HASTINGS AND ROTHER
Housing Market Assessment

Summary Report - June 2006

DTZ

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Housing is Big News . . .

Where we live - our home, how much we have to pay for it and our neighbourhood - affects us all.

This study examines housing issues in the Hastings and Rother sub-region in South East England. The study was commissioned by Hastings Borough Council and Rother District Council with financial support from the South East Regional Housing Board.

The aim of the study is to:

- establish a strategic vision of housing supply and demand over the next 10 years
- provide the authorities and their partners with a better understanding of the local and sub-regional housing market
- provide a robust evidence base to inform the emerging Local Development Frameworks.

The Hastings and Rother Sub-Region

The Hastings and Rother sub-region is one of the smallest functional housing markets in the South East of England (Figure 1 presents a context map of the Hastings and Rother sub-region). Around 170,000 people live in the sub-region. Around ½ of the total population live in Hastings, the centre of the sub-region, and ¼ in Bexhill, a seaside town to the west of Hastings. The remaining ¼ live in the market towns and villages that form the rural hinterland of Hastings and Bexhill, most of which falls within the High Weald Area of Outstanding Natural Beauty.

The area of Hastings Borough and Rother District operates largely as a single housing and labour market, though the northern parts of Rother District look more to Tunbridge Wells than to Hastings. But the market is characterised by strong local housing markets. Despite their proximity there is relatively little household movement between Hastings and Bexhill, and there are significant differences in the population profile of the two towns. The rural parts of Rother has much higher house prices than Hastings or Bexhill. The sub-region is therefore characterised by considerable internal diversity.

Figure 1
The Hastings and Rother Sub-Region

Key Features of the Housing Market

There are 6 key features of the Hastings and Rother housing market that distinguish it from other parts of the South East, and which demand a distinctive sub-regional response. These 6 key features are:

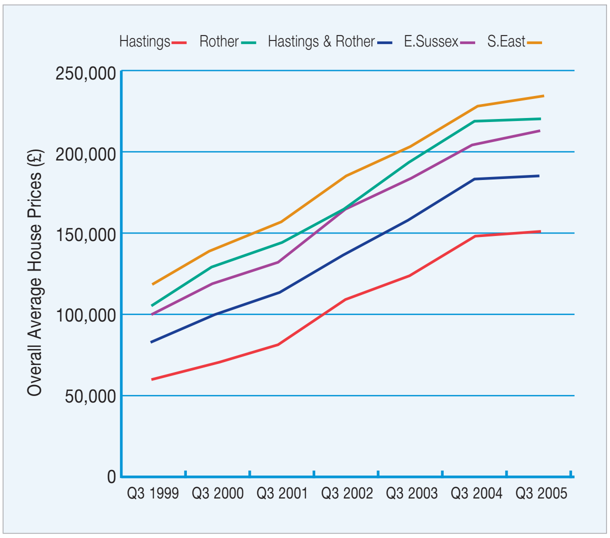
- Comparatively low, but rising, house prices
- Declining affordability for local people
- A bias to smaller dwellings
- An unusual population profile
- Growth of the private rented sector
- High levels of deprivation

Comparatively Low, but Rising, House Prices

House prices in the Hastings and Rother sub-region have more than doubled (+ 120%) over the past 6 years (see Figure 2). In 1999 the average price of properties in the sub-region was £84,000 (£61,000 in Hastings and £106,000 in Rother). By the end of 2005, prices had risen to £185,000 (£151,000 in Hastings and £220,000 in Rother). The percentage rate of increase in Hastings (+145%) has been greater than in Rother (+106%), in part due to the fact that prices in Hastings started from a lower base.

Figure 2

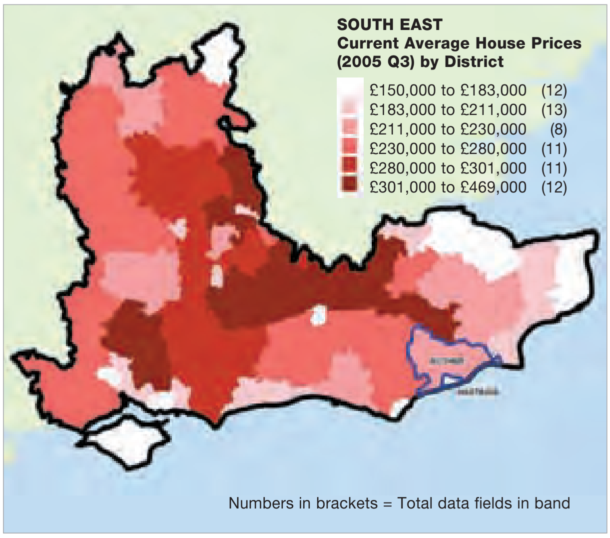
House Prices 1999-2005



House price growth in the sub-region in the period 1999-2005 has exceeded that experienced in the South East as a whole (+97%). However, house prices in the Hastings and Rother sub-region remain significantly below those in the South East of England (see Figures 2 and 3). This is particularly the case for house prices in Hastings and Bexhill. House prices in parts, but not all, of rural Rother are significantly higher.

Figure 3

Average House Prices in South East England by District, 2005



Declining Affordability for Local People

Relatively low house prices in the Hastings and Rother sub-region makes the area relatively affordable to those who are selling property in London or elsewhere in the South East and moving to the area. But rising house prices means that housing has become less affordable to local people. In Hastings and Rother as a whole the ratio of lower quartile (LQ) earnings to LQ house prices is now 1:12.3, which makes the area less affordable than the South East as a whole (ratio 1:11.9). Rother in particular is one of the least affordable areas in the whole South East with a LQ earnings:LQ house prices ratio of 1:16.2 (see Figure 4).

Figure 4 also shows how affordability has declined. Data is not available for Rother, but over the period 2000-2005 there has been a 60% decline in affordability in Hastings.

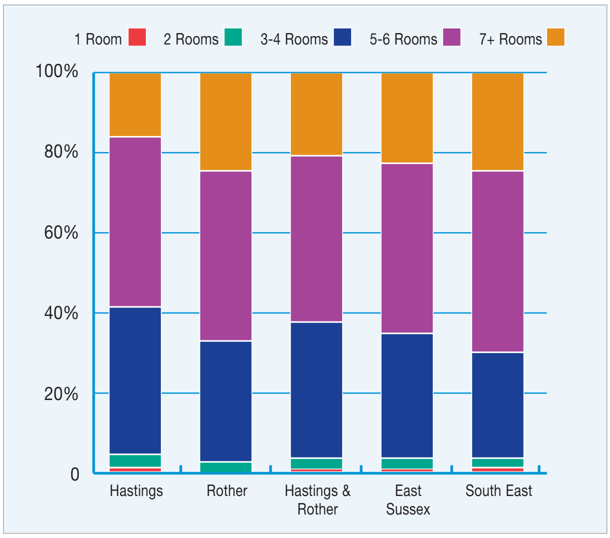
Figure 4
**Affordability Ratio:
LQ Earnings to LQ House Prices**

Source: ODPM & ONS & DTZ

A Bias to Smaller Dwellings

One of the factors that makes the sub-region relatively affordable is that the profile of its housing stockexhibits a bias to smaller properties when compared to the South East of England. This is due to the influence on the overall sub-region exerted by Hasting's housing stock. Thus around 37% of dwellings in the sub-region have less than 5 rooms, compared to 30% of dwellings in the South East of England. Smaller dwellings are particularly concentrated in Hastings, where 40% of dwellings have less than 4 rooms, and there is a correspondingly small proportion of larger dwellings with 7 or more rooms (see Figure 5). The size of dwellings in Rother is much more in line with the average for the South East as a whole.

Figure 5
Dwelling Size



Source: ODPM & ONS & DTZ

The sub-region also has a higher proportion of flats than found in East Sussex as a whole and in the South East; and a correspondingly lower proportion of detached dwellings. Hastings in particular has a relative concentration of flats and has a correspondingly high incidence of overcrowding. Almost 10% of households in Hastings live in overcrowded conditions.

An Unusual Population Profile

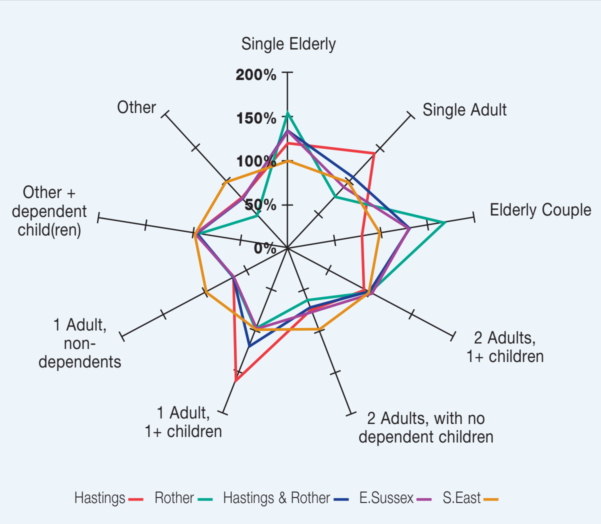
The sub-region has a distinctive demographic profile. The overall age profile of the sub-region is similar to that of East Sussex as a whole, but both the sub-region and East Sussex has a markedly lower proportion of people aged 25-44 than the South East, and larger numbers of people aged over 44. Within this overall demographic profile, there is a greater concentration of younger people in Hastings, and a greater concentration of people of retirement-age in Rother.

This is reflected in differences in household structure between Hastings and Rother. Hastings has a higher proportion of younger families and single adult households than Rother, while Rother has a higher proportion of retirement-age households (see Figure 6).

Compared to the South East, the sub-region has a higher proportion of single elderly, single adult, elderly couple, and single parent couples; fewer couple households without children; and a similar proportion of two couple households with children.

Figure 6

Relative Concentrations of Different Households (South East = 1)



Source: Census 2001

Overall the population of the sub-region has grown at the same pace as that of the South East as whole over the period 1981-2003, albeit below the level of growth in East Sussex as a whole. Between 1981 and 2003 the population of the Hastings and Rother sub-region grew by around 9,000 (+12%). The total number of households in the sub-region increased by around 5,900 households over the period 1991-2001, an increase of 9%, a level of increase only marginally below that of the county (+10%) and the South East (+11%).

But the pattern of demographic change is different to what might be expected. Over the period 1991 to 2001, there was a significant growth in the number of people in the 45-64 age group in the sub-region, and to a lesser extent, the 15-24 age group (see Figure 7). However, both districts experienced a decline in the number of people aged 65-74 and 25-44.

Figure 7

Population Change 1994-2004

Source: ONS Mid Year Population Estimates

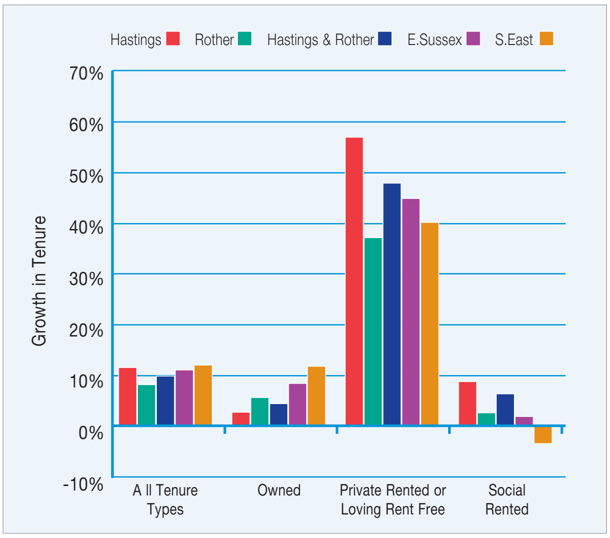
Growth of the Private Rented Sector

The majority of householders in the Hastings and Rother sub-region (71%) are owner occupiers, but the level of owner occupation has fallen since 1991 when it was 75%. The sub-region has experienced a 50% growth in the private rented sector. In 1991 8,100 households rented from private landlords. By 2001 the number of private rented tenants had increased to 12,000 households, and accounted for 16% of all households (12% in 1991) (see Figure 8).

The number of households renting from the local authority or housing associations has grown by a modest amount, rising from 9,400 units in 1991 to 10,000 units in 2001 (a rise of around 6%)). This indicates that development of new socially rented units has more than offset the number of households exercising their right to buy. The modest growth of the social rented sector in the area stands in contrast to the position in many parts of South East England where sales of homes under the Right to Buy have outweighed new development.

Figure 8

Dwelling Growth by Tenure 1991-2001



High Levels of Deprivation

Hastings, and to a lesser extent Bexhill, is characterised by significant levels of deprivation. Hastings Borough is ranked as the 38th most disadvantaged local authority in England. There are significant pockets of disadvantage in Hastings with 6 small areas (output areas) being ranked as within the 5% most disadvantaged areas in England and another 4 within the 10% most disadvantaged areas. In contrast Rother has only one small area within the 20% most deprived areas in England.

Drivers of Change

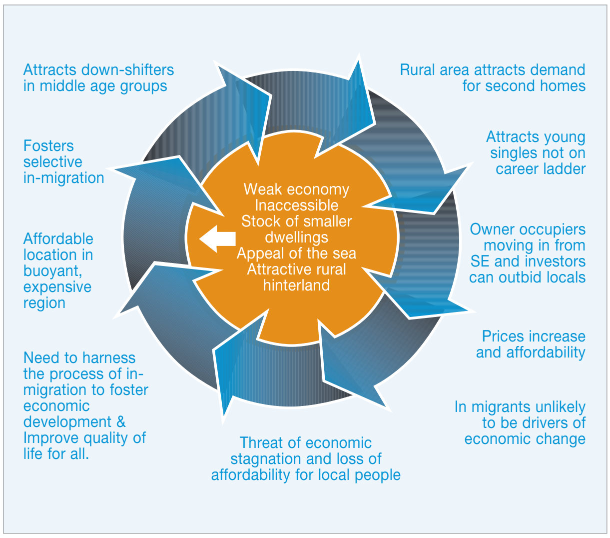
What are the processes that have led to the observed characteristics of the housing market in the Hastings and Rother sub-region? And to what extent might they continue to operate in the future, with what result?

The key process at work has been a pattern of selective migration, whereby couples and families in the 25-45 age group have tended to move away from the area, and older couples and families, plus single people - both in older and younger age groups have moved into the area.

This pattern of selective migration is a product of four key characteristics of the Hastings and Rother sub-region, shown in Figure 9.

Figure 9

The Drivers of Change: Selective Migration



- **Weak Economy** On almost every indicator of economic performance the Hastings and Rother economy has in the past under-performed the South East average. In terms of output and employment growth the sub-region has lagged the county average, which lags the South East average. Earnings are significantly below the regional average, unemployment higher and economic activity lower. Within the sub-region Hastings performs significantly worse than Rother.

- **Inaccessible** A key factor in the sub-region's poor economic performance is that it is inaccessible. Road and rail links to London and the national motorway network are slow by comparison to many parts of the South East. East-west road and rail links are relatively poor. Long journey times to key centres of employment mean that the area has not been subject to the same degree of pressure as many other areas in terms of commuters buying into the area, and travelling out of the area to work.
- **Large Rented Sector and Stock of Smaller Dwellings** The sub-region has a very large and cheap private rented sector. This acts as a draw to those seeking cheap rented accommodation. At the same time Hastings in particular is characterised by a stock of smaller dwellings. As a consequence there is a larger stock of cheaper properties than in other areas, which has attracted prospective home owners into the area, particularly those who are not tied into working elsewhere in the South East economy.
- **Appeal of the Sea and an Attractive Rural Hinterland** The sub-region is an inherently attractive place to live. Throughout the UK coastal locations prove attractive destinations for migrants - particularly those at or close to retirement age. They often appeal to young people as well, especially those not tied into the mainstream economy. The sub-region also has a very attractive rural hinterland, reflected in its AONB designation.

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

- Housing in the main urban centres in the sub-region, Hastings and Bexhill, is relatively cheap compared to most of the South East, and despite low wages is relatively affordable (although Bexhill remains more expensive than Hastings). Housing in rural Rother is, relative to local wages and the situation in Bexhill, far from affordable, but house prices on a like for like basis are probably cheaper than in other attractive rural areas of the South East.

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

Key Challenges

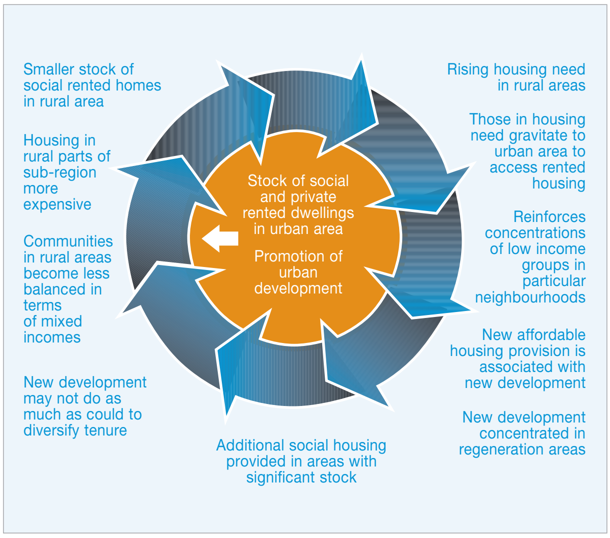
A major issue that the processes identified above presents is that the pattern of in-migration makes housing less affordable for local residents, but does nothing to improve the prospects for economic development. Many of the in-migrants are unlikely to be those that will drive the process of economic change, since they are coming to live in the area for quality of life reasons, rather than moving to the area for economic reasons. Changing the housing offer of the sub-region may have a role to play in fostering much needed economic development and regeneration.

A second issue that needs to be highlighted is that there are processes at work within both the market and social housing sectors that tend to encourage social segregation within the sub-region (see Figure 10). There are three features of the housing market which start this process:

- The urban areas of the sub-region have a much greater stock of social rented dwellings and cheap private rented property than the rural areas.
- The majority of new housing development - and hence provision of additional market and affordable housing will be in urban areas, due to the constraints on development in rural Rother associated with the AONB.
- Housing in rural Rother is more expensive than in the urban areas of the sub-region, in part because of the attraction of living in market towns and villages, in part because a higher proportion of the stock comprises larger and detached dwellings which attract a premium.

Figure 10

Processes that Reinforce Social Polarisation



These features of the housing market lead to a pattern of selective migration that development patterns tend to reinforce existing patterns of social segregation and work against the achievement of balanced and mixed local communities.

- First time buyers are squeezed out of rural Rother because house prices are not affordable, in part because of higher house prices on a like for like basis, but also because of a smaller stock of small dwellings. They move into the urban areas.
- There is also a smaller stock of social rented housing in the rural areas, in part because for historic reasons councils built more housing in urban areas, but also because of higher levels of Right to Buy sales in rural settlements.
- The consequence is rising levels of housing need in rural areas. The local authority finds it difficult to satisfy this need, so households move into the urban area to access either social or privately rented housing.

- New development is often concentrated in regeneration areas - areas that are already fairly disadvantaged. Since new affordable housing is associated with new development this may mean adding to the stock of affordable housing in areas that already have a large stock of affordable housing or low cost private rented dwellings.
- This will tend to reinforce concentrations of low income households in particular neighbourhoods.
- In this way new development may not do as much to diversify tenure and social composition as it could, and may in some circumstances even reinforce concentrations of low income households.

If left unchecked these processes are likely to lead to increased polarisation within the sub-region. There is scope however for policy makers to seek to counter these processes which lead to social segregation and creation of areas of concentrated disadvantage.

Policy Implications and Recommendations

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

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

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

The South East Plan was submitted to government on 31 March 2006. The Plan envisages net additional provision of almost 10,000 dwellings in the sub-region between 2006 and 2026, a net annual provision of almost 500 dwellings pa. Over the period 1991 to 2004 on average 450 new dwellings have been built each year, so the Plan proposals imply raising the pace of new housing development.

It is also possible that the government may wish to see a higher level of dwelling provision than contained in the South East Plan, so this level of new housing provision is likely to be the minimum that the sub-regional partners are likely to be required to deliver.

DTZ expect that delivering this volume of new housing consistently year in year out will be challenging. The sub-region is fortunate however in that there is an established delivery vehicle - Sea Space - that can be involved in pushing forward new housing development and co-ordinating infrastructure provision etc. It will be important that Sea Space continues to be resourced to perform this role.

However the sub-region is likely to remain relatively weak economically and this will limit the potential to achieve sustainable housing growth. Market appetite for new development may still act as a constraint, particularly on more difficult sites, and at times when the market is weak. This may mean that the authorities have to be flexible in terms of the degree to which they can achieve other housing and planning objectives when approving development proposals. DTZ have taken this into account in the development of our recommendations regarding the type and tenure mix of both market and affordable housing.

The Tenure and Type of Market Housing to be Provided

The government makes it clear in guidance on planning policy that it wishes to foster the creation of mixed communities. It is important to avoid creating concentrations of disadvantage, such are associated with large estates of social rented housing, or areas dominated by low cost private renting. It is also desirable to avoid neighbourhoods where everyone is of the same income and socio-economic group, though in practice this is what many home owners would prefer and is characteristic of many neighbourhoods.

It is also important to recognise that neighbourhoods have different characteristics and that this is important to providing a variety of choice in the housing market. It is broadly accepted for example that the development of city centre housing appeals particularly to younger single people and couples. Suburban locations are often favoured by families who place a higher value on having gardens and access to schools. Such variety should be valued as part of creating diverse and liveable towns.

Government planning guidance expects authorities should be aware of the *'overall balance of different household types to be provided for across the plan area, to ensure housing provision is made for example for family, single person, and multi-person households. In planning at site level, it is important that a broad mix of housing suitable for different household types is provided on larger sites. For smaller sites, the mix of housing should contribute to the creation of mixed communities'*. PPS3 does not indicate a requirement for specific targets for different types or sizes of dwellings.

Hastings BC and Rother DC therefore has a responsibility to think about the implications of planning for mixed communities and planning for the types of household that will be living in the sub-region in the future. But the government does not envisage local authorities setting highly prescriptive targets for different types of dwelling, since this would undermine the responsiveness of the market to demand. Authorities should provide a strategic assessment of where there are gaps within current housing provision and identify in broad terms the relative priority to be accorded to development of different types of dwelling.

In addition to planning for mixed communities and for the types of household that will be living in the sub-region in the future DTZ believe that four additional considerations need to be taken into account by the authorities in seeking to influence the type and size of dwelling provision:

- **Evidence of Market Demand**
  Throughout the majority of the economy markets provide a highly effective way of matching demand and supply, and the relative profitability of different products provide a powerful signal to enable the allocation of those resources to where they produce the greatest benefits to society. DTZ would therefore argue that there should be a presumption in favour of permitting house builders and developers to interpret current market requirements in terms of the size and type of dwellings, within a framework of what is deemed suitable in terms of different locations and appropriate household types. It needs to be appreciated that at different stages in the housing market cycle different forms of development may be brought forward in different quantities.

- **The Nature and Location of the Site**
  Different sites and locations will lend themselves to provision of different dwelling types, densities, and hence size of dwellings. Town centres will typically lend themselves to higher density development than more suburban locations. Regard will be had to density and hence type of development with respect to access and traffic generation. Moreover in Hastings and Rother there are in reality a number of different local housing markets, based on Hastings and Bexhill and the market towns and villages of rural Rother.* Within such settlements it may well be appropriate to seek to ensure a choice of housing provision, so that people in different circumstances and with different requirements can live in that settlement without the need to move elsewhere in the sub-region. It may therefore be sensible to deliberately seek to encourage greater variety of provision (in terms of dwelling type and size) at the level of individual settlements.

- **Economic Development Objectives**
  There is a close inter-relationship between the economic performance of Hastings and Rother sub-region, its housing market, patterns of net in-migration and the social composition of the sub-region. The Hastings and Rother sub-region has significantly under-performed the South East and East Sussex on virtually every indicator of economic health for many years. Policy makers should consider the contribution that new housing provision might make to improving the economic performance of the area. Development of good quality new housing could help to change the image of Hastings and Bexhill and enhance the perceived quality of life of both towns. It is also possible that provision of suitable new housing could help foster the in-migration of more skilled people. A more skilled resident workforce would enhance the ability of Hastings and Bexhill to attract mobile business investment and thus contribute to economic development.

* In the analysis of the spatial extent of the sub-region a number of smaller sub-market areas are also defined, which could provide alternative spatial units for housing requirements.

- **Neighbourhood Renewal Objectives**
  The type of market housing developed and the balance between market and affordable housing is one of the mechanisms by which policy makers can influence the social make up of particular neighbourhoods, and hence reduce concentrations of disadvantage. Annual housing completions are currently the equivalent of around 0.5% of the stock. Thus over the next 20 years, there is the scope to exert some influence over the characteristics of at least 10% of the households and stock of dwellings in the sub-region.

Thus in considering policies for mix of tenures and type of housing there is a need to consider the contribution that future housing provision can make to four distinct objectives:

- **The need to plan for future requirements in terms of household types**, in particular the expected substantial increase in single person households. This should not be taken as simplistically meaning that all, or even necessarily the majority, of new provision should be of 1 or 2 bed properties. The authorities must consider how this growth is likely to be accommodated. Satisfying demand for larger property through new development could well free up significant volumes of smaller dwellings.

- **The desire to promote economic development**, which would indicate the desirability of bringing forward significant brownfield sites identified for housing at an early stage, as a means of improving the physical environment of Hastings and Bexhill, and helping to create a positive image of progress. It could also indicate the desirability of creating housing attractive to potential in-migrants who have higher level skills.
- **The need for regeneration of particular neighbourhoods** with high levels of disadvantage. In such areas new housing provision can help to improve the physical environment, but it can also help to start to change the social balance of the neighbourhood through decisions about the tenure mix and type of new housing provided. In this way concentrations of disadvantage may be diluted through new development.
- **The pressing need for affordable housing in rural Rother** where high housing costs relative to local incomes, makes access to owner occupation unaffordable for many, but there is also a lack of social housing or cheap private rented accommodation when compared to Bexhill and especially Hastings.

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

The Level and Type of Affordable Housing Provision

Government guidance requires local authorities to set out in the Local Development Documents an overall target for affordable housing provision. Separate targets need to be set for social rented and intermediate housing.

In determining an appropriate quota for affordable housing provision as part of new development consideration needs to be given to six inter-related factors:

- Housing Needs and Affordability
- Development economics and Grant Aid
- Housing Aspirations and Mixed Communities.

Housing Needs and Affordability Recent housing needs surveys in the Hastings and Rother sub-region indicates that there is a need within the sub-region for as much affordable housing as can realistically be developed. Looking at the scale of need, relative to the amount that is likely to be provided in association with new development, there is little prospect of all the needs identified being satisfied. Indeed the overall annual shortfall across the sub-region of some 570 affordable dwellings pa is more than the combined total of new market and affordable housing built each year over the last decade. The issue of what level of housing quota to set thus depends on the assessment of the other factors outlined above.

Development Economics and Grant Aid

Particular consideration must be given to the effect of requiring a certain proportion of new housing development in the form of affordable housing on development economics. If the requirement for affordable housing is set too high, then this may act as a deterrent to new development, and both the output of new market and affordable homes may fall below desired levels. Equally in some contexts, where there is scope for incentivising new housebuilding and planning policy is such that an overall increase in housing completions is deemed desirable, a higher output of affordable housing could be achieved by having a relatively modest affordable housing quota.

Development economics are likely to vary considerably across the sub-region. In Hastings most of the available sites are brownfield sites, many of them small, and the hilly character of the town adds to development costs. In contrast land values and the appetite for development in rural Rother are much more positive, which provides greater scope for securing higher levels of affordable housing provision. Thus there is likely to be a need to establish different affordable housing targets for different parts of the sub-region. Flexibility may also be required in applying any target depending on particular site characteristics.

The changing funding arrangements for affordable housing provision also introduce a degree of uncertainty into the overall economics of new housing developments. In the past it has generally been possible for RSLs to secure grant aid for affordable housing provision on sites made available through the Section 106 process. This may not be the case in future.

These considerations point to a need for Hastings BC and Rother DC to enhance their appreciation of development economics, so that they understand where and when it is appropriate and realistic to insist on full achievement of the target quota, and where and when it is appropriate to agree a lower percentage figure for affordable housing provision. It is important that authorities cannot be played off against one another; and that they develop their collective negotiating skills.

Housing Aspirations and Mixed Communities Some flexibility in how the achievement of the affordable housing quota can be met will be helpful in negotiations and is likely to be appropriate in terms of the pattern of housing needs and affordability and in the light of people's housing aspirations and the desire to build mixed income communities. Key considerations are as follows:

- Even if it were possible to negotiate that ½ of all new dwellings on a site should take the form of traditional social rented properties, this might not be deemed desirable on larger developments. In recent years there has been growing recognition of the undesirability of creating large concentrations of social housing tenants, and the desirability of creating mixed income communities at the neighbourhood level. On larger developments or developments in areas which already have a high level of social rented housing it may be deemed desirable in terms of building balanced communities to encourage an element of shared ownership or other forms of intermediate housing.

- Home ownership is the tenure of choice of virtually all households in England regardless of tenure. government policy has reflected this in the past through encouragement of the Right to Buy, and the current government has indicated its intention to develop new intermediate housing products such as Home Buy to meet the aspiration for home ownership. Provision of intermediate housing can go some way to meeting identified needs. Not all those in housing need want or need social rented housing. It therefore makes sense in terms of an overall housing strategy to plan for a certain level of intermediate housing provision.
- It is often the case that separate funding provision is made for intermediate housing. Planning for a certain level of intermediate housing provision is therefore sensible as part of a strategy to maximise the level of public funding secured for affordable housing. It also provides flexibility in negotiation with developers. In general developers are more willing to envisage provision of intermediate housing as part of their development than social rented housing since the impact on development value is less. Thus, being willing in principle to envisage that part of the affordable housing requirement may be met by provision of intermediate housing can be helpful in reaching agreement with developers on affordable housing provision.

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

Recommendations Regarding Tenure Mix and Dwelling Type Mix

Hastings

Hastings BC currently seeks to achieve a target of 25% affordable housing on brownfield sites within the Borough, and 30% on greenfield sites. The majority of sites within Hastings are brownfield sites. At present the expectation is that almost all affordable housing should take the form of social rented housingi (the exception is the 30% stipulated on millennium sites of which 5% is other forms of affordable housing). There is generally, therefore, no expectation of part of the affordable housing quota being met through provision of intermediate housing.

A key consideration in Hastings is the need for both economic development and regeneration at the neighbourhood level. Many housing sites are relatively small, and the fact that many are brownfield sites makes them relatively expensive to develop.

While there is a considerable need for additional affordable housing, DTZ believe that there could only be a justification for increasing the affordable housing quota if there is clear evidence that this will not adversely impact the overall level of residential development. The housing market is generally less robust than it was 18 months ago, so DTZ take the view that probably now is not the time to seek to increase affordable housing quotas.

Relatively low house prices in Hastings has meant that home ownership is relatively affordable compared to many parts of the South East. The environment is therefore less conducive to shared ownership than in many areas of the South East, and there can be little justification for intermediate renting in a market with a large and generally low cost private rented sector. DTZ therefore doubt that there will be much call for intermediate housing products in Hastings.

However DTZ would recommend that Hastings BC ensures that affordable housing policy is drafted to allow the possibility of part of the affordable housing requirement on development sites to be provided in the form of intermediate housing. This would enable use of funding for intermediate housing at some future date and provides a degree of flexibility in negotiation with developers over affordable housing provision.

It may also be appropriate to encourage low cost home ownership on larger sites in neighbourhoods that already have a large concentration of social or low cost private rented housing, rather than reinforcing the neighbourhood concentration of very low income households, by further development of social rented housing. An assessment of demand must be undertaken before any form of intermediate housing is proposed.

While DTZ would recommend an overall quota to secure 25% affordable housing on new development sites, we would recommend that Hastings BC considers the characteristics of the neighbourhood in determining whether this provision should be made on site, or a commuted payment made to permit off-site provision elsewhere in the Borough.

This recommendation reflects the fact that there are a number of severely disadvantaged neighbourhoods in Hastings, generally associated with neighbourhoods that have high levels of social rented or privately rented accommodation. The maximum impact in terms of creating a more mixed community will be achieved if, in these areas, all (or most) new housing is built for home ownership. Conversely, in more affluent areas of Hastings where home ownership is high there would be merit in seeking to secure higher affordable housing contributions on new development.

Where some affordable housing provision is provided off site or developers make a commuted payment in lieu of provision, this would allow Hastings BC to promote affordable housing development in those parts of the Borough which are predominantly owner occupied and thereby promote more mixed communities in those areas.

The size and type of affordable housing provided in connection with new development should take account of analysis of the characteristics of those households that the local authority has a duty to house and the existing pattern of available relets. This evidence should be regularly monitored and the implications fed into discussions with housing associations.

With respect to size and type of new market housing, planning policy does not require the local authority to be prescriptive. Hastings BC should take into account the site and neighbourhood characteristics. But in a relatively weak development market, the Borough Council should pay close attention to what developers propose since they are likely to have the best idea of what will sell. It is also often the case that developers specialise in different products and markets, so different developers will have different knowledge as to what will sell.

There are three caveats to this general advice:

- The local authority should consider whether the type of new dwellings are to be used for permanent occupation or holiday letting. Second homes or holiday lettings may make a contribution to the local economy, but will do nothing to meet locally arising demand. Certain types of development may attract such interest - eg sea front apartment developments.
- Hastings BC and its partners may wish to encourage developers to provide certain dwelling types to support their economic development objectives. This might be certain dwelling types that will attract higher income, higher skill in-migrants to the area, or innovative developments that would help to change perceptions of Hastings as a place to live and do business.
- While household forecasts show a huge increase in single person households, it may not be desirable to concentrate very large numbers of new developments catering for this market in certain locations. It may well be that much of this requirement can be met by adaptation within the existing stock eg conversion of larger dwellings, and new developments should promote greater balance and mix.

Bexhill

Rother DC currently seeks to achieve a target of 40% affordable housing in connection with new housing developments. Future housing provision in Bexhill will depend on a mix of urban extensions on greenfield development and development of brownfield sites and small infill developments. The variety of sites to be developed may mean that economics of development are very varied and hence the potential for securing affordable housing varies.

DTZ has not examined the economics of development in Bexhill, but a 40% target would seem reasonable, given the scale of housing need and the level of activity in the market. DTZ would expect, however, that an element of this might take the form of intermediate housing. However relatively low house prices in Bexhill means that home ownership is relatively affordable compared to many parts of the South East which may limit interest in shared ownership. The bias in the population to older people may also limit interest in shared ownership.

DTZ would recommend however that Rother DC ensures that affordable housing policy is drafted to allow the possibility of part of the affordable housing requirement on development sites to be provided in the form of intermediate housing. This would enable use of funding for intermediate housing at some future date and provides a degree of flexibility in negotiation with developers over affordable housing provision.

Moreover on larger sites DTZ would have concerns about the impact that provision of 40% of all new dwellings as social rented housing would have on the social mix and dynamics of that community. DTZ would recommend that on major development sites the level of social rented housing should not exceed 25% of new dwellings in neighbourhoods, and that the balance comprises intermediate housing.

It would be important however, where any form of intermediate housing is proposed that care is taken to ensure that such a scheme is attractive to potential purchasers and competitive compared to buying entry level housing elsewhere in Bexhill or Hastings.

The size and type of affordable housing provided in connection with new development should take account of analysis of the characteristics of those households that the local authority has a duty to house and the existing pattern of available re-lets. This evidence should be regularly monitored and the implications fed into discussions with housing associations.

With respect to size and type of new market housing, planning policy does not require the local authority to be prescriptive. Rother DC should take into account the site and neighbourhood characteristics. Regard should be had to:

- Market information, including developers' own intelligence about what will sell in the market conditions prevailing at the time of the application. At different stages of the market, different products may offer the best prospect of worthwhile development. Rother DC may wish to take into account the extent to which the type of development provides for local demand or will stimulate in-migration, or might be associated with second home purchase.
- The overall requirement for a significant growth in provision for smaller households, and in particular single person households. There could be concern however in seeking to concentrate very large numbers of new developments catering for this market in certain locations. Allowance should be made for the scope to meet much of this demand by adaptation of the existing housing stock.

Rother DC may wish to encourage developers to provide certain dwelling types to support wider policy objectives. In the context of Bexhill, this might be to encourage provisions for families and younger households. It might be deemed desirable to promote certain dwelling types that will attract higher income, higher skill in-migrants to the area, or innovative developments that would help to change perceptions of Bexhill as a place to live and do business.

Rural Rother

The rural parts of Rother experience major issues in terms of housing affordability. This is the product of high average house prices associated with a stock of larger dwellings, attractive market towns and villages set within an Area of Outstanding Natural Beauty, but low local wages. Opportunities for new residential development are constrained, and in view of both potential demand but limited opportunities for new supply, there is likely to be little difficulty in promoting new development where it is permitted.

Rother DC currently seeks to achieve a target of 40% affordable housing on sites within the District. In rural Rother it would probably be realistic to seek to achieve a target of 50% of affordable housing on development sites, and justifiable in terms of housing need. The majority of sites coming forward for development in Rural Rother will be small sites so consideration also needs to be given to a lower threshold for application of affordable housing policies.

The stock of social rented housing in rural Rother has been eroded by the Right to Buy, and therefore the majority of market towns and villages are owner occupied. In the light of this, and the small average size of new developments, DTZ see no major issues in seeking to ensure that all of the affordable housing component on sites in rural Rother is social rented housing.

However funding may present a constraint on the development of social rented housing. Moreover high costs of entering the owner occupied sector in rural Rother means that there may be more of a market for intermediate housing than in Hastings and Bexhill. It may also be deemed desirable to offer people with strong local connections the opportunity to buy in the rural area. Hence there may well be circumstances where it is appropriate to plan for a proportion of intermediate housing - say up to 20% of the total housing provision.

Draft PPS3 Housing also contains a proposal that authorities can allocate sites in market towns and larger villages solely for affordable housing. This could be a very useful tool for Rother DC to use in encouraging provision of additional affordable housing in its rural area. Existing powers to foster new development on exception sites remain unaltered and should also be reflected in policy and active steps taken to identify and bring forward such sites.

The size and type of affordable housing provided in connection with new development should take account of analysis of the characteristics of those households that the local authority has a duty to house and the existing pattern of available relets within the rural area. This evidence should be regularly monitored and the implications fed into discussions with housing associations.

With respect to size and type of new market housing, DTZ would recommend that policy encourage the provision of smaller units. One of the reasons for high average house prices within the rural area is a bias to larger and detached properties. Encouraging the development of smaller dwellings helps to broaden the range of entry level housing available, and should make a real contribution over time to improving affordability.

Encouraging enhanced provision of smaller entry level housing as part of new developments would help younger households to have amassed less equity to live in rural Rother. This will help to create more balanced communities, since the bias to larger, more expensive properties has a tendency to be reflected in a bias towards older age groups among the resident population.

HASTINGS AND ROTHER
Housing Market Assessment

Summary Report

A report prepared for Hastings Borough Council and Rother District Council by:

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