

Executive Summary

Project Overview

1. Opinion Research Services (ORS) was commissioned by the Greater London Authority (GLA) to identify the number of dwellings necessary to meet current and future housing requirements across the region. The assessment was undertaken to inform the Mayor's strategic spatial development role and is particularly important at a time of rapid population growth in Greater London.
2. The assessment was primarily based on the analysis of 8,158 interviews conducted with households across the region between February and September 2002 as part of the London Household Survey. Secondary data from the ODPM, Housing Corporation, Land Registry and a range of information from teams at the GLA also informed the analysis. All data was based on a reference point of June 2002 to correspond with the fieldwork period for the interview sample, and this is the base date for the study projections.
3. The assessment was undertaken using the ORS Housing Market Model. To provide an analysis of the entire housing market, the ORS Model treats the housing market dynamically by likening the interchange between households and vacancies to 'musical chairs'. As some households move, or suffer dissolution due to death, other households take up the released vacancies. The extent to which the market clears depends on the match/mismatch between the households seeking housing, on the one hand, and the available stock, on the other.
4. On the requirements ('need' and 'demand') side, the ORS Model takes account of established households moving within the region, new household formations in the region, homeless and in-migrant households, and also the 'effectiveness' of their demand. On the supply side, it takes account of current and potential vacancies created by established households moving, household dissolutions through death, and new provision.
5. The ORS Model matches gross housing requirements with supply (vacancies created) to identify the net housing requirements. The identified net housing requirements have been broken down by household size and tenure, and projections have been made to show how the situation is likely to change over the current planning period.
6. Information from the analysis is statistically reliable at a regional level but reliable information cannot be provided about individual London Boroughs.

Existing Households in Housing Need

7. An important element of housing requirements is housing need – households lacking their own housing or living in housing which is inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some form of assistance (Bramley & Pawson, 2000). Overall, a total of 560,000 households were assessed as living in unsuitable housing due to one or more factors. The unsuitability problems experienced are shown below.

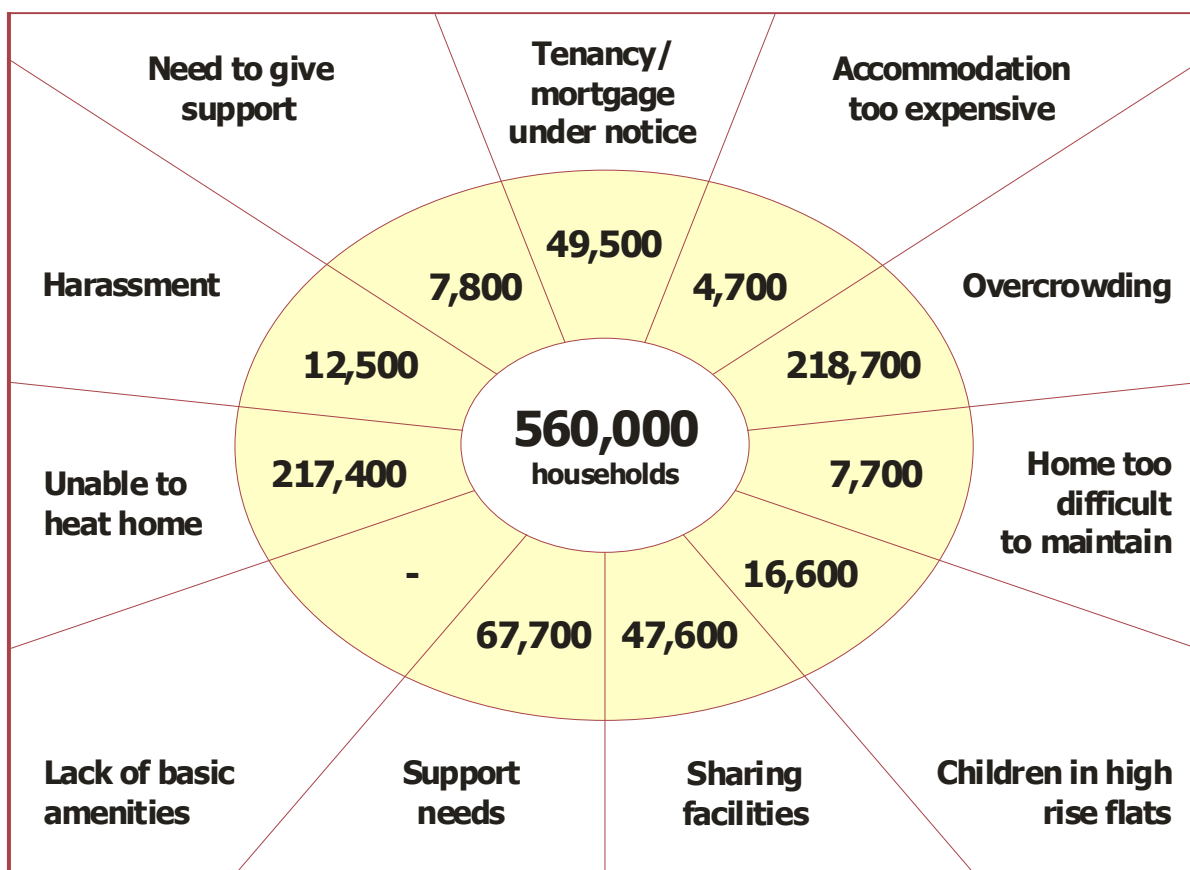


Figure 1: Established Households Living in Unsuitable Housing

Source: London Household Survey 2002

8. It is worth noting that, overall, this equals 18.4% of all established households in the region, though many of these households may not need to move to resolve the identified problems as in-situ solutions may be more appropriate.
9. Where a move is appropriate and required to resolve a housing problem, some households may need to move to homes outside the region (for example, those moving for care or support), and others will choose to move further afield for other reasons. Where unsuitably accommodated households are likely to willingly leave the region, their needs should not be counted within the estimate of net need. Nevertheless, while the needs of likely out-migrants can be discounted, any needs of in-migrants to the region will add to the total requirement.
10. Finally, a proportion of the households remaining will be able to afford to buy or rent an appropriate dwelling at (or above) threshold market prices. Therefore, when considering households who are in housing need, we must also discount from the total those who are able to afford. The impact of each of these stages is summarised below:

Factor	Number of Households	
	Discounted	Remaining
Households assessed as currently living in unsuitable housing	-	560,000
Households with an objectively assessed in-situ solution	197,800	362,200
Households with a subjectively assessed in-situ solution	120,400	241,800
Households that need to move, but that will leave the region	48,800	193,000
Households that need to move, but will be moving into institutional housing	3,500	189,500
Households that need to move, but can afford to rent or buy market housing	44,400	145,100

Figure 2: Resolving Housing Suitability Problems

Source: London Household Survey 2002

Note: Figures may not sum due to rounding

11. After discounting the households whose needs do not require alternative housing provision in London, only 145,100 (25.9%) of the identified 560,000 households living in unsuitable housing remain. The suitability problems experienced by these households are summarised in the figure below:

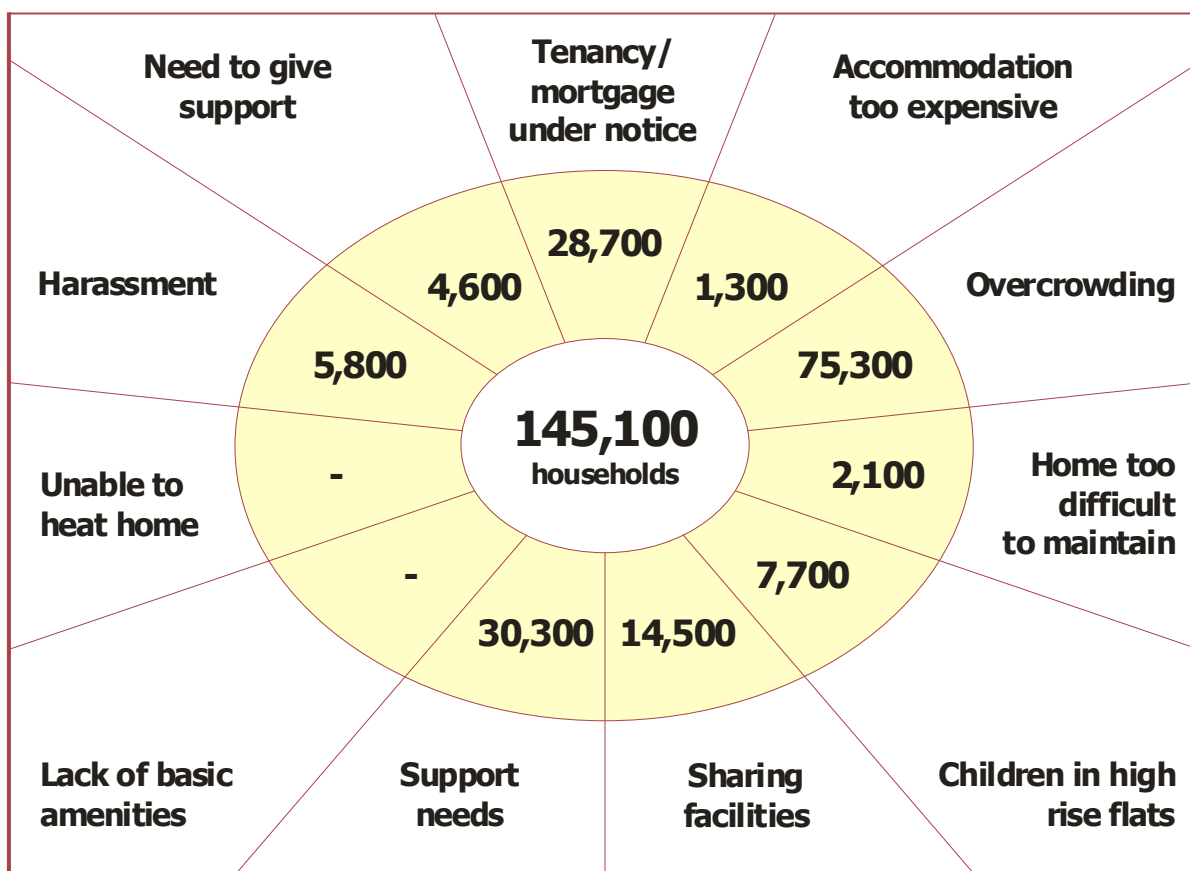


Figure 3: Established Households Living in Unsuitable Housing that Need to Move and are Unable to Afford Lowest Quartile House Prices

Source: London Household Survey 2002

12. Nearly one-in-three households in need contain dependent children, and one-in-seven children aged under five years live in established households with housing needs. Almost half the established households with housing needs are of an ethnic minority background. Intermediate housing options are affordable for fewer than three-in-ten of the established households in need. However, over three-quarters of workers in some key industries are likely to be able to afford more than the basic social rent.
13. When considering all current housing need (including established households living in unsuitable homes, homeless households in temporary accommodation and people sleeping rough), there are currently a total of 179,900 households in need. This need will be off-set by the supply of 163,500 properties vacated when these households move to more appropriate housing – yielding a requirement for 16,400 additional dwellings (see Figure 4).

Factor	Number of Households
Households currently living in unsuitable housing that need to move and cannot afford to rent or buy market housing	145,100
Households temporarily housed in Bed & Breakfast or hostel accommodation	12,600
Households housed in PSL housing leased temporarily from the private sector	18,400
Single people currently sleeping rough	200
Single people currently housed in voluntary sector hostels now requiring permanent housing	3,500
TOTAL	179,900
Less supply from properties vacated by household moves	163,500
NET ADDITIONAL DWELLINGS REQUIRED	16,400

Figure 4: Summary of Existing Housing Need

Note: Figures may not sum due to rounding

14. This overall requirement masks surpluses and shortfalls of different housing types and sizes, and a greater number of affordable units will be required if all of the identified needs are to be met. Resolving all of the identified housing needs of established households will generate a surplus of one bedroom homes – as the households which currently occupy them need to move to larger dwellings. There is a significant need for additional large, 4-bed affordable homes to alleviate overcrowding, as detailed below.

Property Size	Net Shortfall (Surplus)			
	Market	Intermediate	Social	Total
One bedroom	(3,800)	(3,800)	(4,500)	(12,100)
Two bedrooms	(7,000)	11,900	3,800	8,700
Three bedrooms	(8,100)	100	9,300	1,200
Four bedrooms	(2,000)	7,000	13,400	18,400
Five or more bedrooms	(600)	(1,300)	2,000	100
TOTAL	(21,600)	13,900	24,000	16,400

Figure 5: Summary of Housing Required to Satisfy Existing Housing Need by Housing Type and Property Size

Source: ORS Housing Market Model, London Housing Requirements Study 2002

Note: Figures may not sum due to rounding

Modelling Household Flows

15. Existing housing need considers only the current position, and does not account for housing demand and important changes in the household population resulting from migration and indigenous household population changes. The flows of housing need, demand and supply are shown below.

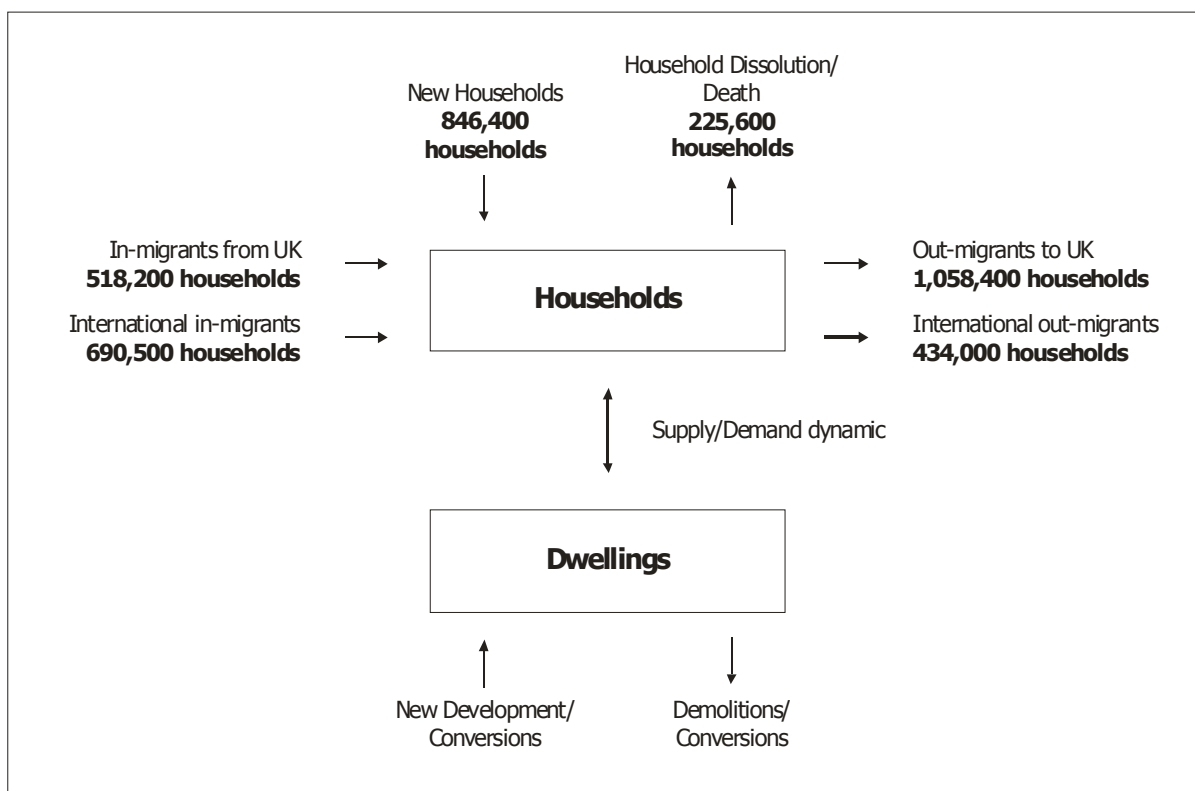


Figure 6: 10-Year Requirement/Supply Flow Analysis

Source: ORS Housing Market Model, London Housing Requirements Study 2002

16. Migration has a significant impact on the London housing market, though the number of people moving in and out of the region can fluctuate considerably from year to year. Government policy towards international migration will also inevitably affect future housing requirements.
17. On the basis of current trends and existing population forecasts, the ORS Model estimates that just over 1.2 million households will move to London over the next 10-years (518,200 from elsewhere in the UK and 690,500 coming from overseas). A high proportion of the requirement from international in-migrants is for social housing (25.8% compared to only 20.6% of the internal requirement from the UK), with similar proportions of internal and international migrants requiring intermediate housing options.
18. The significant housing requirement generated by inward movers is offset by households leaving the region. An estimated 1.5 million dwellings are likely to be vacated as households move out of London (1,058,400 moving to the UK regions and 434,000 overseas).
19. Overall, more households will leave London than move into the region and therefore migrant households will generate a net supply of housing. The majority is likely to be market housing (205,900 units of the 283,700 total) although there is also a significant supply of intermediate housing likely to become available. There is likely to be little net impact on the

supply of social rented housing with the vacancies generated by movers to the UK regions being taken by an equivalent number of new households from overseas.

20. While migration between London Boroughs has no impact on the region's total housing requirement, it is important when considering sub-area housing requirements. Internal migration flows are mainly from inner to outer London Boroughs, with a significant pattern of movement towards the east of London.

Household Formations

21. Over the next 10 years there is anticipated to be a total requirement from 846,400 new households (households forming from people leaving established households to set up an independent home).
22. Over the same period there are anticipated to be 225,600 household dissolutions. Some will occur as two households merge together (possibly following marriage), but most will result from the death of all household members (mainly single older people).
23. By comparing new household formations and dissolutions there will be an indigenous growth of 620,900 additional households, equivalent to a rate of 53,400 per year. Nearly half (46.6%) of this additional housing requirement will be for intermediate housing, with a further third (32.8%) needed as social rented homes. Virtually all should be provided as one- or two-bedroom homes (47.5% and 43.1% respectfully).

Overall Housing Requirements

24. By matching housing need and demand (gross requirements) against supply it is possible to consider the overall net housing requirement for the region over the plan period and the balance of this net requirement between the different housing types. The gross housing requirements and likely supply are matched by the ORS Model as detailed below.

Housing Type	Gross Housing Requirement	Housing Supply	Net Housing Requirement (Surplus)
10-YEAR REQUIREMENT			
Market	2,161,600	2,010,500	121,100
Intermediate	609,000	584,500	24,500
Social	779,600	571,700	207,900
TOTAL	3,520,200	3,166,700	353,500

Figure 7: Summary of 10-year Housing Requirements by Housing Type

Source: ORS Housing Market Model, London Housing Requirements Study 2002

Note: Figures may not sum due to rounding

25. It is apparent that while the market housing requirement accounts for as much as 61.4% of the overall gross total, it constitutes only 121,100 units within the net housing requirement (34.3% of the overall net total) when considered in the context of supply.
26. Furthermore, while the requirement for intermediate housing is almost as high as that for social housing – accounting for 43.9% of the overall housing need; when this is considered within the context of likely supply, the need for additional social rented housing provision is clearly considerably more significant.

27. One of the primary advantages of the ORS housing market model is the ability to consider the overall gross and net housing requirements (and the individual component flows if necessary) in order to detail the household characteristics of those seeking housing and the type and size of housing that is required.
28. In considering the characteristics of those households identified within the housing need and housing demand, it is apparent that households in need tend to be larger than those requiring market housing. It is also worth noting that many households in need consist of large non-traditional household types (multi-adult households and others, including multiple couples), but the proportion of single person households does not vary significantly between housing need and demand.
29. In terms of the ethnic origin of households identified within the projected housing need and housing demand, it is apparent that non-white households (and Asian households in particular) constitute a far higher proportion of the households in housing need compared to the households with effective demand.
30. The following table summarises the gross and net requirement for housing over the next 10-years in terms of housing type and size.

Housing Requirement	Type of Housing			
	Market	Intermediate	Social	All Sectors
Gross Requirement				
1 bedroom	439,400	273,000	359,100	1,071,500
2 bedrooms	733,200	186,100	251,400	1,170,700
3 bedrooms	689,700	63,200	70,200	823,100
4 bedrooms	196,800	44,600	70,600	312,000
5+ bedrooms	72,600	42,100	28,200	143,000
Total	2,131,600	609,000	779,600	3,520,200
Net Requirement				
1 bedroom	29,700	43,800	40,500	114,000
2 bedrooms	50,500	2,400	112,400	165,400
3 bedrooms	42,000	(42,500)	(31,500)	(32,100)
4 bedrooms	(1,900)	(2,700)	59,400	54,800
5+ bedrooms	800	23,500	27,000	51,400
Total	121,100	24,500	207,900	353,500
Annual Net Requirement				
1 bedroom	3,000	4,400	4,000	11,400
2 bedrooms	5,100	200	11,200	16,500
3 bedrooms	4,200	(4,300)	(3,200)	(3,200)
4 bedrooms	(200)	(300)	5,900	5,500
5+ bedrooms	100	2,400	2,700	5,100
Total	12,100	2,500	20,800	35,400

Figure 8: Gross and Net 10-year Housing Requirement by Property Type and Size

Source: ORS Housing Market Model, London Housing Requirements Study 2002

Note: Figures may not sum due to rounding

31. Whilst it is apparent that there are considerable gross requirements for 1-, 2- and 3-bedroom homes, the net requirement is predominantly for 1- and 2- bedroom properties (with a slight surplus of 3-bedroom homes identified). Despite the gross requirement for larger homes being relatively small (units with 4 or more bedrooms accounting for only 12.9% of the total), homes with four or more bedrooms account for almost 29.9% of the net housing requirement – though virtually all of this additional provision is for affordable homes.
32. This considerable need for additional large dwellings in the social sector is mainly attributable to households overcrowded in smaller homes. If the larger units are provided, most households moving to these new homes would be transferring within the existing social sector stock – and the smaller properties that they currently occupy would become available to other households awaiting social sector housing. It should be noted that the absence of need for additional three-bed units will only be realised if the larger homes are provided. Without these larger units, the anticipated supply of smaller stock will not be forthcoming, and there will be continued pressure on existing three-bed properties.

Summary of Findings

33. In summary, the ORS housing market model identifies an overall 10-year net requirement for 353,500 additional dwellings, with the balance between social housing, intermediate housing and market housing being 59:7:34. This balance is determined on the basis of affordability given the current relationship between house prices and incomes, and the appropriate future balance will inevitably depend on changes in this relationship.
34. If house prices sustain an annual increase of 5% year-on-year over the course of the next 10-years, on the basis of incomes increasing at an annual rate of 3%, the overall balance between social housing, intermediate housing and market housing shifts to 62:26:12. Conversely, if house prices remain static over this period whilst incomes continue to rise at 3%, the balance moves to 46:0:54. Whilst neither scenario is likely to be sustained for the entire 10-year period, it is apparent that there will be a continued need for additional affordable housing, in particular within the social rented sector.
35. Other factors which will influence the overall housing requirements include the level of migration to and from the region. Whilst the baseline outputs (based on recent trends) should be considered the most likely scenario, it is important to understand the differential elements of the model and their relative sensitivity. A 10% fluctuation in inward international migration over the 10-year period could reduce the overall requirement for additional housing to 284,500 dwellings, or conversely it could increase the requirement to 422,600 units. Similarly, a 10% fluctuation in outward migration from London to the UK regions would yield a range of 247,700 to 459,400 additional homes over the 10-year period.
36. Future household flows will inevitably be influenced by a range of factors (not least the level and nature of housing actually provided in the region) – therefore it is essential that the position is kept under review. Nevertheless, on all of the scenarios considered, there is likely to be a sustained requirement for a considerable level of additional housing in the region, with substantial need for both social rented and intermediate affordable housing options.
37. It must be noted that this project's analysis of the split between social, intermediate and market housing is based purely on the grounds of affordability. The London Plan, with its broader remit to cover sustainable communities, remains the GLA's overall requirement at 35:15:50 for social, intermediate and market housing respectively.