by 2039
Housing with support	Rented	50	601	746	145	576	722
	Leasehold	68	671	1,018	347	786	1,133
Housing with care	Rented	21	35	317	282	245	526
	Leasehold	21	25	318	293	246	539
Total (dwellings)		160	1,332	2,399	1,067	1,853	2,920

Source: Derived from demographic projections and Housing LIN/HOPSR/EAC

9.23 Most of the demand for specialist accommodation in both authorities is for housing with support (around 73%) compared to around 27% for housing with care. The data shows a similar split of demand by tenure in Hastings for leasehold housing with care and support expected to account for 49% of demand with rental making up 51%. In Rother, rental makes up 56% whereas leasehold housing accounts for 44%.

9.24 Consultations with East Sussex County Council confirm that these numbers are in line with the County Council's understanding of the area's need. East Sussex County Council has confirmed that there are some Extra Care voids (Housing with Care) across the County and therefore they would not be looking to commission any new Extra Care services at present.

Care Bedspaces

9.25 We have also examined the need for care bedspaces which includes both residential care and nursing care i.e. a care home with nursing. In Hastings, there is a significant oversupply of bedspaces and a broad balance in Rother. Combined there is a significant oversupply.

Table 65: **Care Bedspace Requirements – (2019 to 2039)**

	Housing demand per 1,000 75+	Current supply	2019 demand	Current shortfall/surplus	Additional demand to 2039	Shortfall/surplus by 2039
Hastings	117	1,197	951	-246	776	530
Rother	104	1,545	1,552	7	1,199	1,206
HMA	110	2,742	2,503	-239	1,975	1,736

Source: Derived from demographic projections and Housing LIN/HOPSR/EAC

9.26 However, such is the growth in older person forecasts there is expected to be a need for a further 1,736 care bedspaces in the HMA the majority of which will be required in Rother. This equates to an annual need for around 87 additional bedspaces of which 27 should be in Hastings and 60 in Rother.

- 9.27 As noted there is not a significant backlog need of residential and nursing care, rather the issue is availability. In particular, ESCC has sourcing difficulties in residential nursing homes. This is because of the rates that the County Council offers, therefore providers are unwilling to place those in need; particularly if they have complex need. Thus ESCC is looking for a “mid-market” extra care provision which is not currently been accounted for in the HMA.
- 9.28 There is a need for new buildings as those with the correct style of HMO planning permissions is very limited. The majority of people serviced by the county council are provided in-situ support, those services will develop towards keeping people in their homes, independent as long as possible.
- 9.29 The solution is for the County Council to invest in the market. For example in Wealden, the County-owned a nursing site which was sold to the private sector with the provision of 20% of beds at the agreed rates. As viability is low due to high land costs and reduced rental values a supply-side solution is recommended.

People with Disabilities

- 9.30 This section considers the potential requirements for accessible and adaptable dwellings. According to Paragraph 8 of the PPF (Reference ID: 63-008-20190626) states:

“Accessible and adaptable housing enables people to live more independently, while also saving on health and social costs in the future. It is better to build accessible housing from the outset rather than have to make adaptations at a later stage – both in terms of cost and with regard to people being able to remain safe and independent in their homes.

Accessible and adaptable housing will provide safe and convenient approach routes into and out of the home and outside areas, suitable circulation space and suitable bathroom and kitchens within the home. Wheelchair user dwellings include additional features to meet the needs of occupants who use wheelchairs, or allow for adaptations to meet such needs.”

- 9.31 Paragraph 9 explains that where a need exists, plans are expected to make use of the optional technical housing standards of the NPPF to help bring forward an adequate supply of accessible housing. Adding that:

“In doing so planning policies for housing can set out the proportion of new housing that will be delivered to the following standards:

- M4(1) Category 1: Visitable dwellings (the minimum standard that applies where no planning condition is given unless a plan sets a higher minimum requirement)
- M4(2) Category 2: Accessible and adaptable dwellings
- M4(3) Category 3: Wheelchair user dwellings

- 9.32 Paragraph 9 also adds that “Planning policies for accessible housing need to be based on evidence of need, viability and a consideration of site-specific factors.” This document provides evidence for the need for housing built to M4(2) and M4(3) technical standards²¹ (accessibility and wheelchair standards).
- 9.33 This evidence should be brought together with other evidence on viability and reviewed alongside other site-specific factors when making planning decisions.
- 9.34 The CLG Disability data guide provides data about households with a long-term illness or disability from the English Housing Survey. Whilst this provides a national perspective, the source cannot provide more localised data. Hence the analysis below has drawn on the 2011 Census (which has a definition of long-term health problem or disability (LTHPD)).
- 9.35 Table 66 shows the proportion of people with a long-term health problem or disability (LTHPD) and the proportion of households where at least one person has an LTHPD. The data suggests that across Hastings some 25.4% of households contain someone with an LTHPD. This figure is higher than seen across the region but broadly in line with the national average. The figures for the population with an LTHPD again show a similar pattern in comparison with other areas (an estimated 22.1% of the population of the local authority have an LTHPD).
- 9.36 In Rother, 30.1% of households contain someone with an LTHPD, higher than in the South East and the national rate. The percentage of the population with a health problem is slightly lower in Hastings at 29.6% and also sits above the regional and the national percentage.

Table 66: Households and people with Long-Term Health Problem or Disability (2011)

	Households containing someone with a health problem		Population with a health problem	
	Number	%	Number	%
Hastings	12,182	29.6%	19,956	22.1%
Rother	12,303	30.1%	21,242	23.4%
South East	839,086	23.6%	1,356,204	15.7%
England	5,659,606	25.7%	9,352,586	17.6%

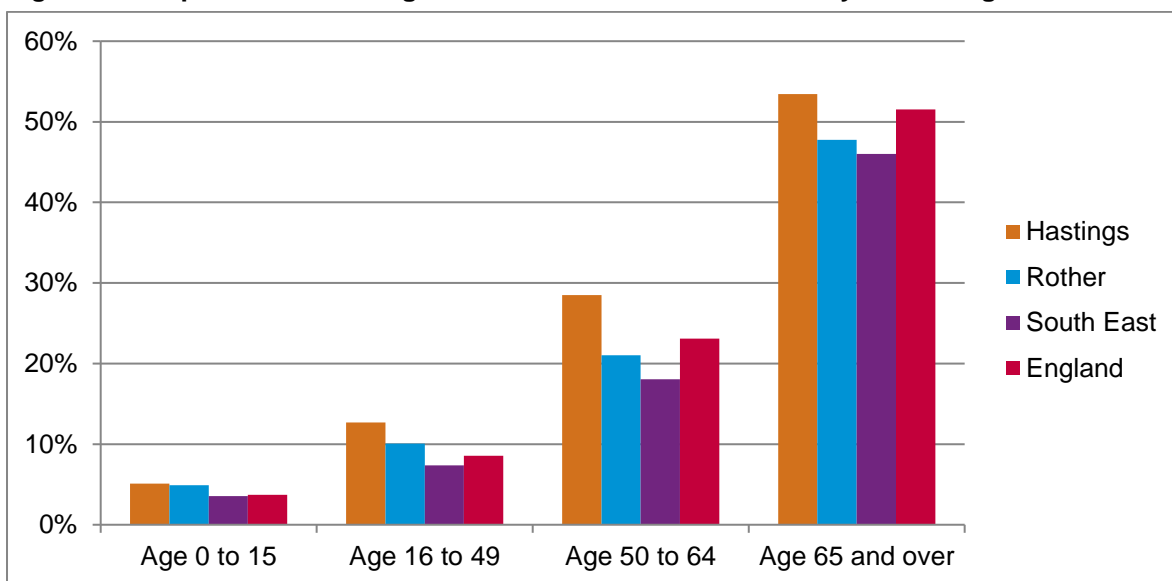
Source: 2011 Census

²¹ M4(2): Accessible and adaptable dwellings. This requirement is met when a new dwelling provides reasonable provision for most people to access the dwelling and includes features that make it suitable for a range of potential occupants, including older people, individuals with reduced mobility and some wheelchair users.

M4(3): Wheelchair user dwellings. This requirement is achieved when a new dwelling provides reasonable provisions for a wheelchair user to live in the dwelling and have the ability to use any outdoor space, parking and communal facilities.

9.37 The age profile will likely impact upon the numbers of people with an LTHPD, as older people tend to be more likely to have an LTHPD. Therefore, Figure 39 shows the age bands of people with an LTHPD. It is clear from this analysis that those people in the oldest age bands are more likely to have an LTHPD.

Figure 39: Population with Long-Term Health Problem or Disability in each Age Band



Source: 2011 Census

9.38 The age-specific prevalence rates shown above can be applied to the demographic data to estimate the likely increase over time of the number of people with an LTHPD. In applying this information to the demographic projections, it is estimated that the number of people with an LTHPD will increase by around 5,414 in Hastings and 8,332 in Rother.

9.39 When looking at the local authorities, an increase of 53% is expected to be in age groups aged 65 and over in Hastings and 48% in Rother respectively. The population increase of people with an LTHPD represents at least 24.4% of the total increase in the population in Hastings and 36.1% in Rother as estimated by the projections.

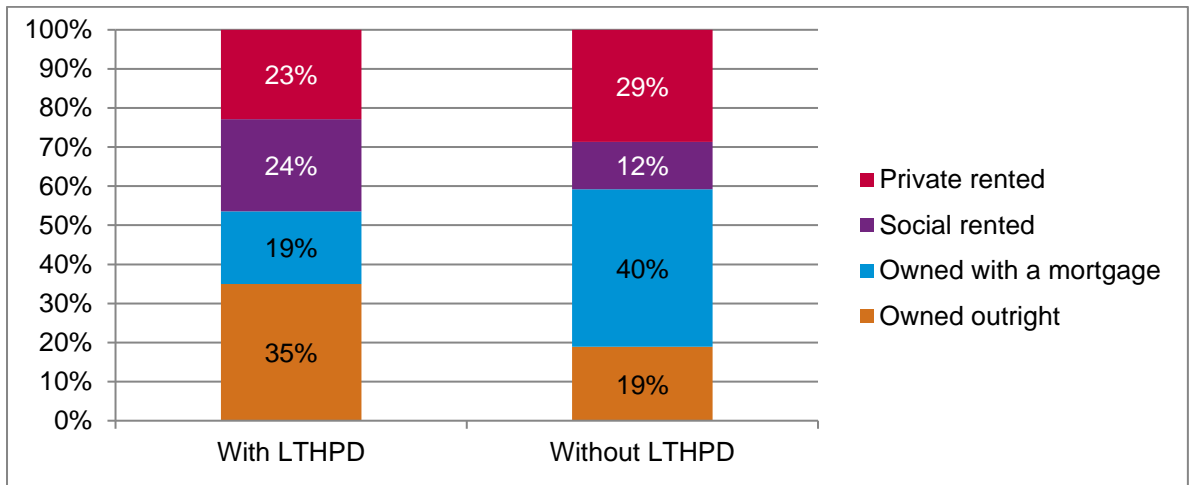
Table 67: Estimated change in population with LTHPD (2019-2039)

	Population with LTHPD		Change (2019-39)	% change from 2019
	2019	2039		
Hastings	21,357	26,771	5,414	25.4%
Rother	23,099	31,431	8,332	36.1%

Source: Derived from demographic modelling and Census (2011)

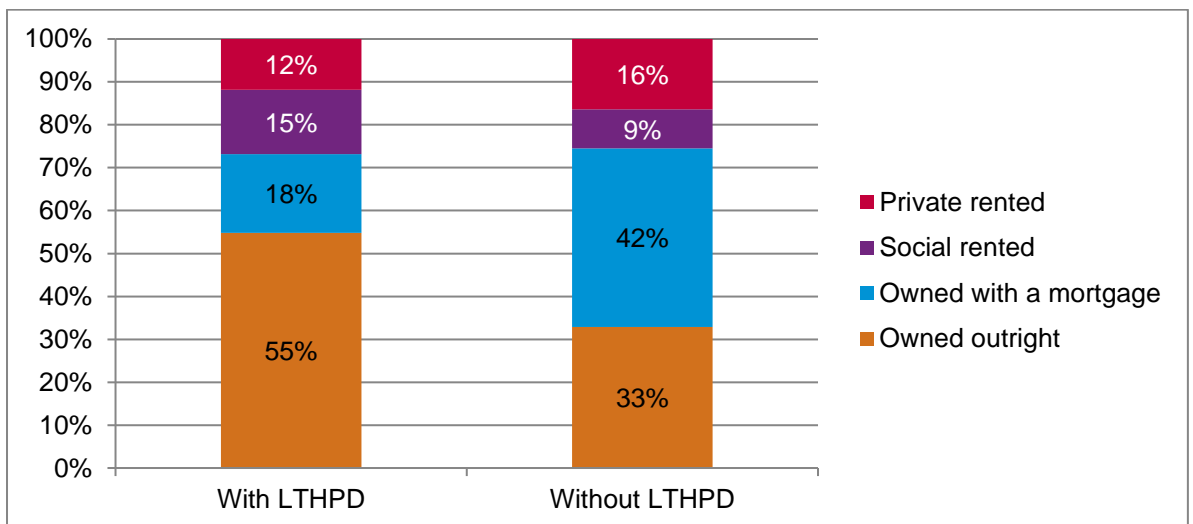
9.40 Figure 40 shows the tenures of people with an LTHPD – it should be noted that the data is for the population living in households rather than households. The analysis clearly shows that people with an LTHPD are more likely to live in social rented housing and are also more likely to be outright owners (this will be linked to the age profile of the population with a disability).

Figure 40: Tenure of people with LTHPD-Hastings



Source: 2011 Census

Figure 41: Tenure of people with LTHPD- Rother



Source: 2011 Census

9.41 Given that typically the lowest incomes are found in the social rented sector and to a lesser extent for outright owners, the analysis would suggest that the population/households with a disability are likely to be relatively disadvantaged when compared to the rest of the population.

9.42 Table 68 shows census data about the tenure split of the household population with an LTHPD. This shows that people living in the social rented sector are about twice as likely to have an LTHPD than those in other tenures, and to a somewhat greater extent in Rother.

Table 68: **Tenure of people with an LTHPD (2011)**

	% of social rent with LTHPD	% of other tenures with LTHPD
Hastings	34.0%	16.0%
Rother	31.9%	18.8%

Source: Census (2011)

9.43 As a further sensitivity, we have also examined the growth of people with disabilities which are likely to directly impact their demand for housing. This is drawn from projections from Projecting Older People Population Information (POPPI).

9.44 The age-specific prevalence rates shown above can be applied to the demographic data to estimate the likely increase over time of the number of people with a range of disabilities. In applying this information to the demographic projections, it is estimated that the total number of people with a range of disabilities in Hastings will increase by around 4,211 (a 41.4% increase) and by 6,992 in Rother (a 50.7% increase). A more detailed breakdown of these changes is presented in the tables below.

Table 69: **Projected change to the population with a range of disabilities (2019-2039) - Hastings**

Disability	Age range	2019	2039	Change	% change
Dementia	65+	1,321	2,264	944	71.5%
Mobility problems	65+	3,100	5,929	2,829	91.2%
Autistic Spectrum Disorders	18-64	549	568	20	3.6%
	65+	174	267	93	53.7%
Learning Disabilities	15-64	1,429	1,479	50	3.5%
	65+	391	587	196	50.1%
Challenging behaviour	15-64	26	27	1	3.4%
Impaired mobility	16-64	3,173	3,251	78	2.5%
Total	16+	10,163	14,372	4,211	41.4%

Source: POPPI/PANSI and demographic projections

9.45 Of note, the population with dementia will increase by 71.5% in Hastings and 61.3% in Rother. In absolute terms, the population with mobility problems will have the largest overall increase in the population by 2,829 (91.2%) in Hastings and by 4,630 in Rother.

Table 70: **Projected change to the population with a range of disabilities (2019-2039) - Rother**

Disability	Age range	2019	2039	Change	% change
Dementia	65+	2,401	3,873	1,472	61.3%
Mobility problems	65+	5,470	10,101	4,630	84.6%
Autistic Spectrum Disorders	18-64	481	531	50	10.4%
	65+	288	449	161	55.7%
Learning Disabilities	15-64	1,252	1,381	129	10.3%
	65+	648	975	326	50.4%
Challenging behaviour	15-64	23	26	2	10.0%
Impaired mobility	16-64	3,242	3,464	222	6.8%
Total	16+	13,805	20,800	6,992	50.6%

Source: POPPI/PANSI and demographic projections

- 9.46 Also, the population with dementia is projected to increase by 71.5% in Hastings and 61.3% in Rother. Those with challenging behaviours are stated to experience an increase of 3.4% and 10.0% to 2039 respectively.
- 9.47 Not all of these disabilities would directly result in permanent specialist accommodate need, however they may require respite care and also a consideration about the number of homes built to M4(2) (accessible and adaptable dwellings). There may also be a need for non-residential services which are in an accessible location to help those providing care. Best practice advice for accommodation for those living with dementia from Healthwatch Norfolk²² suggests that while a dementia care specialist is welcomed separate facilities were not necessary.
- 9.48 The scale of need identified above would lead to the conclusion that the Councils should consider a starting point where all dwellings are M4(2) compliant. Although we recognise that it will not be possible in all schemes due to built form, topography, flooding etc. Furthermore in some extreme cases this may challenge viability although the typical cost of M4(2) compliance is around £1,500 per unit²³.
- 9.49 The Council's should also continue to work with the County Council when dealing with more specific needs (e.g. autism or dementia). Anecdotally, the County Council identified a need for more intensive, bespoke nursing facilities for Elderly Mentally Infirm (EMI) care.

²² <https://healthwatchnorfolk.co.uk/wp-content/uploads/2015/11/15-04-Examples-of-Good-Practice-in-Dementia-Care-in-Residential-Homes.pdf>

²³ <https://publications.parliament.uk/pa/cm201617/cmselect/cmwomeq/631/63107.htm>

- 9.50 In seeking M4(2) compliant homes, the Councils should be mindful that such homes could be considered as 'homes for life' and would be suitable for any occupant, regardless of whether or not they have a disability at the time of initial occupation
- 9.51 ESCC also indicated that they are supportive of any new homes to be built at M4(2) standard. Rother already has a policy in their Development and Site Allocations (DaSA) Local Plan²⁴ which seeks that all new dwellings are built to M4(2) standards 5% of affordable homes be built to M4(3) Standards unless this affects viability or is not practical. This policy approach can seek to fulfil a significant proportion of this need given the projected changes.

Wheelchair User Housing

- 9.52 Information about the need for housing for wheelchair users is difficult to obtain (particularly at a local level) and so some brief analysis has been carried out based on national data within a research report by Habinteg Housing Association and London South Bank University (supported by the Homes and Communities Agency (now Homes England) – *Mind the Step: An estimation of housing need among wheelchair users in England*. This report provides information at a national and regional level although there are some doubts about the validity even of the regional figures; hence the focus is on national data.
- 9.53 The report identifies that around 84% of homes in England do not allow someone using a wheelchair to get to and through the front door without difficulty and that once inside, it gets even more restrictive. Furthermore, it is estimated (based on English House Condition Survey data) that just 0.5% of homes meet criteria for 'accessible and adaptable', while 3.4% are 'visitable' by someone with mobility problems. Data from the CLG Guide to available disability data (taken from the English Housing Survey)) puts the proportion of 'visitable' properties at a slightly higher 5.3%.
- 9.54 Overall, the report estimates that there is an unmet need for wheelchair user dwellings equivalent to 3.5 per 1,000 households (this is described in the Habinteg report as the *number of wheelchair user households with unmet housing need*). In Hastings and Rother, as of 2019, this would represent a current need for about 151 and 154 wheelchair user dwellings respectively.
- 9.55 Moving forward, the report estimates a wheelchair user need from around 3% of households. If 3% is applied to the household growth in the standard method (2019-2039) then there would be a need for 258 adapted homes in Hastings and 436 in Rother.

²⁴ Adopted December 2019

9.56 If the future need figures are brought together with the estimated current need then the total wheelchair user need would be for 999 homes (over 20-years).

Table 71: **The estimated need for wheelchair user homes (2020-2036)**

	Current need	Projected need (2020-2036)	Total
Hastings	151	258	409
Rother	154	436	590
HMA	305	694	999

Source: Derived from demographic projections and Habinteg prevalence rates

9.57 Information in the CLG Guide to Available Disability Data also provides some historical national data about wheelchair users by tenure (data from the 2007/8 onwards from the English Housing Survey). This showed 7.1% of social tenants to be wheelchair users, compared with 2.3% of owner-occupiers (there was insufficient data for private renting, suggesting that the number is low). This may impact on the proportion of different tenures that should be developed for wheelchair users.

9.58 The level of the identified need for wheelchair user accommodation equates to around 5% of all housing need over the plan period. This would justify the continuation of Policy DHG4 (Accessible and Adaptable Homes) of Rother’s Development and Site Allocations Local Plan (2019) which requires that sites provide affordable housing provide 5% to be M4(3) compliant. A similar policy in Hastings would also be appropriate, although we have also set out below an alternative approach.

9.59 Although outside the requirements of the PPG more detailed building regulations can split the M4(3) category in M4(3)a and M4(3)b. According to MHLG information on “The Current status of Part M of the Building Regulations”²⁵ M4(3)a is designed to require only simple adaptation and M4(3)b is ready for wheelchair use on completion.

9.60 Paragraph 9 of the PPG in relation to housing optional technical standards (Reference ID: 56-009-20150327) states that policies for wheelchair accessible homes (M4(3)b) “should be applied only to those dwellings where the local authority is responsible for allocating or nominating a person to live in that dwelling.”

9.61 One solution may be to have a separate policy seeking up to 5% of market properties as M4(3)(a) standard and up to 10% affordable dwellings at M4(3)(b) standard. The higher levels of delivery in affordable units reflect the higher prevalence of wheelchair users in this tenure.

²⁵ https://www.sheffield.ac.uk/polopoly_fs/1.834113!/file/Luke-Turner.pdf

9.62 It is recognised that wider consideration such as viability may mean that this is not possible as a broad policy. Furthermore, such standards will not always be possible and therefore applicable to all sites given site-specific factors such as flooding, site layout, topography or other constraints.

9.63 To reiterate, this document provides the evidence for the need for housing built to M4(2) and M4(3) technical standards (accessibility and wheelchair standards). This evidence should be brought together with other evidence on viability and reviewed alongside other site-specific factors when making planning decisions.

9.64 Finally, it is worth reflecting on paragraph 12 of the PPG which states that:

“Many older people may not want or need specialist accommodation or care and may wish to stay or move to general housing that is already suitable, such as bungalows, or homes which can be adapted to meet a change in their needs. Plan-makers will, therefore, need to identify the role that general housing may play as part of their assessment.

Plan-makers will need to consider the size, location and quality of dwellings needed in the future for older people in order to allow them to live independently and safely in their own home for as long as possible, or to move to more suitable accommodation if they so wish.”

9.65 The results of this analysis would also suggest that encouraging the development of single storey living which would typically come in the form of bungalows or flatted development (with lift access to upper floors) which would contribute to meeting these needs. For additional information see the demand for Bungalows section in Chapter 8.

Private Rented Sector

9.66 This section looks at a range of statistics in relation to the private rented sector (PRS) in Hastings and Rother. Where possible, comparisons are made with other tenures (i.e. owner-occupied and social rented) as well as contrasting data with other areas. The aim is to bring together a range of information to inform the need for additional private rented housing in the local authorities.

9.67 This study has not attempted to estimate the need for additional private rented housing. It is likely that the decision of households as to whether to buy or rent a home in the open market is dependent on several factors which mean that demand can fluctuate over time; this would include mortgage lending practices and the availability of Housing Benefit.

9.68 Table 72 shows the tenure split of housing in 2011 in Hastings, Rother, the South East region and England. The data identifies approximately 11,191 households in Hastings and 5,190 households in Rother living in private rented housing – 27% and 13% of all households respectively. This proportion is notably higher in Hastings than in Rother, the South East region and nationally.

Table 72: **Households by Tenure (2011)**

Tenure	Hastings	Rother	South East	England
Owns outright	11,071	18,554	1,156,081	6,745,584
Owns with a mortgage/loan	11,635	11,506	1,248,436	7,229,440
Social rented	5,988	4,242	487,473	3,903,550
Private rented	11,191	5,190	521,479	3,401,675
Other	672	552	57,113	314,249
Total	41,159	40,877	3,555,463	22,063,368
% private rented	27%	13%	15%	15%

Source: Census (2011)

- 9.69 There are approximately 672 households in Hastings and 552 households in Rother recorded as living in 'other' PRS accommodation, which is likely to be housing linked to employment. This may include sitting landlords in B&B, pubs etc as well as farm and tourism workers.
- 9.70 As well as looking at the current tenure profile, it is of interest to consider how this has changed over time. Table 73 shows the change in tenure for the two local authorities from the 2001 and 2011 Census.
- 9.71 There has been significant growth in the number of households living in privately rented accommodation (67% in Hastings and 70% in Rother) as well as a notable increase in outright owners (7% and 8% respectively). This increase will be due to mortgages being paid off, which may have been assisted by a period of low-interest rates.
- 9.72 There has been a decline in the number of owners with a mortgage in both local authorities, linked to access to mortgage restrictions and a decrease in the number of other households, and in part from an increase in those who have paid off their mortgage.

Table 73: **Change in tenure (2001-11) – Hastings**

	2001 households	2011 households	Change	% change
Owns outright	10,374	11,071	697	7%
Owns with mortgage/loan	13,527	11,635	-1,892	-14%
Social rented	5,933	5,988	55	1%
Private rented	6,689	11,191	4,502	67%
Other	1,081	672	-409	-38%
Total	37,604	41,159	3,555	9%

Source: 2001 and 2011 Census

Table 74: **Change in tenure (2001-11) – Rother**

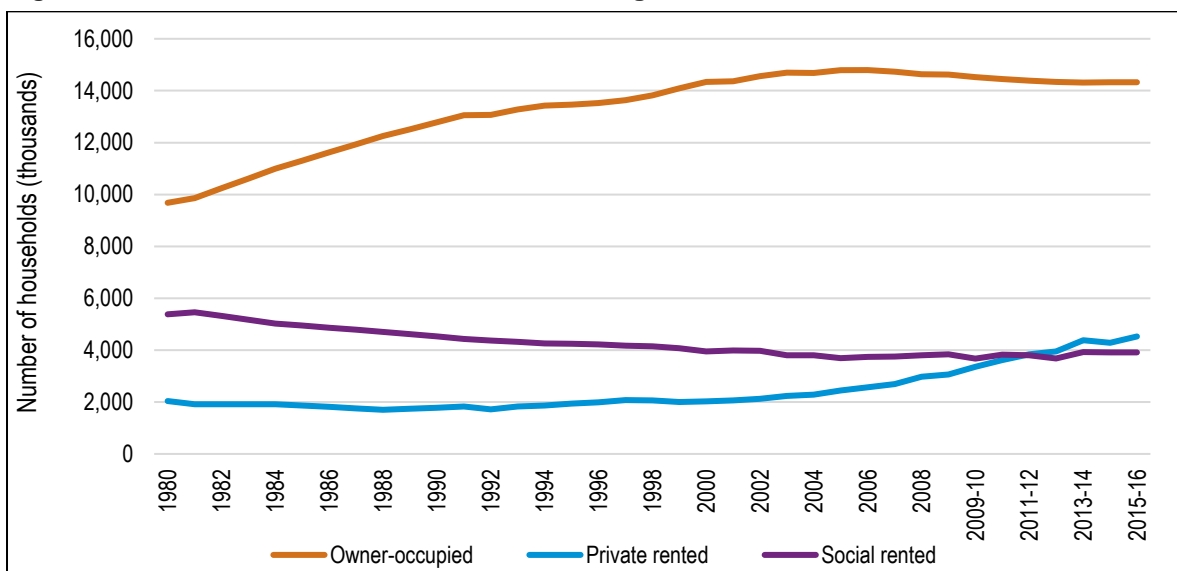
	2001 households	2011 households	Change	% change
Owns outright	17,252	18,554	1,302	8%
Owns with mortgage/loan	12,430	11,506	-924	-7%
Social rented	4,039	4,242	203	5%
Private rented	3,049	5,190	2,141	70%
Other	1,344	552	-792	-59%
Total	38,114	40,877	2,763	7%

Source: 2001 and 2011 Census

9.73 The PRS has been growing rapidly over time, in the local authorities, the South East region and the rest of the nation. It is also worth considering what further changes may have occurred since 2011. Hastings Housing Needs Survey suggested that the number of households privately renting had increased by 2 percentage points from 17% in 2011 to 19% in 2017. Furthermore, there were legislative changes introduced enabling LA's to discharge their homelessness duties into the PRS after 2011 which will also have increased numbers

9.74 Unfortunately, robust local data on this topic is not available across the study area, however, a national perspective can be drawn from the English Housing Survey (EHS) which has data up to 2016. Figure 42 shows changes in three main tenures back to 1980.

Figure 42: **Trends in tenure, 1980 to 2015-16 – England**



Source: English Housing Survey

9.75 This clearly shows the increase in the number of households living in private rented accommodation from about 2001 and a slight decrease in the number of owners. Since 2011, the EHS data shows that that PRS has risen by a further 25% this is as a result of continued affordability and access to mortgage issues. Part of the response to this will be the delivery of low-cost affordable accommodation. This will ensure those who have been priced out of purchasing can now do so.

Students

9.76 This section looks at a range of statistics concerning student households in the local authorities. Previously the University of Brighton had a campus in Hastings however this closed in September 2019.

9.77 East Sussex College Group has three campuses in Hastings in Station Plaza, Ore Valley, and The Ridge. In addition, the University Centre Hastings currently hosts 400 students studying at a degree level, with international students as well.

9.78 The 2011 Census reported that there were only 57 all full-time student households in Hastings and one all full-time student household in Rother. This equates to 0.01% of all households in Hastings and 0.002% in Rother respectively.

Table 75: **Full-time Student Households**

Area	All Households	# All full-time students	% All full-time students
Hastings	41,159	57	0.138%
Rother	40,877	1	0.002%
East Sussex	231,905	351	0.151%
South East	3,555,463	18,758	0.528%
England	22,063,368	124,285	0.563%

Source: Census 2011

9.79 The census is the latest official count of student households in the area; however, it is probable that more students are currently living in the HMA. Whilst data appears to note that there is not a great number of households, future expansion of existing higher education institutions in the HMA suggests that student households will have growing requirements over the plan period.

9.80 The University Centre Hastings, part of East Sussex College Group, plans to expand its offer over the next six years to 1,000 such students. Their target market is both domestic and international. Through consultation with the college, it was evident that they were not planning to develop any housing in tandem with this growth.

9.81 If we assume the national average household size of 2.5 (as set out in the housing delivery test), 1,000 students would require 400 homes. However, given the nature of this facility, it is likely that a great many of these students would live at home. Furthermore, 400 students already attend the university do the net growth is even lower.

9.82 At this moment there is no need for a specific policy to address the needs for students in the HMA but this should be monitored. Any application seeking to provide purpose-built student accommodation should be treated on its merits with evidence produced to demonstrate a need.

Young People

9.83 This section of the report forms part of the analysis of the housing needs for specific groups. This section looks at a range of statistics concerning young person households in Hastings and Rother. Young person households are defined as households under the age of 35 years in the two local authorities.

Profile of Young Persons Households

9.84 Table 76 identifies the housing profile of young people (under 35 years) and the type of tenure they occupy. The proportion of young persons renting privately in Hastings (56%) is notable higher than in East Sussex (46%), Rother (43%), the South East (40%) and England as a whole (41%). Further, the proportion of young persons renting social housing in Hastings is 14%, which is lower than in Rother (17%), East Sussex (15%) the South East (17%) and England (20%).

Table 76: **Young Persons Households by Tenure in Hastings and Rother, 2011**

	Hastings	Rother	East Sussex	South East	England
Owns outright	3%	5%	4%	4%	4%
Owns with mortgage/loan	21%	28%	29%	33%	30%
Social rented	14%	17%	15%	17%	20%
Private rented	56%	43%	46%	40%	41%
Other	5%	7%	6%	6%	5%
Total Young Persons Households	100%	100%	100%	100%	100%

Source: Census 2011

9.85 The proportion of young persons that own outright in Hastings 3%, which is about on par with wider comparators, whereas the rate is slightly higher in Rother (5%). Conversely, the area has a lower percentage of younger persons owning their property with a mortgage is lower than the wider comparators. This highlights the difficulty for younger people getting on the housing market in the HMA.

- 9.86 Young people face the reality of not being able to afford to buy a property, which typically results in a higher reliance on the private rented sector. The rates of those that rent are higher than in the region and nationally, further illustrating affordability challenges for young people.
- 9.87 This group is also unlikely to be eligible for affordable rental accommodation and therefore need to have options within the PRS. This might mean the Councils encouraging the delivery of a wider range of PRS accommodation such as build to rent.
- 9.88 As noted, the PRS has been the main growth sector both Hastings and Rother. This growth has come in many forms and nationally the Private Rented Sector has seen increased growth in the build to rent (BtR) sector.
- 9.89 BtR is defined in the NPPF as typically comprise developments of multiple units (often over 100), are institutionally owned and managed and should be subject to longer tenancies designed to offer greater security and stability²⁶.
- 9.90 Moreover, they can contribute to the delivery of affordable housing in the form of Affordable Private Rent, typically at 20% of homes. They are also not required to deliver affordable home ownership products.
- 9.91 The sector provides the opportunity for good quality, well-managed rental accommodation that is purpose-built. Additionally, it provides an opportunity to boost the rate of overall housing delivery, as it does not compete directly with traditional housing development schemes which are built for sale.
- 9.92 The Government has been promoting Build-to-Rent housing and has set up a Private Rented Sector Taskforce and supported delivery through other measures. These measures include a Build to Rent Fund which provides Government-backed loans to support new development. The sector is currently relatively small but is one with growth potential.
- 9.93 The British Property Federation (BPF) hosts an online mapping tool²⁷ which plots build to rent schemes across the UK aimed at the institutional investment market. This shows that 52% of units in the build to rent pipeline are located in London, but none in East Sussex.
- 9.94 There have not been any examples of Build to Rent within the HMA and we consider that at this point in time there is limited demand for this type of property. However, if that changes and if managed properly Build-to-Rent development will serve a purpose in delivering more homes in Hastings and Rother.

²⁶ PPG, Paragraph: 010 Reference ID: 60-010-20180913

²⁷ <https://www.bpf.org.uk/what-we-do/bpf-build-rent-map-uk>

- 9.95 As well as meeting the identified need, with appropriate support Build to Rent could also provide good quality housing at scale and which offers tenure security which would encourage a less transient population which community involvement and has a positive effect on neighbourhoods.
- 9.96 Other local authorities are also considering private public partnerships or direct delivery of this tenure to address need and provide revenue streams. The latter model could see the Councils provide sites in exchange for an equity stake in the partnership
- 9.97 The Councils should therefore support applications for this tenure of accommodation but any application should be supported by evidence of local demand and also deliver the required level of affordable private rent.

Self and Custom-build

- 9.98 The PPG sets out that Housing Needs Assessments should investigate the contribution that self-build makes toward the local supply. Laying the Foundations – a Housing Strategy for England 2010 sets out that only one in 10 new homes in Britain was self-built in 2010 – a lower level than in other parts of Europe. It identifies barriers to self or custom-build development as including:
- A lack of land;
 - Limited finance and mortgage products;
 - Restrictive regulation; and
 - A lack of impartial information for potential custom home builders.
- 9.99 The government aspires to make self-build a ‘mainstream housing option’ by making funding available to support self-builders and by asking local authorities to champion the sector. Up to £30m of funding has been made available via the Custom Build programme administered by the HCA to provide short-term project finance to help unlock group custom build or self-build schemes. The fund can be used to cover eligible costs such as land acquisition, site preparation, infrastructure, S106 planning obligations etc.
- 9.100 Hastings Borough Council and Rother District Council, as all local authorities are required to do, manage a register for those interested in Self and Custom Build (SCHB) Housing in the local authorities. At present (October 2018) there 82 persons on the register in Hastings and a requirement to identify 13 plots within the first base period. Every entry on the register in Hastings expressed interest in detached homes, mostly 3 to 4 bedrooms. In terms of location, very little information was given.

- 9.101 As of the most recent Self-build register data (March 2019), Rother District had 179 entries in their self and custom build register. The most popular dwelling size in Rother is 3 bedrooms, followed by 4 bedrooms and there appears to be very little demand for 1 bedroom properties for SCHB in Rother. The majority of respondents were interested in detached homes.
- 9.102 The NPPF/PPG indicates that policies should be included in local plans relating to SCBH, whilst the level of demand is the HMA is low the Councils are legally required to still meet that demand. As per the Letwin report,²⁸ the local authorities may wish to consider that some of their larger strategic sites allocate a percentage of their area develop to this type of housing.
- 9.103 There is the potential for larger development schemes to provide serviced plots for custom-build development, and for it, with support, to help to drive forward delivery rates. The Independent review of build-out by Sir Oliver Letwin (2018) was undertaken to identify the cause of the significant gap between housing completions and the amount of land allocated or permitted on large sites in areas of high housing demand.
- 9.104 Section 3 of the Letwin Review looks at increasing diversity and a new planning framework for large sites (over 1,500 houses). Letwin recommends that Government should adopt a new set of planning rules that apply to large sites in areas of high housing demand that would require their outline planning permission to include for 'housing diversification' to be a 'reserved matter' in line with new secondary legislation.
- 9.105 The new secondary legislation should be an amendment to the Town and Country Planning (Order 2015) to include type, size and tenure mix as characteristics that can be prescribed as reserved matters for large sites in areas of high housing demand. It will also require any applicant making an outline planning application for a large site to prepare a diversification strategy, specifying the types of diversity that will be exhibited on that site. This will include:
- “housing of differing type, size and style, design and tenure mix. It also includes housing sold or let to specific groups, such as older people’s housing and student accommodation, and plots sold for custom or self-build.”*
- 9.106 Letwin recommends that for each stage of development as a minimum the development should provide “housing for specified groups and custom build: these housing types can contribute significantly to housing diversity. Each phase should deliver housing of this type to serve local needs.”
- 9.107 In addition, Section 4 of the Letwin Review recommends that for large sites which have yet to be allocated the government introduces new powers “for local planning authorities to designate particular

²⁸ Independent Review of Build Out, Rt Hon Sir Oliver Letwin MP, page 13.

sites within their local plans as sites which can be developed only as single large sites” and therefore subject to the new rules.

- 9.108 Local Authorities are also to be empowered to specify, “at the time of designation, strong master-planning requirements including a strict design code”. The recommendations will include a wider group of bodies (such as development corporations) that can buy land, raise finance and invest in appropriate infrastructure to provide well-prepared terrain (or even serviced plots) which custom-builders and self-builders can all use to enter the housing market on the site.
- 9.109 It is also possible for Custom and Self-Build schemes to be large sites in their own right. An example of this can be seen at the Graven Hill development in Bicester, Oxfordshire. This is the largest custom build scheme nationally with proposals for over 2,000 custom-built homes. The site has been acquired by Cherwell District Council from the MOD and a development company set up.
- 9.110 Rother District Council includes a specific policy in their Development and Site Allocations Plan for SCHB requiring sites of 20 or more dwellings to provide 5-10% as serviced plots for self and custom house builders, marketed for a minimum of 12 months. There may be some justification for Hastings to consider a similar policy response.
- 9.111 Alternatively, they could reflect the approach of other local authorities which have recently implemented a policy, these have come in several guises, for example:
- Teignbridge District Council - 5% of plots on development sites of more than 20 dwellings with plots marketed for a minimum of 12 months.
 - Mid Devon District Council - 5% of plots on development sites of more than 20 dwellings
 - Torbay Council -5% of plots on development sites of more than 30 dwellings
 - East Cambridgeshire District Council - 5% of plots on development sites of more than 100 dwellings
 - Stroud District Council - 2% of plots on strategic housing sites
- 9.112 Other local authorities have developed a policy of encouragement without defining exact percentages. For example, North Tyneside Council and Daventry District Council will ‘encourage’, rather than require, a proportion of plots to be set aside on sites of over 200 and 500 units respectively.
- 9.113 As a first step, Hastings may wish to adopt a general encouragement policy for smaller sites (10+ units) but also implement a further policy on strategic sites, where justified. The exact level should be determined in reference to the number and capacity of strategic sites and the overall local need. This should also take into account the committed supply and viability consideration. It is recommended that Rother continue with their already adopted approach.

Service Families

- 9.114 As of April 2018, there were no military personnel in Hastings. The MOD statistics do not report the number of military personnel in Rother. It can, therefore, be assumed that there are none in the HMA.
- 9.115 There is no immediate need for accommodation for this particular group. The Allocation of Housing (Qualification Criteria for Armed Forces) (England) Regulations ensures that Service personnel (including bereaved spouses or civil partners) are allowed to establish a 'local connection' with the area in which they are serving or have served.
- 9.116 This means that ex-service personnel would not suffer disadvantage from any 'residence' criteria chosen by the Local Authority in their allocations policy. Although as mentioned, MOD data suggests this is not relevant for East Sussex. That said any ex-armed forces personnel with mental health issues who present themselves to the Council as homeless are likely to be assisted as a vulnerable group and may be given priority need for housing, although this will depend on the severity of their condition and ability to finance their own housing solutions.

Needs of Specific Groups: Summary Points

- In Rother, the population projections show an increase of 16,091 people over 65 by 2039 in comparison to Hasting which has a projected 9,641 people. Hence there is a clear need to increase the supply of specialist accommodation for older persons.
- The following table sets out the current and future need for specialist accommodation for older people which should be planned for.

	Housing With Care and Housing With Support Shortfall by 2039	Care Bed Spaces Shortfall by 2039
Hastings	1,571	530
Rother	2,920	1,206

- Most of the demand for specialist accommodation in both authorities is for housing with support (around 73%) compared to around 27% for housing with care.
- Census data showed that in Hasting 25.4% of households contain someone with a long-term health problem or disability and 20.1% of households in Rother also contain someone with an LTHPD. This suggests a need to ensure delivery of for M4(2) (accessible and adaptable dwellings).
- Across the HMA there is a need for an additional 999 wheelchair accessible dwellings. We would, therefore, recommend that the Council adopt a policy of 5-10% of new dwellings to be built to M4(3) standards.
- In 2011 there were 11,191 households in Hasting within the private rented sector and 5,190 within Rother. However, there has been notable growth in the number of households in the PRS sector growing by 67% and 70% respectively since 2001.
- There are plans to expand the University Centre Hastings, adding a projected additional demand 1,000 students which would require 400 homes based on an average household size of 2.5.
- At this moment there is no need for a specific policy to address the needs for students in the HMA, but this should be monitored. Any application seeking to provide purpose-built student accommodation should be treated on its merits with evidence produced to demonstrate a need.
- At present, there are less than 82 persons currently on the Self and Custom Build register in Hastings and 179 in Rother. This is not a substantial need although the Council are required to adopt a policy to meet this need for example where larger strategic sites exist have to allocate a percentage of the land to this type of accommodation.
- There is currently limited evidence of need for military/former military personnel in either local authority.

10 COMMERCIAL MARKET ASSESSMENT

Introduction

- 10.1 This section of the report provides a baseline assessment of the office and industrial market in Hastings and Rother. The industrial and office market analysis focuses on the volume and take-up of floorspace, the number of deals and availability.
- 10.2 The market analysis benchmarks Hastings and Rother with East Sussex, the neighbouring local authorities, the South East region and England. The analysis does not imply a single commercial market area but rather aims to assess the Hastings and Rother market within its geographic context.
- 10.3 It is of note that data has been extracted in some instances from the national database CoStar – however, consultation has identified that many local transactions are not recorded on the national level or some are recorded incorrectly. This chapter, therefore, concludes with a summary of in-depth stakeholder consultation on the local property market and to a lesser degree economic performance.

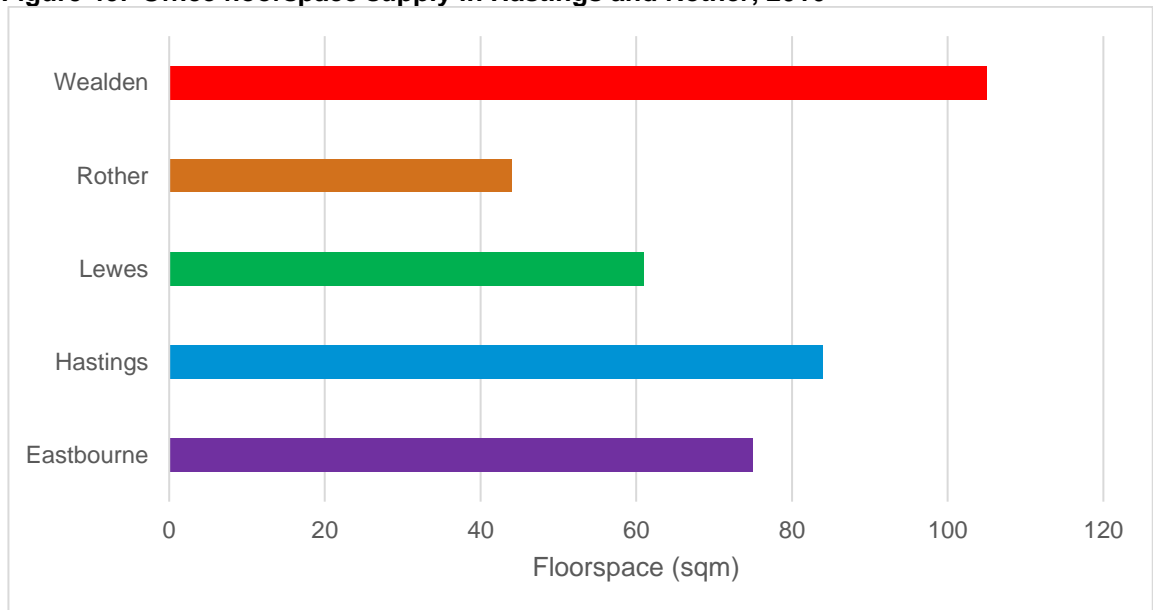
Office

- 10.4 In this section office floorspace, take-up and availability will be analysed in Hastings and Rother, and where notable, within the context of their wider geographic comparators.

Floorspace

- 10.5 The latest data from the Valuation Office Agency (VOA) shows that Hastings has 84,000 sqm and Rother has 44,000 sqm of office floorspace supply (see figure 43). Combined, office floorspace in Hastings and Rother make up 35% of office floorspace in East Sussex (369,000 sqm) and approximately 1% of office floorspace in the South East (13,588,000 sqm).
- 10.6 In comparison (but not taking into account other factors such as quality and relevant types of floorspace), neighbouring authorities in East Sussex such as Eastbourne and Lewes have 75,000 sqm and 61,000 sqm of office floorspace which make up 20% and 17% of office floorspace in East Sussex.

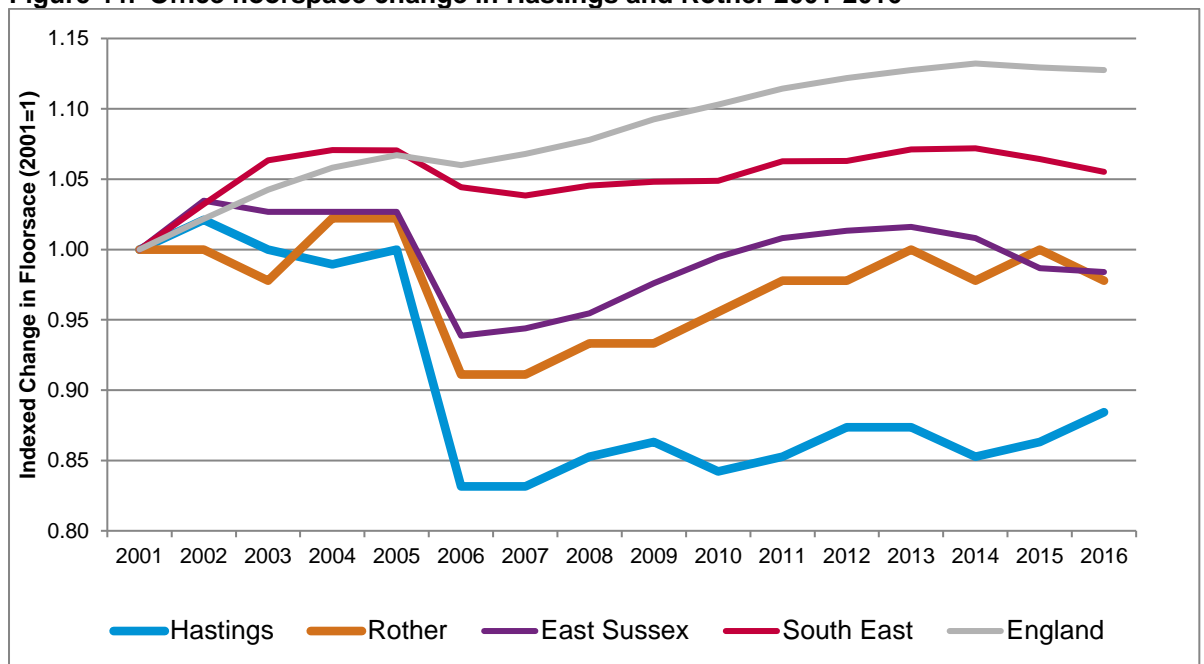
Figure 43: Office floorspace supply in Hastings and Rother, 2016



Source: GLH analysis of VOA data, 2016

10.7 Figure 44 shows the rate of change of floorspace from 2001 to 2016 across Hastings, Rother and wider geographies. One important note is that office floorspace experienced a notable decline by nearly 20% from 2005 to 2006 in Hastings and over 10% in Rother. This due to a reclassification of space according to the VOA which can be seen at the regional and national level albeit to a slightly lesser degree. Of note, both local authorities have added floorspace from 2006 onward, however, both authorities continue to have less office floorspace in 2016 than in 2001 on this measure.

Figure 44: Office floorspace change in Hastings and Rother 2001-2016



Source: GLH analysis of VOA data, 2016

10.8 Over the past 15 years, the stock of both authorities has broadly tracked the regional and national picture. Hastings’ office stock has seen a decline in floorspace from 95,000 sqm in 2000-01 to 84,000 sqm in 2015-16. This represents a -12% loss of office floorspace over this period and an annual growth rate of -2.8% per annum. However taking into account the adjustments 2005/06, fluctuating growth occurred from 2006 to 2016 of 6%. In the same period, Rother’s office floorspace decreased from 45,000 sqm to 44,000 sqm, a slightly lower rate of lost at -2% but again showing a growth of 7.3% between 2006 and 2016 albeit essentially stable from 2011. Both authorities have therefore seen overall steady incremental growth since 2006.

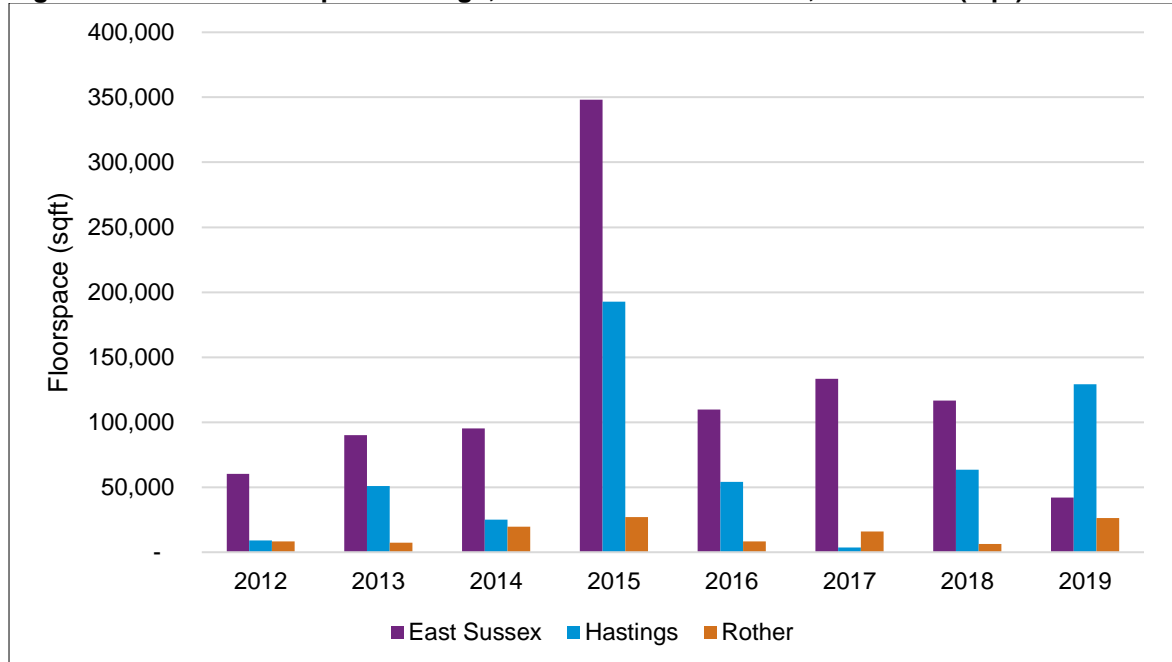
Take-up

10.9 Figure 45 illustrates the take-up (sale and lease) of office floorspace in Hastings, Rother and East Sussex over the 2012 to 2019 period based on CoStar data.

10.10 It is important to note that national databases can be less reliable at the local level for areas that are not in or in proximity to major UK cities as reporting of deals can be limited. Therefore the data presented below provides only a general indication rather than attempting to be wholly comprehensive. The data is augmented by local engagement in proceeding sections.

- 10.11 Historically, the volume of office floorspace take-up has been considerably lower in Hastings and Rother compared to East Sussex. Hastings has experienced greater volume of floorspace take-up across most years, except the year 2017 where 16,044 sqft (1,491 sqm) of floorspace was taken up in Rother compared to 3,679 sqft (342 sqm) in Hastings. The rise of take-up in Rother is primarily attributed to the take-up of office floorspace at Hastings Road in Wadhurst to M&S Electrical (1,476 sqft or 137 sqm) and 1,540 sqft (143 sqm) taken up by Meridian Surveyors at 38-40 Mount St in Battle.
- 10.12 Areas across East Sussex with a high quantum of floorspace transacted outside of Hastings and Rother include Tunbridge Wells, Forest Row and Crowborough.
- 10.13 Over the period between 2012 and 2018, the average annual take-up of floorspace in Hastings was 75,504 sqft (7,015 sqm) and 17,035 sqft (1,583 sqm) per annum in Rother. To put this into context, average annual office floorspace take-up in East Sussex was 142,177 sqft (13,029 sqm) over the same period. Take-up of floorspace in Hastings has accounted for 53% of average annual take-up of office floorspace in East Sussex. In comparison, Rother accounted for 12% of office floorspace take-up in East Sussex which is significantly lower and primarily reflects the nature of employment activity in the area. However, some transactions may not have been captured in the CoStar database.

Figure 45: Office Take-Up in Hastings, Rother and East Sussex, 2012-2019 (sqft)



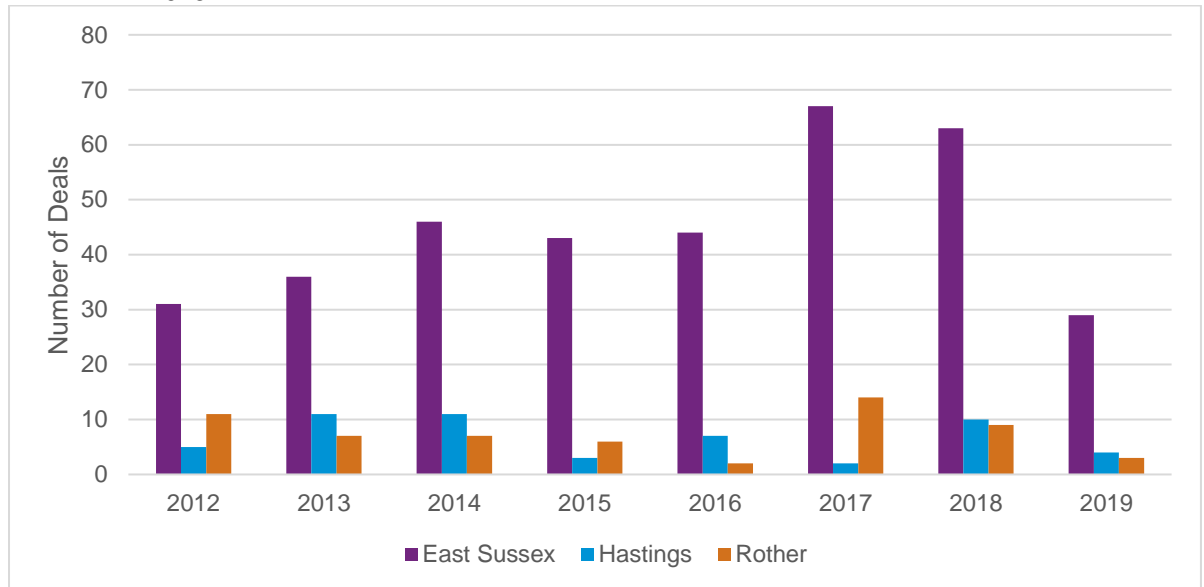
Source: GLH analysis of CoStar data

- 10.14 The data in figure 46 illustrates the number of deals over the same period (2012-2019) for the lease and sale of office floorspace. As the nature of office activity in both Hastings and Rother is mostly

local, the demand for office space is not as high as regional office markets, therefore the number of deals between 2012 and 2019 has been low and is also constrained by supply.

- 10.15 There has been a total of 53 office deals recorded in Hastings over the period, averaging 8 deals per annum. The earlier years were stronger for Hastings with 11 deals in both 2013 and 2014. Following 2014, the number of deals decreased to 3 in 2015 and remained low until only last year where 10 deals were recorded on CoStar.
- 10.16 Despite Hastings experiencing greater volumes of floorspace take-up, Rother has had more deals totalling 59 reported transactions over the period. This suggests that floorspace take-up in Hastings has been for larger sized floorplates with a higher number of smaller units taken up in Rother, which is reflected in the nature of the supply. The section below explores this in more detail.
- 10.17 In East Sussex, 359 office deals were made over the period, averaging 51 deals per annum. A lot of the commercial activity outside Hastings and Rother is occurring in Eastbourne which accounts for a large proportion of the deals in East Sussex, particularly because Eastbourne, which has a higher amount of office floorspace, can supply the relevant office floorspace needed for the demand from current occupiers. It also has better access to larger labour and consumer markets in comparison to Hastings and Rother.

Figure 46: Office Take-Up by Number of Deals in Hastings, Rother and East Sussex, 2012 - 2019



Source: GLH analysis of CoStar data

- 10.18 Table 77 reports the total office floorspace take-up by floorspace size between 2012 and 2019. Hastings has experienced greater demand for take-up of medium (1,000-5,000 sqm) sized office stock. This is a reflection on the type of floorspace supply in the Hastings office market with 21% of total take-up in Hastings for stock between 1,000-5,000 sqm compared to just 3% in Rother accounted for by 1 deal.
- 10.19 The take-up of larger stock (10,000+sqm) accounts for 2% of total floorspace take-up in Hastings. However, this is attributed to the take-up of 191,083 sqft (17,752 sqm) of office floorspace at Ashdown House on Sedlescombe Road N, St Leonards in 2015.
- 10.20 Over the period, there was a higher proportion of take-up of smaller floorspace stock in Rother with 83% of transactions sized between 0-185 sqm, 8% ranged between 185-500sqm and 5% between 500-1,000 sqm. Stock from 1,000-5,000 sqm accounted for 3% of total take-up which is significantly lower than Hastings (21%). According to CoStar data, there was no take-up of commercial floorspace greater than 5,000 sqm in Rother. As noted, there is little supply above 5,000 sqm in the district, and agents advised that much of the local transactional data is not published on CoStar.

Table 77: Total Office Floorspace Take-Up by Size Band, 2012-2019

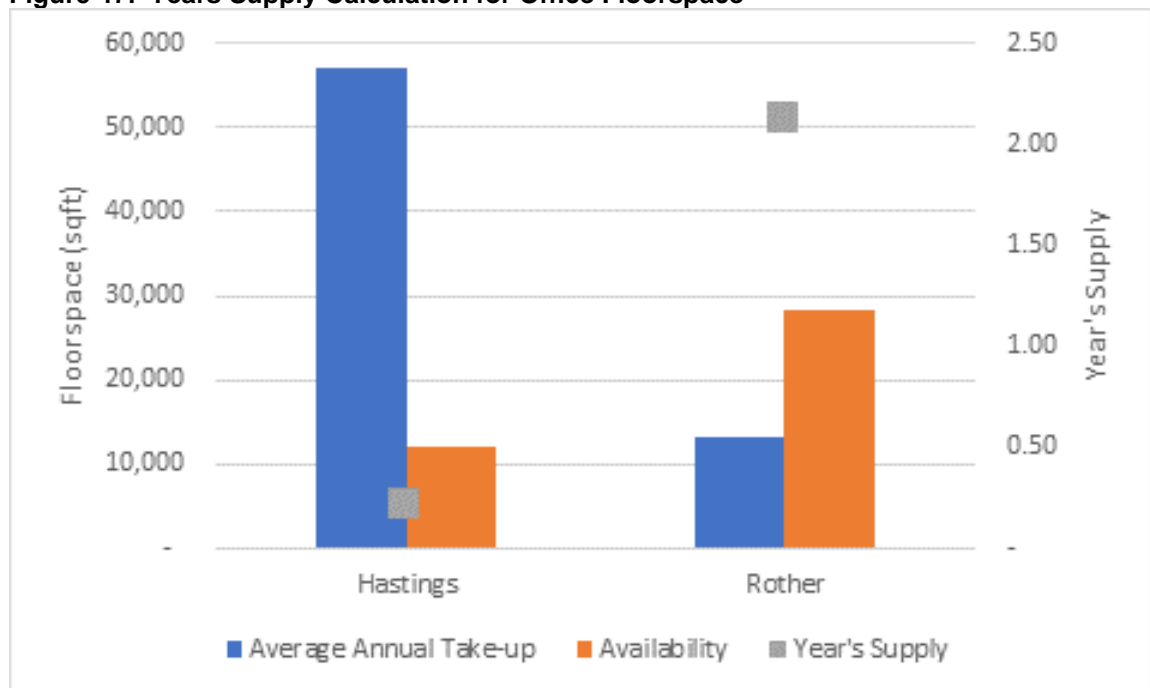
Size Band (rounded to nearest %)	Hastings	Rother	East Sussex
0-185 sqm	43%	83%	75%
185-500 sqm	30%	8%	15%
500-1,000 sqm	4%	5%	4%
1,000-5,000 sqm	21%	3%	6%
5,000-10,000 sqm	0%	0%	0%
10,000+ sqm	2%	0%	0%

Source: GLH analysis of CoStar data

Availability

- 10.21 Availability has also been analysed, revealing differences between the local authorities. Figure 47 provides data for the total existing office space which is currently being advertised as available on the CoStar database. This provides an indicative 'point in time' snapshot of availability across the area as of August 2019.
- 10.22 Years Supply is a calculation of available floorspace divided by average annual take-up to get an idea of the supply position for the local authorities.

Figure 47: Years Supply Calculation for Office Floorspace



Source: GLH Analysis of CoStar Data

10.23 The analysis suggests that there is, in theory, an acute supply pressure in the Hastings market as compared to Rother. However, stakeholder consultations have revealed that there are available properties not listed on CoStar albeit a number of these are not attractive to the market, this is considered in more detail below.

Industrial

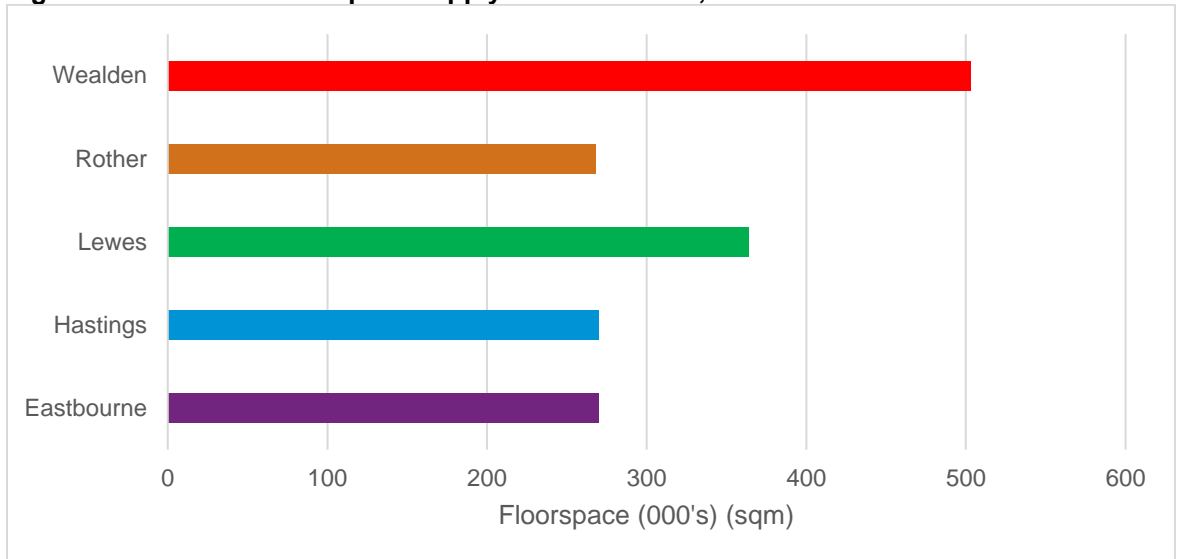
10.24 In this section industrial floorspace, take-up and availability will be analysed in Hastings and Rother, and where notable, within the context of their wider geographic comparators.

Floorspace

10.25 The latest data from the Valuation Office Agency (VOA) shows that Hastings has 270,000 sqm and Rother has 268,000 sqm of industrial floorspace supply, as shown in Figure 48. Combined, industrial floorspace in Hastings and Rother make up 32% of industrial floorspace in East Sussex (538,000 sqm) and approximately 2% of industrial floorspace in the South East (1,675,000 sqm).

10.26 In comparison, neighbouring authorities in East Sussex such as Eastbourne and Lewes have a comparable 364,000 sqm and 270,000 sqm of industrial floorspace which make up 22% and 16% of industrial floorspace in East Sussex respectively.

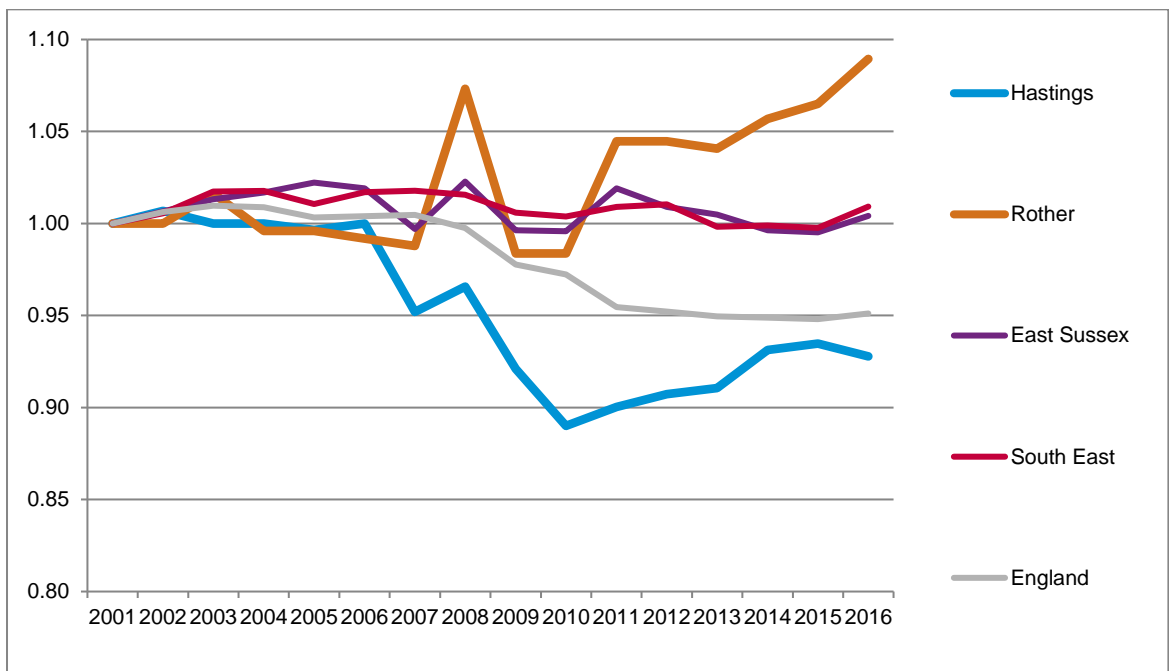
Figure 48: Industrial floorspace supply in East Sussex, 2016



Source: GLH analysis of VOA data, 2016

10.27 Figure 49 shows the rate of change of industrial floorspace from 2001 to 2016 across Hastings, Rother and their wider geographies. Floorspace has increased in Rother by 9%, “bucking the trend” above the rates of East Sussex (0%), the South East (1%), and England (-5%). Hastings, on the other hand, has lost 7% of its total floorspace at the same time.

Figure 49: Industrial floorspace change in Hastings and Rother 2001-2016



Source: GLH analysis of VOA data, 2016

10.28 Over the past 15 years, Hastings' industrial stock has seen a decline in floorspace from 291,000 sqm in 2000-01 to 270,000 sqm in 2015-16. This represents a 7% loss of industrial floorspace over this period and an annual growth rate of -0.5% per annum. However, this masks an increase since 2010 which has recovered some of the position. In the same period, Rother's industrial floorspace increased from 246,000 sqm to 268,000 sqm, representing an annual increase of 0.6% although performance since 2010 has been particularly strong.

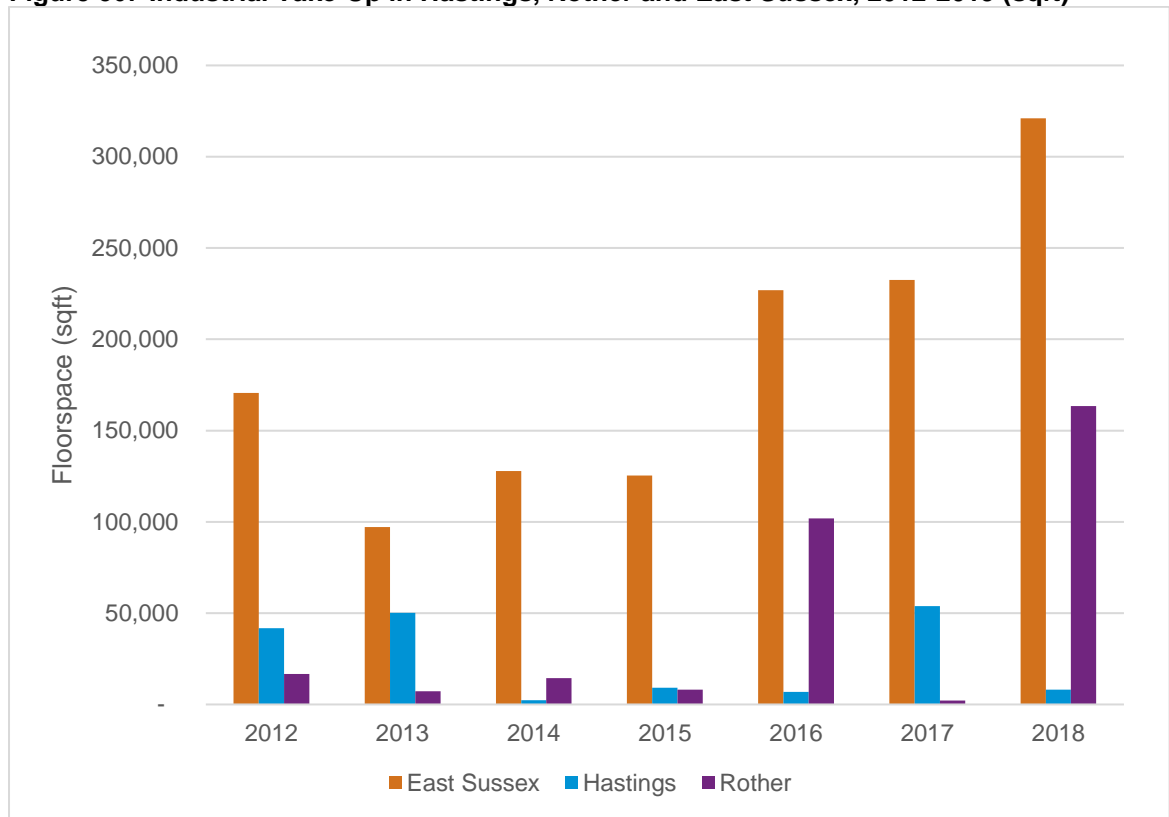
Take-up

10.29 Figure 50 illustrates the take-up (sale and lease) of industrial floorspace in Hastings, Rother and East Sussex over the 2012 to 2019 period.

10.30 Historically, the volume of industrial floorspace take-up has been considerably lower in Hastings and Rother compared to East Sussex. Hastings has experienced a greater volume of floorspace take-up historically as compared to Rother, except for 2016 and 2018, where major deals such as an October 2018 pre-let for 137,000 sqft (12,746 sqm) for a series of sheds along Harbour Road at Rye Wharf. Similarly, units B, C, G, and H of an industrial warehouse development on Rye Harbour Road which were taken up in January of 2016, at 22,000 sqft (2,044 sqm).

10.31 Over the period, the average annual take-up of floorspace in Hastings was 27,370 sqft (2,543 sqm) and 44,859 sqft (4,168 sqm) per annum in Rother. To put this into context, average annual industrial floorspace take-up in East Sussex was 185,901 sqft (17,271 sqm) over the same period. Take-up of floorspace in Hastings has accounted for 15% of average annual take-up of industrial floorspace in East Sussex. In comparison, Rother accounted for 24% of industrial floorspace take-up in East Sussex which is notably higher but still somewhat low in the context of the county. This partly reflects a lack of supply due to market failure, resulting in a lack of choice for potential tenants.

Figure 50: Industrial Take-Up in Hastings, Rother and East Sussex, 2012-2019 (sqft)

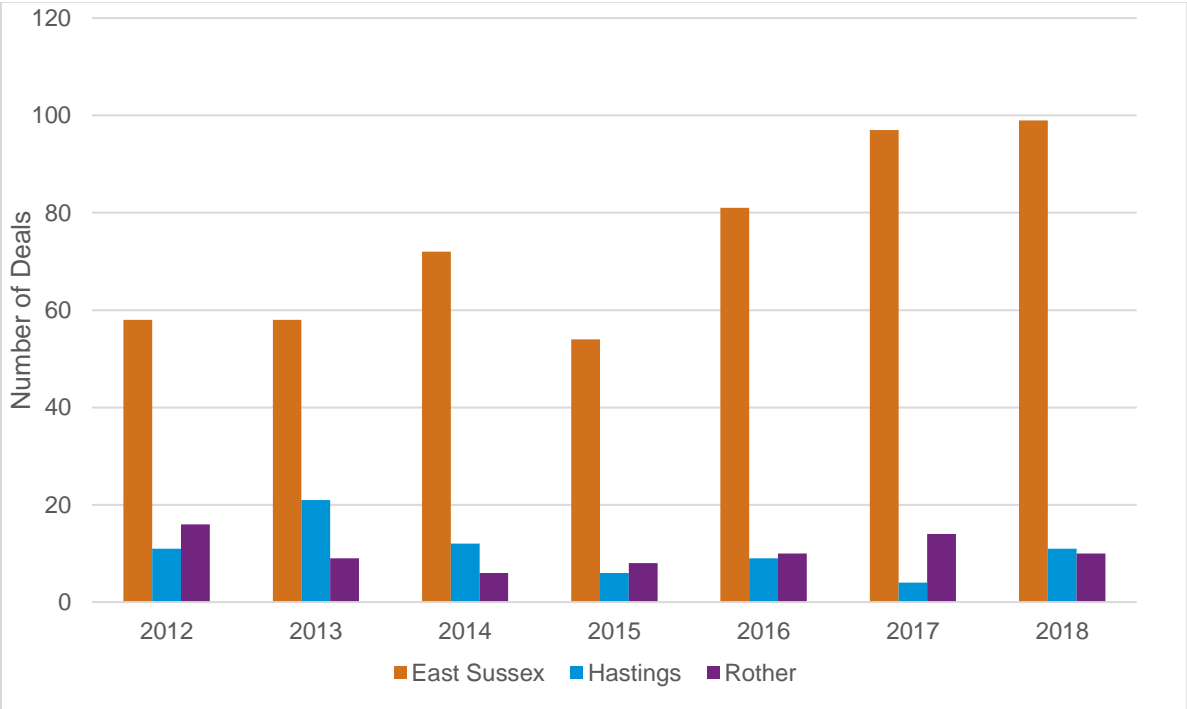


Source: GLH analysis of CoStar data

- 10.32 The data in figure 51 illustrates the number of deals over the same period (2012-2019) for industrial spaces. As the nature of industrial activity in both Hastings and Rother is mostly local, the demand for industrial space is not as high as regional industrial markets, therefore the number of deals between 2012 and 2019 have been low. Similarly, to the office market, however, not all deals are recorded on CoStar. Thus, the data is supplemented with local agent engagement at the end of this chapter.
- 10.33 There has been a total of 75 industrial deals in Hastings over the period according to CoStar, averaging 11 deals per annum. The earlier years were stronger for Hastings with an average of 15 deals from 2012-2014. CoStar then recorded a deal count dropping to an average of 8 deals per annum from 2015-2018.
- 10.34 In Rother, 75 industrial deals that have been reported on the database in the same period, however, the number of transactions was consistent at around 10 per annum.

10.35 Rother has experienced take-up of 314,000 sqft (29,172 sqm) over the period, whereas Hastings saw take-up of 172,406 sqft (16,017 sqm) in the same period. On average, Rother transacted 44,000 sqft (4,088 sqm) of industrial floorspace per annum whereas Hastings transacted 24,629 sqft (2,288 sqm) per annum in the same period. Thus, the database shows more activity in Rother as compared to Hastings in terms of the number of deals and floorspace transacted. The data will reflect any supply-side constraints but does indicate some increased market activity in Rother in recent years.

Figure 51: Industrial Take-Up by Number of Deals in Hastings, Rother and East Sussex, 2012 -2019



Source: GLH analysis of CoStar data

10.36 Table 78 reports total industrial floorspace take-up by floorspace size between 2012 and 2019. Hastings has experienced greater demand for take-up of medium (1,000-5,000 sqm) sized industrial stock than Rother. This a reflection on the type of floorspace supply in the Hastings industrial market with 16% of total take-up in Hastings for stock between 1,000-5,000 sqm compared to 7% in Rother. The take-up of larger stock (10,000+ sqm) accounts for 1% of total floorspace take-up in Hastings and 0% in Rother.

10.37 Over the period in Rother, there was a higher proportion of take-up of smaller floorspace stock with 36% of transactions sized between 0-185 sqm, 40% ranged between 185-500 sqm and 14% between 500-1,000 sqm. Medium-sized stock (1,000-5,000 sqm) accounted for 7% of total take-up which was

lower than in Hastings. According to CoStar data, there was no take-up of commercial floorspace greater than 10,000 sqm in Rother.

- 10.38 The market activity very much reflects the supply of properties in the areas and churn through existing properties with limited additional supply being available.

Table 78: Total Industrial Floorspace Take-Up by Size Band, 2012-2019

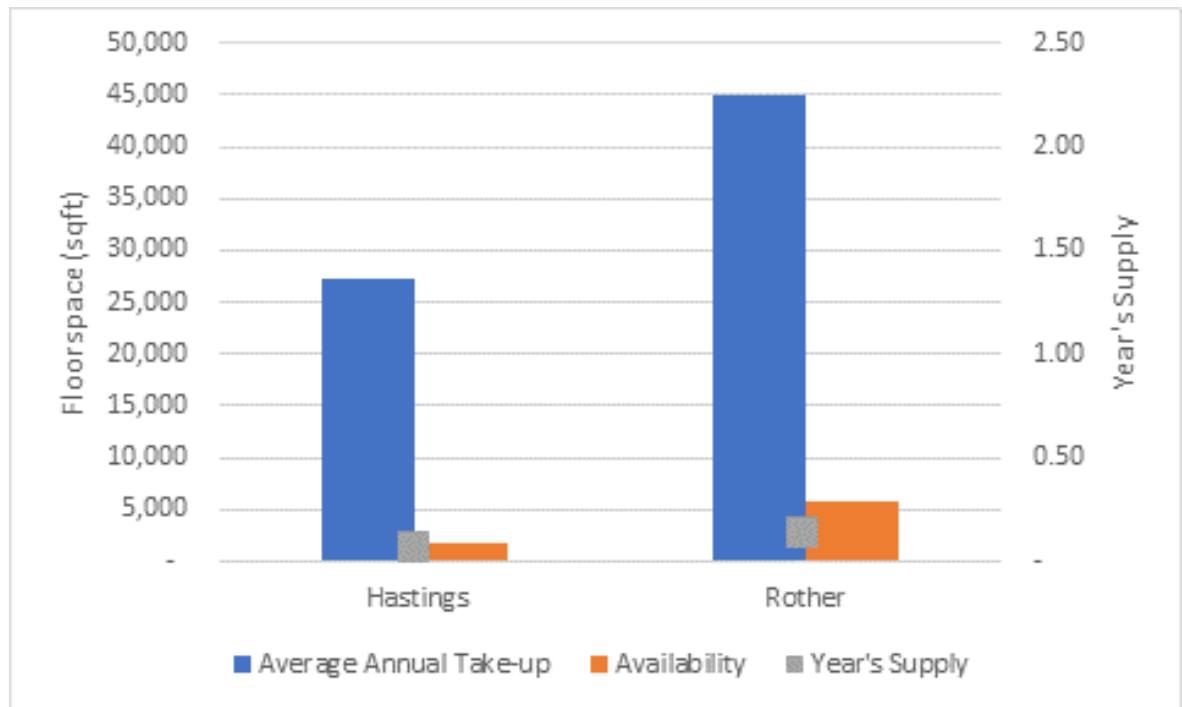
Size Band (rounded to nearest %)	Hastings	Rother	East Sussex
0-185 sqm	32%	36%	26%
185-500 sqm	36%	40%	35%
500-1,000 sqm	14%	14%	10%
1,000-5,000 sqm	16%	7%	26%
5,000-10,000 sqm	1%	2%	0%
10,000+ sqm	1%	0%	3%

Source: GLH analysis of CoStar data

Availability

- 10.38 Figure 52 provides data for the total existing industrial space which is currently being advertised as available on the CoStar database. This provides an indicative 'point in time' snapshot of availability across the area as of August 2019. Across both of the authorities, there is only 7,617 sqft of industrial floorspace being advertised in the CoStar database.
- 10.39 The figure also includes the average annual take-up figure for each authority. By combining these we can estimate an indicative notional supply which shows the number of years' worth of available supply in each local authority area.

Figure 52: Availability Years Supply Calculation for Industrial Floorspace



Source: GLH analysis of CoStar data

10.40 The industrial market has a particularly acute supply shortage in both local authorities. As noted previously, low availability advertised on CoStar can be attributed to both a lack of appropriate supply and too many availabilities not being advertised through the site. However, in the case of the industrial market, it is reported as correct that there is an extreme shortage in industrial units.

Property and Economic Stakeholder Engagement

10.41 As a part of the economic development needs assessment element of the HEDNA a wide range of interviews were undertaken, including a stakeholder workshop. Individual stakeholder discussions took place with:

- Hastings BC Economic Development
- Hastings BC Property
- Hastings BC Planning Policy
- South East LEP
- SeaChange Sussex
- Locate East Sussex
- East Sussex County Council Cultural Team
- Rother DC Economic Development and Estates
- Rother DC Planning Policy

- Local property agents Dyer and Hobbs
- Stakeholder workshop including some businesses, members of the above organisations and local property developers

10.42 Key messages from the interviews and workshop are set out in summary below and explored in more detailed thereafter. They go on to inform several aspects and conclusions of this report.

10.43 The consultations explored commercial market supply, demand and future trends in the local authorities and which economic sectors are growing and influencing demand and supply; alongside any supply-side interventions. As both authority areas share an interconnectedness, there was a distinct overlap in terms of common themes. Distinctions are made when differences between the local authorities arise but generally, there is a commonality between the ‘Hastings / Bexhill’ market as perceived.

- The **manufacturing sector** is locally resilient and contains some long-standing and high performing companies including in electronics.
- The **creative industries sector** is growing and well suited to the local environment including design, web, gaming, arts, visual arts, performing arts. Some small business locations are supporting such activity.
- Local employment and skills constraints are creating a tight labour market for those seeking to employ skilled workers.
- The baseline econometric forecasts for the ongoing decline in manufacturing do not correlate with the local outlook which is stable if not positive.
- There are challenges in the town centre environment and retailing in particular.
- The area’s accessibility is weak which disincentivises inward investment. The Bexhill – Hastings link road has been a positive enabler, however.
- There is a real lack of industrial property on the market which is constraining business in identifying suitable premises. Vacancies are very low restricting business choice and little development is coming forward.
- High land values, cost of finance, environmental constraints and high build costs combined with local rent expectations disincentivise new build office / industrial developments which is identified as a **market failure**.
- The role of SeaChange Sussex, in particular, is to tackle market failure by bringing forward land and premises for commercial development.
- The industrial market is particularly tight and seeing suppressed demand across unit types and sizes. The office market is less buoyant, particularly in Hastings. Demand is more focused on smaller flexible units.

10.44 A more detailed breakdown is presented below.

Office

Current Stock

- 10.45 In terms of the office market, stakeholders identified a mismatch between existing office stock and current occupier demands. Existing vacant office stock largely sits within the town centres, notably Hastings town centre, which tends to be older secondary stock not attractive to the market. There are examples of where newer town centre space (Priory Square) has attracted tenants however the limited strength of demand and viability challenges have minimised new stock being brought forward. Success has been more identifiable out of town on newer office parks however both in and out of town developments are largely being driven by the public sector (SeaChange Sussex).
- 10.46 Almost all consultations identified that site constraints such as expensive infrastructure costs, environmental restrictions, site abnormalities and a lack of flat land create issues for speculative developers for both office and industrial development. This is limiting the future pipeline of office (and is equally limiting industrial stock development).
- 10.47 Much of the existing office floorspace is occupied by local businesses. A lack of high-speed rail connections to London means that much of the business ecosystem survives independently of the wider region.
- 10.48 Ashdown House, one of the largest offices for the civil service in Hastings, has received permission to be converted to residential under permitted development as the occupiers (formerly DWP) have moved to the town centre. However, there is little broader evidence that permitted development is affecting the office market in both local authorities. There are examples of prior approvals in Hastings town centre which have not yet been implemented.

Activity

- 10.49 Much of the demand for offices comes from local businesses. One of the effects is that local agents do not upload available space online particularly to national databases such as CoStar. There is also limited agency coverage as the market is smaller which can have a degree of self-insulating effect. The local office demand that exists relates particularly to business occupiers looking to expand their operations or upgrade existing premises. Demand exists for both freehold and leasehold and deals for space. Agents describe demand as subdued and weak in Hastings centre with little need for further land to be developed beyond the current pipeline in the medium term.

- 10.50 In terms of rental transactions, offices typically command rents at around £10 to £12 psf, sometimes £17 or £18 psf, but only for prime floorspace. Consultations established that unique occupier demands can sustain prime rents of £18. At this level, a new speculative build would be viable on appropriate sites and the right financial or funding package proposal.
- 10.51 SeaChange Sussex is a significant publicly funded developer acting in Hastings and Rother. SeaChange uses forward funding in its developments to help address market failures. In particular, this relates to the lack of supply-side activity being brought forward to meet demand. The organisation has developed the Priory Quarter development in Hastings Town Centre (150,000 sqft) which has seen good occupation with 25,000 sqft taken up by DWP albeit being a relocation from elsewhere in the area, as well as 46,000 sqft purchased by Saga.
- 10.52 SeaChange has also built 25,000 sqft of offices being Glovers House as part of the Bexhill Enterprise Park, a building designed with flexible accommodation with the potential to host multiple occupiers or meet the need for one occupier across an entire floorplate. In 2016 Park Resorts took all of the building under a single deal. Rother District Council have now acquired the freehold of the building with the secure tenancy.
- 10.53 The second phase of Bexhill Enterprise Park is a building called High Weald House, 25,000 sqft of offices which completed in 2018 and already has lined up several lets. Rents in these buildings typically achieve around £16 to £17 psf, which is near the top end of the local market.
- 10.54 The buildings that are expected to be delivered in the future pipeline are expected to have a larger number of smaller occupants, as opposed to large tenants such as Park Resorts. This does reflect local market demand which appears to be more centred on a range of smaller managed office spaces as well as mid-sized floorplates for existing businesses.
- 10.55 Outside of general services office space, creative industries were noted to be a growth sector in the area. This includes those involved in the design, web development, gaming, visual arts and performance. The physical workspace requirements of these sectors vary considerably. An example of this space is Rock House in Hastings, which is an incubator space set over nine floors providing coworking and living space for the creative industries and has strong take-up. This has been a success in an untested market. The Creative Media Centre in Hastings offers small serviced flexible workspaces in the town centre whilst Claremount Studios is an artist's studio space in St Leonards.
- 10.56 The creative workspace includes incubators, accelerators, co-working spaces, managed workspace, makerspaces and artists' studios. Future users are expected to be microbusinesses across creative

businesses as well as biotech, business services and the charity sector. Different types of workspace suit various business models from membership or pay-per-day without a long lease. Some open workspaces also offer more 'dedicated' spaces that tenants can move into as they become established and scale-up. Stakeholders consider Hastings, in particular, to have further growth potential in this sector and therefore the related workspace demand.

Office Summary

- 10.57 There is limited demand for new office space, much of which is driven by local needs for start-up, growing space or better quality premises for existing local occupiers. There is a very limited stock being brought forward by the private sector and this is constraining growth as firms are having difficulty finding office stock that can meet their requirements. Developments that have been brought forward have seen take-up in the key market space of smaller flexible premises and mid-sized footprints up to 30,000 sqft. There is still expected to be further demand in this range.
- 10.58 SeaChange is a publicly funded developer acting due to market failure alongside limited new private sector activity. There is a pipeline of further office space to come forward at Bexhill Business Park. The flexibility of future floorplates, and their adaptability to businesses from a wide range of sizes, is key in the current market.
- 10.59 Key growth areas in the future are reported as the Hastings-Bexhill Link Road Corridor (A2690) and near Barnhorn Green along the A259. Further residential development will help to support ancillary commercial development opportunities, and the areas will also serve as key traffic corridors between the town centres and outer business and industrial parks. There is considered to be some latent demand for town centre office space for Grade A property (for those seeking better premises) as well as smaller flexible space.
- 10.60 SeaChange also indicated that their floorplates are made to be flexible to account for the dynamic needs of future occupiers who may require space. At present, however, their most recent tenant, Park Holidays UK, took up the entirety of Glover's House at nearly 30,000 sqft.
- 10.61 Flexible workspace both in a traditional office, as well as a more adaptive creative workspace (which may fall under B1c light industrial or D Class community), is considered to experience future demand. This could support affordable and flexible workspace focused on the town centre environment supported by access to the range of local amenities.

Industrial

Current Stock

- 10.62 Similar to the office market, much of the industrial market in Hastings and Rother comprises older stock often being at least 30 to 40 years old, aptly described as “cheap but not cheerful”. Overall, demand in the industrial market is currently strong, outperforming offices. Much of this is driven by existing local manufacturing and high-tech companies looking to expand but finding suitable larger premises in short supply across both local authorities but particularly in and around Hastings.
- 10.63 It was noted that businesses across the size bands including notably micro-businesses have limited options for grow on space and typically no space available at current premises.
- 10.64 As with offices, and even more so due to lower average rent, consultations identified that because of high land values, cost of finance, and high build costs, developments often remain unviable or at best are marginal. In addition to other abnormalities, constructing access roads has made developments unviable.
- 10.65 Compounding the issues with industrial stock is the recent matter of industrial floorspace being redeveloped for other uses. The supply of industrial stock is now very limited. In the past 6 months, it has been reported that there are specific examples of large industrial units that have been converted to storage units.
- 10.66 Rother District Council manages a portfolio of industrial workspace let at commercial rents with the majority being smaller units. This is currently fully occupied with known additional demand for those seeking 1,000 to 3,000 sqft.
- 10.67 Hastings also has a large portfolio of 63 direct lets on small industrial premises and 2 business centres, with just 1 vacancy (summer 2019). There is a waiting list to access property such is the demand. Occupancy is largely local businesses and the stock is typically 5,000 sqft, with a lack of smaller premises to meet demand.

Activity

- 10.68 As noted, there is little private sector-led development activity due to viability challenges relating to environmental constraints including a lack of flat developable land and competing uses. Rural office units and other local transactions that may not be recorded have played a somewhat influential role in the rural marketplace and economy.

- 10.69 In terms of rents, a standard 5,000 sqft property that is of aged stock, not prime, is achieving £5 psf. Slightly newer buildings are achieving £5.50 to £6 psf, dependent on size and location.
- 10.70 In terms of typical rental activity, there's also a "usual" churn of 1,500 sqft floorplates, but recently stakeholders noted that there is significant lack of new supply and other available stock was built before 2000 not meeting the current demand profile.
- 10.71 As with offices, demand tends to be local and vacant properties are not always recorded on national databases, particularly for smaller stock. This can be a disincentive to inward investors who are unable to identify where stock is available. This is partly counteracted by Locate East Sussex which acts as an inward investment agency identifying suitable premises for potential occupiers.
- 10.72 As noted, the key drivers for industrial occupiers are replacement demand for the older stock and growing or remodelling existing businesses. There is demand across the size spectrum but notably includes medium and larger premises up to 100,000 sqft which are not currently available. Rye Harbour is a notable exception compared to Rother, where take-up has accelerated in the last 5 years with new space coming forward, such as Rastrum - a self-storage facility, and further applications coming through the planning system. Further opportunities for B2 and B8 development could exist in that location.
- 10.73 The businesses that tend to be in Hastings and Rother, according to stakeholders, stay within the local authority areas and move up within the stock, providing the majority of market activity.
- 10.74 The baseline econometric projections forecast a significant decline in manufacturing employment over the next 20 years however this conflicts with the views of local stakeholders on the performance and resilience of the sector. Employment projections forecast a loss of around 930 manufacturing jobs in the 2019-39 period in Hastings and 440 in Rother. When broken down to a more detailed 2-digit level, it is revealed that 554 of those jobs lost in Hastings are accounted by three sub-sectors: Manufacture of fabricated metal products, Manufacture of computers, and Manufacture of electrical equipment. In Rother, the loss from the same sub-sectors accounted for 109 of these job losses.
- 10.75 Stakeholders determined that the national forecasts and shift-share make-up of the local forecasts fail to take into account the local nature of the Hastings and Rother market and economy. National trends like automation are considered in many local industries to have already caused a downsizing and response to the use of technology over labour. In this context, the competitiveness of local industries is considered not to be reflected in contraction forecast in the baseline forecasts.

- 10.76 Hastings has a sizeable group of small and medium-sized specialist companies manufacturing firms ., This includes Marshall-Tufflex, whose products cable management systems, HG Aerospace, Kurt J Lesker, Technoturn, and other firms like TE Connectivity, which makes electrical connections in extreme locations such as drilling rigs and wiring looms for racing cars. Bespoke Corbeau / Luke Racing Systems makes racing seats for formula one.
- 10.77 BD Foods makes condiments, soups for airlines and restaurants, in a 46,000 sqft factory. One stakeholder noted that the firm would take on more space if they could but faced difficulties in finding vacant usable space.
- 10.78 In terms of computer manufacturing and electronics, General Dynamics officially operates in the defence industry, and have been concentrated in Hastings but also have a major base in Wales. Their employment has fluctuated between the local authority and the base in Wales, thus causing fluctuations in historic data.
- 10.79 Given the strength and depth in local manufacturing and the supply chain that these companies support, the view of stakeholders was one of stability in the sector and resulting property market. A number of the firms reported require new space to replace outdated stock or to meet new business model requirements but are constrained by the lack of supply.
- 10.80 Skills availability is reported as constraining the local economy and particularly at higher technical skill levels such as for manufacturing or general industry and development. Stakeholders also commented that broader customer based skills such as telesales and marketing or wider office-based occupations are strained.

Industrial Summary

- 10.81 There are understood to be supply issues affecting the Hastings and Rother industrial markets. Marginal viability is constraining new supply coming forward despite there being identifiable demand across the size band spectrum. Much like the office market, a “supply-side” solution has been identified as being required to resolve market failure and sites are being progressed by SeaChange Sussex to this end.
- 10.82 Requirements are being driven primarily by local demand which comes from a combination of meeting demand to replace ageing inadequate stock or through growing businesses needing new accommodation. The demand profile ranges from small sub 5,000 sqft, 35,000 sqft to 55,000, and up to 100,000 sqft.

10.83 Freehold is of particular interest to industrial occupiers. The market was noted to need good quality and flexible business space that can be repurposed across B Class or B1 mixed uses readily.

Supplementary Findings

Locate East Sussex: East Sussex Land Supply Review

10.84 Following the main property market review and stakeholder consultation the East Sussex Land Supply Review was completed and provided to GL Hearn (February 2020). The main findings as provided being as below. These largely correlate with the preceding review.

- Generally, a substantial agent caseload of business moves in Hastings and Bexhill area, mostly re-circulating businesses with limited inward investment.
- Highways infrastructure and accessibility of the area highlighted as a primary reason for lack of inward investment by agents.
- Little incubator effect.
- Stock is mostly older, lower grade but affordable and not in urgent need of renewal. The cost of renewal generally exceeds the residual value so the incentive is limited.
- Self-storage is a growing and popular B class use but maybe limiting the market by reducing available B class space for other industry.
- Local preference is for leasehold, in opposition to the national trend for acquiring freeholds.
- Demand for B1c/B2 and B8 is steady, demand for office is declining, but flexible and “co-working space” is rising.
- The vacancy rate is too low, there’s no headroom. Amount of land available to develop new industrial premises and land is insufficient.
- There is an unmet need for “large” (10,000ft) accommodation.
- Development is heavily reliant on public funds and in most cases speculative rather than demand-led.
- Developments similar to Chaucer Business Park (Polegate); Swallow (Hailsham) and Eastside (Newhaven) drive investment. Units are shell specification with partitions that can be readily moved to provide the flexibility of use.
- LPA’s and agents could potentially forge better linkages at a strategic level to better enable development and attract good quality developers, and employment land policies should be set out in Local Plans.

Commercial Market Assessment - Key Points

- Both Hastings and Rother have a local market that relies heavily on “born and grown” businesses, with strong industrial and office demand, along with transaction and availability data not being documented on CoStar. Despite the statistical differences, there is no perception of boundaries between the authorities from the commercial and occupier markets, rather a Bexhill / Hastings market.
- Office floorspace has declined in Hastings by 12% and by 2% in Rother since 2001, however much of this decline can be attributed to a data correction from the VOA in 2005-2006 with some growth seen in the period that followed.
- Office take-up has been relatively low by the number of deals in Hastings and Rother as compared to East Sussex. An average of 57,036 sqft of office floorspace is transacted per annum in Hastings as compared to 13,297 sqft in Rother. Deals tend to concentrate in higher size-bands in Hastings as compared to Rother, and thus would be more likely to be recorded.
- There is more office availability in Rother as compared to Hastings.
- Industrial floorspace has decreased by 7% in Hastings and has increased by 9% in Rother since 2001. In Hastings, most of this decline occurred between 2006 and 2010, after which floorspace has been increasing, more so in Rother.
- Industrial take-up has been relatively low by the number of deals in Hastings and Rother as compared to East Sussex. An average of 27,370 sqft of industrial floorspace is transacted per annum in Hastings as compared to 44,859 sqft in Rother. Deals tend to concentrate in somewhat higher size-bands in Rother as compared to Hastings. A lack of availability is constraining take up. Rye Harbour has seen more industrial development in the past five years.
- There is an acute shortage of industrial floorspace in both Hastings and Rother according to data analysis and stakeholder feedback. A lack of vacancy in the market for choice and churn is having adverse effects on local existing (growing) or would-be occupiers.
- There are limited office park and industrial developments across the two local authorities except for those being driven by SeaChange including Bexhill Enterprise Park and Queensway sites at Hastings.
- Older industrial units are cited as not meeting the needs of current occupiers. However, viability issues are constraining private and speculative development. A public sector “supply-side” solution is considered necessary to bring new stock to the area and allow existing companies to grow. This role is being taken on by SeaChange Sussex in relation to B1 development.
- Specific manufacturing sectors such as electronics were noted to be particularly strong and have a formidable local supply chain. Experts also disagreed with future employment projections demonstrating a decrease in jobs, noting that automation and decreased demand would not affect these industries.

11 EMPLOYMENT LAND REQUIREMENTS

- 11.1 In this section, we consider the demand for employment land and floorspace over the period from 2019-39. The section considers requirements for employment land in the B1, B2 and B8 use classes. The analysis is of 'demand' for employment land and does not take account of any supply-side factors such as existing employment land allocations or commitments. This section does go on to consider the current supply-side and the demand-supply balance as a result.
- 11.2 As completions data is available for the 2012-19 period the forecast need considers the 2019-39 period drawing on the Oxford Economics labour demand forecasts.
- 11.3 When considering the scale of future needs the Planning Practice Guidance (PPG, 2019) requires consideration of:
- sectoral and employment forecasts and projections (labour demand)
 - demographically derived assessments of future employment needs (labour supply techniques)
 - analysis based on the past take-up of employment land and property and/or future property market requirements
- 11.4 There are relative benefits of each approach. Econometric forecasts take account of differences in expected economic performance moving forward relative to the past, overall concerning the sectoral composition of growth. However, a detailed model is required to relate net forecasts to use classes and to estimate gross floorspace and land requirements. Baseline projections take account for national trends but may not reflect local circumstances which are reflected in a locally adjusted model.
- 11.5 Labour supply modelling is based on economically active persons derived from modelling future population changes associated with housing growth and changes in demographic structure. This relies on an understanding of future housing delivery and the relationship between labour supply and demand. This needs to be converted to floorspace needs through a modelling exercise as with labour demand.
- 11.6 In contrast, past take-up is based on the actual delivery of employment development; but does not take account of the implications of growth in labour supply associated with housing growth nor any potential differences in economic performance relative to the past. It is also potentially influenced by past land supply policies or constraints which are notably the case in Hastings and Rother.
- 11.7 The quantitative evidence is supplemented by the wider analysis of the market and economic dynamics. In the case of Hastings and Rother, it is particularly of note that local conditions require a

particular view to be taken in terms of the type and level of intervention required to support local growth.

Labour Demand Scenarios

11.8 This section takes forward the economic growth forecasts. This includes a scenario based on the baseline Oxford Economics forecast and a second scenario based on the adjusted local forecast.

Baseline Scenario

11.9 The Baseline Scenario considers the quantum of employment land required to support the increase of 930 jobs (2019-39) in Hastings and an increase in Rother of 2,668 jobs as shown in the Oxford Economics baseline forecast.

11.10 GLH has converted the forecasts for total employment by sector into forecasts for Full-Time Equivalent (FTE) employment through analysis of the proportion of full- and part-time jobs in the two areas on a sector by sector basis.

11.11 Table 79 shows the percentage of full-time workers in each sector. This is used in relating the forecasts for total employment to expected growth in Full-Time Equivalent (FTE) employment which is used in calculating employment floorspace and land requirements.

Table 79: **Full-Time Equivalent (FTE) Employment Conversions**

Industrial Sector	% of Full Time Workers (Hastings)	% of Full Time Workers (Rother)
Agriculture and Mining	95%	96%
Manufacturing	95%	94%
Utilities	96%	97%
Construction	93%	93%
Wholesale and retail trade	75%	78%
Transport and Warehouse	90%	89%
Accommodation and F&B Service	71%	75%
Media and IT	92%	92%
Professional Services	88%	89%
Business support services	85%	80%
Public Administration & Defence	80%	85%
Education	75%	75%
Health and Social Care	81%	75%
Arts, Recreation, and Other Services	80%	78%

Source: GL Hearn analysis of 2017 BRES data

11.12 This provides a figure for the net change in the number of FTE jobs in each sector over the plan period. The baseline OE forecasts show a net jobs growth of 761 FTE jobs over the period 2019-39 in Hastings and 2,194 in Rother across all use classes.

11.13 GL Hearn has considered the proportion of employment in each of these sectors which is likely to take place in an office or R&D floorspace (Use Classes B1a and B1b), light industrial floorspace (Use Classes B1c), general industrial floorspace (Use Class B2), and warehouse/distribution floorspace (Use Class B8). To do this, we have calibrated our standard model which relates sectors and use classes for the Hastings and Rother economies through interrogation of the current composition of employment in key sectors at 2-digit SIC level. This calibration provides an estimate of the proportion of FTE jobs in each sub-sector, which are currently located on each type of employment land (or other use class) in Hastings and Rother. The modelling assumes that this proportion will hold moving forwards. This approach has been used to derive the following forecasts of net growth in FTE employment by B-class use over the plan period:

Table 80: **Baseline Scenario – FTE Job Growth by B-Class Sector, 2019-30 Hastings**

	2019-2024	2024-2029	2029-2034	2034-2039	Total 2019-39
B1a/b	280	110	80	60	530
B1c/B2	-230	-280	-260	-240	-1,010
B8	30	10	-20	-20	0
Total B-Class	80	-170	-190	-200	-480

Source: Oxford Economics / GL Hearn (numbers may not sum due to rounding)

Table 81: **Baseline Scenario – FTE Job Growth by B-Class Sector, 2019-39 Rother**

	2019-2024	2024-2029	2029-2034	2034-2039	Total 2019-39
B1a/b	300	180	160	120	760
B1c/B2	-100	-130	-120	-110	-460
B8	40	20	0	-10	50
Total B-Class	250	70	40	0	360

Source: Oxford Economics / GL Hearn (numbers may not sum due to rounding)

11.14 To these figures, we have applied employment densities taking account of the *HCA Employment Densities Guide: 3rd Edition* (Drivers Jonas Deloitte, 2015). We have converted figures to provide employment densities for gross external floor areas (GEA) on the following basis:

- Office / R&D²⁹ (B1a/b): an average of 13 sqm GEA per employee based on a blend between business park, serviced office and general office floorspace and assuming that the gross external area of buildings is on average 20% higher than the net internal area;

²⁹ Drawing on the past ELRs and local consultation, there is limited R&D space in the local economies that might otherwise derive a lower density

- Light Industrial (B1c): an average of 49 sqm GEA per employee, assuming that the gross external area of buildings is on average 5% higher than the net internal area;
 - General Industrial (B2): an average of 38 sqm GEA per employee, assuming that the gross external area of buildings is on average 5% higher than the gross internal area;
 - Warehouse/ Distribution (B8): an average of 80 sqm GEA per employee. This is the middle of the range of employment densities for B8 activities, reflecting the range of warehousing in the authorities.
- 11.15 The 2015 HCA Employment Densities Guide takes into account lengthy consideration of the implications flexible and agile working driven by technology and increased home working. The HCA engaged directly with the British Council for Offices (BCO) in production of the guide enabling differentiation of density by office user type reflecting those more or less able to participate in flexible working.
- 11.16 The ranges in the Guide have informed assumptions regarding suitable office densities here. It is widely acknowledged that both the preference for flexible working and the permissibility of flexible working has increased in recent years (particularly in the post-covid period). However, whilst in some instances, this does reduce office requirements it has not led overall to average densities declining.
- 11.17 The British Council for Offices (2018) 'Office Occupancy: Density and Utilisation' found that between 2013 and 2018 densities had decreased from 9.9 sqm per employee to 9.6sqm per employee, suggesting that workspace requirements have to an extent 'bottomed up'.
- 11.18 What is more identifiable is the importance of floorspace quality with Activity Based Working requiring a range of working and meeting spaces as well as wider amenities to drive collaboration and well-being. The popularity of WeWork styled models across the UK and globally is particularly suited to creative and ICT businesses able to take advantage of shorter lets and quality flexible floorspace, although its presence in Hastings and Rother has yet to take hold. It is adaptable and small to medium-sized companies particularly nearer the start-up phase, supporting their growth through flexible commitments and available facilities.
- 11.19 Applying the assumed employment densities to the forecasts of net growth in jobs in B-class activities, we can derive forecasts for net changes in employment floorspace. This forecasts a net requirement for additional B-Class floorspace of -31,000 sqm in Hastings and -2,600 sqm in Rother. The breakdown by use class is shown below. These are net changes and do not take account of replacement demand, such as from existing companies requiring upgraded floorspace.

Table 82: **Baseline Scenario – Net Floorspace Growth by B-Class Use, 2019-39 (sqm)**

	Hastings	Rother
B1a/b	6,800	9,800
B1c/B2	-37,900	-17,100
B8	100	4,700
Total B Class	-31,000	-2,600

Source: GL Hearn based on Oxford Economics data

11.20 Floorspace is converted to a land area by using the following plot ratios which draw on local consultations and previous ELRs for comparable areas:

11.21 Hastings:

- for B1a/b office space, a plot ratio of 0.5 is used (i.e. it is assumed that total floorspace will comprise 50% of the site area);
- for B1c/B2 industrial space, a plot ratio of 0.5 is used;
- for B8 warehouse/distribution space, a plot ratio of 0.4 is used.

11.22 Rother:

- for B1a/b office space, a plot ratio of 0.3 is used;
- for B1c/B2 industrial space, a plot ratio of 0.3 is used;
- for B8 warehouse/distribution space, a plot ratio of 0.3 is used.

11.23 Subsequently, net floorspace was converted using the plot ratio assumptions outlined above.

Table 83: **Gross Employment Land Need – Baseline Labour Demand 2019-2039 (Ha)**

	Hastings	Rother
B1a/b	1.4	3.3
B1c/B2	-9.5	-5.7
B8	0.0	1.6
Total B Class	-8.1	-0.9

Source: GL Hearn based on Oxford Economics data

11.24 The primary driver of the decline in total B class floorspace and land in both Hastings and Rother comes from B1c/B2 losses. Other use classes see either no growth or an increase. This model contradicts feedback from local stakeholders and warrants alternative scenario exploration.

Local Scenario

- 11.25 The Local Scenario is an adjustment to the baseline scenario in consideration of stakeholder consultation, analysis of past trends and local market conditions. The adjusted employment numbers and assumptions are detailed in Chapter 4.
- 11.26 The Local Scenario considers the quantum of employment land required to support the growth of 1,884 jobs (2019-39) shown in the adjusted growth forecast for Hastings 3,158 jobs in Rother.
- 11.27 Using the same modelling assumptions as for the Baseline Scenario, GL Hearn has converted the forecasts for total employment by sector into forecasts for Full-Time Equivalent (FTE) employment. This provides a figure for the net change in the number of FTE jobs in each sector over the plan period.
- 11.28 Using the same modelling assumptions as the baseline scenario, the Local Scenario results in the following forecasts of net growth in FTE employment by use class over the period 2019-2039:

Table 84: Local Scenario – FTE Job Growth by B-Class Sector, 2019-39 Hastings

	2019-2024	2024-2029	2029-2034	2034-2039	Total 2019-39
B1a/b	280	110	80	60	530
B1c/B2	-20	-20	-30	-30	-100
B8	30	10	-20	-20	0
Total B-Class	290	90	40	10	430

Source: Oxford Economics / GL Hearn (numbers may not sum due to rounding)

Table 85: **Local Scenario – FTE Job Growth by B-Class Sector, 2019-39 Rother**

	2019-2024	2024-2029	2029-2034	2034-2039	Total 2019-39
B1a/b	300	180	160	120	760
B1c/B2	10	10	0	0	20
B8	40	20	0	-10	50
Total B-Class	350	200	160	110	820

Source: Oxford Economics / GL Hearn (numbers may not sum due to rounding)

- 11.29 Applying the employment densities to the forecasts of net growth in jobs in B-class activities, we can derive forecasts for net changes in employment floorspace. This forecasts a net requirement for additional B-Class floorspace of 3,600 sqm in Hastings and 15,000 sqm in Rother as below.

Table 86: **Growth Scenario – Net Floorspace Growth by B-Class Use (sqm), 2019-39**

	Hastings	Rother
B1a/b	6,800	9,800
B1c/B2	-3,300	500
B8	100	4,700
Total B Class	3,600	15,000

Source: GL Hearn based on Oxford Economics data

- 11.30 Converting to land requirements as in the baseline scenario results in a need for 0.6 ha of employment land to meet development needs in the Hastings and 5.0 ha in Rother.

Table 87: **Net Employment Land Need – Local Labour Demand Scenario 2019-2039 (Ha)**

	Hastings	Rother
B1a/b	1.4	3.3
B1c/B2	-0.8	0.2
B8	0.0	1.6
Total B Class	0.6	5.0

Source: GL Hearn based on Oxford Economics data

- 11.31 For Hastings, the Local Scenario forecasts an employment land requirement of 0.6 ha which is 8.7 ha greater than the Baseline Scenario (-8.1 ha). For Rother, the Local Scenario forecasts an employment land requirement of 5.0 ha that is 5.9 ha greater than the Baseline Scenario (-0.9 ha).
- 11.32 This net position suggests limited floorspace growth is required however the scale is not commensurate with the local engagement undertaken, as considered further below.

Labour Supply Scenario

- 11.33 Labour supply scenarios consider the effects of increased labour supply on the generation of employment and employment land needs.
- 11.34 The labour supply scenarios considered are derived from the standard methodology requirements for the authorities being:
- Hastings 216 jobs per annum or 4,320 jobs over the Plan period
 - Rother: 384 jobs per annum or 7,680 jobs over the Plan period
- 11.35 Of note, these jobs growth figures are higher than the baseline labour demand forecasts as well as the growth scenarios developed for labour demand.
- 11.36 As the Oxford Economics forecasts are partly constrained by population projections, an increase in labour supply may enable growth in employment across a range of sectors. However, it is not logical to assume that sectors forecast to decline would do so at a greater rate with increased labour supply and in fact, the number of these such as education and retail the rate of decline is estimated to be reduced, as these sectors relate to the size of the population. Therefore, the approach undertaken has been to distribute the increase in employment proportionately across the range of sectors using a 2 digit sub-sector approach, except for those declining in manufacturing and agriculture, mining, utilities, wholesale, and public admin & defence which are held steady. Table 88 reports on the resulting position.

Table 88: **Jobs Growth by Sector, Baseline and Labour Supply Scenario, 2019-2039**

Local Authority	Hastings		Rother	
Addl' Emp 2019-39	4,320 additional jobs		7,680 additional jobs	
Sector	Baseline Demand	Labour Supply	Baseline Demand	Labour Supply
Agriculture & forestry	-13	-13	-104	-104
Mining	0	0	-61	-58
Manufacturing	-1,045	-1,045	-497	-497
Utilities	0	0	-1	-1
Water & waste	-76	-76	-14	-14
Construction	522	1,164	964	2,339
Wholesale & retail	-119	-119	90	217
Transport & storage	-57	-37	-22	-1
Hospitality	194	433	332	806
Info and comms	50	127	88	226
Finance & insurance	-15	11	-55	-55
Real estate	117	261	104	253
Prof, sci and tech	241	538	412	1,000
Admin & support	316	704	386	936
Public admin & defence	-304	-304	-65	-65
Education	-145	-145	116	281
Healthcare	970	2,165	617	1,497
Arts & recreation	250	558	267	647
Other services	44	98	113	273
Total	930	4,320	2,668	7,680

Source: Oxford Economics and GL Hearn (numbers may not sum due to rounding)

- 11.37 Applying the same assumptions as for the labour demand modelling, additional B-Class floorspace requirements are for 29,000 sqm in Hastings and 43,600 sqm in Rother. The requirement equivalent equates to 6.2 ha in Hastings and 14.5 ha in Rother. The increased labour supply drives greater demand for office-based and warehousing based employment.

Table 89: **Labour Supply Scenario –Growth by B-Class Use, 2019-39**

	Hastings (sqm)	Rother (sqm)	Hastings (ha)	Rother (ha)
B1a/b	20,700	26,500	4.1	8.8
B1c/B2	900	2,600	0.2	0.9
B8	7,500	14,600	1.9	4.9
Total B Class	29,000	43,600	6.2	14.5

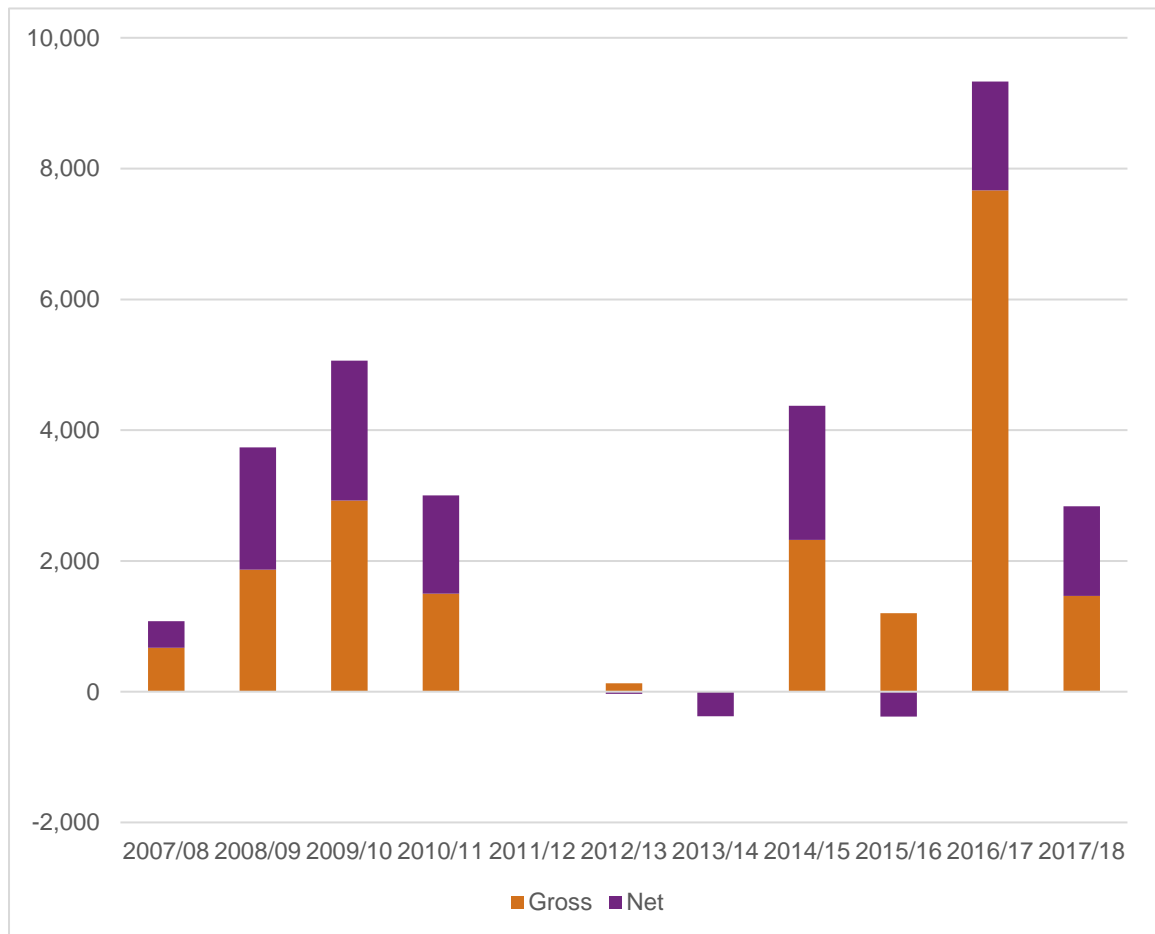
Source: GL Hearn based on Oxford Economics data

11.38 The labour supply suggests that the increase in population will increase employment requirements, particularly in the office-based sectors. However, the housing requirement associated with this level of population growth may not be realised through the final Local Plan process. As a result, the labour supply is an unreliable driver for employment needs. This model also assumes that current commuting ratios are static and therefore that more residents lead to higher local employment. In reality, the level of out commuting may increase with population growth.

Past Completions Trend - Hastings

11.39 GL Hearn has considered data for completions of B class floorspace for Hastings over the period from 2007 to 2018 based on the authority development monitoring data. The completions analysis does not consider extant planning permissions as those are examined in the supply and demand balance section of the report.

Figure 53: Completions 2007-18: Hastings (sqm)



Source: Hastings Borough Council

- 11.40 Detailed information has been provided for the 2012 to 2018 period. This identifies that 50% of gross gains were in B8 floorspace, 20% in B2 and 20% in B1a and 10% in B1c. The annual average was 2,130 sqm. The 2016/17 period saw gross gains in B8 of 5,483 sqm but losses in B1c of 4,865 sqm, activity primarily in the Hollington area. In 2014/15 Havelock Place was developed for B1a in Hastings Town Centre (2,320 sqm gross gain).
- 11.41 In terms of losses, 30% were in B1a and 60% in B1c averaging 1,414 sqm per annum. The net change was, therefore, a total of 4,300 sqm gained annualised at 716 sqm per annum.
- 11.42 For further historic years, summary gains and losses have been provided. The long term trend is set out below. This indicates a higher annual average of completions which is particularly driven by the 2008/09 schemes of Lacuna Place and Haywood Way (8,091 sqm and 4,150 sqm). Lacuna Place will be largely occupied by the Department for Work and Pensions (along with the Havelock Place building). On balance, this particular development is considered to be an outlier and an adjusted trend is reported as an average gross completion of 2,389 and net of 1,436 sqm.

Table 90: **Hastings - Past Floorspace Completions, 2008-18**

	Gains	Loss	Net
2007/08	671	265	406
2008/09	14,109	0	14,109
2009/10	2,922	780	2,142
2010/11	1,500	0	1,500
2011/12	n/a	n/a	n/a
2012/13	128	-158	-31
2013/14	0	-378	-378
2014/15	2,320	-270	2,051
2015/16	1,202	-1,581	-379
2016/17	7,665	-6,001	1,664
2017/18	1,465	-95	1,371
Total	31,982	-7,438	22,455
Average	3,198	-744	2,246
Exc Lacuna Place / Havelock	2,389	-744	1,436

Source: Hastings Borough Council

- 11.43 The analysis of floorspace type as an annual average is set out below. Detailed floorspace modelling was available for the dates of 2012-18 and used to apportion Use Classes for the longer-term trend covering 2007-12. Subsequently, these figures have been rolled forward by 20 years across the length of the Plan period.

Table 91: Annual and Projected Floorspace Requirements, Hastings (sqm)

Use Class	Gross Completions (Annual)	Net Completions (Annual)	Gross Completions Projected 19-39	Net Completions Projected 19-39
Mixed B	24	-313	478	-6,265
B1	0	0	0	0
B1a	495	87	9,898	1,733
B1c	189	-1,320	3,783	-26,400
B2	482	861	9,635	17,221
B8	1,199	2,122	23,986	42,431
Total	2,389	1,436	47,780	28,720

Source: Hastings Borough Council

- 11.44 The use classes were consolidated as per the same use class categories for the other labour demand and supply forecasts. Each category was assumed to have 1/3 of mixed B-class floorspace.

Table 92: Annual and Projected Floorspace Requirements, Hastings (sqm)

Employment Area (Ha)	Gross Completions (Annual)	Net Completions (Annual)	Gross Completions Projected 19-39	Net Completions Projected 19-39
B1a/b	503	-18	8,967	-177
B1c B2	679	-563	12,105	-5,620
B8	1,207	2,017	21,527	20,124
Total	2,389	1,436	42,599	14,326

Source: Hastings Borough Council

- 11.45 These floorspace outputs were then multiplied according to the plot ratios in each use class, the results of which are detailed below:

Table 93: Annual and Projected Land Requirements, Hastings (ha)

Employment Area (Ha)	Gross Completions (Annual)	Net Completions (Annual)	Gross Completions Projected 19-39	Net Completions Projected 19-39
B1a/b	0.1	0.0	1.8	-0.1
B1c B2	0.2	-0.1	3.0	-1.4
B8	0.3	0.5	5.4	5.0
Total	0.6	0.4	10.2	3.5

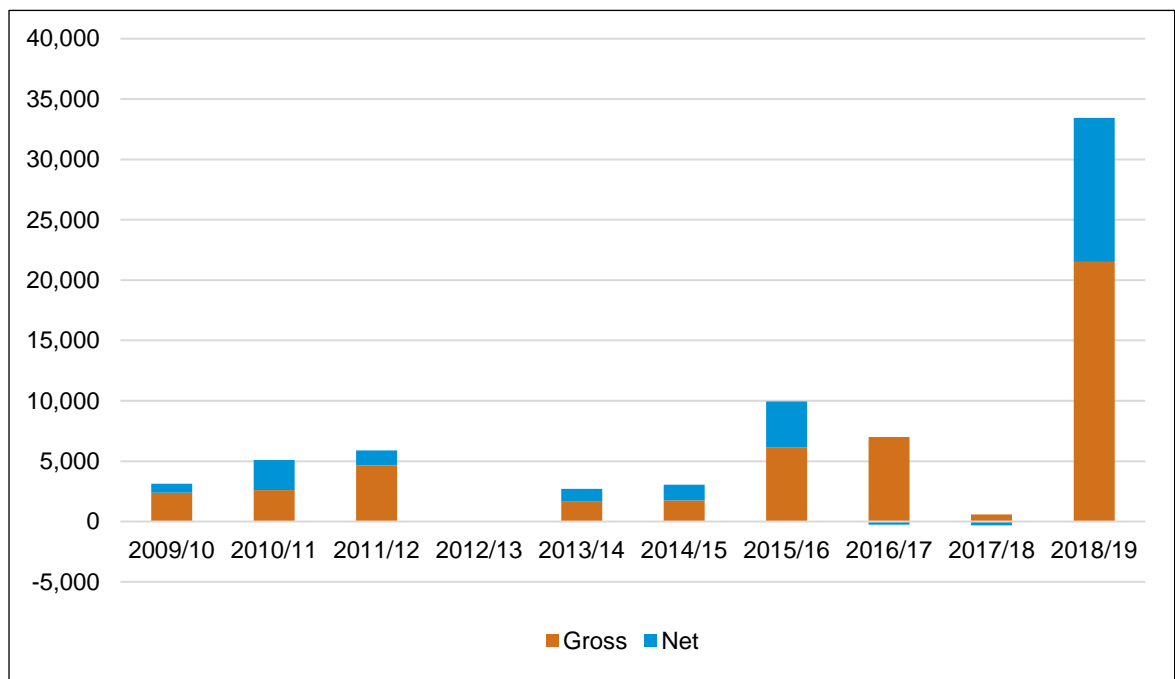
Source: Hastings Borough Council

- 11.46 Thus, gross completions trends project an additional need for 42,599 sqm or 10.2 ha to 2039, whereas net completions project 14,326 sqm or 3.5 ha. Gross completions reflect the total new build taking place in the area either on existing or new sites but do not reflect sites lost through redevelopment, either to commercial or residential premises. Projecting forward only the net position would under-estimate need, particularly as the market is known to be under-supplying floorspace.

Past Completions Trend - Rother

11.47 GL Hearn has considered data for completions of B class floorspace for Rother over the period from 2009 to 2018 based on the authority development monitoring data. Again, the data does not consider extant planning permissions when analysing this trend, which is examined in the supply and demand balance section of the report.

Figure 54: Completions 2009-18: Rother (sqm)



Source: Rother District Council

11.48 Detailed information has been provided for the 2009 to 2018 period. This identifies that 6% of gross gains were in B1a/b floorspace, 19% of gross gains were in B1c/B2 floorspace, and 52% of gross gains were in B8 floorspace. A further 7% was in B Class (undefined) and 16% in B1 mix. The annual average was 4,830 sqm.

11.49 In terms of losses, 21% were in B1a/b floorspace, 47% in B1c/B2 floorspace and 4% in B8 floorspace. 26% of losses in floorspace, however, were a mix of B-class floorspace. Losses averaged 2,628 sqm per annum.

11.50 The net change was annualised at 2,202 sqm per annum driven by gains in B8 and B1 mix, compensating for losses in B2 and other categories.

- 11.51 Rother District Council has identified that the Churchfields development at Harbour Road, Rye Harbour (2018) including a total of 19,475 sqm of B8 gross (a loss of 7,675 sqm was also included) should be considered as an outlier. This results in an adjusted net annual gain over the period of 1,022 sqm with gains in B1, B8 and B1c/B2 compensating for losses in B Class (mix) and B1a. The long-term trend is set out below.

Table 94: **Rother - Past Floorspace Completions, 2009-18 (sqm)**

Year	All Development		Exc Churchfields	
	Gross	Net	Gross	Net
2009/2010	2,378	758	2,378	758
2010/2011	2,598	2,498	2,598	2,498
2011/2012	4,636	1,244	4,636	1,244
2012/2013	41	-31	41	-31
2013/2014	1,638	1,081	1,638	1,081
2014/2015	1,752	1,296	1,752	1,296
2015/2016	6,131	3,827	6,131	3,827
2016/2017	7,012	-258	7,012	-258
2017/2018	596	-319	596	-319
2018/2019	21,514	11,921	2,039	121
Total	48,296	22,017	28,821	10,217
Average	4,830	2,202	2,882	1,022

Source: Rother District Council

- 11.52 The floorspace by use class as an average annual figure is rolled forward by 20 years, the length of the Plan period. The data excluding Churchfields has been used as the completions model base as below.

Table 95: **Annual and Projected Floorspace Requirements, Rother (sqm) exc Churchfields**

Employment Area	Gross Completions (Annual)	Net Completions (Annual)	Gross Completions Projected	Net Completions Projected
Mixed B	338	-334	6,754	-6,674
B1	761	724	15,212	14,484
B1a	293	-266	5,858	-5,312
B1b	0	0	0	0
B1c	340	189	6,794	3,786
B2	568	241	11,362	4,826
B8	583	466	11,662	9,324
Total	2,882	1,022	57,642	20,434

Source: Rother District Council

- 11.53 The use classes were consolidated in the rows below with the same assumptions as used in Hastings.

Table 96: **Annual and Projected Floorspace Requirements, Rother (sqm) exc Churchfields**

Employment Area (Ha)	Gross Completions (Annual)	Net Completions (Annual)	Gross Completions Projected 19-39	Net Completions Projected 19-39
B1/B1a/B1b	1,167	347	23,321	6,947
B1c/B2	1,021	319	20,407	6,387
B8	696	355	13,913	7,099
Total	2,882	1,022	57,642	20,434

Source: Rother District Council

11.54 These floorspace outputs were then multiplied according to the plot ratios.

Table 97: **Annual and Projected Land Requirements, Rother (ha) exc Churchfields**

Employment Area (Ha)	Gross Completions (Annual)	Net Completions (Annual)	Gross Completions Projected 19-39	Net Completions Projected 19-39
B1a/b	0.4	0.1	7.8	2.3
B1c B2	0.3	0.1	6.8	2.1
B8	0.2	0.1	4.6	2.4
Total	1.0	0.3	19.2	6.8

Source: Rother District Council

11.55 Thus, gross completions trends project an additional need for 57,642 sqm or 19.2 ha to 2039, whereas net completions project 20,434 sqm or 6.8 ha to 2039. As with Hastings, net completions will not be a true representative of future needs as will build in losses that may be constraining the market. Gross trends will include sites that are direct redevelopments so may overstate the need for additional land but may build in an overall undersupply if the market has experienced a level of failure and under delivery.

Flexible Margin

11.56 Before finalising the labour demand floorspace needs, it is considered good practice to apply a flexible margin. A 2-year margin has therefore been added to the labour forecasting requirements. This is derived from the annual gross completions trend (adjusted) and allows some flexibility of provision to compensate for factors such as delays in some sites coming forward for development, allows for a vacancy (5-10% in normal market conditions) and market choice.

11.57 This margin is a contingency factor, providing a modest additional buffer so that supply is not too tightly matched to estimated demand. The South East England Planning Partnership Board (SEEPB) guidance on employment land assessments recommends an allowance that is equivalent to the average time for a site to gain planning permission and be developed, typically about two years.

11.58 The flexible margin represents two years of gross average employment floorspace and will be applied to all labour demand and supply scenarios. The use-class components of the margin are provided in Table 98.

Table 98: **Flexible 2-yr Margin, Hastings and Rother**

	Hastings +2yr Flex Margin (sqm)	Hastings +2yr Flex Margin (ha)	Rother +2yr Flex Margin (sqm)	Rother +2yr Flex Margin (ha)
B1a/b	1,006	0.2	2,332	0.8
B1c B2	1,358	0.3	2,041	0.7
B8	2,415	0.6	1,391	0.5
Total	4,778	1.1	5,764	1.9

Source: GLH Analysis of Council Data

Replacement Demand

11.59 Consultation with the stakeholders and property industry in Hastings and Rother has indicated that there is considerable demand for new premises from existing business occupiers due to ageing stock. This suggests that additional development will be required over and above that forecast through the scenarios to ensure a functional local economy. There are various approaches to considering how to calculate this replacement requirement. Firstly, to review past losses of employment floorspace that would represent aged stock that has fallen out of use, or land lost to alternate uses due to the floorspace no longer being viable. This model attempts to reprovide lost stock

11.60 In Hastings, replacement of an indicative 50% of average annual losses would be an equivalent of 372 sqm per annum over the residual Plan Period being 7,440 sqm or 1.8 ha in total.

11.61 In Rother, replacement of an indicative 50% of average annual losses would be an equivalent of 930 sqm per annum (excluding Churchfields) over the residual Plan Period being 18,604 sqm or 6.2 ha in total. This replacement demand model provides modest needs particularly in the case of industrial floorspace which is known to be constrained. A model-driven by replacing losses is not considered to be suited to dealing with an ageing and constrained stock dynamic.

Table 99: Replacement demand floorspace, Hastings and Rother: 50% of losses method (Plan Period)

	Hastings*		Rother	
	SQM	Ha	SQM	Ha
Mixed B	935	0.2	6,714	2.2
B1	0	0.0	364	0.1
B1a	2,095	0.4	5,585	1.9
B1b	-	-	-	-
B1c	4,353	1.1	1,504	0.5
B2	0	0.0	3,268	1.1
B8	58	0.0	1,169	0.4
Total	7,440	1.8	18,604	6.2

Source: Rother & Hastings Councils / GL Hearn

* Use Class split not available before 2014, therefore the 2014-18 apportionment has been assumed

11.62 Alternately, in commercial industry, it is common that around 1% to 1.5% of total stock needs to be replaced each year reflecting a typical building life of up to 35 years for an industrial unit. In the case of Hastings and Rother, where much of the existing stock is reportedly aged and lack of development causing pressures on the commercial market, this is considered to be a more suitable method than replacing losses - particularly for industrial stock. Using VOA data for 2016 (most recent year) the following table sets out the replacement demand requirement calculated as 1% replacement stock (VOA do not differentiate warehousing and general industrial).

Table 100: Replacement demand floorspace, Hastings and Rother: VOA stock method

	Hastings	Rother
Current stock (industrial) sqm	270,000	268,000
Current stock (office) sqm	84,000	44,000
1% stock (industrial) sqm	2,700	2,680
1% stock (office) sqm	840	440
Future Local Plan (20yr) requirement (industrial) sqm	54,000	53,600
Future Local Plan (20yr) requirement (office) sqm	16,800	8,800
Local Plan requirement (industrial) ha	10.8	17.9
Local Plan requirement (office) ha	3.4	2.9

Source: VOA / GL Hearn

Summary of Need: Quantitative Recommendations

11.63 This section concludes the overall land need based on the various labour demand, labour supply and completions trend scenarios. It does not, however, take into account the current supply based on planning permissions or allocations, which will be discussed in the supply and demand section.

Hastings

11.64 The tables below summarise the various scenarios considered for Hastings.

Table 101: **Forecast Floorspace Requirements, Hastings, 2019-39 (sqm)**

Scenario		Ba1a/b	B1c/B2	B8	Total	+ Margin	+ Replacement	= Total
Baseline	2019 – 39	7,000	-47,500	-	-40,500	4,800	Ind 54,000 Off 16,800	35,100
Local		7,000	-4,000	-	3,000			78,600
Labour Supply		20,500	1,000	7,600	29,100			104,700
Completions	2019-39 (net)	-500	-7,000	20,000	12,500	N/A	N/A	12,500
	2019-39 (gross)	9,000	15,000	21,600	45,600			45,600

Source: GLH analysis

Table 102: **Forecast Land Requirements, Hastings, 2019-39 (ha)**

Scenario		Ba1a/b	B1c/B2	B8	Total	+ Margin	+ Replacement	= Total
Baseline	2019 – 39	1.4	-9.5	0.0	-8.1	1.1	Ind 10.8 Off 3.4	7.2
Local		1.4	-0.8	0.0	0.6			15.9
Labour Supply		4.1	0.2	1.9	6.2			21.6
Completions	2019-39 (net)	-0.1	-1.4	5.0	3.5	N/A	N/A	3.5
	2019-39 (gross)	1.8	3.0	5.4	10.2			10.2

Source: GLH analysis

11.65 The scenarios range from 12,500 sqm (net completions) to 104,700 sqm (labour supply with replacement demand). The baseline labour demand with replacement demand is closer to the gross completions at around 40,000 sqm.

11.66 The labour supply-driven scenario assumes the standard methodology housing requirement's labour supply. However, as noted the housing requirement will be set through the Local Plan process and should not be considered as a preferred scenario here.

- 11.67 In terms of office requirements, the range other than for labour supply is fairly narrow. Whilst historically the net position has been essentially neutral, it is recommended that in planning positively for a need of around 2.0 ha or 10,000 sqm is allowed for. This incorporates the labour demand need (7,000 sqm) plus a flexible margin component for offices (1,000 sqm) and the lower level of replacement demand determined through reprovision of losses (2,000 sqm). This still exceeds the longer-term gross completion trend. The office market in Hastings is relatively subdued, however where development has taken place it is led to occupation suggesting latent demand.
- 11.68 In terms of industrial floorspace, the baseline labour demand position suggests a future loss, with a reduced level of loss reported in the historic net trend. The gross completion trend is more positive and indicates dynamism and need in the market. Evidence gained through stakeholder discussions and market analysis reports that there is, in fact, a strong need for industrial property which the market is struggling to deliver and as a result is harming local businesses.
- 11.69 It is therefore recommended that around 51,500 sqm of employment land is considered as a requirement essentially driven by a need for replacement stock going forwards (54,000 sqm) but whilst allowing for limited employment change (-4,000 sqm under the local scenario) and a margin of 1,500 sqm. It assumes that some further losses will occur on existing sites. It also allows for an increased disconnect between employment density and floorspace requirements factoring more automated and advanced working practices. This rate of growth would more closely reflect the recent 2010 to 2016 industrial floorspace growth as reported by the VOA in Hastings, being 1,800 sqm per annum or 36,000 sqm over the plan period rolled forward. This does, however, follow a period of decline between 2006-10. Notwithstanding the recent growth, the market remains constrained and therefore growth above the current rate is considered reasonable.
- 11.70 For warehouses, the labour demand position is essentially neutral. However, the completions trends data demonstrates that there is a need for warehousing space. It is recommended that 20,000 sqm of warehousing land is planned for equal to gross and net completions. In land-use planning terms, the differentiation between general industrial and warehousing should only be recognised in so far as ensuring sufficient larger plots are available. Therefore, the replacement demand requirement attributed to the industrial need does not need to be attributed to warehousing.
- 11.71 In summary, it is recommended for Hastings that the land need is:
- **2.0 ha offices (10,000 sqm)**
 - **10.3 ha industrial (51,500 sqm)**
 - **5.0 ha warehousing (20,000 sqm)**
 - **17.3 ha total (81,500 sqm)**

Rother

11.72 Table 103 provides a summary of the various scenarios considered for Rother.

Table 103: **Forecast Floorspace Requirements, Rother, 2019-39 (SQM)**

Scenarios		Ba1a/b	B1c/B2	B8	Total	+ Margin	+ Replacement	= Total
Baseline	2019 - 39	9,900	-17,100	4,800	-2,400	5,800	Ind 53,600 Off 8,800	65,800
Local		9,900	600	4,800	15,300			83,500
Labour Supply		26,400	2,700	14,700	43,800			112,000
Completions	2019-39 (net)	6,900	6,300	7,200	20,400	N/A	N/A	20,400
	2019-39 (gross)	23,400	20,400	13,800	57,600			57,600

Source: GLH analysis

Table 104: **Forecast Land Requirements, Rother, 2019-39 (ha)**

Scenarios		Ba1a/b	B1c/B2	B8	Total	+ Margin	+ Replacement	= Total
Baseline	2019 - 39	3.3	-5.7	1.6	-0.9	1.9	Ind 17.9 Off 2.9	21.8
Local		3.3	0.2	1.6	5.0			27.7
Labour Supply		8.8	0.9	4.9	14.5			37.2
Completions	2019-39 (net)	2.3	2.1	2.4	6.8	N/A	N/A	6.8
	2019-39 (gross)	7.8	6.8	4.6	19.2			19.2

Source: GLH analysis

11.73 The scenarios range from 20,400 sqm (net completions) to 112,000 sqm (labour supply led). The baseline line, local scenario (both including replacement demand) and gross completions have a narrower range from around 60,000 to 80,000 sqm. As with Hastings, the labour supply-driven scenario assumes the standard methodology housing requirement's labour supply. However, the housing requirement will be set through the Local Plan process and should not be considered as a preferred scenario here.

11.74 It is recommended that for office needs 21,000 sqm is planned for as is equivalent to the labour demand scenarios 9,900 sqm plus the office component of flexible margin 2,300 sqm with replacement demand incorporated 8,800 sqm. This essentially exceeds the net completions with an allowance for replaced losses.

- 11.75 As with Hastings, the baseline labour demand position for industrial floorspace suggests future losses, and local scenario indicates no growth. However, completions trends have been positive. Replacement demand issues are apparent in Rother in terms of ageing stock and the need to provide new alternatives for existing businesses. The preferred model for industrial replacement demand is around 53,600 sqm. This also reflects the relatively strong growth in industrial stock as reported by the VOA seen over the 2009-16 period, averaging over 3,000 sqm per annum. This rolled forward would exceed 60,000 sqm over the plan period, although the long run 2001-16 VOA industrial floorspace change (1,500 sqm per annum) would be 30,000 sqm of future need.
- 11.76 With limited labour growth forecast, the replacement demand and margin requirements have driven the quantitative need amounting to 55,600 sqm. This is therefore considered to be an appropriate requirement over the Plan Period allowing for market needs and assuming some losses of older stock. However, considering stock growth reported by the VOA post-recession there is potential to exceed this figure.
- 11.77 The forecasts to indicate some limited demand for warehousing. Completions data indicates that this has mostly been in smaller sites. It is recommended that 10,500 sqm for warehouses is planned for broadly between the net and gross position.
- 11.78 **In summary, it is recommended for Rother that the land need is:**
- **7.0 ha offices (21,000 sqm)**
 - **18.5 ha industrial (55,600 sqm)**
 - **3.5 ha warehousing (10,500 sqm)**
 - **28.5 ha total (87,100 sqm)**

Land supply and balance of need

- 11.79 Hastings and Rother Council have supplied information on their current land supply which comprises sites with planning permission and allocated sites. These are set out below.

Hastings

- 11.80 Table 105 draws on monitoring data from Hastings Borough Council to establish the land supply associated with current allocated sites.

Table 105: Available supply, Hastings (allocations)

	Quantum	Size	Comment	Status	Assumed remaining (sqm)	Assumed remaining (ha)
LRA6 Queensway North Queensway	9,700	4.7	B1 / B2, premises 25,000 – 120,000 sqft	Granted 09.02.17 for 2,818 sqm, Granted 03.08.17 for 226 sqm	6,656	3.2
LRA7 Land at the junction of The Ridge West and Queensway	6,000	3.4	Larger industrial plots		6,000	3.4
LRA8 Land in Whitworth Rd, The Ridge West	6,000	2.5	Larger plots		6,000	2.5
GH9 Site NX2 Sidney Little Rd, Churchfields	770	0.3	Small units B2		770	0.3
GH10 Site RX2, Sidney Little Road, Churchfields	910	0.2	Small units B2		910	0.2
GH11 Site NX3 Sidney Little Road, Churchfields	920	0.2	Small units B2		920	0.2
HTC6 Priory Quarter, Havelock Road	21,700	2.5	Town centre offices	Part of site (2320 sqm) completed 2014/15 – Havelock Place granted for change of use from B1a to hotel	19,380	2.2
HOV11 Ivyhouse Lane, northern extension	7,000	5.80	Range of industrial units		7,000	5.80
HOV12 Land east of Burgess Rd, Ivyhouse	885	0.5	Range of industrial units	pending decision for 21 units of B1/B2/B8 uses, 4,601 sqm total on land in Hastings & Rother following the outline in 2016 (885 sqm in Hastings)	0	0
Total	53,885	20.1			47,636	17.8

Source: Hastings Borough Council

11.81 The above estimates a total of 47,636 sqm and 17.8 ha of employment space across a range of premises. Also, there are further commitments as reported below which (net) equate to an additional 4,051 sqm.

Table 106: **Available supply, Hastings (commitments)**

Use Class	Gains (including sites under construction)		Losses (including sites under construction)	
	New build / extensions / redevelopment	Change of use between B-uses	Permitted development B1a, B1c & B8 to C3	Change of use to non-B class uses
B1a	579	0	-886	-3,359
B1c	3,374	0	-380	-16
B2	771	278	0	-690
B8	3,140	766	-638	-405
Mixed B uses	2,561	0	n/a	0
TOTAL	10,425	1,044	-1,904	-4,470

Source: Hastings Borough Council

11.82 Considering the above there is a total supply of 47,442 sqm of employment floorspace in Hastings as identified below. Industrial units have been disaggregated between sites suited to larger or smaller units based on allocation type and suitability.

11.83 As land (Ha) is only a product of plot ratios, it is important to focus on floorspace need. This indicates a significant shortfall in future floorspace, particularly industrial. Office supply is brought forward almost exclusively by Priory Quarter at Havelock Road.

Table 107: **Total demand/supply, Hastings**

Use Class / Type	Supply		Demand	
	Sqm	Ha	Sqm	Ha
Office	15,135	2.2	10,000	2.0
Industrial (smaller sites)*	10,151	4.7	71,500	15.3
Industrial (larger sites)**	22,156	12.0		
Total	47,442	18.9	81,500	17.3

* includes commitments and 50% HOV11

** includes 50% HOV11

Source: Hastings Borough Council

Rother

11.84 Table 108 draws on data from Rother District Council to establish the land supply associated with current allocated sites.

Table 108: **Available supply, Rother (allocations, gross)**

	Quantum SQM	Size* Ha	Comment
DaSA Policy MAR1 - Land at Felons Field, Marley Lane	3,000	1.0	Mix of industrial/warehousing
Saved RDLP 2006 Policy EM4 - Land at Rutherfords Business Park	2,700	0.9	Mix of light industrial
Sedlescombe NP Policy 5 - Land at Sedlescombe Sawmills	1,115	0.4	Mix of industrial
Total	6,815	2.3	

* assumed at ratio 0.3

Source: Rother District Council

11.85 Also, there are further commitments as reported below which (net) equate to an additional 97,687 sqm or approximately 32.6 ha.

Table 109: **Available supply, Rother (commitments)**

Use Class	Gross (permissions)		Net (permissions)		Gross (construction)		Net (construction)	
	Sqm	Ha (assumed)	Sqm	Ha (assumed)	Sqm	Ha (assumed)	Sqm	Ha (assumed)
B1a	12,837	4.3	10,400	3.5	2,947	1.0	2,783	0.9
B1a-c	3,352	1.1	3,352	1.1	20,353	6.8	20,353	6.8
B1c	2,964	1.0	699	0.2	2,644	0.9	1,968	0.7
B2	2,093	0.7	2,093	0.7	7,120	2.4	6,490	2.2
B8	2,135	0.7	372	0.1	6,460	2.2	6,206	2.1
Mixed B uses	40,991	13.7	40,571	13.5	2,400	0.8	2,400	0.8
Total	64,372	21.5	57,487	19.2	41,924	14.0	40,200	13.4

Source: Rother District Council

11.86 Of the above, the following have been identified as larger (greater than 4,000 sqm) sites:

- 11,742 sqm B1a-c Bexhill, Bexhill Enterprise Park (construction)
- 7,000 sqm B1a Bexhill, Worsham Farm - Land North of Wrestwood Road (planning)
- 6,550 sqm B1a-c Bexhill, Bexhill Enterprise Park – Escarpment B site (construction)
- 33,500 sqm B mixed Bexhill, Buckholt Lane - Land at, Bexhill (planning)
- 4,601 sqm B mixed Hastings Fringe, Burgess Road - Land at, Ivyhouse Lane Industrial (planning)
- 6,460 sqm B8 Rye Harbour, Icklesham, The Saltings (planning), which also includes 2,830sqm of B1a and 4,150sqm of B2

11.87 Overall there is a total supply of 103,642 sqm or 34.5 ha of employment land in Rother as identified below. Industrial units have been disaggregated between sites suited to larger or smaller units based on type and suitability.

Table 110: **Total demand/supply, Rother**

Use Class / Type	Supply*		Need	
	Sqm	Ha	Sqm	Ha
Office inc Bexhill Ent. Park	31,925	10.6	21,000	7.0
Industrial (smaller sites)	23,636	7.9	66,100	22.0
Industrial (larger sites)	48,081	16.0		
Total	103,642	34.5	87,000	29.0

* Differences between total allocations and commitments occur due to limited losses at allocated sites
Source: Rother District Council

11.88 On an authority level alone the above suggests that there may be some limited overprovision of both offices and industrial floorspace however these disregards the integrated nature of the local economy with Hastings, as considered further below. It also assumes that all planned commitments will come forward, which may not necessarily be the case. Bexhill Enterprise Park has been assumed as an office development however as a B mix it could be used flexibly to meet demand.

Quantitative Integrated Needs of the FEMA

11.89 The FEMA reviews integrate Hastings and Rother and the commercial market review similarly does not differentiate the two authorities, rather considering an integrated Bexhill and Hastings market. It is appropriate to consider the effects of integrating the demand and supply dynamics of the two areas. This enables Rother to absorb 'unmet needs' within Hastings.

Table 111: **Total land demand/supply, Hastings & Rother FEMA**

Use Class / Type	Supply		Demand		Balance	
	Sqm	Ha	Sqm	Ha	Sqm	Ha
Office	47,060	12.8	31,000	9.0	+16,060	3.8
Industrial (smaller sites)*	33,787	12.6	137,600	37.3	-33,576	3.3
Industrial (larger sites)**	70,237	28.0				
Total	151,084	53.4	168,500	46.3	-17,416	7.1

Source: Preceding tables

- 11.90 The emphasis in the table above should be put on floorspace as land hectareage is a product of floorspace via plot ratio assumptions. These will vary particularly if Hastings historic tighter urban plots are replaced by more generous out of town in the future. Floorspace figures indicate that there remains an overall shortfall in floorspace provision of around 17,000 sqm but this is in excess of 30,000 sqm for industrial needs. The apparent 'oversupply' of offices should be treated with caution given the flexible permission at Bexhill Enterprise Park and as there is a large volume of commitments in Rother without certainty in implementation.
- 11.91 GL Hearn does not recommend reducing supply or allocations in office floorspace given the above and the regeneration aspirations of both the authorities. However, consideration should be given to further needs for industrial floorspace. What is considered essential is the deliverability of existing allocations and commitments. The relationship between this quantitative assessment and the qualitative needs is explored below.

Qualitative Needs - Driving growth

- 11.92 The above provides a quantitative indication of the need for the two authorities over the plan period. Through the consultation, it has been made clear that there is a level of market failure in the Hastings and Rother local property market, with new supply (notably speculative development) unable to respond to demand due to a range of factors including land prices and abnormal costs of infrastructure.
- 11.93 Within this environment, the public sector must continue to play a leading role in the delivery of commercial floorspace. SeaChange Sussex has delivered several successful office developments and plays an important function. The delivery of industrial units, of which commitments exist for some locations notably Queensway Innovation Park, should be considered a priority.
- 11.94 The economic evidence suggests that there are some key local growth sectors, notably construction (including repair and maintenance), manufacturing, ICT, tourism, healthcare and the arts / creative industries. In property market terms provision of industrial premises, serviced offices, flexible office space and general flexible hybrid and creative space will play a fundamental role in ensuring economic growth. Given that the economy is relatively localised in its nature the need to ensure a supply of suitable commercial premises is heightened as constraints on business needs may lead to stagnation or contraction that will be difficult to rectify. Conversely, and as evidenced in practice, market interventions can lead to new entrants or releasing existing occupier stock to enable churn.

11.95 The earlier sections of this report identify that Hastings shows the highest level of deprivation and it, therefore, suggests that the need for intervention is highest in the urban areas of the town and authority area. An aggregation of needs with Rother may lead to a greater rate of development in Rother. Regardless it suggests that proposed developments at Queensway Gateway and North Queensway Innovation Park should be prioritised as well as potential investments and programmes in Hastings town centre, such as relating to creative industries.

11.96 The qualitative commentary below is not set out by local authority area as much of the feedback particularly from stakeholders was broadly applicable to both areas as an integrated market. Specific locational references are made.

Office

11.97 Office demand is considered to be relatively subdued, particularly in Hastings. The needs profile is around mid-plate and smaller flexible office provision. Demand is largely from smaller local firms looking to scale up or find higher quality premises. This is confirmed in Hastings where the reported office quantitative need is relatively modest. The current supply is particularly driven by Havelock Place supported by SeaChange Sussex. Notwithstanding the low levels of forecast need, the programme of work and regeneration being undertaken by SeaChange at Havelock Road should be pursued. The allocation enables a positive growth approach and is expected to fulfil the Plan requirements. There are vacancies in the town which can absorb requirements for secondary space including those created by the closure of Brighton University. There may be additional requirements for Grade A space across the area that may be best met by development at Bexhill Enterprise Park in Rother in the medium term.

11.98 As reported by stakeholders there is also a need for flexible managed office space particularly for creative industries but also wider small professional businesses and those seeking flexible workspace for start-ups or a home-work supported environment. The widely reported rise of flexible workspace such as WeWork or the Regus model nationally (and globally) points to the potential demand for such touchdown space

11.99 For creatives, this can involve recycling existing office space. SeaChange's Creative Media Centre in Hastings Town Centre is a good example of such space. Strength of demand for these premises may be an indication of future needs.

11.100 At a broader level, the creative industries also require hybrid floorspace – examples include Rock House and Claremont Studios with a more live-work space concept. Provision of this accommodation

is well suited to the diverse creative sector. Although an untested market there is considered to be further latent demand for creative industries specific space to support economic growth. Town centre locations are most appropriate for such space. There is likely to be further limited demand for live work accommodation, using existing facilities occupation as a benchmark for performance. In response to this demand Rother District Council has started to develop the Beeching Road Studios

- 11.101 In Rother the supply of office space is stronger, driven by Bexhill Enterprise Park. The planned total floorspace is greater than the forecast demand which may indicate local market insight reported by SeaChange and LocateEastSussex.
- 11.102 As noted, there is broadly a mismatch between supply and demand for general office space with a preference for smaller managed office spaces or newer quality mid-plate units up to 30,000 sqft. Secondary space in Hastings town centre may be difficult to let in the medium term and a programme of intervention to ensure a refreshed supply should be considered a priority.
- 11.103 As with other parts of the country, there will be a degree of differentiation and overlap between in and out of town markets, for example between Hastings town centre and Bexhill Enterprise Park. It is viable to pursue development in both centres.
- 11.104 It is evident that the private development market, particularly for speculative development, is very weak in Hastings and Rother and that the public sector will need to continue to support interventions.

Industrial

- 11.105 There is good evidence of some medium-sized and smaller industrial and manufacturing businesses in the area. There are almost no vacancies across the existing industrial stock including publicly owned – including those managed by Rother District Council and Hastings Borough Council - and general open market. The current stock is ageing which is both unattractive to those seeking accommodation and problematic for occupiers.
- 11.106 There is a need for a range of unit types from sub 5,000 sqft to mid-sized 30,000 sqft to 50,000 sqft and some reported demand for larger properties of 100,000 sqft. Both freehold and leaseholds are desirable. There are noted viability issues which relate often to abnormal and infrastructure costs. The need which jointly reaches some 26.0 ha (industrial) or 33.5 ha (including warehousing) is for the vast majority driven by replacement demand requirements. The perimeters of the urban areas have been indicated the most appropriate location for additional stock to come forward however some of

this replacement may be met through the redevelopment of existing older stock sites coming through as windfalls.

- 11.107 The pipeline supply of stock as identified above appears to be diverse and potentially meeting market needs, therefore ensuring deliverability and the right type of stock offer is important. Two developments of Queensway North and Queensway Gateway will play a key role in ensuring the pipeline of development for larger premises which are required by the market alongside allocations at Battle, Churchfields and Ivyhouse Lane across Hastings and Rother for smaller premises. The deliverability of these allocations may need to be tested in so far as ensuring development viability or considering alternative intervention (public sector).
- 11.108 Additional existing smaller unit developments akin to the Elva Business Centre in Bexhill managed by Rother District Council (essentially full at present) would suit smaller requirements. Other good examples include Chaucer Business Park (Polegate); Swallow (Hailsham) and Eastside (Newhaven)
- 11.109 Notwithstanding the supply, it is of note that there is currently limited industrial property under construction at the main urban areas, other than perhaps at Rye harbour, and this matter requires urgent examination.
- 11.110 Demand for warehousing floorspace is not considered separately from industrial. Historically the emphasis has been on smaller storage areas and therefore dedicated B8 floorspace outside of general industrial areas is not considered necessary.

Employment Land Requirements: Summary Points

- As required by the PPG, three principal approaches have been explored for employment need being labour demand, labour supply and completions trend scenarios. Each of these has limitations and these are particularly the case in Hastings and Rother where market failure has occurred leaving past trends and future forecasts as unlikely to fulfil economic needs.
- Past trends will reflect historic market underperformance and labour forecasts may not reflect issues with existing stock or not suitably recognised local issues, particularly the case in the baseline forecasts which reflect national and regional trends.
- A flexible margin and replacement demand calculation have been included on top of future labour requirements from the 'local scenario' which adjusts forecasts to local conditions. The replacement demand, in particular, seeks to ensure an increase in commercial property needs to replacement unsuitable existing stock which is constraining business.
- Considering the balance of requirements, the recommended need is driven by the locally adjusted labour demand model with a factor of replacement demand. This equates to 81,500 sqm for Hastings and 87,000 sqm for Rother. This is driven by replacement demand of existing industrial premises which has been identified by local stakeholders as a key future requirement.
- The analysis of the demand and supply balance for **Hastings** is summarised below:

Use Class / Type	Supply		Demand	
	Sqm	Ha	Sqm	Ha
Office	15,135	2.2	10,000	2.0
Industrial (smaller sites)*	10,151	4.7	71,500	15.3
Industrial (larger sites)**	22,156	12.0		
Total	47,442	18.9	81,500	17.3

- The analysis of the demand and supply balance for **Rother** is summarised below:

Use Class / Type	Supply		Need	
	Sqm	Ha	Sqm	Ha
Office inc Bexhill Ent. Park	37,074	8.5	21,000	7.0
Industrial (smaller sites)*	14,915	3.7	66,100	22.0
Industrial (larger sites)**	48,081	12.0		
Total	100,070	24.4	87,000	29.0

- The need for offices is forecast to be limited and balanced across smaller and mid-sized offices (under 30,000 sqft) of higher quality and managed workspace, either for sale or lease.
- There is a need for more creative hybrid flexible workspaces for creative industries. However, it is recommended that floor plates of all sizes be encouraged to ensure growth in the office market.
- Industrial premises are needed across the size bands both at the smaller sub 5,000 sqft end but also mid-plate up to 100,000 sqft. A lack of available premises is constraining business activity, due to local development costs and worsened by ageing stock. There is a lack of churn and choice that occurs in a functioning property Market without which growth and investment are constrained.
- It is of note that the nature of the FEMA for Hastings and Rother suggests that the existing unmet need in Hastings cannot be met through the oversupply presently reported in Rother. As a result, the overall needs of Hastings and Rother may require additional land to be allocated to optimise business growth and economic regeneration.
- The FEMA, in particular Hastings, does suffer from challenges including low economic activity rates, high unemployment and reliance on some key sectors. This illustrates how crucial a positive supply of premises to support local sectors and growth is. It also indicates that the Hastings urban area, with the highest levels of deprivation, should be prioritised for intervention.
- As indicated by market and council officer consultations, lack of viable new supply in the market is constraining the growth of new and existing businesses. Land supply has thus been accounted for in these forecasts but also with a justified need for the provision of new land.
- The evidence indicates that the role of the public sector is essential in intervening in the property market which is experiencing ongoing market failure. SeaChange Sussex has delivered the main office developments in recent years which have facilitated local growth or premises relocations. The delivery of new industrial premises is now a critical matter to support the local economy and the immediacy of forthcoming supply needs to be addressed as none are currently under construction.
- To fulfil the market needs and wider regeneration aspirations, there is a need to provide occupier space and sites that can encourage growth and development in the economy. The key market gaps are smaller and large industrial units as well as small business and creative space, with existing premises offerings for the latter providing a good blueprint for future development.

12 SUMMARY AND CONCLUSIONS

- 12.1 The purpose of the Housing and Economic Development Need Assessment (HEDNA) Study is to assess future development needs for housing (both market and affordable) and employment across the Hastings Borough Council and Rother District Council.
- 12.2 This study responds to and is compliant with the requirements of the Revised National Planning Policy Framework (the NPPF2) published in July 2018. It is informed by the Revised Planning Practice Guidance (PPG) published by Government in September 2018 and in particular, the housing need assessment section.
- 12.3 In analysing the HMA through commuting patterns and land registry, it was included that there was no significant relative change in housing price growth between 2011 and 2018 to indicate changing the boundaries of the Hastings and Rother HMA.

Housing Need and Population Growth

- 12.4 Planning Practice Guidance (PPG) on Housing Need Assessment sets out a standard method to be used in calculating the housing need. This is based on a three-step method which starts with the 2014-based household projections and increases these based on local affordability. The third step caps this increase to 40% although this is not relevant in the study area.
- 12.5 **The standard method results in a need for 430 dpa in Hastings and 727 dpa in Rother.** This, however, is the minimum housing need for the local authorities and Councils are encouraged to exceed this.
- 12.6 The recent rate of delivery has been 200 dwellings per annum in Hastings and 197 in Rother. This highlights that a very substantial uplift in delivery would be required to achieve the standard method requirement. The feasibility of this rate of delivery will be tested through wider evidence in the Local Plan preparation.
- 12.7 In translating this level of housing growth to population growth the PPG suggests that household formation rates would be improved, and population growth increased through migration. The report's modelling shows a growth of 11,409 persons or 12.1% in Hastings and 22,676 persons or 23.5% in Rother over the 2019-2039 period.

Economic Led Housing Need

- 12.8 Using OE data as a baseline GL Hearn has amended a set of econometric forecast based on the review of the local economic strategies, past completions trends, together with our local knowledge for the market to provide a “local scenario”. This is critical in ensuring the forecasts have a local fit and are not solely derived from regional and national trends which do not reflect local conditions.
- 12.9 For the analysis, the above forecasts are translated to a housing need. These require a set of assumptions on commuting patterns, double jobbing and economic activity rates as well as adjustments to household formation rates and migration.
- 12.10 The calculated standard method of 431 dpa housing need in Hastings would support an increase of 4,328 jobs over the 2019-39 period (216 jobs per annum). In Rother, the standard method of 727 dpa would support an increase of 7,697 jobs over the planning period or 385 jobs per annum.
- 12.11 The analysis shows that to support the local economic scenario there would need to be a provision of around 274 homes each year in Hastings and 480 in Rother. This means that there is no justification to increase housing need above the standard method in response to economic growth potential as these figures are below the housing need in the standard method.
- 12.12 However, it is of note that this economic led need does exceed the recent delivery rates of housing and therefore population may be a constraint on economic growth if delivery rates are not increased.

Affordable Housing Need

- 12.13 To assess affordable housing need a methodology is set out in the PPG which has been followed in this report. The analysis calculates an overall need for affordable housing to rent of 360 affordable units per annum in Hastings and a shortfall of 295 units per annum in Rother. The findings above are based on clearing the current need over the 20-years from 2019.
- 12.14 The Councils are therefore justified in seeking to secure as much additional affordable housing need as viability allows. It is of note that these requirements exceed the total rate of recent housing delivery in the authorities.
- 12.15 The extended definition of affordable housing includes households who can access the private rented sector but who cannot afford to buy. The NPPF states that 10% of new build developments on larger sites should be developed as such products.

- 12.16 The analysis shows that in both Hastings and Rother, there is a potential supply of low-cost homes which would address the need for those requiring an affordable home to buy. Indeed, the calculations indicate a negative need/surplus. However, there are likely to be issues within this group in terms of accessing capital (e.g. for deposits, stamp duty, legal costs) and that a target of 10% affordable home ownership products, as per the NPPF, would still be relevant although there is no evidence to suggest this target should not be exceeded.
- 12.17 Should the Councils seek to provide 10% of housing as affordable home ownership, then it is likely that shared ownership is the most appropriate option. This is because of the lower deposit requirements and lower overall costs (given that the rent would also be subsidised).
- 12.18 If the Council's do seek to deliver affordable home ownership properties, we have set out within this report an approximate cost of such homes to make them truly affordable to their target market.
- 12.19 It is additionally recommended that both Councils set up a register of people interested in affordable home ownership products in a similar way to the current Housing Register.

Housing Mix

- 12.20 The analysis linked to the standard methodology concludes that the following represents an appropriate mix of affordable and market homes across the HMA:

Table 112: **Appropriate Mix of Homes by Size and Tenure**

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market – Hastings	5-10%	35-45%	35-40%	10-20%
Market – Rother	10-15%	35-45%	30-35%	10-20%
Affordable home ownership	20-30%	35-45%	20-30%	5-15%
Affordable housing (rented) – Hastings	30-40%	30-40%	15-25%	5-15%
Affordable housing (rented) – Rother	30-40%	25-35%	20-30%	5-15%

Source: GL Hearn Housing Market Model

- 12.21 The mix identified above should inform strategic policies. In applying these to individual development sites regard should be had to the nature of the development site and character of the area, as well as the existing mix and turnover of properties at the local level and viability.
- 12.22 This study has not attempted to estimate the need for additional private rented housing however there is a growing market for such products. This will be in part addressed through the delivery of additional low-cost home ownership products but other PRS products could also address the need.

- 12.23 There is currently no evidence of interest from Build to Rent developers or investors (i.e. developments specifically for private rent) within the HMA and therefore no policy recommendation is made at this time.
- 12.24 However, such developments typically deliver a more professional and better-managed product than ad-hoc PRS products. This can lead to longer stays in such property and develop community cohesion.
- 12.25 The tenure is also capable of delivering additional affordable housing options through affordable private rent contributions. Furthermore if rents are proportionate to local incomes and/ local housing allowance rates it will provide a product suitable for those on the margins of affordability.
- 12.26 The Councils should therefore consider any proposals on their merit, including taking account of any affordable housing offer (such as rent levels and the security of tenure) and evidence that it will meet local demand.

Older Persons Needs

- 12.27 The population projections linked to the standard methodology identify a 51.7% increase in the population aged 65+ in Hastings and a 41.4% increase in Rother. The assessment identifies a need for the following levels of specialist accommodation across the HMA both now and by 2039

Table 113: **Need for Specialist Accommodation for Older People Across the HMA**

		Current shortfall/ (surplus)	Shortfall/ (surplus) by 2039
Housing with support	Rented	-174	835
	Leasehold	688	1924
Housing with care	Rented	462	886
	Leasehold	462	846
Care bedspaces		-239	1736

Source: Derived from demographic projections and Housing LIN/HOPSR/EAC

- 12.28 The majority of need is for leasehold properties with care and for more acute care bed provision.
- 12.29 Linked to the growth in older persons is the growth in those with a disability. The data shows that in general, Hastings and Rother have a higher level of disability when compared with the national position and that an ageing population means that the number of people with disabilities could be expected to increase in the future.

12.30 Key findings include a 25% increase in the number of people with a long-term health problem or disability (LTHPD) in Hastings and 36% in Rother. The data also highlights significant growth in those with dementia and those with mobility problems of all ages. This would justify the Council seeking to increase the number of M4(2) accessible homes as much as viably possible.

12.31 We have also calculated a need for 999 wheelchair accessible households. This would justify the continuation of Policy DHG4 (Accessible and Adaptable Homes) of Rother's Development and Site Allocations Local Plan (2019) which requires that sites provide affordable housing provide 5% to be M4(3) compliant. A similar policy in Hastings would also be appropriate

Students

12.32 Census data identifies that there is limited demand from students within Hastings and Rother. However, the University Centre Hastings, part of East Sussex College Group, plans to expand its offer over the next six years to 1,000 such students.

12.33 At this moment there is no need for a specific policy to address the needs for students in the HMA but this should be monitored. Any application seeking to provide purpose-built student accommodation should be treated on its merits with evidence produced to demonstrate a need.

Custom and Self-build

12.34 At present, there are less than 82 persons currently on the Self and Custom Build register in Hastings and 179 in Rother. The NPPF/PPG indicates that policies should be included in local plans relating to SCBH, whilst the level of demand in the HMA is low the Councils are legally required to still meet that demand.

Economic Development and Employment Land Need

12.35 The Hastings and Rother economies, particularly Hastings, are atypical from the region in several respects. There is lower representation in professional services and office-based activities and more reliance on manufacturing, construction, tourism and healthcare.

12.36 Whilst these sectors are stable, they require continued support including to specific sub-sectors (such as creative industries, the arts and manufacturing strengths) is important in maintaining economic stability, growth and diversification. Manufacturing, in particular, demonstrates many successful higher-value technology orientated businesses that play an important role in the economy and local supply chain and have weathered the last recession.

- 12.37 The drivers of growth in Hastings and Rother are also notably different. Hastings has seen some growth from people moving from elsewhere in the UK. Natural population decline is high in Rother as the age profile in Rother is skewed towards older age bands.
- 12.38 The economic activity rates in Hastings (70.0%) and Rother (71.4%) are lower than the South East (80.8%) region which likely reflects age differentials of the wider region compared to the two local authorities.
- 12.39 Rother also has a relatively low percentage of the population qualified to NVQ level or above (25.9%) compared to the regional rate of 42.2% but this is in part reflective of the age profile of the District. Hastings has a higher rate of 31.3%, but still lags regionally and nationally. A further focus on education could help address this as could providing suitable accommodation for higher-earning (who are typically higher qualified) individuals to attract them to the HMA.
- 12.40 Hastings has higher levels of deprivation, benefit claimants along with lower job densities and employment rates compared to the wider region and country. The local authorities also have a greater relative percentage of older people compared to the region and country. Hastings urban area notably the north-west and town centre/seafront report the highest levels of deprivation and warrant priority intervention on this basis. Rye Harbour also reports high levels of deprivation.
- 12.41 In looking at industries, a location quotient analysis was undertaken to quantify the concentration of a particular industrial sector in Hastings and Rother compared to the South East region. The purpose of the analysis was to identify sectors with particular strengths or specialisations. Rother shows higher employment in finance and Hastings in manufacturing. This is not typical of the south-east, which broadly has strengths in technical and professional services and suggests a bespoke approach is required in Hastings and Rother to ensure successful economic growth.
- 12.42 Overall, some constraining indicators are affecting the local economy including an ageing population, lower economic activity rates than average and an employment profile emphasizing healthcare, construction, tourism and real estate. Separately both public and private sector stakeholders have reported a lack of skilled workforce also constraining the growth of existing and future occupiers.
- 12.43 A detailed review has been undertaken of the local commercial property markets. This draws partly on CoStar national database data however it is of note that the relatively local nature of the Hastings and Rother markets indicates that much of the activity is not recorded on the national databases. Wide-ranging consultation has been undertaken to inform the work. This highlights serious issues of market failure in commercial property with viability issues in both areas and affecting industrial and

office properties driven by a lack of land, high prices and infrastructure costs. As a result, there has been under-delivery of stock.

- 12.44 The public sector in the form of SeaChange Sussex (alongside Locate East Sussex) has been working to bring forward sites and successful in and out of town delivery has occurred with respect to offices and a further pipeline is progressing. Industrial property sites are also under public control however delivery has not progressed to date. Rother and Hastings Councils own a portfolio of industrial stock which are essentially fully let, and it is clear there is latent demand.
- 12.45 Demand is subdued for offices with an emphasis on more occasional mid-sized floorplates (which are in the pipeline) and smaller flexible stock in and out of town. In addition, there is a need for more creative hybrid flexible workspaces for creative industries. The latter is key in this local growth sector and should build on successful local examples.
- 12.46 There is a particularly high demand for industrial properties with an existing ageing stock and essentially no vacancy for future grow-on space or more substantial space from 50,000 sqft or more, with a range of known demands. There is also a backlog of need for smaller sub 5,000 sqft property. The need is considered acute and constraining economic performance.
- 12.47 In terms of calculating future need, as required by the PPG, three principal approaches have been explored being labour demand, labour supply and completions trend scenarios. Each of these has limitations and these are particularly the case in Hastings in Rother where market failure has occurred leaving past trends and future forecasts as unlikely to fulfil economic needs.
- 12.48 In looking at these employment scenarios, we have also undertaken discussion with local authority economic development officers, local businesses, the South East Local Enterprise Partnership (SELEP), SeaChange and LocateEastSussex to gain insight into the local economy, business closures, investments or programmes that may influence the local economic performance. Two key findings were:
- Growth in the creative industries sector; and
 - Robust local manufacturing sector is driven by some small and medium-sized specialist high-value businesses and their supply chain.
- 12.49 Considering the balance of requirements, the recommended need is driven by the locally adjusted labour demand model with a factor of replacement demand. This equates to 81,500 sqm for Hastings and 87,000 sqm for Rother. The majority of both of these components is replacement demand of existing industrial premises which has been identified by local stakeholders as a key future requirement.

- 12.50 For Rother, the existing pipeline supply can meet future needs whereas there is a shortfall in Hastings. Given the integrated nature of the Hastings and Rother FEMA there remains an unmet need for industrial premises when aggregating the two areas demand-supply balance.
- 12.51 The evidence indicates that the role of the public sector is essential in intervening in the property market which is experiencing ongoing market failure. SeaChange Sussex has delivered the main office developments in recent years which have facilitated local growth or premises relocations. The delivery of new industrial premises is now a critical matter to support the local economy and the immediacy of forthcoming supply needs to be addressed as very little is currently under construction at the principle urban areas. The role of the public sector remains essential in bringing forward development to meet the needs of current and future occupiers given viability issues in the private development market.

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