Thanet Strategic Housing Market Assessment: Appendices

Thanet District Council

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Prepared by

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Contents

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Limitations

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1   HOUSING MARKET GEOGRAPHIES

1.1   This appendix seeks to consider the relevant Housing Market Area (HMA) in which Thanet District sits.

Context to defining Housing Market Areas

1.2   The NPPF sets out that (in Paragraph 47) that local planning authorities should use their evidence base to ensure that their local plans meet the full, objectively assessed needs for market and affordable housing in their housing market area. The PPG defines a housing market area as "*a geographical area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work. It might be the case that housing market areas overlap.*"

1.3   Previous studies have identified that Thanet forms part of a wider East Kent Housing Market Area (HMA). The 2009 East Kent Strategic Housing Market Assessment (Ecotec, June 2009) identified an East Kent HMA comprising the local authorities of Canterbury, Dover, Shepway, Swale and Thanet together with Chilham in the north-eastern part of Ashford District.

1.4   It is an appropriate time at which to consider if this geography remains reasonable, as information on migration and commuting flows from the 2011 Census has recently been released. GL Hearn has thus sought to consider, taking account of the latest evidence, housing market geographies.

1.5   Planning Practice Guidance indicates three primary information sources can be used in defining housing market areas:

- Patterns of house prices and rates of change in house prices, which provides a 'market based' reflection of housing market boundaries;
- Population and household migration flows, which reflect the preferences and the trade-offs made when choosing housing with different characteristics; and
- Contextual data, such as travel to work areas, which reflects the spatial structure of the labour market and the functional relationships between places where people work and live.

1.6   The three strands of information look at different aspects of household behaviour, and there is no right or wrong answer regarding what weight should be applied to different factors. What the PPG says is that:

> "*No single source of information on needs will be comprehensive in identifying the appropriate assessment area; careful consideration should be given to the appropriateness of each source of information and how they relate to one another. For example, for housing, where there are issues of affordability or low demand, house price or rental level analyses will be particularly important in identifying the assessment area. Where there are relatively high or volatile rates of household movement, migration data will be particularly important.*

*Plan makers will need to consider the usefulness of each source of information and approach for their purposes".*

CURDS-defined Housing Market Areas

1.7   The Planning Advisory Service's Technical Advice Note on *Objectively Assessed Need and Housing Targets* (PAS, July 2015) suggests that a good starting point for considering housing market geographies is a national research study on the *Geography of Housing Market Areas*, published by CLG in 2010. This was prepared by a consortium of academics led by the Centre for Urban and Regional Development Studies (CURDS) at Newcastle University has sought to define housing markets across England. As the PAS Technical Advice Note recommends, we have used this as a 'starting point' for considering the HMA geography.

1.8   The CURDS Study for CLG considers commuting and migration dynamics (based on 2001 Census data) and house prices (standardised to account for differences in housing mix and neighbourhood characteristics). This information was brought together by CURDS to define a three tiered structure of housing markets, as follows:

- Strategic (Framework) Housing Markets– based on 77.5% commuting self-containment;
- Local Housing Market Areas – based on 50% migration self-containment; and
- Sub-Markets – which would be defined based on neighbourhood factors and house types.

1.9   The Strategic and Local HMAs are mapped across England, with the Local HMAs embedded within the wider Strategic HMAs. Both are defined based on wards to provide "gold standard" geographies. A "silver standard" best fit to local authority boundaries is also shown, the use of which PAS advises on practical grounds.

CURDS Strategic (Framework) Housing Market Areas

1.10   The CURDS Study defines a "Canterbury and Ramsgate" strategic housing market area which incudes the whole of Thanet and Canterbury Districts, and parts of Swale, Ashford, and Dover as shown below. The market area is in effect centred on Canterbury, and extends to include Faversham (in Swale), Chilham and Chartham on the A28, and within Dover District includes Sandwich and Deal, but not Dover itself. This area achieved 77.5% commuting self-containment based on 2001 Census data.

**Figure 1:   CURDS 'Gold Standard' Strategic Housing Market Area**
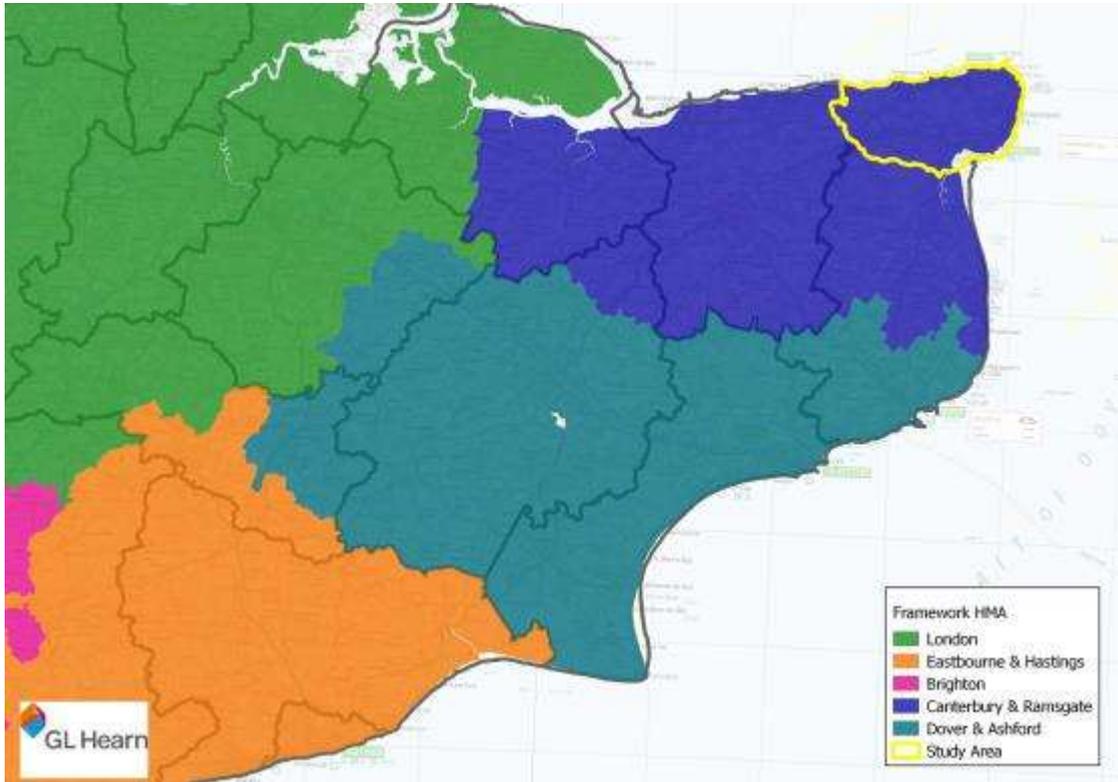
Source: CURDS/ GL Hearn

CURDS Local Housing Market Areas

1.11   Within this Strategic Housing Market Area, the CURDS Research defined four more local housing market areas, based on Canterbury, Ramsgate, Margate and Deal. These are shown in the plan below, and achieved 50% migration self-containment.

Figure 2: CURDS Local Housing Market Areas
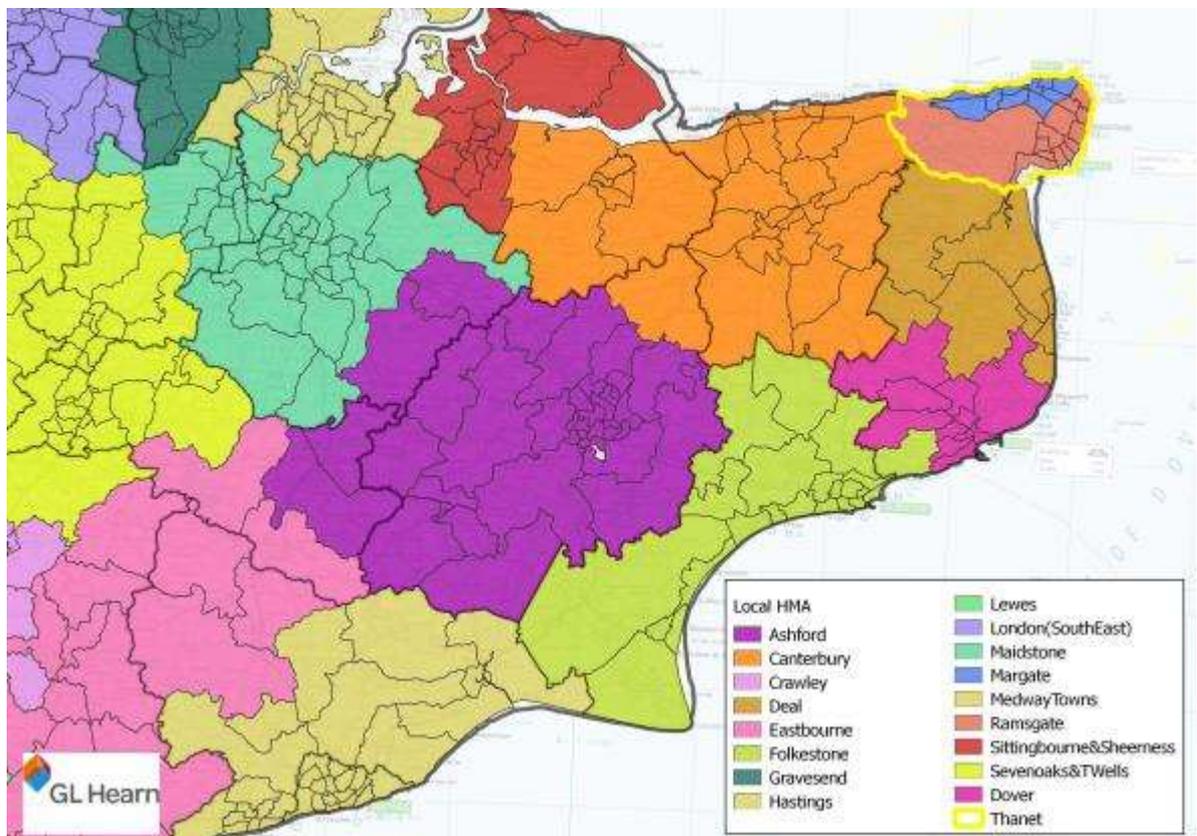
Source: CURDS/ GL Hearn

CURDS Silver-Standard Housing Market Areas

1.12   The CURDS work defined HMAs by grouping wards together. However as population and household projections are only published at a local authority basis, it is accepted standard practice to group local authorities as the "best fit" to an HMA for the purpose of establishing authorities which might reasonably work together on studies such as this.

1.13   The CURDS Research suggests a tighter definition of the HMA than the 2009 SHMA, showing an East Kent HMA which comprises Canterbury, Dover and Thanet local authority districts.

Figure 3: CURDS Silver Standard Housing Market Areas
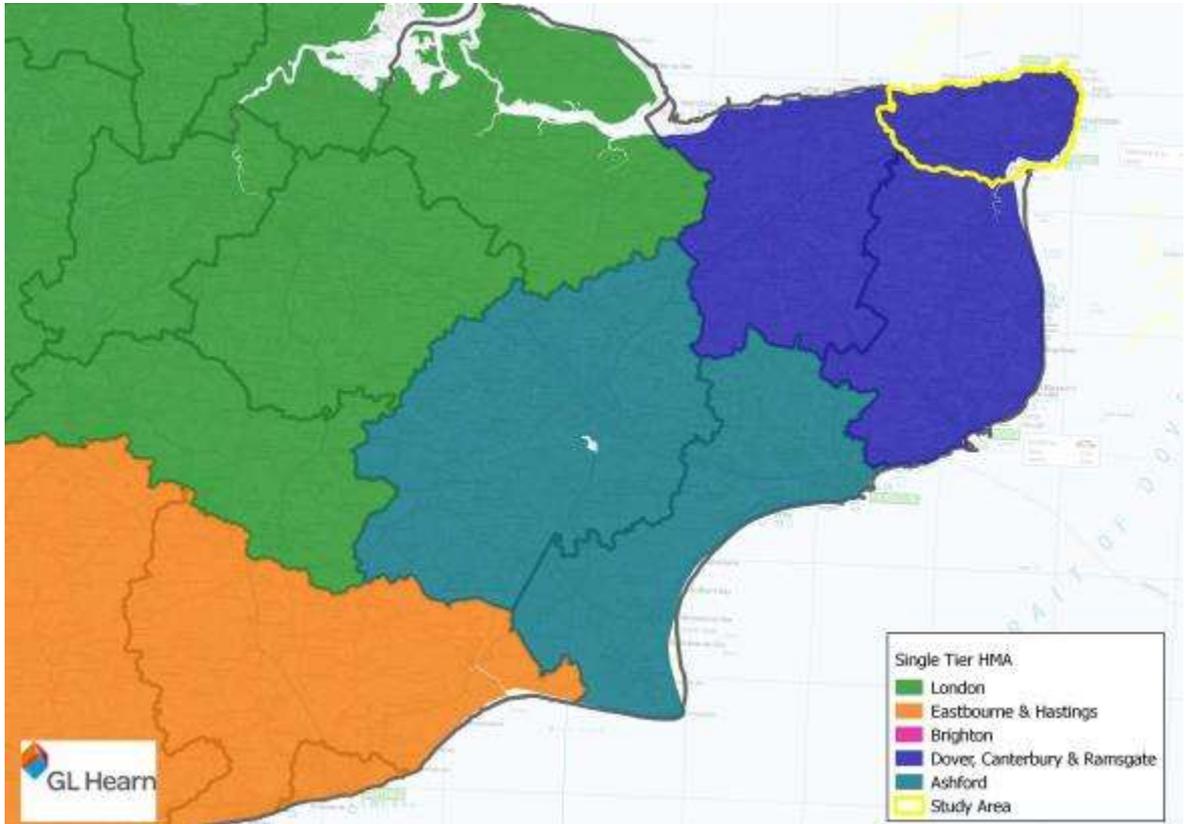
Source: CURDS/ GL Hearn

1.14   Ashford Borough Council considers that the CURDS 'local' HMAs represent a reasonable and consistent basis for planning, but has collaborated with Maidstone and Tonbridge and Malling in preparing a consistent evidence base on housing need.

1.15   It must be borne in mind that the CURDS work is based on 2001 data, which is now 14 years old. 2011 Census commuting and migration flow data has been released in Summer 2014 which provides a basis for reconsidering housing market geographies using more recent information.

Reviewing Housing Market Area Geographies

1.16   The analysis next moves on to review HMA geographies taking account of the latest available data on house prices, migration and commuting flows. These are the key indicators identified in the PPG.

House Prices

1.17   House prices can be used to provide a 'market based' definition of HMA boundaries, based on considering areas which (as the PPG describes) have clearly different price levels compared to surrounding areas.

1.18   House price differentials at a sub-regional scale are influenced by relative demand. We also find however more local influenced which can reflect a range of factors including quality of place and neighbourhood character, school catchments, transport links and accessibility, and differences in the local housing offer between places. These local differences are to be expected within any functioning housing market area.

1.19   To disaggregate the impact of the mix of properties sold, we have first analysed comparative prices for mid market semi-detached and terraced properties. The broad house price geography shown across the South East shows a strong relationship between proximity and transport accessibility to London and house prices. Prices are lower across the Kent Coast, and in in Ashford, than in other parts of the County.

**Figure 4:   Prices of Semi-Detached and Terraced Homes Sold, 2014**
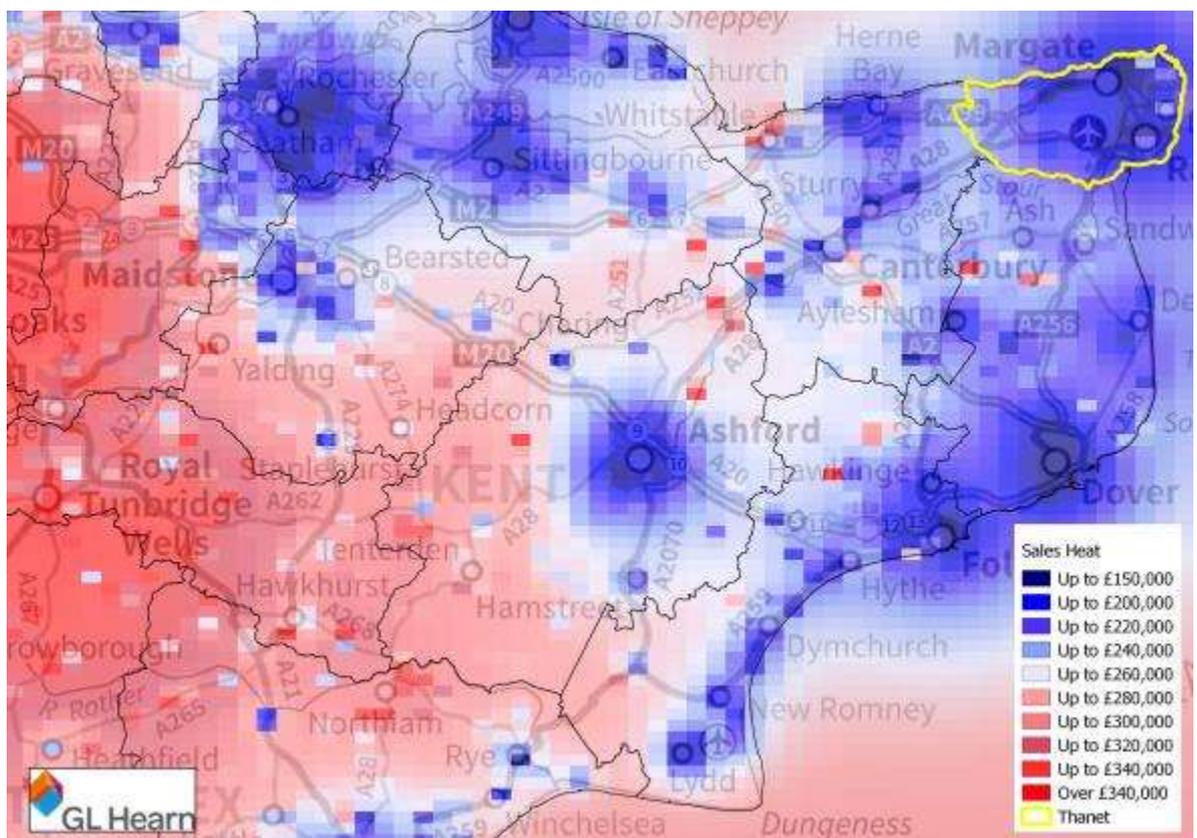
Source: HMLR / GL Hearn

1.20   Thanet together with Swale have some of the lowest detached house prices in Kent. It has the lowest semi-detached prices of Kent authorities. However for terraced properties and flats, there is a greater consistency in prices with the local authorities in Mid and North Kent.

1.21   Figure 5 shows how house prices vary by type. There is a clear similarity with prices in Dover. Those in Canterbury are marginally stronger.

Figure 5:   House Prices by Type, 2014
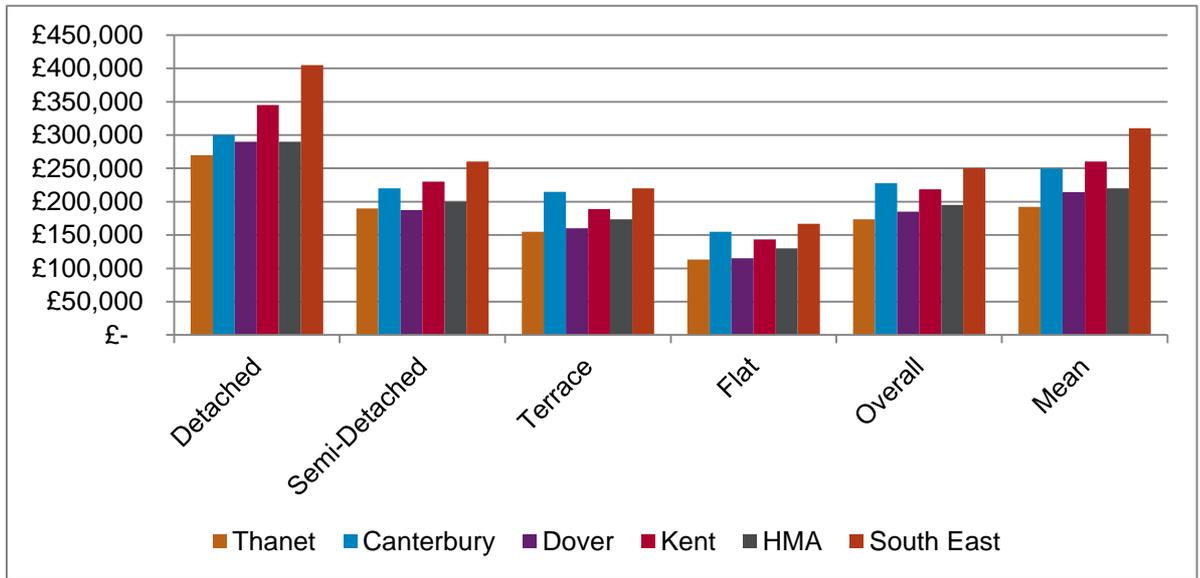
Source: HM Land Registry

1.22   House price growth in Thanet over the pre-recession decade was lower (in absolute terms) than other surrounding areas, such as Canterbury and Dover. Trends since 2007 have been similar, with limited growth in prices (which have in effect fallen in real terms, taking account of inflation). Analysis of house prices trends is set out in Section 5 in the main report.

Migration Trends

1.23   Migration flows reflect housing market relationships – they reflect where movement of people between homes. They are thus an important factor in considering the definition of an HMA. The PPG sets out that typically an HMA would be an area in which 70% or move of moves are contained within (excluding longer-distance flows).

1.24   Migration data from the 2011 Census has only been published at a local authority level. The Census records migration, asking people where they lived one year prior to Census day and on Census day itself. The use of Census data is preferable to other data (such as from NHS Central Health Register) as it records movement within individual local authorities, as well as between them, allowing self-containment analysis to be undertaken.

1.25   Typically we would expect a larger migration flow between two authorities with larger populations. To provide a comparative assessment of the strength of migration flows, we have therefore

benchmarked flows based on the combined population of two authorities. Figures are expressed per 1,000 joint population.

1.26   Figure 5 shows a strong set of cross-boundary links between Shepway and both Ashford and Dover. There is also a strong link between Dover and Canterbury. The strongest relationships from Thanet are with Canterbury and Dover.

1.27   Analysis of the 2011 Census data indicates that Thanet has a high level of migration self-containment, with:

- 70% of those moving to a destination in Thanet doing so within the District;
- 74% of those moving from an origin in Thanet remaining within the District.

1.28   An analysis of the most statistically significant flows with Thanet are with Shepway and Canterbury.

Figure 6:   Gross Migration Flows (per 1,000 Combined Population)
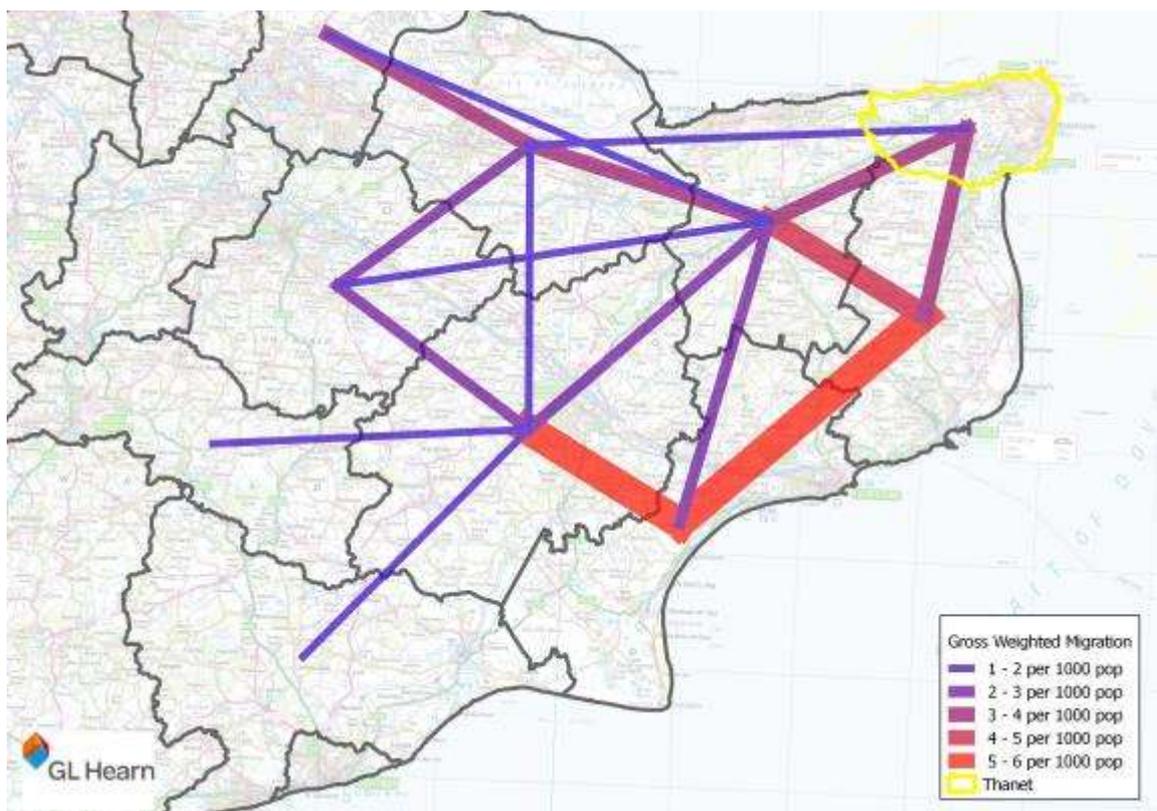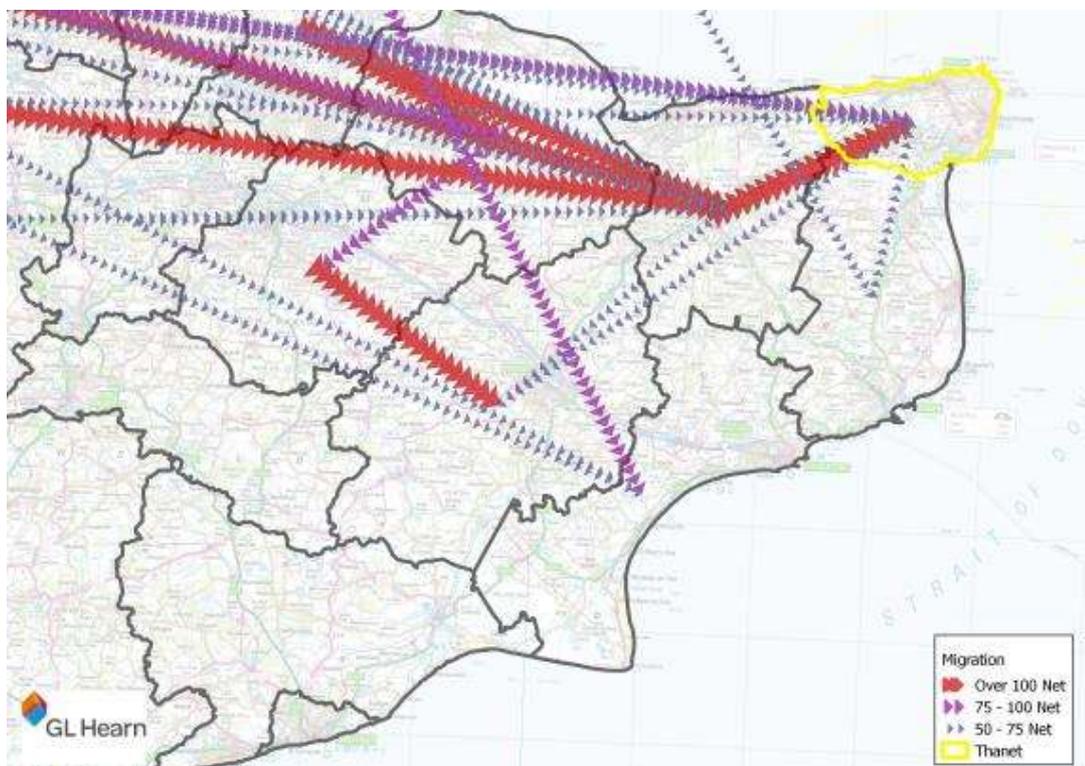

Source: 2011 Census/ GL Hearn

1.29   The table below sets out the key migration flows.

Table 1:   Gross Migration Flows, 2010-11

Location1	Location2	Gross	Gross_per_Population
Dover	Shepway	1194	5.44
Shepway	Dover	1194	5.44
Canterbury	Dover	1096	4.17
Dover	Canterbury	1096	4.17
Thanet	Canterbury	1128	3.95
Canterbury	Thanet	1128	3.95
Canterbury	Swale	1018	3.55
Swale	Canterbury	1018	3.55
Thanet	Dover	738	3.00
Dover	Thanet	738	3.00
Canterbury	Ashford	669	2.49
Ashford	Canterbury	669	2.49
Canterbury	Shepway	564	2.18
Shepway	Canterbury	564	2.18

1.30   Net migration trends tend to show flows out of cities (which typically have younger populations) to surrounding areas. A net flow to coastal areas, influenced by retirement moves, is also common. We see notable net migration flows from Canterbury, and a number of London Boroughs, to Thanet.

 **Figure 7:   Net Migration Flows, 2010-11**

Source: 2011 Census/ GL Hearn

1.31   We do not consider the net flows analysis to be particularly useful in defining Housing Market Area boundaries (in this or other areas).

Commuting Flows

1.32   The analysis of commuting flows in this section has been used to consider further the housing market geography. Our starting point for considering commuting patterns are the 2011 Travel to Work Areas (TTWA) which were produced by the ONS. These are the only official and nationally consistent definition of Travel to Work Areas.

1.33   The TTWAs were an attempt to identify self-contained labour market areas in which all commuting occurs within the boundary of the area. It should however be recognised that in practice, it is not possible to divide the UK into entirely separate labour market areas as commuting patterns are too diffuse. The TTWAs were developed as approximations to self-contained labour markets, i.e. areas where most people both live and work. As such they are based on a statistical analysis rather than administrative boundaries. The areas were produced by analysing commuting flows from the 2011 Census.

1.34   The criteria for defining TTWAs were that at least 75% of the area's resident workforce work in the area and at least 75% of the people who work in the area also live in the area in most instances. The area must also have had a working population of at least 3,500. However, for areas where the working population in excess of 25,000, self-containment rates as low as 66% were accepted.

1.35   ONS defined a Margate and Ramsgate TTWA which includes Sandwich and Deal; as well as a Canterbury TTWA which includes Faversham; with a third TTWA which includes Folkestone and Dover.

Figure 8: ONS 2011-based Travel to Work Areas
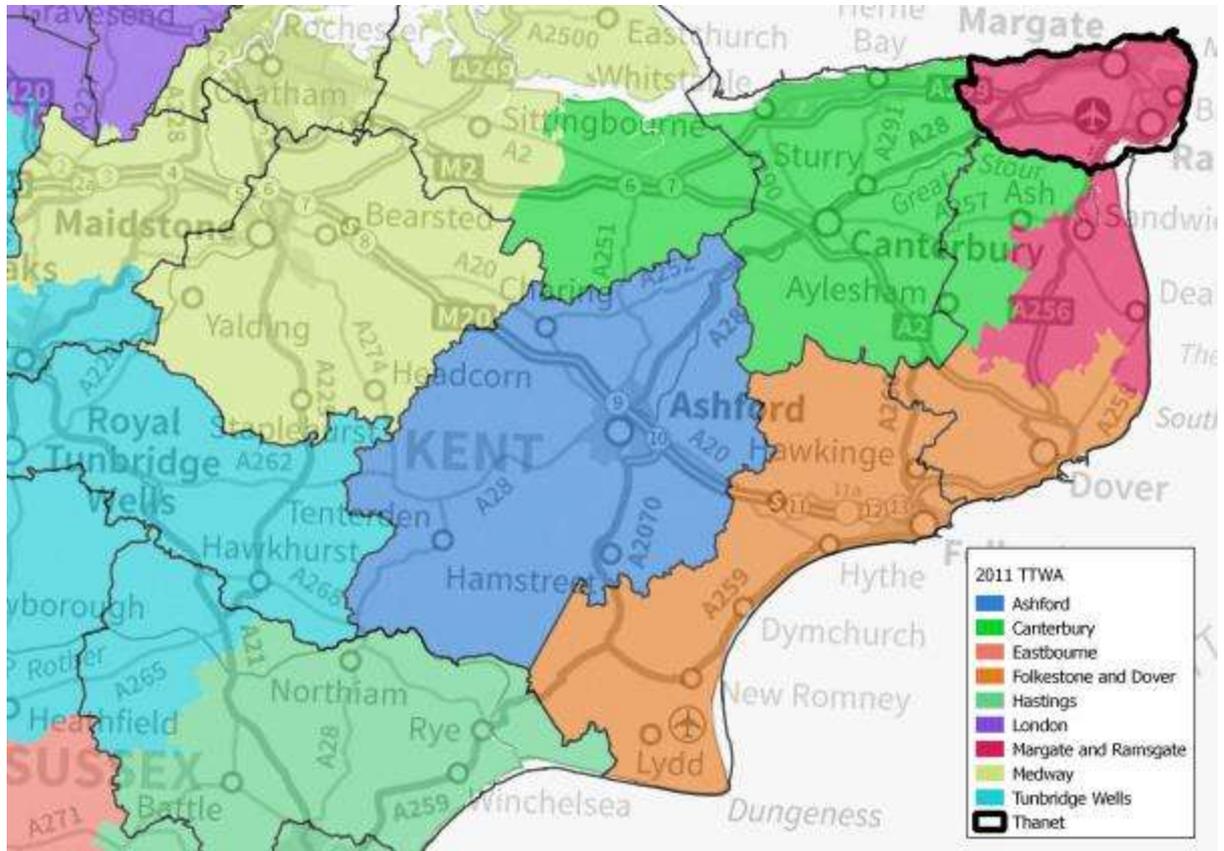
Source: ONS

1.36   We have used the 2011 Census commuting data to drill down and consider commuting flows to/ from Thanet. The analysis shows that the District has a very high level of commuting self-containment, with

- 70% of residents working within the District; and
- 84% of jobs taken by people living within the District.

1.37   2011 Census commuting data confirms that flows are largely localised, with some movement with Canterbury and Sandwich. Flows of over 50 persons between middle-level super output areas are shown in Figure 8 below. If a 200 persons threshold is used, flows are largely contained within Thanet District.

Figure 9: Principal Commuting Flows, 2011
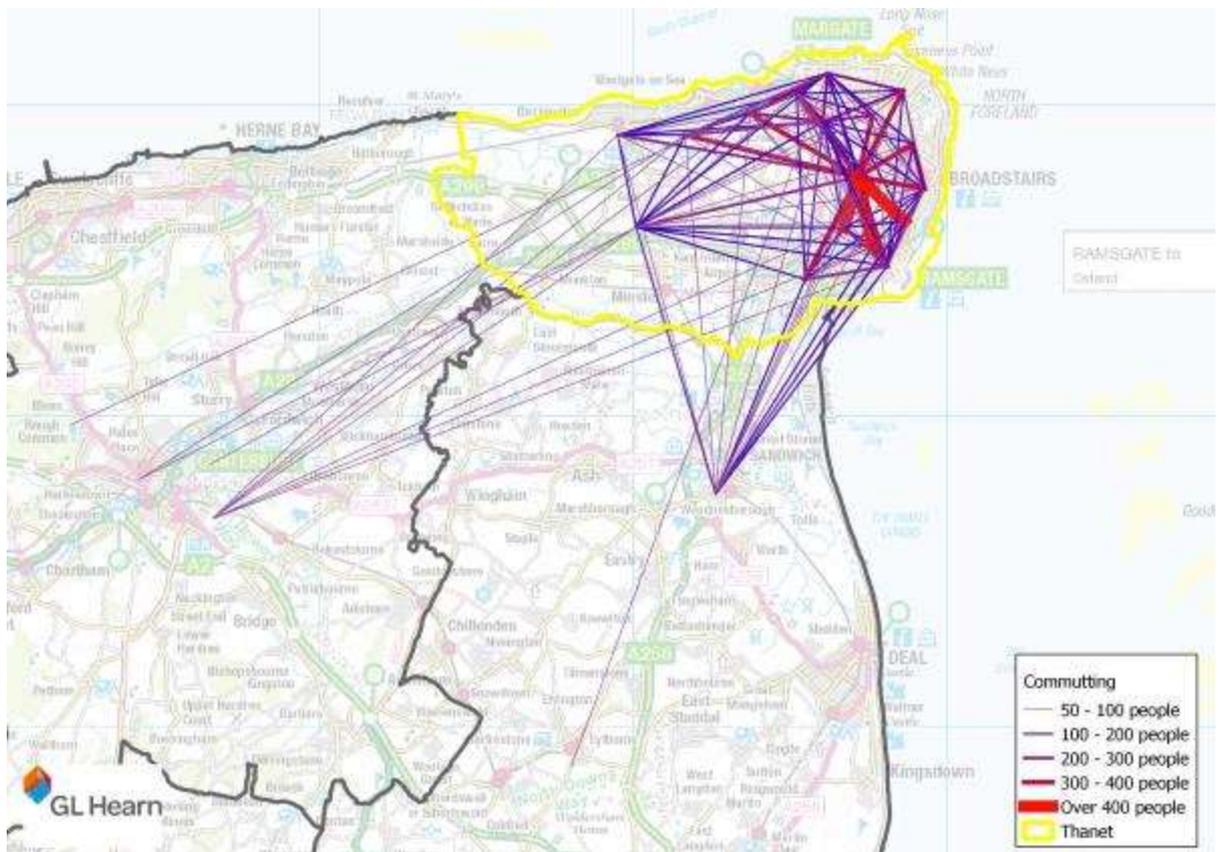
Source: Census 2011/ GL Hearn

1.38   ONS identified Thanet's most statistically significant net commuting flows (beyond the local authority boundary) as those with Dover and Canterbury local authorities.

1.39   The table below shows key commuting flows to and from Thanet. The substantive flows are with Canterbury and Dover.

Table 2: Key Commuting Flows to/ from Thanet, 2011

Key Outflows		Key Inflows	
To	Persons	From	Persons
Canterbury	4564	Canterbury	2232
Dover	2874	Dover	1899
Shepway	655	Shepway	349
Swale	568	Swale	303
Ashford	521	Medway	156
Maidstone	432	Ashford	153

Source: 2011 Census

Drawing the Evidence Together

1.40   The evidence supports the definition of an East Kent Housing Market Area which is broadly consistent with that defined in the CURDS Study. This includes the whole of the local authorities of Canterbury, Dover and Thanet; together with parts of adjoining authorities – including Faversham in Swale; Chilham in Ashford; and Folkestone in Shepway.

1.41   The 'best fit' to local authority boundaries would comprise the three authorities of Canterbury, Dover and Thanet. These authorities, considered collectively, demonstrate a commuting self-containment level of between 79-87% (depending on whether this is defined as a proportion of those living or working in the area), and a migration self-containment level of 68-74% (on a similar basis). Excluding long-distance flows, this geography exceeds the 70% migration threshold referred to in the PPG.

Collaboration across the Housing Market Area

1.42   The NPPF and PPG promote local authorities working together across the relevant housing market area, in line with the Duty to Cooperate, to prepare studies such as this – as housing needs are rarely constrained precisely by local authority administrative boundaries.

1.43   The PPG however recognises that this is not always practical, setting out that:

> *"Where local plans are at different stages of production, local planning authorities can build upon the existing evidence base of partner local authorities in their housing market area but should co-ordinate future housing reviews so they take place at the same time."*

1.44   This is the case in respect of this SHMA, where neighbouring authorities to Thanet are at different stages in the plan-making process.

2   REVIEW OF EVIDENCE IN ADJOINING AUTHORITIES

2.1   Appendix 1 set out that the core authorities which form part of the Housing Market Area are Canterbury, Dover and Thanet. The HMA includes small parts of Ashford, Shepway and Swale.

2.2   In this Appendix, we review evidence of housing needs and policies for housing provision in these areas with the aim of considering whether there are any unmet needs for housing which need to be considered as part of the plan-making process in Thanet.

Canterbury

2.3   Canterbury City Council has submitted its Local Plan to the Secretary of State for Examination. The evidence base regarding Objectively Assessed Housing Needs is contained principally within the Council's *Development Requirements Study* (NLP, 2012) as subsequently updated by the *Housing Needs Review* (NLP, April 2015). The Council considers that it falls within an East Kent HMA as defined in the 2009 Ecotec SHMA.

2.4   The Submitted Plan was based on "Scenario E" from the *Development Requirements Study*. This took the preferred scenario for economic growth from the Council's Future's Study for employment growth of 6,500 (2011-31), and identified that an annual average of 780 homes per year would be required to achieve this. This was below scenarios based on past migration trends.

2.5   The *Housing Needs Review* identified a demographic 'starting point' based on 2012-based Household Projections for 620 dwellings per annum (dpa). It considers however that the demographic evidence warranted an adjustment to support higher household formation amongst younger households, increasing the need to 657 dpa.

2.6   It identified issues with house prices, rents and affordability in Canterbury compared to England and Kent; concluding that the scale of market signals would warrant an uplift of 20% on the base demographic need (to 744 dwellings per annum).

2.7   It modelled two economic-based scenarios, with the higher one aligned to the scale of employment growth in the Future's Study showing a need for 803 dwellings per annum.

2.8   The *Housing Needs Review* identified an affordable housing need for between 487 – 850 dpa. On the basis of 30% provision, this would in theory result in a need for between 1623 – 2467 dpa.

2.9   In drawing conclusions, the report identified that these were based on judgement, concluding that a range of 744 – 853 dpa is shown by the evidence, with an OAN for 803 dpa defined as in "the middle of the range."

2.10   The Inspector wrote to the Council on 10th August 2015 setting out his findings. He concluded that the Housing Needs Review was technically component and robust, and that the range identified was justified. He make clear that "the amount of uplift to be applied to the starting point estimate is a matter of judgement" and that "the market signals uplift of 20% is a very significant one and there would be a degree of overlap between that and some of the other assumptions. In that context, figures in the upper end of the range would not be appropriate."

2.11   He concluded that the 803 dpa figure "*would achieve an uplift that took reasonable account of market signals, economic factors, a return to higher rates of household formation and affordable housing needs.*"   He concluded that rounding this therefore should be considered as the full OAN for the plan area.

2.12   The Inspector's report also helpfully clarifies issues relating to unmet needs in adjoining areas. His report (in Paragraph 17) sets out that "*the position of neighbouring authorities, confirmed at the hearings, is that they are all aiming to meet their needs within the own administrative areas.*" Neighbouring authorities would include Thanet, Swale, Ashford, Dover and Shepway.

Dover

2.13   Dover District Council has an adopted Core Strategy (2010) and Local Allocations Plan (2015). Strategic policies for housing and employment are set out in the Core Strategy. This sets a housing target to provide at least 10,100 homes by 2026, but plans for land allocations with potential for 14,000 dwellings.

2.14   The housing target was based on the South East Plan; with higher land allocations driven by the recommendations of the Dover Regeneration Strategy which sought to increase employment by 6,500.

2.15   The Council's existing evidence on housing market geographies is the 2009 East Kent SHMA, prepared by Ecotec, but the Council acknowledges that it may in due course need to update elements of the housing evidence base.

Swale

2.16   Swale Borough Council submitted its Borough Local Plan for examination in April 2015. The evidence base regarding housing need is set out in the *SHMA Update – Development Needs Study* (NLP, 2013) and an update to this prepared by Kent County Council (KCC) in 2014 to take account of the 2012 Sub-National Population Projections.

2.17   The NLP Study identified a need for between 604 – 890 homes per year, concluding that 750 dwellings per annum would be "a stretching but potentially achievable target if land is released to

support it." The report's trend-based demographic scenarios showed a need for 671 – 887 dpa (as an average over the 2011-31 period); with economic-led scenarios showing a need for 604-815 dpa. An affordable housing need for 1,186 dpa was shown.

2.18   The Council commissioned KCC to update the assessment in 2014. This narrowed the range to between 612 – 828 dpa; and found that the recommended provision (on a consistent basis to the NLP Study) would now be for 734 dpa, on an equivalent basis.

2.19   The Council's Development Targets Topic Paper sets out that a housing need for 14,800 homes (740 dpa) would represent the full OAN. This figure will be tested through the examination process.

2.20   Drawing on evidence regarding land availability, deliverability issues and infrastructure, the Council considers that this level of housing provision cannot be delivered. The submitted Plan makes provision for 540 dpa. There is thus a potential unmet need for 4,000 homes.

2.21   However initial comments from the Planning Inspector have suggested that he is unconvinced that higher housing provision cannot be accommodated within the District; and on this basis it is unclear whether there will be an unmet need from Swale which other adjoining authorities may need to consider through their local plan processes. At the Canterbury Local Plan examination, Swale BC did not set out that it was asking adjoining authorities to contribute to meeting a shortfall.

Shepway

2.22   Shepway District Council's Core Strategy was adopted in 2013, and sets a housing requirement for a minimum of 350 dpa to 2031 (and includes land supply capable of accommodating 400 dpa). This was based on evidence contained in the *Strategic Housing Requirements Report*, prepared jointly with Kent County Council. This was tested at the Local Plan Examination, where the Inspector concluded that it represented an OAN for the District. The Plan is thus based on meeting the District's full OAN.

2.23   In respect of housing market areas, the Council relies (as do other Councils in the sub-region) on the 2009 East Kent SHMA.

Ashford

2.24   Ashford Borough Council is in the process of developing a new Local Plan for the District. It intends to consultant on a draft Local Plan in Spring 2016.

2.25   GL Hearn prepared a Strategic Housing Market Assessment for the Borough in 2014. The relevant Housing Market Area is closely aligned to the Borough, albeit that the SHMA does recognise a relationship between Chilham and Canterbury.

2.26   The 2014 SHMA identified an OAN for 720 – 730 dpa, based on meeting demographic-based need; and supporting economic growth (based on a forecast scenario for 12,600 jobs between 2011-30).

2.27   GL Hearn has prepared an updated assessment of housing need in 2015 to take account of the 2012-based Household Projections. This June 2015 report identifies an OAN of 727 dwellings per annum, based on the latest household projections with upwards adjustments to improve affordability.

2.28   Based on the current evidence, and discussions with Ashford Borough Council, it is not expected that any unmet need will arise from Ashford Borough.

Implications

2.29   This review of evidence in adjoining areas highlights that adjoining authorities broadly accept the identification of an East Kent HMA which includes Canterbury, Dover and Thanet local authority districts, with some cross-boundary inter-relationships with adjoining areas.

2.30   The review identified that of the local authorities within the HMA, or with areas which adjoin or overlap with it, the majority are planning on meeting their own housing needs in full. The potential exception is Swale Borough Council, and we would advise Thanet DC to monitor progress of the Swale Examination in Public and consider (with neighbouring local authorities) any implications arising from this regarding unmet housing needs.

3   DEFINITIONS USED IN AFFORDABLE HOUSING MODELLING

3.1   This appendix sets out key definitions relating to affordable housing need, affordability and affordable housing.

Current Affordable Housing Need

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

Newly-Arising Need

3.3   Newly-arising (or future) need is a measure of the number of households who are expected to have an affordable housing need at some point in the future. In this assessment we have used trend data from CoRe along with demographic projections about the number of new households forming (along with affordability) to estimate future needs.

Supply of Affordable Housing

3.4   An estimate of the likely future supply of affordable housing is also made (drawing on secondary data sources about past lettings). The future supply of affordable housing is subtracted from the newly-arising need to make an assessment of the net future need for affordable housing.

Affordability

3.5   Affordability is assessed by comparing household incomes, based on income data modelled using a number of sources including CACI, ASHE, the English Housing Survey (EHS) and ONS data, against the cost of suitable market housing (to either buy or rent). Separate tests are applied for home ownership and private renting and are summarised below:

a. *Assessing whether a household can afford home ownership: A household is considered able to afford to buy a home if it costs 3.5 times the gross household income – CLG guidance suggests using different measures for households with multiple incomes (2.9×) and those with a single income (3.5×), however (partly due to data availability) we have only used a 3.5 times multiplier for analysis. This ensures that affordable housing need figures are not over-estimated – in practical terms it makes little difference to the analysis due to the inclusion of a rental test (below) which tends to require lower incomes for households to be able to afford access to market housing;*

b. *Assessing whether a household can afford market renting: A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than 30% of gross income. The choice of an appropriate threshold is an important aspect of the analysis, CLG guidance (of 2007) suggested that 25% of income is a reasonable start point but also notes that a different figure could be used. Analysis of current letting practice suggests that letting agents typically work on a multiple of 40% (although this can vary by area). Government policy (through Housing Benefit payment thresholds) would also suggest a figure of 40%+ (depending on household characteristics). This assessment uses 30% for the core analysis but also undertakes a sensitivity test on the level of affordable need at different percentages (from*

25% to 40%).

3.6   It should be recognised that a key challenge in assessing affordable housing need using secondary sources is the lack of information available regarding households' existing savings. This is a key factor in affecting the ability of young households to purchase housing particularly in the current market context where a deposit of at least 10% is typically required for the more attractive mortgage deals. The 'help to buy' scheme is likely to be making some improvements in access to the owner-occupied sector although at present this is likely to be limited (although the impact of recent extensions to this scheme to include the second-hand market should be monitored moving forward). In many cases households who do not have sufficient savings to purchase have sufficient income to rent housing privately without support, and thus the impact of deposit issues on the overall assessment of affordable housing need is limited.

Affordable Housing

3.7   The NPPF provides the definition of affordable housing (as used in this report). The following is taken from Annex 2 of NPPF.

"Affordable housing includes social rented, affordable rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should:

- Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices;
- Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision."

3.8   Within the definition of affordable housing there is also the distinction between social rented affordable rented, and intermediate housing. Social rented housing is defined as:

"Rented housing owned and managed by local authorities and registered social landlords, for which guideline target rents are determined through the national rent regime. It may also include rented housing owned or managed by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency as a condition of grant."

3.9   Affordable rented housing is defined as:

"Rented housing let by registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is not subject to the national rent regime but is subject to other rent controls that require a rent of no more than 80 per cent of the local market rent."

3.10   The definition of intermediate housing is shown below:

"Intermediate affordable housing is 'Housing at prices and rents above those of social rent, but below market price or rents. These can include shared equity products (e.g. HomeBuy), other low cost homes for sale and intermediate rent but does not include affordable rented housing."