



## Report

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# **North Kent Strategic Housing and Economic Needs Assessment Strategic Housing Market Assessment Final Report**

Medway Council

November 2015



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# 1. Introduction

- 1.1 The purpose of this Strategic Housing Market Assessment (SHMA) is to understand Medway Council's current and future housing market and how this relates to housing growth and needs. The SHMA will identify levels of housing demand and produce estimates of households in affordable housing need, including the requirements of specific needs groups. It will inform understanding of Medway's local housing market in the short and longer term.
- 1.2 The findings of the research will be used to inform the development of the local plan and policies for long-term delivery of housing within the authority area, as well as informing negotiations on planning applications. More specifically in relation to planning policy, the research will inform the Council's emerging Local Plan, which will replace the 2003 Medway Local Plan and cover the period up to 2035.
- 1.3 Medway sits within the wider Kent and wider South East of England context. Whilst the authority is inevitably influenced by London, it also has strong regional connections through motorway and rail networks, in particular to the east. These factors influence business location, labour market and housing markets. There has been progress on targeted regeneration schemes, and Medway benefits from relationships to the wider regional economy. There has been marked growth in residential values in the last year.
- 1.4 Despite sitting within a dynamic economic context, Medway has experienced greater economic challenges than some neighbouring areas, and market values across a range of domains trend lower than nearby areas. In retail terms locations of main settlements close to the Thames Estuary mean that there are some characteristics of coastal communities, with something of a 180 degree catchment creating more challenges than faced by other centres. Economic restructuring away from traditional manufacturing and distribution industries and divestment of military facilities has had a long term impact. The post 2008 recession had marked impacts locally, and the return of values to pre-recession values has been slow, and in some cases has shown recent worsening. Socio-economic characteristics do display some concentrations of deprivation.

## Background

- 1.5 The SHMA provides a fit for purpose evidence base to help develop housing and planning policies by considering the characteristics of the housing market, how key factors work together and the probable scale of change in future housing need and demand.

## SHMA Requirements: The NPPF (2012), Planning Practice Guidance (2013 & 2014) and CLG SHMA Guidance (2007)

- 1.6 The publication of the National Planning Policy Framework (NPPF) in March 2012 forms an important consideration for this SHMA research. This was augmented with the publication of draft Planning Practice Guidance in August 2013, finalised in March 2014, but which is periodically updated.
- 1.7 At the heart of the NPPF is the presumption in favour of sustainable development. In paragraph 14 this states that *"local planning authorities should positively seek opportunities to meet the development needs of their area"*. However, this should not be the case if *"any adverse impacts of doing so would significantly and demonstrably outweigh the benefits, when assessed against the policies in this Framework taken as a whole; or specific policies in this Framework indicate development should be restricted"*. This may include, *"For example, those policies relating to sites protected under the Birds and Habitats Directives and/or designated as Sites of Special Scientific Interest; land designated as Green Belt, Local Green Space, an Area of Outstanding Natural Beauty, Heritage Coast or within a National Park (or the Broads Authority); designated heritage assets; and locations at risk of flooding or coastal erosion"* (Footnote 9).
- 1.8 Core planning principles are set out within the NPPF. One of these in particular is important concerning this evidence base document. This states that planning should:
- *"Proactively drive and support sustainable economic development to deliver the homes, business and industrial units, infrastructure and thriving local places that the country needs. Every effort should be made objectively to identify and then meet the housing, business and other development needs of an area, and respond positively to wider opportunities for growth. Plans should take account of market signals, such as land prices and housing affordability, and set out a clear strategy for allocating sufficient land which is suitable for development in their area, taking account of the needs of the residential and business communities"* (Paragraph 17, bullet point 3).
- 1.9 Paragraph 159 of the NPPF requires local planning authorities to *"have a clear understanding of housing requirements in their area"*. They should *"prepare a Strategic Housing Market Assessment to assess their full housing requirements, working with neighbouring authorities where housing market areas cross administrative boundaries. The SHMA should identify the scale and mix of housing and the range of tenures that the local population is likely to require over the plan period which:*
- *Meets household and population projections, taking account of migration and demographic change;*

- *Addresses the need for all types of housing, including affordable housing and the needs of different groups in the community (such as families with children, older people, disabled people, service families and people wishing to build their own homes); and*
  - *Caters for housing demand and the scale of housing supply necessary to meet this demand"*
- 1.10 The Draft Planning Practice Guidance (August 2013) was published to complement the NPPF and provide advice on how to deliver its policies. This was subsequently revised forming the new Planning Practice Guidance (PPG) (March 2014). Part of the PPG was specifically related to assessment of housing and economic development needs.
- 1.11 According to the Guidance (Paragraph: 002 Reference ID: 2a-002-20140306); *"The primary objective of identifying need is to: identify the future quantity of housing needed, including a breakdown by type, tenure and size...."* The definition of need in the guidance (Paragraph: 003 Reference ID 2a-003-20140306) is explained as follows:
- *"Need for housing in the context of the guidance refers to the scale and mix of housing and the range of tenures that is likely to be needed in the housing market area over the plan period – and should cater for the housing demand of the area and identify the scale of housing supply necessary to meet that demand;*
  - *Need for all land uses should address both the total number of homes based on quantitative assessments, but also on an understanding of the qualitative requirements of each market segment; and*
  - *Assessing development needs should be proportionate and does not require local councils to consider purely hypothetical future scenarios, only future scenarios that could reasonably be expected to occur".*
- 1.12 The Guidance also states that *"Plan makers should not apply constraints to the overall assessment of need, such as limitations imposed by the supply of land for new development, historic under-performance, infrastructure or environmental constraints. However, these considerations will need to be addressed when bringing evidence bases together to identify specific policies within development plans"* (Paragraph 004 Reference ID: 2a-004-20140306).
- 1.13 *"Local planning authorities should assess their development needs working with the other local authorities in the relevant housing market area in line with the duty to cooperate. This is because such needs are rarely constrained precisely by local authority administrative boundaries"* (Paragraph 007 Reference ID: 2a-007-20150320).
- 1.14 The Guidance describes 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. The extent of the housing market areas identified will vary, and many will in practice cut across various local planning authority administrative boundaries"* (Paragraph: 010 Reference ID: 2a-010-20140306). The HMA should be defined using house prices, rates of change in house prices, household migration and search patterns and contextual data e.g. travel to work area boundaries, retail and school catchment areas (Paragraph: 011 Reference ID: 2a-011-20140306)

- 1.15 In Paragraph: 014 Reference ID: 2a-014-20140306 plan makers are advised to "avoid expending significant resources on primary research as this will in many cases be a disproportionate way of establishing an evidence base. They should instead look to rely predominantly on secondary data to inform their assessment which are identified within the Guidance".
- 1.16 The Guidance requires plan makers to use household projections published by the Department for Communities and Local Government as "the starting point estimate of overall housing need". Although these "may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends. For example, formation rates may have been suppressed historically by under-supply and worsening affordability of housing" (Paragraph: 015 Reference ID: 2a-015-20140306).
- 1.17 The projections may also take account of "migration levels that may be affected by changes in employment growth or a one off event such as a large employer moving in or out of an area, or a large housing development such as an urban extension in the last five years", and "demographic structure that may be affected by local circumstances or policies e.g. expansion in education or facilities for older people" (Paragraph: 017 Reference ID: 2a-017-20140306).
- 1.18 Market signals should also be taken into account (Paragraph: 019 Reference ID: 2a-019-20140306):
- Land Prices;
  - House Prices;
  - Rents;
  - Affordability;
  - Rate of Development; and
  - Overcrowding.
- 1.19 Paragraph : 021 Reference ID: 2a-021-20150326 indicates that "Once an overall housing demand figure has been identified, local authorities are required to break this down by

*tenure, household type (singles, couples and families) and household size. Plan makers should therefore examine current and future trends of:*

- *The proportion of the population of different age profiles;*
- *The types of household (e.g. singles, couples, families by age group, numbers of children and dependents);*
- *The current housing stock size of dwellings (e.g. one, two+ bedrooms); and*
- *The tenure composition of housing".*

1.20 *"When considering future need for different types of housing, plan makers will need to consider whether they plan to attract a different age profile eg increasing the number of working age people. Plan makers should look at the household types, tenure and size in the current stock and in recent supply, and assess whether continuation of these trends would meet future needs". They should also seek to quantify the needs of the following groups (Paragraph: 021 Reference ID: 2a-021-20150326):*

- *The private rented sector;*
- *People wishing to build their own homes;*
- *Family housing;*
- *Housing for older people; and*
- *Households with specific needs.*

1.21 *The calculation of affordable housing need "involves adding together the current unmet housing need and the projected future housing need and then subtracting this from the current supply of affordable housing stock", fully according with Paragraph: 022 Reference ID: 2a-022-20140306. Detail of the data sources used is provided in a later section.*

1.22 *As Paragraph: 029 Reference ID: 2a-029-20140306 sets out; "The total need for affordable housing should be converted into annual flows by calculating the total net need (subtract total available stock from total gross need) and converting total net need into an annual flow. The total affordable housing need should then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes".*

1.23 *Prior to the publication of the Draft Planning Practice Guidance and its revision as the new PPG, The CLG had published SHMA guidance 'Strategic Housing Market Assessments – Practice Guidance' in August 2007 (hereafter 'the SHMA Guidance'). This SHMA Guidance "sets out a framework that local authorities and regional bodies can follow to develop a good*



*understanding of how housing markets operate". Although the Planning Practice Guidance now provides the most up-to-date guidance for undertaking research of this kind, and the 2007 SHMA Guidance no longer has formal guidance status, the framework and approach set out in the SHMA Guidance remains useful and relevant, and clearly sets out key steps and outputs for the SHMA to follow which are also compliant with the new Planning Practice Guidance.*

- 1.24 The SHMA Guidance recognises that *"housing markets are dynamic and complex"* and as a result SHMAs *"will not provide definitive estimates of household need, demand and market conditions"*. SHMAs can however, *"provide valuable insights into how housing markets operate both now and in the future. They should provide a fit for purpose basis upon which to develop planning and housing policies by considering the characteristics of the housing market, how key factors work together and the probable scale of change in future housing need and demand"*.
- 1.25 The approach taken within this SHMA follows this SHMA Guidance, in combination with the NPPF and Revised Planning Practice Guidance (March 2014). It addresses each of the core outputs as set out in Table 1 below, with an additional column outlining within which section of the report the core output is addressed. Section 10 of this Report provides a conclusion to the analysis by bringing together each of these core outputs.

**Table 1 - Compliance with CLG Guidance Core Outputs**

<b>SHMA Guidance – Core Outputs Table 2.1</b>	<b>Report section in which key outputs are presented and analysed</b>
<b>Output 1</b> - Estimates of current dwellings in terms of size, type, condition, tenure	Section 3
<b>Output 2</b> - Analysis of past and current housing market trends, including balance between supply and demand in different housing sectors and price/affordability. Description of key drivers underpinning the housing market	Section 3
<b>Output 3</b> - Estimate of total future number of households, broken down by age and type where possible	Sections 3 & 6
<b>Output 4</b> - Estimate of current number of households in housing need	Section 5
<b>Output 5</b> - Estimate of future households that will require affordable housing	Section 6
<b>Output 6</b> - Estimate of future households requiring market housing	Section 9
<b>Output 7</b> - Estimate of the size of affordable housing required	Section 6
<b>Output 8</b> - Estimate of household groups who have particular housing requirements e.g. families, older people, key workers, black and minority ethnic groups, disabled people, young people, etc...	Section 8

Source: CLG SHMA Guidance (2007) & GVA (2014)

- 1.26 This research has utilised a range of methodological approaches drawing upon new and updated secondary data to develop a robust understanding of the operation of the housing market area. It has also involved undertaking a new Housing Needs Survey. This approach aligns with the Guidance, which advises that the SHMA research can draw from a range of primary and/or secondary data sources:

*“Whether a strategic housing market assessment is based upon secondary or survey data should not be a factor in determining whether an assessment is robust and credible. No one methodological approach or use of a particular dataset(s) will result in a definitive assessment of housing need and demand. The quality of the data used is the important consideration in determining whether an assessment is robust and credible rather than its nature”* (CLG Strategic Housing Market Assessments Practice Guidance – Version 2, 2007, paragraph 11).

- 1.27 The Housing Needs Survey, conducted by telephone and face to face interviewing, involved the participation of 1,000 Medway residents, with interviews distributed proportionally across the 22 Medway wards, using a weighted sampling approach. This replicates the demographic profile of the authority area.

- 1.28 The survey results are analysed and presented in a separate report in Appendix 2
- 1.29 Where data is available from a number of sources (primary and secondary data) a process of triangulation has been conducted. The purpose of triangulation in research is to increase the credibility and validity of the results. Triangulation is a technique that facilitates validation of data through cross verification from more than two sources. In particular, it refers to the application and combination of several research methodologies in the study of the same topic.
- 1.30 Throughout the assessment the application of this technique has involved comparing, contrasting and, where relevant, aligning information from a variety of sources to ensure, based on the professional judgement of the research team, and in discussion with Medway Council, that the most up-to-date and locally reflective information has been utilised. This serves to further ensure that the findings of the SHMA are robust and credible.
- 1.31 This SHMA identifies the market and affordable housing requirements for Medway. The wider Housing Market Area which Medway operates within is reviewed as an initial step in the process. This provides a context for understanding the context that the Medway housing market operates within and allows comparisons between Medway and other nearby authorities.

## Report Structure

- 1.32 This report is structured around the following sections. These largely align with the steps set out in the CLG Guidance to assist in extracting key information from the report:
- **Section 2: Defining The Housing Market Area** – This section identifies the wider housing market within which Medway sits. The section includes a review of the latest migration and travel to work trends, house price data and other market signals in order to identify these areas;
  - **Section 3: Baseline Analysis** – This section brings together the key findings from the housing, demographic and economic data analysis from the North Kent Strategic Housing and Economic Needs Assessment (SHENA) Baseline report, which informs this SHMA. The most relevant information for this Report's analysis is summarised, including analysis of Medway's current housing stock, demographic trends, economic trends and housing trends. Whilst full data analysis and commentary is available from the Baseline Report itself, this Section also introduces some new analysis, such as further analysis of land registry data, private rental values and social housing waiting lists.
  - **Section 4: Access to Housing** – This Section sets out an understanding of the financial requirements for accessing housing in the authority area, specifically considering

mortgage finance and household income levels. It benchmarks access to different housing tenures in the authority area based on these financial requirements, set at different affordability thresholds.

- **Section 5: Objectively Assessed Housing Requirement** – This section considers population and household projections, in order to develop an objectively assessed understanding of the future housing requirements likely to be experienced in Medway;
- **Section 6: Meeting the Affordable Need of Households** – A calculation of the short and long-term level of housing need for affordable housing is undertaken following the stepped process set out in the CLG Guidance. The section concludes with an estimation of the breakdown by size of the affordable housing identified as being required over projection period, reflecting on patterns within housing register data;
- **Section 7: The Role of Affordable Housing in Meeting Need** – This Section explores intermediate, affordable rent and social rent tenures and their accessibility to Medway households at different affordability thresholds. Size specific affordable requirements and the impact of Welfare Reforms on accessing housing is also considered.
- **Section 8: Housing Requirement for Specific Groups** – This section draws upon the quantitative outputs of the modelling processes presented in the previous sections, to assess future demand of a number of specific demographic household classifications including, student, BME, older person and disability households; and
- **Section 9: Conclusions**– This section draws a number of conclusions from the data presented in this SHMA report, with specific reference to the CLG SHMA guidance Core Outputs (see Table 1)

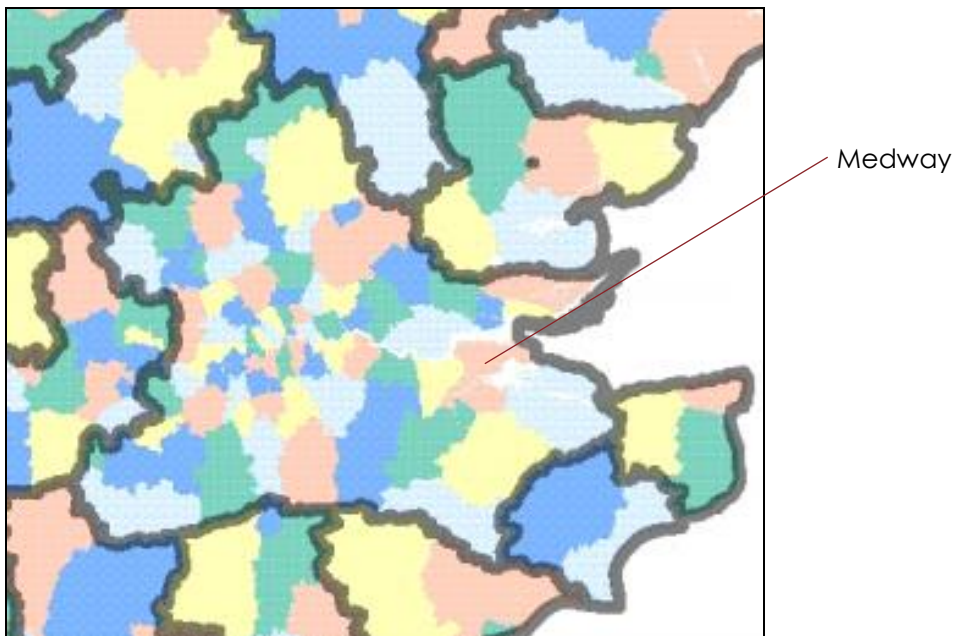
## 2. Defining the Housing Market Area

- 2.1 Medway's main towns comprise Strood, Rochester, Chatham, Gillingham and Rainham. Outside of the urban area key settlements include Cuxton, Halling and Upper Halling, Hoo St Werburgh, Cliffe, High Halstow, St Mary Hoo, Allhallows, Lower Upper and Middle Stoke, Grain, Cliffe Woods, Cooling, Lower and Upper Upnor and Chattenden .
- 2.2 Local house price and income disparities are problematic for the authority area in relation to housing affordability, resulting in affordable housing need to be addressed. Price and stock characteristics for different parts of the authority area are also addressed.
- 2.3 As set out in the Planning Practice Guidance (*Paragraph: 010 Reference ID: 2a-010-20140306*; *"a housing market area is 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. The extent of the housing market areas identified will vary, and many will in practice cut across various local planning authority administrative boundaries"*). This definition recognises that interrelationships in the real world transcend local authority administrative boundaries and sometimes only cover parts of an administrative area.
- 2.4 However, the definition of a Housing Market Area relies on the use of robust, comparable and available data. The majority of this data is not available at a sub-authority level and it is therefore difficult to quantify sub-area trends. The approach to defining the Medway Housing Market Area (HMA) draws on published data is in line with guidance, which relates to whole authority areas.
- 2.5 However this quantitative definition is set against a further quantitative and qualitative understanding of the area and its relationship with neighbouring authorities, developed through our own research and consultation with residents and local stakeholders. This acknowledges the sub-authority area distinctions, within and across this defined area, which are not necessarily reflected in the guidance compliant data used to define the HMA, and allows an understanding of the wider sphere of influence (which may reach beyond the defined HMA).
- 2.6 The Centre for Urban & Regional Development Studies (CURDS) has undertaken a research project into 'The Geography of Housing Market Areas in England', funded by the National Housing and Planning Advisory Unit (NHPAU), which has produced a range of HMA related outputs. Mike Coombes and Colin Wymer's Stage 2 Report from CURDS (July 2010) on 'Alternatives for the Definitions of HMAs' bases the definition of HMAs "purely on analyses of

commuting and/or migration patterns". The production of 'silver standard'<sup>1</sup> HMA geographies that aligns HMA boundaries as closely as possible to local authority boundaries is most relevant and useful in the definition of Medway's SHMA, and acts as a good starting point for this SHMA definition.

- 2.7 Using the CURDS data 'silver standard' version of Strategic HMAs, Medway (00LC) is defined within a very broad 'HMA' which contains a total of 71 local authority areas, including all London Boroughs and Medway's neighbouring authorities as shown in Figure 1.
- 2.8 Using the CURDS data 'silver standard' single tier set of HMAs, Medway is defined within a tighter knit 'HMA' which includes neighbouring local authorities, Swale, Tonbridge and Malling and Maidstone, but excludes Gravesham.

**Figure 1 - CURDS Defined Silver Standard LA Strategic 'HMA' Including Medway**



Source: <http://www.ncl.ac.uk/curds/assets/documents/3.pdf>

- 2.9 These CURDS HMA definitions emphasise the strength of London on the housing markets across the South East region. However in planning terms this 'silver standard' area is unmanageable and includes areas which have weak functional relationships with Medway. It is also impractical considering that housing needs planning for London is undertaken centrally by the GLA.
- 2.10 As such the approach taken within this SHMA reflects best practice guidance in identifying the functional housing market areas. It draws on a range of data including:
- travel to work patterns,

<sup>1</sup> This silver standard definition provides the closest match to local authority boundary definitions, whereas the gold standard involves alterations to ward groupings.

- migration patterns (internal migration flows and origin and destination moves) and
- house price data.

- 2.11 In particular, the focus has been on the travel to work data and migration data from the Census (2011) and latest mid-year estimates (2014), housing market data (particularly house prices) from CLG (based on VOA data), and Demographic data from the Census (2011). The commuting patterns in the CURDS definition were based on the 2001 Census, so the travel to work patterns analysed here provide a more up to date indication of commuting flows. Considering the coverage of data being used, the wider housing market area is defined in alignment with local authority boundaries, as is the case in CURDS' silver standard definitions.
- 2.12 Whilst the CURDS data helps to set the wider context for Medway's HMA, it acts as a starting point for the definition of its HMA, which required further interrogation. The use of wider and more up to date data than used by CURDS results in the definition of a narrower HMA which includes Medway, Gravesham, Swale, Maidstone and Tonbridge & Malling. However, it is not a completely exclusive geography for understanding influences on Medway as other authorities or parts of authorities may also have some migration, commuting and house price relationships and influences with Medway, albeit these will be less significant. The influence of London on Medway is also an important consideration, which is reflected throughout this analysis.
- 2.13 This wider HMA identified incorporates those local authorities which have the strongest and most consistent migration and commuting relationships with Medway, as well as linkages in house prices and rates of change trends. This takes a combined consideration of the strongest relationships with Medway demonstrated in analysis of internal migration flows and origin and destination migration trends (including self-containment calculations), commuting patterns (including containment levels) and trends in house price increase and rates of change at the whole Local Authority level (which this data is available at).
- 2.14 Whilst inclusion of authorities in the HMA does not necessarily mean that there is a strong relationship between all sub-areas of that authority and Medway, it does reflect its strength with Medway as a whole Local Authority. This is important, and an appropriate approach considering that there are significant sub-area distinctions within Medway itself (as is the case for all Local Authorities).
- 2.15 Each of these elements of analysis identify the authorities which have the strongest links with Medway in that domain (i.e. migration, commuting and house prices). The wider HMA is defined by drawing together these three parts of analysis to identify the authorities which have a consistently strong relationship with Medway, and should therefore be included within its HMA. This consistency is determined through the identification of Local Authorities which show a strong relationship across a number of the factors considered - aggregate internal

migration flows, origin and destination migration trends, aggregate commuting flows and house prices and rates of change.

2.16 The Medway Council Housing Market Area (HMA) encompasses a wider area beyond the authority area, to include:

- Medway;
- Gravesham;
- Swale;
- Maidstone; and
- Tonbridge & Malling

2.17 Housing Market Areas are defined in relation to the context and the neighbouring influences acting on a housing market. Considering this, the HMA defined for Medway in this SHMA is not regarded as a definitive or exclusive HMA and is better understood as a grouping of the local authorities which have the strongest relationships with Medway, as discussed above. In other words, the HMA defined here is focussed on Medway. It is accepted that there are HMAs which are centred around the other HMA centres, which overlap with this HMA but may have different local authority inclusion.

2.18 Figure 2 shows the Wider HMA identified by this process.



**Figure 2 – Identified Wider Housing Market Area**

Source: Neighbourhood Statistics, 2015

## Internal Migration Flows

### In-Migration (Gross)

- 2.19 This sub-section considers the internal migration moves between Medway and all local authorities within England and Wales, based on ONS data for Internal Migration by Local Authorities in England and Wales – Year ending June 2014.
- 2.20 Based on average inward migration flows, Medway has a strong relationship with Maidstone, Swale and Gravesham. In 2014, approximately 2,462 people moved into Medway from these authorities, equating to c. 21% of those moving to the authority area, as shown in Table 2.
- 2.21 The age-specific trends in internal migration into Medway in 2014 are shown below in Table 3. This age-specific data is only available for aggregated moves, so does not show the age profile of moves out from Medway to a specific authority. For total moves into Medway the highest proportion of moves occurred in the 15-29 and 30-44 age groups (c. 62%), which suggests a labour migration driver for these moves in the working age population.

- 2.22 However, this is very similar to the national age specific distribution for England and Wales, which has 40% of moves in the 15-29 age group and 25% of moves in the 30-44 age group, which suggests this is not a trend unique to Medway. The proportion of 18% of moves into Medway in the 0-14 age group is more distinct from the national trend, which has a proportion of 14% for this age group. This suggests that affordability could also be a driver for this higher proportional movement of families with children.
- 2.23 Four of the top ten authorities in terms of total flows into Medway are London Boroughs, which reflects the strength of London's influence on Medway in relation to migration contribution. This is considered to reflect the affordability pressures in the capital, which are seeing people move eastwards along the Thames Corridor. If grouping all London Boroughs together, this constitutes 33% of total flows into Medway in 2014. Whilst this further emphasises London's influence on the authority, this is not a realistic way of considering London in this analysis based on sub-London distinctions.

**Table 2 - Total Flows into Medway (2014)**

Area	Number of People	% of New Residents
<b>Maidstone</b>	<b>847</b>	7%
<b>Swale</b>	<b>821</b>	7%
<b>Gravesham</b>	<b>794</b>	7%
Tonbridge and Malling	629	5%
Bexley	511	4%
Lewisham	443	4%
Dartford	378	3%
Greenwich	377	3%
Canterbury	291	2%
Bromley	291	2%

Source: ONS Internal Migration Data – Table IM2014-1a and IM2014-1b, 2014

**Table 3 - 2014 Age-specific migration into Medway**

	2014	%
<b>0-14</b>	2,190	18%
<b>15-29</b>	4,630	38%
<b>30-44</b>	2,890	24%
<b>45-59</b>	1,430	12%
<b>60+</b>	910	8%
<b>Total</b>	<b>12,050</b>	<b>100%</b>

Source: ONS Internal Migration Data – Table IM2014-T5, 2014

## Out-Migration (Gross)

- 2.24 Medway has particularly strong outward migration flows to the Swale and Maidstone local authority areas, and to a slightly less prominent extent with Tonbridge and Malling. Approximately 19% of outward moves from Medway are to Swale and Maidstone, with a further 6% to Tonbridge and Malling, based on average annual flows in 2014, as shown in Table 4.

**Table 4 - Total Flows out of Medway (2014)**

Area	Number of People	% of Outward Moves
Swale	1157	10%
Maidstone	1056	9%
Tonbridge and Malling	666	6%
Gravesham	530	5%
Canterbury	429	4%
Dartford	240	2%
Thanet	216	2%
Greenwich	193	2%
Bexley	184	2%
Ashford	162	1%

Source: ONS Internal Migration Data – Table IM2014-1a and IM2014-1b, 2014

- 2.25 The age-specific trends in internal out migration from Medway in 2014 are shown below in Table 5. This data is only available for aggregated moves, so does not show the age profile of moves out from Medway to a specific authority. The highest proportion of moves out of Medway occurred in the 15-29 age group (41%), which suggests a labour migration driver for these moves in the working age population. This was followed by the second highest proportion in the 30-44 age group (21%).

**Table 5 - Age-specific Internal Migration out of Medway (2014)**

	2014	%
0-14	1,850	16%
15-29	4,740	41%
30-44	2,490	21%
45-59	1,450	12%
60+	1080	9%
Total	11,610	100%

Source: ONS Internal Migration Data – Table IM2014-T5, 2014

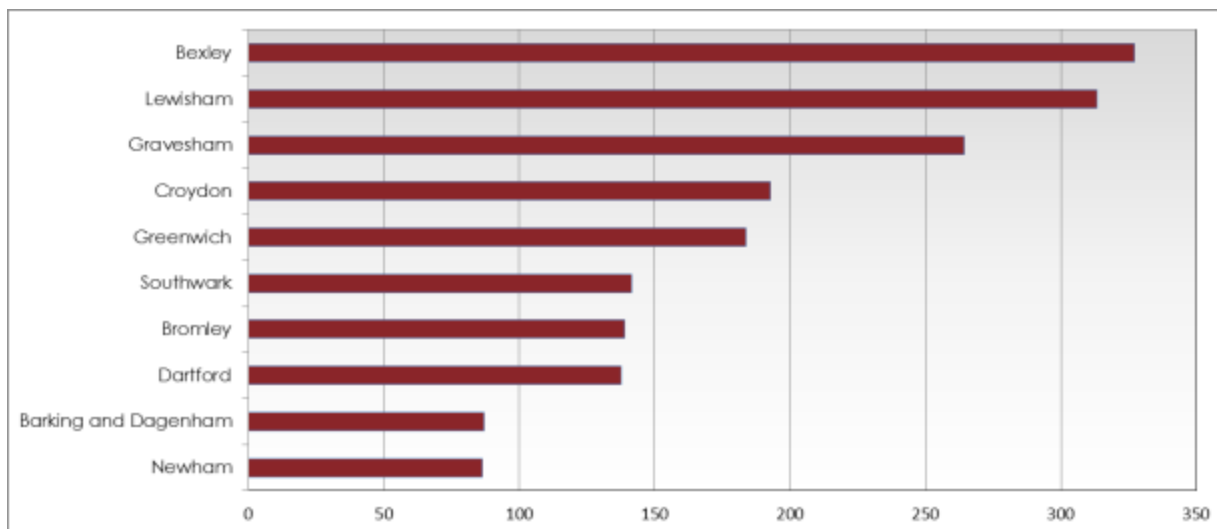
- 2.26 Only two of the top ten authorities in terms of total outflows are London Boroughs, which shows that it has a much weaker relationship with Medway in relation to receiving people. This

demonstrates the one way nature of London's influence on the authority. It also suggests when considering the neighbouring authorities which feature strongly as receivers of Medway's population, that Medway continues the west to east move of people along the Thames Corridor as the influx of people displaced from London for affordability reasons displaces Medway residents for the same reason. If grouping all London Boroughs, this constitutes 16% of total flows out of Medway in 2014, significantly less than the total inwards flows. However, as indicated above this is not a realistic way of considering London in this analysis based on sub-London distinctions.

### Aggregate Migration

- 2.27 Aggregate migration considers the combined net gain and net loss for Medway. Figure 3 shows the authority areas which have resulted in the highest levels of net gain for Medway.

**Figure 3 - Net Migration Gains (2014)**

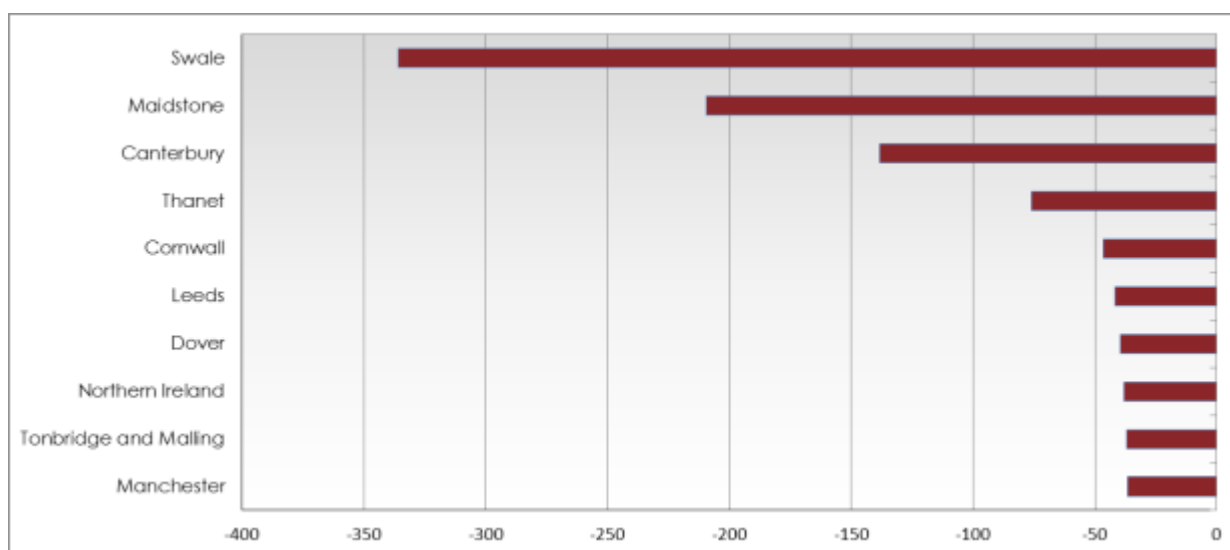


Source: ONS Internal Migration Data – Table IM2014-1a and IM2014-1b, 2014

- 2.28 The majority of the top ten authorities with moves into Medway are London Boroughs, with the exception of Gravesham and Dartford. As already touched on in relation to total flows, this suggests strong trends in terms of people relocating out of the capital to the Authority, which is likely to be driven particularly by London's increasing affordability pressures which are squeezing many households out of London. The two non-London authorities in the top ten are neighbouring authorities. This reflects strong localised migration links, with predominance in 'border-hopping' into Medway rather than moving in from areas which are further afield.
- 2.29 The greatest net gain to Medway is from the London Borough of Bexley, with a total of 327 people in 2014, which increased from a net gain of 280 people in 2013. This is followed by the net gains of 313 people from Lewisham and 264 people from Gravesham.

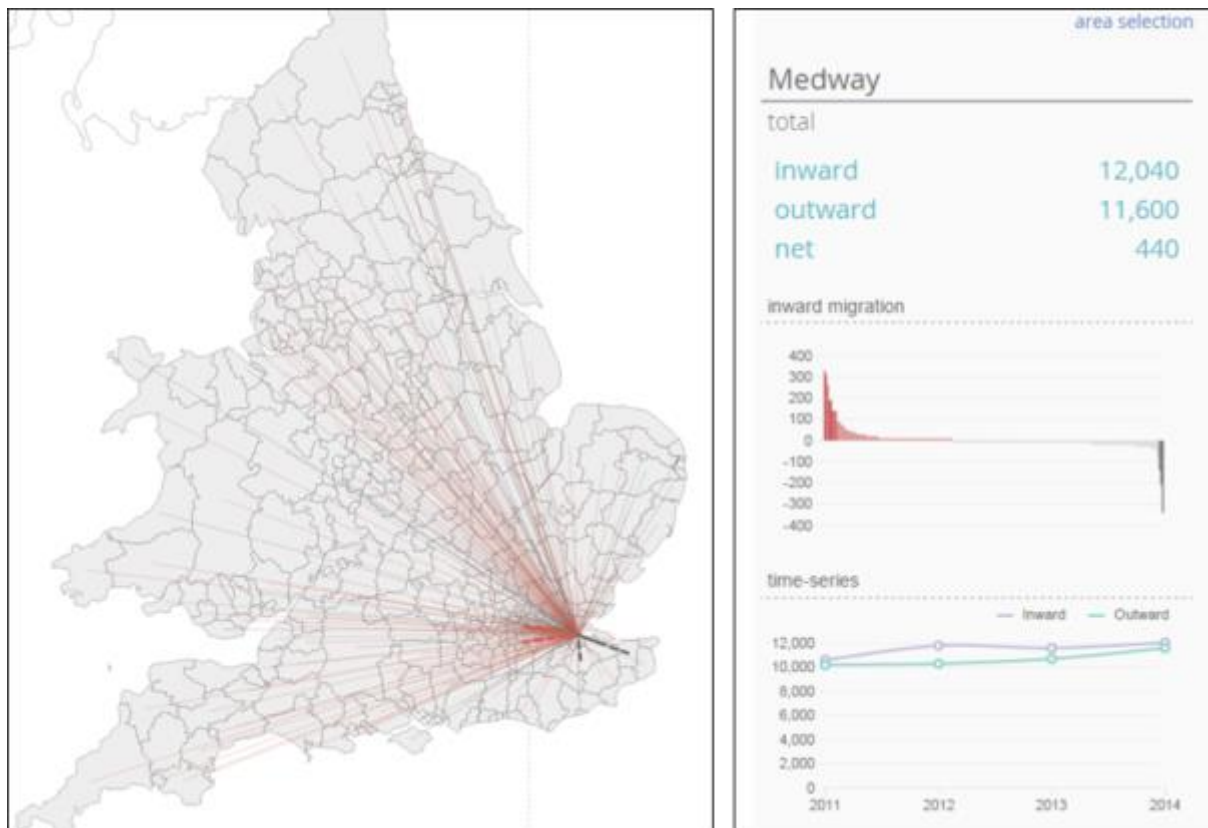
- 2.30 As demonstrated in Figure 4, half of the top ten net out-migration destinations are nearby and neighbouring authorities, particularly Swale which demonstrates the strongest link with Medway. This reinforces the locality of movements both out of and into Medway. Unlike net migration gains however, London boroughs do not feature in the top ten for net migration losses, suggesting a weaker relationship with London in terms of out-migration trends. This is not unexpected given the affordability pressures noted above.
- 2.31 As already indicated, the most significant net loss of people out of Medway in 2014 was to Swale, with a net loss of 336 people. This is followed by a net loss of 209 people to Maidstone and 138 people to Canterbury.

**Figure 4 - Net Migration Losses (2014)**



Source: ONS Internal Migration Data – Table IM2014-1a and IM2014-1b, 2014

- 2.32 The analysis of net migration trends shows a complex interrelationship between local authorities. It suggests that in general, the most recent annual trend has been for people to migrate from Bexley, Lewisham and Gravesham into Medway, and out of Medway into Swale, Maidstone and Canterbury.
- 2.33 Figure 5 shows the net migration flows in an Interactive Map produced by ONS. This reinforces the inward influence of London and the outward relationship with neighbouring authorities, reinforcing the analysis above and the pattern of west to east migration along the Thames Corridor originating as a result of affordability pressures in London causing a displacement effect in those places where London residents migrate to.

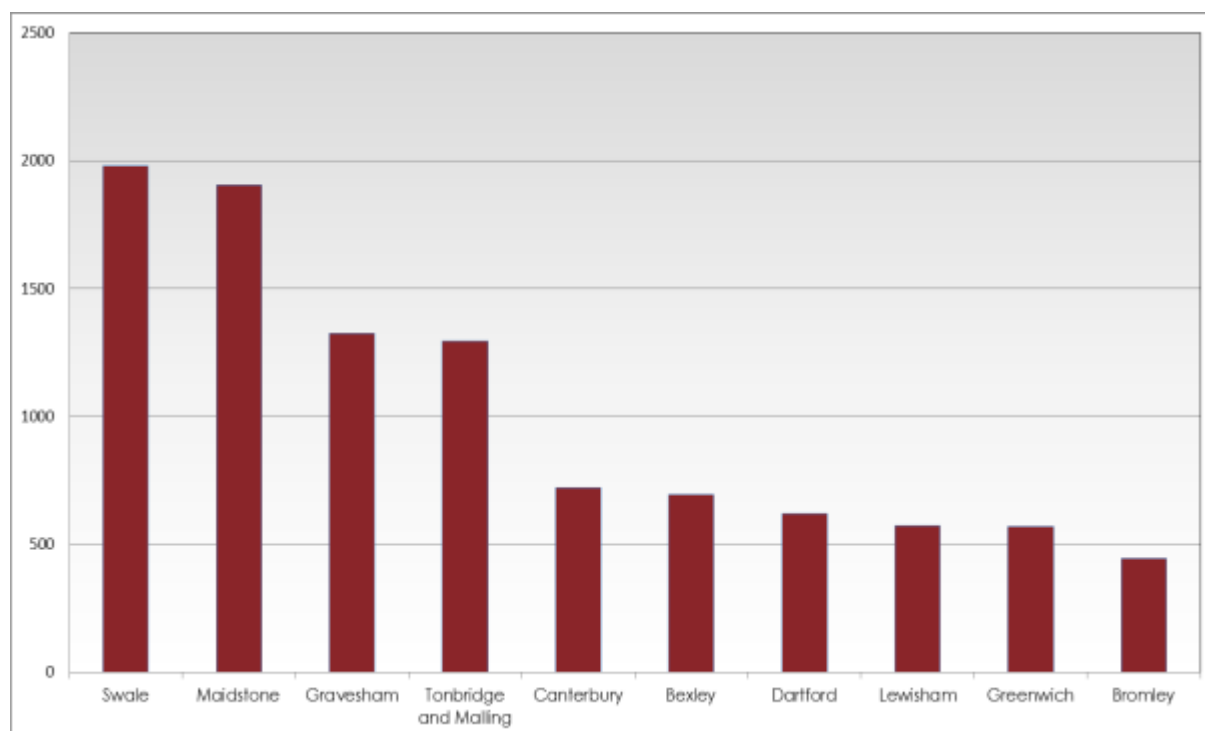
**Figure 5 – Net Migration Flows (2014)**

Source: ONS Internal Migration Data – Internal Migration Interactive Map

(<http://www.neighbourhood.statistics.gov.uk/HTMLDocs/dvc25/index.html#sty=true&flow=flow0&period=3&fix=undefined&view=200,-40,650,635&tr=0,0&sc=1>)

- 2.34 The relative scale of aggregate flows, shown in Figure 6 provides greater clarity in understanding the flows occurring between Medway and its 'providing' and 'receiving' authorities. These aggregate flows combine the figures for in and out migration to identify the total flow of people between Medway and other authorities. This leads to the definition of Medway's strongest migration flow area, shown in Figure 7, which includes Swale, Maidstone, Gravesham and Tonbridge and Malling (all with aggregate migration flows above 1,000).
- 2.35 These four authority areas have the strongest relationship with Medway in terms of internal migration. Within this, the strength of Medway's relationship with Swale and Maidstone is particularly strong. Both these authorities have aggregate migration flows which are close to 2,000.



**Figure 6 - Aggregate Migration Flows (2014)**

Source: ONS Internal Migration Data – Table IM2014-1a and IM2014-1b, 2014

**Figure 7 – Strongest Migration Flow Area**

Source: Neighbourhood Statistics and GVA, 2015

## Origin and Destination Migration Trends

- 2.36 This sub-section is based on 2011 Census data estimating the “usual resident population of the UK who were living at a different address one year ago”<sup>2</sup>. This identifies the origin and



<sup>2</sup> [https://www.nomisweb.co.uk/census/2011/mm01cuk\\_all](https://www.nomisweb.co.uk/census/2011/mm01cuk_all)

destination of migrants who moved in the year prior to the Census. It seeks to refine our understanding of the migration moves influencing Medway, testing this for those neighbouring authorities that are already emerging as having potential inclusion within Medway's HMA based on aggregate migration flows.

- 2.37 Dartford is included in this consideration because it is the 7<sup>th</sup> highest contributor to Medway's total 2014 inflows, the 6<sup>th</sup> highest contributor to Medway's total 2014 outflows, and the 8<sup>th</sup> highest contributor to Medway's 2014 net migration gains. This shows consistency in its migration links with Medway, however not as strong as those for Gravesham, Swale, Maidstone and Tonbridge & Malling. Another reason for its inclusion is to test the market realities of the pan North Kent planning approach, where policies are often planned based on the organisational geography spanning from Dartford to Swale. As such, the inclusion of Dartford allows for an element of testing of the potential Housing Market Area relationships with this organisational North Kent geography.
- 2.38 London Boroughs are not considered specifically in this analysis, despite several boroughs also showing a consistent migration relationship with Medway in the above analysis, particularly Bexley. This is because, as explained above, the London influence is only significant in terms of internal moves into Medway (inward flows and net migration gains), which means when considering this in combination with internal moves out of Medway (outward flows and net migration losses) those London Boroughs which showed a strong inward influence become much less significant.
- 2.39 This analysis focuses on the moves which started and finished in Medway, establishing the number of moves to and from Medway in this period, and the number of moves which involved remaining within the Medway authority boundary. Analysis of these inward, outward and 'within authority' moves facilitates calculation of Medway's migration containment rate.
- 2.40 As set out in the PPG (Paragraph: 011 Reference ID: 2a-011-20140306) in relation to the definition of housing market areas; *"Analysis of migration flow patterns can help to identify these relationships and the extent to which people move house within an area. **The findings can identify the areas within which a relatively high proportion of household moves (typically 70 per cent) are contained.** This excludes long distance moves (eg those due to a change of lifestyle or retirement), reflecting the fact that most people move relatively short distances due to connections to families, friends, jobs and schools."*
- 2.41 Table 6 shows the number of moves which started and finished in Medway and neighbouring authorities which, based on the previous analysis, could form the wider HMA, as well as the total moves to and from each of these authorities.



Table 6 - Origin and destination of migrants who moved in the year prior to the 2011 Census

	Origin 									
		Medway	Gravesham	Swale	Maidstone	Tonbridge & Malling	Dartford	HMA Total Moves (destination and origin)	Total Moves (all authorities)	Total Moves (SE, E & L moves)
Destination 	Medway	17,443	720	632	752	487	326	23,371	37,087	33,247
	Gravesham	527	5,093	86	96	86	831	8,356	12,903	11,944
	Swale	950	131	8,504	296	119	111	11,333	18,053	16,667
	Maidstone	831	138	371	8,392	992	108	12,859	22,011	19,840
	Tonbridge & Malling	517	170	71	803	4,942	108	12,298	16,590	15,054
	Dartford	186	478	62	80	56	4,003	6,349	14,224	13,227

Source: ONS Census (MM01CUK\_ALL – Origin and destination of migrants by age (broad grouped) by sex), 2011

- 2.42 From these figures demand-side and supply-side containment can be calculated for Medway as a single market, and for Medway as part of the wider group of neighbouring authorities which form the potential HMA.
- 2.43 The containment analysis is calculated cumulatively, from left to right in the below tables. This facilitates identification of the point at which the highest level of containment is reached, and therefore the authorities included within the group which demonstrates the greatest containment. Containment is considered in terms of moves to and from all local authorities in England & Wales (Total). However to address the exclusion of long distance moves set out in the PPG, it is also considered in terms of moves to and from authorities in the South East, East and London regions (Total Moves SE, E & L). This SE, E & L moves is therefore used to inform this consideration of containment levels.
- 2.44 For cumulative demand-side containment, shown in Table 7, the highest proportion of containment (61%) is for Medway as a single market. However, this is substantially below the 70% threshold suggested in the PPG so it does not support the identification of Medway as self-contained in terms of destination moves.

**Table 7 – Cumulative Demand-side Containment**

	Medway	Gravesham	Swale	Maidstone	Tonbridge & Malling	Dartford
<b>Total Moves (All)</b>	55%	54%	55%	53%	51%	49%
<b>Total Moves (SE, E &amp; L)</b>	61%	60%	60%	59%	56%	54%

Source: ONS Census (MM01CUK\_ALL – Origin and destination of migrants by age (broad grouped) by sex), 2011 & GVA Analysis, 2015

- 2.45 For cumulative supply-side containment, shown in Table 8, the highest proportion of containment (62%) is for Medway as a single market. However, as for the demand-side containment, this is substantially below the 70% threshold suggested in the PPG so it does not support the identification of Medway as self-contained in terms of origin moves.

**Table 8 – Cumulative Supply-Side Containment**

	Medway	Gravesham	Swale	Maidstone	Tonbridge & Malling	Dartford
<b>Total Moves (All)</b>	55%	54%	54%	53%	51%	49%
<b>Total Moves (SE, E &amp; L)</b>	62%	60%	60%	58%	56%	54%

Source: ONS Census (MM01CUK\_ALL – Origin and destination of migrants by age (broad grouped) by sex), 2011 & GVA Analysis, 2015

- 2.46 Table 9 shows cumulative **overall containment**, which calculates all destination and origin moves which occur between Medway and the potential HMA neighbouring authorities as a proportion of total moves (SE, E & L). This suggests a core relationship between Medway, Gravesham and Swale, which show 70% containment. This meets the suggested self-containment threshold, which would suggest these authorities are within the Medway HMA.

**Table 9 - Cumulative Overall Containment**

	Medway	Gravesham	Swale	Maidstone	Tonbridge & Malling	Dartford
<b>Total Moves (All)</b>	63%	63%	63%	62%	64%	62%
<b>Total Moves (SE, E &amp; L)</b>	70%	70%	70%	68%	71%	68%

Source: ONS Census (MM01CUK\_ALL – Origin and destination of migrants by age (broad grouped) by sex), 2011 & GVA Analysis, 2015

- 2.47 The containment level reduces slightly when Maidstone and Dartford are considered within the potential Medway HMA. The inclusion of T&M has a disproportionate effect on the self-containment for the Medway HMA. This is a result of significantly higher levels of internal moves within T&M, which result in a high level of Borough level self-containment.
- 2.48 The marginal difference in the cumulative overall containment levels here, supports the fact that this containment analysis, based on 2011 Census data which is the most recent data available which identifies moves within as well as beyond local authority boundaries, should not form the sole basis on which Medway's HMA should be defined. This is particularly the case considering that the Census data was collected in 2011, so whilst it captures a snapshot from that time, the dynamic nature of population change and household migration means that much could have changed since then which will not be evident from this data.
- 2.49 Based on this containment analysis, in combination with the previous analysis, the case for excluding Dartford is clear. It does not increase containment when considering all moves, or those within the more localised area of the South East, East and London.
- 2.50 There is an obvious need to consider the other indicators within this Section in order to make the most accurate and robust definition possible, which considers the full spectrum of PPG suggested evidence.

## Commuting Trends

- 2.51 Table 10 shows that 63% of residents aged 16-64 within Medway are economically active in employment. Medway has a marginally higher proportion than England (62%), but a lower proportion than the South East (65%). Within the wider HMA, the proportion of residents in each local authority area aged 16-64 that are economically active ranges from 62% (Swale) to 67%. The proportion in Medway is therefore towards the lower end of this range.
- 2.52 In 2014 Medway had the highest unemployment rate across all comparators (9.2%) with England the next highest at 6.5%. This is set within the context of considerable fluctuation in unemployment rate trajectories and levels across all comparator areas. Despite signs of reducing unemployment rates in recent years reflecting economic recovery, very few areas have returned to pre-recession unemployment levels.

**Table 10 - Economic Activity Rates (2011)**

	Economically Active (%)			Total Economically Active (%)
	In employment	Unemployed	Full time student	
England	62	4	3	69
South East	65	3	3	72
Kent	63	4	3	70
Medway	<b>63</b>	<b>5</b>	<b>3</b>	<b>71</b>
Gravesham	63	5	3	71
Dartford	68	4	3	75
Swale	62	5	2	69
Maidstone	67	3	3	73
Tonbridge & Malling	67	3	3	73

Source: ONS Census (KS601EW to KS603EW), 2011

- 2.53 Figure 8 shows the relevant part of the 2011 Medway Travel To Work Area (TTWA) map, which identifies Medway as a TTWA which includes Maidstone. This indicates the strong relationships between Medway and its neighbouring authorities in economic terms, particularly with Maidstone, the north of Tonbridge and Malling and the west of Swale. However, the relationship weakens as you move further south and east, when moving into the Tunbridge Wells, Ashford and Canterbury Travel To Work Areas.
- 2.54 Consideration of these Travel To Work Areas facilitates an understanding of the commuting patterns and economic relationship at the sub local authority level. This provides a more nuanced Housing Market Area understanding beyond the scope of the data considered in this analysis, however there is no alternative, robust approach considering the available data, which is why the guidance compliant methodology, and therefore the methodology adopted throughout this analysis, operates at the Local Authority level.

Figure 8 - 2011 ONS Travel to Work Areas



Source: ONS, 2015

([https://geoportal.statistics.gov.uk/Docs/Maps/Travel\\_to\\_work\\_areas\\_\(UK\)\\_2011\\_map.pdf](https://geoportal.statistics.gov.uk/Docs/Maps/Travel_to_work_areas_(UK)_2011_map.pdf))

## Out-Commuting

- 2.55 Location of usual residence and place of work statistics from the 2011 Census show that of those residents who were economically active (in employment) in 2011, 51% (53,629) worked within the local authority area. This demonstrates a relatively low supply-side self-containment rate (the number of people living and working in an area divided by the number of residents in the area)<sup>3</sup>, compared to the generally accepted 75% level:

*"The current criteria for defining TTWAs is that generally at least 75% of an 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. The area must also have a working population of at least 3,500. However, for areas with a working population in excess of 25,000, self-containment rates as low as 66.7% are accepted.."*(<http://www.ons.gov.uk/ons/guide-method/geography/beginner-s-guide/other/travel-to-work-areas/index.html>)

- 2.56 In simpler terms, this means that there is a relatively low percentage of employed Medway residents who remain within the authority area to work, reflective of high levels of out-

<sup>3</sup> <http://www.ons.gov.uk/ons/guide-method/geography/beginner-s-guide/other/travel-to-work-areas/2001-based-travel-to-work-area-methodology.pdf>.

commuting and areas where there may be more residential than employment focus. Therefore, Medway cannot be considered as being supply side self-contained in the context of commuting.

- 2.57 A further 7% (53,629) of residents worked in Maidstone, 6% (6,354) worked in Tonbridge and Malling, 5% (5,037) worked in Westminster & City of London, and the remaining 31% worked elsewhere. Three of the top ten authorities in terms of total out-commuting are London Boroughs, which reflects the strength of the relationship between Medway and London in relation to commuting, reflecting the employment opportunities in the capital and its relative accessibility from Medway. If grouping all the London Boroughs together, this constitutes 33% of total commuting flows out from Medway in 2014. Whilst this further emphasises London's influence on the authority, this is not a realistic way of considering London in this analysis based on sub-London distinctions. This could suggest that TTWA flows are not the best measure for defining Housing Market Areas for Local Authorities in the South East like Medway, because of this London influence, however this is why this forms only one component of the overall HMA definition.
- 2.58 The supply side self-containment is analysed using data on out-commuting by Medway residents, as shown in Table 11.

**Table 11 – Workplace Location of Medway Residents - TTW Profile**

Location of Workplace	Number of Working Medway Residents	% of Working Medway Residents
Medway	53,629	51%
Maidstone	7,578	7%
Tonbridge and Malling	6,354	6%
Westminster & City of London	5,037	5%
Swale	4,201	4%
Dartford	3,977	4%
Gravesham	3,185	3%
Bexley	1,652	2%
Tower Hamlets	1,325	1%

Source: ONS Census (WU01UK), 2011

### In-Commuting

- 2.59 Location of usual residence and place of work statistics from the 2011 Census show that of those who are economically active and working within the Medway local authority area in 2011, 70% (53,629) live within Medway. This demonstrates relatively strong demand side self-

containment (the number of people living and working in an area divided by the number of jobs in the area)<sup>4</sup>, stronger than the level of supply side self-containment, however not meeting the 75% level which would result in considering Medway to be demand side self-contained. This being said, it would satisfy the 66.7% indicated to have the potential to be accepted for urban areas with a population above 25,000. In simpler terms, this means that there is a reasonable proportion of jobs within Medway which are undertaken by those who live within the authority area.

- 2.60 A further 6% (4,751) of the Medway workforce is resident in Swale, 5% (4,165) is resident in Maidstone, 3% (2,523) is resident in Tonbridge and Malling, 3% (2,389) is resident in Gravesham, and the remaining 13% is resident elsewhere. Only one of the top ten authorities in terms of total inward commuting flows is a London Borough, showing a much weaker relationship with Medway than for commuting flows out to London. This is unsurprising considering the economic pull and opportunities London offers, which Medway is unlikely to be able to compete with. There is a much stronger out-commuting pull from Medway out to neighbouring authorities such as Swale and Maidstone. If grouping all London Boroughs, this constitutes only 3% of total commuting flows into Medway in 2014, significantly less than the total inward commuting flows. However, as indicated above, this is not a realistic way of considering London in this analysis based on sub-London distinctions.
- 2.61 This demand side self-containment is analysed using data on in-commuting by the Medway workforce, as shown in Table 12.

**Table 12 – Residence Location of Medway Workforce - TTW Profile**

Location of Residence	Number of Medway Workforce	% of Medway Workforce
Medway	53,629	70%
Swale	4,751	6%
Maidstone	4,165	5%
Tonbridge and Malling	2,523	3%
Gravesham	2,389	3%
Canterbury	1,099	1%
Dartford	811	1%
Ashford	681	1%
Bexley	481	1%

Source: ONS Census (WU01UK), 2011

<sup>4</sup> <http://www.ons.gov.uk/ons/guide-method/geography/beginner-s-guide/other/travel-to-work-areas/2001-based-travel-to-work-area-methodology.pdf>.



## Commuting Flows

- 2.62 It is not possible to combine the supply side and demand side containment proportions into one proportion, because they are based on different base populations (number of residents in the area and number of jobs in the area respectively). However, neither of these proportions constitutes the 75% level suggested to indicate self-containment, therefore, Medway should not be considered self-contained in relation to commuting.
- 2.63 In relation to aggregate commuting flows, it is evident that Medway has the strongest link with Maidstone, but also shows strong connections to Swale, Tonbridge and Malling, Gravesham and Dartford. If grouping all London Boroughs, this constitutes a total flow of 10,608. However, as indicated above, this is not a realistic way of considering London in this analysis based on sub-London distinctions.
- 2.64 This leads to the definition of Medway's strongest commuting flows area, shown below in Figure 9, which includes Medway, Maidstone, Swale, Tonbridge and Malling and Gravesham (all showing total flow above 5,000).
- 2.65 This replicates the same authorities that are included within Medway's Strongest Migration Flow Area detailed above. This emphasises the significance of the links between Medway these other four authorities.

**Table 13 - Aggregate Commuting Flows (2011)**

Authority	In	Out	Total Flow
<b>Medway</b>	53,629	53,629	<b>107,258</b>
<b>Maidstone</b>	4,165	7,578	<b>11,743</b>
<b>Swale</b>	4,751	4,201	<b>8,952</b>
<b>Tonbridge and Malling</b>	2,523	6,354	<b>8,877</b>
<b>Gravesham</b>	2,389	3,185	<b>5,574</b>
<b>Dartford</b>	811	3,977	<b>4,788</b>
<b>Bexley</b>	481	1,652	<b>2,133</b>
<b>Canterbury</b>	1,099	719	<b>1,818</b>
<b>Bromley</b>	313	1,219	<b>1,532</b>
<b>Sevenoaks</b>	434	1,039	<b>1,473</b>

Source: ONS Census (WU01UK), 2011



**Figure 9 – Strongest Travel to Work Flows Area**

Source: Neighbourhood Statistics and GVA, 2015

## House Prices

- 2.66 Table 14 identifies median average house prices for Medway, neighbouring authorities and the wider HMA, in 2000, 2007 and 2013, to understand pre and post-recession growth trends.

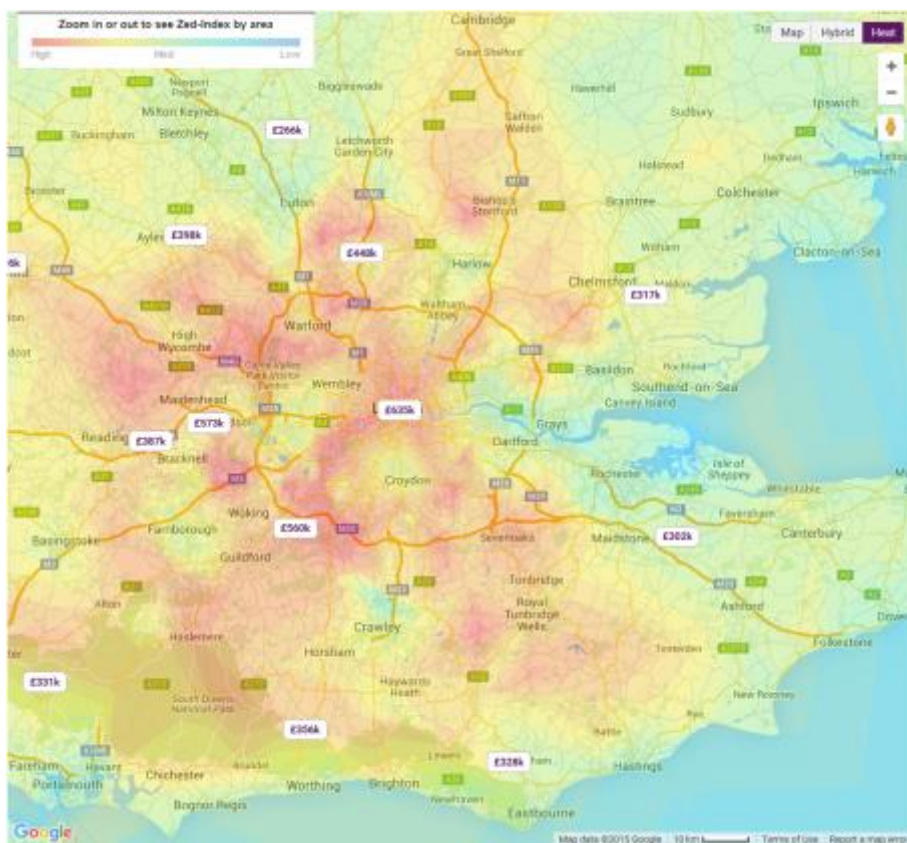
**Table 14 - Median Average House Prices for Medway and Neighbouring Authorities**

Authority	Median House Price (£)			Growth (%)		
	2000	2007	2013	Pre-recession (00-07)	Post-recession (07-13)	Total (00-13)
Gravesham	84,000	180,000	188,000	114.29%	4.44%	123.81%
<b>Medway</b>	<b>70,000</b>	<b>158,000</b>	<b>160,000</b>	<b>125.71%</b>	<b>1.27%</b>	<b>128.57%</b>
Dartford	89,000	195,000	200,000	119.10%	2.56%	124.72%
Swale	76,500	164,500	167,000	115.03%	1.52%	118.30%
Maidstone	107,000	210,000	210,000	96.26%	0.00%	96.26%
Tonbridge and Malling	124,000	241,000	249,950	94.35%	3.71%	101.57%
Canterbury	89,500	200,000	210,000	123.46%	5.00%	134.64%
Sevenoaks	143,250	270,000	285,000	88.48%	5.56%	98.95%
<b>Wider HMA</b>	<b>92,300</b>	<b>190,700</b>	<b>194,990</b>	<b>106.61%</b>	<b>2.25%</b>	<b>111.26%</b>

Source: CLG Live Table 586, 2014

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- 2.67 Based on the CLG data (drawing from Land Registry data) the median average house price in Medway in 2013 was £160,000. This is compared with an average of £194,990 for the defined wider HMA (Medway, Gravesham, Swale, Maidstone and Tonbridge & Malling).
- 2.68 Table 14 shows that Medway has consistently had the lowest median house prices in 2000, 2007 and 2013, in the context of comparable authorities. Medway however demonstrated the strongest pre-recession price growth at 125.71% (2000-2007), compared to 106.61% for the wider defined HMA. Post-recession (2007 – 2013) growth however has been slow in the context of comparable authorities at 1.27%, compared to 2.25% for the wider HMA as a whole.
- 2.69 There is a notable difference in prices across the wider HMA, with a range of £89,950 between the highest price in Tonbridge and Malling (£249,950) and the lowest price in Medway (£160,000).
- 2.70 The series of heat maps shown in the following four figures show the complex pattern of house prices in and around Medway. Areas of high value tend to be clusters in two locations. Firstly in rural areas where properties tend to be larger and set within protected environments such as the AONB values are significantly higher than most urban areas. Secondly values are also higher in urban areas where there are clusters of new development (such as Chatham Maritime) or are close to stations on the North Kent Line, which now benefit from HS1 services.

Figure 10 - Medway Heat Map 1



Source: Zoopla Heat Map (<http://www.zoopla.co.uk/heatmaps/>)

Figure 11 - Medway Heat Map 2



Source: Zoopla Heat Map (<http://www.zoopla.co.uk/heatmaps/>)

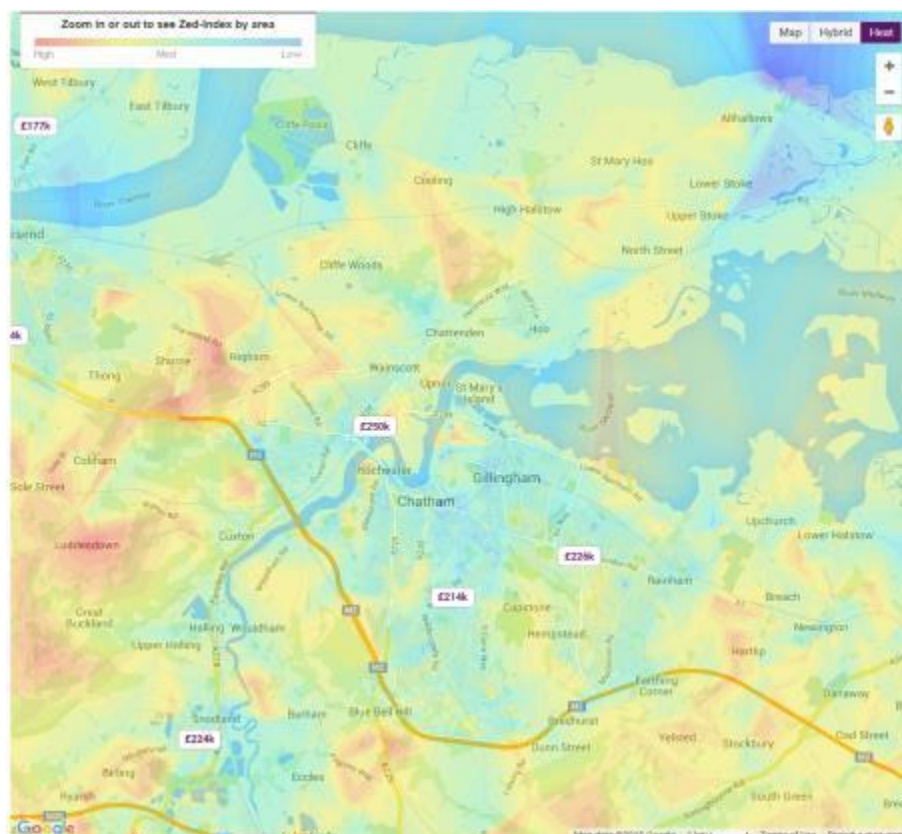


Figure 12 - Medway Heat Map 3



Source: Zoopla Heat Map (<http://www.zoopla.co.uk/heatmaps/>)

Figure 13 - Medway Heat Map 4

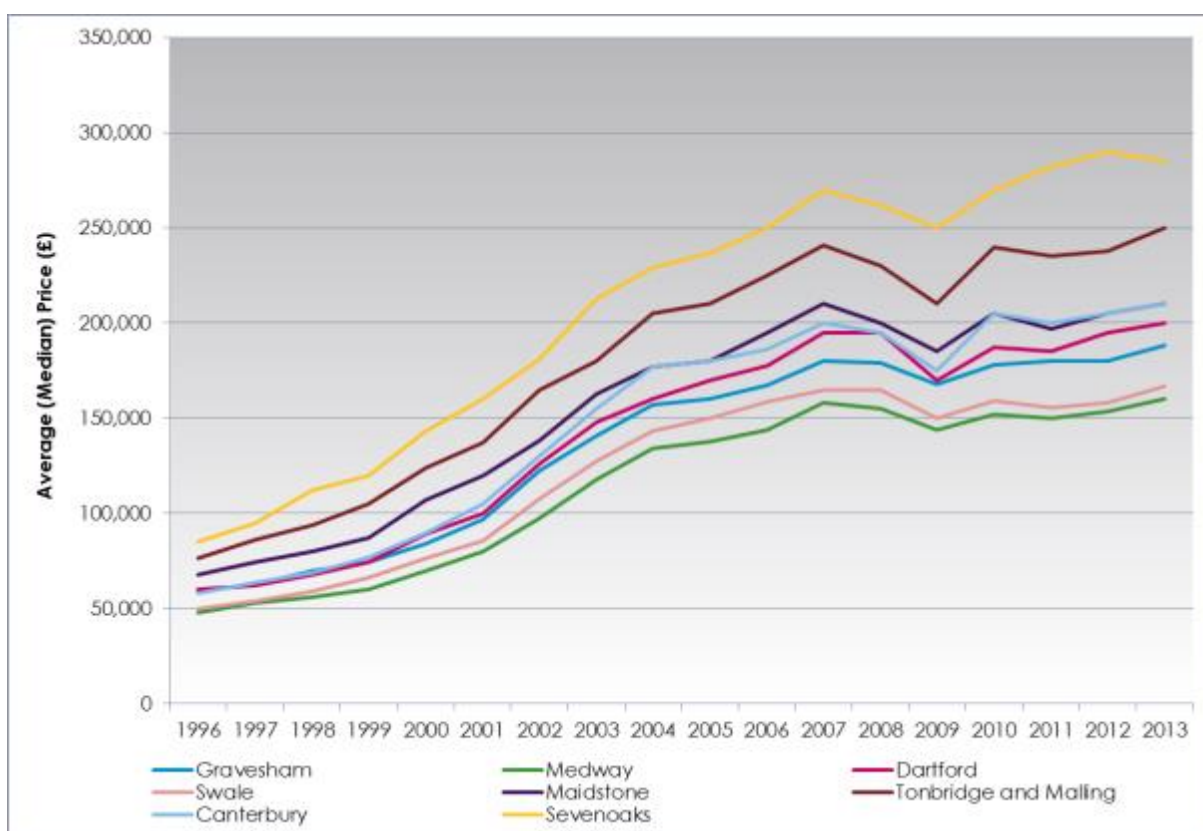


Source: Zoopla Heat Map (<http://www.zoopla.co.uk/heatmaps/>)

## Growth Trends

- 2.71 Trends in house price data have been analysed over the period from 1996 to 2013. Figure 14 shows the average house price trends in Medway and its neighbouring authorities.
- 2.72 Despite variation in the mean average house price levels for different local market areas, all areas exhibited a similar trend line throughout the period, which reflects the same market fluctuations. Particularly significant was the price dip for all areas in 2009, reflective of recessionary impacts. There is particularly strong alignment between Medway and Swale throughout the period.

**Figure 14 - Median House Price Based on Land Registry Data (1996 - 2013)**



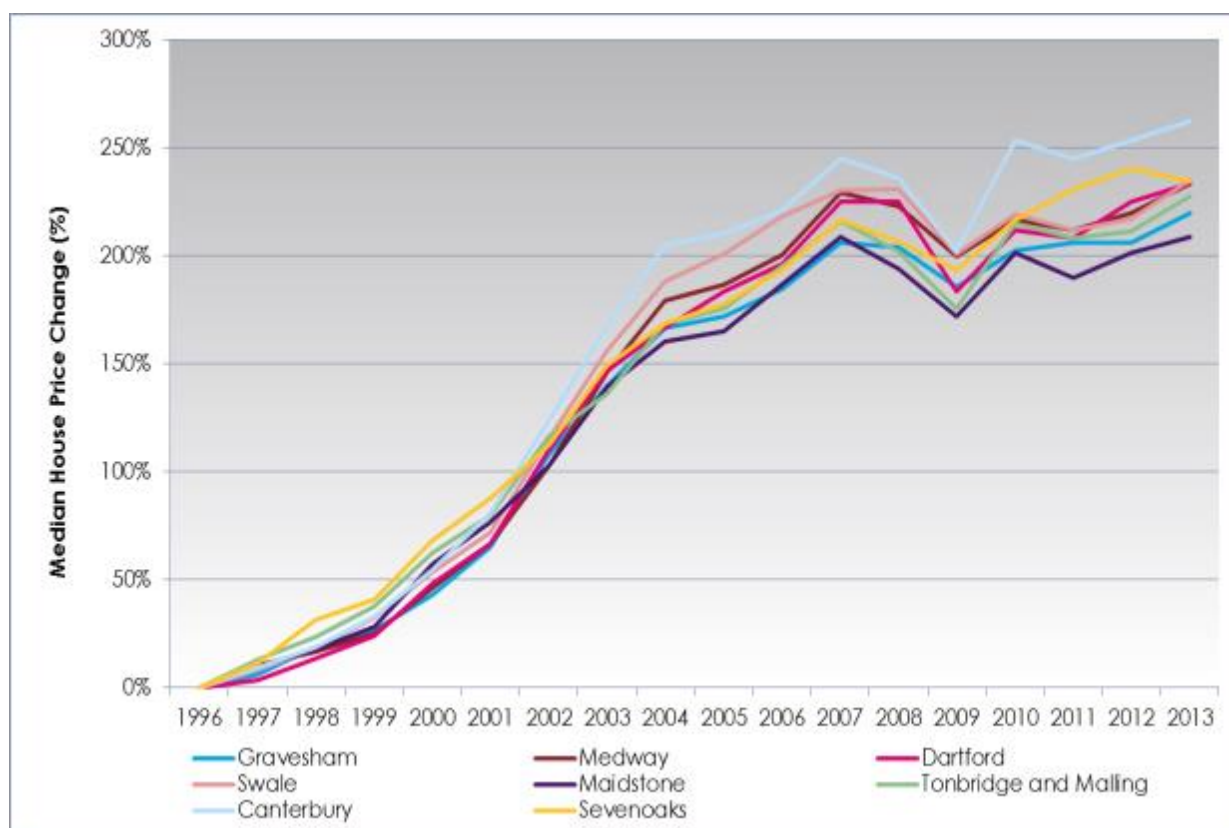
Source: CLG Live Table 586, 2014

## Rates of Change

- 2.73 Figure 15 illustrates the percentage change in mean average house prices for Medway and its comparator areas, from the 1996 base year. By 2013, average house prices in Medway increased 233% from the 1996 base year. This is the second highest increase in the context of the wider HMA, only marginally behind Swale which demonstrated the strongest house price increase at 235%. The average increase for the wider HMA was 226% from the 1996 base year.

- 2.74 As was the case for the growth trends, there is relative comparability in the trajectories for all areas, reflecting similar market trends. However there is variation evident in the level of changes and therefore the scale of market influence acting on certain authorities. In this sense Medway, Swale, Tonbridge and Malling have showed similar rates of changes, with some distinction from the rates shown by Gravesham and Maidstone.
- 2.75 Table 15 ranks the authorities within the wider HMA by the median average house price for 2013 and confirms the percentage growth since 1996.

**Figure 15 - Percentage Increase in Mean House Prices from 1996 Base Year**



Source: CLG Live Table 586, 2014

**Table 15 - Median Average House Price and Growth**

Authority	2013 Median Average House Price (£)	Growth since 1996 (%)
<b>Medway</b>	<b>£160,000</b>	<b>233%</b>
Gravesham	£188,000	219%
Swale	£167,000	235%
Maidstone	£210,000	209%
Tonbridge & Malling	£249,950	228%
Dartford	£200,000	233%
<b>Wider HMA</b>	<b>£195,825</b>	<b>226%</b>

Source: CLG Live Table 586, 2014

- 2.76 Average prices and rates of growth will influence patterns of migration. The comparability between these values for the authorities within the wider HMA is likely to contribute to the movement evident between these authorities in the analysis of migration patterns and TTW flows.
- 2.77 The analysis of house price growth trends and rates of change shows more complexity and less clear-cut relationships between Medway and nearby authorities. There is variation evident in average house prices and their growth rates. However, there is close alignment in the rates of change trends shown in neighbouring and nearby authorities, which suggests that they could be operating in the same market area as each other.
- 2.78 Whilst it is more difficult to draw meaningful conclusions from this data, compared to the analysis of internal migration, origin and destination migration trends and commuting flows, the alignment in rates of changes supports the strength of the relationship of Medway with Gravesham, Swale, Maidstone and Tonbridge and Malling.
- 2.79 In this indicator more than others it is important to note that synergies and differences will be more prominent at the sub-authority level, with key relationships experienced between particular urban and rural sub-areas for example.

## Housing Market Area Conclusion

### London Influence

- 2.80 As is the case for many authorities in the South East and East of England, London has a significant influence on Medway in relation to migration and housing demand.

- 2.81 The migration data analysed in this section shows the strong inwards migration trend from London to Medway in 2014, where the total London – Medway moves constituted 33% of all moves into Medway. Four of the top ten migration contributors to Medway's population in 2014 were London Boroughs (Bexley, Lewisham, Greenwich and Bromley).
- 2.82 However, the strength of these inward migration trends is not evident for Medway's outward migration. Total moves out from Medway to London in 2014 constituted only 16% of all moves out of Medway, and only Greenwich was in the top ten receivers of Medway's population in 2014.
- 2.83 Considering aggregate flows with Medway, Lewisham, Greenwich and Bromley were the eighth, ninth and tenth authorities in the top ten, however their aggregate flows were significantly below those of neighbouring authorities with Medway.
- 2.84 Set in the context of house prices and market trends, these migration patterns demonstrate how the housing pressures faced by London are initiating west to east migration along the Thames Corridor, and therefore having a significant influence on authorities like Medway. These factors distort local housing market trends and the usual relationship between location choices for working and living.

### Local Housing Market Dynamics

- 2.85 The analysis set out in this Section shows that Medway is located within an area with a range of inter-relationships with locally based authorities, as well as London Boroughs which have an inevitable influence on authorities in the South-East of England. This is reinforced by the existing CURDS HMAs and spheres of influence which contextualise this section and the approach to defining the wider Housing Market Area.
- 2.86 Excluding the London influence, there are equally complex relationships evident between neighbouring authorities in this area. This has been demonstrated in this section through considering the range of indicators which can determine the appropriate housing market area including; migration trends, travel to work and commuting patterns, self-containment levels and housing market trends.
- 2.87 From this analysis it is clear that Medway does not have an entirely definitive or constant relationship with a single authority/group of authorities across all indicators, reinforcing the complex relationships that exist. The Housing Market Area definition is therefore based on the preponderance of evidence and the most consistent set of relationships across all the data elements considered.



## Migration

- 2.88 In terms of in-migration at the borough level Medway has the strongest relationships with Maidstone, Swale, Gravesham (all contributing 7% of total growth) and Tonbridge and Malling (contributing 5% of total growth), between them accounting for over a quarter of all moved into Medway.
- 2.89 For out-migration the strongest relationships again with these four authorities, with 30% of moves out of Medway finishing in either Swale (10%), Maidstone (9%), Tonbridge and Malling (6%) or Gravesham (5%).
- 2.90 Unsurprisingly, based on these trends, the Aggregate Migration Flows (i.e. moves in + moves out – showing the total strength of relationship) again show the strength of the relationship between Medway and its four adjoining authority areas.
- 2.91 The strength of the relationship between these authorities and Medway (from the Medway perspective) is weaker when self-containment is considered, i.e. where the moves between Medway and these boroughs is considered as a proportion of all moves involving these boroughs to locations within the South East, East of England and London.
- 2.92 Overall self-containment in this sense is relatively consistent at c.70%, although the inclusion of Maidstone does weaken the relationship, decreasing the self-containment rate to 68%. Self-containment is highest when all 5 local authorities are considered together, reaching 71%. The inclusion of T&M has a disproportionate effect on the self-containment for the Medway HMA. This is a result of significantly higher levels of internal moves within T&M, which result in a high level of Borough level self-containment.
- 2.93 Given this the strongest self-containment relationship for Medway would appear to be with Gravesham and Swale, with marginally weaker linkages to Maidstone and Tonbridge and Malling.

## Commuting

- 2.94 Travel to work and commuting patterns also reinforce the strength of the relationship between Medway and the adjoining authority areas. The ONS produced Travel to Work Area (TTWA) maps highlight the influence of London, with its TTWA extending out across Kent as far as Medway. However, outside of Gravesham none of Medway's neighbours fall within this area.
- 2.95 The Travel to Work relationship identified by the ONS highlights a number of 'splits' across local authority areas. The Medway TTWA extends south into Maidstone and Tonbridge and Malling, however it doesn't capture the whole of both areas. Much of Maidstone is encapsulated in this TTWA (including the town of Maidstone itself) however only the north of Tonbridge and

Malling is included, with the south and west of the borough forming part of the Tunbridge Wells TTWA.

- 2.96 Similarly, whilst the west of Swale (including Sheppey) is within the Medway TTWA the east of the borough towards and beyond Faversham falls within the Canterbury TTWA.
- 2.97 This analysis helps to refine borough level commuting pattern data which highlights Maidstone, Tonbridge & Malling and Swale as the key destinations for Medway residents for work (excluding London) whilst Swale, Maidstone, Tonbridge and Malling and Gravesham are key contributors to the Medway workforce.
- 2.98 Taking all travel to work data together suggests that the strongest relationships are between those parts of neighbouring authorities that are closest to Medway, i.e. the north of Tonbridge and Malling, the north of Maidstone and the west of Swale.

### **Market Factors**

- 2.99 Considering the prevailing market signals and trends there are understandable differences in the detailed levels of demand and values, however there are clear commonalities in terms of the scale of change between Medway, Swale, Gravesham and (to a lesser extent) Maidstone over the period 1996 – 2013. Tonbridge and Malling, Canterbury, Dartford and Sevenoaks demonstrated substantially stronger value change over the same period, which suggests there are different influences acting on the market in these areas.
- 2.100 At the sub-authority area level, the heat mapping detailed in this section shows the complex pattern of house prices in and around Medway. Areas of high value tend to be clusters in two locations. Firstly in rural areas where properties tend to be larger and set within protected environments such as the AONB values are significantly higher than most urban areas. Secondly values are also higher in urban areas where there are clusters of new development (such as Chatham Maritime) or are close to stations on the North Kent Line.
- 2.101 Taking into account these fluctuations values are relatively closely related, or lying within similar value bands, for much of the area north of the M20 and even as far as the London-Maidstone rail line that runs through West Malling. South of this, values become consistently higher and therefore have little or no relationship to predominant value bands in Medway.
- 2.102 House price data suggests that the identified wider HMA provides a broad range of house prices and types to create a functional housing market area, which caters for a range of population groups.

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## The Defined Housing Market Area

- 2.103 Considering all the dynamics and indicators in the round, there is clearly a consistently strong relationship between Medway, Gravesham, Swale, Maidstone and Tonbridge and Malling which suggests these should form the Housing Market Area.
- 2.104 However, it must be recognised that whilst these are strong relationships, they are not consistent across full local authority areas. Indeed, where data is available at a sub-authority level a clear pattern emerges that indicates the core relationships are with only parts of Swale, Maidstone and Tonbridge and Malling.
- 2.105 For Swale the relationship is strongest in the west, not extending much beyond Sittingbourne which itself (as suggested in the Swale SHMA) has its own identity but still has key links to Medway. For Tonbridge and Malling the relationship is likely to be only with those areas to the north of West Malling and East Malling, albeit there are functional economic relationships with Kings Hill. For Maidstone again the strongest relationship is with the north of the borough, however again there are functional relationships between Medway and Maidstone town centre.
- 2.106 However, these sub-authority variations cannot be accurately captured given the limitations of the data, the use of which is compliant with guidance. The definition of the Housing Market Area is therefore as follows:
- **Medway;**
  - **Gravesham;**
  - **Swale;**
  - **Maidstone; and**
  - **Tonbridge and Malling.**
- 2.107 It should be noted that this definition does not negate the significance of Medway's links with other areas not included within the wider HMA i.e. Canterbury and Sevenoaks. As indicated above, the analysis is intended to reflect the preponderance of evidence and strongest patterns.
- 2.108 This approach to defining the HMA is PPG compliant, and has led to the definition of an appropriate and functional HMA area to be taken forward through this study.

### 3. Baseline Analysis: Demographics, Housing and Economics

- 3.1 This section brings together the key findings from the housing, demographic and economic data analysis from North Kent SHENA Baseline Report, which informs this SHMA. The most relevant information for this SHMA's analysis is summarised, whilst the full data analysis and commentary is available from the Baseline Report itself.

#### The Current Housing Stock

- 3.2 This sub-section summarises the current housing stock situation for Medway, based on information drawn from Chapter 4 of the Baseline Report.

#### Population, Households and Dwellings

- The latest 2011 Census recorded a population of 263,925 people in Medway. The latest ONS 2014 mid-year population estimates update this figure to 274,015 (an increase of 10,090 people, 4%).
- Based on the 2011 population level, Medway makes up the largest proportion of the population in the wider HMA, at 34%.
- The total number of dwellings in Medway has increased from 102,578 in 2001 to 110,107 in 2011. This is an increase of 7,529 dwellings, equating to a 7% increase over the ten year period.

#### Stock Type

- Medway has a significantly lower proportion of detached stock than comparator areas, at 14%. This is compared to 28% for the South East region and 25% for Kent. This is the lowest proportion within the HMA.
- Medway shows the highest proportion of terraced stock (41%) compared to other areas. This proportion is 9% above the 32% for Gravesham and Swale.
- Medway's proportion of semi-detached stock (29%) is largely in line with national, regional and HMA proportions.
- Medway has a low proportion of purpose built flatted stock at 12% when compared to England, the South East and Gravesham, with 17%, 16% and 16% respectively. Medway's proportion of purpose built flatted stock however is similar to that in Tonbridge and Malling and Swale.

### Stock Size

- When compared to the wider Kent context, Medway has a similar proportion of 1 bed (10%), 2 bed (25%), 4 bed (13%) and 5 bed (3%) properties.
- Medway has a higher proportion of 3 bed properties (49%) when compared with England (41%), South East (39%) and Kent (40%). This is also the highest proportion in the HMA, where excluding Medway, proportions range from 42% (Maidstone) to 47% (Gravesham).

### Stock Quality

- Based on the very basic proxy of households with central heating, Medway has a high overall stock quality at 96.8%. There is therefore no obvious concern with basic stock quality raised from analysis.

### Stock Tenure

- In terms of stock tenure, approximately 70% of stock is in private ownership, 15% is privately rented, 13% is socially rented and 1% is in shared ownership. Within the context of the wider HMA, this demonstrates a high proportion of owner occupation, with proportions ranging from 65% in Gravesham to 71% in Tonbridge and Malling. The figure for England is 63%. With regards to other tenures, Medway's proportions are similar to those within the HMA.
- In Medway approximately 4% of households in the Authority are at least one bedroom too short and therefore considered to be overcrowded. This is the same as for the South East region, but below that for England (5%). Analysis suggests there is no significant issue with overcrowding in Medway, which may be reflective of the ageing nature of the populations. It highlights the importance of considering the impact of welfare reforms and the bedroom tax, which could affect these households if within the social rented sector.
- In Medway approximately 35.8% of households in the authority have at least one too many bedrooms and are therefore considered to be under-occupying. This is the second highest proportion across the HMA, with only Swale showing a higher proportion at 36.4%. This suggests that there is a relatively substantial prevalence of under-occupancy in the Authority. When considered in combination with the evidence of some levels of overcrowding (albeit not constituting a significant issue) it indicates a mis-alignment of stock use and the potential to incentivise under-occupying households to downsize to help address issues of overcrowding without relying solely on the delivery of new larger units.

## Demographic Trends

- 3.3 This sub-section summarises the current demographic trends in Medway, based on information drawn from Chapter 2 of the Baseline Report.

### Population Growth

- Medway had a population of 249,488 in 2001, 263,925 in 2011 and 274,015 in 2014. This shows 10% population growth over the 13 year period from 2001 – 2014, increasing by 24,527 people.

### Population Age Structure

- The age profile from 2001 – 2014 reflects the ageing nature of Medway's population (with 30% growth in the 60+ age cohort). An interesting age specific trend is the reduction in the 30-44 age group (8% reduction), and the 0-15 age group (7% reduction) which represents the children of the 30-44 age group. This suggests that there has been a decrease in the number of economically active people, at the same time as an increase in the retired population. This structure has the potential to create pressures on healthcare and sheltered accommodation, and increase the propensity of under-occupancy occurring among older people with more bedrooms in the home than they require.

### Components of Change

- Natural change (fertility exceeding mortality) was the most significant contributor to Medway's population growth over 2001 – 2014, contributing 16,407 people. International migration was the next most significant contributor to growth, contributing 8,255 people. Domestic migration had an overall negative contribution to population change, -1,995 people, however over the past 4 years domestic migration has become a positive net contributor. Medway has the strongest links in terms of inward and outward population flows with Swale (1,978 total moves), Maidstone (1,903 total moves), Gravesham (1,324 total moves) and Tonbridge and Malling (1,295 total moves).

### Ethnicity

- Ethnic diversity in Medway has increased between the 2001 and 2011 Censuses, supported by the influence of international migration to population growth. 2011 Census data shows that minority (non-white) ethnic groups made up approximately 10% of the Medway population, which is higher than the average for Kent and the majority of neighbouring HMA local authorities (with the exception of Gravesham). Increasing diversity could have housing implications, particularly affecting size

requirements considering the propensity for multi-generational households within certain ethnic minority groups.

## Economic Trends

3.4 This sub-section summarises the current economic trends in Medway, based on information drawn from Chapter 2 of the Baseline Report.

### Employment Rates

- In 2011 71% of Medway's population was economically active. This is comparable with local, regional and national comparator areas
- In 2014 Medway had the highest unemployment rate across all comparators (9.2%) with England the next highest at 6.5%. This is set within the context of considerable fluctuation in unemployment rate trajectories and levels across all comparator areas. Despite signs of reducing unemployment rates in recent years reflecting economic recovery, very few areas have returned to pre-recession unemployment levels.

### Occupation Levels

- The highest proportion of the Medway resident workforce are engaged in professional occupations (15.3%), closely followed by associate, professional and technical occupations (15%). This occupation structure is largely aligned with the other comparator areas.

## Housing Trends

3.5 This section examines the cost and affordability of housing across the housing market area. The review considers performance across:

- **The Owner Occupier Sector:** House price analysis, examination of the relative change in house prices and the current housing market, including a consideration of more affordable (low cost / lower quartile) elements of market housing, as well as a review of mortgage finance to identify the barriers to access for first time buyers;
- **Private Rented Sector:** Examination of rental levels of different components of the private rented sector, which forms an important component of the overall housing offer; and
- **Affordable Housing Sector:** Review of the changes in demand, as recorded through the waiting list for social rented properties within Medway and an assessment of current average rental levels, including consideration of the 80% market rent levels.



- 3.6 The section concludes by considering the ability of households to access housing based upon analysis of income and housing costs. The section should be read in conjunction with the housing data in The Current Housing Stock section.

## **Owner Occupation**

- 3.7 Figure 16 below provides a general indication of property values in Medway and the surrounding area, based on Zoopla's Zed Index, which provides an average property value based on current Zoopla estimates for that area. As such, it does not relate specifically to either asking or sale prices but provides a good indication of house price variation across the authority area and in neighbouring areas.
- 3.8 Figure 16 identifies the lowest values in Medway around Chatham and Gillingham and the surrounding areas. There are some areas of higher value in the rural communities north of the River Medway but overall, it shows fewer areas of high value when compared to the wider area.

Figure 16 – Medway Residential Values Heat Map



Source: Zoopla, 2015 (<http://www.zoopla.co.uk/heatmaps/>)

### **\*\*Add series of maps\*\***

#### **House Price by Type of Property**

- 3.9 In order to remove the impact of the housing stock type, where locations with a higher proportion of houses than flats will have higher mean prices, analysis of the relative values of each of the housing types has been undertaken.
- 3.10 The analysis in Table 16 below uses 2015 data from the Land Registry to provide the most up to date snapshot of the market possible.

**Table 16 - Average House Price by Type, Q1 and Q2 2015**

	Detached	Flats	Semi-detached	Terrace	Average
<b>Medway</b>	<b>£324,902</b>	<b>£136,109</b>	<b>£221,557</b>	<b>£171,012</b>	<b>£198,400</b>
Wider HMA	£407,802	£151,181	£252,246	£202,243	£250,027
Gravesham	£434,595	£137,669	£261,614	£209,104	£238,454
Maidstone	£420,377	£146,951	£266,512	£208,011	£263,059
Swale	£301,958	£128,330	£212,092	£173,755	£208,710
Tonbridge and Malling	£557,178	£206,847	£299,454	£249,335	£341,514

Source: CLG Price Paid Data – Yearly File 2015 (Land Registry), 2015

Data produced by Land Registry © Crown copyright 2015

- 3.11 As shown in Table 16, Medway has an overall average home price of £198,400, with a range of £188,793 between the highest detached and lowest flat prices.
- 3.12 The overall average price for the Authority is the lowest of all the local authorities within the wider HMA. Swale is the second lowest at £208,710 (as difference of £10,310 or c. 5%). The overall Medway average is £44,349 (22.3%) lower than the overall average for the wider HMA, which is £242,749.
- 3.13 In terms of each stock type for Medway compared to the other local authorities that make up the wider HMA, Medway had the second lowest values across detached, flattened and semi-detached stock. Swale had the lowest. Medway had the lowest value for terraces.
- 3.14 The overall average sale price for the authority area masks significant variation across Medway's sub-markets. There is a difference of £35,241 (20%) between the average price in Chatham (£180,229) and the average price in Rochester (£215,470).

**Table 17 – Average House Price by Type, Medway Submarkets, Q1 and Q2 2015**

	Detached	Flats	Semi-detached	Terrace	Average
Chatham	£299,018	£131,234	£199,150	£156,816	£180,229
Gillingham	£316,102	£133,657	£226,245	£168,692	£195,034
Rochester	£351,053	£141,664	£232,392	£186,613	£215,470

Source: CLG Price Paid Data – Yearly File 2015 (Land Registry), 2015

Data produced by Land Registry © Crown copyright 2015

- 3.15 The red and blue shading in the table indicates the sub-markets with the highest (red) and lowest (blue) price levels, across the majority of stock types and for the overall average. Chatham has the lowest house prices and Rochester the highest consistently across all stock types.

## House Sales

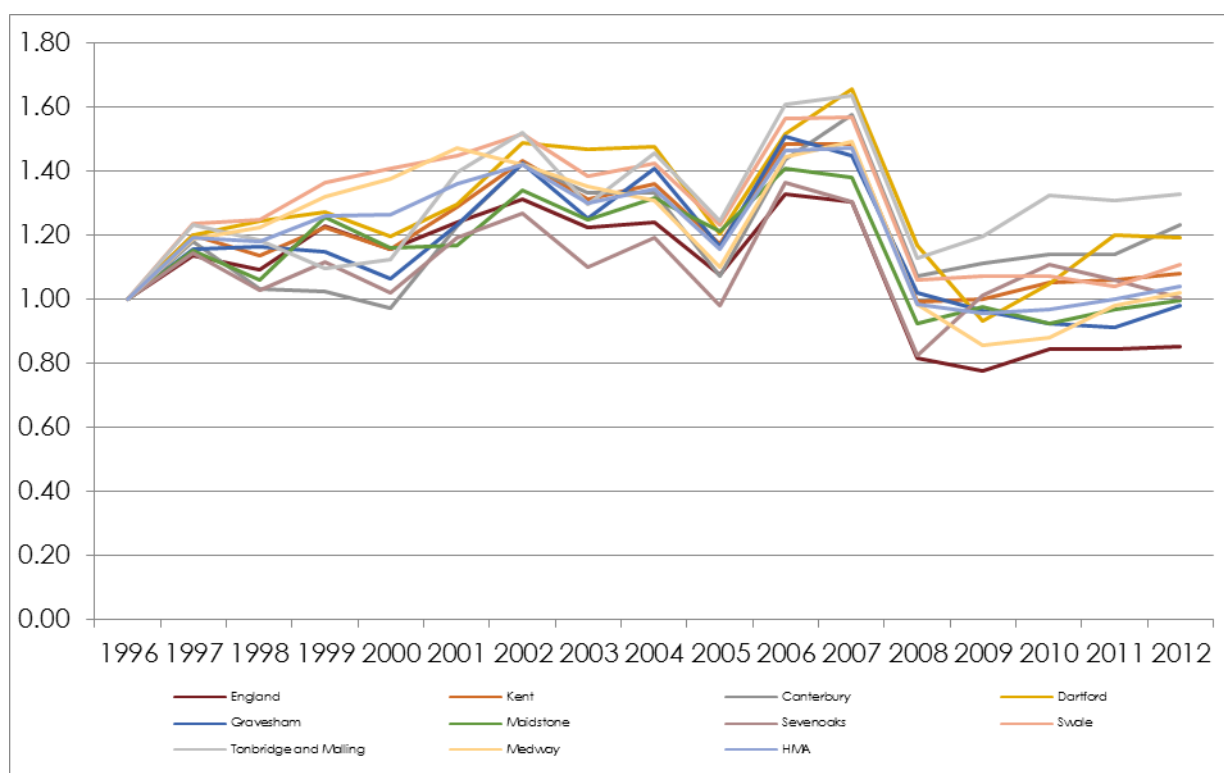
- 3.16 The number of house sales provides an indicator of market activity and buoyancy. The data in Table 18 below shows the local authority house sales since 1996, and Figure 17 illustrates the indexed levels of transactions from 1996 to 2012.
- 3.17 There has been a noticeable decline in sales since the 2006 peak, reflecting the downturn in the economy and the economic conditions affecting demand for property. This is reinforced by the sharp fall in transaction levels for all local authorities within the wider HMA and Kent and England, between 2006 and 2008. In 2012 all comparable areas were yet to reach pre-recession peak transaction levels.

**Table 18 - Local Authority Home Transactions across Selected Years**

	1996	2006 Peak	2009 Low	2012
England	948,810	1,223,129	586,894	632,136
Kent	25,050	36,206	18,584	20,054
Wider HMA	12,691	18,358	9,213	9,992
Medway	4,441	6,227	2,810	3,287

Source: CLG Live Table 588, 2014

**Figure 17 - Indexed Levels of Transactions (1996 - 2012)**



Source: CLG Live Table 588, 2014

## Lower Quartile House Prices

- 3.18 The CLG records the lower quartile house prices for each authority across the UK. The CLG SHMA Guidance (August 2007) recommends that the lower quartile price of properties

represents the lower levels of the housing market, and such properties should be considered to be those most likely to be able to be purchased by households on lower incomes or households entering the market for the first time.

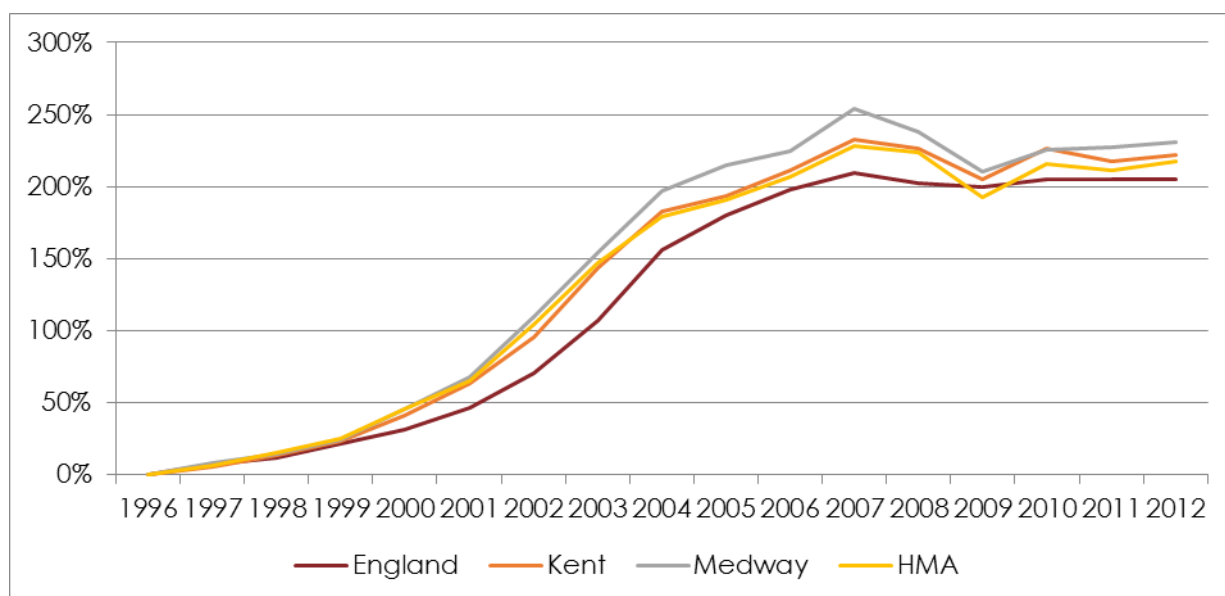
- 3.19 Table 19 and Figure 18 illustrate lower quartile price trends between 1996 and 2011 for Medway and the wider HMA, alongside Kent and England.
- 3.20 In all areas lower quartile house prices have grown substantially since 1996. Medway demonstrated the most significant growth throughout the overall period, at 231%, compared to 215% for the wider HMA, 222% for Kent and 205% for England. Within the wider HMA Maidstone, Gravesham and Swale experienced the slowest growth at 204%, 212% and 216% respectively.

**Table 19 - Lower Quartile House Price Comparisons**

Area	1996	2012	% Change
England	41,000	125,000	205%
Kent	45,950	148,000	222%
Wider HMA	46,535	146,500	215%
<b>Medway</b>	<b>37,000</b>	<b>122,500</b>	231%

Source: CLG Live Table 587 (based on Land Registry), 2014

**Figure 18 - Percentage Increase in Lower Quartile House Prices (from 1996 base year)**



Source: CLG Live Table 587 (based on Land Registry), 2014

- 3.21 The significant growth in LQ house prices contributes to growing affordability pressures at all geographic levels. This will influence the level at which affordability and access to housing should be calculated.

### Advertised Purchase Price

- 3.22 To supplement the Land Registry house price data, asking prices from Zoopla are collated to better understand the current market position. This is generally considered to be one of the more comprehensive market driven sources of sales and rental values information.
- 3.23 It is important to note that the accuracy of this data is in part dependent on the number of properties which are currently advertised, which means that anomalies can sometimes be observed where there are few properties (due to the increased likelihood of the average figures being skewed by a low or high outlier). The other caveat to the data is that it is not reflective of stock quality, type or age, which are factors with an obvious impact on prices. Despite this, the data provides a valuable indication of overall price trends.
- 3.24 Table 20 details current asking price for some of Medway's key sub-markets. This table details prices by number of bedrooms. Red and blue shading is applied to the highest and lowest value for each bedroom size respectively. The data is based on a total of 2,583 properties, a large sample size which facilitates meaningful price analysis.

**Table 20 - Current Asking Prices (Zoopla – August 2015)**

	1 bed	2 bed	3 bed	4 bed	5 bed	Number of properties
<b>Rochester</b>	£100,000	£163,000	£244,000	£426,000	£524,000	<b>178</b>
<b>Strood</b>	£105,000	£194,000	£214,000	£366,000	£430,000	<b>43</b>
<b>Chatham</b>	£97,000	£152,000	£195,000	£315,000	£434,000	<b>183</b>
<b>Gillingham</b>	£110,000	£172,000	£250,000	£402,000	£576,000	<b>2130</b>
<b>Hoo</b>	£69,000	£131,000	£216,000	£265,000	£275,000	<b>49</b>

Source: Zoopla UK Area Stats, 2015 (<http://www.zoopla.co.uk/market/uk/>)

- 3.25 Gillingham has the highest price levels for 1, 3 and 5 bed stock, Strood has the highest price level for 2 bed stock and Rochester has the highest price level for 4 bed stock. This variation makes it hard to identify clear patterns of high value areas across the Authority.
- 3.26 Patterns for low value areas are however more clear, with Hoo having the lowest price level across all stock, with the exception of 3 bed properties.
- 3.27 It is important to add the caveat when analysing asking prices that they do not reflect actual market transaction values, and are often likely to be adjusted downwards to reach the sold price. Nor does the data capture the more rural areas of high value that Figure 16 demonstrated, focusing on urban settlements.

### Sales Agent Consultation

- 3.28 As part of researching private sales trends, the following 6 sales agents were consulted:-

1. Bairstow Eve (Strood);
2. Robinson Michael and Jackson (Strood);
3. Ward and Partners (Rochester);
4. Ward & Partners (Chatham);
5. Your Move (Chatham);
6. Ward & Partners (Gillingham);

3.29 The consultation sought to understand the local sales market at the time of the survey (July / August 2015), including the profile of buyers and average sales prices. The agents consulted worked within specific areas of Medway, rather than area-wide, and were targeted as far as possible to be geographically representative of the key settlements across the Authority.

#### Values

- 3.30 Agents were asked to provide a range of values for typical house types in their area, detailed in the table below. It should be noted that this is difficult for agents to provide, since house prices are so much determined by the location and specification of individual properties. The below however provides a general indication of the value range across Medway, showing a trend of the highest values in Chatham and Rochester, and lowest values in Gillingham and Strood.
- 3.31 Agents across all areas commented that new build properties could achieve significant premiums when compared to the resale of existing stock. In particular, one agent commented that new build properties were popular with incoming buyers moving from London, who sought homes that were ready to move into.



**Table 21 - Minimum and Maximum Sales Values by Property Type, Agent Consultation May 2015**

	1 bed Flat	2 bed Flat	2 bed House	3 Bed House	4 bed house
<b>Gillingham</b>					
Min	£90,000	£110,000	£140,000	£160,000	£200,000
Max	£135,000	£140,000	£150,000	£220,000	
<b>Average</b>	<b>£112,500</b>	<b>£125,000</b>	<b>£145,000</b>	<b>£190,000</b>	<b>£200,000</b>
<b>Chatham</b>					
Min	£100,000	£145,000	£150,000	£180,000	£250,000
Max	£140,000	£160,000	£220,000	£300,000	
<b>Average</b>	<b>£120,000</b>	<b>£152,500</b>	<b>£185,000</b>	<b>£240,000</b>	<b>£250,000</b>
<b>Strood</b>					
Min	£100,000	£100,000	£160,000	£230,000	£300,000
Max	£130,000	£150,000	£200,000	£260,000	
<b>Average</b>	<b>£115,000</b>	<b>£125,000</b>	<b>£180,000</b>	<b>£245,000</b>	<b>£300,000</b>
<b>Rochester</b>					
Min	£110,000	£140,000	£150,000	£230,000	£320,000+
Max	£130,000	£150,000	£200,000	£270,000	
<b>Average</b>	<b>£120,000</b>	<b>£145,000</b>	<b>£175,000</b>	<b>£250,000</b>	<b>£320,000+</b>
Difference %	18%	7%	33%	17%	n/a

Source: GVA Agent Consultation, 2015

#### Origin of new buyers

- 3.32 Agents were asked about the origin of buyers, specifically whether there is much demand from buyers moving into the area from other parts of the authority area and beyond.
- 3.33 Agents in Rochester and Strood noted a recent increase in buyers relocating out of London, citing recent town investments and improved rail links as key drivers. All agents agreed that price increases in London were the underlying factor pushing people out of the capital and to north Kent, where they could get 'more for their money'.
- 3.34 Agents in Chatham and Gillingham however noted that this trend was less obvious, explaining that the buyer's market was still largely dominated by local families.

*Property Demand (size, type, location)*

- 3.35 Agents across Medway spoke of a strong market at this time, with demand outstripping supply, making for a strong sellers' market. As such most agents commented that any type of property that came on the market was popular and sold quickly. When pushed however, most agents agreed that 3 bed family houses were the most popular stock type.
- 3.36 A couple of agents commented on a shortage of 3 beds. In Chatham, an agent explained that whilst there was a good supply of smaller 'starter' properties suitable for first times buyers, there was a local lack of 3+ bed properties which created problems when it came to first time buyers moving on.
- 3.37 An agent in Rochester also commented on a lack of 3+ family housing. In Strood however, an agent felt that the real shortage was in smaller homes of one and two bedrooms. He explained that he usually had a lot of buyers seeking this type of property, with very few on offer.
- 3.38 Agents from across all areas did not necessarily see proximity to rail station and centre facilities as the key determinates of value / demand. Instead certain areas tended to develop good reputations (based on schools, housing stock, local facilities) that commanded high values. Access to the M2 and the road network were also key important factors that made areas popular.

*Buyer profile*

- 3.39 Agents were asked about the profile of buyers in the area, in terms of household type and size. As well as families, buy to let investors and first time buyers were key features in the local market.
- 3.40 In Gillingham, the proximity to London and the local student market were seen as key drivers underlying the buy to let market. In Strood, an agent noted that increasingly, owners looking to move were keeping their existing properties to let, rather than selling up. This was contributing to an overall lack of available properties in the market, creating an imbalance between supply and demand.
- 3.41 A number of agents, covering Gillingham, Chatham, Strood and Rochester, noted a recent increase in first time buyers. This was considered to be largely due to increased mortgage availability. An agent explained that Chatham was particularly popular with first time buyers because there was a good supply of suitable smaller stock. Similarly, an agent considered Gillingham to be popular with this market due to its relatively low values when compared to the wider area.

*Key themes / conclusion*

3.42 The key themes drawn from agent consultation were:

- There was a strong sellers' market at the time of the consultation (July / August 2015) owing to a shortage of available properties versus an increase in demand. As a result buyers are faced with limited choice and available properties are often able to achieve premium values over and above their asking prices.
- Agents in Rochester and Strood noted a recent increase in buyers relocating outside of London, driven by high prices in the capital and improved transport links in north Kent. This trend was less pronounced in Chatham and Gillingham areas, where the market was still dominated by local families.
- In general, agents agreed that 3 bed properties were the most popular amongst buyers. Agents in Chatham and Rochester noted a shortage in this type of stock.
- There was a strong buy to let market across all areas, together with an increased first time buyers' market
- Agents across all areas commented that new build properties could achieve significant premiums when compared to the resale of existing stock.
- Proximity to town centre and rail stations did not necessarily dictate higher values, with 'good' neighbourhoods able to command premium values

## Private Rented Sector

3.43 Nationally the private rented sector has undergone a period of significant expansion. There has been a nationwide PRS growth trend, which has seen the number of PRS dwellings increase by 134% over the ten years between 1991 and 2011. This trend is expected to continue, and it has been estimated by the Government that the number of PRS homes could increase by a further 15% over the next 10 years. .

3.44 The growth in this sector has been the result of favourable investment conditions, the lack of access to mortgages and a wider shift in attitude, particularly among young people, to seeing private rental property as a viable alternative to owner-occupied housing. This reflects the affordability challenges of accessing home ownership. The sector is now playing an important role in the operation of housing markets, offering a more affordable alternative to owner-occupation and social renting

3.45 Considering this, there has been increased interest from institutional investors looking to build serviced rental accommodation.

- 3.46 Table 24 presents private monthly rental costs across England, the South East, the wider HMA and Medway. It also shows a range of different rental indicators by bedroom size, with the mean average rent (an important link to the affordable rent product) compared to the upper, medium and lower quartile rental levels.
- 3.47 Concentrating on the average (mean) price for 2 and 3 bedroom properties as a reflection of a typical or standard unit, it is evident that the cost of renting in Medway (£692) is lower (£80, c.12%) than the level for the wider HMA (£772). It is also lower than the average for England (£729) and the South East (£868).
- 3.48 When considering the lower quartile rent levels, the cost of renting in Medway (£632) is £68 (11%) lower than the cost of renting in the wider HMA (£700) and £74 (12%) lower than the South East. Medway is however significantly more expensive (£122) than the lower quartile rent level for England (19%). This data implies that Medway is relatively affordable within a regional South East and local HMA context.
- 3.49 In addition, Local Housing Allowance (LHA) levels are approximately in line with these levels (based on Medway and Swale Broad Rental Market Area), suggesting that benefit claimants are able to access private rental accommodation in some areas of Medway.

**Table 22 – Private Monthly Rental Levels (Oct 2013 – Sept 2014)**

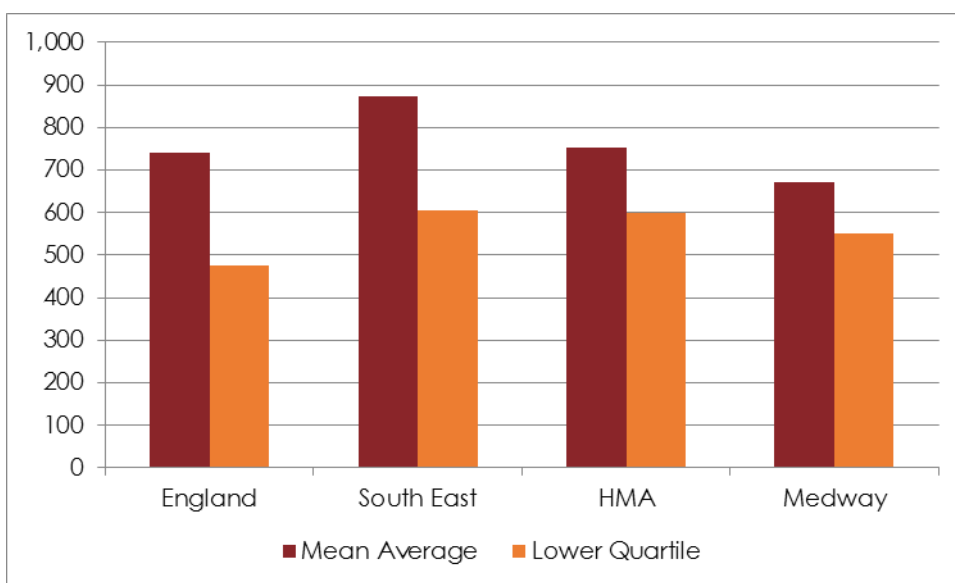
	Count of rents	Mean Av.	Lower Quartile	Median	Upper Quartile	Affordable Rent		
All						80%	70%	60%
England	489,000	742	475	595	800	594	519	445
South East	75,390	873	605	760	975	698	611	524
HMA	7,039	752	599	709	840	601	526	451
Medway	2,985	671	550	650	750	537	470	403
<b>1 Bedroom</b>								
England	83,553	625	425	520	695	500	438	375
South East	15,246	625	525	600	710	500	438	375
HMA	1,228	570	529	569	613	456	399	342
Medway	1,383	548	495	550	600	438	384	329
<b>2 Bedroom</b>								
England	196,132	693	485	580	750	554	485	416
South East	28,517	804	660	770	895	643	563	482
HMA	2,650	713	660	708	764	570	499	428
Medway	1,030	656	600	650	725	525	459	394
<b>3 Bedroom</b>								
England	119,642	789	550	675	850	631	552	473
South East	16,381	980	785	900	1,100	784	686	588
HMA	2,042	857	751	842	940	685	600	514
Medway	878	735	670	725	800	588	515	441
<b>4+ Bedroom</b>								
England	43,172	1,412	800	1,100	1,625	1,130	988	847
South East	8,188	1,743	1,200	1,500	1,995	1,394	1,220	1046
HMA	529	1,328	1,052	1,215	1,470	1,062	930	797
Medway	231	1,114	895	1,100	1,250	891	780	668

2&3 Bedroom								
England	315,774	729	510	616	788	583	511	438
South East	44,898	868	706	817	970	695	608	521
HMA	4,692	776	700	766	841	620	543	465
Medway	1,908	692	632	685	760	554	485	415

Source: ONS Private Rental Market Statistics Tables 1.1 – 2.7 (based on VOA data), 2014

- 3.50 Comparison of the average and lower quartile rent level for Medway and its comparator areas is presented in Figure 19. This emphasises variation between the mean average and LQ rental levels within each area, and their variation across each area.

**Figure 19 – Private Monthly Rental Levels for All Properties (Oct 2013 – Sept 2014)**



Source: ONS Private Rental Market Statistics Tables 1.1 – 2.7 (based on VOA data), 2014

### Advertised Rental Values

- 3.51 To supplement the VOA private rental data, advertised rents from Zoopla are collated to better understand the current market position. This is generally considered to be one of the more comprehensive market driven sources of sales and rental values information.
- 3.52 Table 23 details current advertised rents for some of Medway's key sub-markets, as was undertaken previously for current asking prices. This table details advertised rents by number of bedrooms. Red and blue shading is applied to the highest and lowest value for each bedroom size respectively. The data is based on a total of 588 properties and therefore is a much smaller sample than for the earlier analysis of asking prices. This makes it more difficult to identify clear patterns in highest and lowest rent levels, where one over or under-valued property could more significantly impact the average rent level. It therefore reduces the reliability of the advertised rents analysis. The same caveats apply to these advertised rents as did to advertised asking prices, where there are a particularly small number of properties on

the market in certain sub-markets, and where the data is not reflective of stock quality, type or age.

- 3.53 Table 23 shows that Chatham had the lowest asking rents across all properties (except for 5 beds, where only Gillingham has available stock). Gillingham had the highest asking rents for 2, 4 and 5 bed properties, whilst Hoo had the highest for 1 beds and 3 beds (although this was only based on one property in each case), with Rochester having the next highest for 1 and 3 beds.

**Table 23 – Current Advertised Rents (Zoopla – Aug 2015)**

	1 bed	2 bed	3 bed	4 bed	5 bed	Number of properties
<b>Rochester</b>	£659	£794	£1,007	£1,318	n/a	47
<b>Strood</b>	£564	£804	£929	n/a	n/a	14
<b>Chatham</b>	£508	£760	£830	£1,033	n/a	63
<b>Gillingham</b>	£573	£822	£980	£1,385	£1,930	462
<b>Hoo</b>	£676	n/a	£1,101	n/a	n/a	2

Source: Zoopla UK Area Stats, 2015 (<http://www.zoopla.co.uk/market/uk/>)

### Agent Consultation – Lettings

- 3.54 As part of researching private rental trends, the following nine letting agents were consulted:-
1. Your Move (Strood);
  2. Mann (Strood);
  3. Rochester Lettings (Rochester)
  4. Your Move (Rochester);
  5. Lambourne Hill (Chatham);
  6. Your Move (Gillingham / Rainham);
  7. Look Estates (Gillingham / Rainham);
- 3.55 The consultation sought to understand the local lettings market at the time of the survey (July / August 2015), including the profile of renters and rental prices. The agents consulted worked within specific areas of Medway, rather than area-wide, and were targeted as far as possible to be geographically representative of the key settlements across the Authority.

### Values

- 3.56 Agents were asked to provide a range of values for typical house types in their area, detailed in the table below. It should be noted that this is difficult for agents to provide, since rental values are so much determined by the location and specification of individual properties. The

below however provides a general indication of the value range across Medway, showing that generally the lowest values are in Gillingham and Chatham and the highest in Rochester and Strood. Interestingly, this is not in line with the analysis of current asking rents, detailed in Table 23 which show a general pattern of higher rents in Gillingham.

**Table 24 - Minimum and Maximum Rental Values, Agent Consultation Aug 2015**

	1 bed Flat	2 bed Flat	2 bed House	3 Bed House	4 bed house
<b>Gillingham / Rainham</b>					
Min	£500	£650	£700	£700	£900
Max	£600	£700	£750	£950	£1,000
<b>Average</b>	<b>£550</b>	<b>£675</b>	<b>£725</b>	<b>£825</b>	<b>£950</b>
<b>Chatham</b>					
Min	£650	£650	£675	£750	£900
Max	£675	£725	£750	£850	
<b>Average</b>	<b>£663</b>	<b>£688</b>	<b>£713</b>	<b>£800</b>	<b>£900</b>
<b>Strood</b>					
Min	£500	£700	£725	£800	£900
Max	£675	£750	£800	£950	£1,100
<b>Average</b>	<b>£588</b>	<b>£725</b>	<b>£763</b>	<b>£875</b>	<b>£1,000</b>
<b>Rochester</b>					
Min	£500	£600	£700	£850	£925
Max	£800	£895	£800	£900	£1,500
<b>Average</b>	<b>£650</b>	<b>£748</b>	<b>£750</b>	<b>£875</b>	<b>£1,213</b>
Difference %	60%	49%	14%	6%	62%

Source: GVA Agent Consultation, 2015

- 3.57 The above prices are based on the assumption that properties are let to single households. However, agents in Rochester and Gillingham noted that because of a large demand for student accommodation, bigger properties were often rented as Houses in Multiple Occupation (HMO) which could achieve premium rentals. This can have the impact of skewing the rental market and in some cases limiting the number of larger homes available to family households.



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### *Tenant Profile*

- 3.58 All agents agreed that there was demand from a range of tenants across Medway, including single people, young couples and families. Agents in Gillingham and Rochester also noted a significant demand from students. Two agents – one in Gillingham and one in Rochester – specifically noted that their agencies were reluctant to take tenants in receipt of housing benefit and exclusively let to 'professional' households.

### *Origin of new tenants*

- 3.59 Agents from across Medway noted a significant demand from people moving into the local authority area from London, in addition to local tenants. In Strood, Chatham and Gillingham / Rainham this was felt to be a recent trend, largely fuelled by increased rents in London together with improved rail links to the capital. In Rochester however both agents explained that this was an established trend that they had experienced for many years.
- 3.60 An agent in Rochester also noted a demand from international tenants, namely teachers, who moved to the town on year-long placements requiring short term rental accommodation.

### *Property Demand (size, type, sub-location)*

- 3.61 Agents from across the area agreed that three bed properties tended to be the most popular. Two bed properties were also seen as popular in Chatham, Gillingham and Rochester.
- 3.62 There was seen to be a lack of available properties on the market across the stock types. An agent in Gillingham however specifically noted a lack of larger 3+ bed family homes due to popularity of HMOs associated with the student market, which tend to achieve higher rents than if let to a single household and therefore were popular with landlords. This has led to a shortage of larger single- let homes, meaning that when they did come on the market they let very quickly.
- 3.63 When asked about determinants of value / demand within the sub regions, the majority of agents emphasised that the spec of a property was more important than its specific location. Therefore proximity to town or railway stations was not necessarily an important factor in generating rental value, and was really down to the specific needs of that tenant i.e. commuters prefer to be near the town centre, families near good schools. In particular new build properties achieved higher rents, with factors such as parking provision, gardens and good bathroom facilities generating value.

### *Market Activity*

- 3.64 All agents spoke of a strong market in terms of demand, with renters outstripping available supply. Some agents felt that this was due to the recent increase in house prices; with some landlords deciding to cash in and sell their properties rather than continue to let. The lack of

available properties meant that houses let quickly when released onto the market. Two agents (from Strood and Chatham) explained that properties could rent within one day of being marketed.

3.65 The key themes drawn from agent consultation were:

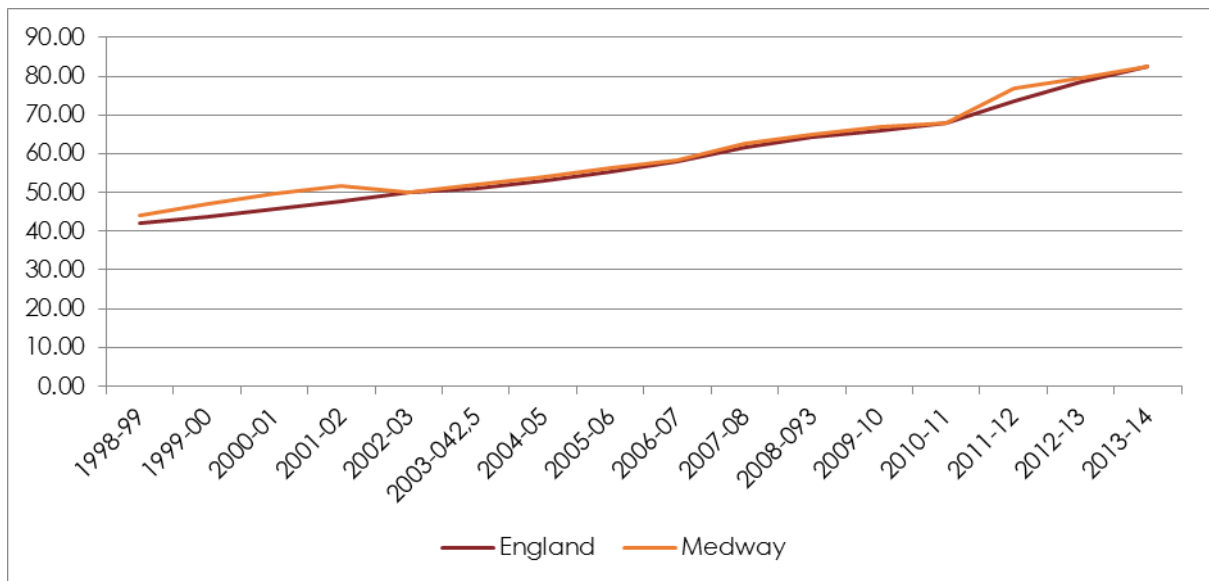
- Agents reported a general value trend across Medway, of lowest values in Gillingham and Chatham and the highest in Rochester and Strood.
- All agents agreed that there was demand from a range of tenants across the local authority area, including single people, young couples, families and students
- Agents noted a significant demand from people moving into the Medway authority area from London, in addition to local tenants
- Agents from across the area agreed that three bed properties tended to be the most popular. In Gillingham the agent specifically noted a lack of this type of property, due to many larger homes being rented as HMO properties which can command a premium value over single lets
- All agents spoke of a strong market in terms of demand, with renters outstripping available supply. This meant that houses that came onto the market were let very quickly.

## Social Rented Sector

3.66 The social rented sector by its nature operates differently from both of the owner occupier and private rented sectors. The tenure is intended to address the housing needs of local people who are unable to meet their housing needs in the local housing market because of the relationship between costs and incomes.

3.67 Change in local authority and registered provider average weekly rents over the period from 1998 to 2014 are shown in Figure 20 and Figure 21

3.68 There is close alignment between local authority weekly rents for Medway and England, which in 2013-14 were £82.42 and £82.44 respectively. Since 2000 Medway has tracked slightly above the national level over the whole period.

**Figure 20 – Local Authority Weekly Rents (1998 – 2014)**

Source: CLG Live Table 702, 2014

N.B. Due to data limitations, the South East region and HMA areas cannot be included within this figure.

- 3.69 For registered provider (RP) weekly rents the average level in 2014 for Medway was £97.64, compared with £98.47 for the wider HMA and £92.30 for England.
- 3.70 The RP weekly rents for Medway and the wider HMA have tracked very closely throughout the period, in particular since 2008. These levels have been significantly above the average weekly rents for England throughout the entire period, although this gap has become smaller. In 1998 there was a difference of c. £15.80 between average Medway and average England rents. In 2013 – 14 the difference was £5.34. This indicates that average weekly rents in England have grown at a faster rate (97%) than average weekly rents in Medway (56%).

**Figure 21 – Registered Provider Weekly Rents (1998 – 2014)**

Source: CLG, Live Table 704, 2014

N.B. Due to data limitations, the South East region cannot be included within this figure.

- 3.71 It should be noted that in Medway, the MHS Homes Group is a significant property owner and provider of rented housing, referring to itself as “the largest independent landlord in Kent, owning and managing more than 8,500 homes in Medway and beyond”<sup>5</sup>. MHS is not a registered provider of affordable housing but does manage and provide properties to meet a range of needs, including meeting general market needs (through private rented stock) and also some ‘affordable’ needs (through shared ownership).
- 3.72 Rental levels for the MHS provision is not in line with specific affordable levels, with rents charged tending to be higher than those within stock owned and managed by the Council or Registered Providers. As such it does not fully address existing affordable housing needs but may provide some opportunities for those seeking private rent or those with only marginal affordable need.
- 3.73 Looking forward MHS have stated an aspiration to grow their portfolio through new development. Given their current operational model this is unlikely to contribute to the meeting of identified affordable housing need identified later in this report, particularly for those groups with acute needs.

## Social Housing Waiting Lists

- 3.74 Overall, the Medway Housing Register has more than 20,000 applicants, who are self-identified as having a housing need. However, this is not a level which can be met by the Council, so

<sup>5</sup> <http://www.mhs.org.uk/>

the Council prioritises applicants accordingly and identifies Band A – D as the active housing register.

3.75 This active housing register is based on the four priority bandings as follows:

- **Band A** = People who are considered to be in reasonable preference and have been granted an additional preference;
- **Band B** = People who have a housing need and fall in to one or more of the reasonable preference categories and meet the criteria to be considered to be a local priority for Medway;
- **Band C** = People that have a housing need that places them in to a reasonable preference category but do not meet the Medway criteria for a local priority; and
- **Band D** = Cases that have a need to move and fall in to a reasonable preference but have had their priority reduced

3.76 Within the housing register, applicants are prioritised according to their housing need, which includes any medical needs which are affected by their housing situation.

#### *Need by Band and Bedroom Requirements*

3.77 Table 25 shows the number of people on Medway's Housing Register divided by banding and bedroom categories. The figures shown in this table include transfers. There are a total of 765 transfers included within these figures, which means the total on the housing register reduces from 5,119 to 4,354 when these are excluded, as shown in Table 26. There are 22 transfers within Band B and 743 within Band C.

3.78 The exclusion of transfers when considering the housing register is important in preparation for the affordable requirements calculation within this study, despite their relevance to the profile of stock required within the authority area. This is because when calculating current housing need and future housing need as part of the affordable housing need calculation, transfers have a zero net effect on housing need because they occupy an affordable property as well as releasing one for another household to occupy.

**Table 25 - Housing Register by Band and Bedroom need (Including Transfers)**

	Band A	Band B	Band C	Band D	Totals
<b>1 bed</b>	232	28	3,286	206	<b>3,752</b>
<b>2 bed</b>	72	36	610	106	<b>824</b>
<b>3 bed</b>	20	8	317	45	<b>390</b>
<b>4+ bed</b>	7	9	121	16	<b>153</b>
<b>Total</b>	<b>331</b>	<b>81</b>	<b>4,334</b>	<b>373</b>	<b>5,119</b>

Source: Medway Council, 2015

**Table 26 - Housing Register by Band and Bedroom Need (Excluding Transfers)**

	Band A	Band B	Band C	Band D	Totals
<b>1 bed</b>	232	27	3,088	206	<b>3,553</b>
<b>2 bed</b>	72	20	291	106	<b>489</b>
<b>3 bed</b>	20	5	140	45	<b>210</b>
<b>4+ bed</b>	7	7	72	16	<b>102</b>
<b>Total</b>	<b>331</b>	<b>59</b>	<b>3,591</b>	<b>373</b>	<b>4,354</b>

Source: Medway Council, 2015

- 3.79 Table 27 shows the number and proportion of households within each band of the housing register. This shows that the Band C has the highest proportion of those on the housing register, with 85%, followed by Band D with 7%, Band A with 6% and Band B with 2%. Only 8% of those on the register are identified as high priority at this snapshot (within the priority and urgent bands A and B), however bandings are continuously subject to change based on changing circumstances.

**Table 27 - Housing Register Band Proportions Including Transfers**

	Households on Housing Register	% of Total Housing Register
<b>Band A</b>	331	6%
<b>Band B</b>	81	2%
<b>Band C</b>	4,334	85%
<b>Band D</b>	373	7%
<b>Total</b>	<b>5,119</b>	<b>100%</b>

Source: Medway Council, 2015

- 3.80 Whilst Band C applicants are not classified as being of the highest priority need, and specifically do not constitute a "local priority", they are considered to be a reasonable preference category. It is also important to note that in some cases applicants can be placed



in lower priority bands whilst their circumstances are being assessed, and may then be moved into a band of 'higher priority' need.

- 3.81 Significant pressure is being applied to the social housing market, correlating with the economic downturn which affected employment levels and development rates. Reforms to housing benefit introduced in April 2013 (alongside other benefit reforms) have seen payments capped at £500 per week, whilst social landlords are now able to set maximum rent at 80% of open market values (on new build homes funded from 2012 to 2018 with government funding and also in relation to a percentage of existing stock). This benefit cap presents problems in relation to both the public and private sectors, however the problem is felt more severely in relation to the private sector.
- 3.82 The wider introduction of new policy directives, such as the benefit cap, and more general welfare reform, will fundamentally impact on the role of the social rented tenure in relation to the private rented sector. This is discussed fully in a later section.

## 4. Access to Housing

- 4.1 The operation of the housing market is dependent upon households being able to move both within and between tenures. The ability of households to exercise choice and realise their aspirations for moving is predicated upon the relationship between both the active market elements assessed above, but also income.
- 4.2 High property prices relative to incomes and a lack of access to mortgage products are the driving factor that limits the ability of households to enter the owner-occupier tenure. This in turn has implications for both the private rented and social rented market.

### Mortgage Finance

- 4.3 One of the underlying drivers behind the lack of mobility in the housing market, in particular the owner-occupier market, remains constraint on mortgage finance by financial lending institutions (banks and building societies) since the 'credit crunch' in 2008, with the removal of all 100%, 95% and the majority of 90% mortgage products from the market. However, these products are being reintroduced, particularly driven by home ownership schemes such as the government backed NewBuy scheme (with a minimum 5% deposit requirement) and Help To Buy Scheme (with a minimum 5% deposit requirement and maximum 20% government loan on new build properties with a purchase price of up to £600,000).
- 4.4 Despite signs of recent improvement, the constraints on mortgage finance are likely to remain, at least in the short term, impacting significantly on the ability of households to purchase housing. This is particularly true of those areas where house prices are higher, with incomes on the whole continuing to show modest growth linked to the current slow economic climate and above target inflation. Government support schemes will have limited capacity to respond to this.
- 4.5 Table 28 below provides examples of current offers in the mortgage market. Despite the historically low Bank of England Base Rate, lenders are generally charging more to those with lower deposits to borrow. While this has always been the case it is more promoted in the current lending environment. However, there are some better rates available for lower loan to value products.
- 4.6 The mortgage offers with lower Loan To Value ratios require a higher initial deposit than those with a higher ratio, however, the monthly payments are significantly reduced. Other mortgage costs aside from the deposit and monthly payments must also be noted, such as survey and legal costs and mortgage set up fees, which are not included within this note's calculations.

Table 28 - UK Mortgage Comparisons

Mortgage Finance – Compare Best Mortgages Results (September 2014)					
Supplier	Initial Interest rate	Subsequent Interest rate	Period	Mortgage Type	Loan to Value
HSBC	0.99%	3.94%	2 year	Variable	60%
Yorkshire Building Society	1.29%	4.99%	2 year	Fixed	65%
Chelsea Building Society	3.04%	4.95%	2 year	Fixed	90%
Chelsea Building Society	1.99%	5.45%	3 year	Fixed	75%
Leeds Building Society	2.24%	5.69%	3 year	Fixed	80%
Nationwide	5.04%	3.99%	5 year	Fixed	95%
Post Office	4.89%	4.49%	5 year	Fixed	95%
TSB	3.49%	3.99%	5 year	Fixed	85%
Natwest	2.58%	4.00%	5 year	Fixed	70%
Nationwide	3.14%	3.99%	10 year	Fixed	60%
HSBC	3.79%	-	Lifetime	Tracker	90%

Source: [money.co.uk](http://money.co.uk) - June 2015

4.7 Table 29 illustrates monthly repayment and endowment mortgage costs, for 25 year mortgages for Lower Quartile priced homes. These calculations assume:

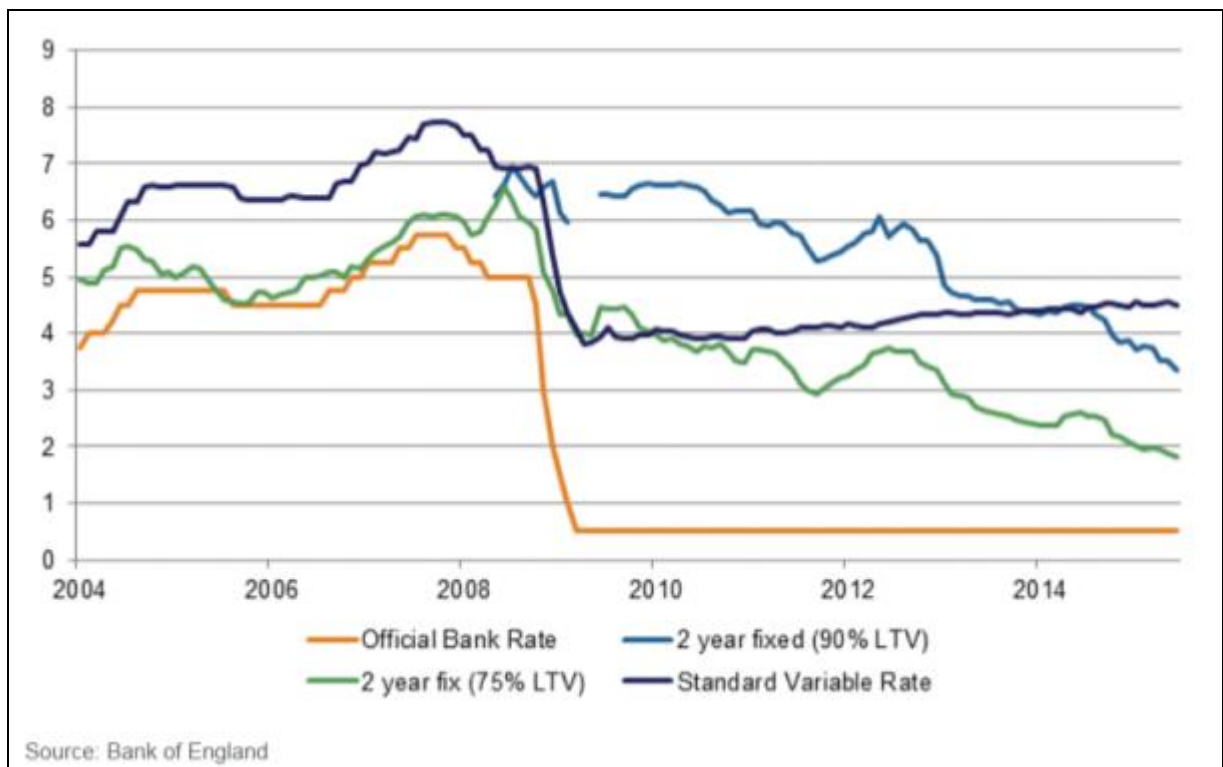
- Lender requires a minimum deposit of 5%;
- Buyer qualifies for the standard interest rate available;
- 25 year repayment period

There may be certain requirements for indemnity or other payments, which are not included within the above.

4.8 The standard interest rate in this calculation is assumed to be 4%. There is variation in the snapshot of initial and subsequent interest rates shown in Table 28, which will have an influence on affordability (with higher interest rates reducing affordability levels). However, the variability and continual fluctuations evident in mortgage rates supports the appropriateness of considering an average interest rate level.

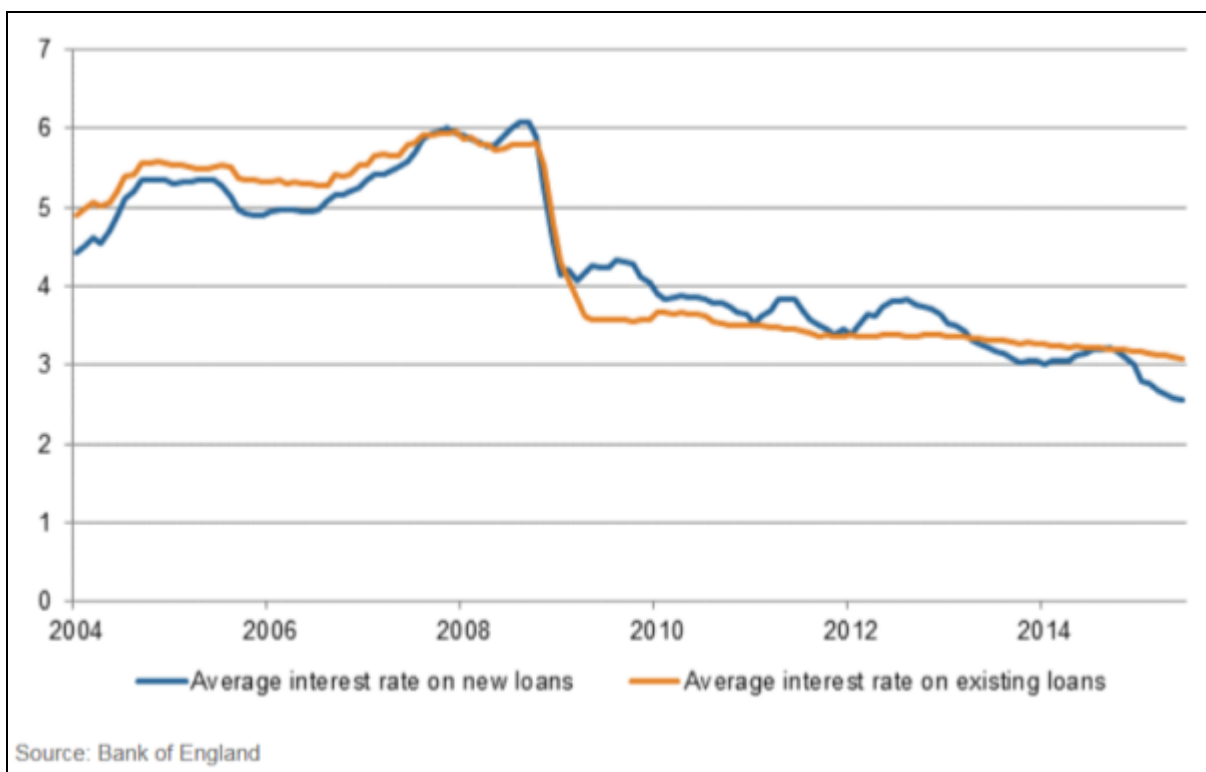
4.9 The Council of Mortgage Lenders have produced several charts tracking mortgage rates and interest rates over the period from 2004 – 2014, which are useful and relevant here.

4.10 Figure 22 below emphasises the fluctuation in fixed term mortgages. This shows that since approximately 2009 these fixed term mortgage rate trends have not reflected the static 0.5% official bank rate, whereas the standard variable rate shows a more consistent trend.

**Figure 22 - Typical New Mortgage Rates Relative to Bank Rate**

Source: Council of Mortgage Lenders (<https://www.cml.org.uk/news/five-things-you-need-to-know-about-mortgage-rates/> )

- 4.11 Figure 23 shows the trend for interest rates on new and existing loans, with significant fluctuation between approximately 2.5% - 6% over the 10 year period. This chart is based on Bank of England data, and when analysing this monthly data from 2004-2014 there is a combined average interest rate across re-mortgages and new mortgages of 4%.
- 4.12 This justifies the adoption of a 4% interest rate in the context of the mortgage repayments calculated within this SHMA report.

**Figure 23 - Average Interest Rate on New and Existing Mortgages**

Source: Council of Mortgage Lenders (<https://www.cml.org.uk/news/five-things-you-need-to-know-about-mortgage-rates/>)

**Table 29 - Typical mortgage repayment with LQ house price purchase**

Lower quartile average house price	LTV	Assumed deposit	Mortgage advance	Interest rate	Typical Repayment period	Monthly payments
£122,500	60%	£49,000	£73,500	4%	25 years	£387.96
£122,500	65%	£42,875	£79,625	4%	25 years	£420.29
£122,500	70%	£36,750	£85,750	4%	25 years	£452.62
<b>£122,500</b>	<b>75%</b>	<b>£30,625</b>	<b>£91,875</b>	<b>4%</b>	<b>25 years</b>	<b>£484.95</b>
£122,500	80%	£24,500	£98,000	4%	25 years	£517.28
£122,500	85%	£18,375	£104,125	4%	25 years	£549.61
<b>£122,500</b>	<b>90%</b>	<b>£12,250</b>	<b>£110,250</b>	<b>4%</b>	<b>25 years</b>	<b>£581.94</b>
£122,500	95%	£6,125	£116,375	4%	25 years	£614.27

- 4.13 The costs of servicing a typical repayment mortgage on a Lower Quartile house in Medway with a 75% LTV mortgage would be in the region of £485 per month, with the important caveat that the potential buyer would need to have access to a deposit of approximately £30,625.

- 4.14 The costs of servicing a typical repayment mortgage on a Lower Quartile house in Medway with a 90% LTV mortgage would be in the region of £582 per month, with the important caveat that the potential buyer would need to have access to a deposit of approximately £12,250.
- 4.15 The minimum deposit required to attain a mortgage of any type for the purchase of a property would be £6,125, however this comes with monthly payments in the region of £614.

## Income Levels

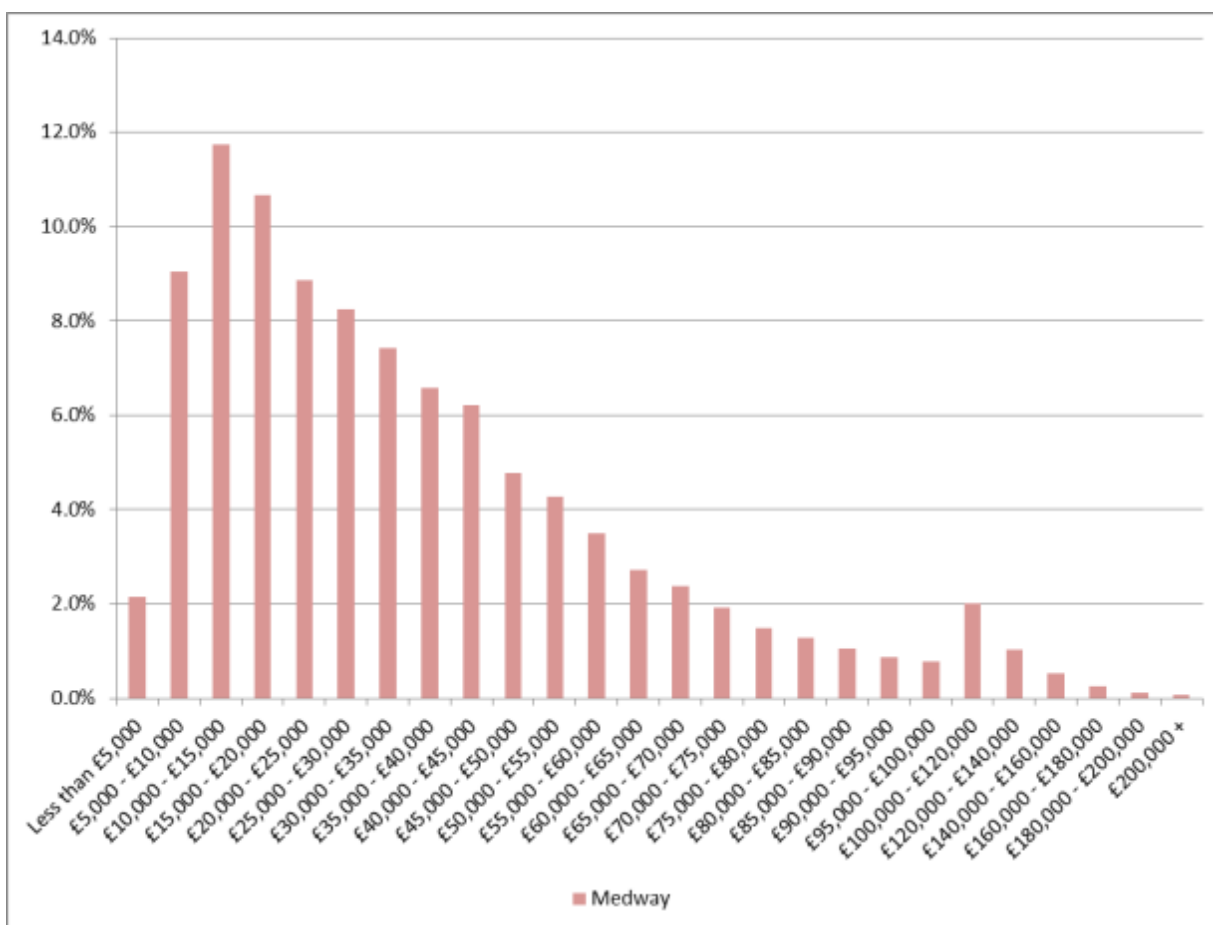
- 4.16 Income levels are directly related to employment opportunities and have an important relationship with the ability of households to exercise choice in the housing market and indeed the level of need for affordable housing products. Data on gross household income levels **\*\*inclusive or exclusive of benefits\*\*** has been sourced from CACI.
- 4.17 Earnings data sourced from the Annual Survey of Hours and Earnings (ASHE) is analysed in the NK SHENA Baseline report, alongside income data sourced from CACI. Here the CACI income data is reiterated as it is most relevant to the following understanding of affordability and access to housing tenures.
- 4.18 In 2014 Medway households had mean and lower quartile incomes of approximately £36,906 and £15,964 respectively.
- 4.19 Table 30 and Figure 24 show the income distribution of Medway in £5,000 increments. For Medway the majority of households have an income towards the lower end of the income spectrum, with 33.6% of households having incomes below £20,000 per annum, 50.7% below £30,000 and 64.8% below £40,000 per annum.

**Table 30 - Medway household income levels**

Household Income Band	No. of Households	% of Households
Less than £5,000	2,337	2.2%
£5,000 - £10,000	9,826	9.0%
£10,000 - £15,000	12,764	11.7%
£15,000 - £20,000	11,594	10.7%
£20,000 - £25,000	9,642	8.9%
£25,000 - £30,000	8,971	8.3%
£30,000 - £35,000	8,080	7.4%
£35,000 - £40,000	7,150	6.6%
£40,000 - £45,000	6,764	6.2%
£45,000 - £50,000	5,201	4.8%
£50,000 - £55,000	4,647	4.3%
£55,000 - £60,000	3,790	3.5%
£60,000 - £65,000	2,964	2.7%
£65,000 - £70,000	2,575	2.4%
£70,000 - £75,000	2,079	1.9%
£75,000 - £80,000	1,616	1.5%
£80,000 - £85,000	1,381	1.3%
£85,000 - £90,000	1,138	1.0%
£90,000 - £95,000	950	0.9%
£95,000 - £100,000	835	0.8%
£100,000 - £120,000	2,181	2.0%
£120,000 - £140,000	1,125	1.0%
£140,000 - £160,000	568	0.5%
£160,000 - £180,000	270	0.2%
£180,000 - £200,000	116	0.1%
£200,000 +	89	0.1%
Total Households	108,654	100%

Source: CACI, 2015



**Figure 24 - Medway household income levels**

Source: CACI (PayCheck Report), 2015

## Affordability

- 4.20 Assessing affordability involves comparing housing costs against the ability to pay. CLG produces annual affordability ratios for median and lower quartile earnings to house prices. The ratios are calculated by dividing average and lower quartile house prices by average and lower quartile earnings. As the ratio increases the more unaffordable property within a given area is considered to be to local people.
- 4.21 The median affordability ratio differs from the lower quartile affordability in that it assesses a higher level of wages against a higher cost of housing. It can therefore be viewed as a proxy for those wishing to move up the property ladder rather than those wanting to move on to it, represented by lower quartile affordability.
- 4.22 Whilst these affordability ratios are explained here, analysis of these affordability measures is undertaken in Section 5, Objectively Assessed Housing Need, as part of its market signals analysis.

- 4.23 Providing a qualitative understanding of affordability in Medway, the 2015 Medway Housing Needs Survey (HNS) asked respondents how concerned they are about their ability to pay their rent or mortgage. 10.6% of respondents indicated they are 'fairly concerned' about meeting these costs (32 respondents) and 7.6% of respondents indicated they are 'very concerned' (23 respondents). Whilst the majority are not concerned about meeting these costs, this shows a notable proportion is concerned. This proportion is likely to be reflected across the wider Medway population, and which future affordable housing provision in the Medway may need to address.

## **Benchmarking Access to Different Housing Tenures**

- 4.24 The former CLG SHMA guidance (August 2007) suggests a number of critical levels to test against income in order to evaluate the extent of the issue of affordability, which are still considered useful and relevant here. The two core elements are:

- Assessing whether a household can afford to buy a home; and
- Assessing whether a household can afford to rent a home.

- 4.25 A series of key assumptions used in the benchmarking assessment of these elements are set out below, in line with the standardised assumptions for assessing affordability recommended in the CLG SHMA Guidance (August 2007):

- Lower Quartile house prices are utilised to represent lower market entry properties;
- An individual with a single income is considered able to buy a home if it costs 3.5 times the gross household income;
- Couples/families in dual-income households are considered able to buy a home if it costs 2.9 times the gross households income;
- A household is considered able to afford market housing in cases where the rent payable would constitute no more than 25% of their gross household income;
- 'Rent payable' is defined as the entire rent due, even if it is partially or entirely met by housing benefit;
- Local circumstances could justify variation from the application of the level of 25% of gross household income; and
- Annual social housing rents are calculated from an average taken of Registered Providers rental levels

- 4.26 The CLG guidance advocates an affordability multiplier of 3.5x/2.9x (or 28.6%/34.5%) household income to act as a threshold for households to access open market housing (lower

quartile owner occupation) and where the rent payable would constitute no more than 25% of their gross household income.

- 4.27 However, house prices in the South East can be significantly higher than the rest of the UK and this is not necessarily reflected to the same extent in household income. This should be taken into account when considering Medway's context, particularly in light of the current economic climate and mortgage finance accessibility. This results in the conclusion that in the case of Medway it should not necessarily be restrained by the figures of 25% of gross household income for rental payment and 3.5x/2.9x household income for home purchase. These national measures are still important to understand though, as they reflect the impact of housing costs on quality of life.
- 4.28 Whilst these figures provide useful affordability guidance, the introduction of the Planning Practice Guidance (NPPG) means they have technically been archived and replaced, with the new NPPG not specifying an affordability threshold. Therefore, there is no issue with considering a slightly higher proportion of income spend if appropriate within the context of the Medway market.
- 4.29 This study has applied a range of affordability sensitivities to ascertain the appropriate affordability threshold to Medway, which are:
- Affordability threshold of maximum spend on housing (purchase and rental) of 25% of household income;
  - Affordability threshold of maximum spend on housing (purchase and rental) of 30% of household income; and
  - Affordability threshold of maximum spend on housing (purchase and rental) of 35% of household income.
- 4.30 This alternative measure of ability to buy a home assumes that a bank will advance mortgage funding if the mortgage repayments represent no more than 35% of a household's gross income. Similarly rental costs' affordability are also benchmarked against 35% of household income.
- 4.31 The 30% and 35% sensitivities reflect the localised housing pressures and issues within the South East region and particularly Medway. National housing charity Shelter defines a 40% level of income spend for affordability<sup>6</sup>, although this includes insurance, service charges, maintenance, repairs, taxes and cost of utilities within this housing costs indicator.
- 4.32 35% is a significant proportion of income to spend on housing, and whilst it should not be considered the definitive threshold to assessing need, it does represent a level of spend which

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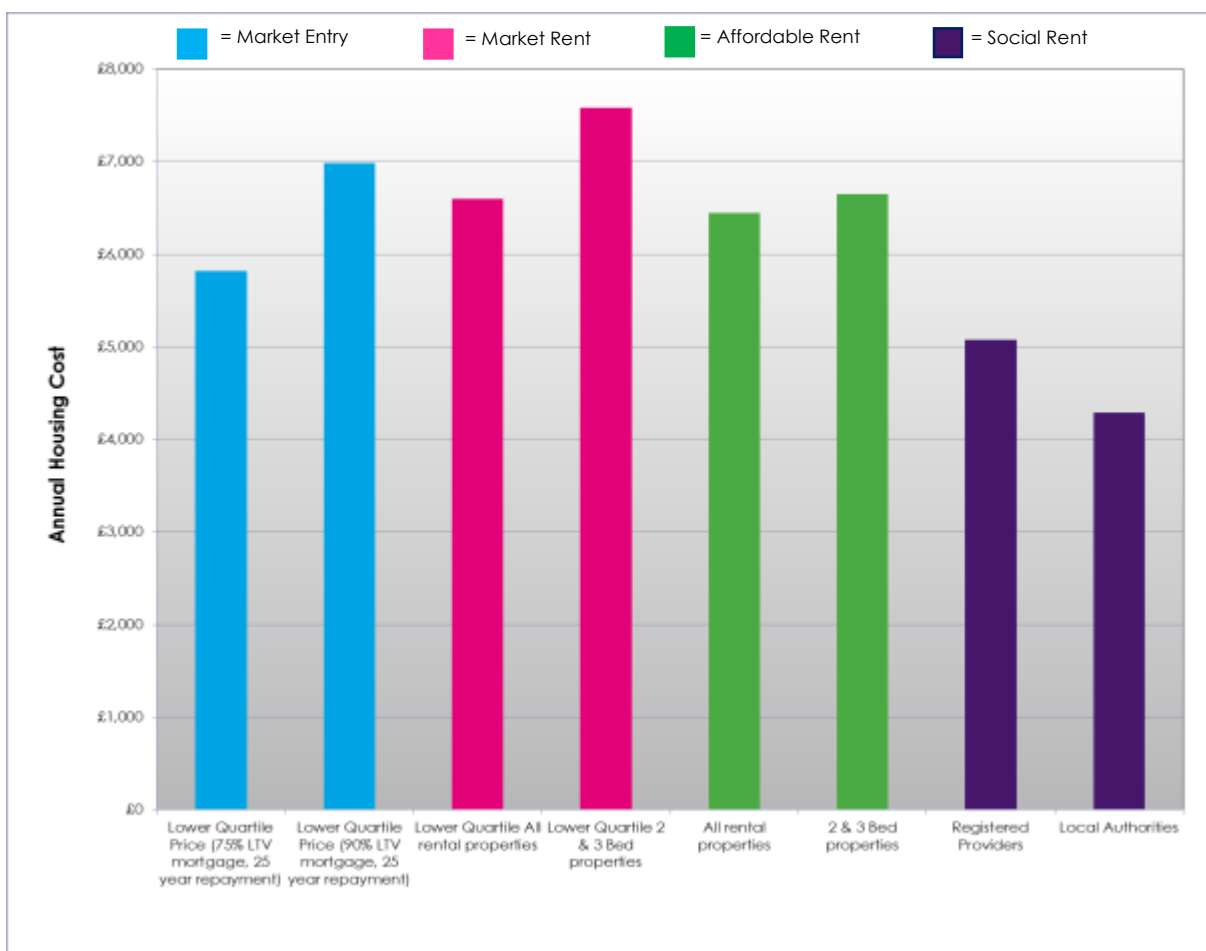
<sup>6</sup> [media.shelter.org.uk/home/press-releases/uk\\_third\\_least\\_affordable\\_in\\_europe\\_for\\_housing\\_costs](https://media.shelter.org.uk/home/press-releases/uk_third_least_affordable_in_europe_for_housing_costs)

some households in the authority area may be forced to adopt. It is therefore retained as a relevant affordability scenario within this analysis.

- 4.33 Table 31 shows benchmark values for lower quartile market entry and rental, affordable rental tenures and social rental tenures. The 2 & 3 bedroom properties within the market and affordable tenures are most relevant for consideration in Medway (based on the analysis of stock profile by number of bedrooms in the Baseline Report) and form the basis of the sensitivity analyses for benchmarking affordability.
- 4.34 For renting 2&3 bedroom properties, the social rented tenure provide the lowest annual housing cost (£4,286 for Local Authority and £5,077 for Registered Providers). These levels are lower than for affordable and market rent. For market entry the benchmark with a 75% LTV ratio mortgage repaid over 25 years has the lowest annual cost of £5,819, however this is dependent on the ability to pay a deposit figure of £30,625. Market entry with a 90% LTV ratio mortgage repaid over 25 years has an annual cost of £6,983, dependent on the ability to pay a deposit figure of £12,250.
- 4.35 Having benchmarked these tenures, Table 32, Table 33 and Table 34 show the sensitivity analysis for affordability with 25%, 30% and 35% of household income applied to housing costs.

**Table 31 - Medway Benchmark Property Values**

	Benchmark Property Values		
	House Price	Average Monthly Rent	Annual Cost
<b>Market Entry</b>			
Lower Quartile Price (75% LTV mortgage, 25 year repayment)	£122,500	n/a	£5,819
Lower Quartile Price (90% LTV mortgage, 25 year repayment)	£122,500	n/a	£6,983
<b>Market Rented</b>			
Lower Quartile All rental properties	n/a	£550	£6,600
Lower Quartile 2 & 3 Bed properties	n/a	£632	£7,584
<b>Affordable Rent (80% of mean average market rent)</b>			
All rental properties	n/a	£537	£6,444
1 Bed rental properties	n/a	£438	£5,256
2 Bed rental properties	n/a	£525	£6,300
3 Bed rental properties	n/a	£588	£7,056
4 or more Bed properties	n/a	£891	£10,692
2 & 3 Bed properties	n/a	£554	£6,648
<b>Social Rented</b>			
Registered Providers	n/a	£423	£5,077
Local Authorities	n/a	£357	£4,286

**Figure 25 - Benchmark Values for Properties of Different Tenures**

Source: GVA, 2015

- 4.36 Under the 25% spend assumption, 58% of households in Medway can afford to purchase a house (at the LQ average house price of £122,500) assuming a mortgage with a 75% LTV ratio, requiring an annual income of £23,280. However, this also assumes the ability to pay the assumed deposit of £30,625. 49% of households can afford to purchase assuming a mortgage with a 90% LTV ratio, requiring an annual income of £27,936, and assuming payment of a £12,250 deposit.
- 4.37 49% of households can afford market rent for 2 & 3 bedroom properties, requiring an annual income of £26,592. Affordable rent tenures are available to 49% of households when based on 80% of mean and median market rent, to 58% of households when based on RP social rent, and to 66% when based on LA social rent. There are no additional deposit expenses for market and affordable rent (with the exception of a small proportion for market rent, with letting agent fees, holding deposits etc.).

**Table 32 - Sensitivity 1a: Affordability of up to 25% of Household Income**

	House Purchase 1 -75% LTV mortgage	House Purchase 2 -90% LTV mortgage	Market Rent (2 & 3 bedroom)	Affordable Rent 1 (80% of Mean market rent - £842) (2 & 3 bedroom)	Affordable Rent 2 (80% of Median market rent - £813) (2 & 3 bedroom)	Social Rent (RP)	Social Rent (LA)
Monthly payment	485	582	554	554	548	423	357
Annual payment	5,820	6,984	6,648	6,648	6,576	5,076	4,284
Max. percentage of income	25%	25%	25%	25%	25%	25%	25%
Required monthly income	1,940	2,328	2,216	2,216	2,192	1,692	1,428
<b>Required annual income</b>	<b>23,280</b>	<b>27,936</b>	<b>26,592</b>	<b>26,592</b>	<b>26,304</b>	<b>20,304</b>	<b>17,136</b>
CACI household income band which contains 'required annual income'	20,000 - 25,000	25,000 - 30,000	25,000 - 30,000	25,000 - 30,000	25,000 - 30,000	20,000 - 25,000	15,000 - 20,000
Number of Households within and below income band	46,163	55,134	55,134	55,134	55,134	46,163	36,521
Total number of Households	108,654	108,654	108,654	108,654	108,654	108,654	108,654
<b>% of households who cannot afford annual payment</b>	<b>42%</b>	<b>51%</b>	<b>51%</b>	<b>51%</b>	<b>51%</b>	<b>42%</b>	<b>34%</b>

Source: GVA, 2015

- 4.38 Under the 30% spend assumption, 66% of households in Medway can afford to purchase a house (at the LQ average house price of £122,500) assuming a mortgage with a 75% LTV ratio, requiring an annual income of £19,400. However, this also assumes the ability to pay the assumed deposit of £30,625. 58% of households can afford to purchase assuming a mortgage with a 90% LTV ratio, requiring an annual income of £23,280, and assuming payment of a £12,250 deposit.

- 4.39 58% of households can afford market rent for 2 & 3 bedroom properties, requiring an annual income of £22,160. Affordable rent tenures are available to 58% of households when based on 80% of mean and median market rent, to 66% of households when based on RP social rent, and to 77% when based on LA social rent. There are no additional deposit expenses for market and affordable rent (with the exception of a small proportion for market rent, with letting agent fees, holding deposits etc.).

**Table 33 - Sensitivity 2a: Affordability of up to 30% of Household Income**

	House Purchase 1-75% LTV mortgage	House Purchase 2 -90% LTV mortgage	Market Rent (2 & 3 bedroom)	Affordable Rent 1 (80% of Mean market rent - £842) (2 & 3 bedroom)	Affordable Rent 2 (80% of Median market rent - £813) (2 & 3 bedroom)	Social Rent (RP)	Social Rent (LA)
Monthly payment	485	582	554	554	548	423	357
Annual payment	5,820	6,984	6,648	6,648	6,576	5,076	4,284
Max. percentage of income	30%	30%	30%	30%	30%	30%	30%
Required monthly income	1,617	1,940	1,847	1,847	1,827	1,410	1,190
<b>Required annual income</b>	<b>19,400</b>	<b>23,280</b>	<b>22,160</b>	<b>22,160</b>	<b>21,920</b>	<b>16,920</b>	<b>14,280</b>
CACI household income band which contains 'required annual income'	15,000 - 20,000	20,000 - 25,000	20,000 - 25,000	20,000 - 25,000	20,000 - 25,000	15,000 - 20,000	10,000 - 15,000
Number of Households within and below income band	36,521	46,163	46,163	46,163	46,163	36,521	24,928
Total number of Households	108,654	108,654	108,654	108,654	108,654	108,654	108,654
<b>% of households who cannot afford annual payment</b>	<b>34%</b>	<b>42%</b>	<b>42%</b>	<b>42%</b>	<b>42%</b>	<b>34%</b>	<b>23%</b>

Source: GVA, 2015

- 4.40 Under the **35% spend assumption**, 66% of households in Medway can afford to purchase a house (at the LQ average house price of £122,500) assuming a mortgage with a 75% LTV ratio, requiring an annual income of £16,629. However, this also assumes the ability to pay the assumed deposit of £30,625. 66% of households can afford to purchase assuming a mortgage with a 90% LTV ratio, requiring an annual income of £19,954, and assuming payment of a £12,250 deposit.



- 4.41 66% of households can afford market rent for 2 & 3 bedroom properties, requiring an annual income of £18,994. Affordable rent tenures are available to 66% of households when based on 80% of mean and median market rent, and to 77% of households when based on RP and LA social rent. There are no additional deposit expenses for market and affordable rent (with the exception of a small proportion for market rent, with letting agent fees, holding deposits etc.).

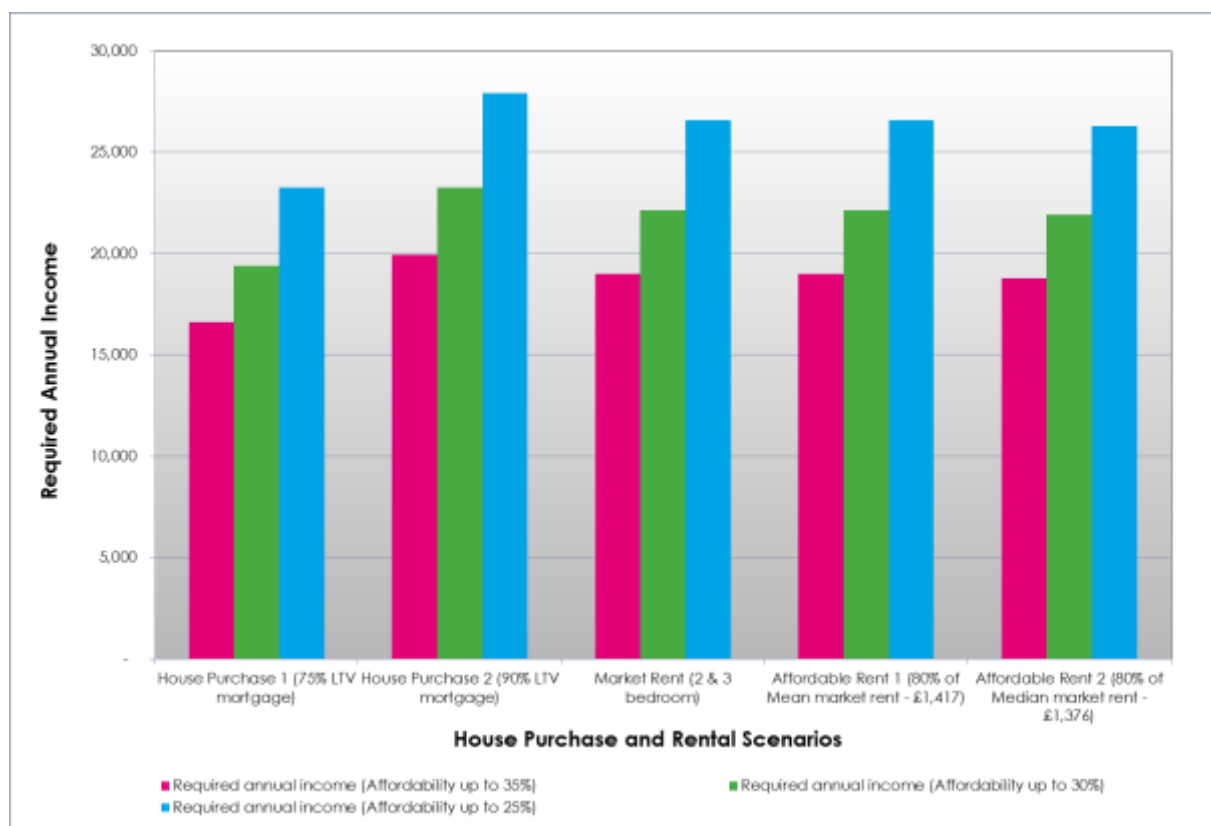
**Table 34 - Sensitivity 3a: Affordability of up to 35% of Household Income**

	House Purchase 1 - 75% LTV mortgage	House Purchase 2 - 90% LTV mortgage	Market Rent (2 & 3 bedroom)	Affordable Rent 1 (80% of Mean market rent - £842) (2 & 3 bedroom)	Affordable Rent 2 (80% of Median market rent - £813) (2 & 3 bedroom)	Social Rent (RP)	Social Rent (LA)
Monthly payment	485	582	554	554	548	423	357
Annual payment	5,820	6,984	6,648	6,648	6,576	5,076	4,284
Max. percentage of income	35%	35%	35%	35%	35%	35%	35%
Required monthly income	1,386	1,663	1,583	1,583	1,566	1,209	1,020
<b>Required annual income</b>	<b>16,629</b>	<b>19,954</b>	<b>18,994</b>	<b>18,994</b>	<b>18,789</b>	<b>14,503</b>	<b>12,240</b>
CACI household income band which contains 'required annual income'	15,000 - 20,000	15,000 - 20,000	15,000 - 20,000	15,000 - 20,000	15,000 - 20,000	10,000 - 15,000	10,000 - 15,000
Number of Households within and below income band	36,521	36,521	36,521	36,521	36,521	24,928	24,928
Total number of Households	108,654	108,654	108,654	108,654	108,654	108,654	108,654
<b>% of households who cannot afford annual payment</b>	<b>34%</b>	<b>34%</b>	<b>34%</b>	<b>34%</b>	<b>34%</b>	<b>23%</b>	<b>23%</b>

Source: GVA, 2015

4.42 Figure 26 illustrates the results of these three affordability analyses.

**Figure 26 - Required Annual Income Benchmarks for 25%, 30% and 35% Affordability Sensitivities**



Source: GVA, 2015

- 4.43 It is important to note that more stringent credit scoring and low savings, coupled with low incomes may increase the number of households who are technically unable to access the private owner-occupied housing market or staircase up it if already owning their own property.
- 4.44 Taking an alternative approach to using the same three sensitivities for maximum percentage of household income spend on housing, the monthly housing payments required for median average household income of £29,550 per year, for those with £500 per week income and for those with £350 per week income is calculated. The £500 and £350 per week income levels facilitate examination of the impact of Welfare Reform, as they represent the benefit cap levels for couples/single parents (2+ bedrooms) and single people without children (1 bedroom) respectively. These sensitivities are shown in Table 35, Table 36 and Table 37.
- 4.45 Under the assumption of spending up to 25% of household income on housing, households on the median average income should be paying a maximum of £616 per month on housing costs. Couples and single parents claiming £500 in benefits per week should be paying a monthly maximum of £542. Single people claiming £350 per week in benefits should be paying

a monthly maximum of £379 on housing costs. This provides an indication of the rent levels considered affordable (at the 25% level) for households on each of these income levels.

**Table 35 - Sensitivity 1b: Affordability of up to 25% of Household Income**

	Median Average Household Income - £29,550 per year	£500 per week Income (2+ bedrooms)	£350 per week Income (1 bedroom)
Annual Income	29,550	26,000	18,200
Monthly Income	2,463	2,167	1,517
Max. % of Income spent on housing	25%	25%	25%
Max Annual Housing Payment	7,388	6,500	4,550
<b>Max Monthly Housing Payment</b>	<b>616</b>	<b>542</b>	<b>379</b>

Source: GVA, 2015

*N.B. £500 per week and £350 per week columns relate to benefit cap levels for couples and single parents, and single people respectively.*

- 4.46 Under the assumption of spending up to 30% of household income on housing, households on the median average income should be paying a maximum of £739 per month on housing costs. Couples and single parents claiming £500 in benefits per week should be paying a monthly maximum of £650. Single people claiming £350 per week in benefits should be paying a monthly maximum of £455 on housing costs. This provides an indication of the rent levels considered affordable (at the 30% level) for households on each of these income levels.

**Table 36 - Sensitivity 2b: Affordability of up to 30% of Household Income**

	Median Average Household Income - £29,550 per year	£500 per week Income (2+ bedrooms)	£350 per week Income (1 bedroom)
Annual Income	29,550	26,000	18,200
Monthly Income	2,463	2,167	1,517
Max. % of Income spent on housing	30%	30%	30%
Max Annual Housing Payment	8,865	7,800	5,460
<b>Max Monthly Housing Payment</b>	<b>739</b>	<b>650</b>	<b>455</b>

Source: GVA, 2015

*N.B. £500 per week and £350 per week columns relate to benefit cap levels for couples and single parents, and single people respectively.*

- 4.47 Under the assumption of spending up to 35% of household income on housing, households on the median average income should be paying a maximum of £862 per month on housing costs. Couples and single parents claiming £500 in benefits per week should be paying a monthly maximum of £758. Single people claiming £350 per week in benefits should be paying

a monthly maximum of £531 on housing costs. This provides an indication of the rent levels considered affordable (at the 35% level) for households on each of these income levels.

**Table 37 - Sensitivity 3b: Affordability of up to 35% of Household Income**

	Median Average Household Income - £30,583 per year	£500 per week Income (2+ bedrooms)	£350 per week Income (1 bedroom)
Annual Income	29,550	26,000	18,200
Monthly Income	2,463	2,167	1,517
Max. % of Income spent on housing	35%	35%	35%
Max Annual Housing Payment	10,343	9,100	6,370
<b>Max Monthly Housing Payment</b>	<b>862</b>	<b>758</b>	<b>531</b>

Source: GVA, 2015

*N.B. £500 per week and £350 per week columns relate to benefit cap levels for couples and single parents, and single people respectively.*

- 4.48 Comparing the first set of sensitivities (1a, 2a, and 3a) with the second set (1b, 2b and 3b) provides some indication of how realistic affordability is for Medway residents with median, £500 per week and £350 per week income levels, as well as those with the median average household income level. This particularly highlights the affordability pressures faced by those claiming benefits under the Welfare Reform Act (2012).
- 4.49 Table 38 brings together the first and second set of sensitivities to reinforce these affordability pressures.

**Table 38 - Comparator Table for Affordability Sensitivities**

	% of households who cannot afford annual housing payment	Maximum monthly housing payment at this income spend level
<b>Affordability of up to 25% of household income (1)</b>	34% - 51%	£379 - £616
<b>Affordability of up to 30% of household income (2)</b>	23% - 42%	£455 - £739
<b>Affordability of up to 35% of household income (3)</b>	23% - 34%	£531 - £862

Source: GVA, 2015

## 5. Objectively Assessed Housing Need

- 5.1 This section of the report examines population and household projections with a view to considering what constitutes objectively assessed housing needs for Medway.
- 5.2 The NPPF and PPG sets out a detailed methodology for undertaking an assessment of housing need in an area. GVA has summarised some of the key requirements and statements from the PPG which provide some context as to the required approach.

### National Planning Policy

- 5.3 As described in the introduction to this report, the NPPF describes the policy principles for OAN at paragraph 47 when it states local planning authorities should “use their evidence to ensure that their Local Plan meets the **full, objectively assessed needs for market and affordable housing in the housing market area**” (GVA emphasis).
- 5.4 The NPPF mandates the integration of different strategies and land uses including requiring planning authorities to “**ensure that their assessments of and strategies for housing, employment and other uses are integrated** and that they take full account of relevant market and economic signals” (GVA emphasis).<sup>7</sup>
- 5.5 “Local planning authorities should [...] assess their full housing needs, **working with neighbouring authorities where housing market areas cross administrative boundaries**. The [...] Assessment should identify the scale ... of housing ... that the local population is likely to need over the plan period which:
- meets household and population projections, taking account of migration and demographic change;
  - **addresses the need for all types of housing, including affordable housing ...;** and
  - caters for housing demand and the scale of housing supply necessary to meet this demand.” (GVA emphasis)<sup>8</sup>
- 5.6 Local Planning Authorities are required to have a clear understanding of housing needs in their area which they should ascertain through the preparation of a Strategic Housing Market Assessment.

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<sup>7</sup> NPPF, paragraph 158

<sup>8</sup> NPPF, paragraph 159

- 5.7 More widely, the NPPF states that Local Plans and authorities should make every effort “to **identify and then meet the housing, business and other development needs of an area**, and respond positively to wider opportunities for growth” (GVA emphasis).<sup>9</sup>
- 5.8 It is clear from the extracts above that full objectively assessed need refers to both the need for market and affordable housing and requires a positive approach which responds to both demographic needs and to opportunities for economic growth.

## National Planning Guidance

Further to the NPPF's more general prescriptions, the PPG sets out a detailed methodology for undertaking an assessment of housing need in an area. This assessment has summarised some of the key requirements and statements from the PPG which provide some context as to the required process and aid in the later assessment of the Council's approach to identifying housing needs.

### What is housing need?

- 5.9 The primary objective of an assessment of housing needs is to identify the future quantity of housing needed.<sup>10</sup>

*“Need for housing in the context of the guidance refers to the scale and mix of housing ... **that is likely to be needed in the housing market area over the plan period** – and should **cater for the housing demand** of the area and identify the scale of housing supply necessary to meet that demand” (GVA emphasis).<sup>11</sup>*

*“The assessment of development needs is an objective assessment of need based on facts and unbiased evidence. **Plan makers should not apply constraints to the overall assessment of need**, such as limitations imposed by the supply of land for new development, **historic under performance**, viability, **infrastructure**, or **environmental constraints**” (GVA emphasis).<sup>12</sup>*

### What area should be considered?

The spatial geography of the assessment should be led by functioning housing market areas. The PPG states that:

*“A housing market area is 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 [...] The extent of the housing market areas identified will vary,*

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<sup>9</sup> NPPF, paragraph 17

<sup>10</sup> PPG Ref. ID 2a-002-20140306

<sup>11</sup> PPG Ref. ID 2a-003-20140306

<sup>12</sup> PPG Ref. ID 2a-004-20140306

*and many will in practice cut across various local planning authority administrative boundaries. Local planning authorities should work with all the other constituent authorities under the duty to cooperate".<sup>13</sup>*

5.10 The PPG states that the starting point for an assessment of housing need should be the government published household projections.<sup>14</sup> Adjustments should then be made to understand and address:

- the impact of past demographic and migration trends on those projections.<sup>15</sup>
- future labour requirements of the area and whether there is likely to be a shortfall of working persons.<sup>16</sup>
- affordability and housing market demand.<sup>17</sup>

5.11 An assessment should also consider the full need for affordable housing.<sup>18</sup>

5.12 Household projections are published biennially and are based on historic data from the labour force survey, Census and mid-year population estimates ("MYE"). With regard to population they project demographic trends from the last 6 years. They are only useful if the trends on which they are based are indicative of future trends. It is therefore important to assess whether other demographic issues have affected the projections.<sup>19</sup> It is also useful to look at longer term trends to understand how demographic change has shifted over time.

5.13 With regard to future labour force needs, the PPG states that *"Plan makers should make an assessment of the likely change in job numbers **based on past trends and/or economic forecasts as appropriate** and also having regard to the growth of the working age population in the housing market area. **Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth**, this could result in unsustainable commuting patterns and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems."* (GVA emphasis).<sup>20</sup>

5.14 As set out above, indicators or signals of how the housing market is performing should also be assessed. The PPG states that *"Appropriate comparisons of indicators [of demand] should be made. This includes comparison with longer term trends in the: housing market area; similar demographic and economic areas; and nationally. A worsening trend in any of these*

<sup>13</sup> PPG Ref. ID 2a-010-20140306

<sup>14</sup> PPG Ref. ID 2a-015-20140306

<sup>15</sup> PPG Ref. ID 2a-017-20140306

<sup>16</sup> PPG Ref. ID 2a-018-20140306

<sup>17</sup> PPG Ref. ID 2a-019-20140306

<sup>18</sup> PPG Ref. ID 2a-022-20140306 to PPG Ref. ID 2a-029-20140306

<sup>19</sup> PPG Ref. ID 2a-017-20140306

<sup>20</sup> PPG Ref ID: 2a-018-20140306



indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections."..."The more significant the affordability constraints (as reflected in rising prices and rents, and worsening affordability ratio) and the stronger other indicators of high demand the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be" (GVA emphasis).<sup>21</sup>

### How should historic under-delivery be dealt with?

- 5.15 The PPG cautions that past trends – including past supply, economic conditions and worsening affordability - may have artificially suppressed factors such as migration and household formation and therefore could affect future projections. The guidance states:

*"The household projection-based estimate of housing need may require adjustment to reflect **factors affecting local demography and household formation rates** which are not captured in past trends. For example, formation rates may have been suppressed historically by under-supply and worsening affordability of housing. **The assessment will therefore need to reflect the consequences of past under delivery of housing.** As household projections do not reflect unmet housing need, local planning authorities should take a view based on available evidence of the extent to which household formation rates are or have been constrained by supply."*<sup>22</sup>

### Affordable housing and wider needs

- 5.16 The PPG states<sup>23</sup> that affordable housing needs should be considered in the context of the overall mix of market and affordable housing likely to be delivered in the area. Specifically "an increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes".<sup>24</sup>
- 5.17 It should be highlighted that this stipulation does hint at affordable housing adjustments being a 'policy-on' consideration as it describes likely 'delivery' considerations. However, the Planning Advisory Service Technical Advice Note 'Objectively Assessed Needs and Targets'<sup>25</sup> states that affordable housing needs should be a consideration when defining OAN and if the total OAN cannot deliver sufficient affordable housing to meet needs, consideration should be given to increasing it.<sup>26</sup> Specific reference is made to accommodating the needs of concealed and homeless households.

<sup>21</sup> PPG Ref ID: 2a-020-20140306

<sup>22</sup> PPG Ref. ID 2a-015-20140306

<sup>23</sup> PPG Ref ID: 2a-029-20140603

<sup>24</sup> PPG Ref ID 2a-029-20140306

<sup>25</sup> see figure 3.1 and chapter 7 of this guidance

<sup>26</sup> Planning Advisory Service Technical Guidance on OAN

<http://www.pas.gov.uk/documents/332612/6363137/Objectively+Assessed+Need+and+Housing+Targets/f22edcc2-32cf-47f1-8e4a-daf50e4412f7>

- 5.18 It should also be noted that affordable housing needs are not directly comparable to general housing needs, as most affordable housing needs are generated by people who are currently housed in the district (albeit inappropriate for their means and needs). Therefore, when they are appropriately housed they free up an existing property for another household. Those new households (formed from existing families living in the district or from migration) are mostly picked up as part of the demographic modelling (with the exception of homeless and concealed households) and are not additional to the total housing needs.

### Summary

- 5.19 In summary, an assessment of housing needs must be objective and must identify demand and therefore housing need in full. It should not seek to include measures that apply restraint in any way. It should be a positive exercise, which responds to future economic change, affordability and affordable housing needs. Four broad stages to this work have been identified as required in assessing OAN;

1. Identifying the basic geographic unit through which housing needs are understood (typically the HMA or local planning authority area) (See Section 2);
2. Assessing household projections (the starting point) against other consistent demographic evidence to understand the extent to which they are up to date and appropriate indicators of future housing needs;
3. Understanding whether adjustments need to be made to take account of labour force requirements and affordability (market signals); and
4. Understanding affordable housing needs in full and the extent to which they will be met.

### Latest Projections

- 5.20 The latest set of population projections available from the Office of National Statistics (ONS) are the 2012-based Sub-national Population Projections (SNPP). The 2012 SNPP projects forward assumptions on fertility, mortality and migration rates based on trends from the previous 6 years starting from the base year of 2012 up to 2037 (25 years).
- 5.21 The SNPP is not a forecast and takes no account of future government policies, changing economic circumstances or the capacity of an area to accommodate the change in population. They provide an indication of the future size and structure of the population if recent demographic trends continue. Projections become increasingly uncertain the further they are carried forward, and particularly so for smaller geographic areas such as districts.
- 5.22 Population projections provide a basis through which to understand future population change. Household projections provide a basis through which to understand how that population change forms households. This is because as a population changes (both in terms

of size and structure) the number of dwellings needed to house that population also changes. For example, a population with a high proportion of people in their late teens is likely to need less housing than a population with a high proportion of 60 year olds. This is because the former demographic often lives with parents or in shared houses whereas the latter is more likely to live in couples or alone. These characteristics shift over time as a result of cultural changes in the population. For example, divorce amongst 30 and 40 year olds has been increasing over time which has increased the need for housing in this demographic as when a family or couple splits up you have two households to accommodate rather than one. The probability of a person being the head of a household is called the Household Representative Rate (HRR). The greater the HRR for a given population, the more houses that will be needed to accommodate it.

- 5.23 The household projections contain assumptions by age and sex about how HRRs will change over time. These assumptions are built up through analysis of the Census and Labour Force Survey. The latest household projections are the 2012 Household Projections (HP).
- 5.24 Table 39 provides an introduction to the different projections and the assumptions they use to projection population and household change. It is noted that new projections will be published in 2016 (2014-based), however this SHMA is based on the most up to date data available at the time of writing. In addition, use of the 2014 Mid-Year Population Estimate and migration data lessons the impact of any new data.

**Table 39 - National population and household projections**

Projection	Features
2012-based SNPP	<ul style="list-style-type: none"> <li>• Uses demographic trends from 2007 to 2012</li> <li>• Long-term projection from 2012 to 2037</li> <li>• Average annual <b>population growth</b> between 2012 and 2037 for Medway= <b>2,344</b> people</li> </ul>
2012-based HP <sup>27</sup>	<ul style="list-style-type: none"> <li>• Uses the 2012-based population projections as a base</li> <li>• Household formation rates trended from 1971, 1981, 1991, 2001 and 2011 Censuses and Labour Force Survey data.</li> <li>• Long-term projection from 2012 to 2037</li> <li>• Average annual <b>household growth</b> between 2012 and 2037 for Medway = <b>1,270</b> households</li> </ul>

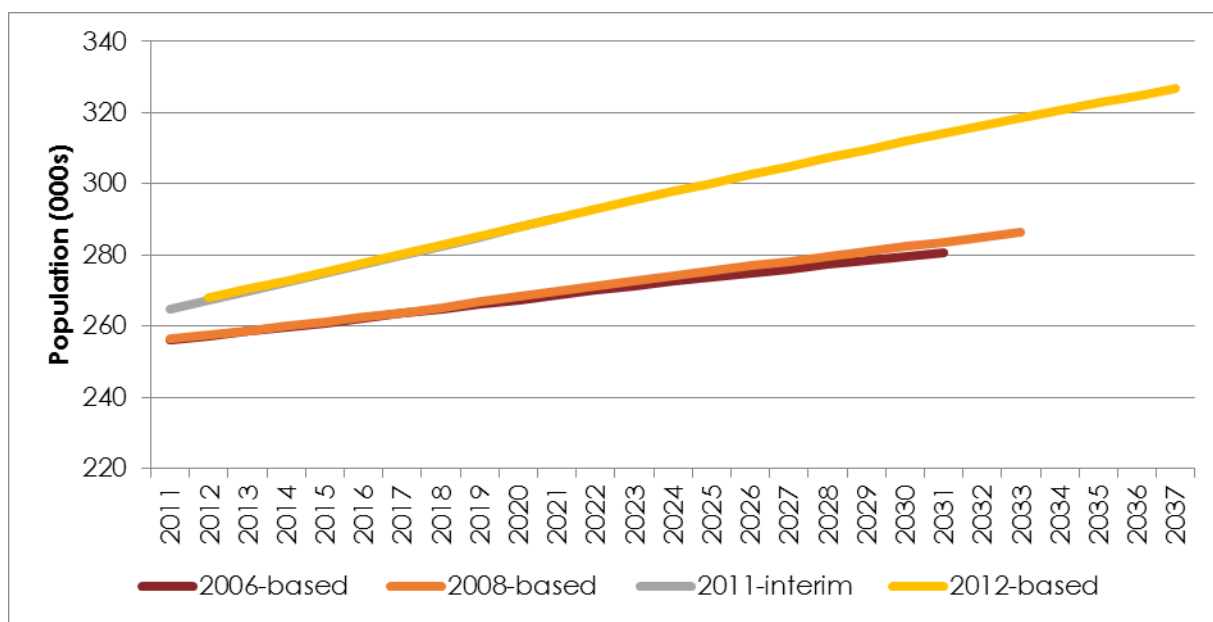
Source: ONS SNPP and HP

<sup>27</sup> At the time of writing only the Stage 1 HRRs for the 2012 Household Projections were available and further work is on-going to develop the Stage 2 HRRs. Stage 2 HRR will provide household projections in terms of type – i.e. the number of single male households or mixed households.

## Population Projections

- 5.25 The latest official projections come from the ONS 2012-based SNPP. 2012-based SNPP anticipates the population of Medway will increase by 21.8% (58,600 people) to an overall population of 326,800 people in 2037. In 2012, Medway accounts for 18.1% of the total Kent county population; by 2037 this is projected to increase to 18.3%.
- 5.26 Figure 27 provides a comparison between the latest 2012-based SNPP and previous 2011-interim, 2008-based and 2006-based SNPP for Medway.
- 5.27 It would seem that recent projections (2012 and 2011-Interim) are projecting higher growth overall than historic projections (2006-based), albeit there appears to be some alignment between the 2008 SNPP and the post-Census projections. Furthermore, the starting point shows that historic projections underestimated the level of population that would be in Medway in 2011 (as identified by the 2011 Census). The 2012 SNPP anticipate the population of Medway to grow at a much faster rate than previously assumed under the 2006 and 2008 projections (but in broad alignment with the 2011 projection); equating to an average annual population growth of 2,344 people over the period 2012-2037.

**Figure 27 - Comparison of recent and historic population projections for Medway**



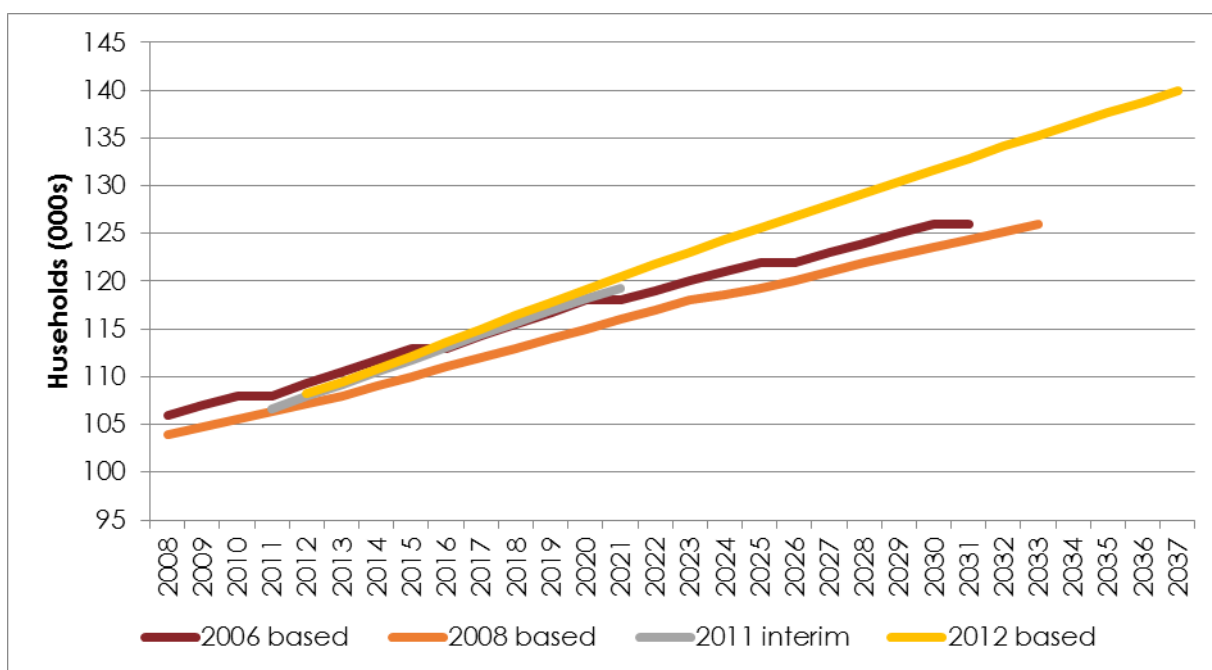
Source: ONS SNPP Series

## Households

- 5.28 HP provide quantitative and qualitative assumptions about how the population of a given area will form households over the future period. Household projections are an amalgam of three sets of statistics; population projections (SNPP), HRR projections and projections of the level of communal establishment population (i.e. students in halls, prisoners, army barracks).

- 5.29 In Medway, the 2012 HP anticipate a 29% increase in households to a total of 139,900 households, or an annual growth of 1,270 households.
- 5.30 Figure 28 provides a comparison between the previous 2006, 2008, 2011-interim and 2012 HP for Medway between 2012 and 2037 (with variation in the dates set out). The 2008 and 2006 based projections follow a depressed trajectory compared to the 2011 and 2012 projections, with almost 10,000 households' difference by 2035. Given the analysis within Figure 28, this indicates that over time population growth has increased and the projections have been revised to show higher levels of growth.

**Figure 28 - Household projections series over time**



Source: DCLG HP

## The OAN “Starting Point”

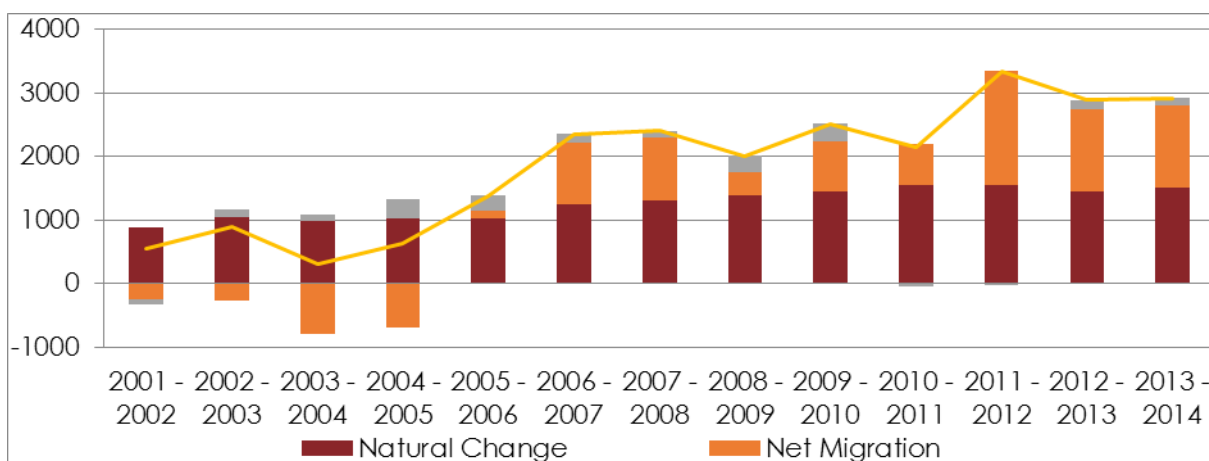
- 5.31 The starting point for an assessment of housing need is the 2012 HP. Table 40 sets out the 2012 HP for Medway and compares them to historic levels of household growth. It is clear that future household growth is projected to be significantly higher than has been observed historically. Table 40, and indeed the remainder of this report, uses the 2012 to 2037 projection period to understand future dwelling needs over the full length of the DCLG 2012 HP projection period (25 years).
- 5.32 Between 1992 and 2002 household growth was 599 per annum (pa) in Medway. Over the period 2002 to 2012, this had increased by 36%. Projected household growth (2012 to 2037) is anticipated to be 56% higher than household growth in the preceding decade (2002 to 2012).

**Table 40 - Household growth estimates and projections**

Area	Household Growth Per Annum		
	1992 to 2002	2002 to 2012	2012 to 2037
<b>Medway</b>	599	816	1,270

*Source: DCLG 2012-based Household Projections*

- 5.33 There are a number of reasons for increasing annual household growth over time. Firstly, annual population growth, as a result of higher levels of migration, has increased over time resulting in greater projected household and population growth in the future (see Figure 29).
- 5.34 Notably, Medway observed low population growth over the early part of the 2000s and high growth in the latter part of the 2000s. With the 2012 HP projecting forward the 6 years of population data between 2007 and 2012 (which saw significant growth through in-migration, Figure 29), it is understandable why they would be projecting such significant levels of population and household growth going forward.
- 5.35 The second reason for higher levels of projected household growth is the ageing population. As a population ages, the average household size becomes smaller because statistically older people live in smaller households. This means that for the same level of population growth, an older population requires more housing than a younger population. Between the 2001 and 2011 Census, the over 65 population grew by 23% in Medway compared to 6% total population growth. This shows that there has been a disproportionate level of growth in older persons which, as discussed above, will have an effect on household formation.
- 5.36 Thirdly, it follows that as an area becomes more populated, the level (not proportion) of population and household growth grows with it, albeit there is not an exact proportional relationship.

**Figure 29 - Population change and components of change between 2001 and 2002**

Source: Mid-Year Population Estimates (2001 to 2014 (ONS))

- 5.37 Since the 2012 SNPP was published, ONS has 'estimated' the 2013 and 2014 population using a range of administrative data to understand migration and natural change. This information is not contained within the 2012 SNPP and HP. GVA, using Popgroup software, has been able to include this updated information within the demographic projection. When the updated projection is compared to the 2012-based HP for 2012-37 (Table 40), it shows the impact of this new base population information; a slight decrease in annual growth – see Table 41.
- 5.38 This effect is not as expected. The MYE for 2013 and 2014 show that the population of Medway grew by over 1,000 persons more than projected and therefore one would expect that level of growth to result in higher future household growth. However, as previously discussed, household formation is a function of population size and structure and therefore the higher levels of population growth have been disproportionately in age groups (the young) and sexes (females) which former households as a lower rate.

**Table 41 - Annual Household Growth 2012-37 updated to reflect 2013 and 2014 MYE**

Area	Household Growth Per Annum (2012 – 2037)
Medway	1,235

Source: Mid-Year Population Estimates, Popgroup, GVA

- 5.39 As demonstrated by Table 40 and Figure 29, annual population and household growth has increased over time. Indeed, Figure 29 provides more year on year detail showing that this trend continued throughout the 2000s with the highest levels of growth observed in the latter part of that decade (2006 to 2011) and the next decade (2011 to 2014). As discussed above, the 2012 HP include trends principally from this period of high growth. It is therefore appropriate to consider longer term trends to ensure short term anomalies are accounted for.
- 5.40 GVA has therefore utilised data from the 2004 to 2014 mid-year population estimates (MYE) which provide detailed migration data by sex and single year of age over these ten years.



Table 42 shows the level of household growth forecast if long term migration trends continue from this period. Longer term trends indicate a fall in household growth of 7% in Medway compared to the shorter term trends espoused by the 2012 HP.

**Table 42 - Annual Household Growth 2012-37 updated to reflect long term migration rates**

Area	Household Growth Per Annum (2012 – 2037)
Medway	1,148

Source: Mid-Year Population Estimates, Popgroup, GVA

5.41 GVA has also looked at the effect that un-attributable population change ('UPC') has had on past migration<sup>28</sup>. UPC is the difference in 2011 between the population estimates built up from the 2001 Census (using birth, death and migration data) and that recorded by the 2011 Census. It is likely that at least part of UPC is attributable to migration being misreported and errors in the 2001 and 2011 Census. In Medway, the pre and post Census 2011 MYE showed that either past population estimates (and thus components of population change such as migration) underestimates population growth, the 2001 Census underestimates the population in 2001 or the 2011 Census overestimated the population in 2011.<sup>29</sup> However, the error was not uniform across all age groups with UPC showing a particular under-recording of children over-recording of young working age persons. This is important when we are thinking about housing needs because younger people live in larger households (either as a family or with friends).

5.42 Table 43 shows the age differentiation of UPC from 2001 to 2011.

**Table 43 - The effect of UPC between 2001 and 2011**

Ages	Number of people UPC
0-15	1016
16-24	-9
25-44	-321
45-64	2
65+	96
Total	784

Source: Mid-Year Population Estimates, Popgroup, GVA

NB Positive number means the MYE were less than Census, a negative number means the converse

<sup>28</sup>For more detail on UPC please see ONS' 'Report on Un-attributable Population Change in the 2012-based Subnational Population Projections for England.'

<sup>29</sup> It is not possible to say by exactly how much as there is insufficient information to attribute UPC to migration, natural change or errors with the Census. This is confirmed by the previous footnote

- 5.43 When long-term migration between 2004 and 2011<sup>30</sup> is adjusted to take account of 100% of UPC it has the effect of reducing household growth further to 1,124 dwellings per annum in Medway as despite the UPC increasing net migration overall, it actually leads to a younger migration flow which reduces household formation. This is set out in Table 44.

**Table 44 - Annual Household Growth 2012-37 updated to reflect long term migration rates and UPC**

Area	Household Growth Per Annum (2012 – 2037)
Medway	1,124

Source: Mid-Year Population Estimates, Popgroup, GVA

## Summary

- 5.44 Overall therefore the latest demographic data projects household growth of between 1,124 and 1,270 households in Medway. Longer-term (2004 to 2014) trends would seem appropriate for inclusion, given the significant fluctuations in growth which have been observed in the short term and the need to include a period representative of a longer economic cycle (i.e. ironing out the potential effects of boom and recession).
- 5.45 If even longer term trends are used, i.e. from the 1990s, this reduces household growth further (Table 40); however, there is insufficient quality of data to model the detailed implications of this for household growth.
- 5.46 It is also appropriate to consider UPC in the trends, which, as set out above, reduces annual household growth to the lower end of the range; although there is insufficient information to conclude fully if UPC a migration or Census issue. The reason for including some account of UPC is the ONS admission that UPC is likely to be due to a number of issues, with migration (domestic and international) named as one such issue. It is therefore likely that migration has been misreported to some degree.<sup>31</sup>
- 5.47 If long-term migration is unadjusted for UPC is produces household growth of 1,148 per annum. If past migration is fully adjusted for UPC is produces household growth of 1,124 per annum. Given there is no clear evidence to attribute UPC to either migration or Census error, an average of the two long term migration scenarios is set out to recognise the uncertainty with the two scenarios (1,136 households per annum)

<sup>30</sup> Between 2012 and 2014 UPC is not a factor as it is only calculated retrospectively following a Census (it will next be calculated in 2021).

<sup>31</sup> Page 3 of 2012 Sub-national Population Projections, Report on Un-attributable Population Change 2014

## Converting Household growth to dwelling growth

- 5.48 To convert household growth to dwelling growth an allowance for vacant properties and second homes is required. To do this GVA has looked at the DCLG Live tables and 2001 and 2011 Censuses. A long term vacancy average (12 years) was taken, which equates to 3.6% in Medway. This results in the following dwelling growth, per annum, between 2012 to 2037 (see Table 45):

**Table 45 – Annual Dwelling Growth Scenarios**

Scenario	Growth Per Annum (2012 – 2037)	
	Households	Dwellings
2012 Household Projections	1,270	1,317
2012 Household Projections updated with 2013 and 2014 MYE	1,235	1,281
Long Term Migration	1,148	1,191
Long Term Migration UPC	1,124	1,167
Average of Long Term Migration scenarios	<b>1,136</b>	<b>1,179</b>

## Demographic needs from wider area

- 5.49 To understand the demographic needs of the Medway Housing Market Area, GVA has modelled the future dwelling requirements of Gravesham, Maidstone, Swale and Tonbridge and Malling on the same basis as Medway. This will provide the Council with an understanding of wider housing needs for the purposes of duty to cooperate discussions across the sub-region. Using the same process as that explored above, the following results are produced – see below..

Table 46 - Household Projections range for other authorities in the HMA

Area		Growth Per Annum (2012 – 2037)	
		Households	Dwellings
Gravesham	2012 Household Projections (updated)	440	451
	Long term migration	464	476
	Long term migration (UPC)	441	453
	Average long term migration scenario	453	465
Maidstone	2012 Household Projections (updated)	844	874
	Long term migration	841	870
	Long term migration (UPC)	833	862
	Average long term migration scenario	837	866
Swale	2012 Household Projections (updated)	798	833
	Long term migration	764	798
	Long term migration (UPC)	740	773
	Average long term migration scenario	752	786
Tonbridge and Malling	2012 Household Projections (updated)	604	627
	Long term migration	616	640
	Long term migration (UPC)	607	630
	Average long term migration scenario	612	635
HMA (including Medway)	2012 Household Projections (updated)	3,921	4,066
	Long term migration	3,833	3,975
	Long term migration (UPC)	3,745	3,885
	Average long term migration scenario	3,789	3,930

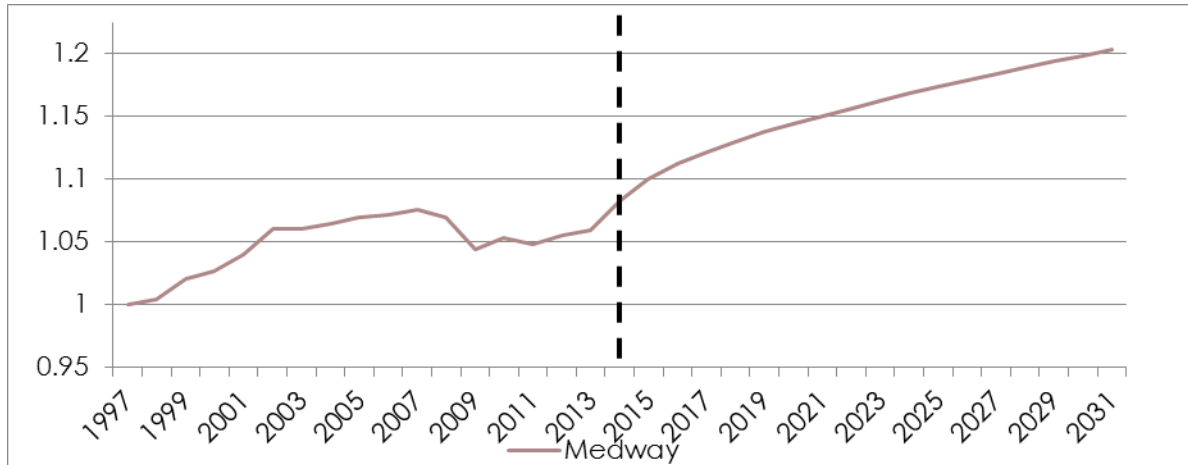
5.50 Overall, the latest demographic data projects dwelling growth of 3,885 to 3,975 dwellings per annum across the wider HMA (Medway, Gravesham, Maidstone, Swale and Tonbridge and Malling). Longer-term trends and some account of UPC would again seem appropriate – albeit a full adjustment is not justified given the uncertainties. Table 45 provides a mid-point

between the two long-term migration scenarios of 1,136 households per annum or 1,179 dwellings per annum in Medway. This equates to 3,789 households per annum or 3,930 dwellings per annum at the HMA level. This is on the balance of the available evidence, an appropriate proxy for demographic needs.

- 5.51 It should be noted that the figures in Table 46 represent the demographic starting point and not full objectively assessed housing need. When an authority is proposing to deliver a higher level of housing than demographic projections indicate (due to economic or affordability factors), discussions should be had about the implications of this for the wider HMA in terms of future demographic trends.

## Economic projections

- 5.52 The PPG requires an OAN to include an assessment of future employment growth and labour force requirements. GVA has utilised employment growth estimates and forecasts from Experian Local Market Forecasts (Q1 2015). These forecasts provide an indication of the level of job growth likely to take place in the district. This is then translated into household growth estimates by reviewing the current and projected relationship between employment (jobs) and local labour force (people).
- 5.53 Figure 30 sets out past and future employment growth in Medway based on the standard Experian forecasting model (discussed below as "Sector Growth").
- 5.54 This model combines a range of data to inform the employment growth projection including current employment shares by sector, national growth prospects of sectors and historic performance of sectors. It therefore gives an indication of which sectors are likely to grow and by how much. The forecasts represent an estimate of 'business as usual' growth out with any major regeneration, economic development infrastructure or other intervention that may impact business growth. The dotted line delineates the employment estimate from the employment forecast.
- 5.55 Employment growth in Medway has been tumultuous, with a period of strong growth over the late 1990s and early 2000s, a period of slower employment growth in the 2000s and a period of recession in the late 2000s. Between 1997 and 2014, annual employment growth in Medway was 0.48%.

**Figure 30 - Employment growth (workforce jobs) indexed to 1997**

Source: Experian

5.56 GVA has undertaken a number of economic forecasts, looking at a range of options for future employment growth in Medway. The Medway Employment Land Needs Assessments sets out detail of the economic scenarios, however to summarise they are:

- Sector Based Growth Scenario** – this assesses the economic potential of Medway based on sector growth set out by Experian. It assumes that London Paramount is not delivered but considers accelerated levels of growth beyond the base forecast within key economic sectors including advanced manufacturing and distribution activities.
- Sector Growth & London Paramount Indirect Scenario** – this builds upon the 'Sector Based Growth Scenario' and then includes jobs that are forecast to arise within the Medway economy linked to the delivery of London Paramount. These jobs are considered to be the indirect economic impact of the development which will occur through enhanced supply chain opportunities for Medway businesses and the proximity of Medway to London Paramount to attract new supply chain operators to the area.
- Sector Growth & London Paramount Total Employment Scenario** – a further scenario is considered within the Medway ELNA that seeks to understand the total employment impact of London Paramount on Medway. The previous scenario considered the indirect impact alongside wider indigenous economic growth; however it is likely a further employment impact will be experienced as Medway residents seek employment within the Resort itself. As established in the ELNA this has no impact on employment land requirements, however it does potentially influence the level of housing demand as a result of a growth in employment rates in the Medway population. Therefore, drawing on the Preliminary Environmental Impact Report prepared on behalf of London Resort Company Holdings the ELNA estimates the share of workforce jobs that could reasonably be expected to be filled by Medway residents as the Resort becomes operational.

- builds upon the 'Sectors & London Paramount Indirect Scenario' but also examines the share of London Paramount direct employment that will be taken-up by people living in Medway. This includes construction jobs, Resort jobs and hotel jobs that are generated out with the authority area but will likely require 'out-commuters' from Medway. This scenario is not considered in terms of the OAN as it will be the responsibility of Dartford to meet the needs of its indigenous employment growth, however it provides a useful consideration for Duty to Cooperate discussions on region employment and housing matters.

5.57 In line with the PPG, GVA will understand the level of household growth needed to support employment growth. To do this, GVA has employed the following assumptions which are used to understand the relationship between jobs, residents and dwellings.

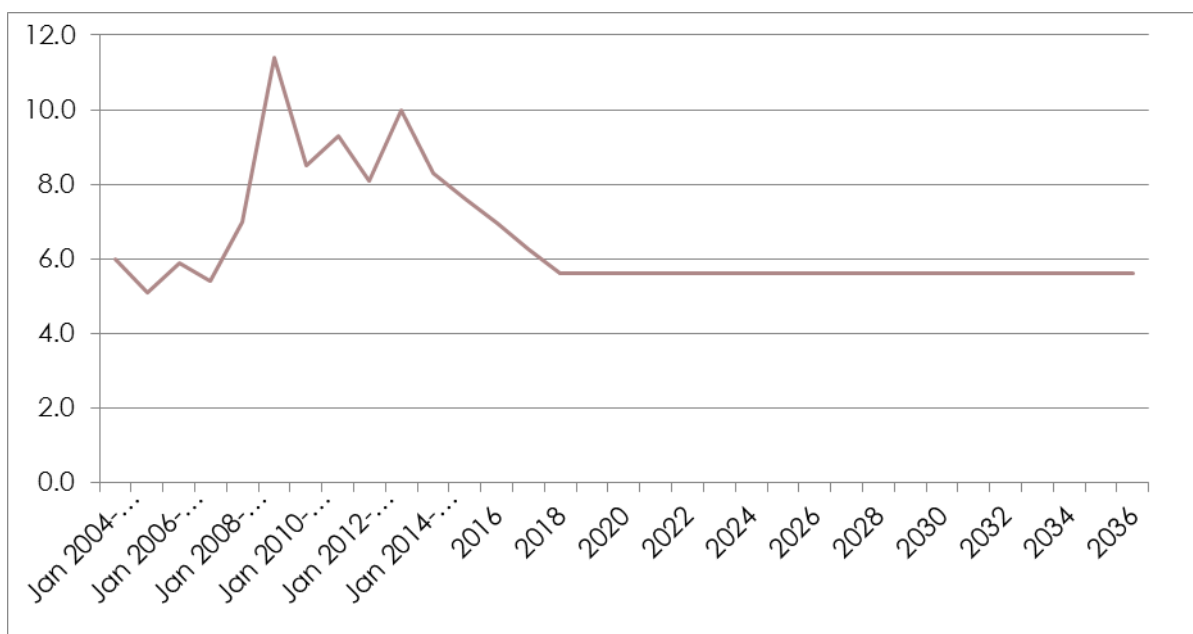
## **Economic Assumptions**

5.58 The relationship between job growth and population growth is contingent on a number of factors, specifically, the level of unemployment and economic activity in the local population, and the extent to which the working population is employed locally (commuting patterns). Once job growth has been translated into population growth, through the use of household formation rates and vacancy rates it is possible to translate this population growth into dwelling growth to inform the OAN.

## **Unemployment**

- 5.59 The level of unemployment over time is important for understanding the link between population growth and job growth. For example, if a number of jobs were created in an area, and unemployment rates were historically high, it is likely that a significant proportion of those jobs would be taken by unemployed residents who are seeking employment. If on the other hand unemployment were at a historic low, more of the jobs would need to be filled by new economically active people moving / commuting into the area to work. If people move to an area for work, this creates a need for more housing.
- 5.60 GVA has utilised the Census (2001 and 2011) and Annual Population Survey (APS) (2001 to 2014) to understand how unemployment has changed over time and how it is likely to change in future. Figure 31 sets out the APS unemployment rates and how the model projects unemployment will return to long term averages.



**Figure 31 – Unemployment (% of those economically active) from the APS**

Source: Annual Population Survey

### Economic Activity

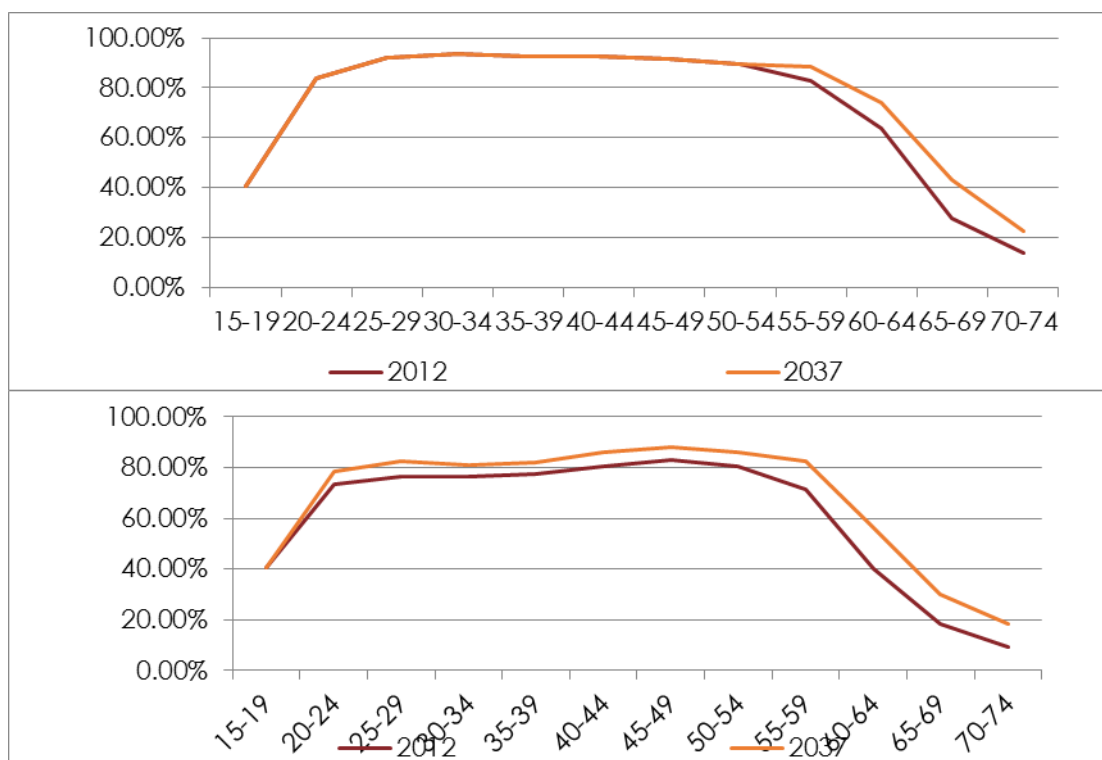
- 5.61 The same principle applies to economically active population (which is the total number of people in work or looking for work) as unemployment. As the economically active population increases (due to a rising number of older persons supplementing their pension for example or an increasing number of women working instead of raising families full time) the pool of local labour increases, reducing the need for in-migration to support increases in the number of jobs in a local area. As highlighted above, in-migration is a key growth pressure and increasing economic activity will mean less in-migration to meet the future job growth.
- 5.62 Economic activity by age and sex is taken from the 2011 Census. This is projected forward using the trends with the Kent County Council KCC 'Technical Paper Activity Rate Projections to 2036' October 2011<sup>32</sup>. These assume that economic activity rises in line with the 2006 Labour Force Survey up to 2020, with further increases in older cohorts from 2020 to 2030. This projection is termed 'Sensitivity 1'.
- 5.63 An alternative scenario has looked at a trend based economic activity projection – utilising the Censuses from 1981 to 2011 – which incorporates assumptions from Experian's Report 'Employment Activity and the Ageing Population'.<sup>33</sup> This has the effect of increasing

<sup>32</sup> See following web address for Kent County Council Economic Assumptions  
<https://shareweb.kent.gov.uk/Documents/facts-and-figures/Economy/technical-paper-activity-rate-projections-to-2036.pdf>

<sup>33</sup> See following web address for Experian's Economic Activity Assumptions in older persons  
<http://economics.experian.co.uk/~media/Files/Countries/UK%20Economic%20Forecasts/Public/Employment%20Activity%20and%20the%20Ageing%20Population.ashx>

economic activity for women, in line with past trends from 1981 and increasing economic activity in older persons (males and females) significantly. Figure 32 sets out the adjustments made in this scenario. This projection is termed 'Sensitivity 2'. Both sensitivities will be assessed through this study.

**Figure 32 - Sensitivity to look at increased economic activity in females and older persons**



Source: ONS / Experian (Males top chart, females bottom chart)

### Commuting

- 5.64 A commuting rate is the ratio of employed persons to employment in a given area. If an area has a high commuting rate (i.e. a ratio of more than 1 employed person for every job) this means that the area is housing workers from the surrounding area. The converse is true if the ratio is less than one. If an area has a high and stable commuting rate (because it lies adjacent to a large employment centre for example) then as the economy grows the area will have to accommodate not only indigenous job growth but also the growing number of commuters from the adjacent centre. This increases the level of housing growth needed to accommodate a given level of indigenous job growth.
- 5.65 In 2011 the ratio of employed persons to employment in Medway was 1.28. This means that for every 100 people working in the authority there are around 128 employed persons living in the authority – i.e. a large out-commute of the population each day. Given the relative proximity of the authority to London, there is no evidence to suggest that this commuting ratio will change going forward and it is therefore kept static for the purposes of this study.

## Double Jobbing

- 5.66 This analysis will assume that a certain number of the jobs created over the period to 2037 will be taken up by someone who already has a job ('i.e. someone who is double jobbing'). We have assumed that the percentage of the population who does this is 3.69% which is in line with latest national labour force survey (2014).

### Results of Economic Scenarios

- 5.67 Table 47 sets out the number of houses that would be required to support the growth forecasted by the employment scenarios (described at paragraph 5.56). Table 47 compares the results of the economic scenarios with the average long-term migration scenario in Table 45. This is because, whilst there is evidence that some adjustment should be made to account for UPC, there is insufficient evidence to make a full adjustment. An average of the two long-term migration scenarios is therefore used which is equivalent to a 50% adjustment. This average scenario equates to 1,136 households per annum or 1,179 dwellings per annum.
- 5.68 Table 47 indicates that the average long-term migration scenario (1,136 households per annum) in Medway, would be, based on Sensitivity 1, insufficient to meet the labour force requirements of the Sector Growth Scenario and the additional indirect employment likely to flow from London Paramount (Sector Growth & London Paramount Scenario).
- 5.69 In Medway the effect of the economic scenarios is relatively modest; with Sector Growth requiring household growth of 1,154 per annum (1.5% increase on the average long term migration scenario<sup>34</sup>). To achieve the greater level of employment generated by the Sectors & London Paramount Indirect Scenario generates an uplift of 2.9% from the average long-term migration scenario. As per paragraph 1.42, we have converted household growth to dwellings growth by introducing a vacancy and second home rate.

**Table 47 - Annual Dwelling Growth 2012-37 Economic Scenarios and increase from demographic needs (Sensitivity 1)**

Area	Economic Scenario	Growth Per Annum (2012 – 2037)		Increase from baseline demographic needs (%) (1,136 hpa / 1,179 dpa)
		Households	Dwellings	
Medway	Sector Growth	1,154	1,197	1.5%
	LP Indirect	1,169	1,213	2.9%

<sup>34</sup>The average of the UPC adjusted and unadjusted long term scenarios

*Source: Experian, Popgroup, GVA*

- 5.70 Paragraph 5.56 sets out three economic scenarios whereas Table 47 and Table 48 only show the results of two economic scenarios. This is because the third economic scenario (Sectors and London Paramount Total Scenario) forecasts growth in employment beyond the boundary of Medway and must therefore be considered in the context of the out-commuting patterns in Medway rather than growth in local jobs. Paragraphs 5.64 and 5.65 set out that the demographic model assumes direct employment growth (from Sector Growth and Sectors & London Paramount Indirect Scenario) in Medway is accompanied by a growth in economically active people who will commute out of the area to work. This is because the model assumes that for every 100 employed persons working in the borough there are 128 employed residents (i.e. 28 will need to find work outside Medway). If the assumption is that London Paramount will be delivered, the increase in out-commuting entailed in the Sectors & London Paramount Indirect Scenario can be calculated through the model. This will allow us to understand the level of increased out-commuting that might be take place and compare this to the level of in-commuting required in the Sectors & London Paramount Total Scenario.
- 5.71 The Sectors & London Paramount Indirect Scenario would generate an additional 3,080 economically active people who would have to commute out of the authority for work on the basis of existing commuting rates. The Sectors & London Paramount Total Scenario, which measures the employment draw of London Paramount on the economically active population of Medway, concludes that 1,579 jobs would be filled by Medway residents. Notwithstanding the effect of second jobbing or unemployment, over the period 2012 to 2037, there is therefore more than enough out-commuting to meet this economic scenario.
- 5.72 If economic activity rate Sensitivity 2 is inputted into the model it increases the level of economic activity in the general population and reduces the level of in-migration and therefore household growth required to achieve the economic scenarios. The results of this scenario are set out in Table 48. It shows that with Sensitivity 2, Medway would need to build around 1,020 dpa to achieve Sector Growth and 1,036 dpa to achieve the Sectors & London Paramount Indirect scenario (a -13.5% and -12.1% adjustment to the average long-term migration scenario respectively).
- 5.73 Although the overall level of population and household growth is lower for Sensitivity 2, economically active rates are higher and therefore the Sectors and London Paramount Indirect Scenario generates an additional 3,150 economically active persons. As per Sensitivity 1, there is more than enough out-commuting generated by this scenario to meet the increased labour force needs of the London Paramount resort.

**Table 48 - Annual Dwelling Growth 2012-37 Economic Scenarios and increase from demographic needs (Sensitivity 2)**

Area		Growth Per Annum (2012 – 2037)		Increase from baseline demographic needs (%) (1,136 hpa / 1,179 dpa)
		Households	Dwellings	
Medway	Sector Growth	983	1,020	-13.5%
	LP Indirect	998	1,036	-12.1%

## Summary

- 5.74 The demographic scenarios (see **Table 45**) project **dwelling** growth of between 1,167 dpa and 1,317 dpa in Medway. Given the fluctuations in population growth and levels of migration, it is considered that a longer term migration perspective is justified. The extent to which UPC is accounted for is a matter of judgement. To account for it fully will reduce the annual dwelling need to the lower end of the range. Given the uncertainties, for pragmatic purposes we have taken the mid-point figure for a long term migration scenario adjusted and unadjusted for UPC. This equates to 1,179 dpa in Medway. If we compare this to the updated 2012 HP scenario, which projects dwelling growth of 1,281 dpa in Medway (1,235 households per annum) it is clear that longer term trends show much lower growth than short term trends (used by the latest household projections).
- 5.75 If the wider Housing Market Area is assessed, including Gravesham, Medway, Swale, Maidstone and Tonbridge and Malling, annual dwellings needs range from 3,885 to 4,066 dpa. If an average of the long-term migration scenarios is utilised, it derives a need for 3,930 dpa across the HMA.
- 5.76 GVA has reviewed forecast employment growth. The analysis concludes that the Sector Growth Scenario would require an increase in housing delivery of around 1.5% (above the average long-term migration scenario) on the basis of current levels of out commuting and modest increases in economic activity. If further increases in economic activity are observed (Sensitivity 2) the average long term migration scenario (1,179 dpa) would provide a greater level of population and household growth than required to meet the Sector Growth Scenario (1,020 dpa).
- 5.77 If London Paramount is delivered (Sectors & London Paramount Indirect Scenario), Sensitivity 1 concludes that housing delivery would need to increase by 2.9% above the average long-term migration scenario. However, if economic activity is increased further (as per Sensitivity

2), the average long-term scenario is sufficient to meet all projected employment needs (see Table 48).

- 5.78 Assuming that overall rates of commuting remain static, both Sectors & London Paramount Indirect sensitivities (i.e. Sensitivity 1 and 2) lead to a surplus of economically active people against the level of out-commuting required to deliver the level of employment growth from Sectors & London Paramount Total Scenario.

**Table 49 - Summary of scenarios for Medway**

Scenario		Annual Growth (2012 to 2037)	
		Households per annum	Dwellings per annum
Household projection (HP)		1,270	1,317
HP including 2013 and 2014 MYE		1,235	1,281
Long term migration		1,148	1,191
Long term migration UPC		1,124	1,167
Average long term migration		1,136	1,179
Sector growth	Sensitivity 1	1,154	1,197
	Sensitivity 2	983	1,020
LP Indirect	Sensitivity 1	1,169	1,213
	Sensitivity 2	998	1,036

Source: GVA / Popgroup

## Market Signals

### Policy Context

- 5.79 As set out above, the PPG provides a methodology for undertaking an assessment of full, objectively assessed housing needs as required by the NPPF; paragraph 47. The PPG informs us that Household Projections should provide the "starting point" for an estimate of housing need<sup>35</sup>, but sets out that there are several other issues that should be taken into account, including market signals. In particular it states that:

<sup>35</sup> PPG ID ref: 2a-015-20140306

***“The housing need number suggested by the household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings. Prices or rents rising faster than the local average may well indicate particular market under supply relative to demand.”*** (emphasis added)<sup>36</sup>

- 5.80 A review of appropriate market signals is therefore required to establish the relative housing demand in particular areas. The PPG goes on to state that where relative demand is high, Local Planning Authorities (LPAs) should apply:

***“...an upward adjustment to planning housing numbers compared to ones based solely on household projections.”*** (emphasis added)<sup>37</sup>

### Scope of Assessment

- 5.81 To establish the relative demand within Medway this report will compare the market signals for this area to trends:
- Within other LPAs with which the Medway has a functional relationship, including Gravesham, Dartford, Maidstone, Swale, Tonbridge and Malling, Canterbury and Sevenoaks, referred to hereafter as the ‘sub-region’. It is acknowledged that this sub-region extends beyond the HMA however, this was considered necessary to pick up wider influences and relationships;
  - Across the South East region; and
  - Across England.

### Market Signals and Data Sources

- 5.82 The PPG suggests a range of potential market signals for assessment, the table below identifies the market signals which have been considered by this assessment and the key data sources used.

<sup>36</sup> PPG ID ref: 2a-019-20140306

<sup>37</sup> PPG ID ref: 2a-020-20140306

**Table 50 - Data collected for the market signals analysis**

Market Signal	Data Source
House Prices	Median annual house prices based on Land Registry data (CLG Statistics, Table 586) Land Registry Price Paid Index
Rents	Private rental market statistics (Valuation Office Agency)
Affordability	Ratio of prices to earnings: median and lower quartiles (CLG statistics, Table 576)
Housing Market Activity	Annual property sales based on Land registry data (CLG statistics, table 588) as a percentage of dwelling stock (Census 2011)
Vacancy Rate	Vacant Dwellings data (CLG Statistics, table 615)
Overcrowding	Occupancy rating data (Census 2001 and 2011) Shelter Data Bank
Rate of Housing Delivery	Dwelling Stock Data (Census 2001 and 2011) LPA Annual Monitoring Reports

- 5.83 The PPG specifically states that relevant signals may include the following; land prices; house prices; rents; affordability; rates of development and overcrowding. This assessment therefore focuses on these signals. However, GVA has assessed these market signals and others where it is considered they represent an indicator of demand. The PPG also advocates land prices as an appropriate market signal for consideration. However, there is no appropriate up to date source which provides comparable data for specific LPAs regarding residential land valuation. It is therefore not included in this assessment.

### Market Signals Data

- 5.84 The remainder of this section discusses this data insofar as it is relevant to the conclusion regarding the scale of demand relative to supply in Medway.

### House Prices

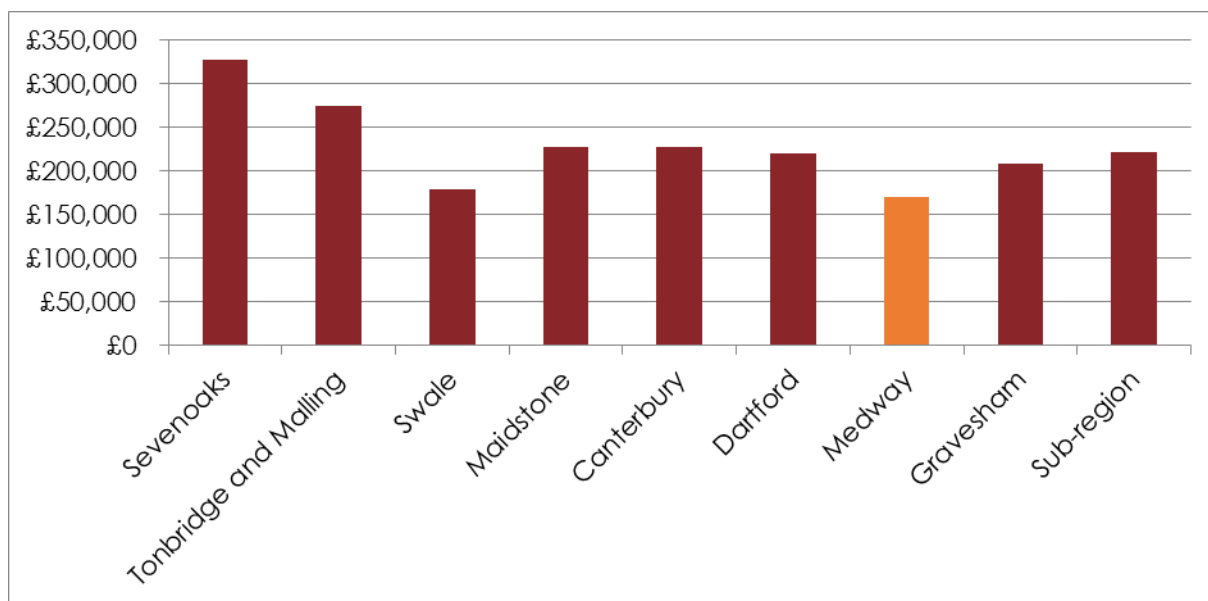
- 5.85 House prices and long-term trends in house prices can indicate an imbalance between the demand for and the supply of housing. Figure 33 details the most recent median price paid data available.
- 5.86 In 2014 the median house price across the sub-region was £221,417<sup>38</sup>, with prices across the individual comparator authorities ranging from £170,000 in Medway to £375,500 in Sevenoaks. This indicates that there is considerable disparity in the scale of housing demand across the sub-region.

<sup>38</sup> Weighted average



- 5.87 In 2014 the median house price in Medway was the lowest of all comparator areas and 23% lower than the sub-regional median. This does not indicate market pressures in the authority

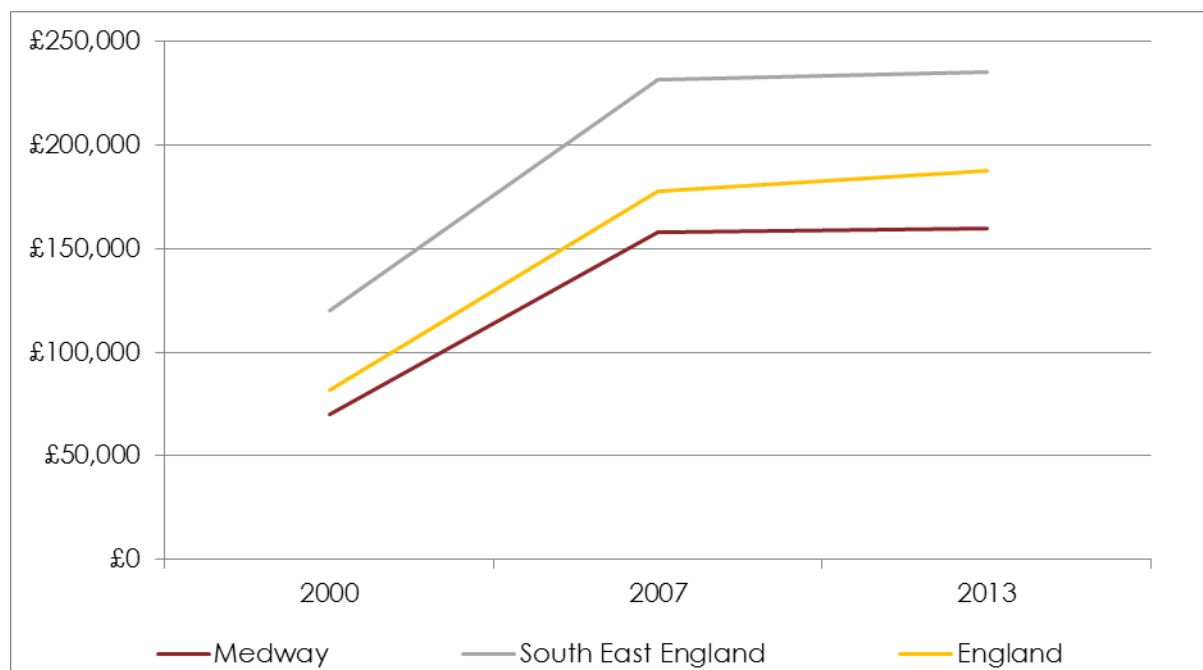
**Figure 33 - Median House Prices, 2014**



Source: CLG, median house prices based on Land Registry data, by district

- 5.88 Figure 34 profiles median house prices for Medway, the South East region and England from 2000 to 2013<sup>39</sup> (i.e. covering pre and post-recession periods).

**Figure 34 - Median House Price Change, 2000 to 2013**

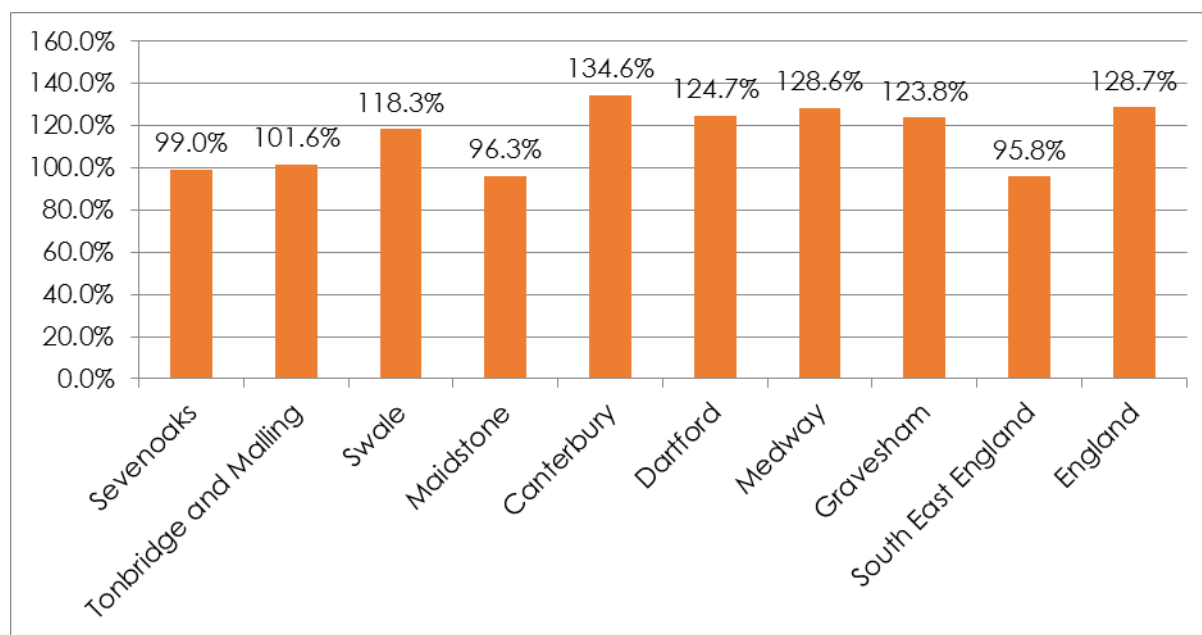


Source: CLG, Median house prices based on Land Registry data, by district

<sup>39</sup> 2013 is used as there is no median house price paid data available at the national or regional level for 2014

- 5.89 House prices in Medway increased significantly between 2000 and 2013 and broadly mirrored the national trend of significant price rises in the early 2000s, stagnation in the late-2000s; and with median house prices now recovering to pre-recession levels.
- 5.90 Values in Medway between 2000 and 2013 increased by 128.6% exceeding inflation in the region (96%) but in alignment with the national rate (128.7%).
- 5.91 Between 2000 and 2013 house prices in Medway increased at a faster rate than all but one of the sub-regional authorities (Canterbury) (see Figure 5.9).

**Figure 35 Median House Price Change, 2000 to 2013**



Source: CLG, Median house prices based on Land Registry data, by district

- 5.92 Overall, house price evidence indicates that whilst absolute median house prices in Medway are the lowest of the comparator areas, prices have experienced significant inflation when compared to neighbouring authorities (sub-region) and the South East region as a whole, albeit largely reflecting national trends.

### Rents

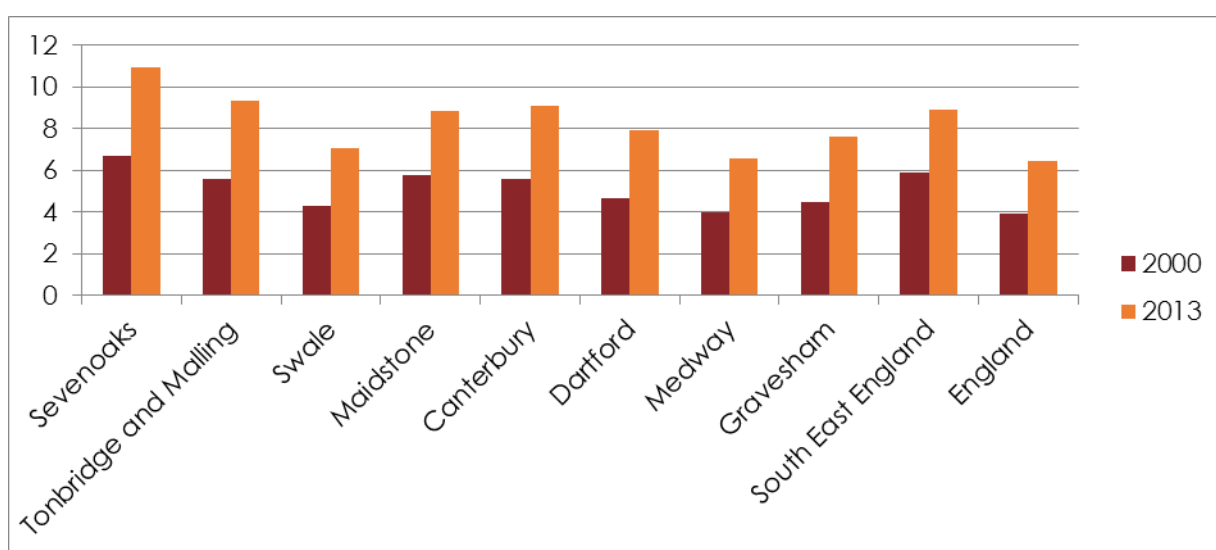
- 5.93 The cost of renting is also an indicator of demand for housing in an area. Medway saw median rents increase by 8.3% between 2010 and 2014. This is compared to 13.3% in Tonbridge and Malling and 3.85% in Gravesham, with a weighted average of 8.2% in the sub-region. Notwithstanding, median rents in Medway have increased by a greater amount than regional and national rents (3.45% and 3.48% respectively). In absolute terms, rents in Medway remain the lowest at £650 per month; £110 per month less than the sub-regional average.

- 5.94 Lower quartile rental prices provide an indication of affordability and demand at the lower end of the market. Between 2010 and 2014, lower quartile rents in Medway increased by 10% which is the second highest increase amongst the sub-region authorities; exceeding the sub-region (7.0%<sup>40</sup>), region (4.3%) and England (3.3%). In absolute terms, at £550 per month, lower quartile rents in Medway are the lowest of the sub-region.
- 5.95 The median rental data does not provide a strong indication of demand when compared to neighbouring authorities; whilst rents have risen they have generally done so at a lower rate to that experienced across the sub-region and in absolute terms rents (median and lower quartile) are considerably lower than surrounding areas. However, notwithstanding the above it would appear that lower quartile rents are experiencing high demand and rents are generally increasing faster than regional and national rents.

### Affordability

- 5.96 Affordability ratios provide an indication of the relative financial accessibility of an area's housing market to local workers. The affordability ratio for each comparator area is illustrated in Figure 36 which compares lower quartile house prices to lower quartile earnings and Figure 37 which compares median earnings to median house prices between 2000 and 2013.
- 5.97 Over the 13 year period the affordability of housing across all areas significantly worsened. In 2000 the lower quartile affordability ratio of Medway was 3.9; by 2013 this had increased by 65% to 6.5. This is a faster rate of change than experienced across the region (51%) but broadly in line with national increases (65%).

**Figure 36 - Lower Quartile Affordability Ratios, 2000 and 2013**

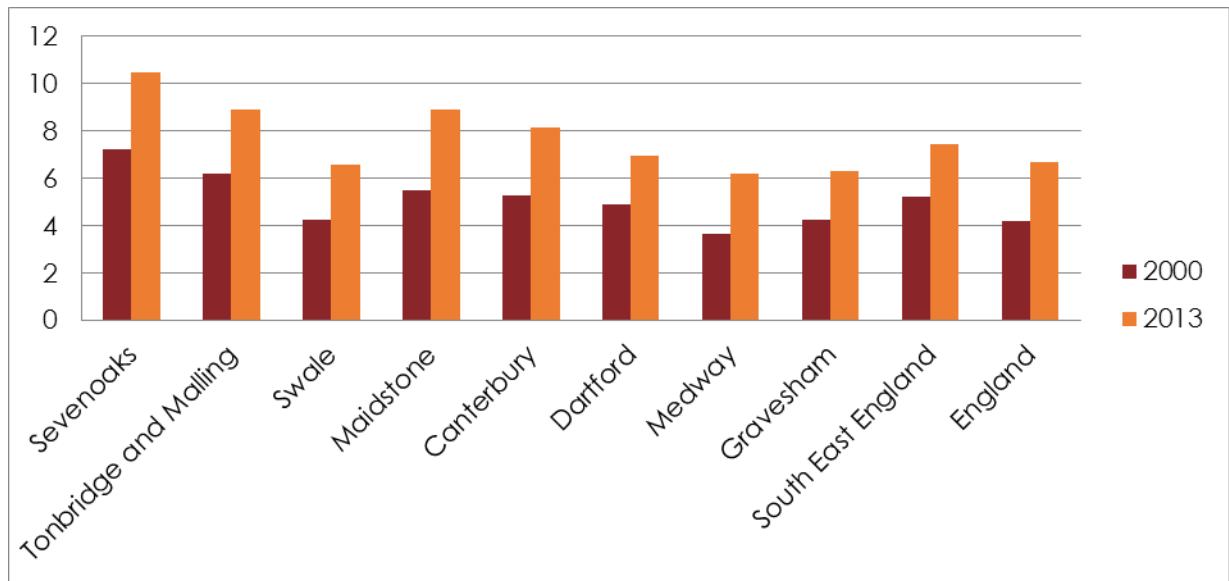


Source: CLG

<sup>40</sup> Weighted average

- 5.98 Across this period the affordability ratios for median earnings to median house prices also significantly worsened. From 2000 to 2013, Medway experienced the greatest rate of increase of the sub-region (70%) to an affordability ratio of 6.22. This is compared to 42% in the region, 60% in England and 61% in Maidstone (the nearest sub-regional authority). However, notwithstanding this Medway remains the most financially accessible district with affordability ratios well below the sub-region (7.82), region (7.45) and England (6.72).

**Figure 37 - Median Affordability Ratios, 2000 and 2013**



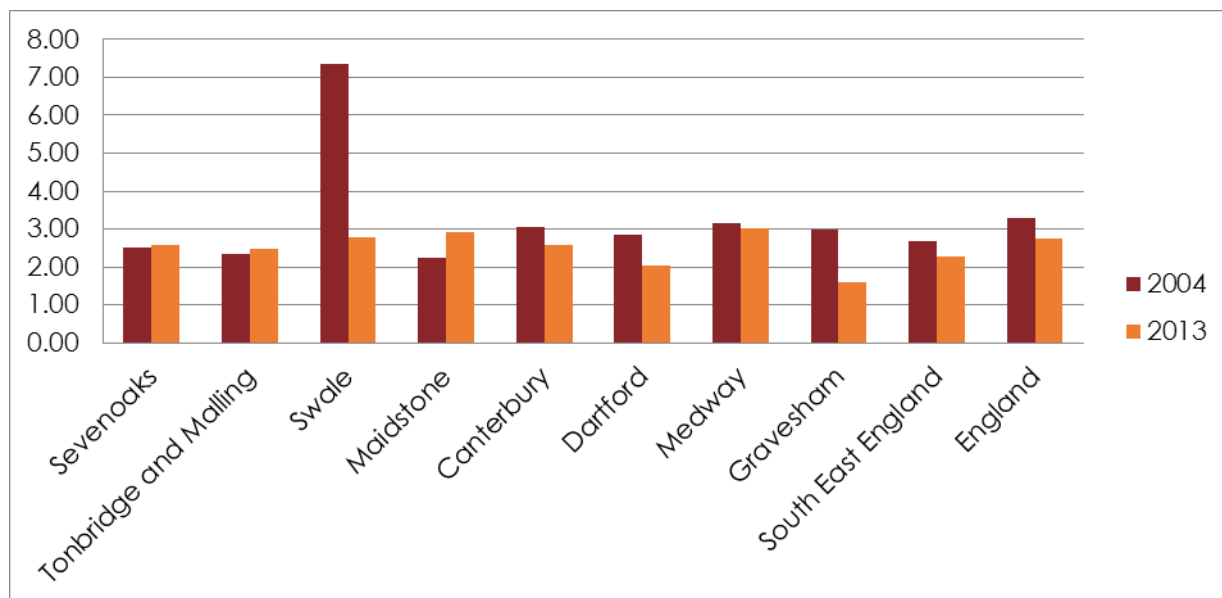
Source: CLG

### Vacancy Rate

- 5.99 Vacancy rates of an area can indicate a mismatch between supply and demand because they can identify a surplus or shortage of available stock to meet needs. A certain level of vacancy (typically 3%) is required to ensure adequate 'churn' of housing.
- 5.100 Figure 38 shows the percentage change in the number of vacant properties between 2004 and 2013. It shows that there has been some variation across the sub-region with some LPAs experiencing increasing vacancy rates (by up to 31% in Maidstone), whilst the majority have experienced a decrease.
- 5.101 Across the sub-region as a whole the vacancy rate changed from 3.33% in 2004 to 2.60% in 2013, equating to a decrease of 22%. Across the same period, vacancy rates in Medway also decreased, by 4% to 3.03%; the highest absolute vacancy rate of all comparator areas, although not that dissimilar to the national average (2.73%). With regard to vacancy rates, there are other issues potentially at play including incentives to bring empty homes back into use (through the new homes bonus) and Council Tax arrangements for empty properties,

which penalises vacancies. Therefore, vacancy rate alone should not be used an indicator of housing market pressure in isolation.

**Figure 38 - Vacancy Rates, 2004 and 2013**



Source: CLG

### Concealed Households

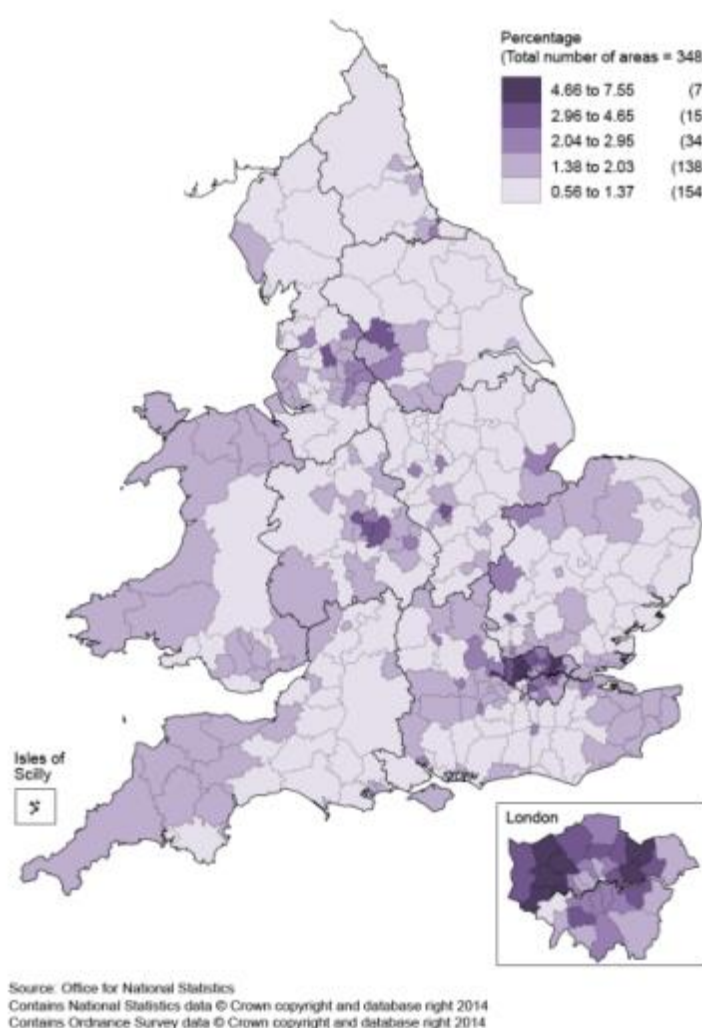
- 5.102 Concealed households are family units or single adults living within other households, who may be regarded as potential separate households which may wish to form given appropriate opportunity. The 2011 Census defined a concealed family as a couple or single parent family, living in a multifamily household, where the Family Reference Person (FRP)<sup>41</sup> is not the Household Reference Person (HRP)<sup>42</sup>. Each family living in a household includes a FRP identified on the basis of economic activity and age characteristics.
- 5.103 Indicators, including overcrowding, sharing households, homelessness and households in temporary accommodation, can demonstrate unmet need in an area. The PPG suggests that long term increases in such households can signal the requirement for increased planned housing numbers in an area.
- 5.104 However, a degree of caution should be exercised when analysing such data as some people may choose to live in such arrangements or in more overcrowded accommodation due to cultural practices (i.e. living in extended families) or accepting of such conditions due to location or other factors.

<sup>41</sup> The FRP is the 'head' of the family, which is usually the oldest full time employed person in the family.

<sup>42</sup> The HRP is the 'head' of the households, which is usually the oldest full time employed person in the household.

- 5.105 The proportion of concealed families in an area may relate to cultural differences in familial ties between ethnic groups. Within England and Wales, such households are more than twice as likely to have a HRP of non-white or mixed ethnic group (24 per cent) compared with all households (11 per cent).
- 5.106 The twenty local authorities with the highest proportions of concealed families<sup>43</sup> also have high proportions of the population identifying with a non-white ethnic group including Indian, Pakistani or Bangladeshi. The high proportions of concealed families in these areas may be a result of closer familial ties in Asian cultures.

**Figure 39 – Percentage of families that were concealed families in 2011 by local authority in England and Wales**



Source: ONS February 2014

- 5.107 Table 51 sets out data on concealed families for Medway, the sub-region, region and England and how numbers have changed over time. It is clear that concealed households have

<sup>43</sup> See Table 2 of ONS paper 'What does the 2011 Census tell us about concealed families living in multi-family households in England and Wales'

increased significantly between 2001 and 2011 across all areas. In Medway the total change was 68%, with 13% of families under 25 year old<sup>44</sup> concealed. When compared with increases in the sub-region (77%), regionally and nationally (71%) concealment is not deemed to be worsening at a significant rate.

**Table 51 - Concealed Families in 2001 and 2011 and by age**

	Concealed FRP All (2001)	Concealed FRP All (2011)	Increase %	Concealed FRP Under 25 (2011)	Concealed FRP 25 to 34 (2011)
Canterbury	351	583	66.10%	12.17%	3.51%
Dartford	211	503	138.39%	12.45%	3.27%
Gravesham	426	767	80.05%	14.63%	6.23%
Maidstone	347	666	91.93%	11.07%	3.43%
<b>Medway</b>	<b>782</b>	<b>1,312</b>	<b>67.77%</b>	<b>13.03%</b>	<b>3.48%</b>
Sevenoaks	270	420	55.56%	14.10%	3.41%
Swale	342	652	90.64%	12.88%	3.69%
Tonbridge and Malling	279	430	54.12%	13.39%	2.89%
<b>Sub-region</b>	<b>3,008</b>	<b>5,333</b>	<b>77.29%</b>	<b>12.84%</b>	<b>3.68%</b>
<b>South East</b>	<b>23,063</b>	<b>39,465</b>	<b>71.11%</b>	<b>13.96%</b>	<b>3.75%</b>
<b>England</b>	<b>161,254</b>	<b>275,954</b>	<b>71.12%</b>	<b>12.76%</b>	<b>4.01%</b>

5.108 Overall, the market signals information in respect of concealed families does not provide strong evidence of supply led pressures in Medway.

### Overcrowding

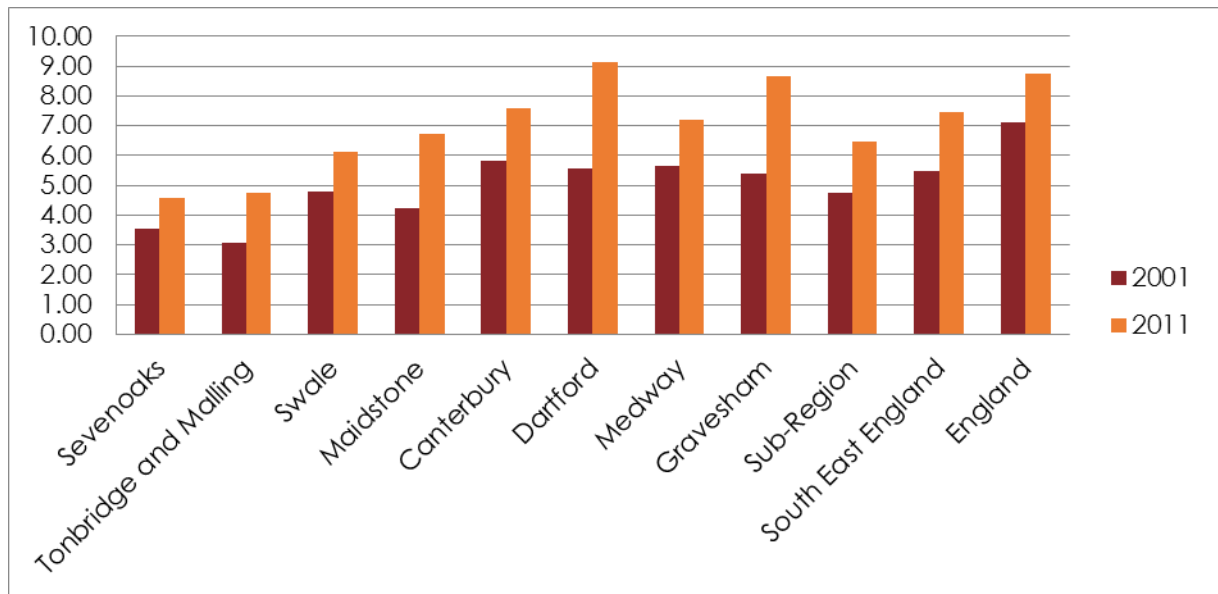
5.109 Overcrowding levels can be examined using Census data concerning the number of households with an occupancy rating of -1 or -2, i.e. households living in accommodation with one or two (or more) fewer bedrooms than required.

5.110 Current overcrowding levels in the sub-region vary significantly across the sub-region, ranging from 4.59% in Sevenoaks to 9.14% in Dartford. Between 2001 and 2011 all LPAs experienced an increase in the percentage of households living in overcrowded conditions although the rate of change was slight, ranging from 1.04% to 3.56% increase. The level of overcrowding in

<sup>44</sup> Measured by the 'head' of the family, which is usually the oldest male in the family.

Medway rose at a slower rate (1.55%) than that experienced at the sub-region (1.97%), region (1.99%) and nationally (1.61%).

**Figure 40 - Rates (%) of Overcrowding, 2001 and 2011**

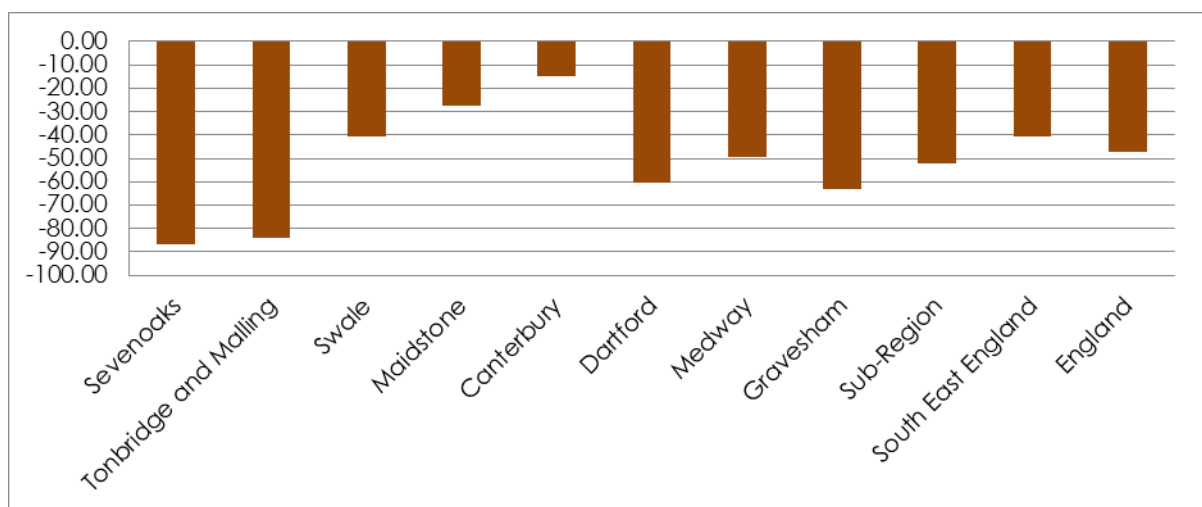


Source: Census /CLG

### Homeless Households

5.111 Figure 41 illustrates the percentage change in the number of homeless households between 2005 and 2013. Across all spatial levels there has been a decline in the number of homeless households. In Medway the number of homeless households declined by 49%, a faster rate of decline than for the region and for England, although marginally slower than the sub-region average.

**Figure 41 - Percentage Change in Homeless Households, 2005 to 2013**



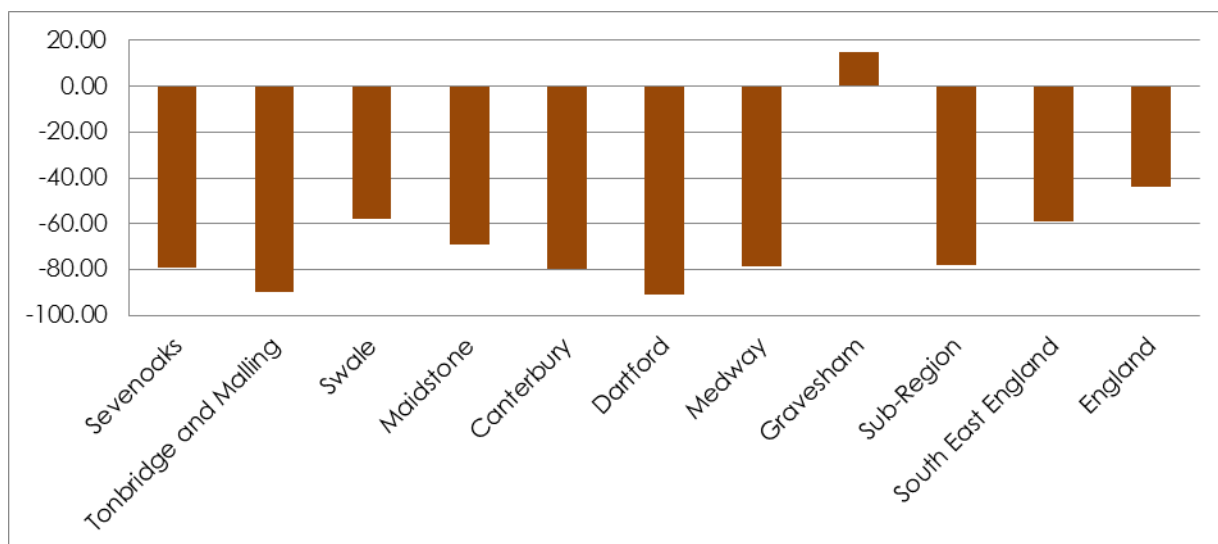
Source: Shelter/CLG



### Temporary Accommodation

5.112 Figure 42 illustrates the percentage change in the number of households housed in temporary accommodation over the period 2005 to 2013.

**Figure 42 - Percentage Change in Temporary Households, 2005 to 2013**

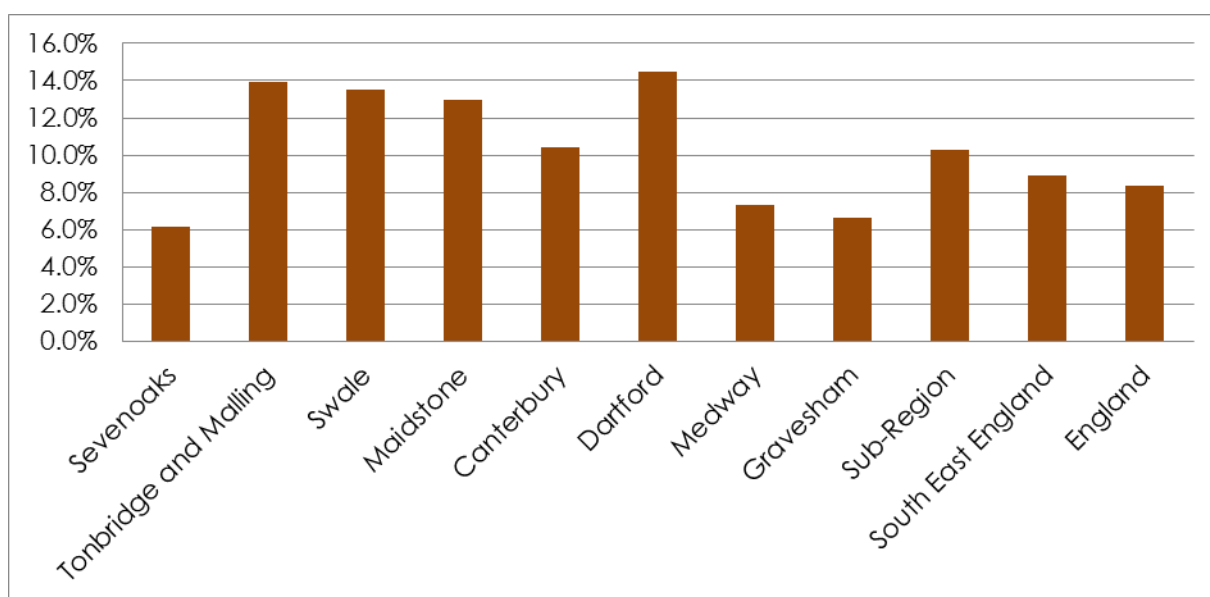


Source: CLG

5.113 Medway saw numbers of households sheltered in temporary accommodation fall by 79%. This is a faster rate of decrease than the sub-region average (-78%), South East region (-41%) and England (-44%).

### Rate of Development

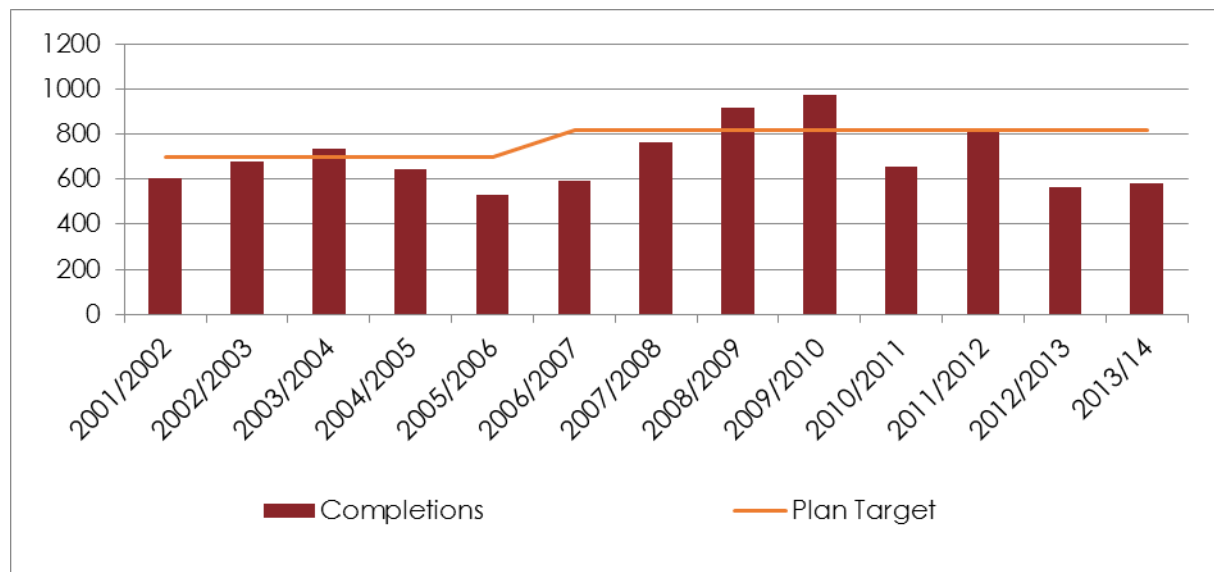
5.114 The rate of development is a market signal related to past housing supply. Figure 43 shows the percentage growth in total dwelling stock between 2001 and 2011.

**Figure 43 - Percentage Change in Total Dwelling Stock, 2001 to 2011**

Source: Census 2001 and 2011

- 5.115 Between 2001 and 2011 all LPAs experienced growth in total housing stock, with an average sub-regional growth of 10.3%. The rate of growth in Medway was considerably lower at 7.3%; lower also than regional and national dwelling stock rates (8.9% and 8.3% respectively).
- 5.116 Figure 44 illustrates the number of housing completions (net) in Medway against the plan target in force at the time, taken from the Council's Annual Monitoring Reports. It is important to note that policy requirements do not necessarily reflect 'need'. To understand what demographic projections were at the time the South East Plan, reference can be had to Kent County Council's Demographic Forecasts which are set out in Gravesham's 2012 Strategic Housing Market Assessment (Interim Update).<sup>45</sup> These forecasts show that between 2006 and 2026, trend based projections indicated growth of between 1,020 and 1,095 dpa. Notwithstanding this, Medway was allocated a requirement for 815 dpa over the same period in the South East Plan (Policy H1) – i.e. a requirement that was beneath demographic needs at the time.

<sup>45</sup> Annex 7

**Figure 44 - Completion rates for Medway, 2001 to 2014**

Source: Medway Council Annual Monitoring Reports

- 5.117 The PPG instructs that plan makers should assess housing delivery against planned levels of housing. *"If the historic rate of development shows that actual supply falls below planned supply, future supply should be increased to reflect the likely of under delivery."*<sup>46</sup>
- 5.118 Over the period 2001 to 2014, a total of 9,038 dwellings were constructed in Medway. This equates to an average of 695 dwellings per annum and results in an overall shortfall of 982 homes against Local Plan targets extant at the time. Figure 5.12 also shows year on year fluctuation with a peak of 972 dwellings built in 2009/2010 and a low of 530 dwellings completed in 2005/2006. Interestingly, completion rates have increased post-2007 with an annual average of 751 dwellings per annum built between 2007 and 2014 compared with 630 dwellings 2001-2006. Across the 12 year period, the number of completions has exceeded housing requirements only three times.
- 5.119 Rates of development can be a sign of demand in an unconstrained housing market; however, developments are also closely linked to the planning system and, in particular, planning policy and decisions. The housing completions data should therefore be used with an element of caution rather than a clear indicator or demand, or in the case of Medway potential lack thereof. Housing completions have repeatedly failed to meet the required rates of delivery, which may in turn have exacerbated some indicators of demand such as house price increases.

<sup>46</sup> PPG Ref ID: 2a-019-20140306

## Summary

5.120 The PPG states that "Appropriate comparisons of indicators should be made. This includes comparison with longer-term trends (both in absolute levels and rates of change) in the: housing market area; similar demographic and economic areas; and nationally. A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections."<sup>47</sup> It is important to note that the PPG states upward adjustments should be made to planned numbers based solely on household projections (i.e. demographic indicators of housing need not economic indicators). Furthermore, the PPG is clear that any indicator can justify an increase in planned housing numbers. This report has therefore identified;

- Median house prices in Medway remain the lowest in the sub-region however they have experienced significant levels of inflation, above sub-region and regional levels;
- Whilst rents (median and lower quartile) are the lowest in the sub-region they have increased at a faster pace than experienced regionally and nationally (and in the case of lower quartile rents, faster than the sub-region);
- Housing delivery has been beneath planned levels 11 times out of 14 years leading to a cumulative undersupply of almost 1,000 dwellings over this time. Delivery between 2001 and 2011 lagged behind sub-regional, regional and national rates of housing development;
- Vacancy rates do not indicate market pressure and whilst overcrowding has increased, it has done so at a lesser rate than experienced at the sub-regional, regional and national level;
- Whilst Medway remains relatively more financially accessible when compared to neighbouring authorities, affordability has significantly worsened and at a faster rate than observed for the South East and England.

## OAN Conclusions

5.121 This section of the report has explored the process laid out by the PPG with regard to OAN in Medway. It has:

- Assessed household projections, the "starting point", and looked at locally specific issues such as long term migration trends and UPC.
- It has reviewed future employment growth and assessed the extent to which demographic trends can meet anticipated job growth.

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<sup>47</sup> PPG Ref ID: 2a-020-20140306

- And finally it has reviewed housing market signals to understand if market pressures in Medway indicate that delivery should be increased to meet demand.

- 5.122 Overall, the demographic scenarios explored in this report point to a need for between 1,167 and 1,317 dpa. It is concluded that longer-term migration trends should be considered and a partial (but not full) adjustment should be made to take account of UPC. This results in an average long term migration scenarios of 1,179 dpa.
- 5.123 This section of the report has explored a number of economic scenarios. Sector Growth sets out the growth associated with baseline economic trends and capacity in Medway. Sectors & London Paramount explores the additional effect of indirect employment in Medway associated with London Paramount. Sectors & London Paramount Total explores the additional effect that London Paramount might have in terms of drawing the economically active population of Medway to the direct employment in Dartford (where London Paramount is located). Given the uncertainties associated with London Paramount (it has yet to be given consent despite a planning application being submitted) this report will discuss a range of results.
- 5.124 The Sector Growth scenario indicates a need for between 1,020 and 1,197 dpa reflecting the two economic activity scenarios (Sensitivity 2 and 1 respectively). With modest increases in economic activity (Sensitivity 1) there would be a need for a modest increase in annual housing delivery (above the average long term migration scenario of 20 dwellings per annum or 1.7%). With larger increases in economic activity, reflective of past trends and the likely effect of pension reform, the average long term migration scenario would be sufficient to meet Sector Growth – i.e. there would be no justification for an increase to demographic needs to meet this economic scenario.
- 5.125 If London Paramount were to be delivered it would have an impact both in terms of employment levels in Medway and commuting. With regard to the former (Sectors & London Paramount Indirect), the additional growth in indirect London Paramount employment in Medway would require additional labour force, population growth and therefore household growth in the authority. This results in dwelling need for between 1,036 and 1,213 dpa depending on the economic activity sensitivity used (Sensitivity 2 and 1 respectively). As per the Sector Growth scenario, with modest increases in economic activity (Sensitivity 1) there would be a need for a modest increase in annual housing delivery to achieve the Sectors & London Paramount Indirect Scenario (above the average long term migration scenario of 34 dwellings per annum or 2.9%). With larger increases in economic activity, reflective of past trends and the likely effect of pension reform, the average long term migration scenario would be sufficient to meet Sectors & London Paramount Indirect – i.e. there would be no justification for an increase to demographic needs to meet this economic scenario.

- 5.126 In terms of the Sectors & London Paramount Total scenario, this assumes the same level of indigenous employment growth as the Sector Growth & London Paramount Indirect Scenario but provides an additional consideration – it calculates roughly<sup>48</sup> the level of workers that one might expect commuting from Medway to Dartford to work in the London Paramount resort. Sectors & London Paramount total scenario calculates that around 1,579 workers from Medway would be required. Taking both of the Sectors & London Paramount Indirect sensitivities (1,036 and 1,213 dpa) both would deliver sufficient economically active persons to meet this additional requirement for workers beyond the boundary of Medway. Notwithstanding this, there is inherent and significant uncertainty with this analysis given it is based on very specific assumptions about the historic commuting relationships in the sub-region and how these might change in response to a new regional employer. It does, however, provide a useful measure of the likely level of out-commuting generated by Medway and how this interacts with employment in the surrounding areas.
- 5.127 It is the conclusion of this report, that if the London Paramount resort is not delivered there would be a maximum need for 1,197 dpa. If London Paramount does come forward, it will require a maximum increase in housing of 1,213 dpa. In terms of the employment generated in Dartford at the London Paramount resort, there would be sufficient out-commuting to support Medway's possible contribution. It is, however, for Dartford (the host local authority for the London Paramount resort) to agree through the Duty to Cooperate the additional labour force which may be required from the surrounding authorities and therefore it lies beyond the direct scope of the OAN.
- 5.128 Given the market signals evidence, there is evidence of supply and demand imbalances that would justify an increase in housing supply above the demographic projection (average long term migration scenario 1,179 dpa). This is driven by the consideration of the following market signals factors (which were detailed earlier in this Section); house prices, rents, affordability and historic undersupply.
- 5.129 The PPG sets out no mechanism for adjusting OAN for market signals, but it does say that the increase should be appropriate for the scale of demand and the local context. The Sector Growth and Sectors & London Paramount Indirect scenarios (Sensitivity 1) provide modest increases above the average long-term migration scenario of 1.5% and 2.9% respectively. When compared to historic completions which averaged 695 dpa between 2001 and 2014, these scenarios are a significant increase, of 72% and 75% respectively however, when compared to the average long term migration scenario the range of increases are not considered sufficient to respond to the local market signals.

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<sup>48</sup> A full description of the approach to this estimate can be found within Section 4 of the companion Medway Employment Land Needs Assessment (Pg 24-26)

- 5.130 The upper of the economic scenarios - Sectors & London Paramount Indirect (1,213 dpa) meets the requirement of the PPG in respect of demographic trends and economic growth. It would however require an increase of less than 3% above demographic trends which, given the market signals data, would seem modest. Notwithstanding, if household growth above that which can be sustained through increases in employment is planned for, it could risk further increases in out-commuting or increases in unemployment, neither of which are desirable outcomes. However, more recent demographic trends – which project short-term growth – do identify a need for around 1,280 dwellings per annum (2012 Household Projection scenario updated to reflect 2014 MYE). This scenario would lead to an increase of 8.6% above the average long-term migration scenario of 1,179 dpa) which would provide a more significant uplift.
- 5.131 The PAS OAN and Housing Targets Technical Advice Note (July 2015) states that where evidence suggests 'modest under-provision' or the 'signals are mixed' the projected housing need might be increased by 10%.<sup>49</sup> Overall the increase of 8.6% would seem appropriate in light of the mixed signals, economic and demographic data and under-provision in the authority of around 9.8%.
- 5.132 **An OAN of 1,281 dwellings per annum (over the 25 year projection period from 2012 – 2037) would therefore seem an appropriate balance given the evidence.**

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<sup>49</sup> Paragraph 7.19 of this report

## 6. Meeting the Affordable Need of Households

- 6.1 The preceding Housing Trends and Objectively Assessed Housing Needs sections have considered the operation of the housing market and the housing requirement overall. This section examines the specific need for affordable housing; that is housing provided for people who are unable to access suitable homes in the open market. This includes consideration of the overall need for affordable housing and specific types of tenure.

### Defining Affordable Housing Needs

- 6.2 'Housing need' refers to households lacking their own housing or living in unsuitable housing and who cannot afford to meet their needs in the market. It is for those in housing need (i.e. those who cannot meet their housing requirements in the private sector) that the state needs to intervene in the market to ensure all households have access to suitable housing.
- 6.3 Establishing an estimation of the level of current and future housing need ensures that policy aimed at providing new affordable housing is responsive to the needs of households within the authority.
- 6.4 Affordable housing is housing provided to eligible households who are in housing need. The National Planning Policy Framework defined affordable housing as follows:

*"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 purposes." (NPPF, Annex 2: Glossary)*

## Ascertaining Affordable Housing Need Utilising Secondary Data

- 6.5 The former CLG SHMA: Practice Guidance advocates an approach to calculating housing needs which moves away from a purely primary survey based approach to one which is based on secondary data sources. This is supported by the focus on using suggested secondary data sources within the Planning Practice Guidance (NPPG).
- 6.6 The approach taken in this report satisfies the requirements of SHMA Guidance in the NPPG (and from Practice Guidance) through collation and 'cleansing' of secondary data sources, including waiting list data and planned stock intervention, to produce a housing needs assessment.

## Calculating Affordable Housing Need

- 6.7 The calculation of affordable housing need is intended to provide an estimate of the number of households and projected households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market (NPPG Paragraph: 023 Reference ID: 2a-023-20140306).
- 6.8 This need is considered on an annual basis, and to meet the need over a potential 18 year plan period for the emerging Core Strategy when adopted (2017 – 2035) and the projection period (from 2012 to 2037).
- 6.9 The calculation involves adding together the current unmet housing need and the projected future housing need and then subtracting this from the current supply of affordable housing stock (NPPG Paragraph: 023 Reference ID: 2a-022-20140306).
- 6.10 There are three core considerations for understanding affordable housing need:
- **Current Housing Need (Gross Backlog):** There is a range or spectrum of 'need', from those in urgent need of housing (the priority list), to those who are living in overcrowded or substandard homes, and those who would like affordable housing but are not in urgent need of re-housing (the standard waiting list).
  - **Future Housing Need (Short and Long-term need):** In the long-term, demographics, housing market trends and employment forecasts examined in the preceding section suggest that the overall demand for housing in Medway will continue to be very strong. Based on cost and income characteristics, the share of requirement for affordable housing will be significant.

- **Future Affordable Housing Supply:** There is a level of total new affordable housing stock that will become available, consisting of a combination of opportunities within the existing stock and the committed supply of new affordable housing that will be provided. There is stock which will constitute future affordable supply based on transfers and turnover of social and intermediate affordable housing. However, this must also account for the proportion of units which may be lost from the affordable supply stock.

### Key Method and Datasets for the Affordable Housing Needs Calculation

6.11 The model used in the calculation of total and net affordable housing need involves four key steps:

- **Step 1: Current Affordable Housing Need;**
- **Step 2: Future Affordable Housing Need;**
- **Step 3: Future Affordable Housing Supply; and**
- **Step 4: Total and Net Affordable Housing Need**

6.12 A number of assumptions have been made to inform these steps. Although liable to change during the model period, some variables have been kept constant due to difficulty projecting change. These include:

- A continuation of existing households falling into need;
- A continuation of the annual supply of social re-lets; and
- A continuation of the annual supply of intermediate affordable housing for re-let or resale at sub-market level.

6.13 In each step, transfers are excluded from data (as they have a nil net effect), and trends over the last three years have been used. This represents a credible and robust timeframe from which to assume continuing trends, without specifically representing boom and bust years in the housing market.

6.14 Finally, it is also assumed that there will be no local or national policy impact over the projection period that would change wage levels, employment or delivery of affordable housing, and in turn local affordability patterns.

6.15 The following sub-sections address each of these steps in further detail, identifying the sources of data and assumptions which inform the calculation steps. Following this Table 60 brings together the steps and their data inputs to calculate total affordable need over the projection period (to 2037), the plan period (to 2035) and as annualised figure over this period.

## Current Affordable Housing Need (Gross Backlog)

- 6.16 Table 52 sets out the detail of Step 1 of the affordable housing requirements calculation, the calculation of current affordable housing need, indicating the specific data sources and assumptions for this step.

**Table 52 - Affordable Housing Requirement Calculation: Step 1**

<b>Step 1 – <u>Current</u> Affordable Housing Need</b>		
<b>Step</b>	<b>Calculation</b>	<b>Data Sources &amp; Assumption</b>
<b>1.1 Homeless households and those in temporary accommodation</b>		Identified from Medway Council (MC) housing register; households identified as being homeless and registered on the waiting list. This figure excludes transfer tenants.
<b>1.2 Overcrowded and concealed households</b>		Identified from Medway Council (MC) housing register; households identified as being statutory overcrowded and registered on the waiting list. This figure excludes transfer tenants.
<b>1.3 Other groups (other groups on the waiting list)</b>		Identified from Medway Council (MC) housing register; All households registered on the housing waiting list across all priority bands, excluding those identified specifically as homeless and overcrowded. This figure excludes transfer tenants.
<b>1.4 Total current housing need (gross backlog)</b>	<b>= 1.1 + 1.2 + 1.3</b>	<b>GVA calculated</b>

- 6.17 For Step 1.1 the number of homeless households is sourced from those on the Council's housing register who are identified as homeless households. As shown in Table 53, there are a total of 458 households in Medway identified as being homeless and included on the housing register. This figure does not include transfers. Whilst homeless households and those in temporary accommodation do not always join the housing register (immediately, if at all), this figure is the most robust and accurate source of Medway homeless households available for Step 1.1 of the calculation.

**Table 53 - Homeless Households on Housing Register (July 2015)**

	Band A	Band B	Band C	Band D	Totals
<b>Homeless: Full Duty</b>	0	9	0	0	9
<b>Homeless: Full Duty without a local priority</b>	0	0	150	0	150
<b>Homeless: Not Full Duty</b>	0	0	0	299	299
					<b>458</b>

Source: Medway Council, July 2015

- 6.18 For Step 1.2, overcrowded and concealed households, there is one household on the housing register identified as being in statutory overcrowding. Whilst this suggests that overcrowded and concealed households may not be fully captured on the register, it is the most robust data source for this household category available, so is used to inform Step 1.2 of the calculation.
- 6.19 Step 1.3 is referred to as Other groups and includes the households within all four priority bands of Medway's housing register, excluding those already included as homeless households and overcrowded households in Steps 1.1 and 1.2 respectively, and those which are existing tenant transfers. As shown in Table 54, there a total of 4,354 households on the register (excluding transfers). This is reduced to 3,895 households when subtracting the figures from Steps 1.1 (458 homeless households) and 1.2 (1 overcrowded household) to avoid double-counting. This figure of 3,895 is the input for Step 1.3.

**Table 54 - Housing Register (excluding transfers)**

	Band A	Band B	Band C	Band D	Totals
<b>1 bedroom</b>	232	27	3,088	206	<b>3,553</b>
<b>2 bedrooms</b>	72	20	291	106	<b>489</b>
<b>3 bedrooms</b>	20	5	140	45	<b>210</b>
<b>4 bedrooms</b>	3	3	28	10	<b>44</b>
<b>5 bedrooms</b>	3	1	31	5	<b>40</b>
<b>6 bedrooms</b>	1	3	13	1	<b>18</b>
<b>All</b>	<b>331</b>	<b>59</b>	<b>3,591</b>	<b>373</b>	<b>4,354</b>

Source: Medway Council, July 2015

- 6.20 This Step 1 analysis is hence based on current unique households on the Medway Council Housing Register. These are assumed to make up the backlog of current housing need and these figures are inputted directly into the column for the potential new plan period (15 years) under the assumption that full net housing backlog is addressed by the end of the plan period.

- 6.21 Although there can be fluctuation in this register, it provides a snapshot from July 2015 which is the most accurate reflection of current unmet need. This is caveated by the fact that housing register figures fluctuate over the course of a year, with new households joining the register and other households leaving it. However, it provides the most accurate and robust reflection of current unmet housing need available.
- 6.22 Transfers are excluded from the total figure because when they take place they occupy an affordable property but also release a property for another household to occupy. This results in a zero net effect on affordable housing need.

### Future Affordable Housing Need

- 6.23 Table 55 sets out the detail of Step 2 of the affordable housing requirements calculation, the calculation of future affordable housing need, indicating the specific data sources and assumptions for this step.

**Table 55 - Affordable Housing Requirement Calculation: Step 2**

Step 2 – <u>Future</u> Affordable Housing Need		
Step	Calculation	Data Sources & Assumption
<b>2.1 New Household formation (per annum)</b>		Additional new households formed over the projection period based on the OAN household growth figure of 1,235 households per annum (which equates to the 1,281 dwellings per annum figure). This is based on the 2012 household projections including 2013 and 2014 MYEs).
<b>2.2 Proportion of newly emerging households unable to buy or rent</b>	Expressed as % but figure also provided  Figure = % x 2.1	Comparison of housing costs for purchase (LQ house price with 90% LTV mortgage) and for LQ rent (2&3 bedrooms – market and affordable rent). GVA calculated from CACI Paycheck (Household Income), VOA (Private Rental Costs) and CLG (LQ House Prices).
<b>2.3 Existing households falling into need</b>		Existing households falling into need based on the CORE data 3 year average of total new general needs and supported housing lettings, excluding transfers (existing affordable housing tenants who are already in need).
<b>2.4 Total newly arising housing need</b>	<b>= (2.1 x 2.2) + 2.3</b>	<b>GVA calculated</b>

- 6.24 For Step 2.1 estimates of new household formation in Medway over the projection period, the potential new plan period and annually is based on the Objectively Assessed Need

calculation, providing the most up to date position. The OAN indicates a figure of 1,281 dwellings per annum, which equates to 1,235 households per annum (based on the 2012 based household projections including 2013 and 2014 MYEs). This 1,235 households per annum figure is used as the input for Step 2.1. This provides the most robust basis for the number of new households in the authority area.

- 6.25 In relation to Step 2.2, the proportion of these newly forming households who cannot afford to meet their needs in the market is established in the section relating to affordability which compares household income bandings (using CACI Paycheck data) with housing cost thresholds for home purchase (at lower quartile prices) and market and affordable rental costs (for 2&3 bedroom properties). The base analysis considers affordability to constitute not more than 30% of income being spent on housing.
- 6.26 For this sensitivity, if spending of up to 30% of household income on housing is considered affordable, it was calculated that 42% of households cannot afford the annual payment for house purchase with a 90% LTV mortgage, or 2 & 3 bedroom market and affordable rental costs (for 2&3 bedroom properties), and 34% of households cannot afford the annual payment for house purchase with a 75% LTV mortgage.
- 6.27 The Step 2.2 output is expressed as the 42% of households who cannot afford 90% LTV mortgage home purchase and market and affordable rent (with the number of households unable to afford this figure also calculated). The 42% unaffordability level is considered as the most relevant for inclusion in Step 2.2 of this assessment because it relates to both home purchase (with a 90% LTV mortgage level) and market rent (of 2&3 bedroom properties).<sup>50</sup>
- 6.28 The data for Step 2.3 to estimate existing households falling into need is taken from CORE lettings data<sup>51</sup> over the 3 year period from 2011-12 to 2013-14. As shown below in Table 56, by using the data on previous accommodation type for all re-lets and new lets, this allows an estimation of the existing households falling into need, excluding those who are already in need (in the form of transfers who were previously general needs and supported housing tenants). The 3 year average of 913 households, is used as the annual figure, which is then scaled up to reach the figure over the potential future plan period (16,434 households) and over the projection period (22,825 households).

<sup>50</sup> The affordable housing requirements calculation table is also produced using the Step 2.2 affordability proportion of 34% who cannot afford to buy (which applies to 75% LTV mortgage home purchase, as shown in **Appendix 1**). However, this is not considered as suitable a representation of affordability in Medway considering that it does not represent the affordability for any of the rental properties. It would also require a considerable deposit, which would further reduce affordability in reality, particularly for first-time buyers.

<sup>51</sup> The Continuous Online Recording System (CORE) is a national information source funded jointly by the Housing Corporation and the CLG that record information on the characteristics of registered providers new social housing tenants and homes they rent and buy.

**Table 56: Previous Accommodation Type of Social Re-lets and New Lets**

	Previous accommodation							
	General Needs LA tenant	General Needs HA tenant	Supported housing (various)	Private sector tenancy	Owner occupied (private and low cost ownership)	Living with family or friends	Other	Total: excluding transfers
<b>2011-12</b>	203	303	99	221	63	0	550	<b>834</b>
<b>2012-13</b>	197	357	136	224	100	0	737	<b>1061</b>
<b>2013-14</b>	273	396	106	208	76	249	312	<b>845</b>
<b>Average</b>	<b>224</b>	<b>352</b>	<b>114</b>	<b>218</b>	<b>80</b>	<b>83</b>	<b>533</b>	<b>913</b>

Source: CORE, 2015 (provided by Gravesham Council)

- 6.29 The proportion of newly emerging households unable to buy or rent is applied to the level of new household formation (Step 2.1 x Step 2.2). This is then added to the number of existing households falling into need (Step 2.3), in order to reach the total newly arising need which constitutes Step 2.4.

### Future Affordable Housing Supply

- 6.30 Table 57 sets out the detail of Step 3 of the affordable housing requirements calculation, the calculation of future affordable housing supply, indicating the specific data sources and assumptions for this step.
- 6.31 This step identifies the current stock that can be used to accommodate households in future affordable need as well as the future pipeline supply of affordable housing.
- 6.32 Steps 3.1 – 3.5 are used to calculate total new affordable housing stock available. Transfer applications are discounted from Steps 3.1, 3.2, 3.3 and 3.6. On this basis, for Step 3.1 the level of affordable dwellings occupied by households in need is set at zero.
- 6.33 Figures for surplus stock, Step 3.2, committed supply of new affordable housing, Step 3.3, and units to be taken out of management, Step 3.4, have been provided by Medway Council.

Table 57 - Affordable Housing Requirement Calculation: Step 3

Step 3 – <u>Future</u> Affordable Housing Supply		
Step	Calculation	Data Sources & Assumption
3.1 Affordable dwellings occupied by households in need		Existing tenant transfers are excluded from Steps 1, 2 and 3 as they release supply of housing, having a nil net effect.
3.2 Surplus stock		Provided by Medway Council: surplus stock figures based on empty and void properties (for 6+ months) which are likely to be brought back into use.
3.3 Committed supply of new affordable housing		Informed by Medway Council data – Committed new affordable housing for 2015/16 – 2018/19, calculated as a 3 year average
3.4 Units to be taken out of management		Medway Council data indicates no currently planned demolitions or refurbishments of currently let stock which is unlikely to be brought back into use.
3.5 Total new affordable housing stock available	$= 3.1 + 3.2 + 3.3 - 3.4$	<b>GVA calculated</b>
3.6 Annual supply of social re-lets (net)		CoRe Data three year average relets (social lettings and affordable rent for LAs and PRPs for general and supported needs). Taken as predicted annual levels in line with guidance (3 year average from 2011-12 to 2013-14).
3.7 Annual supply of intermediate affordable housing for re-let or re-sale at sub-market levels		Based on 2011 Census data, assumed 3% annual turnover of current stock. Trends assumed to be constant.
3.8 Future supply from existing affordable housing	$= 3.6 + 3.7$	<b>GVA calculated</b>

6.34 For Step 3.2 surplus stock describes current social sector properties which have been empty and void for 6+ months and are likely to be brought back into use over the potential new plan



period, although recognising that some vacancy is necessary to allow for turnover. The figure is scaled down and up as appropriate to obtain the levels for the annualised period and projection period. It is indicated that 29 currently vacant units could be brought back into use over the potential new plan period, which is then scaled to an annual figure of 2 and a figure of 40 over the projection period.

- 6.35 For Step 3.3 the committed supply of new affordable housing has been assessed based on the committed new affordable housing figures for Medway for the period from 2015/16 to 2018/19. As such a 3 year average, 163 units, is used as the annualised figure and this is scaled up appropriately to the level for the potential new plan period, 2,940 units, and projection period, 4,083 units.
- 6.36 For Step 3.4 Medway Council has indicated there are currently no planned demolitions or refurbishments of currently let stock which is unlikely to be brought back into use. Right to Buy sales are not included here as there is no LA requirement to rehouse these households (as set out in the former SHMA Practice Guidance, which still provides a useful methodological guide).
- 6.37 Step 3.5 combines the figures from Steps 3.1, 3.2 and 3.3, minus the units to be taken out of management from Step 3.4, to reveal the total affordable housing stock available.
- 6.38 Steps 3.6 – 3.8 are used to calculate the likely level of future supply from existing affordable housing.
- 6.39 For Step 3.6, the annual supply of social re-lets can be estimated by calculating three year average relets from the CORE data for lettings with Registered Providers, excluding lettings to existing social tenants<sup>52</sup> (i.e. transfers).
- 6.40 As shown below in Table 58, by using the data on reason for vacancy of unit for all re-lets and new lets, this allows an estimation of the affordable unit supply based on the level of social new lets and re-lets, excluding internal transfers which does not result in the net addition of a new affordable unit. The 3 year average of 768 is used as the annual figure, which is then scaled up to the figure over the potential future plan period (13,824) and over the projection period (19,200).

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<sup>52</sup> Existing social tenants are defined as those where their previous tenure was listed as General Needs PRP tenant, General Needs LA tenant, Owner occupation (low cost home ownership), Supported Housing (various).

**Table 58 – Reason for Vacancy for Social re-lets and New lets**

	Reason for Vacancy								
	New Lets	Internal Transfer	Previous tenant moved to other LA	Previous tenant moved to other HA	Previous tenant died or evicted	Property abandoned	Tenant moved to private or other accommodation	Other	Total excluding transfers
<b>2011-12</b>	130	151	66	132	0	49	320	<b>170</b>	<b>867</b>
<b>2012-13</b>	70	229	50	72	0	38	254	<b>170</b>	<b>654</b>
<b>2013-14</b>	88	310	0	96	0	70	294	<b>234</b>	<b>782</b>
<b>Average</b>	<b>96</b>	<b>230</b>	<b>39</b>	<b>100</b>	<b>0</b>	<b>52</b>	<b>289</b>	<b>191</b>	<b>768</b>

Source: CORE, 2015 (obtained by Gravesham Council)

- 6.41 In the absence of more appropriate data, the annual supply of intermediate housing for Step 3.7 is estimated by assuming a turnover of 3% per annum for shared ownership properties (3% x 671 units = 20) and assuming continued trends to scale this figure up for the potential future plan period (360 units) and the projection period (500 units).
- 6.42 The figures from Steps 3.6 and 3.7 are combined in Step 3.8 in order to provide a figure for the future supply of affordable housing from existing affordable housing.

### Total and Net Affordable Housing Need

- 6.43 Table 59 sets out the detail of Step 4 of the affordable housing requirements calculation, the calculation of the total and net affordable housing need.

**Table 59 - Affordable Housing Requirement Calculation: Step 4**

Step 4 - Total and Net Affordable Housing Need		
Step	Calculation	Data Sources & Assumption
<b>4.1 Total Affordable Housing Need</b>	<b>1.4 + 2.4 – 3.5</b>	<b>GVA calculated using outputs from previous 3 steps</b>
<b>4.2 Net Affordable Housing Need</b>	<b>4.1 – 3.8</b>	<b>GVA calculated using outputs from previous 3 steps</b>

- 6.44 Step 4, is the final element of the assessment, bringing together the previous steps to set out an estimate of total affordable housing need and net affordable housing need for Medway over the projection period, the potential new local plan period, and as an annual requirement.
- 6.45 Each calculation step, culminating with the above calculations, is shown below in Table 60 and Table 61.
- 6.46 The assessment is undertaken using an affordability threshold of 30% of household income spent on housing for 90% LTV mortgage house purchase and 2 & 3 bedroom market and affordable rent, as these different housing options demonstrate the same unaffordability proportion of 42% (Step 2.2). As already mentioned, the affordable housing requirements calculation table is also produced based on a affordability threshold of 30% of household income spent on housing for 75% LTV mortgage house purchase, see Appendix 1.
- 6.47 The 30% threshold is considered to be the most realistic representation of affordability within the household income and house price context of Medway.
- 6.48 Those figures which are underlined in the below tables represent the input figures, which have been divided or multiplied to scale them to the other two time periods. For example; a directly inputted annualised figure is multiplied by 18 to obtain the potential new local plan period figure and 25 to obtain the projection period figure.

**Table 60 - Affordable Housing Need Requirement Calculations** (affordability threshold of 30% household income housing spend for 90% LTV mortgage house purchase and 2&3 bedroom market and affordable rent)

Step	Comments	Projection Period (2012–2037)	Potential New Plan Period (2017–35)	Annual	Source
<b>Step 1 – <u>Current</u> Housing Need</b>					
1.1 Homeless households and those in temporary accommodation	Homeless households identified as such on Council's Housing Register	636	<u>458</u>	25	Identified from Medway Council (MC) housing register; households identified as being homeless and registered on the waiting list. This figure excludes transfer tenants.
1.2 Overcrowded and concealed households	Statutory overcrowded households identified as such on Council's Housing Register	1	<u>1</u>	0	Identified from Medway Council (MC) housing register; households identified as being statutory overcrowded and registered on the waiting list. This figure excludes transfer tenants.
1.3 Other groups	All other households on Council's Housing Register	5,410	<u>3,895</u>	216	Identified from Medway Council (MC) housing register; All households registered on the housing waiting list across all priority bands, excluding those identified specifically as homeless and overcrowded. This figure excludes transfer tenants.
<b>1.4 Total current housing need (gross backlog)</b>	<b>1.1 + 1.2 + 1.3</b>	<b>6,047</b>	<b>4354</b>	242	<b>GVA calculated</b>
<b>Step 2 – <u>Future</u> Housing Need</b>					
2.1 New Household formation (gross)	OAN household growth figure	30,875	22,230	<u>1,235</u>	OAN household growth figure (based on 2012 based household projection scenario including 2013 and 2014 MYEs)
2.2 Proportion of newly emerging households unable to buy or rent	Those unable to buy at LQ prices or rent privately based on income levels	42% 28,100 x 42% = 11,802	42% 20,232 x 42% = 8,497	<u>42%</u> 1,124 x 42% = 472	GVA calculated from CACI Paycheck (Household Income), ONS (Private Rental Costs) and CLG (LQ House Prices)
2.3 Existing households falling into need	Households falling into need based on recent trends	22,825	16,434	<u>913</u>	CORE data – 3 year average of total new general needs and supported housing lettings (not existing affordable tenants)
<b>2.4 Total newly arising housing need</b>	<b>= (2.1 x 2.2) + 2.3</b>	<b>35,793</b>	<b>25,771</b>	<b>1,432</b>	<b>GVA calculated</b>

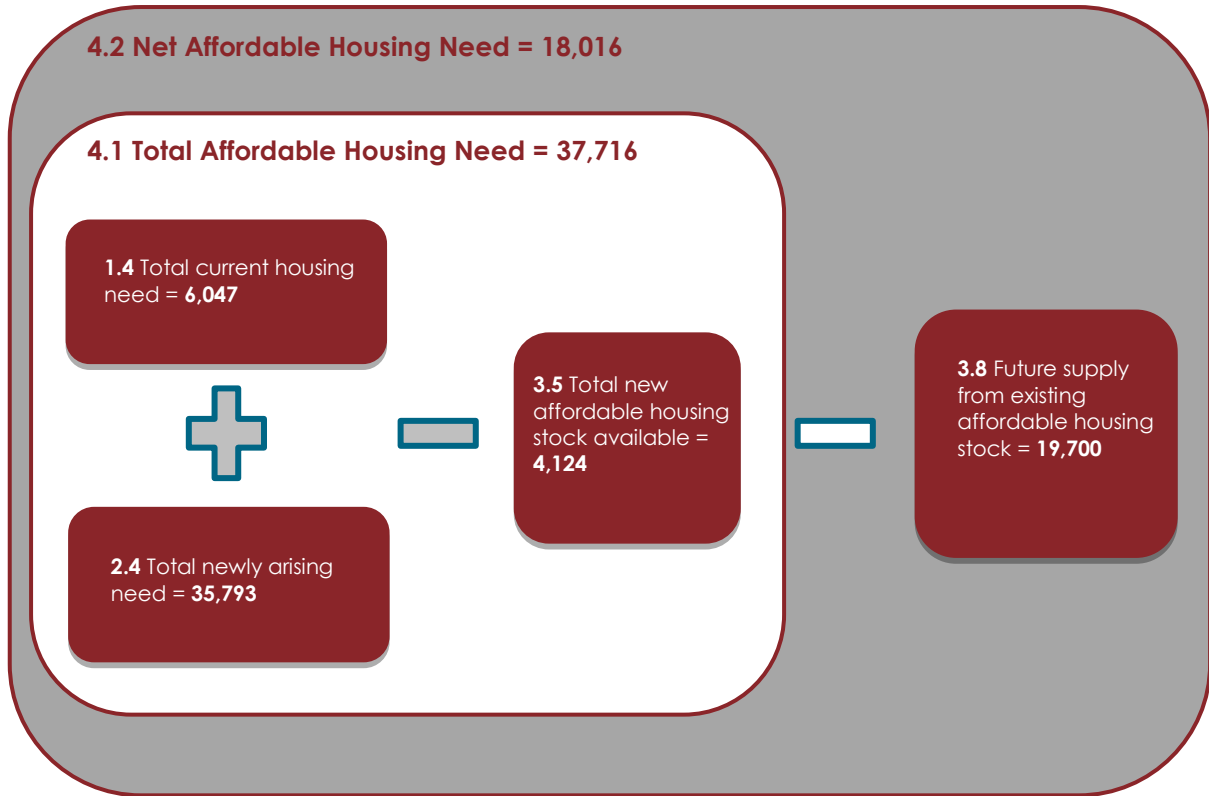
Step 3 – <i>Future</i> Affordable Housing Supply					
3.1 Affordable dwellings occupied by households in need	Assume zero	0	0	0	Transfers are excluded from Stages 1, 2 and 3 as they release supply of housing, having a net nil effect
3.2 Surplus stock	Current vacant stock that could be brought back into use	48	<u>29</u>	2	Provided by MC - based on empty and void properties (for 6+ months) which are likely to be brought back into use
3.3 Committed supply of new affordable housing	Pipeline supply through planning system	4,083	2,940	<u>163</u>	Medway data - Committed new affordable housing for 2015/16 - 2018/19: 3 year average
3.4 Units to be taken out of management	Housing currently let which is due to be demolished or refurbished	0	0	0	Medway Council indicates there are no demolitions or refurbishments of currently let stock which is unlikely to be brought back into use. Right to Buy sales are not included here as there is no LA requirement to rehouse these households.
<b>3.5 Total new affordable housing stock available</b>	<b>3.1 + 3.2 + 3.3 – 3.4</b>	<b>4,124</b>	<b>2,969</b>	<b>165</b>	<b>GVA calculated</b>
3.6 Supply of social re-lets (net)	LA and HA sector re-lets (general and supported needs) excluding transfers	19,200	13,824	<u>768</u>	CORE Data - 3 year average relets (social lettings and affordable rent for LAs and PRPs for general and supported needs). Taken as predicted annual levels in line with guidance (3 year average from 2011-12 to 2013-14).
3.7 Supply of intermediate affordable housing for re-let or re-sale at sub-market levels	3% turnover of shared ownership properties being taken up by new tenants	500	360	<u>20</u>	GVA calculated based on applying 3% turnover to 2011 Census data (671 shared ownership households recorded)
<b>3.8 Future supply from existing affordable housing</b>	<b>3.6 + 3.7</b>	<b>19,700</b>	<b>14,184</b>	<b>788</b>	<b>GVA calculated</b>

Table 61 - Total Affordable and Net Affordable Housing Need

Step 4 – <i>Bringing the Evidence Together</i>					
<b>4.1 Total Affordable Housing Need</b>	<b>1.4 + 2.4 – 3.5</b>	<b>37,716</b>	<b>27,156</b>	<b>1,509</b>	<b>GVA calculated</b>
<b>4.2 Net Affordable Housing Need</b>	<b>4.1 – 3.8</b>	<b>18,016</b>	<b>12,972</b>	<b>721</b>	<b>GVA calculated</b>

- 6.49 Figure 45 brings together the affordable housing need calculation figures from the above tables, to show a more simplified version of the calculation, using the figures for the 25 year projection period.

**Figure 45 - Affordable Housing Need Calculation Diagram (with projection period figures)**



- 6.50 A more detailed breakdown of this calculation and the resulting proportion of housing that will need to be affordable over the projection period (as a proportion of new household formation and OAN) is as follows:

- **New household formation (all tenures) = 30,875**
- Affordable housing need backlog = 6,047
- Gross newly arising affordable need = 35,793
- **Total affordable need = 6,047 + 35,793 = 41,840**
- New affordable housing supply = 4,124
- Future supply from existing affordable stock = 19,700
- **Total affordable supply = 4,124 + 19,700 = 23,824**
- **Net Affordable Housing Need = Total affordable supply (23,824) – Total affordable need (41,840) = -18,016**

- 6.51 This identifies an affordable housing requirement of 18,016 households over the projection period. Considering the other scenario columns in the calculation table above, this equates to an affordable housing requirement of 12,972 households when considered over the 2017 - 2035 potential future Local Plan period, and an affordable housing requirement of 721 households as an annualised figure. This assumes the entire backlog is cleared by the end of the respective time periods.
- 6.52 Allowing for Medway's 3.2% vacancy rate (which adequately facilitates housing market churn) this identifies an **affordable requirement of 18,592 dwellings** over the projection period (2012 – 2037), 13,387 dwellings over the potential future Local Plan period (2017 – 2035), and 744 dwellings annually.
- 6.53 The housing needs analysis should therefore be regarded as evidence that in Medway, **'need' for affordable housing is greater than the currently identified 'supply' of affordable housing over the projection period, the potential future Local Plan period, and on an annual basis.**
- 6.54 Over the assessed projection period (2012 -2037) the calculated need for 18,592 affordable dwellings (744 dpa) constitutes 58% of the total number of dwellings required to deliver the OAN figure of 1,281 dwellings per annum.
- 6.55 On the basis of the Council's current affordable housing policy target of 25 - 30% the OAN of 1,281 dwellings per annum would be insufficient to deliver the identified affordable need of 744 dwellings per annum. This could justify the consideration to increase the housing requirement.
- 6.56 However, the continued use of this target will be subject to viability considerations, with references to the NPPG (Paragraph 029, Reference ID: 2a-029-20140306). It should also be guided by the affordable housing viability testing being undertaken as part of this SHENA.

### **Affordability Driver for Moving Home**

- 6.57 The HNS asked respondents about needing to move to a different home, to which 3.6% of respondents (18 residents) indicated they need to move.
- 6.58 Of the respondents who indicated they need to move, 35% said this was not possible for their household, the top reason for which was that they **cannot afford to because other properties are too expensive** (61%).
- 6.59 The substantial caveat to this analysis is the small sample size, where the 61% of households who need to move but cannot do so for affordability reasons actually only equates to 5 households. However, it is significantly above the next most popular reason for not being able to move when needing to do so (personal reasons – 13.7%).

- 6.60 Affordability therefore seems to present the main barrier to accessing a new home for these respondents, for those who are indicated to be in current need to move. This is likely to be representative of the wider authority area, and therefore provides qualitative support for the significant affordable housing requirement levels identified above.



## 7. The Role of Affordable Housing in Meeting Need

- 7.1 Having established overall need above, the following sub-section considers the role of different types of affordable housing in meeting that need.
- 7.2 As identified in the previous Section, the National Planning Policy Framework defines three types of affordable housing: intermediate, affordable rent and social rent, each of which can play an important role in meeting housing need.

### Intermediate Housing

- 7.3 Intermediate housing products can provide an important role in bridging the gap between social renting and owner-occupation, some of which allow households to 'staircase' towards owner-occupation by renting alongside acquiring equity in their property.
- 7.4 The former CLG SHMA Guidance cites that the number of households whose needs could be met by intermediate affordable housing is likely to fluctuate, reflecting the changing relationship between market rents, social rents and incomes alongside the variance in intermediate products available. It is important to note that the term 'intermediate' covers a broad range of products, with the following included within the wider definition:
- New build HomeBuy;
  - Open market HomeBuy;
  - Social HomeBuy;
  - Intermediate Rent;
  - Shared Equity / Ownership; and
  - Armed Forces Home Ownership Scheme (Equity Loan)
- 7.5 The new Starter Homes Policy and its impact on affordability is also considered.

### Affordability of Intermediate Dwellings

- 7.6 The earlier analysis of household income data from CACI in Section 3 provided an indication of the income profile of households. This demonstrated that based on a maximum housing spend of 30% of household income on housing, 42% of households cannot access the open market (with a 90% LTV ratio mortgage) or afford market or affordable rental property (based on 2 & 3 bedrooms), 34% of households cannot access the open market (with a 75% LTV ratio mortgage) and cannot afford RP social rental property, and 23% cannot afford LA social rental property.

- 7.7 As an example of an intermediate housing product, the following figure reviews the level of equity share (in an intermediate property) that could be afforded by households in Medway, with the upper limit of analysis constrained by the average lower quartile house price of £122,500. This cost indicated for this intermediate affordable housing includes both rental and mortgage payment elements.
- 7.8 The nature of this tenure means that purchasers can buy a percentage of their house typically ranging from 25% to 75% which is paid for via mortgage. The remaining percentage is then rented at market level.
- 7.9 Using the same assumptions as those outlined for Lower Quartile market housing (i.e. 90% Loan To Value ration mortgage, 25 year repayment period and 4% interest rate) and Lower Quartile average market rent for 2 & 3 bedroom properties in earlier analysis, the actual costs for these properties ranges from approximately £7,133 - £7,434 per annum, as shown below in Table 62.<sup>53</sup>
- 7.10 This means that minimum household earnings of £23,778 - £24,779 per annum or above are required to access this type of intermediate housing. The need for a deposit, credit ratings and moving costs may prohibit some households accessing this tenure, even at this level of income.
- 7.11 Comparing this to the income profile of residents in Medway, this suggests that approximately 34% – 43% of households could not afford a 25%, 50% or 75% equity share in a lower quartile value property. This indicates that the intermediate housing market does not create a significant opening of the housing market to households who would otherwise not be able to purchase their own property outright.

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<sup>53</sup> This analysis is also undertaken for a 75% LTV ratio mortgage with a 25 year repayment period and 4% interest rate, in Appendix 2.

**Table 62 - Cost of Intermediate Affordable Housing in Medway (for property with LQ £122,500 market value)**

Equity Share	Equity Value	Loan Amount (75% LTV ratio)	Monthly Mortgage Repayment Costs	Annual Mortgage Repayment Costs
25%	£30,625	£27,563	£145	<b>£1,746</b>
50%	£61,250	£55,125	£291	<b>£3,492</b>
75%	£91,875	£82,688	£436	<b>£5,237</b>

Rental Proportion	LQ Monthly Market Rent	Monthly Rental Costs	Annual Rental Cost	Total Annual Housing Costs (Mortgage and Rental)	Required Earnings to assume Affordable (up to 30% of household income)
75%	£632	£474	£5,688	<b>£7,434</b>	<b>£24,779</b>
50%	£632	£316	£3,792	<b>£7,284</b>	<b>£24,279</b>
25%	£632	£158	£1,896	<b>£7,133</b>	<b>£23,778</b>

Source: CACI, Money Advice Service, GVA, 2015

- 7.12 The affordability of shared ownership can also be considered by demonstrating the income levels required to access shared ownership for 25%, 50% and 75% equity shares, with assumed 2.85% rental charges on remaining unsold equity (based on an example model of shared ownership operated by Two River Housing in Medway<sup>54</sup>). This is shown for maximum household income spend levels of 25%, 30% and 35% in Table 94, Table 95 and Table 96.
- 7.13 Under the assumption of spending up to 25% of household income on housing (Table 94), shared ownership with a 25% equity share would require an annual income of £17,457. A 50% equity share would require an annual income of £20,949. A 75% equity share would require an annual income of £24,441.
- 7.14 Therefore, 66% of households can afford 25% equity share, and 58% of households can afford 50% and 75% equity share intermediate housing.

<sup>54</sup> <http://www.tworivershousing.org.uk/custom-content/uploads/2015/02/Shared-Ownership-a-guide.pdf>

**Table 63 - Sensitivity 1c: Income Levels Required to Access Shared Ownership with Maximum Spend of 25% of Household Income**

	Intermediate (25% equity share)	Intermediate (50% equity share)	Intermediate (75% equity share)
Annual mortgage repayment costs	£1,746	£3,492	£5,237
Monthly mortgage repayment costs	145	291	436
Value of remaining unsold equity	£91,875	£61,250	£30,625
Rental charge at 2.85% of unsold value - Annual cost	£2,618.44	£1,745.63	£872.81
Rental charge at 2.85% of unsold value - Monthly cost	£218.20	£145.47	£72.73
Total annual housing payment	£4,364.26	£5,237.27	£6,110.27
Total monthly housing payment	£363.69	£436.44	£509.19
Max. percentage of income	25%	25%	25%
<b>Required annual income</b>	<b>£17,457.03</b>	<b>£20,949.06</b>	<b>£24,441.09</b>
<b>Required monthly income</b>	<b>£1,454.75</b>	<b>£1,745.76</b>	<b>£2,036.76</b>
CACI household income band which contains 'required annual income'	£15,000 - £20,000	£20,000 - £25,000	£20,000 - £25,000
Number of Households within and below income band	36,521	46,163	46,163
Total number of Households	108,654	108,654	108,654
<b>% of households who cannot afford annual payment</b>	<b>34%</b>	<b>42%</b>	<b>42%</b>

7.15 Under the assumption of spending up to 30% of household income on housing (Table 95), shared ownership with a 25% equity share would require an annual income of £14,548. A 50% equity share would require an annual income of £17,458. A 75% equity share would require an annual income of £20,368.

7.16 Therefore, 77% of households can afford 25% equity share intermediate housing, 66% of households can afford 50% equity share intermediate housing and 58% of households can afford 75% equity share intermediate housing.

**Table 64 - Sensitivity 2c: Income Levels Required to Access Shared Ownership with Maximum Spend of 30% of Household Income**

	Intermediate (25% equity share)	Intermediate (50% equity share)	Intermediate (75% equity share)
Annual mortgage repayment costs	£1,746	£3,492	£5,237
Monthly mortgage repayment costs	145	291	436
Value of remaining unsold equity	£91,875	£61,250	£30,625
Rental charge at 2.85% of unsold value - Annual cost	£2,618.44	£1,745.63	£872.81
Rental charge at 2.85% of unsold value - Monthly cost	£218.20	£145.47	£72.73
Total annual housing payment	£4,364.26	£5,237.27	£6,110.27
Total monthly housing payment	£363.69	£436.44	£509.19
Max. percentage of income	30%	30%	30%
<b>Required annual income</b>	<b>£14,547.53</b>	<b>£17,457.55</b>	<b>£20,367.58</b>
<b>Required monthly income</b>	<b>£1,212.29</b>	<b>£1,454.80</b>	<b>£1,697.30</b>
CACI household income band which contains 'required annual income'	£10,000 - £15,000	£15,000 - £20,000	£20,000 - £25,000
Number of Households within and below income band	24,928	36,521	46,163
Total number of Households	108,654	108,654	108,654
<b>% of households who cannot afford annual payment</b>	<b>23%</b>	<b>34%</b>	<b>42%</b>

7.17 Under the assumption of spending up to 35% of household income on housing (Table 96), shared ownership with a 25% equity share would require an annual income of £12,469. A 50% equity share would require an annual income of £14,964. A 75% equity share would require an annual income of £17,458.

7.18 Therefore, 77% of households can afford 25% and 50% equity share intermediate housing, and 66% of households can afford 75% equity share intermediate housing.

**Table 65 - Sensitivity 3c: Income Levels Required to Access Shared Ownership with Maximum Spend of 35% Household Income**

	Intermediate (25% equity share)	Intermediate (50% equity share)	Intermediate (75% equity share)
Annual mortgage repayment costs	£1,746	£3,492	£5,237
Monthly mortgage repayment costs	145	291	436
Value of remaining unsold equity	£91,875	£61,250	£30,625
Rental charge at 2.75% of unsold value - Annual cost	£2,618.44	£1,745.63	£872.81
Rental charge at 2.75% of unsold value - Monthly cost	£218.20	£145.47	£72.73
Total annual housing payment	£4,364.26	£5,237.27	£6,110.27
Total monthly housing payment	£363.69	£436.44	£509.19
Max. percentage of income	35%	35%	35%
<b>Required annual income</b>	<b>£12,469.31</b>	<b>£14,963.61</b>	<b>£17,457.92</b>
<b>Required monthly income</b>	<b>£1,039.11</b>	<b>£1,246.97</b>	<b>£1,454.83</b>
CACI household income band which contains 'required annual income'	£10,000 - £15,000	£10,000 - £15,000	£15,000 - £20,000
Number of Households within and below income band	24,928	24,928	36,521
Total number of Households	108,654	108,654	108,654
<b>% of households who cannot afford annual payment</b>	<b>23%</b>	<b>23%</b>	<b>34%</b>

7.19 Overall the evidence suggests some potential for intermediate forms of affordable housing to contribute towards meeting housing needs in Medway, however there are limitations to this potential. With a maximum spend of 30% of household income on housing, 58% - 77% of households could afford shared ownership depending on the degrees of equity share, leaving 23% - 42% of households who would still be unable to access housing through a shared ownership product.

### Starter Homes Scheme

7.20 The Starter Homes Scheme was launched by the Government in February 2015 with the aim of supporting young (under 40) first time buyers onto the property ladder, through discounted

housing (with a 20% discount on the market price). Interest in the scheme is registered through the Home Builders Federation at <http://www.new-homes.co.uk/starter-homes/><sup>56</sup>.

7.21 Table 66 shows an extract of the HBF starter homes register as of 6<sup>th</sup> October 2015. This shows the general interest in the identified Kent locations. The general Kent location has the highest level of interest (533), followed by Maidstone (208), Dartford (197), Ashford (162), Tonbridge (107), Sevenoaks (95) and Rochester (87).

7.22 This data should be treated with caution as interest is likely to be considerably influenced by where Starter Homes developments are being proposed or delivered with many people potentially only aware of the SHS when specific developments are 'visible' in their area, therefore some areas where people may be interested in Starter Homes may not feature strongly in the table as schemes are not being proposed here.

7.23 The Government set out the following information in their press release about the scheme:

*"The move is the latest major push from the government to get Britain building and help hardworking young people secure the dream of home ownership with potential discounts of around £100k per house.*

*With average house prices for first time buyers in England standing at around £218,000, a new Starter Home could save young first time buyers across the country an average of £43,000- helping to get them onto the housing ladder.*

*The plans will allow young first time buyers the opportunity to secure a new Starter Home at a 20% discount to the market price.*

*Thanks to changes in planning policy, builders that develop commercial and industrial land that is either unusable or surplus for the new starter homes will be able to save on costs by freeing them from the requirement to provide affordable housing. In return, they will have to offer the homes at a minimum 20 per cent discount to the market price to first-time buyers under 40.*

*The country's leading home builders and councils have already have said they would consider bringing forward land to develop the new homes from this year, and from Monday, will be able to start submitting their plans to get work started and pass the savings onto home buyers as soon as possible."*<sup>57</sup>

<sup>55</sup> <http://www.new-homes.co.uk/starter-homes/>

<sup>56</sup> <http://www.new-homes.co.uk/starter-homes/>

<sup>57</sup> <https://www.gov.uk/government/news/young-first-time-buyers-can-register-online-for-100000-cut-price-homes>

**Table 66 - HBF Starter Home Register Extract**

Location	Starter Home Interest (number)
Ashford, Kent	162
Broadstairs and St Peter's, Kent	20
<b>Chatham, Kent</b>	<b>48</b>
Cranbrook, Kent	6
Dartford, Kent	197
Deal, Kent	18
Dover, Kent	22
Edenbridge, Kent	9
<b>Faversham, Kent</b>	<b>17</b>
Folkestone, Kent	44
Gravesend, Kent	91
Hythe, Kent	11
Kent,	533
Maidstone, Kent	208
Margate, Kent	12
Minster, Kent	6
New Romney, Kent	2
Northfleet, Kent	4
Northfleet, Kent,	2
Paddock Wood, Kent	3
Queenborough-in-Sheppey, Kent	3
Ramsgate, Kent	23
<b>Rochester, Kent</b>	<b>87</b>
Royal Tunbridge Wells, Kent	43
Sandwich, Kent	3
Sevenoaks, Kent	95
Sittingbourne, Kent	50
Snodland, Kent	3
Southborough, Kent	1
<b>Strood, Kent</b>	<b>10</b>
Swanley, Kent	23
Swanscombe and Greenhithe, Kent	10
Tenterden, Kent	3
Tonbridge, Kent	107
West Malling, Kent	19
Westerham, Kent	3

*Source: Gravesham Borough Council, 6 October 2015*

- 7.24 Whilst this scheme differs from shared ownership in that those who purchase through the scheme will own their property outright, in affordability terms it provides a similar level of opportunity as intermediate housing. A deposit on the property is still required and the household will still require a mortgage (in the majority of cases). Therefore, there are likely to



be similar monthly housing repayments required as for a household with 75% equity share in an intermediate property.

- 7.25 Considering this, the scheme could provide some potential in contributing towards meeting housing needs in Medway, however this is heavily caveated by the location of these new starter home properties. Their delivery is reliant on development being brought forward by homebuilders on unusable/surplus commercial and industrial land, where the relevant planning policy changes are applicable. As such, they should not currently be considered a reliable source of affordable housing for young people in Medway.

## The Affordable Rent Model

- 7.26 Affordable rent housing is controlled so that rent does not exceed 80% of the local market rent (including service charges where applicable).
- 7.27 In February 2011, the Homes and Communities Agency (HCA) published a Framework setting out the details of the new Affordable Homes Programme of investment, inviting Registered Providers (RPs) to put forward proposals for £2.2bn of funding (out of the overall £4.5bn funding pot) for affordable housing during the 2011-15 Spending Review period.
- 7.28 The Affordable Rent model is key to this programme – providing a more flexible form of affordable housing that enables Registered Providers to increase revenues and reduce the level of Government grant subsidy and investment in affordable homes. As part of the funding offer, Registered Providers (RP) have the flexibility to convert a proportion of their social rented homes to Affordable Rent as part of a package agreed by the HCA.
- 7.29 The final product includes the following parameters:
- The capping of affordable rent at 80% of market rent, overriding the Retail Price Index (RPI) + 0.5% maximum annual rent increase (which is required to rebase the rent every time a new tenancy agreement is completed), ensuring that the rent set at the beginning (or renewal) of a tenancy does not exceed 80% of market rent and remains affordable; and
  - Move away from every social tenancy being for life, regardless of the households' particular circumstances (although these tenancies will still be available). Instead, the Government wishes to encourage affordable rent on fixed term tenancies to contribute to cohesive communities. Tenancies for Affordable Rent properties must be for a minimum period of two years, however providers will have the flexibility to offer longer tenancies, including lifetime tenancies.

- 7.30 Since then, the HCA published an Affordable Homes Programmes 2015 to 2018 prospectus (in January 2014) which is indicated to “have much in common” with the 2011 – 2015 Affordable Homes Programme. It aims to increase the supply of new affordable housing (affordable rent and affordable home ownership), maximise new affordable home delivery through available grant funding and bidder's contributions, build homes which address social housing needs (i.e. 2 & 3 bedroom properties) and encourage unused capacity to be developed and brought into use.<sup>58</sup>
- 7.31 The 2015 – 2018 Affordable Homes Programme has national capital grant funding of £2.9billion (outside London) over the three year period, and the January 2014 prospectus sought bids for £1.7billion of this total. This initial bidding round secured the allocation of more than half of the available funding. The remaining c.£800 million is available through a Continuous Market Engagement process, for which bidding remains open until all funding has been allocated, with regular updates being published.<sup>59</sup>

### Affordability of Affordable Rent Dwellings

- 7.32 Table 67 shows the cost differentials between average open market rent and affordable rent if set at 80%, 70% and 60% of average open market rent. It also shows the earnings requirements for these rents, again considering a maximum housing spend of up to 30% of household income.

**Table 67 - Cost Differential - Open market and Affordable Rent Levels in Medway**

Annual Costs	Mean Average Private Rent	Affordable Rent 80%	Affordable Rent 70%	Affordable Rent 60%
All	£8,052	£6,442	£5,636	£4,831
1 Bedroom	£6,576	£5,261	£4,603	£3,946
2 & 3 Bedroom	£8,308	£6,647	£5,816	£4,985
Earnings Requirement				
All	£26,840	£21,472	£18,788	£16,104
1 Bedroom	£21,920	£17,536	£15,344	£13,152
2 & 3 Bedroom	£27,694	£22,155	£19,386	£16,616

Source: VOA, 2014

- 7.33 According to CLG (Table 704) an average Social Rent (Registered Provider) in Medway currently costs c.£5,288 per annum. The differential in cost between this social rent and

<sup>58</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/343896/affordable-homes-15-18-framework.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/343896/affordable-homes-15-18-framework.pdf)

<sup>59</sup> <https://www.gov.uk/government/collections/affordable-homes-programme-2015-to-2018-guidance-and-allocations>

affordable rent tenure varies across different bedroom sizes. For 1 bedroom units the annual social rent cost is very similar to the annual cost for 80% affordable rent. For 2 & 3 bedroom units, and considering all unit sizes, the annual social rent cost falls between the 70% and 60% affordable rent levels. 70% and 60% affordable rent levels both provide a more affordable solution than social rent for 1 bedroom properties, and 60% affordable rent is also more affordable for 2&3 bedroom properties.

- 7.34 This suggests that there is potential for products of this kind to 'plug' a gap in the rental market between those who require traditional social affordable housing and those who could afford to rent on the open market.
- 7.35 Based on the average annual private rental costs for 2 & 3 bedroom properties shown above (£8,308), all affordable rent products (at 80%, 70% and 60% of market rent) offer a significantly cheaper alternative to Mean Average Private Rent for 2 & 3 bedroom properties.
- 7.36 Table 68 uses the CACI Paycheck data to show the affordability of Affordable Rent housing set at 60%, 70% and 80% of market rent for different housing types (by bedroom numbers). Considering 2 & 3 bedroom properties, 34% of households could not afford this tenure for the 60% and 70% affordable rent levels and 42% of households could not afford this tenure for the 80% affordable rent level.
- 7.37 This means that for 2 & 3 bedroom properties at the 60% and 70% affordable rent tenures, the proportion of households unable to afford housing is the same as for shared ownership with a maximum spend of 30% of income on housing at the 50% and 75% equity share levels (34%). Therefore these affordable rent levels do not increase the proportion of households who can afford to access housing. For 2 & 3 bedroom properties at the 80% affordable rent level, there is a lower proportion of households able to access housing than for shared ownership options with a maximum income spend of 30% (42% for affordable rent compared with 34% and 23% for shared ownership). The households unable to access a property through shared ownership or affordable rent would continue to require a social rented property.
- 7.38 Considering the similarities evident in affordability between shared ownership and affordable rent tenures, there could be a case for the greater benefit of the affordable rent tenure for local residents because it doesn't require them to access or finance a large deposit.

**Table 68 - Proportion of Households Unable to Afford Affordable Rent Housing at Different Levels**

Tenure	Type	Annual Costs	Annual Earnings Requirement	Households Earning less than Requirement <sup>60</sup>	% of Households Earning less than Requirement
<b>Affordable Rent 60%</b>	All	£4,831	£ 16,104	36,521	34%
	1 Bedroom	£3,946	£ 13,152	24,928	23%
	2 & 3 Bedroom	£4,985	£ 16,616	36,521	34%
<b>Affordable Rent 70%</b>	All	£5,636	£ 18,788	36,521	34%
	1 Bedroom	£4,603	£ 15,344	36,521	34%
	2 & 3 Bedroom	£5,816	£ 19,386	36,521	34%
<b>Affordable Rent 80%</b>	All	£6,442	£ 21,472	46,163	42%
	1 Bedroom	£5,261	£ 17,536	36,521	34%
	2 & 3 Bedroom	£6,647	£ 22,155	46,163	42%

Source: VOA, CACI, 2015

- 7.39 Overall, the evidence suggests some potential for affordable rent forms of affordable housing to contribute towards meeting housing needs, particularly when in combination with shared ownership at varying equity levels. However, given that this does not meet the affordability requirements of all households, there remains a requirement for the continued provision of lower-cost social rented products.

## Social Rent

- 7.40 Social rent is a low rent tenure which aims to provide secure tenancies for low income households, who are struggling to afford housing. Rental caps are placed on these properties in order to retain the affordability of this tenure<sup>61</sup>.
- 7.41 In Medway Kent Homechoice is the service through which households must register to apply for social housing (provided by the Council or a housing association):

*"Kent Homechoice is the service for all council and housing association homes in Kent. Social housing is provided at low rents to those who are most in need or struggling with their housing costs.*

<sup>60</sup> This requirement figure must be caveated by the fact that the requirement figure includes all households within the £5,000 interval band in which the earnings requirement falls (as CACI data is presented in £5,000 bands) and does not take account of where the requirement sits within this £5,000 band.

<sup>61</sup>

[http://england.shelter.org.uk/campaigns/why\\_we\\_campaign/Improving\\_social\\_housing/what\\_is\\_social\\_housing](http://england.shelter.org.uk/campaigns/why_we_campaign/Improving_social_housing/what_is_social_housing)

*The Kent Homechoice scheme allows you to express your interest in properties in Medway which you may be eligible for. There are not enough social housing properties for the number of people registered on the scheme. This means that it could take a significant amount of time for you to be re-housed and many applicants will never be offered social housing.”<sup>62</sup>*

- 7.42 However, it is indicated by Medway Council and Kent Homechoice that there is a shortage of local authority and housing association properties in the authority area, and people on the housing register may have to wait a long time to be rehoused, or may not even be offered social housing.<sup>63</sup> This suggests that this social tenure does not currently provide a reliable affordable housing solution for low income households in Medway.
- 7.43 The limited supply of social rent homes in the authority area are assigned in line with Medway's Housing Allocations Policy<sup>64</sup>.
- 7.44 In 2015 the Government set new guidance on rent setting for social housing, which came into effect from April 2015. In response to this, Medway's HRA Rent Setting Policy<sup>65</sup> will calculate rents based on property condition and location (30% influence), local earnings (70% influence) and property size measured by bedroom numbers (bedroom factor applied). In cases where an existing social rent household has an income exceeding £60,000 (taxable) 'Fairer rent' will be charged at 80% of market rent.

### Affordability of Social Rent Dwellings

- 7.45 As discussed in Section 3 above, average local authority (LA) and registered provider (RP) weekly rents have been steadily increasing over the period from 1998 to 2014. In 2014 LA average weekly rent was £82.44 and RP average weekly rent was £97.64. This equates to annual housing costs of approximately £4,286 for LA social housing and £5,077 for RP social housing.
- 7.46 Table 69 below identifies the affordability of RP and LA social rent properties in Medway, based on the affordability sensitivity analysis undertaken earlier in Section 4 of this Report.
- 7.47 This shows that based on average monthly rents of £423 pcm for RP and £357 for LA properties, spending 30% of household income on housing costs, 34% of Medway households cannot afford RP rent and 23% of households cannot afford LA rent.

<sup>62</sup> <http://www.medway.gov.uk/housing/applyforsocialhousing.aspx>

<sup>63</sup> <http://www.medway.gov.uk/housing/applyforsocialhousing.aspx>

<sup>64</sup> <http://www.medway.gov.uk/pdf/Housing%20Allocations%20Policy.pdf>

<sup>65</sup> <http://www.medway.gov.uk/pdf/hra%20rent%20setting%20policy.pdf>

**Table 69 - Affordability of Social Rent Tenures in Medway**

Income Spend	% of households who cannot afford annual housing payment	
	RP Rent (£423 pcm)	LA Rent (£357 pcm)
40% of household income	23%	23%
35% of household income	23%	23%
<b>30% of household income</b>	<b>34%</b>	<b>23%</b>
25% of household income	42%	34%

Source: GVA

- 7.48 Overall, social housing can therefore provide a more affordable opportunity to access housing than the other forms of affordable housing (intermediate housing and affordable rent), and contribute to meeting affordable housing need. However this is heavily caveated by the availability of social rent properties in Medway, which at present is significantly below their demand level.
- 7.49 It should also be noted that this suggests that 23% - 34% of households in Medway will not be able to access any form of affordable housing, considering that social rent offers the lowest housing payment levels of all the affordable housing tenures. This indicates that this proportion of households will require income support to contribute to their housing payments.
- 7.50 However, this is based on the assumption that these households do not spend more than 30% of their income on their monthly housing payments, where in reality some households are likely to exceed this level in order to access housing. This is true for the consideration of affordability of each of the affordable tenures, where the proportion of income spend may in many cases exceed 30%.
- 7.51 Based on the 2011 Census, the tenure distribution in the authority area demonstrates some misalignment with what the resident population can afford. Comparison of the proportion of households that can afford each tenure type with the 2011 tenure distribution, shown in Table 70, suggests that many households are currently occupying tenure which does not match their affordability level.

**Table 70 - Tenure Distribution by Affordability and 2011 Census Split**

Tenure	Annual Costs	Annual Earnings Requirement at 30%	% of Households that Can Afford Tenure	2011 Tenure Distribution
LQ Rental (2 & 3 bedroom)	£7,587	£25,288	49%	16%
LQ Purchase (75% LTV mortgage) - 2 & 3 bedroom	£5,820	£19,400	66%	65%
Intermediate Housing (25% equity share) - 2&3 bedroom	£4,070	£13,567	77%	1%
Social Rent (PRP) - average	£5,077	£16,924	66%	17%

Source: GVA, CACI, 2014 & Census 2011

- 7.52 It is difficult to accurately assess how house prices and the financial requirements of households to obtain mortgage credit will change. These are important informing influences on the future distribution of market and non-market housing required.

### **Need for affordable housing by different sizes of property**

- 7.53 The housing register provides information on property size requirement, by number of bedrooms, for each household considered within each band of need for affordable housing. Analysis shown in Table 71 identifies the greatest demand across all bands for 1 bedroom properties, followed by 2 bedroom properties. The exception to this is the requirement for 36 2 bedroom units in Band B, which is slightly higher than the requirement of 28 for 1 bedroom units in the same band. The lowest demand level across all bands is for properties with 4+ bedrooms.
- 7.54 In terms of actual number of households the requirement for 2 bedroom housing ranges across bands from 36 to 610 households, alongside the above requirement for 1 bedroom properties which ranges across bands from 28 to 3,286 households. In total (when combining all bands) 824 households (16%) require 2 bedroom housing and 3,752 households (73%) require 1 bedroom housing. This reinforces the need for both single person and couple households as well as the need for family sized units.

**Table 71 - Estimated Size Requirement for Affordable Housing (Housing Register Including Transfers)**

	Estimated Size of Affordable Housing Required			
	1 Bedroom	2 Bedrooms	3 Bedrooms	4+ Bedrooms
Housing Register Band A	232 (5%)	72 (1%)	20 (0%)	7 (0%)
Housing Register Band B	28 (1%)	36 (1%)	8 (0%)	9 (0%)
Housing Register Band C	3,286 (64%)	610 (12%)	317 (6%)	121 (2%)
Housing Register Band D	206 (4%)	106 (2%)	45 (1%)	16 (0%)
<b>All Bands</b>	<b>3752 (73%)</b>	<b>824 (16%)</b>	<b>390 (8%)</b>	<b>153 (3%)</b>

Source: Medway Council, 2015

- 7.55 There is some variation evident in the size specific affordable housing requirement when considering high and lower priority households, where high priority households are within bands A and B and lower priority households are in bands C and D, as shown below in Table 72. This indicates that the greatest affordable need is for 1 and 2 bedroom units to meet the needs of lower priority groups. The lowest need is for 3 and 4+ bedroom units in the high priority groups.

**Table 72 - Estimated Size Requirement for Affordable Housing by Band Priority (Housing Register Including Transfers)**

	Estimated Size of Affordable Housing Required			
	1 Bedroom	2 Bedrooms	3 Bedrooms	4+ Bedrooms
High Priority Bands (A & B)	260 (5%)	108 (2%)	28 (1%)	16 (0%)
Lower Priority Bands (C & D)	3,492 (68%)	716 (14%)	362 (7%)	137 (3%)
<b>All Priority Levels</b>	<b>3,752 (73%)</b>	<b>824 (16%)</b>	<b>390 (8%)</b>	<b>153 (3%)</b>

Source: Medway Council, 2015

- 7.56 An appropriate level for the future distribution of affordable units could include approximately 74% 1 bedroom properties, 16% 2 bedroom properties, 8% 3 bedroom properties and 2% 4+ bedroom properties. This takes into account the combination of factors including; faster turnaround of smaller properties in comparison to larger properties, and potential for increasing demand for smaller homes with an ageing population and the presence of student households within the area's population, and importantly also projects forward size specific requirement trends currently identified from the Council's Housing Register. A general preference to live in a home larger than requirement and the difficulty in accessing larger family homes which have a much slower turnaround than smaller properties is considered, however these requirements do not require prioritisation within the context of Medway. This is



particularly the case considering the disincentives for under-occupation, which is not encouraged in allocations policy, and which is affected by the Housing Benefit cap.

- 7.57 As such, the 1 bedroom percentage is increased by 1% compared to the level of need indicated by the housing register data, the 2 and 3 bedroom percentages are maintained, and the 4+ bedroom percentage is reduced by 1% to reflect the lower level of demand for this property size.
- 7.58 These approximations represent a possible broad distribution for size based housing requirement, but this is by no means a set indication of how affordable units should definitively be distributed, considering that demand may vary depending on specific location in the authority area and the relevant context of current supply and demand.
- 7.59 When looking at some of the requirements of specific groups, the recommended size requirements should be adopted to reflect their specific requirements, as outlined in the following section.

### **Need for different affordable housing types**

- 7.60 To provide an indication of the potential distribution of need among affordable housing tenures, the affordability of each (shared ownership, affordable rent and social rent) is considered.
- 7.61 Table 73 shows the proportion of households who can afford different tenures in Medway drawn from previous analysis undertaken in this Report. To account for the range in affordability for certain tenures three affordability scenarios are set out; the mid-point, the lower range, and the higher range.
- 7.62 As a general principle, the proportion of the total population which can afford a particular tenure increases as the cost of it reduces. In this case, 58% of Medway households can afford market housing. This analysis shows that 58 – 66% of Medway households can afford affordable rent, 58% at 80% of market rent (the upper range), and 66% at 70% and also 60% of market rent (the mid-point and lower range respectively).
- 7.63 Using the same approach, 66 – 77% of Medway households can afford shared ownership, 66% with 50% and 75% equity share (the mid-point and upper range respectively), and 77% with 25% equity share (the lower range). Between 66 – 77% of Medway households can afford social rent, 66% for the RP rent (the upper range) and 77% for the LA rent (the lower range), with the mid-point being calculated as the average between these two proportion and 77% for the LA rent (the upper range).

**Table 73 - Affordability of housing tenures in Medway**

Housing Tenure	Households who can afford tenure	Affordability Scenarios			Households who cannot afford tenure
		Mid Point	Lower Range	Upper Range	
Market housing	58%	58%	58%	58%	42%
Affordable rent	58% - 66%	66%	66%	58%	34% - 42%
Shared ownership	66% - 77%	66%	77%	66%	23% - 34%
Social rent	66% - 77%	72%	77%	66%	23% - 34%

7.64 Table 74, Table 75 and Table 76 use these affordability scenario proportions to set out the potential affordable tenure distribution. For each scenario, it is assumed that 58% of households can afford market housing. The distribution of affordable tenures is then established for the balance of households that cannot afford market housing.

**Table 74 - Affordable Tenure Distribution: Mid-point Scenario**

	Households that can afford tenure	Tenure distribution (all tenures)	Distribution within affordable tenure
All households	100%		
Market housing	58%	58%	
Affordable Rent	66%	28%	<b>66%</b>
Shared Ownership	66%	9%	<b>22%</b>
Social Rent	72%	5%	<b>12%</b>

**Table 75 - Affordable Tenure Distribution: Lower Range Scenario**

	Households that can afford tenure	Tenure distribution (all tenures)	Distribution within affordable tenure
All households	100%		
Market housing	58%	58%	
Affordable Rent	66%	28%	<b>66%</b>
Shared Ownership	77%	11%	<b>26%</b>
Social Rent	77%	3%	<b>8%</b>

**Table 76 - Affordable Tenure Distribution: Higher Range Scenario**

	Households that can afford tenure	Tenure distribution (all tenures)	Distribution within affordable tenure
All households	100%		
Market housing	58%	58%	
Affordable Rent	58%	24%	<b>58%</b>
Shared Ownership	66%	12%	<b>28%</b>
Social Rent	66%	6%	<b>14%</b>

7.65 From this analysis, an indicative split for the types of affordable housing products, for those households in affordable housing need, is as follows:

- **Affordable Rent: 58% - 66%**
- **Shared Ownership: 22% - 28%**
- **Social Rent: 8% - 14%**

7.66 It should be noted that between 23% - 34% of households in Medway (depending on the scenario considered) would be deemed as not being able to afford any of the affordable housing products. This proportion of households is incorporated into the distribution for social rent (the most affordable of the affordable tenures), however it means that some households will require income support in order to access a social rented home.

## Impact of Welfare Reforms

7.67 The impact of the Welfare Reform Act 2012 is an important consideration for housing affordability, and access within Medway. The three relevant aspects of this reform are Housing Benefit, the Benefit Cap and the Universal Credit System.

### Housing Benefit

7.68 In the HNS when asked about meeting their housing costs, 8.65% of respondents (43) indicated they receive some form of help to meet these costs. This consisted of 5.5% partly meeting rent with Housing Benefit (28 respondents), 2.63% fully meeting rent with Housing Benefit (13 respondents), 0.3% receiving help with their mortgage from family and friends (2 respondents) and 0.1% receiving help with mortgage payments through the Benefits Agency.

7.69 Therefore, of these respondents, 8.1% (41) are fully or partially reliant on Housing Benefit in order to pay their housing costs.

- 7.70 The Welfare Reform Act 2012 introduced Housing Benefit rules on size criteria for those living in the social rented sector. With effect from 1 April 2013, it sees a cut in benefit for any working-age household considered to have a spare bedroom, and therefore be 'under-occupying'. This takes the form of a fixed percentage cut of 14% for those with one extra bedroom and 25% for those with two or more extra bedrooms<sup>66</sup>.
- 7.71 This has been assessed by the Government as being likely to create an average £14 per week loss, and an average loss of up to £16 per week for Housing Association tenants. The DWP suggests it is likely to affect 660,000 people claiming housing benefits, a proportion of 31% of all social housing tenants who claim housing benefits.<sup>67</sup>
- 7.72 As a result of this benefit change there could be an increased level of demand for smaller properties, particularly 1 and 2 bedroom units. This could increase the pressure on the supply of these smaller properties and in certain circumstances, could also displace households to different parts of the authority area, or beyond the authority area based on supply availability and affordability.

### Benefit Cap

- 7.73 The Benefit Cap is set at the average (median) net earnings for a working household, reflecting a total cap figure of £26,000 (however, it should be noted that the summer budget 2015 announcement indicated that the household benefit cap will be reduced to £23,000 in London and £20,000 in the rest of the country). The cap levels are currently set at £500 per week for couples (with/without children) and single parents, and £350 per week for single adults without children. In relation to the £500 per week figure, no allowance is made for the number of children in the family. There are also no considerations made for housing type or tenure<sup>68</sup>.
- 7.74 The cap could cause difficulties for larger families claiming benefits, who live in areas of the authority area with higher rent. This could even cause movement within the authority area from the more expensive to less expensive housing areas. This could further accentuate affordability and housing accessibility pressures within the authority area.

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<sup>66</sup> <https://www.gov.uk/housing-benefit/what-youll-get>

<sup>67</sup> Housing Benefit: Size Criteria for People Renting in the Social Rented Sector  
([https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/220154/eia-social-sector-housing-under-occupation-wr2011.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220154/eia-social-sector-housing-under-occupation-wr2011.pdf))

<sup>68</sup> <https://www.gov.uk/benefit-cap>

## Universal Credit

- 7.75 The Universal Credit (UC) system has been described by the National Housing Federation (NHF) as the biggest change in the welfare system in a generation<sup>69</sup>. It will provide both in and out of work support through one single payment, with the aim of simplifying the benefit system and increasing employment incentives for part-time and unemployed people<sup>70</sup>.
- 7.76 The system is being rolled out in stages throughout the UK. It is scheduled to be introduced in Medway in Autumn 2015<sup>71</sup> and should be in place throughout the UK by the end of 2017. The new UC benefit will provide a single monthly payment (through the Department for Work and Pensions) for low income residents of working age, replacing income support, income related job seeker's allowance, income related employment support allowance, housing benefit and working tax/child tax credit.
- 7.77 As a result of this change, Medway residents who claim this benefit could experience budgeting issues, because the increasing payment intervals from once a week to once a month will require budgeting over a longer time period, which can be more difficult.
- 7.78 One of the most significant implications of this change is the removal of the option for housing benefit to be paid directly to the claimant's landlord, with support now automatically going directly to claimants. NHF research suggests that the majority of social housing tenants prefer for their housing benefit to be paid directly to their landlord. As well as having further budgeting and financial management implications for Medway residents who are claiming this benefit, there is also a danger that this particular aspect of change could act as a form of further discouragement for private landlords to accept tenants who are claiming benefits.
- 7.79 Another consequence of the change is the increased demand that could be seen for social housing in the short term, which will further increase pressure on supply, particularly in combination with the other aspects of Welfare Reform.

## Key findings

- 7.80 The purpose of this section has been to calculate and analyse affordable housing need in Medway. The key findings are as follows:
- There is an affordable housing requirement of 16,850 households over the projection period (2012 – 2037), which equates to 12,132 households over the potential future Local Plan period (2017 – 2035) and 674 households as an annualised requirement

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<sup>69</sup> <http://www.housing.org.uk/policy/welfare-reform/universal-credit/>

<sup>70</sup> <https://www.gov.uk/universal-credit>

<sup>71</sup> <http://www.mhs.org.uk/support/universal-credit/>

figure. This assumes the entire affordable need backlog is cleared by the end of the respective time periods.

- Allowing for Medway's 3.2% vacancy rate (which adequately facilitates housing market churn) this identifies an affordable housing requirement of 17,389 dwellings over the projection period (2012 – 2037), 12,521 dwellings over the potential future Local Plan period (2017 – 2035), and 696 dwellings annually.
- The housing needs analysis should therefore be regarded as evidence that in Medway, 'need' for affordable housing is greater than the currently identified 'supply' of affordable housing over the projection period, the potential future Local Plan period, and on an annual basis.
- Affordable housing will be required to be tackled by a range of measures including; new affordable home delivery, up-skilling targets for the labour market, targeted advice on housing benefits, understanding the role of suitable market stock to house those in affordable need, adaptation and maintenance of existing stock, and housing management measures (including bringing empty homes back into use and tackling the issue of under-occupation).
- Based on current household income and mortgage finance, the future provision of shared ownership affordable housing will have a role in meeting affordable housing needs (considering 25%, 50% and 75% equity share), albeit with limitations. Particularly, it could help to free up stock in other affordable tenures. In Medway's case there is similarity between the affordability of intermediate and affordable rent tenures to its residents (dependent on specific equity share and affordable rent levels), with a reliance on the social rent tenure to provide affordable housing for those unable to access shared ownership/affordable rent properties.
- Considering the affordability of different affordable housing products for Medway residents, an indicative split for affordable housing provision is as follows:
  - **Affordable Rent: 58% - 66%**
  - **Shared Ownership: 22% - 28%**
  - **Social Rent: 8% - 14%**
- It should be noted that between 23% - 34% of households in Medway (depending on the scenario considered) would be deemed as not being able to afford any of the affordable housing products. We have assumed that these households could be incorporated into the provision of social rent (as this represents the most affordable tenure), however this would only be achievable if income support was provided.

- Considering Welfare Reforms the Housing Benefit change, Benefit Cap and Universal Credit System could all have an impact on the affordability and accessibility of housing in Medway. The Housing Benefit Cut could increase the level of demand for smaller properties, increasing the pressure on their supply. The Benefit Cap could further increase the affordability and accessibility pressures for affordable housing, particularly for larger families claiming benefits. The Universal Credit System could cause budgeting issues for Medway claimants, could act as a form of further discouragement for private landlords to accept housing benefit claimants as tenants, and could put short term pressure on social housing supply, particularly in combination with the other aspects of Welfare Reform.

## 8. Housing Requirements for Specific Groups

8.1 This section considers the housing requirements of specific groups whose housing needs might differ from the majority of the population in Medway. The following specific groups pertinent to Medway, are considered in greater detail within this section:

- **Older Persons** - The national trend of an ageing population means this group is important to consider. Older person households exhibit particular requirements and needs that require consideration, such as adaptations and support in the home to remain living independently.
- **Groups with Specific Support Needs** – Analysis is undertaken of the longer-term projections from the Projecting Adult Needs and Service Information System (PANSI) for a range of mental and physical disabilities, and the propensity for such conditions in Medway;
- **Younger Person Households** – The number of households in the 15 – 24 and 25 – 34 age groups are anticipated to increase by 5% and 13% respectively, 2013 – 2033. The younger age group also formed a significant proportion of inward and outward migration into Medway in 2013.
- **Black and Minority Ethnic (BME) Groups** - Ethnic diversity in Medway has increased between the 2001 and 2011 Censuses, supported by the influence of international migration to population growth. 2011 Census data shows that minority (non-white) ethnic groups made up approximately 10% of the Medway population, which is higher than the average for Kent and the majority of neighbouring HMA local authorities (with the exception of Gravesham and Dartford). Increasing diversity could have housing implications, particularly affecting size requirements considering the propensity for multi-generational households within certain ethnic minority groups.
- **Rural Households** – Qualitative analysis of housing trends in the rural wards in Medway is undertaken using the results of the HNS. This helps to understand variations in rural housing needs compared to urban areas.

8.2 The specific needs of each of these groups, together with their potential implications for housing requirements, is based on the analysis of available secondary data, and supported further by the relevant primary qualitative data from the HNS. Full analysis of the HNS results is set out in Appendix 2 of this report.

8.3 Due to a lack of robust available data there are certain specific groups that have not been reviewed in this assessment, but are important to identify as they may require consideration in



relation to future specific housing requirements. These groups include gypsies and travellers, self-build groups and house boat and mobile home park residents.

- 8.4 The needs of Gypsies and Travellers is considered in the Gypsy, Traveller and Travelling Showpeople Accommodation Assessment (2013) produced by the Salford Housing & Urban Studies Unit.

## Self-build Groups

- 8.5 Self-build groups are difficult to quantify. Medway Council does not currently have a register of possible self-builders and/or sites reserved for self-build but it does intend to address this issue in its forthcoming local plan.

- 8.6 Self-build housing is becoming a growing part of the sector, reflected by the fact that organisations are looking to co-ordinate and monitor self-build activity. The Self Build Portal<sup>72</sup> has been set up in response to this, as explained on the Planning Portal:

*"Research shows that more than half the population would like to build their own home at some stage in their lives. A website designed to help them turn that dream into a reality is now available.*

*The site is the result of a joint initiative between Government and the custom build housing industry. It provides encouragement and impartial advice to people who want to build their own home to suit their family's needs. It forms part of the Government's Housing Strategy to bring about a custom build housing revolution.*

*The site includes an interactive guide to self-build - where users can key in details of their own situation (how much money they have, where they want to build, the size of house they want and various other things) and the guide will automatically calculate whether it's feasible. If not they can adjust their circumstances until they can realistically get their self-build project under way.*

*The site also has practical information about how to find a plot of land, where to get a self build mortgage, the different types of construction methods you can use, and a host of other issues."*<sup>73</sup>

- 8.7 The Local Self Build Register<sup>74</sup> has been set up to allow potential self-builders to register their interest in self-building, in order for local councils to understand the demand for this type of housing in their authority area. In relation to Medway Council, this site provides the opportunity to register interest, and will be updated with details on self-building in Medway as and when they are available<sup>75</sup>.

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<sup>72</sup> <http://www.selfbuildportal.org.uk/>

<sup>73</sup> <http://www.planningportal.gov.uk/permission/commonprojects/selfbuildhomes/>

<sup>74</sup> <http://localselfbuildregister.co.uk/>

<sup>75</sup> <http://localselfbuildregister.co.uk/localauthorities/medway-council/>

- 8.8 Another self-build related website, Custom Build Homes (Buildstore)<sup>76</sup> indicates 147 expressions of interest for Custom Build in the Medway authority area.
- 8.9 The Council should monitor the level of interest being expressed for self-build housing in the area, and consider how this type of housing could be incorporated into its housing strategy, and encouraged, going forward.

## Houseboats

- 8.10 It is acknowledged that Medway has c.550 Houseboats, the locations of which are shown in Figure 46 below. These households may have specific requirements which differ from other household types within the Authority area, for example relating to access to local facilities and services and the suitability of current locations.

**Figure 46 – Houseboats in Medway**



- 8.11 The current location of canal boat communities may be impacted by any long term plans the Council has for strategic riverside development and redevelopment. This could result in the relocation of canal boat settlements. However, it could also consolidate particular canal boat clusters by improving the range of facilities and services that they have access to, and improving the quality of the local environment for these houseboat residents.

<sup>76</sup> <http://custombuildhomes.co.uk/>

## Mobile Home Parks

- 8.12 There are a number of park homes in Medway, including Beckenham Park, Hoo Marina Park, and Allhallows Park, which should be acknowledged. Many of these parks are located in or near the Hoo Peninsula.
- 8.13 They provide a specific group of housing stock which can help to meet the need for lower cost housing in the authority area. However, this is caveated by the fact that their rural location, often in areas where other forms of development is restricted, means that these households often do not benefit from wider service provision.
- 8.14 These parks tend to only provide a certain type and quality of stock, are often marketed specifically to older person households, and also often contain stock which is let out as holiday homes as well as permanent homes.
- 8.15 As for houseboats, these park home households may have specific requirements which differ from other household types in the authority area.

## Older Person Households

- 8.16 Ageing population is a national characteristic, and will also be a specific characteristic of population growth over the projection period in Medway, as shown in previous sections of this Report.
- 8.17 Using the demographic baseline scenario (derived from the 2012 SNPP and 2011 HHP detailed), Table 77 shows the age specific change in households over the period from 2012 to 2037. This shows a total growth of 28,699 households over the 25 year period. Whilst there is a projected growth across all age bands, the most significant growth is anticipated in the 65+ age demographic. Growth is particularly marked in the 85+ household age band, which is projected to increase by 7,410 households (154%) over the 25 years from 2012 to 2037, albeit involving fewer households than most other categories in absolute terms. The 75-84 household age band has the second highest predicted growth level at 74%.
- 8.18 The data informing Table 77 is from the Stage 1 release of the latest 2012 household projections used in this SHMA (released 27<sup>th</sup> February). The Stage 2 release for this data is not yet available, and there is no indication of when it will be released. This data would facilitate further breakdown of the projected households where the head of household is 65+ to consider the potential make-up and nature of the ageing population. However, whilst providing further insight into the ageing population's households, the understanding and findings emerging from the current older person households based on the Stage 1 data release is informative and robust. This is especially the case when it is combined with the

Housing Needs Survey qualitative data, and the POPPI data considering the requirements for support services for older person households. Therefore, an accurate understanding of the potential future housing needs for the older proportion of the Medway population is achieved in this SHMA, without the requirement of the Stage 2 informed analysis.

**Table 77 - Age Distribution of Projected Household Growth (2012 - 2037)**

Household Age Band	Demographic Baseline Scenario			
	Number of households 2012	Number of households 2037	Difference 2012 – 2037	% Change
0-14	0	0	0	0%
15-24	4,166	4,387	221	5%
25-34	16,292	18,343	2,051	13%
35-44	20,767	23,752	2,985	14%
45-54	22,333	24,285	1,951	9%
55-59	9051	10,897	1,846	20%
60-64	8,815	9,806	991	11%
<b>65-74</b>	14,438	22,004	7,566	52%
<b>75-84</b>	8,980	15,583	6,602	74%
<b>85+</b>	2,924	7,410	4,486	153%
<b>Total</b>	<b>107,768</b>	<b>136,466</b>	<b>28,699</b>	<b>27%</b>

Source: GVA/ ONS SNPP

- 8.19 35.4% of respondents in the HNS indicated their household includes someone aged 60+ (178 respondents). Of these households, 11.6% live in homes that have been adapted for an elderly member (21) and 0.3% live in homes that have been purpose-built for an elderly member (1). This shows that the majority of households including a 60+ member have not had any special adaptations to accommodate the potential needs of this age group. This could constitute a potential unmet housing need, the possible details of which are considered in further detail below.
- 8.20 The majority of people are likely to continue to live in their family home as they get older. However as revealed from the HNS, the majority of these homes are unlikely to have been built to consider the changing needs of people as they get older. This being said, in many instances simple alterations such as widening doors and providing sloped access will be sufficient to meet a person's needs.

- 8.21 This is supported by findings from the HNS, which identified that of the small proportion of homes containing a 60+ member which have been adapted or purpose-built (11.9% = 22 households), the most common adaptation was to handrails/grab rails (70% = 15 households), followed by bathroom adaptations (43.6% = 9 residents). The least common adaptation was wheelchair adaptations.
- 8.22 Relevant literature discusses the specific design of homes in order to make them adaptable to changing needs. The Lifetime Homes Standard promoted by the Joseph Rowntree Foundation is an example by which the new developments can be judged adaptable<sup>77</sup>.
- 8.23 With the increasing need to house ageing residents living as couples there will be a greater need for 2+bed adapted / custom built accommodation. This is distinct from the traditional forms of retirement accommodation. As a result this should see a move away from bedsit and small 1 bed units to two, or even three bedroom units. This size of accommodation is increasingly viewed as the optimum accommodation size for senior residents which provide flexibility of space to allow for visitors/carers. However, in the social sector it should be acknowledged that under current allocations policy such elderly couples would only be entitled to 1 bedroom.
- 8.24 This should be tempered with policies which encourage the down-sizing of properties in the elderly population. This will release capital for the owners as well as much needed larger properties for other residents, to facilitate flexibility and churn in Medway's housing market. Such a policy will only work if preference is given to housing in areas where people would be willing to live. Practically, as well as financially, this is often in the areas where services are closer and land less expensive.
- 8.25 In relation to understanding where households would be willing to live, the HNS provides insight into the current rural-urban distribution by age of respondent, as shown below in Table 78.
- 8.26 If assuming these respondents are happy with their current location, and are willing to live in the same location in the future, this would suggest that there is a slightly higher preference for location in rural areas from older person households 66+, compared to the younger ages. This would require the location of smaller units in the rural area, as well as the urban area (where they tend to be more prevalent) to facilitate older residents to downsize whilst continuing to live in the rural area.

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<sup>77</sup> Lifetime homes incorporate 16 design criteria which can be universally applied to new homes. This lifetime homes standard promotes flexibility and adaptability in living environments for all situations. More information is available at: <http://www.lifetimehomes.org.uk/pages/lifetime-homes.html>

**Table 78 - Age-specific Urban and Rural Distribution of Current Households**

	Urban Area	Rural Area
<b>16 - 24</b>	5.51%	4.16%
<b>25 - 44</b>	33.31%	34.09%
<b>45 - 65</b>	39.22%	38.83%
<b>66 - 75</b>	12.15%	11.45%
<b>75 +</b>	9.81%	11.46%

Source: Medway HNS 2015

- 8.27 The report 'Last Time Buyers' by Legal & General, in conjunction with the Centre for Economics and Business Research (CEBR), provides an important insight into the problems being faced by older person households seeking to downsize in the UK housing market, epitomised by the statistic that "almost a third of older homeowners considered downsizing in the last five years; only 7% actually did". The report highlights that "there are 3.3 million homeowners who are aged over 55 and looking to downsize in future". These homeowners termed as 'last time buyers' are calculated to be "sitting on £820 billion of property wealth and 7.7 million spare bedrooms". There a number of reasons why this downsizing is not happening, including "a lack of suitable alternatives, high asking prices and the potential tax burden when they do try to downsize" in combination with personal reasons such as deciding to wait and not wanting to leave their long term home. The lack of suitable alternative housing is considered one of the key factors preventing downsizing from happening, with a requirement for suitable 2/3 bedroom properties near facilities to help alleviate this issue, amongst other tax regime, stamp duty and equity release approaches.<sup>78</sup>
- 8.28 In terms of the age trends in downsizing, the Legal & General report highlights that whilst it has been shown that a large number of over 55s consider downsizing over 50% seem to decide to wait until they are 70+ to downsize, with 25% deciding to wait until they are 80+.<sup>79</sup>
- 8.29 Research undertaken by Shelter, detailed in the factsheet 'Older people and housing', indicates that the housing needs of older people can change regardless of specific age trends due to issues including decreasing mobility, illness, and the illness / death of a partner. Such circumstances and changing needs result in either moves to smaller or specialist

<sup>78</sup> Legal & General - Last Time Buyers: [http://www.legalandgeneralgroup.com/\\_pdfs/press-release/LTB\\_Front\\_Cover\\_Report\\_Final.pdf](http://www.legalandgeneralgroup.com/_pdfs/press-release/LTB_Front_Cover_Report_Final.pdf)

<sup>79</sup> Legal & General - Last Time Buyers: [http://www.legalandgeneralgroup.com/\\_pdfs/press-release/LTB\\_Front\\_Cover\\_Report\\_Final.pdf](http://www.legalandgeneralgroup.com/_pdfs/press-release/LTB_Front_Cover_Report_Final.pdf)



accommodation, or staying in the same home but with the need for home adaptations, and/or care and support in order to do so.<sup>80</sup>

- 8.30 Respondents in the HNS were asked which older persons' housing options they would consider, if relevant now or in the next 5 years – the choices were sheltered accommodation, extra care housing, residential care homes, continue to live in current home with support when needed, buying a property in the open market, renting a property from a private landlord and renting from a Housing Association. Excluding those who would not consider any of these housing options now or in the next 5 years, 'continuing to live in current home with support when needed' was the most popular option considered by 30.8%% of all residents (155 residents). This suggests that elderly residents in Medway may prefer to remain in their home with adaptations and/or support, than move into a form of sheltered accommodation or care home.
- 8.31 As well as adaptations of existing homes and the design of new homes, the ageing population will require coordinated support services. The Projecting Older People Population Information (POPPI) service<sup>81</sup> provides further information on older persons housing needs at a local authority level. This data has now been updated and is based on updated population projections released by the ONS on 29 May 2014, based on 2012 based population projections. The projections extend to 2030.
- 8.32 The POPPI data identifies that the demographic shift towards an ageing population is likely to lead to an increase in demand for both housing and schemes that offer an element of care.
- 8.33 Table 79 shows Medway's projected needs for social care for older people (65+). This shows that in 2014, 13,277 people aged 65 and over were unable to manage at least one self-care activity on their own, 4.8% of the total 2014 Medway population (based on 2014 mid-year estimates). This is projected to grow to 20,686 by 2030 (55.8%). This would constitute 6.6% of the total projected Medway population in 2030 (using the 2012 based SNPP). This shows an increase in older people who are unable to manage at least one self-care activity as a proportion of the current and projected total population.
- 8.34 In 2014 16,150 people aged 65 and over were unable to manage at least one domestic task on their own, 5.9% of the total 2014 Medway population (based on 2014 mid-year estimates). This is projected to grow to 25,256 by 2030 (56.4%). This would constitute 7.7% of the total projected Medway population in 2030 (using the 2012 based SNPP). This also shows an

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<sup>80</sup> Shelter, 2007 - Older people and housing:

[https://england.shelter.org.uk/\\_data/assets/pdf\\_file/0013/41440/factsheet\\_older\\_people\\_and\\_housing\\_may\\_2007.pdf](https://england.shelter.org.uk/_data/assets/pdf_file/0013/41440/factsheet_older_people_and_housing_may_2007.pdf)

<sup>81</sup> This service is part of the Institute of Public Care and is managed by Oxford Brookes University and supported by Extra Care Charitable Trust. More information is available at: <http://www.poppi.org.uk/>

increase in older people who are unable to manage at least one domestic task on their own as a proportion of the current and projected total population.

- 8.35 It should be noted that growth in both of these social care categories can be accommodated in a person's present environment, so it is not likely to have such significant implications for new stock requirements, and may be more influential on the requirement for home adaptations.

**Table 79 - Projected Needs of Older People (65+): Social Care for Medway (2014 – 2030)**

Social Care	2014	2015	2020	2025	2030	Change 2014 - 2030
Living in a Care Home (with or without nursing)	994	1,023	1,184	1,458	1,736	742 (74.6%)
Unable to manage at least one domestic task on their own	16,150	16,554	18,869	21,960	25,256	9,106 (56.4%)
Unable to manage at least one self-care activity on their own	13,277	13,607	15,445	17,951	20,686	7,409 (55.8%)

Source: POPPI 2015

- 8.36 In the HNS, when respondents with a 60+ member were asked about the level of care those older members currently required, the majority indicated no care is required (85% = 152 respondents), 6.2% indicated a requirement for a low level of care (11 respondents), 5.4% indicated a requirement for a medium level of care (10 respondents) and 1.2% indicated a requirement for a high level of care (2 respondents). This does not reflect the requirements identified in the POPPI data due to the small sample size of respondents with a 60+ member living in the household. However, it does suggest there is a greater need for low and medium level care, which could be more easily accommodated within the existing home, than a high level of care, which may be more difficult to accommodate within the existing home and require alternative forms of housing stock.
- 8.37 As identified by Shelter, sheltered or retirement housing and retirement villages both offer alternative accommodation options for older people who require more care than they can receive staying in their home, but which do not require moving to a traditional care home, which is a more costly option providing a very high level of care and support and a loss of independence. Generally, sheltered or retirement housing helps residents to retain independence and privacy in their own unit, but with the comfort of an alarm system and communal social areas, as well as meal provision and personal care support in extra care sheltered housing options. Retirement Villages are very similar to sheltered and retirement housing, often in a typical 100 unit community, with purpose built units that often have owner-



occupation or part ownership tenure options. In contrast, care homes provide communal accommodation, with a high level of personal and medical care for residents. This type of accommodation is either run by non-profit / charity organisations, or profit driven organisations, with some residents' costs sometimes required to be paid fully or in part by social services and the NHS.<sup>82</sup>

## Groups with Specific Support Needs

- 8.38 Whilst there is no single data source which enables a thorough assessment to be made of households with specific needs, this analysis draws on longer-term projections of need from the Projecting Adult Needs and Service Information System (PANSI). This dataset has now been updated using population projection data released by the ONS on 29 May 2014 based on 2012 based population projections. The projections extend to 2030. This analysis is also supplemented by relevant qualitative Housing Needs Survey (HNS) analysis.
- 8.39 The Projecting Adult Needs and Service Information system developed by the Institute of Public Care (IPC) for the Care Services Efficiency Delivery Programme (CSED) provides projections of future numbers of households with physical and learning disabilities. These households, alongside others, are likely to require some form of support within their properties. This therefore provides a useful indication of the levels of demand on existing stock and future requirements to deliver new suitable properties and/or adaptations.
- 8.40 As shown in Table 80, the POPPI dataset suggests that between 2014 and 2030 the number of individuals aged 65+ in Medway predicted to have learning difficulties is anticipated to rise by 47.1%. This is compared with the projected total Medway population increase of 14% over the period from 2014 – 2030 (based on the 2012 SNPP). This shows that the anticipated proportional increase in those aged 65+ with learning difficulties is significantly above the projected overall population increase.

**Table 80 - People Forecast to have Learning Disabilities Aged 65+ in Medway (2014 - 2030)**

	2014	2015	2020	2025	2030	Change 2014 - 2030
Learning Disability	867	887	995	1,114	1,275	408 (47.1%)

Source: POPPI, 2015

- 8.41 The PANSI system suggests that the total number of individuals aged 18-64 with a learning disability will marginally increase in Medway by 7.6% overall, as shown below in Table 81. This

<sup>82</sup> Shelter, 2007 - Older people and housing:

[https://england.shelter.org.uk/data/assets/pdf\\_file/0013/41440/factsheet\\_older\\_people\\_and\\_housing\\_may\\_2007.pdf](https://england.shelter.org.uk/data/assets/pdf_file/0013/41440/factsheet_older_people_and_housing_may_2007.pdf)

anticipated proportional increase in those aged 18-64 with learning disabilities is significantly below the projected overall population increase (14% from 2014 – 2030).

**Table 81 - Forecast Total Population aged 18 – 64 with Learning Disabilities in Medway (2014 - 2030)**

	2014	2015	2020	2025	2030	Change 2014 - 2030
Learning Disability	4,126	4,161	4,276	4,357	4,439	313 (7.6%)
Moderate or Severe Learning Disability	940	948	974	996	1,020	80 (8.5%)
Moderate or Severe Learning Disability & Living with Parent	361	363	367	373	386	25 (6.9%)
Severe Learning Disability	251	253	259	265	273	22 (8.8%)

Source: PANSI, 2015

- 8.42 PANSI also provides projections on the change in population with both moderate and serious physical disabilities, as shown in Table 82. The PANSI data suggests that the total number of individuals aged 18-64 with a moderate physical disability or a serious physical disability will increase in Medway by 9.2% and 11.6% overall respectively. This anticipated proportional increase in those aged 18-64 with moderate and serious physical disabilities is below the projected overall population increase (14% from 2014 – 2030).

**Table 82 - Forecast Total Population aged 18-64 with Physical Disabilities in Medway (2014 - 2030)**

	2014	2015	2020	2025	2030	Change 2014 - 2030
Moderate Physical Disability	12,883	13,024	13,613	13,988	14,063	1180 (9.2%)
Serious Physical Disability	3,747	3,793	4,009	4,168	4,180	433 (11.6%)

Source: PANSI, 2015

- 8.43 Adults with physical disabilities require different levels of care depending on the severity of their disability. Individuals with a moderate personal care disability can perform tasks such as getting in and out of bed, dressing, washing and feeding with some difficulty. A severe personal care disability can mean that the task requires someone to help.
- 8.44 As shown in Table 83, the number of individuals with moderate or serious personal care disabilities is predicted to increase by 2030 for the 18-64 age range, by 10.6%. This anticipated

proportional increase in those aged 18-64 with moderate or serious personal care disabilities is below the projected overall population increase (14% from 2014 – 2030).

**Table 83 - Forecast Total Population aged 18 – 64 with Moderate or Serious Personal Care Disability in Medway (2014 – 2030)**

	2014	2015	2020	2025	2030	Change 2014 - 2030
Moderate or Serious Personal Care Disability	7,641	7,733	8,162	8,439	8,448	807 (10.6%)

Source: PANSI, 2015

- 8.45 On this basis it is likely that the overall capacity of suitable stock will need to continue to grow in Medway in order to meet needs, with careful consideration of housing requirements at a strategic level.
- 8.46 The above analysis indicates particular increase in the level of the 65+ population with learning disabilities (projected increase of 47.1% from 2014 – 2030). This is likely to translate into a requirement for increased in-home care support, as well as increased care home provision where the combination of learning disability and age mean it is no longer feasible for the appropriate care to be provided at home.
- 8.47 Increases are also evident in the level of the 18-64 population with moderate physical disability (9.2% increase), serious physical disability (11.6% increase) and moderate or serious personal care disability (10.6% increase). In housing terms some 18 – 64 adults with learning or personal care disabilities may live with older parents, who will absorb their specific housing requirements in the form of an additional required room and potential in home adaptation. However, as many of these adults get older, it is likely that parents / carers may no longer be able to cope with their needs, and that the level of care / support they require may increase, resulting in the requirement for increased care home provision.
- 8.48 In the HNS 20.5% of respondents (103 respondents) indicated that someone in their household has a long term illness, health problem or disability that limits their daily activity or work. Of these respondents, the most common disability amongst adults is 'physical disability' (59% = 88 residents), with 11% being wheelchair users (17) and 48% non-wheelchair users (71). The most common disability amongst children is 'mental health problem' (35% = 3 residents), which has less obvious adaptation implications, followed by 'physical disability: not in a wheelchair' (28% = 2 residents).
- 8.49 This suggests implications for the housing needs of these households in terms of access and/or adaptations, particularly considering the adult disability levels. Only 6.3% of the households with a disabled member have had some form of home adaptation to accommodate their

needs, and only 0.3% have had their home purpose-built. This indicates that the majority of disabled people in Medway are not living in a home which has been adapted or designed to suit their needs. This emphasises the potential need for adaptations/purpose-built homes in Medway going forward, particularly considering the forecast increase in physical disabilities from the PANSI data analysed above. However, it should be noted that when all respondents (504) were asked if they require any form of home adaptations in the next 5 years, the majority indicated they did not.

- 8.50 In terms of care, 4.2% of respondents (21 respondents) in the HNS indicated having members of their household who require care or support to enable them to stay in their home. Of these respondents, 47% said they lacked sufficient space to accommodate an overnight carer if needed. This suggests potential implications for the size of home appropriate for Medway residents who require in home care, however not as pronounced as the potential adaptation requirements identified for residents with physical disabilities.

## Younger Person Households

- 8.51 Nationally the private rented sector has undergone a period of significant expansion over recent years and now plays an important role in the operation of the housing market offering an alternative to owner-occupation and the social rented sector.
- 8.52 One of the key drivers traditionally for this tenure has been younger households (i.e. households making their first moves to form new households, either post further education or once they have a sufficiently rewarding form of employment). Whilst the private rented sector has expanded beyond this group in recent years to house families and older persons who are being priced out or who are ineligible for other tenures, understanding this particular young demographic is important.
- 8.53 Table 84 shows the age distribution of projected household growth, 2012 – 2033. The 15-24 age group and the 25-34 age group are anticipated to increase by 5% and 13% respectively.

**Table 84 - Age Distribution of Projected Household Growth (2012 - 2037)**

Household Age Band	Demographic Baseline Scenario			
	Number of households 2012	Number of households 2037	Difference 2013 – 2033	% Change
0-14	0	0	0	0%
15-24	4,166	4,387	221	5%
25-34	16,292	18,343	2,051	13%
35-44	20,767	23,752	2,985	14%
45-54	22,333	24,285	1,951	9%
55-59	9,051	10,897	1,846	20%
60-64	8,815	9,806	991	11%
65-74	14,438	22,004	7,566	52%
75-84	8,980	15,583	6,602	74%
85+	2,924	7,410	4,486	153%
Total	107,768	136,466	28,699	27%

Source: GVA/ ONS SNPP

- 8.54 As with the analysis of Older Person Households, the data informing Table 84 is from the Stage 1 release of the latest 2012 household projections used in this SHMA (released 27<sup>th</sup> February). The Stage 2 release for this data is not yet available, and there is no indication of when it will be released. This data would facilitate further breakdown of the projected households where the head of household is aged 15-34 to consider the potential make-up and nature of the younger population. However, whilst providing further insight into the younger population's households, the understanding and findings emerging from the Stage 1 data release is informative and robust. This is especially the case when it is combined with the Housing Needs Survey qualitative data, and ONS age-specific migration data. Therefore, an accurate understanding of the potential future housing needs for the younger proportion of the Medway population is achieved in this SHMA, without the requirement of the Stage 2 informed analysis.
- 8.55 The age specific in and out migration trends for Medway (as detailed in Section 2) are detailed again in Table 85 below. The highest proportion of in-migration and out-migration occurred in the 16 – 29 age group (both 40%), followed by the 30-44 age group (23% and 22% respectively). This suggests a labour migration driver for these moves in the working age population.

**Table 85 - 2013 Age-specific in and out migration into Medway**

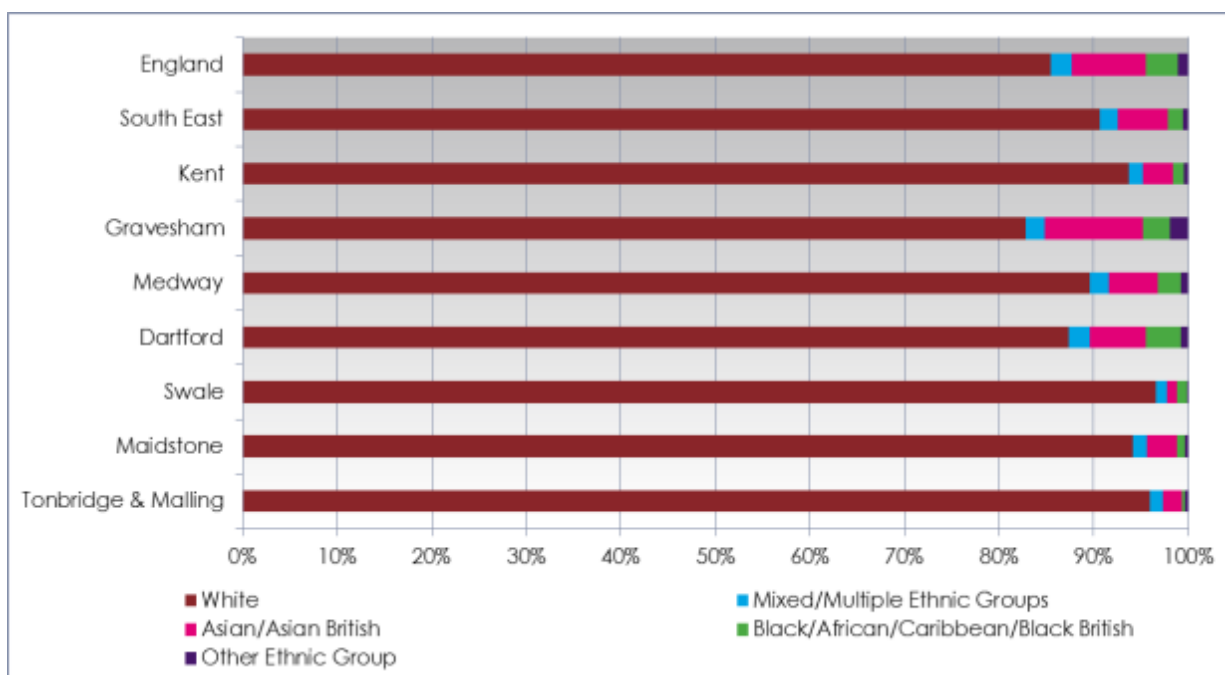
Age band	In - migration		Out - migration	
	Number of People	% of New Residents	Number of People	% of New Residents
<b>0-15</b>	1,960	17%	1,760	16%
<b>16-29</b>	4,710	40%	4,270	40%
<b>30-44</b>	2,730	23%	2,360	22%
<b>45-59</b>	1,380	12%	1,340	13%
<b>60+</b>	870	7%	950	9%
<b>Total</b>	<b>11,650</b>	<b>100%</b>	<b>10,680</b>	<b>100%</b>

Source: ONS, 2014

- 8.56 In the HNS respondents were asked whether any members of their household are likely to set up their own home in the next 5 years. 25% of respondents (112) indicated they expected some members to form a new household (16.9% to form 1 household, 7.6% to form 2 households, and 0.6% to form 3 households). Of newly forming households identified by these respondents, 92.7% (140 new households) are expected to be formed by 16+ children living at home with their parents. 46.9% of the identified newly forming households are within the 16-24 age group and 50.3% are within the 25-44 age group.
- 8.57 This suggests a significant proportion of potential newly forming younger person households in the next 5 years in Medway. However, the survey does not identify the certainty in which these new households expect to form, so it cannot provide any indication of perceived barriers or challenges to achieving this new household formation i.e. affordability, or any specific future housing solutions to address this.

## Black and Minority Ethnic Groups

- 8.58 Considering 2011 Census data, minority (non-white) ethnic groups made up approximately 10% of the Medway population. The Asian / Asian British population is the most significant of these groups making up 5% of the population, followed by the Black/African/Caribbean/Black British group making up 3% of the population.
- 8.59 The proportion of minority groups in Medway's 2011 Census population, benchmarked against the proportions for the HMA, the South East and England & Wales is shown in Figure 47 and Table 86. This shows that the presence of minority ethnic groups in Medway is less pronounced than at a national level, but largely in line with the regional South East Level. It also shows that the proportion of ethnic minorities in Medway is higher than Kent, and the majority of neighbouring HMA local authorities (with the exception of Gravesham and Dartford).

**Figure 47 - Population and Ethnicity for Minority (non-white) ethnic groups (2011)**

Source: Census, 2011

**Table 86 – Ethnic Composition of population (2011)**

	White	Mixed/Multiple Ethnic Groups	Asian/Asian British	Black/African/Caribbean/Black British	Other Ethnic Group	Total
England	85%	2%	8%	3%	1%	100%
South East	91%	2%	5%	2%	1%	100%
Kent	94%	2%	3%	1%	0%	100%
<b>Medway</b>	<b>90%</b>	<b>2%</b>	<b>5%</b>	<b>3%</b>	<b>1%</b>	<b>100%</b>
<b>Gravesham</b>	83%	2%	10%	3%	2%	100%
Dartford	87%	2%	6%	4%	1%	100%
Swale	97%	1%	1%	1%	0%	100%
Maidstone	94%	2%	3%	1%	0%	100%
Tonbridge & Malling	96%	1%	2%	0%	0%	100%

Source: Census 2011

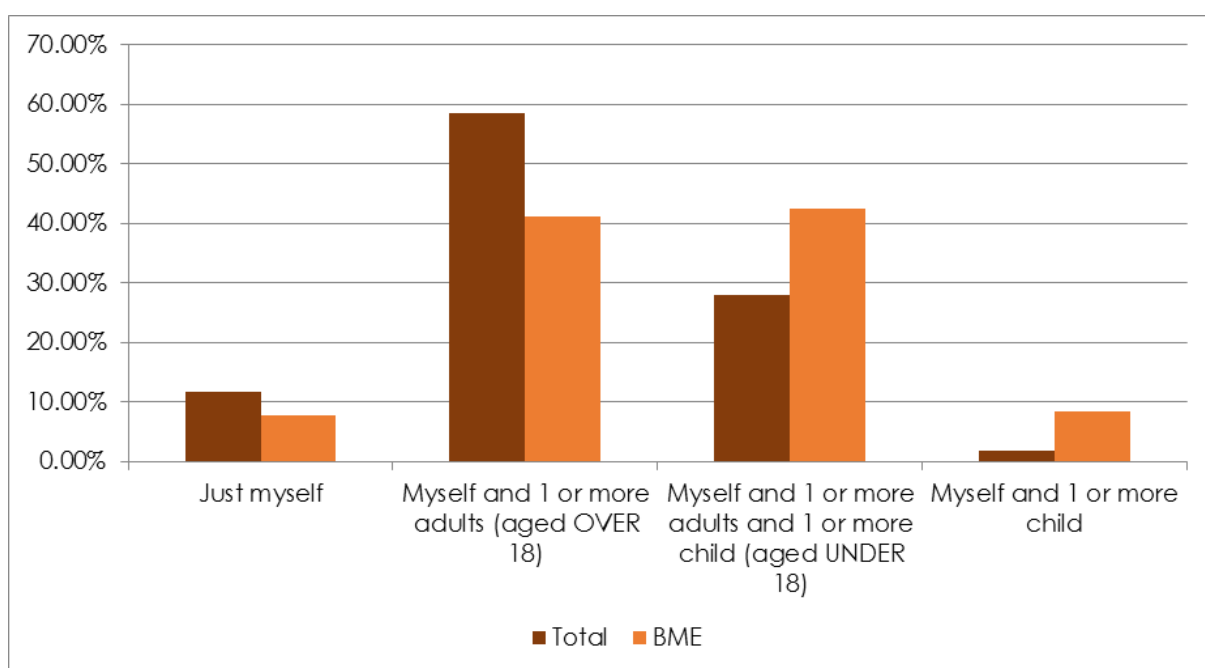
8.60 Ethnicity focussed analysis of the HNS results has been undertaken by separating those respondents classified as BME households, and comparing the analysis of these specific households to overall trends. 12.2% of respondents (61 respondents) are identified as being BME households.

- 8.61 The analysis and stock profiles identified in this sub-section reflect the distribution and trends from the 61 BME respondents (12.2%) included in the survey, so will not necessarily apply across the whole authority area. However, it provides a useful indication of the trend that may be observed across the authority.
- 8.62 No definitive recommendations are drawn from this analysis, due to the relatively small sample size reducing its reliability. Any potential future issues or actions identified must be caveated with the reliability of the survey sample size, and should be considered more broadly with the secondary data based conclusions and recommendations.

### BME Household Composition

- 8.63 Single person households constitute 7.9% of BME respondents. Households with 1 adult and 1 or more children constitute 8.4% of BME respondents. Households with 2 or more adults (all aged over 18) constitute 41.3% of BME respondents. Households with 2 or more adults and 1 or more children (aged under 18) constitute 42.4% of BME respondents.
- 8.64 Figure 48 below shows this BME distribution compared with all survey respondents. There is variation evident in each household category of the distribution. BME respondents constitute a smaller proportion of single person and 2 or more adult households, and a larger proportion of 2 or more adult and 1 or more children, and 1 adult and 1 or more children households. This suggests that when compared with all Medway households, generally BME households are larger in size, tend to contain more children, and are also likely to have a greater tendency towards accommodating multiple generations.

**Figure 48 - Medway Household Composition for BME Respondents and All Survey Respondents**

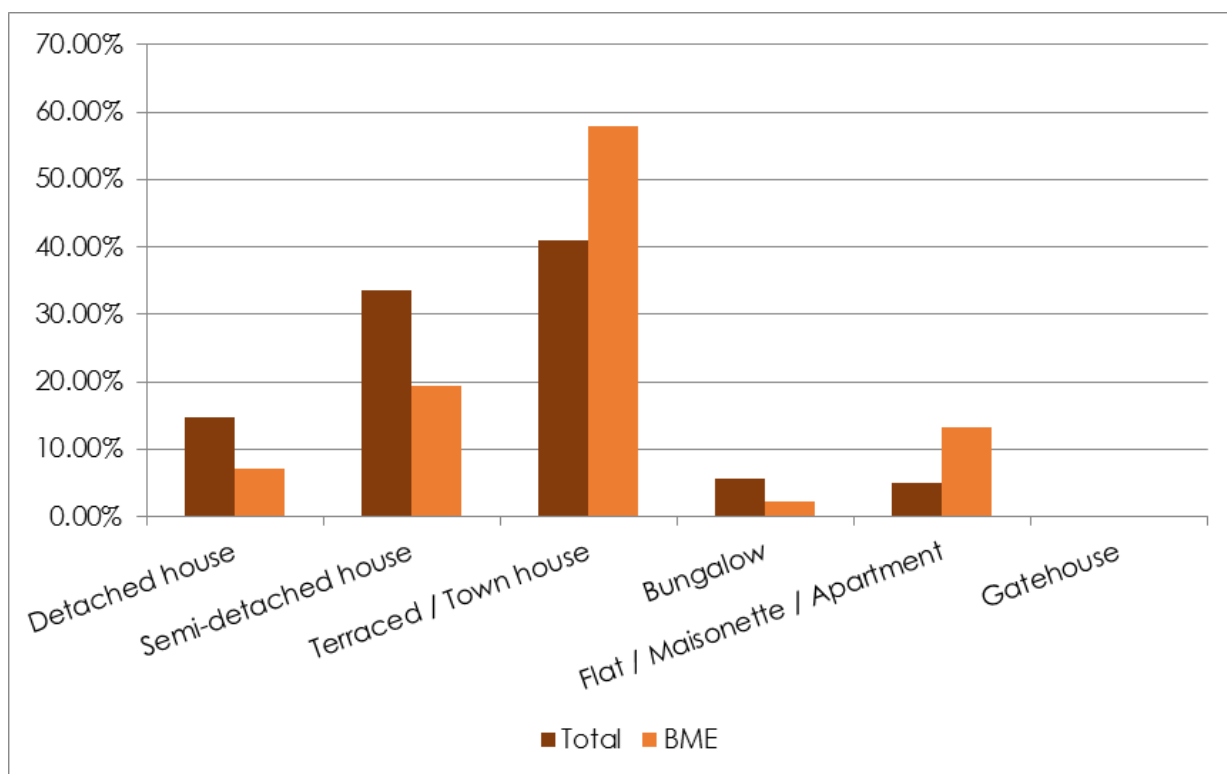




- 8.65 Of those respondents with 2 or more adults in the household (51 respondents), 50% have 3 or more adults, and 18.1% live with a son, daughter, brother or sister. This provides potential evidence of multi-generation households. This could potentially be caused by affordability issues preventing households from accessing properties that meet their size requirements, and/or the formation of new households. However, certain ethnic groups often have a greater tendency to form multi-generational households, so affordability may have no influence here. This is explored further below.

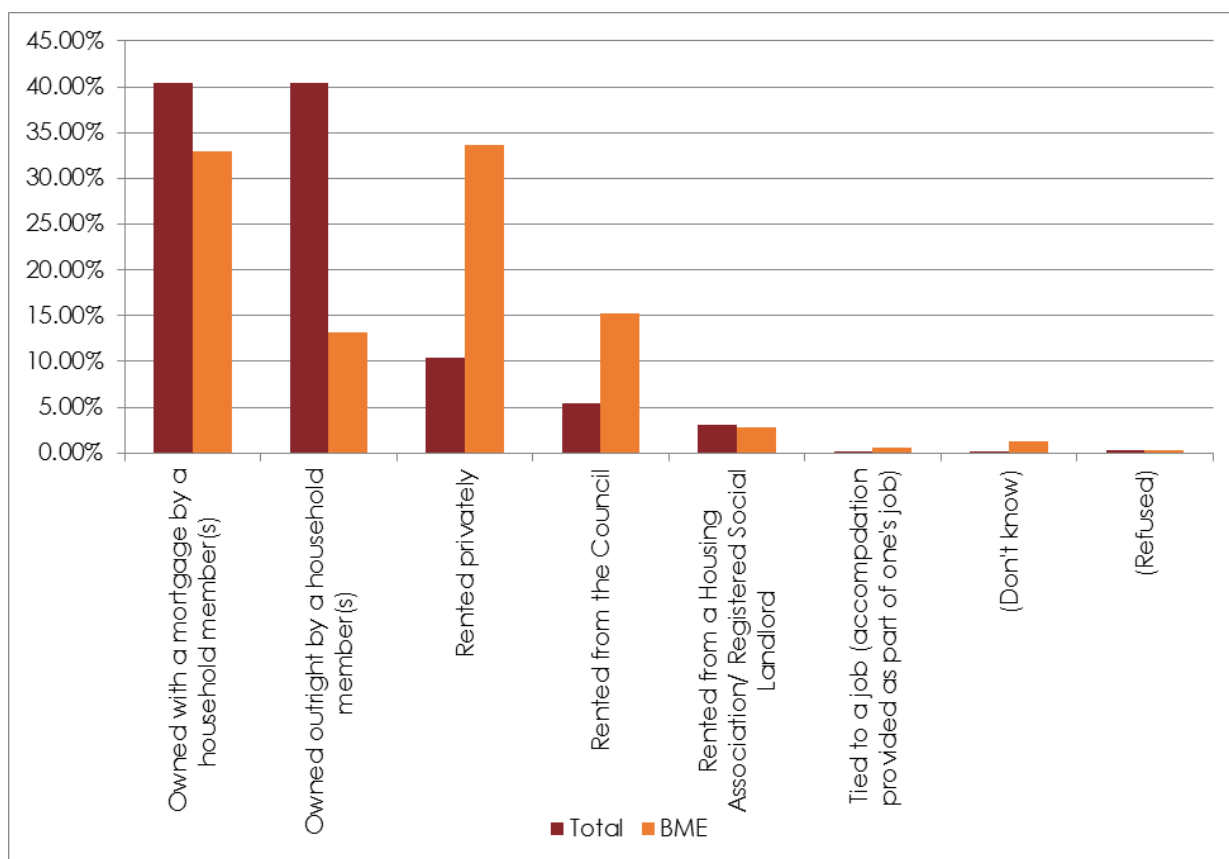
### Stock Type

- 8.66 As shown below in Figure 49, a higher proportion of BME respondents occupy terraced stock (56%) compared to the proportion occupied by all respondents (41%). A higher proportion of BME respondents also occupy flatted stock (13.2%) compared to the proportion occupied by all respondents (5%). A lower proportion of BME respondents occupy detached stock (7.1%), semi-detached stock (19.4%) and bungalow stock (2.3%) compared to the proportions occupied by all respondents (14.8%, 33.6% and 5.6% respectively).
- 8.67 The comparison of stock type distribution between BME respondents and all respondents highlights the propensity for BME residents to occupy terraced and flatted stock, which tends to be smaller in floorspace terms. When considering this in combination with the analysis of BME household composition, it suggests that these BME respondents may be living in overcrowded households. This is explored further below, when analysing the adequacy of current homes.

**Figure 49 - Medway Property Type for BME Respondents and All Survey Respondents**

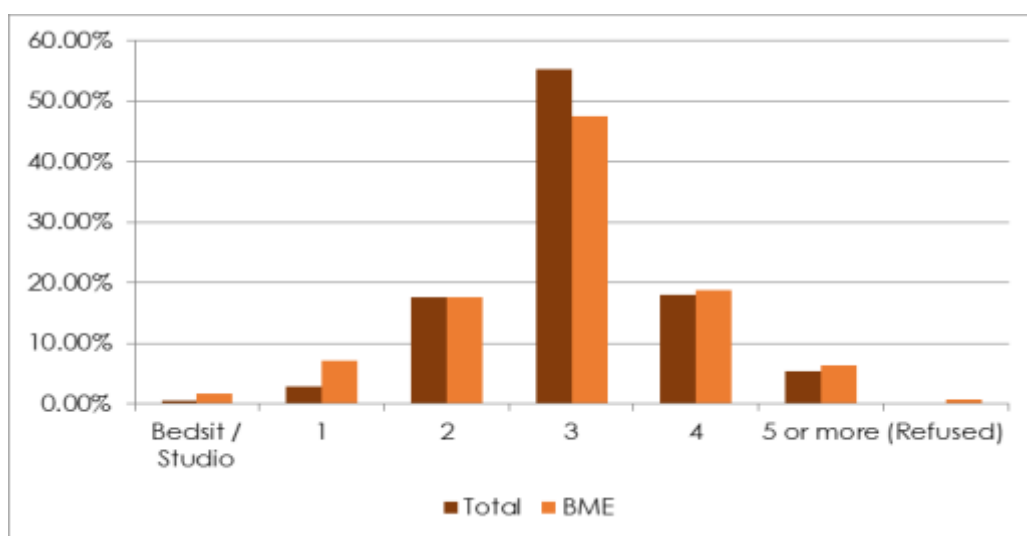
### Stock Tenure

- 8.68 Figure 50 shows significant distinction in property tenure proportions when comparing BME respondents with all respondents. Only 46.1% of BME respondents own their home (13.2% outright and 32.9% with a mortgage), compared to 80.8% of all respondents who own their home (40.4% outright and 40.4% with a mortgage). The distinction in outright ownership (13.2% of BME respondents compared to 40.4% of all respondents) is particularly significant.
- 8.69 As would be expected considering the differences in home ownership proportions, the proportion of BME respondents renting a home is substantially above that for all respondents. 15.2% of BME respondents are renting from the Council, compared to 5.4% of all respondents, and 33.7% of BME respondents are renting privately, compared to 10.3% of all respondents.
- 8.70 This could reflect affordability issues being faced by the BME respondents, which could tie in with the potential multi-generational households/inability to form new households/overcrowding identified above.

**Figure 50 - Medway Property Tenure for BME Respondents and All Survey Respondents**

## Stock Size

- 8.71 Figure 51 below shows a very similar distribution of the stock size occupied by BME respondents and all respondents. The only significant difference is in the proportion of 3 bedroom units which are occupied by 47.5% of BME respondents compared to 55.3% of all respondents.

**Figure 51 - Medway Stock Size for BME Respondents and All Survey Respondents**

## Stock Adequacy and Affordability

- 8.72 When BME respondents were asked whether their current home is adequate for their needs, 11.8% indicated their home is not adequate, compared to 7.8% of all respondents.
- 8.73 For the proportion of respondents who indicated their home is not adequate, there is significant variation evident in the reasons stated by the BME respondents compared to all respondents. The most striking distinction, and most relevant considering the other elements of this BME analysis, is that 59.1% of BME respondents find their home inadequate due to an 'insufficient number of bedrooms', compared to only 13.7% for all respondents.
- 8.74 This provides further potential evidence of the overcrowded nature of these BME respondent's households, which emphasises potential affordability pressures acting on BME residents in Medway, and their potential need for larger homes with more bedrooms. However, this must again be caveated by the fact that certain ethnic groups may make a lifestyle choice to live in households containing multiple generations.
- 8.75 Considering affordability more specifically, 64% of BME respondents indicated they receive no help with their housing costs, compared to 54.7% for all respondents. This contradicts the view that BME households are facing greater affordability pressure than other Medway residents. However, 19.9% of BME respondents indicated they meet their rent fully or partly with Housing Benefit, compared to only 8.1% of all respondents. This does suggest potential affordability pressures for Medway's BME residents.
- 8.76 When respondents were asked about their concern with meeting their housing costs, 36% of BME respondents indicated they are 'very concerned' or 'fairly concerned', compared to 18.2% for all respondents. 30.6% of BME respondents indicated they are 'not concerned at all', substantially below this indication from 51.8% of all respondents.
- 8.77 Traditionally BME households face constrained housing choices, which can be due to factors such as comparatively poor labour market position and ties to specific neighbourhoods dominated by certain types of housing. This analysis suggests that affordability may be a more acute issue for BME households than for the White ethnic groups living in Medway, which is potentially contributing to overcrowding. As already discussed, this overcrowding may also be caused by the propensity for certain ethnic groups to have multiple generations living in the same household. Regardless of motivations for this however, there are obvious implications for stock size and type requirements, and overcrowding levels.
- 8.78 Whilst the BME group does not constitute a substantial enough part of the population to necessarily make changes to this assessment's size-specific affordable housing

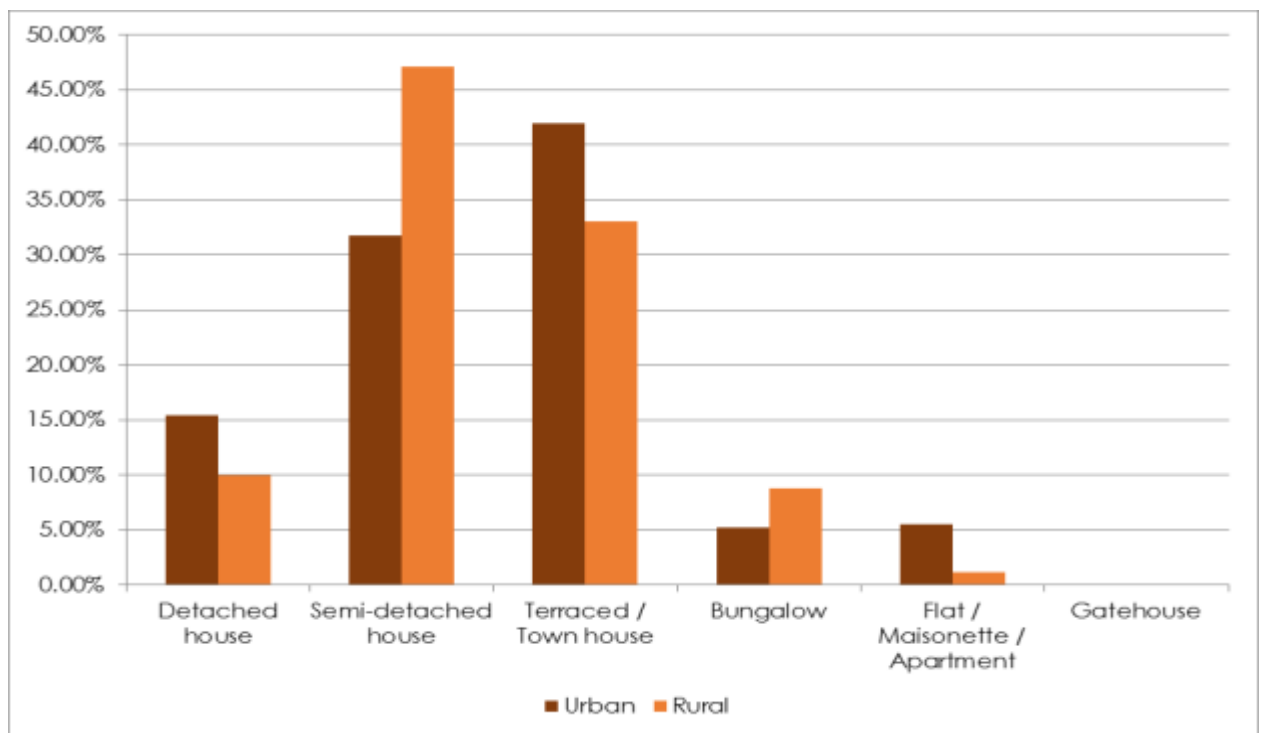
recommendations, Medway Council should consider potential approaches to increasing BME group access to affordable homes, which are larger in relation to bedroom number.

## Rural Households

- 8.79 The HNS was undertaken across all Medway wards, using a weighted sampling approach to replicate the demographic profile of the authority area. Comparative analysis between rural and urban areas has been undertaken by assigning each ward with rural or urban status. The main rural wards in Medway have been identified as Cuxton and Halling, Peninsula and Strood Rural. All other wards are defined as being urban in the context of this analysis. Respondents from the identified rural wards constitute 11.5% of the total survey sample, and urban respondents constitute 88.5% of the total survey sample.]
- 8.80 The analysis and stock profiles identified in this sub-section reflect the distribution and trends from the 504 respondents sampled in the survey, so will not necessarily apply across the whole authority area. However, it provides a useful indication of the trend that may be observed across the authority.
- 8.81 No definitive recommendations are drawn from this analysis, due to the relatively small sample size reducing its reliability. Any potential future issues or actions identified must be caveated with the reliability of the survey sample size, and should be considered more broadly with the secondary data based conclusions and recommendations.

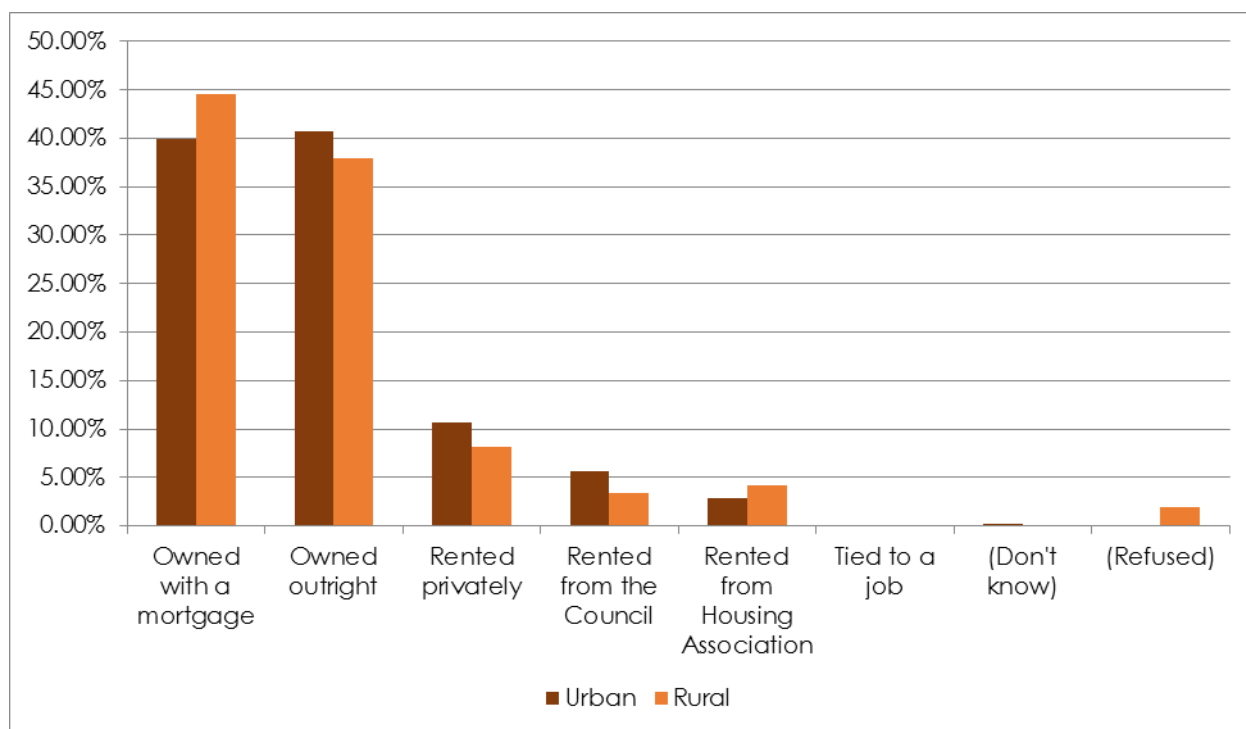
## Stock Type

- 8.82 As shown below in Figure 52, there is a higher proportion of semi-detached and bungalow stock occupation by rural respondents (47.1% and 8.8%) compared to urban respondents (31.8% and 5.5%). There is a lower proportion of detached, terraced and flatted stock occupation by rural residents (9.9%, 33.1% and 1.2%) compared to urban residents (42%, 15.4% and 5.5%).
- 8.83 The different stock type occupation profiles in the rural and urban areas suggest that certain types of stock may need to be prioritised in these areas in the future, in order to provide residents with equal opportunity and access to the full range of stock options, across the range of price points. For example; it may be beneficial to deliver more terraced and flatted stock in the rural area, which tends to offer more affordable housing options.

**Figure 52 - Medway Property Type by Rural and Urban Location**

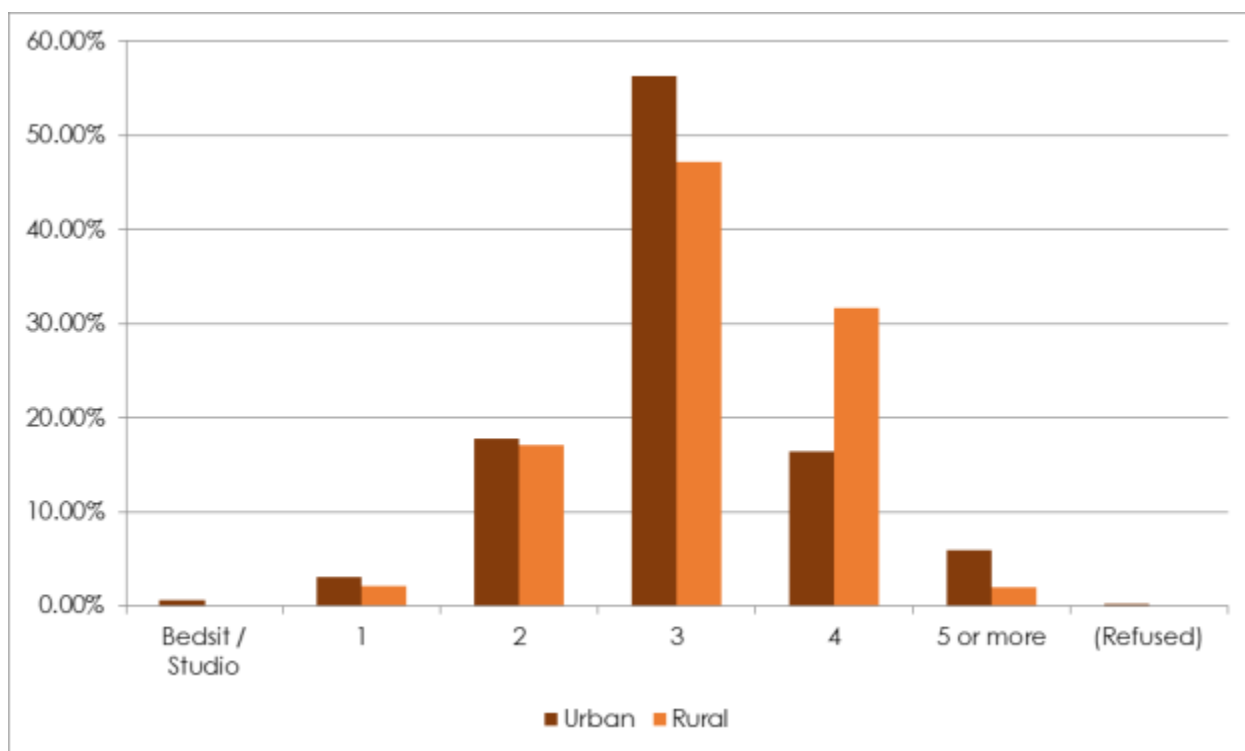
## Stock Tenure

- 8.1 Figure 53 shows very similar trends in home ownership overall; 82.4% in rural areas and 80.6% in urban areas. However, within this, there is a slightly higher proportion of home ownership with a mortgage in rural areas (44.5% compared to 40% in urban areas), and a slightly lower proportion of home ownership without a mortgage in rural areas (37.9% compared to 40.7% in urban areas).
- 8.2 There are lower proportions of private renting and Council renting in rural areas (8.1% and 3.3% respectively) compared to urban areas (10.6% and 5.6% respectively), but a slightly higher proportion of Housing Association renting in rural areas (4.2%) than urban areas (2.9%).
- 8.3 Despite some variation, the tenure profiles for rural and urban areas show a level of comparability, which does not suggest a need to promote any radical tenure variations in the rural or urban parts of Medway going forward.

**Figure 53 - Medway Property Tenures by Rural and Urban Location**

## Stock Size

- 8.4 Figure 54 below shows that rural areas have a significantly higher proportion of 4 bedroom stock (31.6%) compared to urban areas (16.4%). Urban areas have a higher proportion of stock by all other bedroom numbers, particularly for 3 bedroom stock which constitutes 47.2% of the rural stock profile compared to 56.3% of the urban stock profile.
- 8.5 There is some variation evident in the stock size profile identified by rural and urban respondents. The most significant finding from these distributions is the significantly higher proportion of 4 bedroom units in rural compared to urban areas. This suggests a potential requirement to increase the delivery of this stock size in urban areas, and control future delivery of this stock size in rural areas. This would increase the similarity in stock size distribution, and therefore the accessibility to the full range of stock sizes, between rural and urban areas in Medway.

**Figure 54 - Stock Size by Rural and Urban Location**

### Adequacy and Affordability

- 8.6 When respondents were asked whether their current home is adequate for their needs, a much lower proportion of rural respondents indicated their home is inadequate (1.9%), compared to respondents in urban areas (8.5%). However, this is based on a very small sample size, where the 1.9% equates to only 1 rural respondent. This means that it is not possible to compare the reasons for inadequacy between rural and urban respondents.
- 8.7 Despite the small sample size, the significance of the difference in proportion between rural and urban residents suggests that households in the rural parts of Medway may have lesser housing needs than those living in the authority's urban areas.
- 8.8 In terms of affordability, 71.9% of rural respondents indicated they receive no help with their housing costs (rent/mortgage), compared to 52.4% of urban respondents. A lesser proportion of rural respondents indicated they meet their rent in full with Housing Benefit (1%) compared to urban respondents (2.8%), and a lesser proportion of rural respondents meet their rent in part with Housing Benefit (1.2%) compared to urban respondents (6.1%).
- 8.9 When respondents were asked about their concern with meeting their housing costs, a higher proportion of rural respondents indicated they are 'not concerned at all' (35.9%) compared to urban respondents (30.2%). 10.4% of rural respondents indicated they are 'very concerned' or 'fairly concerned' about meeting their housing costs, compared to 10.9% of urban respondents.



- 8.10 This analysis suggests that affordability may be a less acute issue for rural Medway households, than for urban households. The most notable potential housing implications for rural areas in Medway may relate to improving the range of stock type and size distribution to ensure rural residents have the opportunity to access all housing types and tenures.

## Key Findings

- 8.11 The purpose of this section has been to consider the housing requirements of specific groups whose housing needs might differ from the majority of the population. The key findings are as follows:

- **Older person households (65+)** are projected to grow at a significant level over the projection period; from 27,261 in 2013 to 42,247 in 2033. This is a total growth of 14,986 (55%).

The majority of older person households will continue to live in their family home, possibly with adaptations. The provision of new homes specifically designed to be adaptable will help improve choice and flexibility. This should be complemented with further policy which encourages the downsizing of properties in older age groups

The HNS analysis identifies that the majority of households with someone aged 60+ have not had any special adaptations to accommodate the potential needs of this age group. However, of those that have been adapted for an elderly member (11.6%), the most common adaptations are fairly small/minor, and therefore can be fairly easily accommodated and implemented in the home.

The HNS analysis suggested that elderly residents in Medway may prefer to remain in their home with adaptations and/or support, rather than moving into sheltered accommodation/a care home. This supports the focus on supporting choice and flexibility by facilitating the adaptability of homes where possible.

- **For Groups with Specific Support Needs**, projected increases from 2014 to 2030 in the number of people with learning and physical disabilities and personal care disabilities suggest the likelihood that the overall capacity of suitable stock will need to continue to grow in Medway in order to meet needs. There is projected to be a 47.1% increase in those aged 65+ with learning disabilities, a 9.2% increase in those aged 18-64 with a moderate physical disability, a 11.6% increase in those aged 18-64 with a serious physical disability and a 10.6% increase in those aged 18-64 with a moderate or serious personal care disability. This will require careful consideration at a strategic level.

The HNS analysis suggests potential future requirements for more adaptable and purpose-built stock to accommodate households containing someone with a physical disability. It suggests there is not currently a very high proportion of these households

with home adaptations or living in purpose built homes, however this does not establish whether those without adaptations have expressed a desire for them.

- **Younger person households (15 – 34)** are projected to see a positive growth in the total number of households; 5% in the 15-24 age group and 13% in the 25-34 age group (5%).

Data shows a high proportion of inward and outward migration is amongst younger households. This suggests a labour migration driver for these moves in the working age population.

It is identified from the HNS that of the households likely to form over the next 5 years, the vast majority (92.7%) are expected to be formed by 16+children living at home with their parents. 46.9% are within the 16-24 age group and 50.3% are within the 25-44 age group. This suggests a significant proportion of potential newly forming younger person households in the next 5 years in Medway. However, the survey does not identify the certainty with which these new households are likely to form, so it cannot provide any indication of perceived barriers or challenges to achieving this new household formation i.e. affordability or appropriate stock availability

In 2011 **BME (non-white) groups** made up 10% of the population in Medway, of which 5% are Asian / Asian British and 3% are Black/African/Caribbean/ Black British. This proportion is largely in line with the regional South East Level and is higher than Kent as a whole and the majority of neighbouring HMA local authorities (with the exception of Gravesham and Dartford).

HNS analysis suggests that compared to all Medway households, BME households may often be larger in size, contain more children, have a greater tendency towards accommodating multiple generations and may also be overcrowded (in relation to required bedroom numbers). Affordability issues could be preventing households from accessing properties that meet their size requirements, and/or the formation of households, however this can also reflect the propensity of certain ethnic groups for large, multi-generational households. In light of this analysis, potential approaches to increasing BME group access to affordable and more appropriately sized homes should be considered, and explored in further detail.

- **Rural Households** are considered through the primary HNS data. They are defined as being rural when located within the main rural wards of Cuxton and Halling, Peninsula and Strood Rural, constituting 11.5% of the total HNS sample.

Compared to urban respondents, there is a higher proportion of semi-detached and bungalow stock occupied by rural survey respondents, lower proportions of private and Council renting, and a higher proportion of 4 bedroom stock. Rural respondents seemed happier with the adequacy of their current home than urban respondents. Whilst the reliability of this analysis must be caveated by the relatively small sample size

on which it is based, it suggests potential rural specific considerations for the Council, such as delivering more terraced and flatted stock to offer more stock variation and affordable choice, and focussing more on delivering smaller stock (1-3 bedrooms)/controlling the delivery of 4 bedroom units to balance the size distribution.

Significantly more rural respondents indicated receiving no help with their housing costs (rent/mortgage), and a higher proportion of rural respondents indicated they have no concern about meeting their housing costs than urban respondents. This suggests that affordability may be a less acute issue for rural Medway households, than for urban households.

- 8.12 It is evident that the specific housing requirements for older person households, younger person households, specific support needs groups, BME households and rural households, as well as more difficult to quantify groups such as self-build groups, gypsies and travellers and the houseboat community, should be considered in Medway's future housing strategy.
- 8.13 As considered above, it is recommended that this strategy includes support for increasing the proportion of smaller units (1 and 2 bedrooms). This will help to provide the appropriate stock for younger person households and those entering the market. It will also facilitate stock churn by providing more units appropriate for older person households looking to downsize, and freeing up larger units for families and BME groups. However, as well as focussing on encouraging the appropriate size of units, there should be a focus on delivering flexible homes which are suitable for adaptations to support in home care if required.
- 8.14 Self-building opportunities should be encouraged within the authority area where there is interest, particularly as this could help households to accommodate in home care and other care/disability related requirements where relevant. In terms of gypsies and travellers and the houseboat community, this SHMA is not in a position to provide supported recommendations for these households, which would require further research and monitoring.
- 8.15 Affordability is another key finding emerging from this analysis for many of the specific groups, however this is not something which can necessarily be easily influenced by the Council within their housing strategy.

## 9. Conclusions

### **Core Output 1: Estimates of current dwellings in terms of size, type, condition, tenure**

- 9.1 The total number of dwellings in Medway has increased from 102,578 in 2001 to 110,107 in 2011. This is an increase of 7,529 dwellings, equating to a 7% increase over the ten year period.
- 9.2 Of the current stock within Medway 14% is detached, 29% is semi-detached, 41% is terraced, 15% is flatted and 1% is Caravan or other stock type. Medway has the lowest proportion of detached stock within the HMA. The proportion is also low when compared to national (22%) and regional South East levels (28%). Medway has the highest proportion of terraced stock within the HMA; 9% above Gravesham and Swale, which have the second highest proportion at 32%. The proportion of semi-detached stock is largely in line with comparable areas, whilst the proportion of purpose built flatted stock is low.
- 9.3 The 2011 Census identified the following composition in Medway's housing stock; 10% 1 bed, 25% 2 bed, 49% 3 bed, 13% 4 bed and 3% 5 bed. This represents a higher proportion of 3 bed properties when compared with England (41%), South East (39%) and Kent (40%). This is also the highest proportion in the HMA, where excluding Medway, proportions range from 42% (Maidstone) to 47% (Gravesham). The proportion of other stock sizes within Medway is largely in line with comparable areas.
- 9.4 Based on the very basic proxy of households with central heating, Medway has a high overall stock quality at 96.8%. There is therefore no obvious concern with basic stock quality raised from analysis.
- 9.5 Of Medway's current stock at the 2011 Census, approximately 70% is owner occupied, 15% is private rented, 13% is social rented and 1% is shared ownership. Within the context of the wider HMA, this demonstrates a high proportion of owner occupation, with proportions ranging from 65% in Gravesham to 71% in Tonbridge and Malling. The figure for England is 63%. With regards to other tenures, Medway's proportions are similar to those within the wider HMA.

### **Core Output 2: Analysis of past and current housing market trends, including balance between supply and demand in different housing sectors and price/affordability. Description of key drivers underpinning the housing market**

- 9.6 The 2011 Census identified that 263,925 people live in Medway. This was updated to 274,015 people in the latest ONS 2014 mid-year population estimates (an increase of 10,090 people).
- 9.7 Considering the components of change over this period (2001 – 2014) using ONS mid-year estimates data, natural change (fertility exceeding mortality) was the most significant contributor to Medway's population growth over 2001 – 2014, contributing 16,407 people. Domestic migration had an overall negative contribution to population change (-1,995 people), however over the past 3-4 years domestic migration has become a positive net contributor. Medway has the strongest links in terms of inward and outward population flows with Swale (1,978 total moves), Maidstone (1,903 total moves), Gravesham (1,324 total moves) and Tonbridge and Malling (1,295 total moves).
- 9.8 The 2011 Census identified 106,209 households and 110,107 household spaces in Medway. Comparing the 2001 and 2011 household and household spaces figures, there has been a growth of 6,409 households (6%) and 7,231 household spaces (7%), which equates to an annual growth figure of approximately 640 households and 723 household spaces.
- 9.9 In Medway between 2001 to 2013, 8,459 dwellings were constructed, which equates to an average completions rate of 705 dwellings per annum. Considering this, the SHMA's OAN range of 1,175 dwellings per annum (based on demographic needs) to 1,213 dwellings (based on economic driven needs) would suggest a significant increase of 72% above the average past completions rate.
- 9.10 An indicator of the imbalance between supply and demand for affordable housing in the authority area is shown in the size of the housing register in Medway, with 4,354 households registered (excluding transfers).
- 9.11 House price transactions and rental activity represent a direct indicator of activity within the housing market. The average house price for all stock types in Medway is £198,400 (based on 2015 Land Registry data). Within this, the lowest average price is for flatted stock at £136,109, compared with the highest average price for detached stock at £324,902.
- 9.12 The overall average sale price for the authority area masks variation across Medway's sub-markets. There is a difference of £35,241 (20%) between the average price in Chatham (£180,229) and the average price in Rochester (£215,470). Chatham consistently had the lowest house prices across all stock types, and Rochester consistently had the highest.
- 9.13 The Lower Quartile house price has grown by 231% in Medway between 1996 and 2012, from £37,000 to £122,500. This growth is high when compared to the wider HMA (218%), Kent (222%) for Kent and England (205%).

- 9.14 Considering the Private Rented Sector, the mean average cost of renting 2 and 3 bedroom properties in Medway (reflecting a typical standard unit) is £692 pcm. This is £95 (14%) lower than the wider HMA average (£797) and £178 (25%) lower than the South East average (£868).
- 9.15 Income levels are a key determinant of the ability of households to exercise choice in accessing housing and the level of need for affordable housing products. In 2014 Medway households had Mean and Lower Quartile Incomes of approximately £36,906 and £15,964 respectively.
- 9.16 In affordability terms, based on the authority area's household income distribution (where 50.8% of Medway households earn less than £30,000 per year) and an assumed spend of up to 30% of household income on housing costs, 66% of households in Medway can afford to purchase a Lower Quartile house with a 75% LTV mortgage, and only 58% of households can afford to purchase a Lower Quartile house with a 90% LTV mortgage or afford 2&3 bedroom market and affordable rent.
- 9.17 At the 30% housing spend level, households on the median average household income (£29,550) should be paying a maximum of £739 per month. Those claiming benefits of £500 per week should be paying a maximum of £650 per month and those claiming benefits of £350 per week should be paying a maximum of £455 per month.
- 9.18 It is clear that some households face significant issues in terms of market entry and mobility in Medway. Affordability issues mean that purchasing a property is outside the means of a substantial proportion of Medway households.

### **Core Output 3: Estimate of total future number of households, broken down by age and type where possible**

- 9.19 Section 4 calculated the objectively assessed need range and figure for Medway over the projection period from 2012 to 2037. One of the outputs of this process is household projections for Medway over this period, based on different scenarios including a demographic baseline and economic growth scenario (as explained fully in Section 4). The household projection scenarios for the demographic baseline scenario and the economic growth scenario are presented here by age and by household type to understand the upper and lower range estimates for future households in Medway.
- 9.20 For the demographic scenario Table 87 shows the projected future households to 2037 by household age group. There is an increase of 28,699 households over the projection period, from 107,768 in 2013 to 136,466 in 2033. The largest household growth over the period is in the 85+ age group, followed by the 75-84 age group and the 65-74 age group at 153%, 74% and

52% respectively. The smallest increases are anticipated in the 15-24 (5%), 25-24 (13%) and 45 – 54 (9%).

- 9.21 Table 88 shows the projected future households to 2037 by household category for the economic scenario. The projected household figures for the demographic baseline and economic scenario indicate the estimated range of the total number of future households in Medway by the end of the projection period (2037). The estimated range of total overall household growth is between 136,446 households and 137,001 households.

**Table 87 - Demographic Scenario Household Projections by Age Group (2012 - 2037)**

Households by Age Group	Households		Change in Households	
	2012	2037	2012-2037	%
0-14	0	0	0	0%
15-24	4,166	4,387	221	5%
25-34	16,292	18,343	2,051	13%
35-44	20,767	23,752	2,985	14%
45-54	22,333	24,285	1,951	9%
55-59	9051	10,897	1,846	20%
60-64	8,815	9,806	991	11%
<b>65-74</b>	14,438	22,004	7,566	52%
<b>75-84</b>	8,980	15,583	6,602	74%
<b>85+</b>	2,924	7,410	4,486	153%
<b>Total</b>	<b>107,768</b>	<b>136,466</b>	<b>28,699</b>	<b>27%</b>

Source: GVA/ ONS SNPP

**Table 88 - Economic Scenario Household Projections by Age Group (2012 - 2037)**

Households by Age Group	Households		Change in Households	
	2012	2037	2012-2037	%
<b>0-14</b>	0	0	0	0%
<b>15-24</b>	4,166	4,566	400	10%
<b>25-34</b>	16,292	18,819	2,527	16%
<b>35-44</b>	20,767	24,147	3,380	16%
<b>45-54</b>	22,333	24,299	1,965	9%
<b>55-59</b>	9,051	10,732	1,681	19%
<b>60-64</b>	8,815	9,634	819	9%
<b>65-74</b>	14,438	21,732	7,293	51%
<b>75-84</b>	8,980	15,539	6,558	73%
<b>85+</b>	2,924	7,534	4,610	158%
<b>All Age Groups</b>	<b>107,768</b>	<b>137,001</b>	<b>29,233</b>	<b>27%</b>

Source: GVA/ ONS SNPP

- 9.22 The data informing Table 87 and Table 88 is from the Stage 1 release of the latest 2012 based household projections used in this SHMA (released 27<sup>th</sup> February). The Stage 2 release for this data is not yet available, and there is no indication of when it will be released. This data would facilitate further breakdown of the projected households considering their associated size requirement.

## Core Output 4: Estimate of current number of households in housing need

- 9.23 Section 5 provides the assessment of housing need to identify the current backlog of households in need. This relies on utilising the most up to date snapshot of need from Medway's housing register and the most up to date Council data on the number of accepted homeless households for the year. It involves 3 steps which as accurately as possible consider; homeless households and those in temporary accommodation, overcrowded and concealed households and other need groups.
- 9.24 There are a total of 458 households in Medway identified as being homeless and currently included on the Housing Register. This figure does not include transfers. The 458 households figure is assigned to the potential future Local Plan period (2017 – 2035), which equates to 636



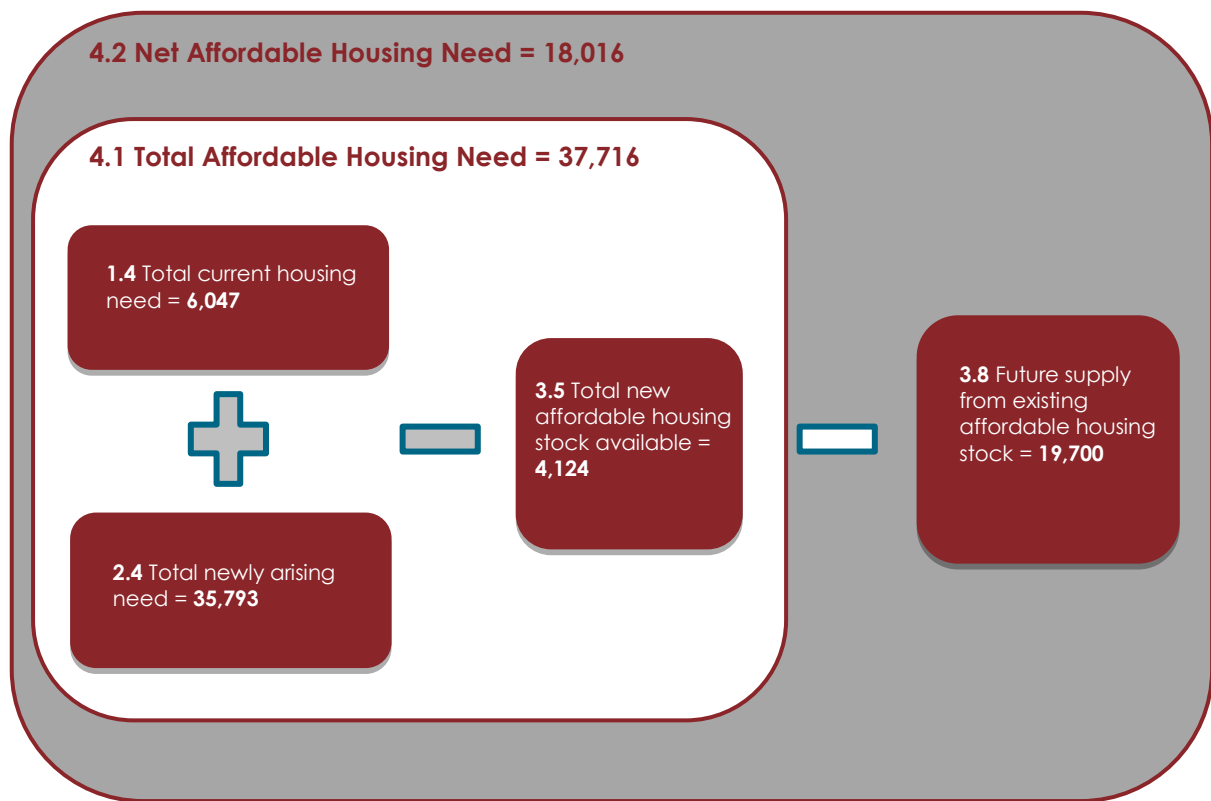
households over the projection period (2012 – 2037) and 25 homeless households as an annualised figure. Whilst homeless households and those in temporary accommodation do not always join the housing register (immediately, if at all), this figure is the most robust and locally accurate indication of Medway homeless households.

- 9.25 One household currently on the Medway Housing Register is identified as being in statutory overcrowding. Whilst this suggests that overcrowded and concealed households may not be fully captured on the register, it is the most appropriate data source for this household category, a very difficult to identify housing group.
- 9.26 Other need groups are assessed to include all groups in housing need, excluding those who are homeless and in temporary accommodation, and in overcrowded and concealed households. This includes the households within all four bands of Medway's Housing Register. Transfers are excluded from the total figure because they release supply of housing and therefore have a nil net effect, as are homeless and overcrowded households to avoid double counting.
- 9.27 Overall, combining the three figures discussed above this gives a total current housing need figure in Medway of 6,047 over the projection period, 4,354 over the potential future Local Plan period, and 242 as an annualised need figure. These levels of need are assumed to be addressed fully and evenly over each of the respective time periods.

### **Core Output 5 & 6: Estimate of future households that will require affordable housing and market housing**

- 9.28 The calculation steps with outputs for the requirement of affordable housing in Medway over the projection period (2012 – 2037) are shown below in Figure 55. This identifies total affordable housing need of 36,550 over the projection period, which equates to net affordable housing need of 16,850.

Figure 55 - Affordable Housing Need Calculation Diagram (with figures)



9.29 A more detailed breakdown of this calculation and the resulting proportion of housing that will need to be affordable over the projection period (as a proportion of new household formation and OAN) is as follows:

- **New household formation (all tenures) = 30,875**
- Affordable housing need backlog = 6,047
- Gross newly arising affordable need = 35,793
- **Total affordable need = 6,047 + 35,793 = 41,840**
- New affordable housing supply = 4,124
- Future supply from existing affordable stock = 19,700
- **Total affordable supply = 4,124 + 19,700 = 23,824**
- **Net Affordable Housing Need = Total affordable supply (23,824) – Total affordable need (41,840) = -18,016**

9.30 This identifies an affordable housing requirement of 18,016 households over the projection period. Considering the other scenario columns in the calculation table above, this equates to an affordable housing requirement of 12,972 households when considered over the 2017 - 2035 potential future Local Plan period, and an affordable housing requirement of 721

households as an annualised figure. This assumes the entire backlog is cleared by the end of the respective time periods.

- 9.31 Allowing for Medway's 3.2% vacancy rate (which adequately facilitates housing market churn) this identifies an **affordable requirement of 18,592 dwellings** over the projection period (2012 – 2037), 13,387 dwellings over the potential future Local Plan period (2017 – 2035), and 744 dwellings annually.
- 9.32 The housing needs analysis should therefore be regarded as evidence that in Medway, **'need' for affordable housing is greater than the currently identified 'supply' of affordable housing over the projection period, the potential future Local Plan period, and on an annual basis.**
- 9.33 Over the assessed projection period (2012 -2037) the calculated need for 18,592 affordable dwellings (744 dpa) constitutes 58% of the total number of dwellings required to deliver the OAN figure of 1,281 dwellings per annum.
- 9.34 On the basis of the Council's current affordable housing policy target of 25 - 30% the OAN of 1,281 dwellings per annum would be insufficient to deliver the identified affordable need of 744 dwellings per annum. This could justify the consideration to increase the housing requirement.
- 9.35 However, the continued use of this target will be subject to viability considerations, with references to the NPPG (Paragraph 029, Reference ID: 2a-029-20140306). It should also be guided by the affordable housing viability testing being undertaken as part of this SHENA.
- 9.36 In qualitative terms, support for the significant affordable housing requirement levels identified, comes from the indication from the HNS that of the 3.6% of all respondents who need to move, 35% are not able to do this, with affordability cited as the main reason for this (61%).

### Need for different affordable housing types

- 9.37 In Section 7, the affordability of each affordable housing type to Medway households (calculated earlier in this Report) is used to provide an indication of the potential distribution of need between these affordable housing types. This is summarised in Table 89 below.
- 9.38 Whilst this does not set a definitive recommendation, an indicative split for meeting affordable need throughout the provision of different types of affordable housing product is as follows:
- **Affordable Rent: 58% - 66%**
  - **Shared Ownership: 22% - 28%**
  - **Social Rent: 8% - 14%**

**Table 89 - Summary Table of Indicative Affordable Housing Distribution**

	Households that can afford tenure	Tenure distribution (all tenures)	Affordable tenure distribution
<b>All households</b>	100%		
<b>Market housing</b>	58%	58%	
<b>Affordable Rent</b>	58% - 66%	24% - 28%	<b>58% - 66%</b>
<b>Shared Ownership</b>	66% - 77%	9% - 12%	<b>22% - 28%</b>
<b>Social Rent</b>	66% - 77%	3% - 6%	<b>8% - 14%</b>

- 9.39 It should be noted that between 23% - 34% of households in Medway (depending on the scenario considered) would be deemed as not being able to afford any of the affordable housing products. This proportion of households is incorporated into the distribution for social rent (the most affordable of the affordable tenures), however it means that some households will require income support in order to access a social rented home.

## **Core Output 7: Estimate of the size of market and affordable housing required**

- 9.40 It is difficult to definitively indicate the future size requirements for market housing, which will be influenced by changes in demographic characteristics, income, mortgage availability, market affordability and a range of other national, regional and local factors.
- 9.41 The Housing Needs Survey (HNS) asked respondents about needing to move to a different home, to which 3.6% of respondents (18 respondents) indicated they need to move. Respondents who said their household needed to move home were asked why, with second and third most cited reasons being; 'home is too small' (30.9%) and 'home is too big' (23.6%). This suggests a current mismatch in the size of property being occupied by these respondents, which could reflect an authority wide trend. However, it does not help in addressing this mismatch and identifying an appropriate size-specific distribution.
- 9.42 HNS analysis of respondents who indicated some members of their household are likely to form a new household in the next 5 years (25% = 112) indicates that 50.2% of potential new households are likely to need a 2 bedroom property, 19.3% are likely to need a 1 bedroom property, 14.4% are likely to need a 3 bedroom property and 1.2% are likely to need a 4 bedroom property. Whilst the reliability of this must be caveated by the small sample size, it does provide a useful indication of the potential need for 1, 2 and 3 bedroom properties. This should be considered alongside the size specific indications from secondary data detailed below.

- 9.43 The most robust approach to considering the potential size-specific market housing requirements is to consider current size specific distribution. The 2011 Census data presented in the North Kent SHENA Baseline Report, and shown below in Table 90, sets this out. However, it should be noted this relates to all households in Medway, so is not specific to market housing.

**Table 90 - Housing Stock by Number of Bedrooms (%)**

Area	1 bedroom	2 bedrooms	3 bedrooms	4 bedrooms	5+ bedrooms
England	12%	28%	41%	14%	5%
South East	12%	26%	39%	17%	6%
Kent	11%	28%	40%	15%	5%
<b>Medway</b>	<b>10%</b>	<b>25%</b>	<b>49%</b>	<b>13%</b>	<b>3%</b>

- 9.44 This shows that for Medway, the proportion of 1 bedroom, 2 bedroom and 4 bedroom units are all comparable to the regional and national levels, although tending to be slightly lower. The proportion of 3 bedroom units is significantly above the regional and national comparators. The proportion of 5+ bedrooms is below the levels of the regional and national comparators.
- 9.45 These variations would suggest that if the Council wishes to align its stock size distribution with the national, and particularly regional distributions, it would need to prioritise the delivery of 5+ bedroom units and to a lesser extent 1, 2 and 4 bedroom units, and control the delivery of 4 bedroom units. However, this is not necessarily the approach to taken, as local distinctiveness in stock distribution is not assumed here to be negative. It can be reflective of / responsive to particular distinctions in demographic profile, for example.
- 9.46 It seems more appropriate that Medway Council seeks to follow a similar size distribution in its market housing delivery as is currently evident in all housing stock for the District (approximately 10% 1 bed, 25% 2 bed, 49% 3 bed, 13% 4 bed and 3% 5+ bed), unless information becomes available which would suggest otherwise. The delivery of different sizes of market housing will in the most part be led by the market itself. It should also be considered that higher and lower proportions in market housing, to regional and national comparators, could be counteracted by differing proportions within the distribution of affordable housing.
- 9.47 The size-specific distribution of affordable housing can be considered in more detail using the indication of need by bedroom size recorded within the Council's housing register, as set out below.
- 9.48 Examination of Medway's housing register in Section 5 shows that the largest demand for affordable housing is for 1 bedroom properties (3,752 households - 73%), followed by 2 and 3 bedroom properties (834 households - 16% and 390 households - 8% respectively). The smallest demand is for 4+ bedroom properties (153 households - 3%).

- 9.49 An appropriate level for the future distribution of affordable units could include approximately 74% 1 bedroom properties, 16% 2 bedroom properties, 8% 3 bedroom properties and 2% 4+ bedroom properties. This takes into account the combination of factors including; faster turnaround of smaller properties in comparison to larger properties, and potential for increasing demand for smaller homes with an ageing population and the presence of student households within the area's population, and importantly also projects forward size specific requirement trends currently identified from the Council's Housing Register. A general preference to live in a home larger than requirement and the difficulty in accessing larger family homes which have a much slower turnaround than smaller properties is considered, however these requirements do not require prioritisation within the context of Medway. This is particularly the case considering the disincentives for under-occupation, which is not encouraged in allocations policy, and which is affected by the Housing Benefit cap.
- 9.50 As such, the 1 bedroom percentage is increased by 1% compared to the level of need indicated by the housing register data, the 2 and 3 bedroom percentages are maintained, and the 4+ bedroom percentage is reduced by 1% to reflect the lower level of demand for this property size.
- 9.51 These approximations represent a possible broad distribution for size based housing requirement, but this is by no means a set indication of how affordable units should definitively be distributed, considering that demand may vary depending on specific location in Medway and the relevant context of current supply and demand.

**Core Output 8: Estimate of household groups who have particular housing requirements e.g. families, older people, key workers, black and minority ethnic groups, disabled people, young people, etc.**

- 9.52 This SHMA analysis has highlighted that the demographic and economic profile of Medway has undergone change since the 2001 Census, and change is likely to continue over the projection period. The active housing market is likely to react and in part feed back into these changes.
- 9.53 The analysis in Section 6 considers specific groups which could have particular future housing requirements, and in some cases represent the prominent and dynamic parts of Medway's changing profile.
- 9.54 The groups examined are set out below, alongside the key conclusions emerging from the analysis:

- 9.55 **Older Person Households** – In line with regional and national trends, Medway is projected to experience an increase in the number and proportion of the population aged 65+, increasing by approximately 14,989 (55%) over the projection period (2013 – 2033). Growth is particularly marked in the 85+ household age band, which is projected to increase by 3,641 households (120%) over the 20 years from 2013 to 2033, albeit involving fewer households than most other categories in absolute terms. The 75-84 household age band has the second highest predicted growth level at 56%.
- 9.56 The POPPI data identifies that from 2014 to 2030 the number of older people living in a care home is projected to increase by approximately 75%. The number of those unable to manage at least one domestic task on their own and is projected to increase by 56.4% and the number unable to manage at least one self-care activity on their own is projected to increase by 55.8%. This highlights the importance of providing appropriate retirement and adapted/custom build accommodation which is suitable for housing ageing residents living in a couple as well as single person households (2 – 3 bed units). This should be tempered with policies encouraging downsizing of the elderly population into smaller properties, releasing capital for owners as well as much needed larger stock for other residents. This will facilitate flexibility and churn in Medway's housing market, but will be dependent on a focus in parts of the authority area which are both desirable and affordable for new residents.
- 9.57 The HNS analysis identifies that the majority of households with someone aged 60+ have not had any special adaptations to accommodate the potential needs of this age group. However, of those that have been adapted for an elderly member (11.6%), the most common adaptations are fairly small/minor, and therefore can be fairly easily accommodated and implemented in the home.
- 9.58 The HNS analysis suggested that elderly residents in Medway may prefer to remain in their home with adaptations and/or support, rather than moving into sheltered accommodation/a care home. This consolidates the focus on supporting choice and flexibility by facilitating the adaptability of homes where possible.
- 9.59 **Groups with Specific Support Needs** – The PANSI data shows that projected increases from 2014 to 2030 in the number of people with learning and physical disabilities and personal care disabilities suggest the likelihood that the overall capacity of suitable stock will need to continue to grow in Medway in order to meet needs. There is projected to be a 47.1% increase in those aged 65+ with learning disabilities, 7.6% increase in those aged 18-64 with learning disabilities, a 9.2% increase in those aged 18-64 with a moderate physical disability, a 11.6% increase in those aged 18-64 with a serious physical disability and a 10.6% increase in those aged 18-64 with a moderate or serious personal care disability. This will require careful consideration at a strategic level;

- 9.60 The HNS analysis suggests potential future requirements for more adaptable and purpose-built stock to accommodate households containing someone with a physical disability. It suggests there is not currently a very high proportion of these households with home adaptations or living in purpose built homes, however this does not establish whether those without adaptations have expressed a desire for them.
- 9.61 **Younger Person Households** – Medway is projected to experience an increase of 831 (4%) people between the age of 15 and 34 over the projection period (2013 – 2033). The 15-24 age group will increase by 43 people (1%) over the period and the 25-34 age group will increase by 788 people (5%) over the period.
- 9.62 This justifies the need for Medway Council to consider the specific housing requirements of younger person households as does the need to retain some of the young demographic in the future within Medway's labour market (with there being a net out-migration of 4,270 people in the 16-29 age group from Medway in 2013, accounting for 40% of total net out-migration). The focus on meeting the needs of younger person households ties in very closely with the national, regional and authority level issue of affordability. An increasing difficulty in home purchase and increasing private rental levels is resulting in increased sharing in this demographic, beyond just the traditional student household sharers. Medway Council will need to prioritise younger households within the overall approach to meeting affordable housing needs in Medway.
- 9.63 It is identified from the HNS that of the households likely to form over the next 5 years, the vast majority (92.7%) are expected to be formed by 16+ children living at home with their parents. 46.9% are within the 16-24 age group and 50.3% are within the 25-44 age group. This suggests a significant proportion of potential newly forming younger person households in the next 5 years in Medway. However, the survey does not identify the certainty of which these new households are likely to form, so it cannot provide any indication of perceived barriers or challenges to achieving this new household formation i.e. affordability or unavailability of appropriate stock types and sizes.
- 9.64 **Black and Minority Ethnic Groups** – Ethnic diversity in Medway has increased between the 2001 and 2011 Censuses, supported by the influence of international migration to population growth. 2011 Census data shows that minority (non-white) ethnic groups made up approximately 10% of the Medway population, which is higher than the average for Kent and the majority of neighbouring HMA local authorities (with the exception of Gravesham and Dartford). Increasing diversity could have housing implications, particularly affecting size requirements considering the propensity for multi-generational households within certain ethnic minority groups



- 9.65 HNS analysis suggests that compared to all Medway households, BME households may often be larger in size, contain more children, have a greater tendency towards accommodating multiple generations and are also often overcrowded (in relation to required bedroom numbers). Affordability issues could be preventing households from accessing properties that meet their size requirements, and/or the formation of households, however this can also reflect the propensity of certain ethnic groups for large, multi-generational households. In light of this analysis, potential approaches to increasing BME group access to affordable and more appropriately sized homes should be considered.
- 9.66 **Rural Households** are considered through the primary HNS data. They are defined as being rural when located within the main rural wards of Cuxton and Halling, Peninsula and Strood Rural, constituting 11.5% of the total HNS sample.
- 9.67 Compared to urban respondents, there is a higher proportion of semi-detached and bungalow stock occupied by rural survey respondents, lower proportions of private and Council renting, and a higher proportion of 4 bedroom stock. Rural respondents seemed happier with the adequacy of their current home than urban respondents. Whilst the reliability of this analysis must be caveated by the relatively small sample size on which it is based, it suggests potential rural specific options for the Council, such as delivering more terraced and flatted stock to offer more stock variation and affordable choice, and focussing more on delivering smaller stock (1-3 bedrooms) and controlling 4 bedroom stock delivery, to balance the size distribution.
- 9.68 Significantly more rural respondents indicated receiving no help with their housing costs (rent/mortgage), and a higher proportion of rural respondents indicated they have no concern about meeting their housing costs than urban respondents. This suggests that affordability may be a less acute issue for rural Medway households, than for urban households.
- 9.69 Due to a lack of robust available data there are certain specific groups that have not been reviewed in this assessment, but are important to identify as they may require consideration in relation to future specific housing requirements. These groups include gypsies and travellers, self-build groups and students
- 9.70 **Gypsies and Travellers** – This group does not have a significant influence on Medway's housing requirements. Consideration of their specific needs is made in in the Gypsy, Traveller and Travelling Show people Accommodation Assessment (2013) produced by the Salford Housing & Urban Studies Unit.
- 9.71 **Self-build groups** – This group is difficult to quantify. Medway Council does not currently have a register of possible self-builders and/or sites reserved for self-build but it does intend to

address this issue in its forthcoming local plan. It is suggested that the Council may find it useful to undertake a survey with local residents (possibly part of any wider upcoming surveys) to understand the local need and ambition for self-build housing, and to create a register of interest for this type of housing.

## **Future Monitoring**

- 9.72 In order for the findings of the assessment to continue to inform and help shape policy, it will be necessary for Medway Council to monitor changes in the housing market and the underlying demographic, economic and market drivers examined in this assessment. Changes to the assumptions will have an impact on the projections of objectively assessed need and affordable housing requirements
- 9.73 The figures presented within this report are based upon up-to-date data and information, largely utilising the 2011 Census, which is the most comprehensive and reliable recent data available. Evidence of marked deviation from the future trends and assumptions presented will need to be taken into account in the development of strategy and policy approaches.
- 9.74 This SHMA has also utilised a range of other secondary data sources. This information will continue to be refined and updated by data providers such as the ONS, CLG, CACI, Rightmove, Zoopla and Land Registry. The use of secondary data sources makes monitoring a simpler process with a regular update examining changing trends constituting an important exercise for Medway Council.





## **Appendix I**

Affordable  
Housing Need  
Requirement  
Calculations:  
30%  
affordability  
for 75% LTV  
mortgage  
house  
purchase and  
2&3 bedroom  
Affordable  
Rent

**Table 91 - Affordable Housing Need Requirement Calculations** (affordability threshold of 30% household income housing spend for 75% LTV mortgage house purchase and 2&3 bedroom RP social rent)

Step	Comments	Projection Period (2012–2037)	Potential New Plan Period (2017–35)	Annual	Source
<b>Step 1 – <u>Current</u> Housing Need</b>					
1.1 Homeless households and those in temporary accommodation	Homeless households identified as such on Council's Housing Register	636	<u>458</u>	25	Identified from Medway Council (MC) housing register; households identified as being homeless and registered on the waiting list. This figure excludes transfer tenants.
1.2 Overcrowded and concealed households	Statutory overcrowded households identified as such on Council's Housing Register	1	<u>1</u>	0	Identified from Medway Council (MC) housing register; households identified as being statutory overcrowded and registered on the waiting list. This figure excludes transfer tenants.
1.3 Other groups	All other households on Council's Housing Register	5,410	<u>3,895</u>	216	Identified from Medway Council (MC) housing register; All households registered on the housing waiting list across all priority bands, excluding those identified specifically as homeless and overcrowded. This figure excludes transfer tenants.
<b>1.4 Total current housing need (gross backlog)</b>	<b>1.1 + 1.2 + 1.3</b>	<b>6,047</b>	<b>4,354</b>	242	<b>GVA calculated</b>
<b>Step 2 – <u>Future</u> Housing Need</b>					
2.1 New Household formation (gross)	Lower range projected household growth figure from OAN calculation	30,875	22,230	<u>1,235</u>	Lower range OAN household growth figure based on demographic baseline scenario from Section 4 (long term migration rates and UPC)
2.2 Proportion of newly emerging households unable to buy or rent	Those unable to buy at LQ prices or rent privately based on income levels	34% 28,100 x 34% = 9,554	34% 20,232 x 34% = 6,879	34% 1,124 x 34% = 382	GVA calculated from CACI Paycheck (Household Income), ONS (Private Rental Costs) and CLG (LQ House Prices)
2.3 Existing households falling into need	Households falling into need based on recent trends	22,825	16,434	<u>913</u>	CORE data – 3 year average of total new general needs and supported housing lettings (not existing affordable tenants)
<b>2.4 Total newly arising housing need</b>	<b>= (2.1 x 2.2) + 2.3</b>	<b>33,323</b>	<b>23,992</b>	<b>1,333</b>	<b>GVA calculated</b>

Step 3 – <u>Future</u> Affordable Housing Supply					
3.1 Affordable dwellings occupied by households in need	Assume zero	0	0	0	Transfers are excluded from Stages 1, 2 and 3 as they release supply of housing, having a net nil effect
3.2 Surplus stock	Current vacant stock that could be brought back into use	40	<u>29</u>	2	Provided by MC - based on empty and void properties (for 6+ months) which are likely to be brought back into use
3.3 Committed supply of new affordable housing	Pipeline supply through planning system	4,083	2,940	<u>163</u>	Medway data - Committed new affordable housing for 2015/16 - 2018/19: 3 year average
3.4 Units to be taken out of management	Housing currently let which is due to be demolished or refurbished	0	0	0	Medway Council indicates there are no demolitions or refurbishments of currently let stock which is unlikely to be brought back into use. Right to Buy sales are not included here as there is no LA requirement to rehouse these households.
<b>3.5 Total new affordable housing stock available</b>	<b>3.1 + 3.2 + 3.3 – 3.4</b>	<b>4,124</b>	<b>2,969</b>	<b>165</b>	<b>GVA calculated</b>
3.6 Supply of social re-lets (net)	LA and HA sector re-lets (general and supported needs) excluding transfers	19,200	13,824	<u>768</u>	CORE Data - 3 year average relets (social lettings and affordable rent for LAs and PRPs for general and supported needs). Taken as predicted annual levels in line with guidance (3 year average from 2011-12 to 2013-14).
3.7 Supply of intermediate affordable housing for re-let or re-sale at sub-market levels	3% turnover of shared ownership properties being taken up by new tenants	500	360	<u>20</u>	GVA calculated based on applying 3% turnover to 2011 Census data (671 shared ownership households recorded)
<b>3.8 Future supply from existing affordable housing</b>	<b>3.6 + 3.7</b>	<b>19,700</b>	<b>14,184</b>	<b>788</b>	<b>GVA calculated</b>

**Table 92 – Total Affordable and Net Affordable Housing Need**

Step 4 – <u>Bringing the Evidence Together</u>					
<b>4.1 Total Affordable Housing Need</b>	<b>1.4 + 2.4 – 3.5</b>	<b>35,246</b>	<b>25,377</b>	<b>1,410</b>	<b>GVA calculated</b>
<b>4.2 Net Affordable Housing Need</b>	<b>4.1 – 3.8</b>	<b>15,546</b>	<b>11,193</b>	<b>622</b>	<b>GVA calculated</b>



## **Appendix II**

Affordability of  
Intermediate  
Dwellings:  
Additional  
Analysis



## Affordability of Intermediate Dwellings: Additional Analysis

- 9.1 Replicating the analysis of the affordability of intermediate dwellings set out in Section 7, this additional analysis considers the affordability based on the assumption of accessing Lower Quartile market housing with a 75% LTV ratio mortgage, 25 year repayment period and 4% interest rate, alongside the Lower Quartile average market rent for 2&3 bedroom properties from earlier analysis.
- 9.2 This shows that the actual cost for these properties ranges from approximately £6,264 - £7,140 per annum, as shown below in Table 93.
- 9.3 This means that minimum household earnings of £20,880 - £23,800 per annum or above are required to access this type of intermediate housing. The need for a deposit, credit ratings and moving costs may prohibit some households accessing this tenure, even at this level of income.

**Table 93 - Cost of Intermediate Affordable Housing in Medway (for property with LQ £122,500 market value)**

Equity Share	Equity Value	Loan Amount (75% LTV ratio)	Monthly Mortgage Repayment Costs	Annual Mortgage Repayment Costs
25%	£30,625	£22,969	£121	<b>£1,452</b>
50%	£61,250	£45,938	£242	<b>£2,904</b>
75%	£91,875	£68,906	£364	<b>£4,368</b>

Rental Proportion	LQ Monthly Market Rent	Monthly Rental Costs	Annual Rental Cost	Total Annual Housing Costs (Mortgage and Rental)	Required Earnings to assume Affordable (up to 30% of household income)
75%	£632	£474	£5,688	<b>£7,140</b>	<b>£23,800</b>
50%	£632	£316	£3,792	<b>£6,696</b>	<b>£22,320</b>
25%	£632	£158	£1,896	<b>£6,264</b>	<b>£20,880</b>

Source: CACI, Money Advice Service, GVA, 2015

- 9.4 Comparing this to the income profile of residents in Medway, this suggests that approximately 33.6 – 42.5% of households could not afford a 25%, 50% or 75% equity share in a lower quartile value property. This indicates that the intermediate housing market does not create a

significant opening of the housing market to households who would otherwise not be able to purchase their own property outright.

- 9.5 The affordability of shared ownership can also be considered by demonstrating the income levels required to access shared ownership for 25%, 50% and 75% equity shares, with assumed 2.85% rental charges on remaining unsold equity (based on an example model of shared ownership operated by Two River Housing in Medway<sup>83</sup>). This is shown for maximum household income spend levels of 25%, 30% and 35% in Table 94, Table 95 and Table 96.
- 9.6 Under the assumption of spending up to 25% of household income on housing (Table 94), shared ownership with a 25% equity share would require an annual income of £16,281.75. A 50% equity share would require an annual income of £18,598.50. A 75% equity share would require an annual income of £20,963.25.
- 9.7 Therefore, 66% of households can afford 25% equity share and 50% equity share intermediate housing, and 58% of households can afford 75% equity share intermediate housing.

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<sup>83</sup> <http://www.tworivershousing.org.uk/custom-content/uploads/2015/02/Shared-Ownership-a-guide.pdf>

**Table 94 - Sensitivity 1c: Income Levels Required to Access Shared Ownership with Maximum Spend of 25% of Household Income**

	Intermediate (25% equity share)	Intermediate (50% equity share)	Intermediate (75% equity share)
Annual mortgage repayment costs	£1,452	£2,904	£4,368
Monthly mortgage repayment costs	121	242	364
Value of remaining unsold equity	£91,875	£61,250	£30,625
Rental charge at 2.85% of unsold value - Annual cost	£2,618.44	£1,745.63	£872.81
Rental charge at 2.85% of unsold value - Monthly cost	£218.20	£145.47	£72.73
Total annual housing payment	£4,070.44	£4,649.63	£5,240.81
Total monthly housing payment	£339.20	£387.47	£436.73
Max. percentage of income	25%	25%	25%
<b>Required annual income</b>	<b>£16,281.75</b>	<b>£18,598.50</b>	<b>£20,963.25</b>
<b>Required monthly income</b>	<b>£1,356.81</b>	<b>£1,549.88</b>	<b>£1,746.94</b>
CACI household income band which contains 'required annual income'	£15,000 - £20,000	£15,000 - £20,000	£20,000 - £25,000
Number of Households within and below income band	36,521	36,521	46,163
Total number of Households	108,654	108,654	108,654
<b>% of households who cannot afford annual payment</b>	<b>34%</b>	<b>34%</b>	<b>42%</b>

9.8 Under the assumption of spending up to 30% of household income on housing (Table 95), shared ownership with a 25% equity share would require an annual income of £13,568.13. A 50% equity share would require an annual income of £15,498.75. A 75% equity share would require an annual income of £17,469.38.

9.9 Therefore, 77% of households can afford 25% equity share intermediate housing, and 66% of households can afford 50% equity share and 75% equity share intermediate housing.

**Table 95 - Sensitivity 2c: Income Levels Required to Access Shared Ownership with Maximum Spend of 30% of Household Income**

	Intermediate (25% equity share)	Intermediate (50% equity share)	Intermediate (75% equity share)
Annual mortgage repayment costs	£1,452	£2,904	£4,368
Monthly mortgage repayment costs	121	242	364
Value of remaining unsold equity	£91,875	£61,250	£30,625
Rental charge at 2.85% of unsold value - Annual cost	£2,618.44	£1,745.63	£872.81
Rental charge at 2.85% of unsold value - Monthly cost	£218.20	£145.47	£72.73
Total annual housing payment	£4,070.44	£4,649.63	£5,240.81
Total monthly housing payment	£339.20	£387.47	£436.73
Max. percentage of income	30%	30%	30%
<b>Required annual income</b>	<b>£13,568.13</b>	<b>£15,498.75</b>	<b>£17,469.38</b>
<b>Required monthly income</b>	<b>£1,130.68</b>	<b>£1,291.56</b>	<b>£1,455.78</b>
CACI household income band which contains 'required annual income'	£10,000 - £15,000	£15,000 - £20,000	£15,000 - £20,000
Number of Households within and below income band	24,928	36,521	36,521
Total number of Households	108,654	108,654	108,654
<b>% of households who cannot afford annual payment</b>	<b>23%</b>	<b>34%</b>	<b>34%</b>

9.10 Under the assumption of spending up to 35% of household income on housing (Table 96), shared ownership with a 25% equity share would require an annual income of £11,629.82. A 50% equity share would require an annual income of £13,284.64. A 75% equity share would require an annual income of £14,973.75.

9.11 Therefore, 77% of households can afford 25%, 50% and 75% equity share intermediate housing.

**Table 96 - Sensitivity 3c: Income Levels Required to Access Shared Ownership with Maximum Spend of 35% Household Income**

	Intermediate (25% equity share)	Intermediate (50% equity share)	Intermediate (75% equity share)
Annual mortgage repayment costs	£1,452	£2,904	£4,368
Monthly mortgage repayment costs	121	242	364
Value of remaining unsold equity	£91,875	£61,250	£30,625
Rental charge at 2.75% of unsold value - Annual cost	£2,618.44	£1,745.63	£872.81
Rental charge at 2.75% of unsold value - Monthly cost	£218.20	£145.47	£72.73
Total annual housing payment	£4,070.44	£4,649.63	£5,240.81
Total monthly housing payment	£339.20	£387.47	£436.73
Max. percentage of income	35%	35%	35%
<b>Required annual income</b>	<b>£11,629.82</b>	<b>£13,284.64</b>	<b>£14,973.75</b>
<b>Required monthly income</b>	<b>£969.15</b>	<b>£1,107.05</b>	<b>£1,247.81</b>
CACI household income band which contains 'required annual income'	£10,000 - £15,000	£10,000 - £15,000	£10,000 - £15,000
Number of Households within and below income band	24,928	24,928	24,928
Total number of Households	108,654	108,654	108,654
% of households who cannot afford annual payment <sup>2</sup>	<b>23%</b>	<b>23%</b>	<b>23%</b>

9.12 Overall the evidence suggests some potential for intermediate forms of affordable housing to contribute towards meeting housing needs in Medway, however there are limitations to this potential. With a maximum spend of 30% of household income on housing, 66% - 77% of households could afford shared ownership depending on the degrees of equity share, leaving 23% - 34% of household who would still be unable to access housing through a shared ownership product.



## **Appendix III**

2015 Medway  
Housing Needs  
Survey:  
Analysis  
Report

# 1. Introduction

- 1.1 In February 2015 NEMS Market Research Ltd., a registered member of the Market Research Society (MRS), was commissioned by Medway Council to carry out the 2015 Medway Housing Needs Survey. This formed part of the Strategic Housing Needs and Economic Needs Assessment being undertaken jointly by Medway Council and Gravesham Borough Council.
- 1.2 The Survey was designed to understand the housing needs across the Medway authority area, to feed into Medway's Strategic Housing Market Assessment (SHMA). The Survey utilised a 'mixed-methodology approach', with the majority of interviews being conducted over the phone (approximately 80%), supplemented by face-to face interviewing (approximately 20%). This was in order to overcome, as far as possible, the limitations associated with telephone surveys in reaching three key groups; private renters, BME groups and student households. To counter this, door to door interviews were targeted in specific areas of the authority area known for a prevalence of these groups
- 1.3 A total of 504 interviews were distributed proportionally across the 22 Medway wards, using a weighted sampling approach. This replicates the demographic profile of the authority area.
- 1.4 The analysis of the data collected from these 504 respondents should consist of a sample which is broadly representative of the wider authority area. Trends identified from the data should therefore reflect trends which would be observed across the wider population. Identified issues, and resultant future focus areas/recommendations drawn out in the SHMA Report, should therefore be generally applicable to the whole Medway authority.
- 1.5 This Report brings together the key findings from the Medway HNS, which support and feed into the SHMA analysis. It focuses on the following key areas:
  - **General Housing Needs**
  - **Moving Expectations**
  - **Affordability**
  - **Emerging Households**
  - **Disability, Adaptations & Care**
  - **Older People**
  - **BME Households**
  - **Rural Households**
- 1.6 It should be noted that much of the analysis in this appendix report is based on a small minority of residents who indicated they have a specific housing need (i.e. those households

that include a disabled person, those who feel their house is not adequate etc.). Small sample sizes reduce the reliability of data, since the responses of a small number of interviewees can influence overall trends. Whilst meaningful trends can be identified from the data to inform potential areas of focus and recommendations for Medway Council going forward, this sample size caveat must be applied.

## Sample

- 1.7 As indicated above, the total sample size in Medway was 504 people. Of these respondents, 49.74% were male and 50.26% were female.
- 1.8 The following tables (Table 97, Table 98 and Table 99) show the composition of the interview sample, in terms of stock type, size and tenure. These have been compared to Census results, to illustrate how representative the sample is and where there may be limitations.

**Table 97 – Medway HNS – Stock Type**

Property Type	%	Census
Detached house	14.81%	14%
Semi-detached house	33.56%	29%
Terraced / Town house	40.98%	41%
Bungalow	5.62%	n/a
Flat / Maisonette / Apartment	4.99%	15%
Mobile/park home, Caravan or Temporary Structure	0.00%	1%
Other	0.05%	0%

- 1.9 Whilst Table 97 above shows that the proportion of households living in detached, semi-detached and terraced stock is approximately in line with Census data, it should be noted that the Census does not have a separate category for 'bungalow'. The survey sample therefore over represents households living in house / bungalow stock. This is also illustrated by the under-representation of flatted stock (c. 5% vs. 15%).



**Table 98 – Medway HNS – Stock Size**

Number of Bedrooms	%	Census
Bedsit / Studio	0.56%	0%
1	2.92%	10%
2	17.64%	25%
3	55.26%	49%
4	18.12%	13%
5 or more	5.41%	3%
(Refused)	0.10%	n/a

- 1.10 Table 98 above shows that the survey sample under-represents households living in smaller stock (0-2 bedrooms) when compared to Census data (c.21% vs. 35%) and over represents households living in larger stock (3 – 5 bedrooms) (79% vs. 65%).

**Table 99 – Medway HNS – Property Tenure**

Number of Bedrooms	%	Census
Owned with a mortgage by a household member(s)	40.41%	70%
Owned outright by a household member(s)	40.40%	
Rented privately	10.34%	15%
Rented from the Council	5.36%	13%
Rented from Housing Association/ Registered Social Landlord	3.00%	
Shared Ownership, Shared Equity etc	0.00%	1%
Tied to a job (accommodation provided as part of one's job)	0.08%	0%
Other	0.00%	1%
(Don't know)	0.16%	0%
(Refused)	0.25%	0%

- 1.11 Table 99 above shows that when compared to Census data, the survey sample over represents owner-occupiers and under-represents households living in rented tenures (private and social).

## 2. General Housing Needs

- 2.1 This section summarises the responses to questions concerning the general housing needs of respondents. This includes whether they feel their home is suitable and adequate, and whether they have a need to move.
- 2.2 This analysis facilitates an understanding of the Medway housing market and whether the authority's current stock is meeting the needs of its households. This type of qualitative data is insightful, as it is not something which can be gained from the secondary data used to inform the SHMA.

### Suitability

- 2.3 Respondents were asked about the suitability of their current home, which relates to their broad perceptions of the home they are living in, and whether it provides them appropriate accommodation.
- 2.4 When asked whether their home is suitable for their needs, 96.4% of respondents feel that it is. The remaining 3.6% do not feel this is the case. Therefore, there should be no major issues relating to the suitability of current Medway stock for its residents.

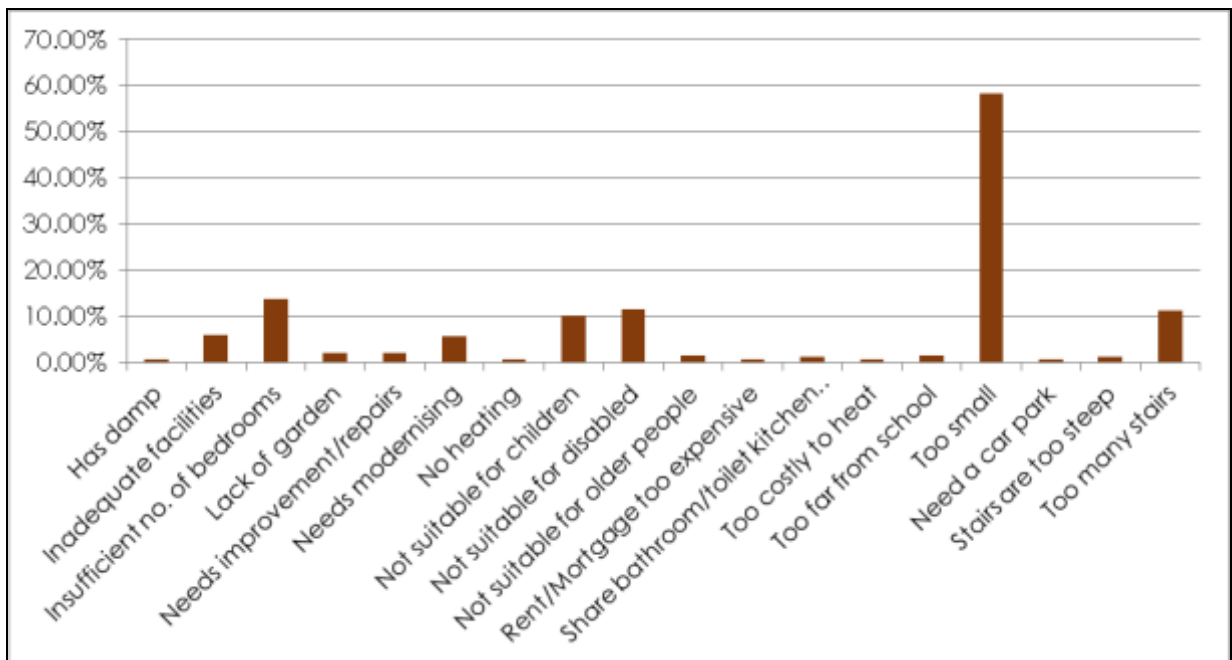
### Adequacy

- 2.5 Residents were then asked about the adequacy of their current home, which aimed to gain a more specific understanding of whether their current home provides for their household needs<sup>84</sup>. This examined particular characteristics which caused respondents to state that their home is inadequate for their needs.
- 2.6 When asked whether their home is adequate for their needs, 92.24% of respondents indicated that it is, and the remaining 7.76% indicated that it is not.

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<sup>84</sup> It should be noted that the question of suitability and adequacy were independent from each other, and respondents could answer yes to suitability and no to adequacy

**Figure 56 – Reasons why home is inadequate for needs of household**



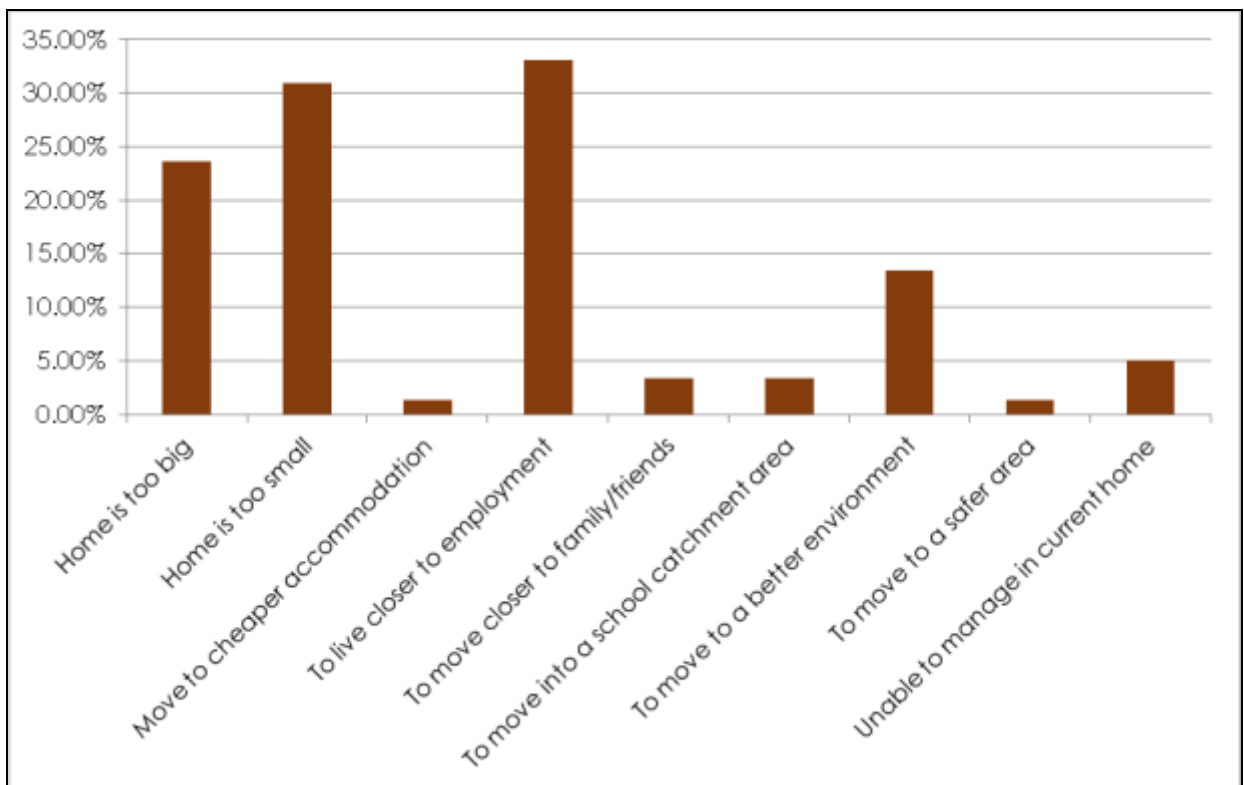
2.7 Respondents who indicated their home is not suitable for the needs of their household were asked to provide reasons why. As shown above in Figure 56, the most commonly cited reason was 'too small' (58.20%), followed by an 'insufficient number of bedrooms' (13.74%) and 'not suitable for disabled.' (11.61%) Other popular reasons were 'too many stairs' (11.20%) and 'not suitable for children. (10.09%)

2.8 This suggests that there may be a misalignment of stock size (in terms of both floorspace and number of bedrooms) to Medway resident's needs. This could be due to the size-specific distribution of stock not matching with the size-specific needs of residents. However, it could also reflect under-occupancy and over-occupancy trends.

## Needing to Move

2.9 Respondents were asked whether their entire household needs (rather than wants) to move to a different home. 3.59% of respondents replied 'yes' and were asked to provide a reason. Figure 57 below shows that the most commonly cited reason was 'to live closer to employment' (33.11%). The second most commonly cited reason was 'home is too small' (30.87%) followed by 'home is too big' (23.60%) and 'to move to a better environment' (13.42%).

**Figure 57 – Medway HNS – Why households need to move home**



- 2.10 The indication of homes being too small or too large compared to respondents needs, supports the suggestion of overcrowding and under-occupation in Medway. This is comparable with the above finding relating to the adequacy of respondent's current home.
- 2.11 Respondents were then asked when they needed to move. As shown below in Table 100, the vast majority (87%) indicated a need to move in 0-2 years, with the largest proportion (62%) needing to move 'within a year'.
- 2.12 This suggests a fairly immediate need for alternative housing which more appropriately suits the respondent's housing requirements, particularly in relation to stock size.

**Table 100 – Medway HNS – When does your household need to move?**

When Need to Move	%
Now	19.60%
Within a year	61.68%
1-2 years	6.21%
3-5 years	7.89%
Over 5 years	4.63%

- 2.13 Of the 3.59% of respondents indicating their household needs to move (18 respondents), 34.91% (6 respondents) reported that it was not possible to do so and provided the following reasons:
- Cannot afford to (other properties too expensive) – 61.15%
  - Personal reasons – 13.64%
  - Lack of suitable accommodation in area wanted – 6.73%
  - Employment (work locally) – 6.72%
  - Lack of suitable accommodation of type wanted – 2.47%
  - (Refused) – 9.32%
- 2.14 Taking this as a representation of a wider trend across the authority, it is interpreted that affordability provides the key barrier for households that need to move but are unable to do so. However, this must be caveated by the sample size on which it is based.
- 2.15 Respondents who stated their entire household needed to move home were asked whether they could afford a home suitable for their needs in the Medway authority area. 62.70% stated that they could not. 8.06% replied 'maybe'.
- 2.16 These components of the analysis provide evidence of affordability pressures acting on Medway households, which contributes to the justification of the affordable housing requirement figures set out in the SHMA report. Medway Council should consider potential approaches towards addressing affordability issues, particularly through the encouragement of affordable housing delivery.

### 3. Moving Expectations

- 3.1 As previously discussed, 3.59% of respondents stated that their entire household needs (rather than wants) to move to a different home. These respondents were asked for further information regarding their moving expectations. Responses are detailed below, however it should be noted that this analysis is based on a small sample size comprising c. 18 people.

#### Where

- 3.2 Table 101 below shows that the majority of households that need to move do not know where they are likely to move to (38.19%). Where a destination is known, Chatham is indicated to be the most likely destination (30.86%).

**Table 101 – Where likely to move (those whose households need to move)**

Where Likely to Move	%
Chatham	30.86%
Gillingham	8.51%
Herne Bay	1.25%
Medway	5.36%
Northall	3.31%
Rainham	1.29%
Rochester	7.85%
Waldersdale	3.41%
(Don't know / varies)	38.19%

#### Type of Property

- 3.3 Table 102 below shows that of the respondents indicating their household needs to move, the highest proportion (43.33%) are likely to move to semi-detached houses, followed by 29.76% to bungalows.

**Table 102 – Type of property likely to move to**

Type of Property Likely to Move to	%
Semi-detached house	43.33%
Detached house	0.00%
Terraced house	17.00%

Flat / Maisonette / Apartment	0.00%
Bedsit / Studio / Room Only	0.00%
Ground floor property	4.56%
Bungalow	29.76%
Supported housing	0.00%
Other	0.00%
Caravan or temporary structure	5.36%
(Don't know)	0.00

## Size of Property

- 3.4 Table 103 below shows that of the respondents indicating their household needs to move, the highest proportion (64.54%) are likely to move to two bed properties, followed by 18.74% of respondents likely to move to a three bed property.

**Table 103 – Size of Property likely to move to**

Size of Property Likely to Move to (no. of bedrooms)	%
1	3.31%
2	64.54%
3	18.74%
4	8.07%
5	5.36%
6	0.00%
7 or more	0.00%
(Don't know)	0.00%

## Tenure of Property

- 3.5 Table 104 below shows that of the respondents indicating their household needs to move, 8.51% expect to own / buy a property with a mortgage. 21.91% expect to do this mortgage free, whilst 9.76% expect to rent from the Council. The largest group, 40.95%, expect to rent from a landlord / agency.

**Table 104 – Tenure of Property likely to move to**

Tenure of Property Likely to Move to	%
Own / buy it (with mortgage)	8.51%
Own / buy it (mortgage free)	21.91%
Rent from a Housing Association	10.21%
Rent from a landlord / agency	40.95%
Rent from relative / friend	3.31%
Rent from the Council	9.76%
Don't know	5.36%

- 3.6 This analysis of moving expectations focussing on location, property type, size and tenure, shows that the properties respondents perceived they would be most likely to move to have 2 and 3 bedrooms and are terraced, bungalow or semi-detached properties. The greatest expectation in terms of tenure is for private rental, rather than home ownership or social renting. This seems to reflect the fact that respondents are acknowledging the reality of their housing situation, rather than their aspirations, which would be expected to show a higher indication of home ownership. This could be the result of affordability issues related to home ownership, such as the need for a substantial deposit, credit availability, and the affordability of monthly payments.
- 3.7 The location of a future property does not seem to be the key priority, considering the proportion of respondents who indicated they don't know where they are likely to move.



## 4. Affordability

### Housing Benefit

- 4.1 Respondents were asked how their household meets its housing costs, including whether they receive any help in meeting them. Table 105 below shows that a total of 8.57% of respondents (43 respondents) received some help in meeting their housing costs. The majority of help received was in meeting rent through housing benefit; 2.63% had their rent fully met by housing benefit, 5.50% had their rent partially met.

**Table 105 - Household Costs – Help received towards housing costs**

When Need to Move	%
Owned outright - no mortgage costs	32.42%
Rent met in full with Housing Benefit	2.63%
Live rent free (e.g. tied accommodation)	1.03%
No help received with rent / mortgage	54.65%
Rent met in part with Housing Benefit	5.50%
Help with mortgage payments (through Benefits Agency)	0.14%
Help with mortgage (family or friends)	0.31%
(Refused)	4.18%

### Concern about affordability

- 4.2 Respondents were asked how concerned they are about their ability to pay their rent or mortgage. The results, detailed below, show that the majority are not concerned, or not really concerned (76.69%). 18.21% however were either 'very' or 'fairly' concerned;
- Very concerned – 7.64%
  - Fairly concerned – 10.57%
  - Not really concerned – 24.94%
  - Not concerned at all – 51.75%
  - Refused – 5.09%
- 4.3 This analysis suggests that affordability pressures are being felt by households in Medway, resulting in reliance on income support in order to meet housing costs. This emphasises the importance of future affordable housing delivery in the authority area.

## 5. Emerging Households

- 5.1 Respondents were asked whether any members of their household are likely to set up their own home in the next 5 years. 25.02% responded yes (16.89% expecting one new household to form, 7.58% expecting two new households to form and 0.55% expected three new households to form). 92.67% of new households were expected to be formed by adult children living at home with their parents.
- 5.2 The detailed responses relating to emerging households are set out in the tables below.

### Age

- 5.3 Table 106 shows the age of households that respondents indicated are likely to emerge in the next 5 years. The majority of these households are in the 25-44 age bracket (50.27%), followed by the 16-24 age bracket (46.86%).

**Table 106 – Age of Emerging Households**

Age of Emerging Household	%
16-24	46.86%
25-44	50.27%
45-65	3.30%
66-75	0.00%
75+	0.00%
(Refused)	0.67%

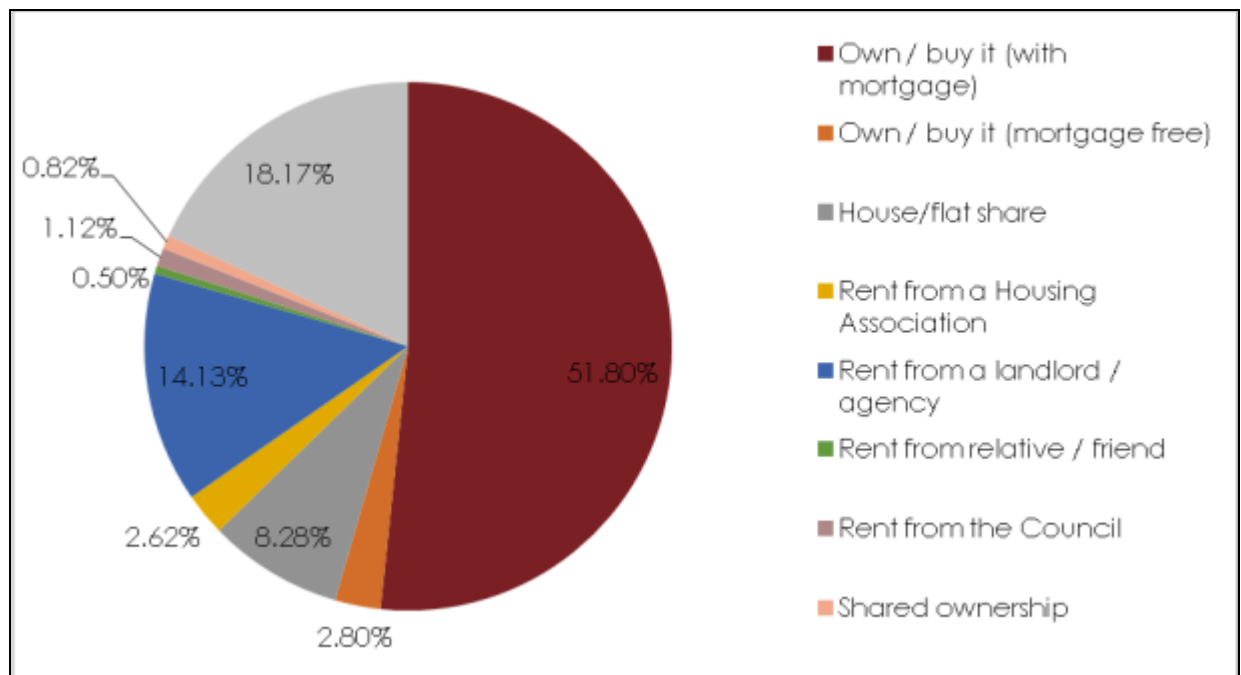
### Composition

- 5.4 In terms of emerging household composition, respondents indicated that the majority of emerging households in the next five years are expected to be either single (26.97%) or couples (29.20%). 4.33% are anticipated to be families, and the remainder indicated they don't know what the composition of the newly forming household will be.

### Tenure

- 5.5 With regards to the likely tenure of emerging households, Figure 58 below demonstrates that respondents indicated the largest proportion of emerging households are expected to own or buy their property with a mortgage (52%). 1% are expected to rent from the Council and 14% privately from a landlord / agency. 18% do not know and 8% are planning to house/flat share.

**Figure 58 – Emerging Households – Likely tenure**



## Type of Property

- 5.6 Table 107 below shows that respondents indicated that the property type for the majority of emerging households is unknown (31.42%). 26.57% are expected to move to a flat/maisonette, 31.05% to a terraced house, and 9.66% to a semi-detached house.

**Table 107 – Emerging Households – Type of Property**

Emerging Households – Type of Property	%
Semi-detached house	9.66%
Detached house	0.80%
Terraced house	31.05%
Flat / Maisonette	26.57%
Bungalow	0.74%
(Don't know)	31.42%

## Size of Property

- 5.7 Table 108 below shows that the largest proportion of emerging households are likely to need a 2 bed property (50.17%). 14.43% are likely to need a 3 bed, and 19.29% a one bed. 15.18% do not know what size of property they are likely to need.

**Table 108 – Emerging Households – Property Size**

Emerging Households – Bedroom No.	%
1	19.29%
2	50.17%
3	14.43%
4	1.18%
5	0.00%
6	0.00%
7 or more	0.00%
(Don't know)	15.18%

## 6. Disability, Adaptations and Care

### Sample

- 6.1 20.51% of respondents reported that they or another adult in their household has a long term illness, health problem or disability that limits daily activity or work. 3.87% of respondents said that there is a child (aged 15 or under) in their household within this category.
- 6.2 The most common adult disability identified by respondents was 'physical disability' (59%), with 11% being wheelchair users, and 48% not being wheelchair users. This has implications for housing needs in terms of access and adaptations. 10% of adults indicated as having a disability were also identified as having a mental health problem.

**Table 109 – Medway HNS – Nature of disability - Adult**

Nature of Disability	%
Physical disability: wheelchair user	11%
Physical disability: not in wheelchair	48%
Learning disability	2%
Mental health problem	10%
Visual Impairment	1%
Hearing Impairment	2%
Arthritis	2%
Breathing / lung problems	1%
Cancer	2%
Chronic Fatigue Syndrome	1%
Diabetes	5%
Epilepsy	1%
Heart problems	6%
Kidney problems	1%
Multiple Sclerosis	1%
Muscular Dystrophy	1%
Parkinson's Disease	1%
Spina bifida	1%
Stroke	3%
(Refused)	4%

- 6.3 The most common child disability identified by respondents was 'mental health problem' (35%) followed by 'physical disability: not in wheelchair' (28%) and 'heart problems' (23%).

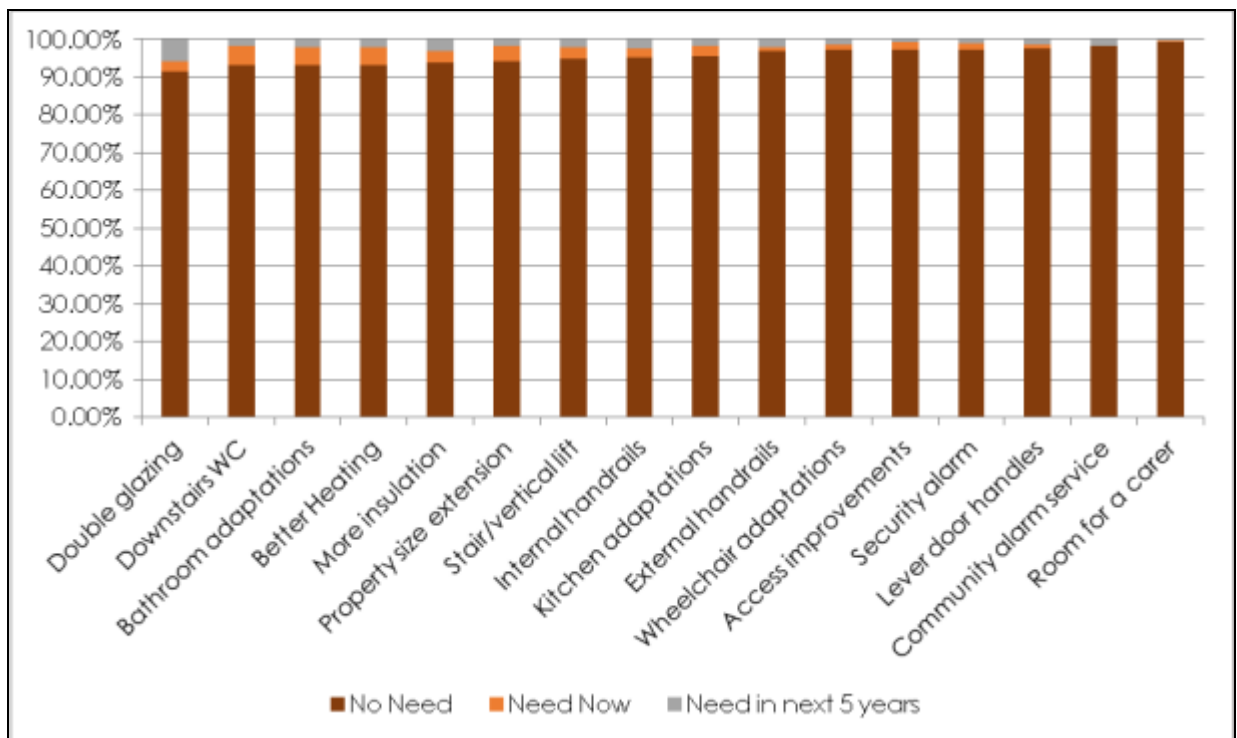
**Table 110 – Medway HNS – Nature of disability - Child**

Nature of Disability	%
Physical disability: not in wheelchair	28%
Learning disability	15%
Mental health problem	35%
Heart problems	23%

## **Adaptations and improvements**

- 6.4 Of those respondents with a disabled member in the households (adults and/or children), 6.29% (32 respondents) have had their home adapted to accommodate the needs of that member, whilst 0.33% (2 respondents) have had their home purpose built. Therefore, the vast majority of households with a disabled member have no special adaptations, indicating a potential unmet housing need.
- 6.5 All respondents were asked whether they anticipate needing any home improvements / adaptations over the next 5 years. Figure 59 below shows the details of the requirements identified from these responses. It shows that the vast majority of respondents do not anticipate any requirements. Amongst those that do, the most common needs are;
- Double glazing (2.82% 'now', 5.64% in the next 5 years)
  - Downstairs WC (5.12% 'now', 1.86% in the next 5 years)
  - Bathroom Adaptations (4.69% 'now', 2.12% in the next 5 years)
  - Better Heating (4.51% now, 2.18% in the next 5 years)
  - More insulation (3.12% now, 3.16% in the next 5 years)
- 6.6 This identifies heating and energy efficiency as one of the key reasons amongst those commonly cited for requiring improvements/adaptations.

**Figure 59 – Household needs – next 5 years**



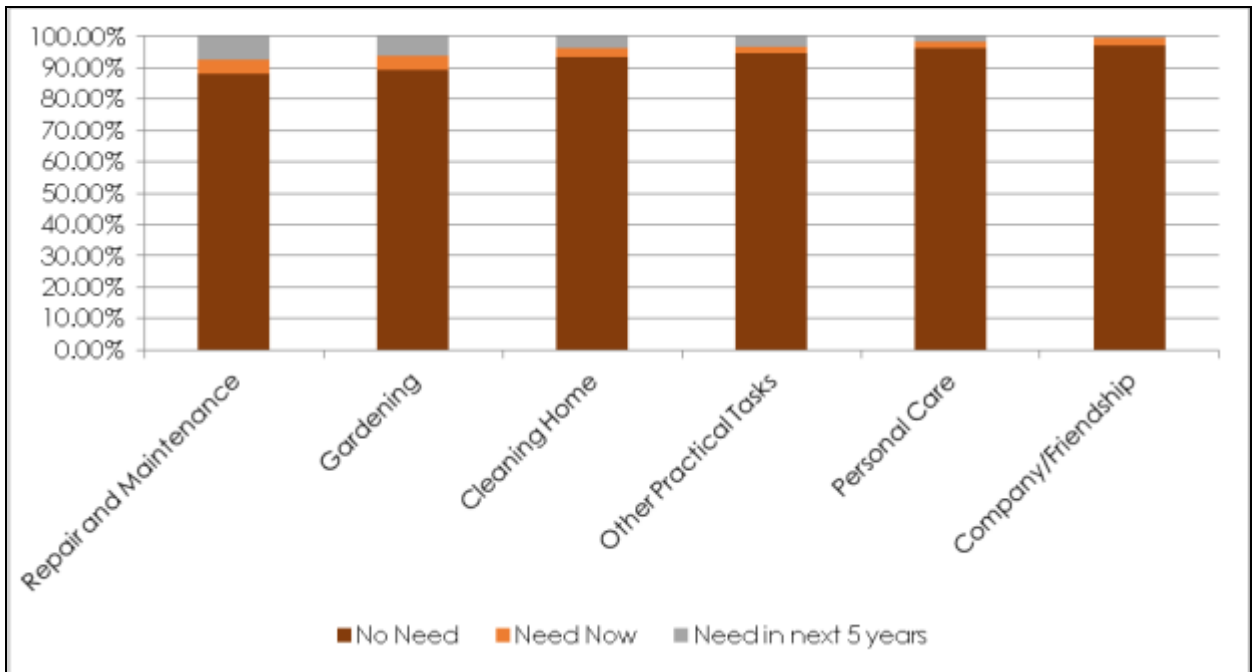
## Care

6.7 4.18% of respondents indicated their household has members who require care or support to enable them to stay in their home (21 respondents). Of this proportion, 46.9% (10 respondents) reported there is not sufficient space in their home for a carer to stay overnight if this was needed.

6.8 All respondents were asked whether they anticipate any members of their households requiring assistance / care requirements over the next 5 years. Figure 60 below details the response. It shows that the majority of respondents do not anticipate such requirements. The majority of anticipated needs are for practical, rather than social / personal care, as shown below:

- Repairs and maintenance (4.46% 'now', 7.44% in the next 5 years)
- Help with gardening (4.72% 'now', 6.04% in next 5 years)

**Figure 60 – Household Needs – next 5 years**



6.9 The proportion of households containing one or more members affected by disability suggests implications for the housing needs of these households, particularly in relation to adaptations and improvements / facilitating in-home care.



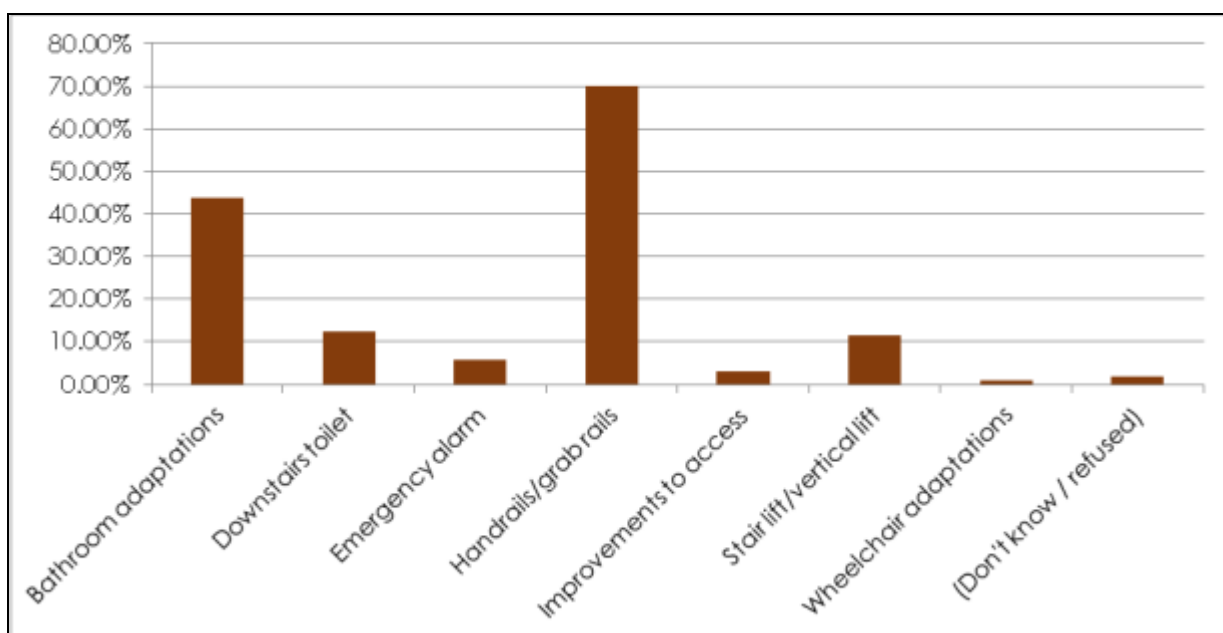
## 7. Older People

- 7.1 This section examines the needs of older people. Nationally, there is a trend of an ageing population, making this an important group to consider. Older person households may exhibit particular requirements and needs that require consideration, such as adaptations and support in the home to remain living independently.

### Adaptations

- 7.2 35.38% of respondents (178 respondents) indicated their household includes someone aged 60 or over, a significant proportion of the overall sample. Of these households, 11.62% (21 respondents) live in homes that have been adapted for a person regarded as being elderly (aged 60+) and 0.32% (1 household) live in homes that have been purpose built for this age group. Therefore, the vast majority of households that include at least one older member live in homes with no special adaptations to accommodate the potential needs of this age group. This indicates a possible unmet housing need, which the Council should consider.
- 7.3 Those respondents who indicated their home has been adapted or purpose built for the elderly, were asked about the kind of adaptations that have taken place. The responses are detailed in Figure 61 below and show the most common adaptation to be handrails / grab rails (69.95%) followed by bathroom adaptations (43.63%), downstairs toilet (12.48%) and stair lift / vertical lift (11.56%). The least common adaptation was wheelchair adaptations (1.04%).

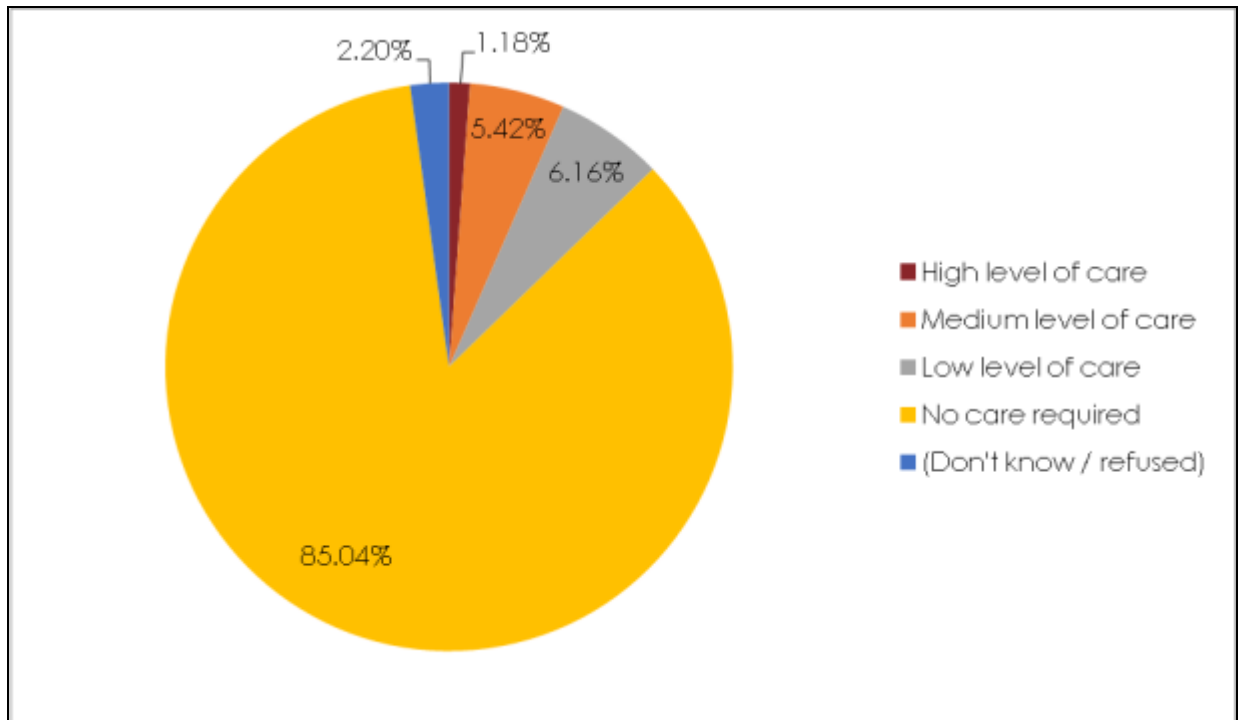
**Figure 61 – Housing adaptations for elderly households**



## Care

- 7.4 Respondents with household members aged 60+ were asked about the level of care those older members currently require as a result of being elderly. The majority (85%) indicated there is no care requirement, and only 7% indicated a requirement of medium or high levels of care, as illustrated in Figure 62 below.

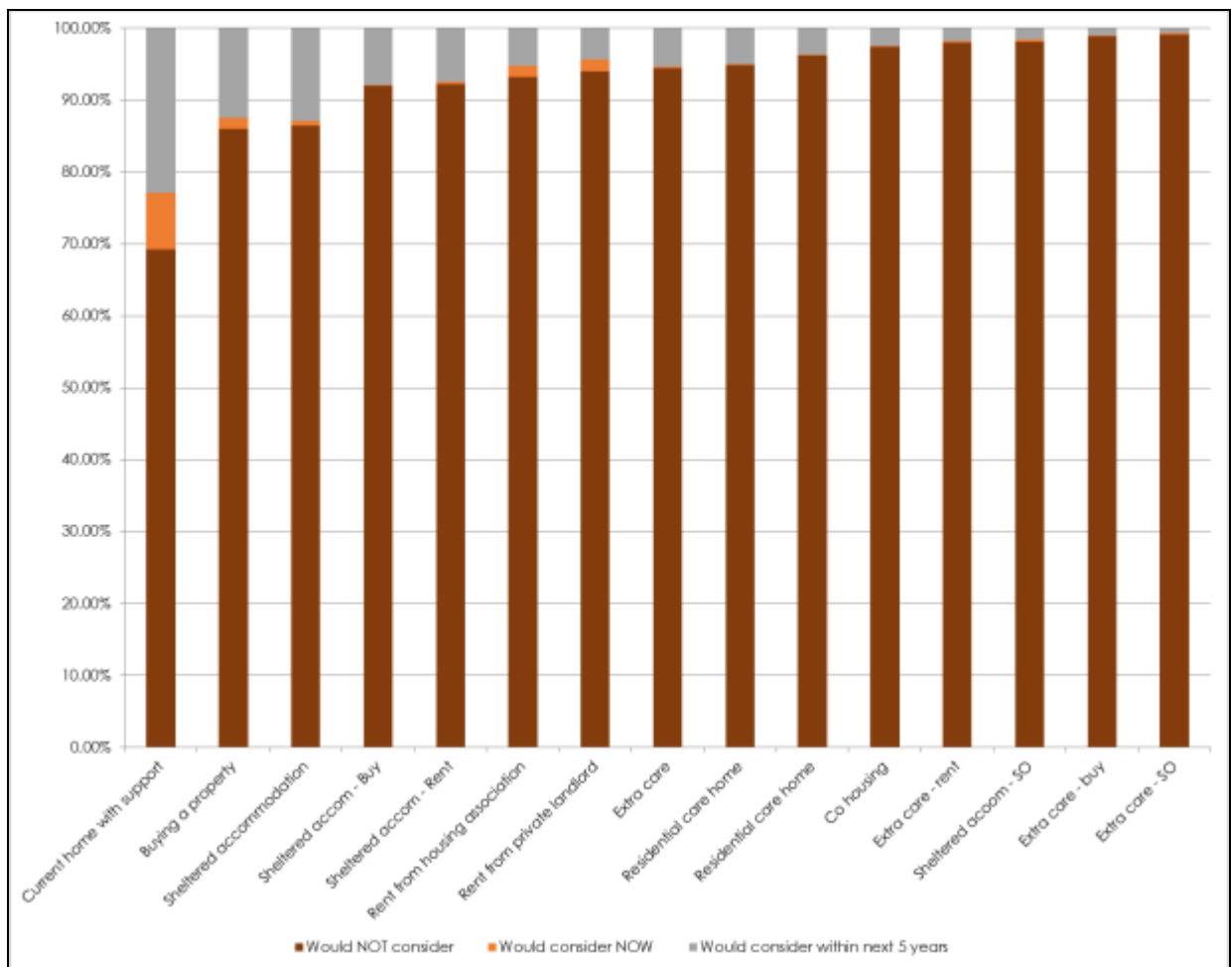
**Figure 62 – Level of care required as a result of being elderly**



## Housing Options

- 7.5 All respondents were asked which older persons' housing options they would consider, if relevant now or in the next 5 years – the choices were sheltered accommodation, extra care housing, residential care homes, continuing to live in current home with support when needed, buying a property in the open market, renting a property from a private landlord, and renting from a Housing Association. Excluding those who would not consider any of these housing options now or in the next 5 years, 'continuing to live in current home with support when needed' was the most popular option considered by 30.8% of all residents (155 residents).
- 7.6 The results are shown below in Figure 63. After 'continuing to live in current home with support when needed', the second most popular option is buying a property (1.58% consider now, 12.40% within next 5 years), followed by sheltered accommodation (0.59% consider now, 12.92% within next 5 years). The least popular options were residential care home, co-housing, extra care (rent, buy and shared ownership) and sheltered accommodation (shared ownership).

**Figure 63 – Elderly housing options that would consider in next 5 years**



7.7 This analysis suggests that elderly residents in Medway may prefer to remain in their home with adaptations and / or support, rather than moving into a form of sheltered accommodation or care home. This is something Medway Council may need to consider in terms of how this can be reflected and facilitated in future housing delivery.

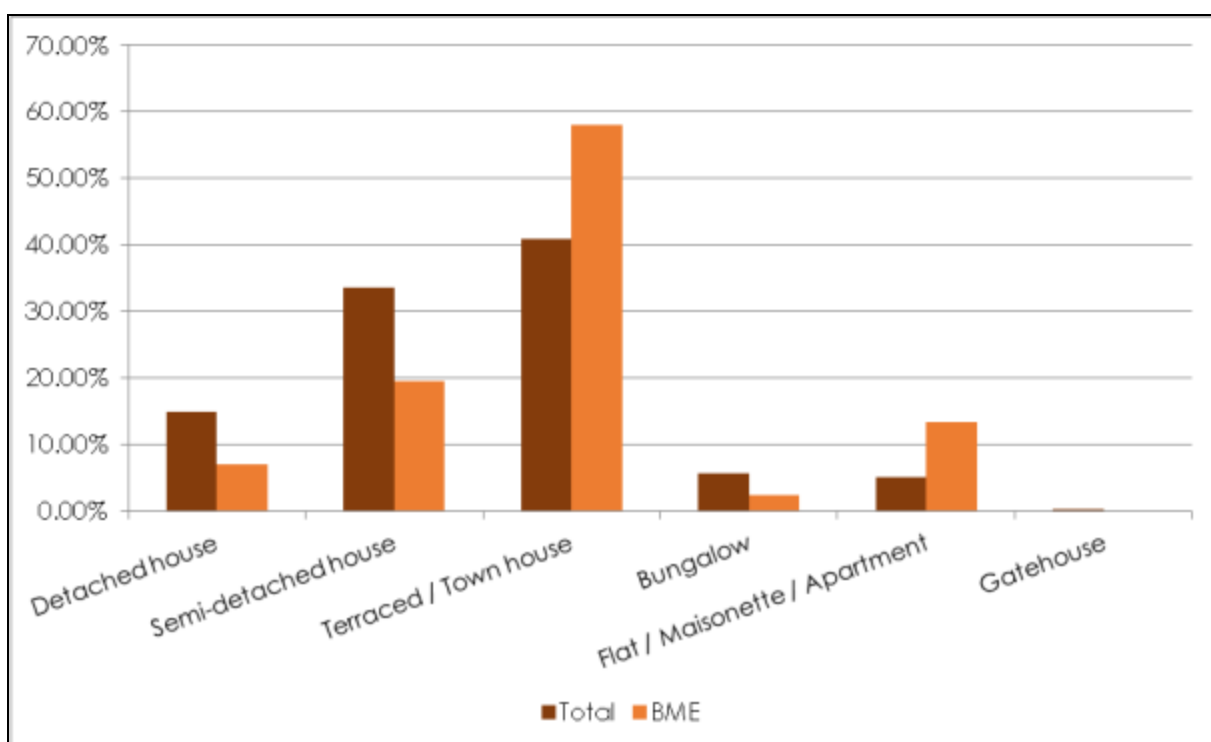
## 8. Black and Minority Ethnic (BME) Households

- 8.1 Ethnicity focussed analysis of the results has been undertaken by separating respondents classified as BME households (with at least one BME member), and comparing the analysis of these households to overall household trends.

### Type of Property

- 8.2 Figure 16 below shows that a higher proportion of respondents in a BME household occupy terraced housing, 57.97%, compared to 40.98% of all respondents. BME residents are also more likely to live in a flat, with 13.24% compared to 4.99%, and significantly less likely to live in a bungalow, semi-detached house or detached house. This implies that BME households are more likely to live in smaller accommodation.

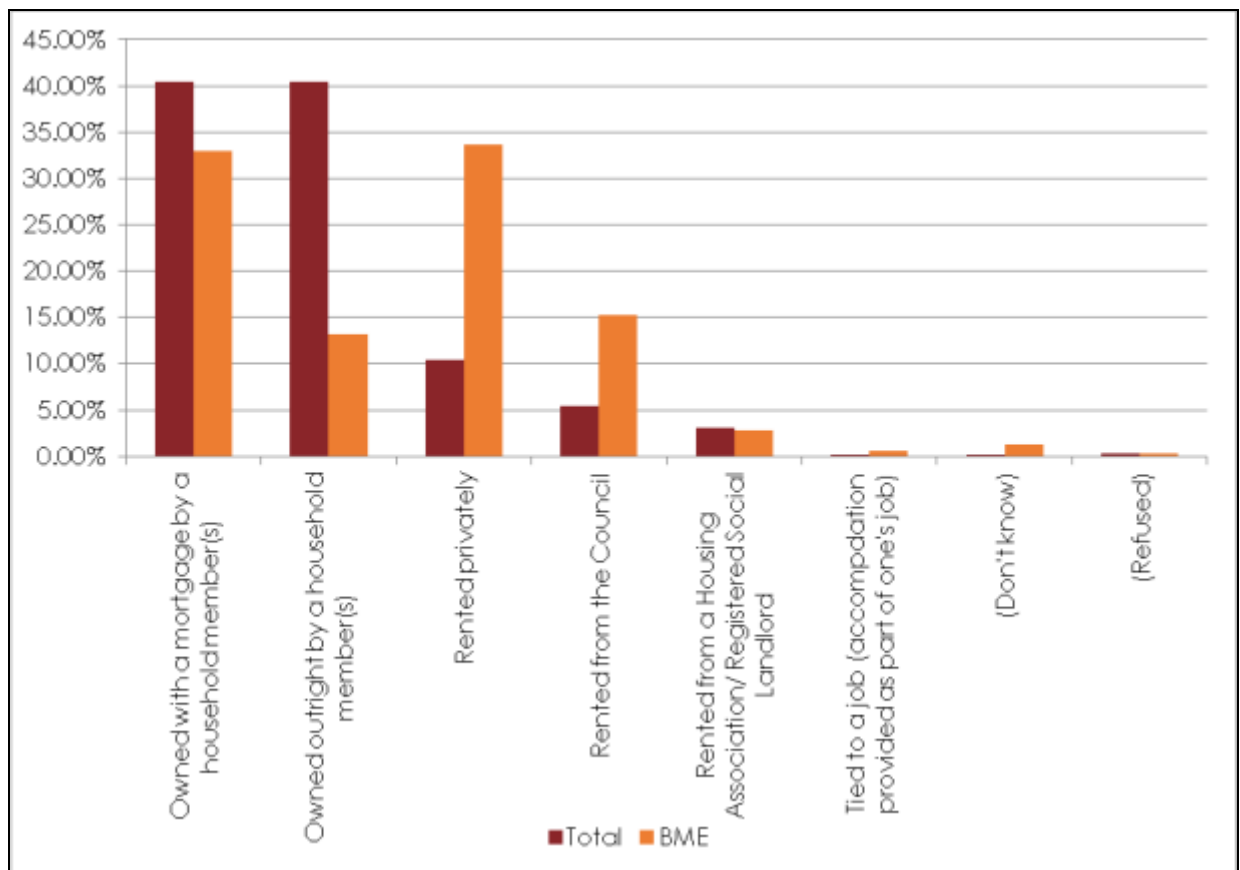
**Figure 16 – Property type for BME residents and overall**



### Tenure

- 8.3 Figure 17 shows that respondents in BME households are more likely to rent privately (33.65% compared to 10.34% overall) and rent from the Council (15.24% compared to 5.36%). They are significantly less likely to own outright (13.20% compared to 40.40%) and also less likely to own with a mortgage (32.94% compared to 40.41%).

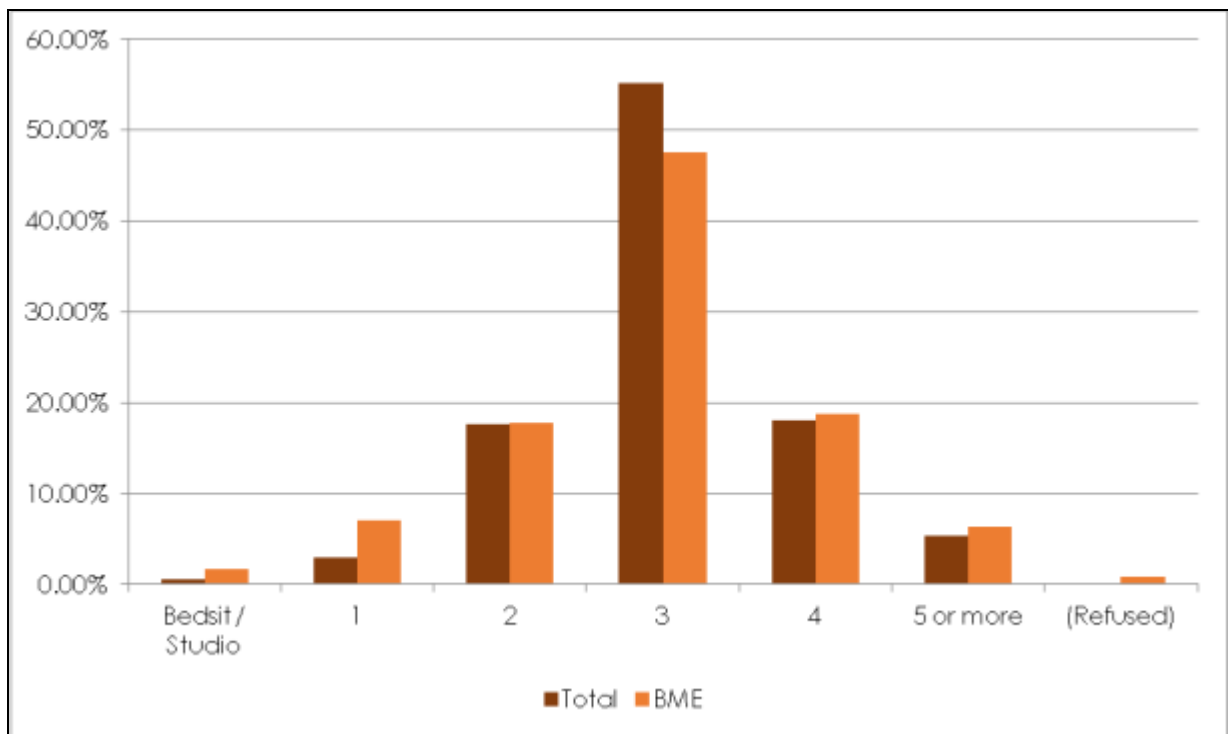
**Figure 17 – Tenure for BME residents and overall**



## Size of Property

- 8.4 Figure 18 below shows that respondents in a BME households are slightly more likely to live in a 1 bedroom property (7.08% compared to 2.92% overall), as well as less likely to live in a 3 bedroom property (47.54% compared to 55.26% overall). The other categories do not exhibit any major differences.

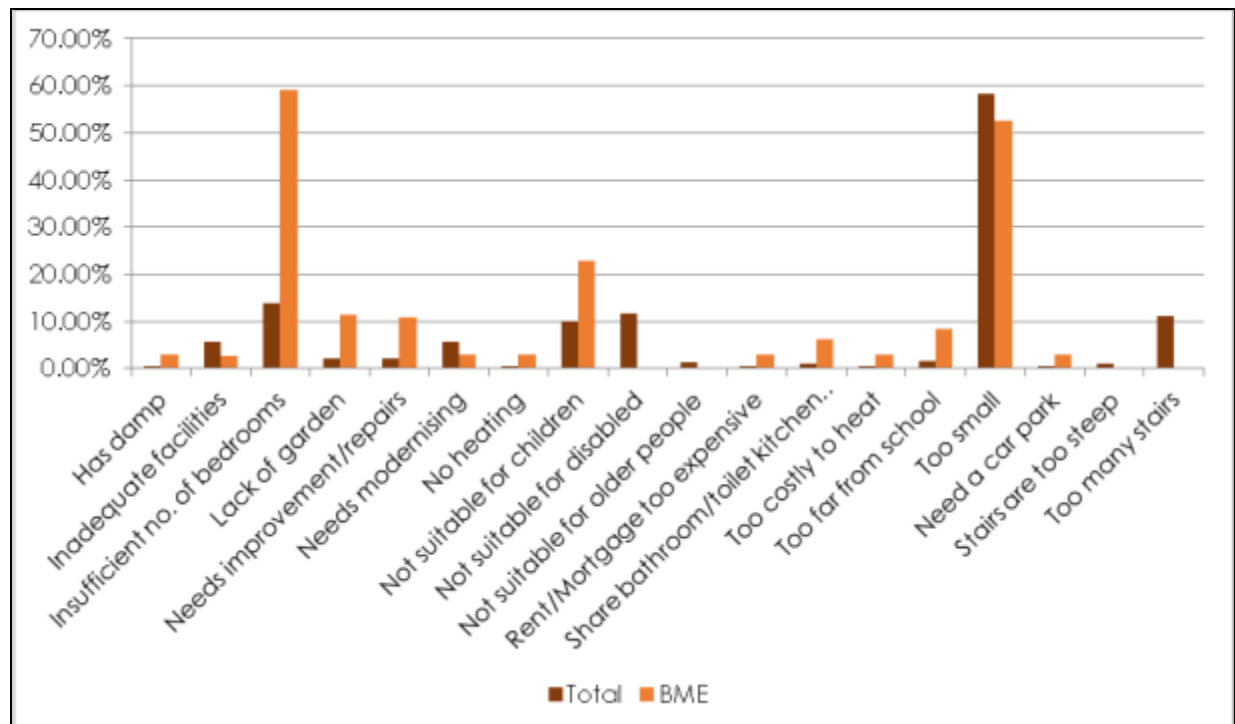
**Figure 18 - Household Size for BME residents and overall**



## Adequacy

- 8.5 When asked whether their current home is adequate for their needs, a higher proportion of respondents in a BME household (11.80%) responded 'no' compared to all respondents (7.76%). Figure 19 shows that there are significant differences in the reasons behind these responses. The most striking difference is that 59.08% of BME residents find their home inadequate owing to an insufficient number of bedrooms, compared to only 13.74% overall. This is potentially linked to issues surrounding overcrowding, and may also reflect the tendency for certain ethnic groups to live in multi-generational households.
- 8.6 Further differences are evident in the suitability of the home for children (22.93% of BME residents compared to 10.09% of all residents), as well as minor differences across all categories.

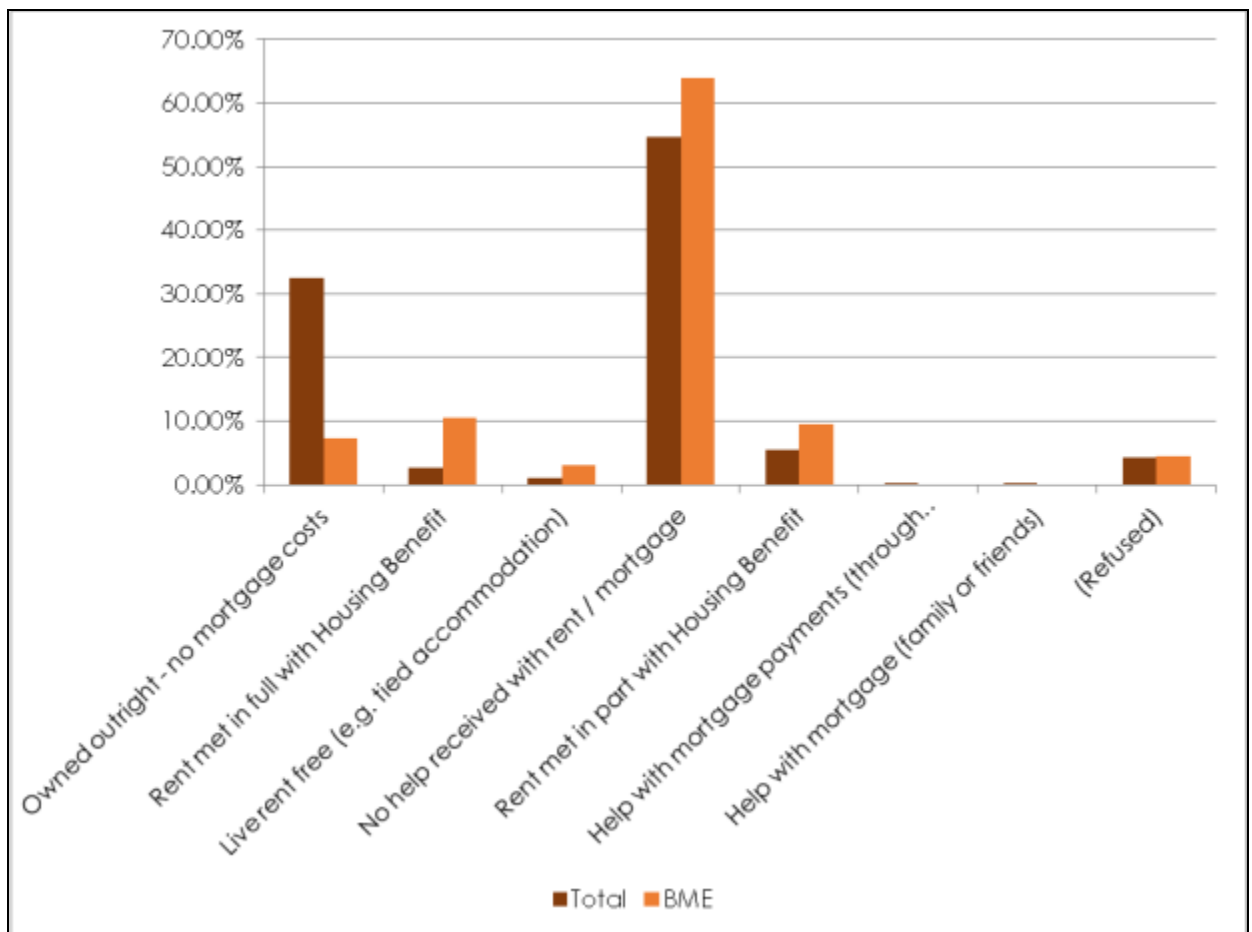
**Figure 19 – Reasons for inadequacy of home for BME residents and overall**



## Affordability

- 8.7 Figure 20 shows that a lower proportion of respondents in BME households own their house outright. Respondents in a BME household are more likely to receive help with their rent, in the form of Housing Benefit, or living rent free. Interestingly, they are also more likely to not receive help with their rent at all (64.00% compared to 54.65% overall), although this may be owing to a larger proportion of non-BME households owning their home outright.

**Figure 20 - Help received with housing costs**



8.8 Table 16 shows that respondents living in a BME household are more likely to be 'very concerned about meeting their housing costs (8.67% of BME respondents) compared to all respondents (7.64%), fairly concerned about meeting their housing costs (27.35% of BME respondents compared to 10.57% of all respondents), and not really concerned about meeting their housing costs (28.85% of BME respondents compared to 24.94% of all respondents). Respondents living in a BME household are also considerably less likely to be not concerned at all (30.60% of BME respondents compared to 51.75% of all respondents).

**Table 16 – Concern with meeting housing costs**

Level of Concern	Total	BME
Very concerned	7.64%	8.67%
Fairly concerned	10.57%	27.35%
Not really concerned	24.94%	28.85%
Not concerned at all	51.75%	30.60%
(Refused)	5.09%	4.53%



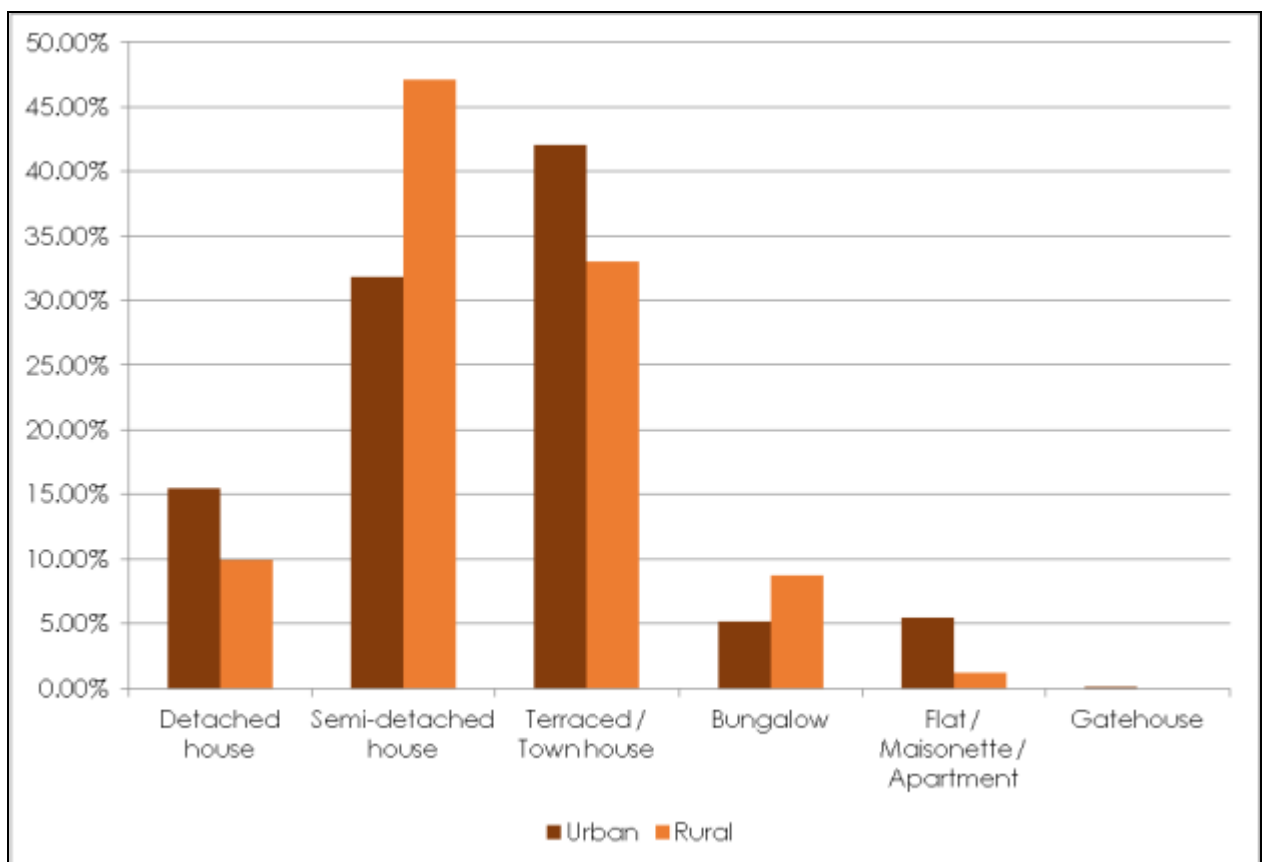
## 9. Rural Households

9.1 The HNS was undertaken across all Medway wards, using a weighted sampling approach to replicate the demographic profile of the authority area. Comparative analysis between rural and urban areas has been undertaken by assigning each ward with rural or urban status. The main rural wards in Medway have been identified as Cuxton and Halling, Peninsula and Strood Rural. All other wards are defined as being urban in the context of this analysis.

### Sample

9.2 Figure 64 below shows that a higher proportion of rural respondents are living in semi-detached and bungalow housing, and a lower proportion of rural respondents are living in detached houses, terraced houses, flats and gatehouses, compared to respondents living in urban areas. The most significant difference is within semi-detached stock, with 47.08% of respondents occupying this stock in rural areas, and 31.80% of respondents occupying this stock in urban areas.

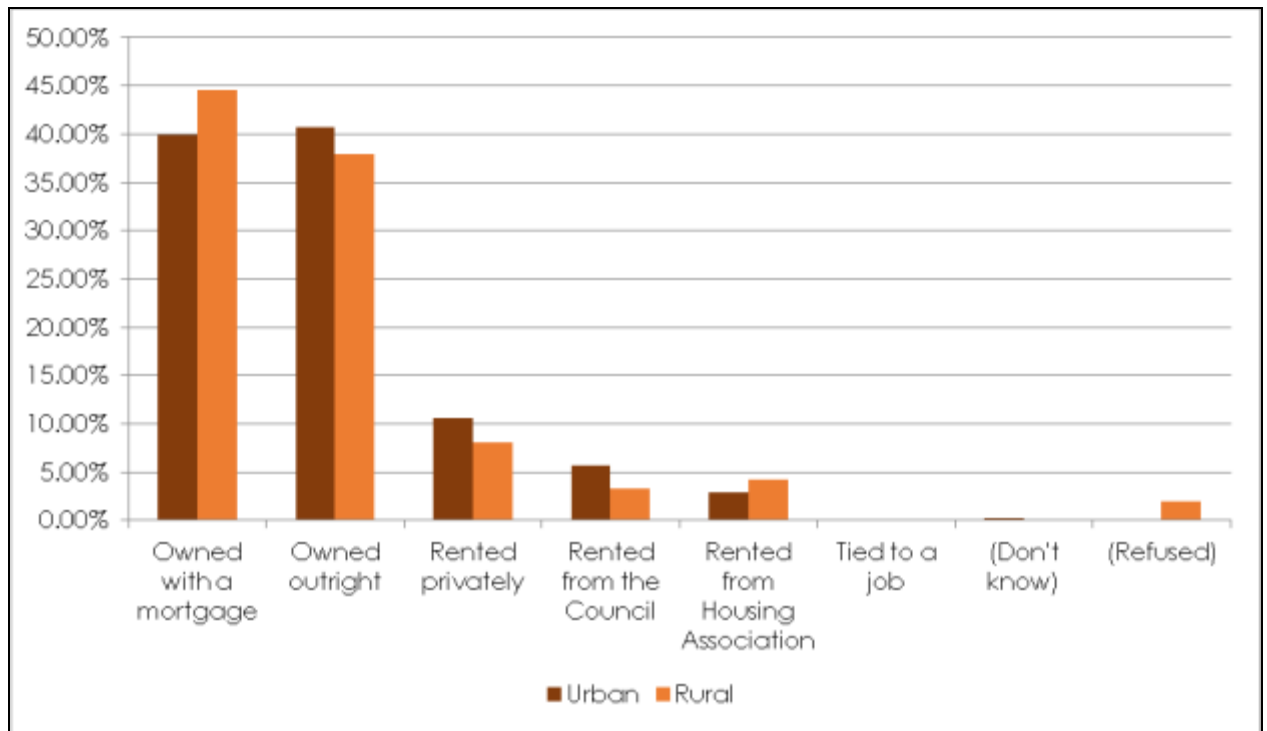
**Figure 64 – Property type by rural and urban locations**



9.3 Figure 65 shows that there are higher proportions of home ownership with a mortgage from respondents in rural areas (urban – 39.87%, rural - 44.53%), and lower proportions of home

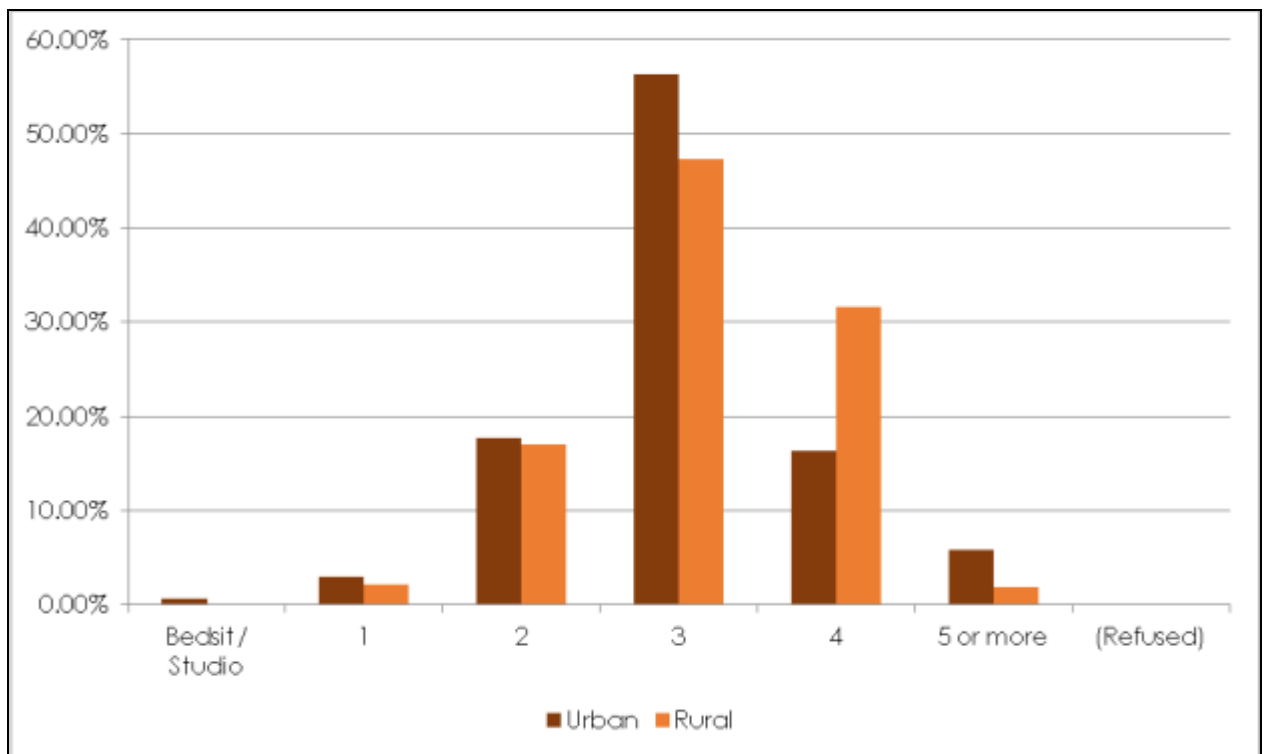
ownership without a mortgage from respondents in rural areas, compared to those in urban areas (urban – 40.73%, rural – 37.90%). Overall, home ownership of respondents in both areas is very similar (urban – 80.6%, rural – 82.43%). In rural areas there are lower proportions of households who rent privately (urban – 10.62%, rural – 8.13%) and households that rent from the council (urban – 5.62%, rural – 3.34%).

**Figure 65 – Tenure by rural and urban locations**



9.4 Figure 66 below shows that respondents in rural areas have a significantly higher proportion of 4 bed properties (31.62% compared to 16.36%) than respondents in urban areas. Rural respondents have lower proportions across all other stock sizes.

**Figure 66 - Household Size by rural and urban locations**



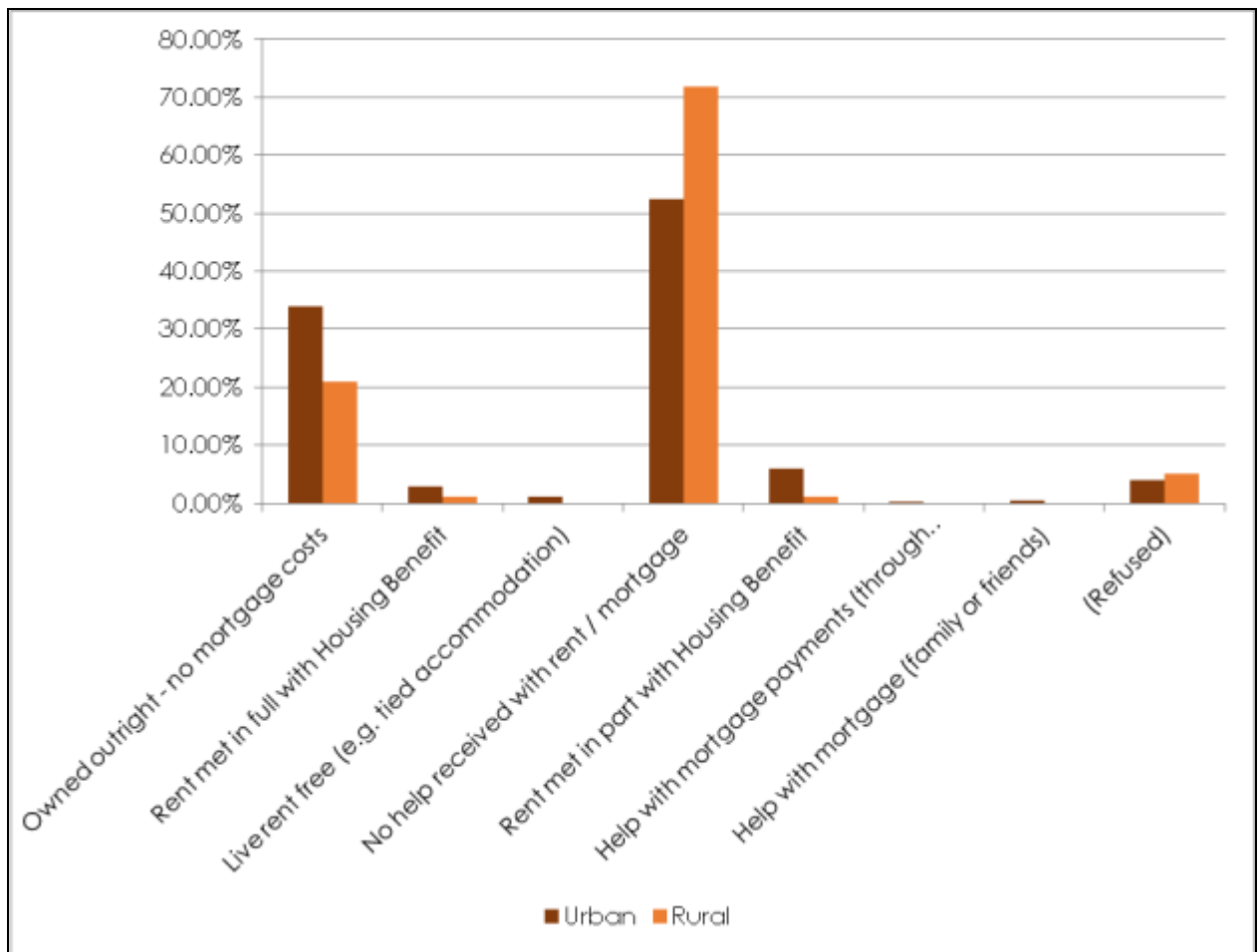
## Adequacy

- 9.5 When asked whether their current home is adequate for their needs, a lower proportion of rural respondents responded 'no' (1.91%), compared to urban respondents (8.53%). It should be noted however, that because of the small sample size, this equates to 1 respondent in rural locations who deemed their current accommodation to be inadequate. Because of this low sample, it is not possible to compare the reasons why rural and urban households find their homes inadequate. The difference in percentage however is significant, suggesting potentially lower housing need in rural areas compared to urban areas.

## Affordability

- 9.6 Figure 67 shows that a lower proportion of respondents living in rural areas own their home outright (with no mortgage costs). However, rural respondents were also less likely to receive help towards their housing costs (rent / mortgage) through housing benefits, or from family and friends.

**Figure 67 - Help received with housing costs**



9.7 Table 111 shows that respondents living in rural areas are less likely to be 'very concerned' about meeting their housing costs (1.94% compared to 4.89% of urban respondents). Rural respondents are also more likely than urban respondents to be 'not concerned at all' (35.93% compared to 30.18%). This would suggest that affordability pressures are less acute for households in Medway's rural areas.

**Table 111 – Concern with meeting housing costs**

Level of Concern	Urban %	Rural %
Very concerned	4.89%	1.94%
Fairly concerned	6.02%	8.46%
Not really concerned	15.05%	13.45%
Not concerned at all	30.18%	35.93%
(Refused)	3.13%	2.33%

## 10. Conclusion

10.1 This analysis of the key findings from the Medway HNS highlights the following key trends:

### Housing Needs

- 7.76% of respondents felt that their household is not suitable for their needs. The most commonly cited reason was 'too small' (58.20%), followed by an 'insufficient number of bedrooms' (13.74%) and 'not suitable for disabled' (11.61%). Other popular reasons were 'too many stairs' (11.20%) and 'not suitable for children' (10.09%). This identifies a potential misalignment in the current size specific stock distribution compared to residents size needs.
- 3.59% of respondents reported that they need (as opposed to just want) to move. Of this sample, 34.9% are unable to do so, with the main barrier being affordability issues.

### Moving Expectations

- The majority of respondents who need to move to a different home indicated they do not know where they are likely to move to (38.19%). Following this, Chatham is the most popular expected destination, identified by 30.86% of respondents.
- The highest proportion of respondents needing to move, indicated they are likely to move into a semi-detached house (43.33%) or a bungalow (29.76%).
- The highest proportion of respondents needing to move indicated they are likely to move into a two bedroom property (64.54%), followed by a three bedroom property (18.74%).
- The highest proportion of respondents needing to move, indicated they expect to rent from a landlord / agency (40.95%), followed by 21.91% of respondents who expect to own or buy a property outright (without a mortgage).

### Affordability

- A total of 8.57% received some help with their housing costs; the majority of which constitutes receiving housing benefits to help meet rental / mortgage costs.

## Emerging Households

- 25.02% of respondents indicated one or more members of their household are likely to set up their own home in the next 5 years. Of these households, 92.67% are expected to be formed by adult children living at home with their parents.
- Respondents indicated that the majority of households expected to emerge in the next 5 years are within the 25-44 age bracket (50.27%), followed by the 16-24 age bracket (46.86%).
- Respondents indicated that the majority of households expected to emerge in the next 5 years are expected to be either couples (29.20%) or single (26.9%).
- Respondents indicated that the majority of households expected to emerge in the next 5 years are expecting to own or buy their property with a mortgage (52%), followed by 18% who do not know what tenure their household will have, 14% who expect to rent privately from a landlord / agency, 8% who are planning to flat / house share, and 1% who expect to rent from the Council.

## Disability, Adaptations & Care

- Respondents indicated that the most common disability amongst adults is 'physical disability' (59% of households), with 11% being wheelchair users, and 48% not using wheelchairs. The vast majority of households with a disabled member have no special adaptations, indicating a potential unmet housing need.
- 35.38% of respondents indicated someone living in their households is aged 60 or over. The vast majority of these households live in homes that have not been specially adapted to accommodate the potential needs of this age group. This indicates a potential unmet housing need.

## Older Person Households

- Respondents indicated that the substantially most popular housing option for older people is remaining in their current home with support. The least popular options were residential care home and co-housing. This may have implications for supporting the flexibility and adaptability of future homes to facilitate receiving in-home care and support.

## BME Households

- Respondents living in BME households indicated a higher proportion of renting privately and from the Council, compared to the general survey sample including all respondents. BME households are also significantly less likely to own their property.
- Respondents living in BME households indicated a slightly higher proportion of occupation of 1 bedroom properties.
- A higher proportion of BME respondents indicated they feel their home is inadequate. There are significant differences in the reasons behind this response when compared to the wider population. The most striking difference is that 59.08% of BME respondents find their home inadequate owing to an insufficient number of bedrooms, compared to only 13.74% overall. This is potentially linked to issues surrounding overcrowding, however it could also reflect the tendency for certain ethnic groups to live in larger multi-generational households.
- Further differences are evident in the suitability for children (22.93% of BME residents compared to 10.09% overall), as well as minor differences across all categories.
- Respondents in BME households are also more likely to receive help with their rent, in the form of Housing Benefit, or living rent free, and are more likely to be concerned to some degree with their housing costs, when compared to all households in the sample.

## Rural Households

- A lower proportion of respondents living in rural areas indicated that their home is not adequate for their needs (1.91%) when compared to urban respondents (8.53%).
- Respondents living in rural areas indicated they are more likely to receive help towards their housing costs through housing benefit, or from family and friends. This could suggest that rural households have more acute affordability issues. However, respondents living in rural areas also indicated they are less likely to be 'very concerned' about meeting their housing costs (1.94%) compared to urban respondents (4.89%), and more likely to be 'not concerned at all' (35.93%) compared to urban respondents (30.18%). This suggests rural households have less acute affordability issues.

- 10.2 This analysis sets out the key housing findings based on the raw HNS data. It is incorporated throughout the SHMA report to supplement and add additional insight into the current and likely future housing issues for residents in Medway. The implications of the HNS survey findings are detailed within the relevant sections of the SHMA.