Chichester Housing and Economic Development Needs Assessment

Chichester District Council

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Prepared by

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Contents

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DATE	ORIGINATORS	APPROVED
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Limitations

This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of GL Hearn; we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.

EXECUTIVE SUMMARY

1. This report considers the objectively assessed housing need (OAN) based on the proposed methodology as set out in the "Planning for the right homes in the right places" consultation document.

2. The OAN figure is not the housing target. It is an input to determining or reviewing housing targets in local plans alongside wider evidence. The housing target in local plans will be informed by the OAN but will also take into account wider factors such as sustainability, infrastructure constraints and land availability; together where appropriate with unmet needs of other areas.

Housing Need

3. Housing need refers to the overall need for both market and affordable housing. Housing needs have been assessed using the framework set out by Government in national planning policies, which seeks to significant boost the supply of housing to improve affordability.

4. The report reflects the proposed which methodology seeks to simplify the approach to housing need and has three components:

   - Starting Point or Baseline;
   - Market Signals Adjustment; and
   - Cap.

Starting Point

5. The latest official household projections are CLG 2014-based Household Projections, which are the starting point for considering housing need. These projections were underpinned by the 2014-based Subnational Population Projections (SNPP).

6. The latest SNPP were published by ONS on the 25th May 2016. For Chichester the 2014-SNPP set out a population growth for the 10-years between 2016 and 2026 of 8,200 people (820 per annum). This equates to a 7.0% increase in households over the same period. By comparison the household growth for England is around 7.1%.

7. Translating these in to household growth the 2014-based Household Projections **show a household growth of 5,164 (517 households per annum)**. This equates to a 10.0% increase in households over the same period.

Market Signals Adjustment

8. The analysis of market signals points to house prices which are generally above the national and regional trends.   The evidence points to affordability pressures across the district. In 2016 the workplace affordability ratio in Chichester was 12.22; i.e. median house prices were 12.22 times the median earnings of those working in the district.

9. The proposed methodology adjusts the demographic baseline on the basis of affordability. The adjustment increases the housing need where house prices are high relative to workplace incomes. In Chichester the calculation results in a 51% increase. A 51% increase on the demographic baseline (517 households per annum) **equates to an OAN of 775 dwellings per annum**, however this does not include any capping.

Capping

10. The final stage of the proposed methodology caps the OAN to a level which is deliverable. Paragraph 25 of the proposed methodology paper sets out the parameters of this cap setting out that:

    a) for those authorities that have adopted their local plan in the last five years, we propose that their new annual local housing need figure should be capped at 40 per cent above the annual requirement figure currently set out in their local plan; or
    b) for those authorities that do not have an up-to-date local plan (i.e. adopted over five years ago), we propose that the new annual local housing need figure should be capped at 40 per cent above whichever is higher of the projected household growth for their area over the plan period (using Office for National Statistics' household projections), or the annual housing requirement figure currently set out in their local plan.

11. As Chichester district adopted its local plan in July 2015 the OAN is capped at 40% above the adopted housing requirement. The Local Plan was adopted on the basis of approximately 435 homes per year. Capping the OAN to 40% above the adopted figure gives Chichester a housing need of 609 dwellings per annum.

12. It should be noted that the adopted figure reflects the Plan Area i.e. excluding the parts of the district which fall within the National Park. It is therefore not a like for like comparison with the household projections (with and without adjustment) set out above.

Housing Mix

13. Drawing on the OAN the report goes on to delineate the need for different sectors of the market by tenure and size and also for specific groups.

Affordable Housing

14. The report has considered the need for affordable housing; using the Basic Needs Assessment Model recommended in the PPG. Using the available information, it identifies a net need for 285 affordable homes per annum across the HMA for the 2016-36 period.

Tenure Mix

15. In analysing the need for housing of different tenures it needs to be recognised that there are a series of choices to be made; essentially a trade-off between the affordability of accommodation and the number of homes that can viably be provided. Hence the analysis in this report can only provide a guide to the types of affordable housing that should be provided. In order to aid the decision-making process regarding these choices, the following breakdown of tenure could be used as a starting point.

    - Market sale – 65%;
    - Affordable Home Ownership (inc. Starter Homes and Intermediate) – 10%;
    - Affordable rent – 12.5%; and
    - Social rent – 12.5%

16. However, this comes with a series of caveats including the viability of providing different types of affordable housing. Furthermore, the cost of low cost home ownership properties can sometimes exceed those of lower cost market homes and thus cannot be truly considered as "affordable", albeit they might be recognised as such by the government.

Need for Different Types and Sizes of Homes

17. The modelling outputs provide an estimate of the proportion of homes of different sizes that are needed, there are a range of factors which should be taken into account in setting policies for provision.

18. The mix identified below should inform strategic planning and housing policies. In applying recommended housing mix to individual development sites, regard should be had to the nature of the development site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.

19. The figures should be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by demographic change in the area or linked to macro-economic factors and local supply.

Size	Affordable Rented	Low-Cost Home Ownership	Market Purchase
1-Bedroom	25-30%	20%	5%
2-Bedrooms	40-45%	40%	25-30%
3-Bedrooms	20-25%	30%	40-45%
4+ Bedrooms	5-10%	10%	25%

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

21. In considering the mix of homes to be provided within specific development schemes, the information herein should be brought together with details of households currently on the Housing Register in the local area and the stock and turnover of existing properties.

Older Persons Housing Need

22. As a result of a growing older population and increasing life expectancy, the official projections would result in an increase in people with mobility problems of around 65% by 2036 and an increase of 75% in persons with dementia.

23. The report also estimates a need for additional specialist C3 dwellings for older persons in Chichester over the 2016-36 period of around 90 dpa.   It also identified a need for around 507 wheelchair adapted homes (2016-36), equivalent to 4.7% of new housing provision.

24. The official population projections would result in a net need for 967 C2 registered care bed spaces for older persons in the HMA over the 2016-36 period (48 per annum).   This should be treated separately from the OAN. The assessment, however, should be treated as indicative, and does not seek to set policies for how older persons with care needs should be accommodated.

Employment Land Need

25. In accordance with PPG, the assessment of employment land required in the district has been assessed in two ways: a labour demand approach based on calculating the employment land required to support forecast jobs growth; and a forecast based on past completions trend data.

26. The HEDNA has been informed by Oxford Economics forecasts for Chichester. which show a growth of employment of 8,900 jobs over the period 2016-36. GL Hearn also developed a Growth Scenario which applies sectoral uplifts for the Chichester District specific growth sectors. The "Growth Scenario" set out a growth 14,900 over the period 2016-36.

27. However the employment land need calculation has been based on projections of past completions forecasts. These shows a need for 300,400 sq. m of floorspace or 61.1 ha employment land over the period 2016-2036 as set out below:

Use Class	Floorspace Requirement (sq. m)	Land Requirement (ha)
B1a/b	73,100	9.7
B1c/B2	119,000	29.7
B8	108,300	21.7
Total	**300,400**	**61.1**

28. In addition to traditional B-class accommodation a trends based forecast for glasshouses in the district reveals a need for an additional 240,000 sq.m of floorspace or 32 Ha of land over the 2014-2036 period.

1   INTRODUCTION

1.1   Chichester District Council (CDC) has commissioned GL Hearn to undertake a Housing and Economic Development Needs Assessment (HEDNA). The report has been prepared by a consultancy team comprising GL Hearn and Justin Gardner Consulting.

1.2   The HEDNA deals with the objective need for housing and employment floorspace, over the period 2016 to 2036. It is intended to form part of the evidence base for the preparation of the District Council's review of their adopted Local Plan. This report does not make policy decisions regarding what levels of development should be planned for – this is for the Local Plan itself.

1.3   The intention behind the HEDNA is to provide an integrated evidence base regarding future development needs across uses, recognising for instance that job growth can influence housing need.

1.4   The outputs of this work relate to Chichester District Council although it should be noted that the parts of the district which are collocated with the South Downs National Park come under the jurisdiction of the National Park Authority. As such the Local Plan review will only relate to those parts of the district outside of the National Park and is referred to herein as the Plan Area.

Overview of Methodology

1.5   National policies for plan-making are set out within the National Planning Policy Framework[1].This sets out key policies against which development plans will be assessed at examination and to which they must comply.

1.6   The National Planning Policy Framework (NPPF) was published in March 2012. The Framework sets a presumption in favour of sustainable development whereby local plans should meet objectively assessed development needs, with sufficient flexibility to respond to rapid change, unless the adverse impacts of doing so would significantly or demonstrably outweigh the benefits or policies within the Framework indicate that development should be restricted.

1.7   The NPPF highlights the Strategic Housing Market Assessment (SHMA) as a key piece of evidence in determining housing needs. Paragraph 159 in the Framework outlines that this should identify the scale and mix of housing and the range of tenures which 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 the needs of different groups in the community; and
- Caters for housing demand and the scale of housing supply necessary to meet this demand.

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[1] CLG (March 2012) National Planning Policy Framework

1.8   Paragraph 158 of the NPPF outlines that local planning authorities should ensure that their Local Plan is based in adequate, up-to-date and relevant evidence about the economic, social and environmental characteristics and prospects of the area. It outlines that they should ensure that their assessment of and strategies for housing, employment and other uses are integrated, and that they take full account of relevant market and economic signals. Paragraph 17 in the Framework reaffirms that planning should take account of market signals, such as land prices and housing affordability.

1.9   Paragraph 47 in the Framework indicates that in order to significantly boost the supply of housing, local planning authorities should use their evidence base to ensure that their Local Plan meets the full objectively assessed need for market and affordable housing in the housing market area, as far as is consistent with the policies set out in the Framework.

1.10   The Planning Practice Guidance on *Housing & Economic Development Needs Assessments* ('the PPG')[2] requires that housing need is assessed across the relevant Housing Market Area leaving aside factors related to land availability, infrastructure and capacity. The PPG is likely to be updated to reflect the government's proposed new methodology on objectively assessed housing need.

1.11   The HEDNA follows the proposed approach as set out by the Government in their "Planning for the right homes in the right places" consultation document[3] published in September 2017. As an up-front health warning because the new methodology is only published as a consultation there may changes to it over time.

1.12   The new methodology seeks to simplify the approach to housing need and has three components:

- Starting Point or Baseline;
- Market Signals Adjustment; and
- Cap.

1.13   The starting point or demographic baseline continues to be the latest official projections, at the time of writing these are the 2014-based projections. The proposed approach would be to take an average annual household growth from these for the period 2016 to 2026.

1.14   The baseline household growth is then modified to account for market signals. Specifically, the local median price of homes relative to local workplace median earnings. This data is published annually by the DCLG with the most recent data from 2016.

1.15   In order to ensure that the proposed housing need is as deliverable as possible the housing need is capped at 40% above the housing target in adopted local plans where these plans are less than 5 years old.

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[2] CLG (March 2012) National Planning Policy Framework
[3] https://www.gov.uk/government/consultations/planning-for-the-right-homes-in-the-right-places-consultation-proposals

1.16   Where local plans are older than five years then the OAN is capped 40% above the higher of either the baseline growth from official projections or the annual housing requirement figure currently set out in their local plan.

Economic Development Needs

1.17   Paragraphs 18 to 22 of the NPPF set out that the Government is committed to ensuring that the planning system does everything it can to support sustainable economic growth, and that significant weight should be placed on the need to support economic growth through the planning system. It sets out a requirement for local planning authorities to plan proactively to meet the development needs of businesses and support an economy fit for the 21st Century.

1.18   The NPPF requires local authorities to set a clear economic vision and strategy for their area in local plans, based on an understanding of the existing business needs, likely changes in the market and any barriers to investment.

1.19   Paragraph 160 and 161 set out that local planning authorities should have a clear understanding of business needs within the economic markets operating in and across their area. To do this they should work with Local Enterprise Partnerships (LEPs), the business community, county and neighbouring authorities to understand business needs, likely changes in the market and barriers to investment. They should use their evidence base to assess the land and floorspace for economic development, including the quantitative and qualitative needs for all foreseeable types of economic activity and the existing and future supply of land.

1.20   The Guidance states that employment land should be analysed through a simple typology of employment land by market segment and by sub-areas, where there are distinct property market areas within authorities. When examining the recent take-up of employment land, consideration should be made to projections (based on past trends) and forecasts (based on future scenarios) and identify occurrences where sites have been developed for specialist economic uses.

1.21   The Guidance sets out that an assessment of future needs should be based on current and robust data. Emerging sectors that are well suited to the area being covered by the analysis should be encouraged where possible. Key evidence is expected to include:

- sectorial and employment forecasts and projections (labour demand);
- demographically derived assessments of future employment needs (labour supply techniques);
- analyses based on the past take-up of employment land and property;
- consultation with relevant organisations, studies of business trends, and monitoring of business, economic and employment statistics.

Aligning Housing and Economic Evidence

1.22   The Guidance also indicates that job growth trends and/or economic forecasts should be considered having regard to the growth in working-age population in the housing market area. It

sets out that 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 (depending on public transport accessibility and other sustainable options such as walking and cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing and infrastructure development could help to address these problems.

1.23   In assessing housing and economic development needs, this HEDNA report does not deal with development constraints including environmental constraints and infrastructure. These will be taken into account by CDC in considering how development needs can be accommodated.

Geographies

1.24   This HEDNA report deals specifically with development needs in Chichester District and its sub areas. However, part of Chichester District falls under the jurisdiction of the South Downs National Park authority and thus sits outside the Local Plan area.

1.25   Due to the relatively recent "Defining the HMA and FEMA" report undertaken for the Coastal West Sussex and Greater Brighton Partnership[4] we have not sought to redefine the Housing Market Area (HMA) and Functional Economic Market Areas (FEMA).

1.26   The HMA and FEMA study identified a complex picture across Chichester with four separate HMAs and FEMA's operating across the district. Within the district the boundaries of the HMA and FEMA are the same.

1.27   The identified HMA boundaries are shown in Figure 1. The vast majority of the district falls within the Chichester and Bognor Regis HMA which extends into the eastern part of Arun district.

1.28   The Southbourne and Westbourne areas in the West of the district have stronger links to Havant and the Portsmouth HMA. The Plaistow and Fernhurst wards have closer links to the North and were thus identified as part of the Guildford HMA. The Wisborough Green Ward has closer links to Crawley and Horsham HMA.

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[4] https://www.adur-worthing.gov.uk/media/media,143976,en.pdf

Figure 1:   HMA and FEMA boundaries
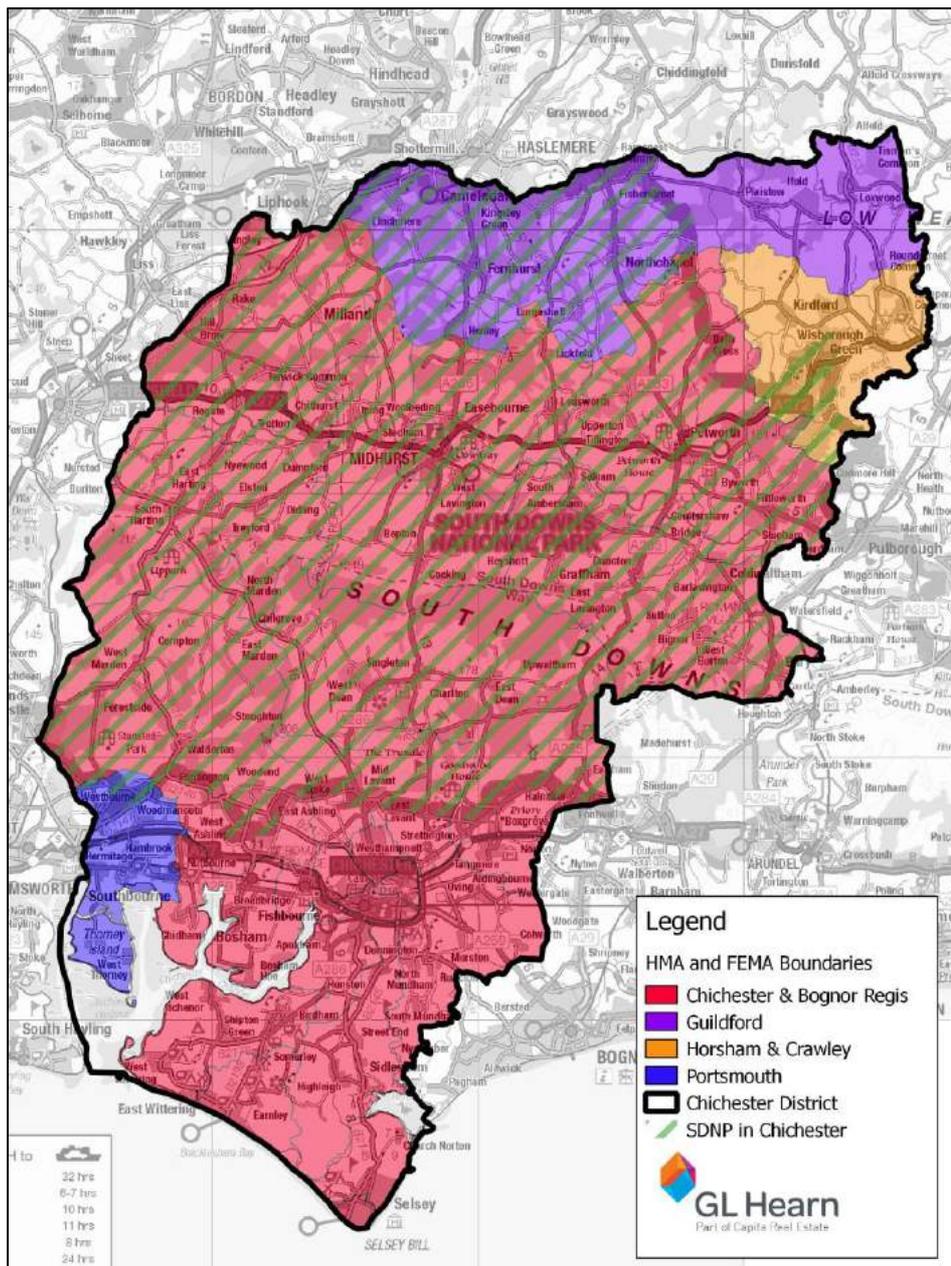
Source: GL Hearn using 2011 Census

1.29   There remains a duty to cooperate with all neighbouring authorities, however in terms of meeting housing needs, the focus of these discussions will be with the local authorities were there is overlap in Housing Market Areas and in particular Arun.

1.30   In places the report has also included analysis on a sub-area level. This is to help inform local policies within the Local Plan review. Figure 2 illustrates the defined sub-areas which are based on parish boundaries. Since the official South Downs National Park boundary does not follow exact parish or ward boundaries, the SDNP sub-area as defined for this study is based on a best fit of parish boundaries.

Figure 2:   Chichester Sub-Areas Boundaries
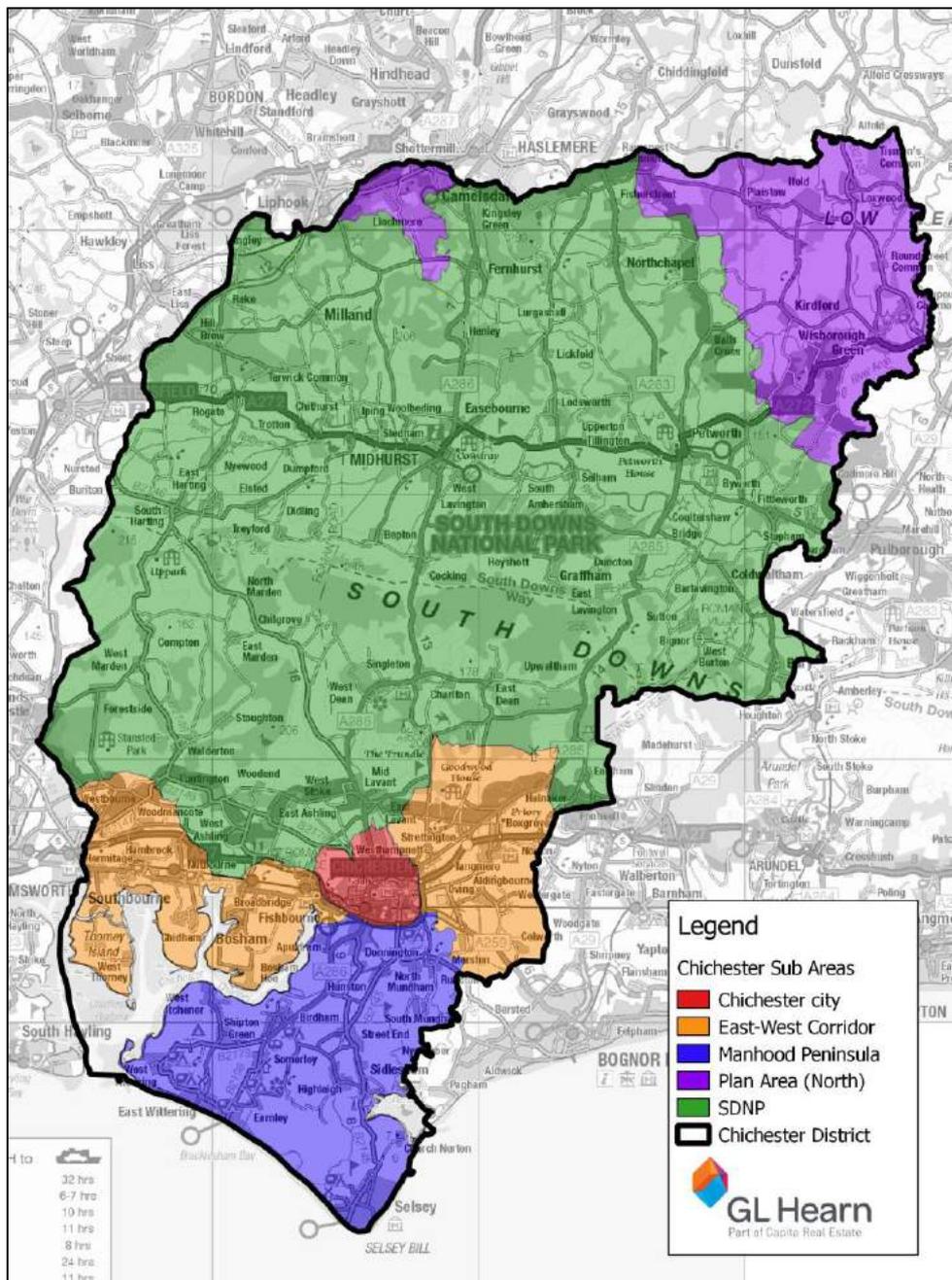
Source: GL Hearn using 2011 Census

1.31   Throughout this report you will see reference to Chichester. Unless otherwise stated this relates to Chichester District or the Chichester Local Plan area. When we are referring to settlement of Chichester this is referred to as Chichester City.

Neighbouring Local Plan areas

1.32   In order to complete the HMA and FEMA housing and employment land picture we have set out below the position of neighbouring and collocated authorities in relation to their needs as well as their latest supply position.

Arun

- **Local Plan Status** – Examined in July 2015 with additional hearings in September 2017. Awaiting Inspectors report, following the 'Interim Views following the Hearings' report published October 17
- **Local Plan Housing Requirement** – 580 dpa (taken from Arun Local Plan (11,020 dwellings for 2011-2031) Publication Version (October 2014)) but now proposed at 1,000 dpa (20,000 dwellings 2011-2031) in Proposed Modifications published for consultation in April 2017
- **Local Plan – Employment Land Requirement** - The Council have allocated for 81.35 Ha although the need taken from the "Arun Local Plan Validation Study Economy & Enterprise: Final Report" is only around 24.5 Ha at most.
- **Latest OAN Evidence** – HELAA August 2017
- **Identified Housing Need** – 919 dpa (HELAA August 2017)
- **OAN under new methodology** – 1,279 dpa
- **Identified Housing Capacity** – HELAA (August 2017) identifies capacity (excluding strategic allocations permissions) of 5,647 dpa. The Council's has also identified Strategic and Local Allocations which add a further 3,500 dwellings
- **Latest ELR** – Employment Land Needs Update (April 2016)
- **Identified Employment Land Need** - The overall space requirements related to different scenarios range from between 6.9ha and 28.6ha of employment land.
- **Identified Employment Land Supply** - The Council have allocated for 81.35 Ha.

Havant

- **Local Plan Status** – Currently undertaking a Local Plan review with the new Plan period extending to 2036. Consultation on draft local plan was expected Autumn 2017 although draft yet to be published.
- **Local Plan Housing Requirement** – Core Strategy (2011) requirement of 6,300 dwellings between 2006 and 2016 (315 dpa) Updated Local Plan Housing Statement informally adopted by Council in Dec 2016 makes provision for at least 381 dpa (9,517 net dwellings 2011-2036) **Local Plan – Employment Land Requirement** – 82,780 sq. m of employment floorspace from 2012 to 2026 (ELR)
- **Latest OAN Evidence** –PUSH SHMA (March 2016)
- **Identified Housing Need** - 11,250 dwellings between 2011 and 2036 (450 dpa) and 9,170 between 2011 and 2034 – PUSH SHMA (2016)
- **OAN under new methodology** – 463 dpa
- **Identified Housing Capacity -** PUSH Spatial Position Statement - 9,170 dwellings identified in Havant for the 2011-34 period. This includes historic completions and those sites with Planning Permission
- **Latest ELR** – August 2017
- **Identified Employment Land Need** - 82, 780 sq. m (2016-2036)
- **Identified Employment Land Supply** – 89,033 sq. m (2016-2036) – surplus +6,253 sq. m.

Waverley

- **Local Plan Status** – Local Plan Part 1: Strategic Policies and Sites submitted to SoS December 2016. Main modifications to the Plan public consultation ran to October 2017
- **Local Plan Housing Requirement** – 9,861 dwellings from 2013 to 2032 (519 dpa) although inspectors verbal provisional findings were that a figure of 590 dpa was more appropriate
- **Local Plan – Employment Land Requirement** – 81,817 sq. m (2033)
- **Latest OAN Evidence** – West Surrey SHMA (September 2015) and update via Local Plan Matters Statement which confirmed the previous findings was a valid figure despite updated evidence
- **Identified Housing Need** - 519 dpa
- **OAN under new methodology** – 645 dpa
- **Identified Housing Capacity** – 9,861 dwellings (as at April 2016)
- **Latest ELR** – April 2016
- **Identified Employment Land Need** – 8.2ha (2033)
- **Identified Employment Land Supply** – 6.7ha

Horsham

- **Local Plan Status** – Horsham District Planning Framework (Adopted November 2015)
- **Local Plan Housing Requirement** – 800dpa
- **Local Plan – Employment Land Requirement** - 38.1ha from latest ELR
- **Latest OAN Evidence** – Housing Need in Horsham District (GL Hearn – March 2015)
- **Identified Housing Need** – 636 dpa (2011-2031)
- **OAN under new methodology** – 974 dpa
- **Identified Housing Capacity** – from August 2016 identified capacity of 9,845 homes in the next 10 years
- **Latest ELR** - Northern West Sussex Economic Growth Assessment Supplementary Report for Horsham (April 2015)
- **Identified Employment Land Need** - 29.3ha / 38.1ha for all types of B class employment space up to 2031 under the labour supply scenario associated with a target figure of 750 dpa.
- **Identified Employment Land Supply** – Strategic Housing and Economic Land Availability Assessment (SHELAA) November 2015 identifies an Economic Land Trajectory of around 30 Ha.

South Downs National Park

- **Park Plan Status** - Pre-submission Draft Local Plan
- **Park Plan Housing Requirement** – 250 dpa (of which 84 dpa would be in Chichester District)
- **Park Plan – Employment Land Requirement** – 10.3 Ha
- **Latest OAN Evidence** - SDNP HEDNA - Sept 2017
- **Identified Housing Need** – 447 dpa of which 125 dpa is in Chichester.
- **OAN under new methodology** – n/a
- **Identified Housing Capacity** – 250 dpa (taken from supply of homes background paper)
- **Latest ELR** - SDNP HEDNA - Sept 2017
- **Identified Employment Land Need** – 10.4 Ha
- **Identified Employment Land Supply** – 11.76 Ha (taken from pre-submission Draft Local Plan)

1.33   We set out more information on the SDNP in the following Chapter.

Report Structure

1.34   The remainder of the report is structured as follows:

- Section 2   Demographic profile and housing need;
- Section 3   The economy and labour market;
- Section 4   Employment forecasts;
- Section 5   Housing market dynamics;
- Section 6   Affordable housing need;
- Section 7   Types of affordable housing;
- Section 8   Housing technical standards and the need for specific groups;
- Section 9   Different sizes of homes;
- Section 10   Commercial property market;
- Section 11   Employment land requirements; and
- Section 12   Conclusion

2   DEMOGRAPHIC PROFILE & HOUSING NEED

2.1   In this section we update key socio-economic indicators, address demographic trends and key labour market indicators. The analysis uses local authority level data, and compares trends in Chichester District with wider areas such as West Sussex, but also with regional trends from the South East. We have also provided comparison figures for Chichester and Arun combined area as a proxy for the main HMA.

2.2   The section also reviews future projections for population and household growth, and the objectively assessed housing need. This is a key output of the HEDNA.

Population Trends

2.3   Chichester District's population totals 118,175 persons as of mid-2016[5]. Figure 3 indicates how the population has changed since 1991. Over this period the population has grown by 16%, with an average annual growth of 0.6%. As the graph shows, the population of Chichester District remained fairly stable until 1996 followed by gradual growth since.

Figure 3:   Population change in Chichester District, 1991-2016
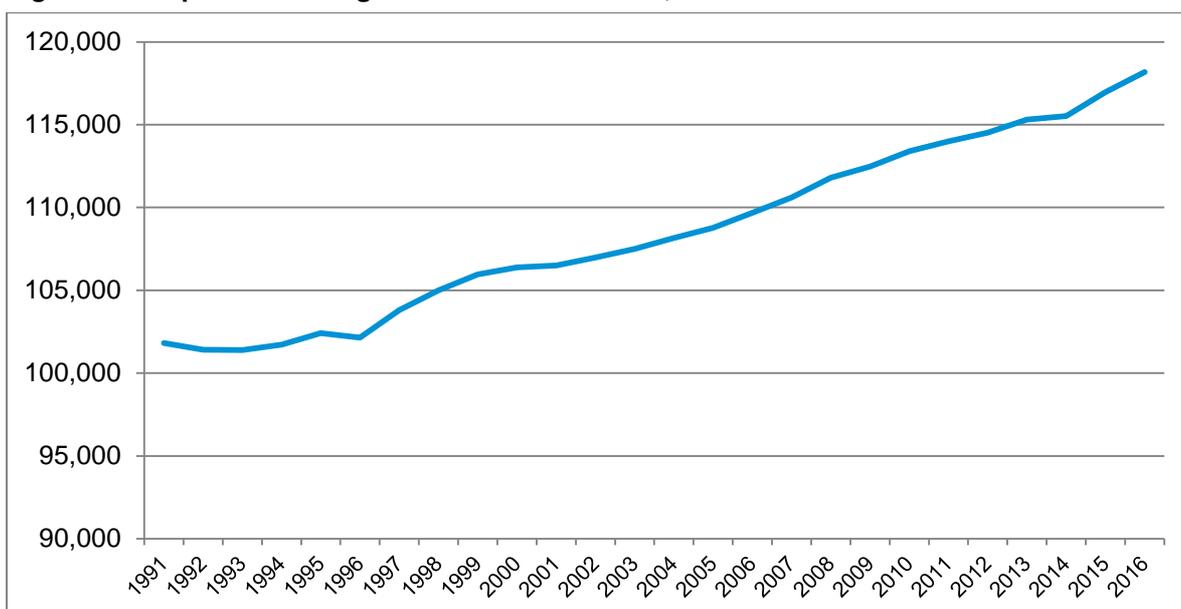
Source: ONS Mid-Year Population Estimates

2.4   Figure 4 compares the population growth in Chichester District to growth in the Chichester and Bognor Regis HMA (Chichester and Arun Districts), the County, Region and Country. This shows that the Chichester population growth of 16% since 1991 was not as strong in comparative terms to West Sussex (18.8%) and the South East (18.3%). There has been a particular divergence since 2010.

[5] ONS 2016 Mid-Year Population Estimates

**Figure 4:   Benchmarking Population Growth from 1991**
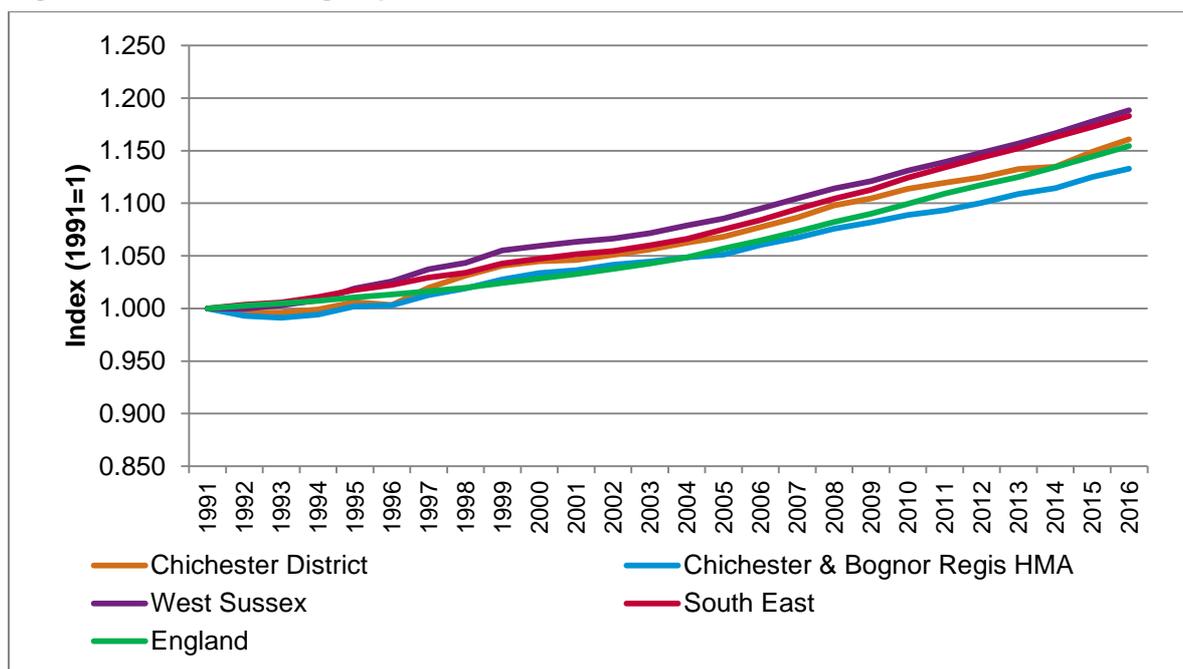
Source: ONS Mid-Year Population Estimates

2.5   Chichester District's population growth has however exceeded that seen nationally (15.4%) and in the wider HMA (13.2%).

2.6   As can be seen from the Figure 5, the Chichester City Sub Area has witnessed the highest percentage growth of population levels since 2002- (17%), followed by East-West Corridor (12%). The Chichester City Sub Area has seen relatively constant growth. This data is only provided to 2015 as the lower level Mid-Year Estimates (MYE) have not yet been published.

2.7   The SDNP sub-area experienced only 2.1% growth although this largely reflects the constraints to delivery in the National Park.

2.8   The Manhood Peninsula sub-area saw early strong growth but since 2007 growth has been very modest. A similar picture emerges for the Plan Area (North) although the slowing of growth only began in 2009.

2.9   The sub-area data is provided for the period to 2015, this is due to this being the latest available information at a smaller-area level at the time of writing

Figure 5:   Benchmarking population Growth since 2002
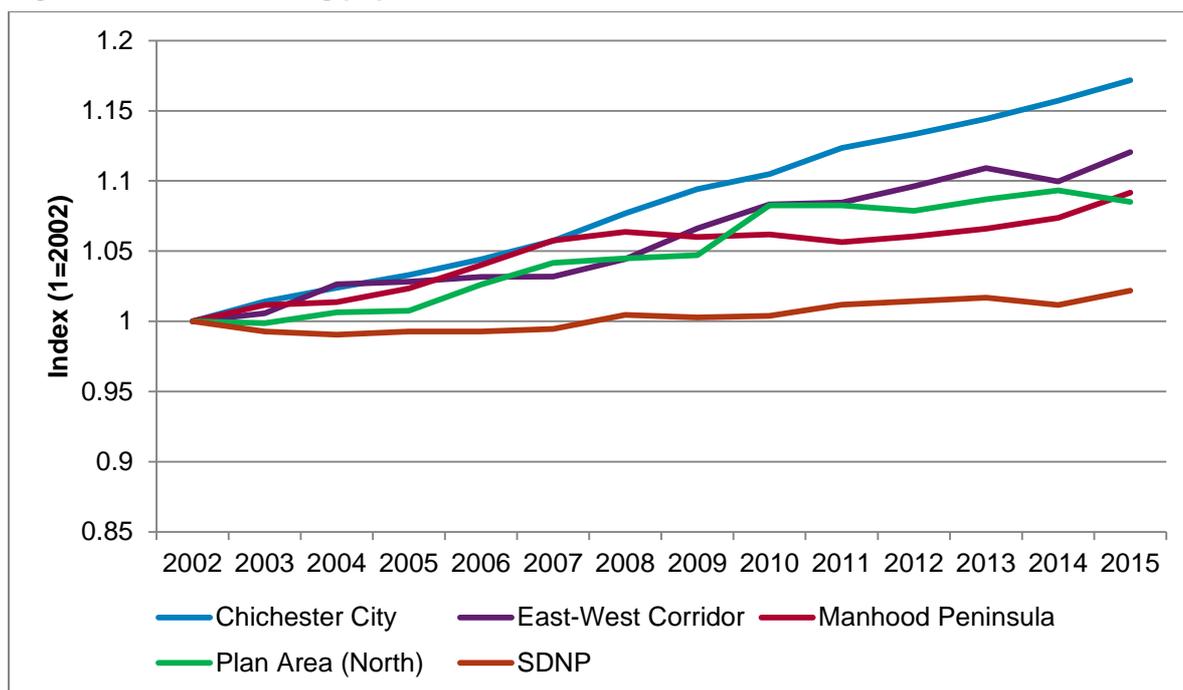
Source: ONS, 2017

Age Structure

2.10   Compared to the national average, Chichester's population structure has a higher proportion of people in every age cohort from 50 and over. The Chichester University also means that there is a spike in the population in those aged 20-24 although this still falls behind the South East and National average.

2.11   There are two age groups where Chichester has a low percentage, these being teenagers and pre-teens and those in their early working age groups (25-45). These groups are linked with one typically parenting the other. Taking these groups ten years on, we see one group retiring and the other moving out of the area to university. This then leaves a large gap in the working age population if it is not replaced through in migration.

2.12   All of the data provided below is for 2015, this it to ensure that dates are consistent across the analysis (2015 being the latest date for which smaller-area level data was available at the time of writing (i.e. data for sub-areas of the District)).

Figure 6:   Population Profile, 2015
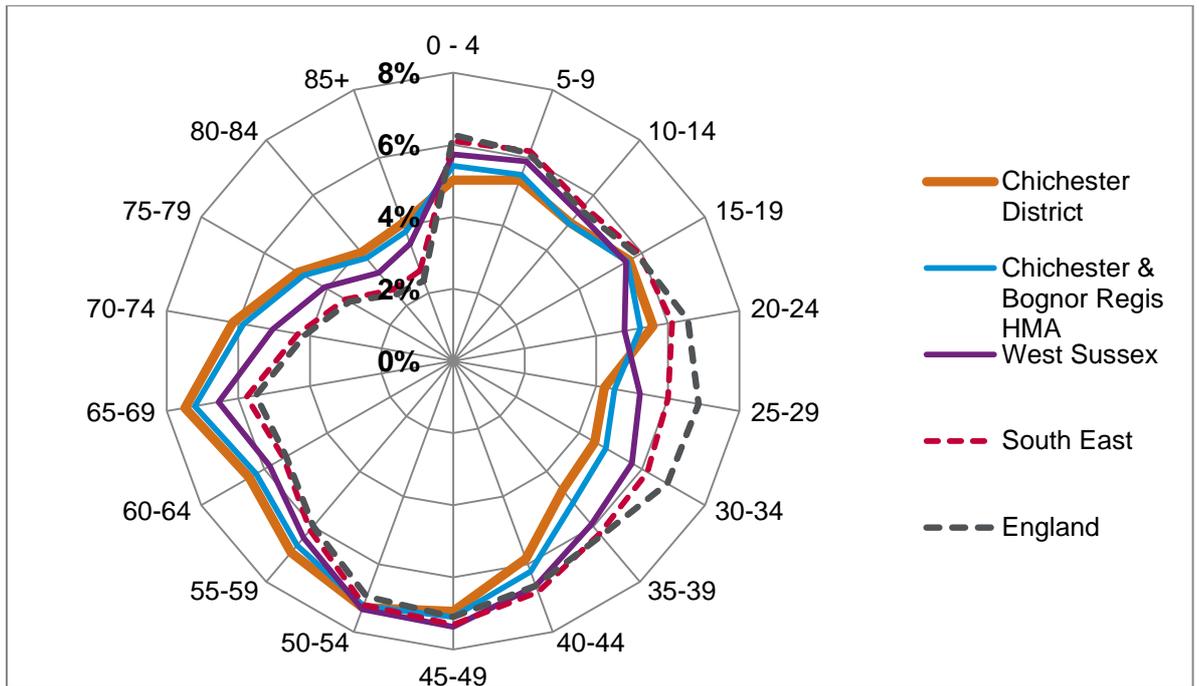
Source: ONS 2015 Mid-Year Population Estimates

2.13   The population age structure in the sub-areas differs notably again. The City generally has a high percentage of population aged 15-39, which may partly reflect the influence of the University and greater availability of employment opportunities. Although the highest percentages of those aged 14 and younger are in found in the Plan Area (North).

Figure 7:   Age structure in Sub-Areas (2011)
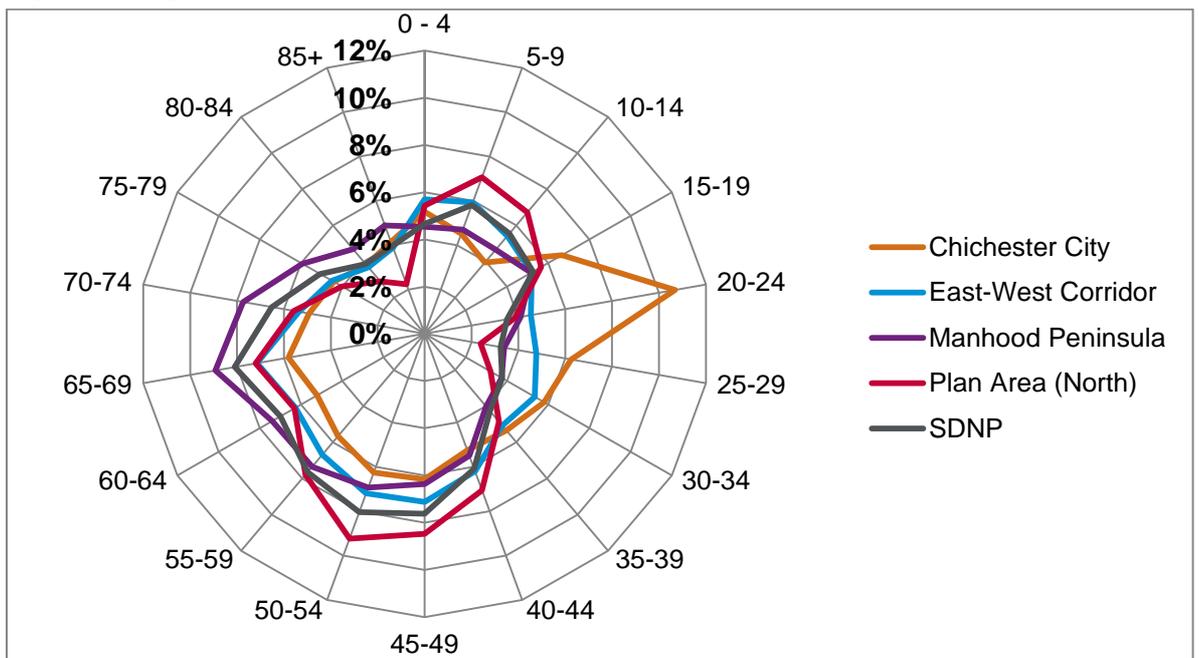
Source: ONS 2015 Mid-Year Population Estimates

2.14   The Manhood Peninsula has the oldest population with the highest percentage in all age groups over 60. The South Downs National Park sub-area also has a notably high population in the older age categories.

Components of Past Population Change

2.15   Figure 8 considers the drivers of population change in the District from 2001 to 2015 (the longest period for which reasonable quality data is available). Population change is largely driven by natural change (births minus deaths) and migration, although within ONS data there is also an 'other' changes category included within this are changes related to armed forces and prison populations and also unattributable population change (UPC) – this is an adjustment made by ONS to mid-year population estimates where Census data has suggested that population growth had either been over- or under-estimated in the inter-Census years. Because UPC links back to Census data a figure is only provided up to 2011.

Figure 8:   Components of Population Change in Chichester District
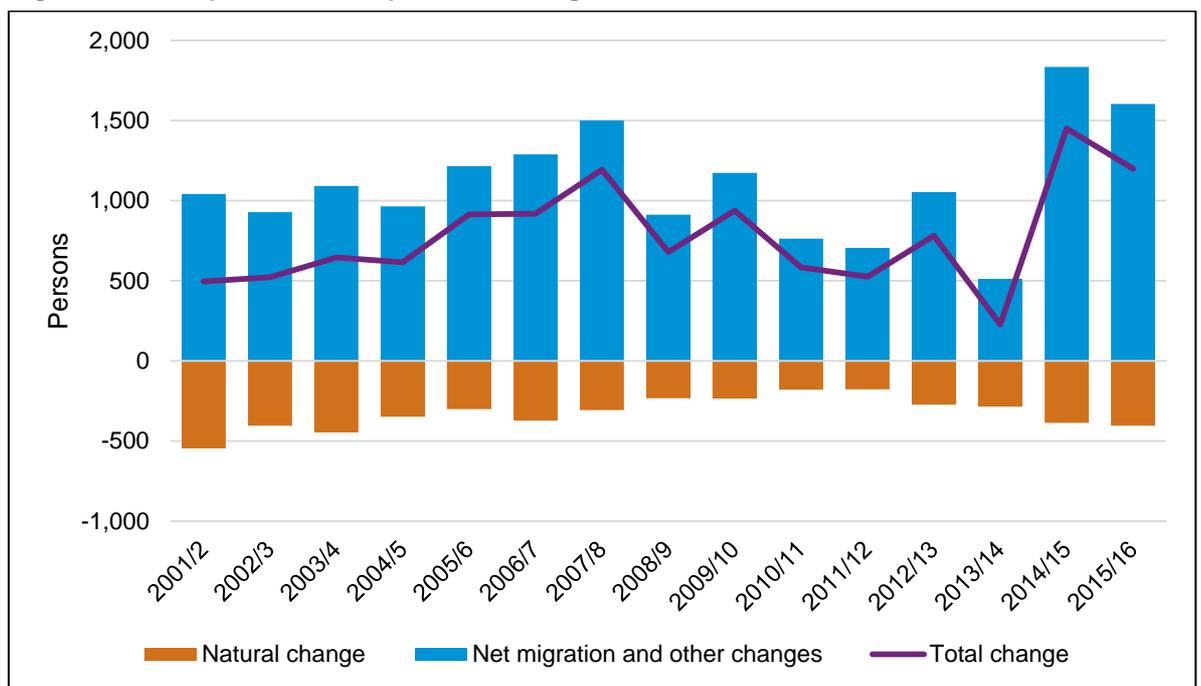
Source: ONS

2.16   As shown in the figure above Natural Change has been consistently negative in the district reflective of the older age structure. However, this has been more than offset by migration and other changes.

2.17   Migration and other changes have been relatively consistent in the period up to 2011 since when there was a slight drop off to 2014 and an increase over the past two-years for which data is available.

2.18   UPC equated to +510 persons in Chichester, making it a fairly minor component of the change seen in the in the district between 2001 and 2011 (<7%). By its nature it is not clear why this has occurred but it could relate to an over-estimate of population in the district in 2001; an under-count in 2011; or an under-recording of migration in the inter-censal period.

Objectively Assessed Housing Need

2.19   The CLG's proposed methodology takes the official projections as the starting point. This is adjusted on the basis of market signals. However, that adjustment is then capped to 40% above a shifting figure depending on the status of the local authority's local plan.

Start Point

2.20   Paragraph 17 of the "Right Homes in the Right Places" consultation document proposes "that projections of household growth should be the demographic baseline for every local authority". Having previously stated at paragraph 16 area that "The Office for National Statistics' projections for numbers of households in each local authority are the most robust estimates of future growth".

2.21   The most up-to-date projections are the 2014-based Department for Communities and Local Government (DCLG) household projections published in July 2016. Across the District, the 2014-based projections show household growth of 10,537 for the 2016-36 period (521 households per annum). This equates to a 20.3% increase in households over the same period.

2.22   By comparison the household growth for England is around 18.2%. However, the growth in Chichester is an increase from the previous 2012–based household projections which showed a growth of 21%.

2.23   The consultation document proposes "that the demographic baseline should be the annual average household growth over a 10-year period". **Over the period 2016-26 the household projections show household growth of 5,164 (517 households per annum)**. This equates to a 10.0% increase in households over the same period. This is slightly higher than the household growth for England which is around 9.5%.

2.24   It should be noted that the proposed methodology does not make any adjustment to translate household growth to dwellings. Therefore, the official projections result in a need for 517 dwellings per annum.

2.25   These projections were underpinned by the 2014-based Subnational Population Projections (SNPP). The latest SNPP were published by ONS on the 25th May 2016. Subnational population projections provide estimates of the future population of local authorities, assuming a continuation of recent local trends in fertility, mortality and migration which are constrained to the assumptions

made for the 2014-based national population projections. The 2014-based SNPP are largely based on trends in the 2009-14 period (2008-14 for international migration trends).

2.26   They are not forecasts and ONS do not attempt to predict the impact that future government or local policies, changing economic circumstances or other factors might have on demographic behaviour. Although at a national level International Migration is not just a projection, but also includes the views of an expert academic panel.

2.27   The primary purpose of the subnational projections is to provide an estimate of the future size and age structure of the population of local authorities in England. These are used as a common framework for informing local-level policy and planning in a number of different fields as they are produced in a consistent way.

2.28   For Chichester the 2014-SNPP set out a population growth of 15,900 for the 2016-36 period (795 per annum). This equates to a 13.6% increase in population over the same period. By comparison the population growth for England is around 13.0%.

2.29   For the 10-years between 2016 and 2026 the population projections show growth of 8,200 people (820 per annum). This equates to an 7.0% increase in households over the same period. By comparison the household growth for England is around 7.1%.

Market Signals Adjustment

2.30   The proposed methodology seeks to adjust the demographic baseline on the basis of market signals. The adjustment increases the housing need where house prices are high relative to workplace incomes. This uses the published median affordability ratios from the Office for National Statistics based on workplace-based median house price to median earnings ratio for the most recent year for which data is available which is 2016.

2.31   Specifically, the adjustment increases the housing need derived from the household projections by 0.25% for every point the affordability ratio is above four (4.0). This is justified on the basis that four is the typical multiple used by mortgage providers to gauge affordability. The equation is as follows:

$$\text{Adjustment factor = (Local affordability ratio – 4)/4 X 0.25}$$

2.32   In 2016 the workplace affordability ratio in Chichester was 12.22; i.e. median house prices were 12.22 times the median earnings of those working in the district. This means that the adjustment factor in Chichester is 0.51 or 51%. This is calculated as follows: (12.22 - 4) / 4 * 0.25)

2.33   To this point the housing need in Chichester would be 51% above the demographic baseline of 517 households per annum. **This equates to 775 dwellings per annum,** however this does not include any capping.

Capping

2.34   The final stage of the proposed methodology is to cap the OAN to a level which is deliverable. Paragraph 25 of the proposed methodology paper sets out the parameters of this cap setting out that:

> *a) for those authorities that have adopted their local plan in the last five years, we propose that their new annual local housing need figure should be capped at 40 per cent above the annual requirement figure currently set out in their local plan; or*
>
> *b) for those authorities that do not have an up-to-date local plan (i.e. adopted over five years ago), we propose that the new annual local housing need figure should be capped at 40 per cent above whichever is higher of the projected household growth for their area over the plan period (using Office for National Statistics' household projections), or the annual housing requirement figure currently set out in their local plan.*

2.35   As Chichester district adopted its local plan in July 2015 the OAN is capped at 40% above the adopted housing requirement. The Local Plan was adopted on the basis delivering 7,388 homes over the period 2012-2029. This equated to an average housing delivery of approximately 435 homes per year. **Capping the OAN to 40% above the adopted figure gives Chichester a housing need of 609 dwellings per annum.**

2.36   It should be noted that the adopted figure reflects the Plan Area i.e. excluding the parts of the district which fall within the National Park. It is therefore not a like for like comparison with the household projections (with and without adjustment) set out above.

2.37   Although academic if Chichester had no Local Plan or a Local Plan which is older than 5 years old then the OAN would be capped at 40% above the household projections as these are higher than the adopted Local Plan housing requirement. This would have resulted in an OAN of 724 dwellings per annum.

Household and Population Projections in the Remainder of the Report

2.38   Having established the OAN by following the CLG's proposed methodology, this report moves on to consider a number of specific issues within the housing market (including affordable housing need, the mix of housing and the needs of older persons).

2.39   Much of the remaining analysis requires consideration of the future change in population (and households) and so as to be consistent with the CLG proposed methodology, additional analysis is based on the ONS (2014-based) subnational population projections (SNPP) and the CLG (2014-based) household projections. Because the analysis takes a start point of 2016, these projections have been updated with reference to ONS mid-year population estimates (MYE). In projecting forward, the same assumptions around fertility and mortality rates, plus levels of migration as in the official projections have been assumed. Due to updating the 2016 base, there are however some differences in the numbers used in this report when compared with official data (albeit the differences are not substantial and do not impact on conclusions).

Key Points

- The Chichester District's population totals 118,000 persons as of mid-2016. This has grown by 16% since 1991, with an average annual growth of 0.6%.

- A large proportion (27%) of the district's residents are aged 65 or over. There is also a relatively high percentage of those in their early 20's linked to the University.

- Net migration has been a key driver of historic population change, although levels of migration have been notably lower in the most recent past.

- The starting point of the assessment is the 2014-based projections which show an average household growth of about 517 household per annum for the period 2016-26 – this is a 10% increase over a ten-year period.

- The proposed methodology adjusts this figure on the basis of local affordability. In Chichester's case this increases the OAN by 51% to 775 dpa.

- However, the proposed methodology also caps the need in areas such as Chichester where a Local Plan has been adopted within the last five years. Subsequently the OAN is capped to 40% above that adopted figure.

- Chichester's local plan adopted a figure of 435 dpa, capping the OAN to 40% above that figure results in a need for 609 dpa.

- It should be noted that this figure was for the Local Plan area rather than the district as a whole.

3   THE ECONOMY AND LABOUR MARKET

3.1   Chichester District's economy produces goods and services valued at just over £3.1 billion per annum Gross Value Added (GVA) and supports around 74,250 jobs.[6] This equates to around 1.5% of the regional jobs total (4.9million) and 1.2% of the GVA (£250 billion). Figure 9 illustrates the growth in GVA and Employment since 1991 in Chichester.

Figure 9:   Employment and GVA Trend (1991-2016) – Chichester District
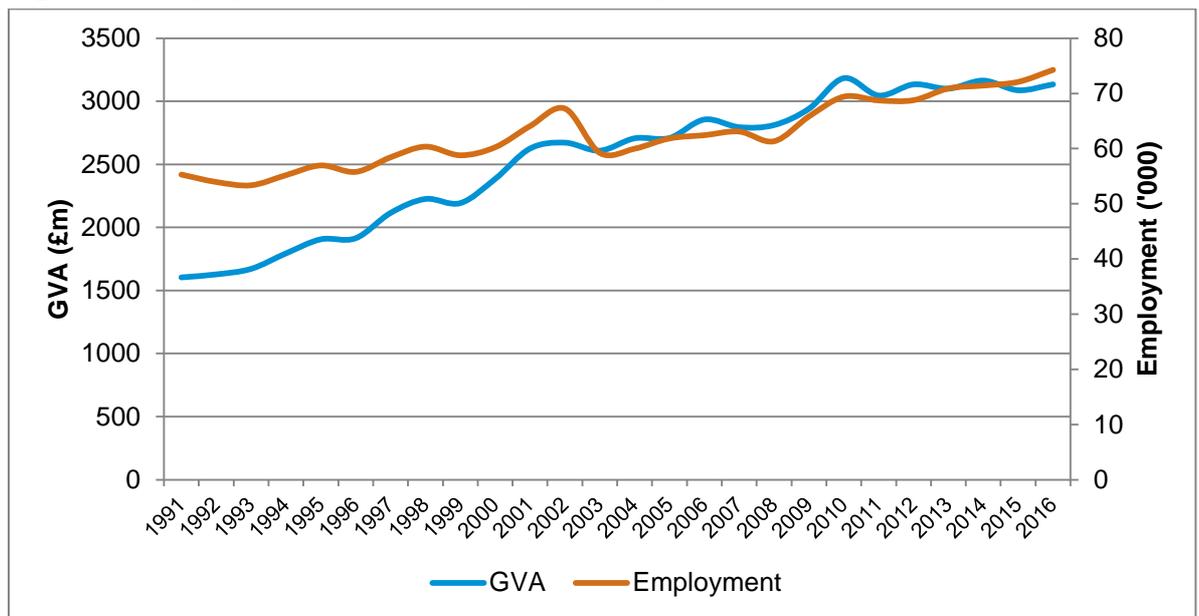
Source: Oxford Economics, 2017

Employment and Economic Growth

3.2   Figure 10 shows Chichester's GVA growth trend since 1991 compared to the trend for the South East. This shows Chichester's GVA growth has outpaced both the regional rates over this period.

3.3   However, Chichester did see a contraction in value in 2010 and subsequent flat lining which was not seen regionally. This has resulted in a closing of the gap in GVA relative to the regional figure. Since 2010 Chichester GVA has seen fluctuations and in the most recent year it was still less than the 2010 peak.

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[6] Oxford Economics estimates, 2016

Figure 10: Indexed GVA Growth (1991-2016)
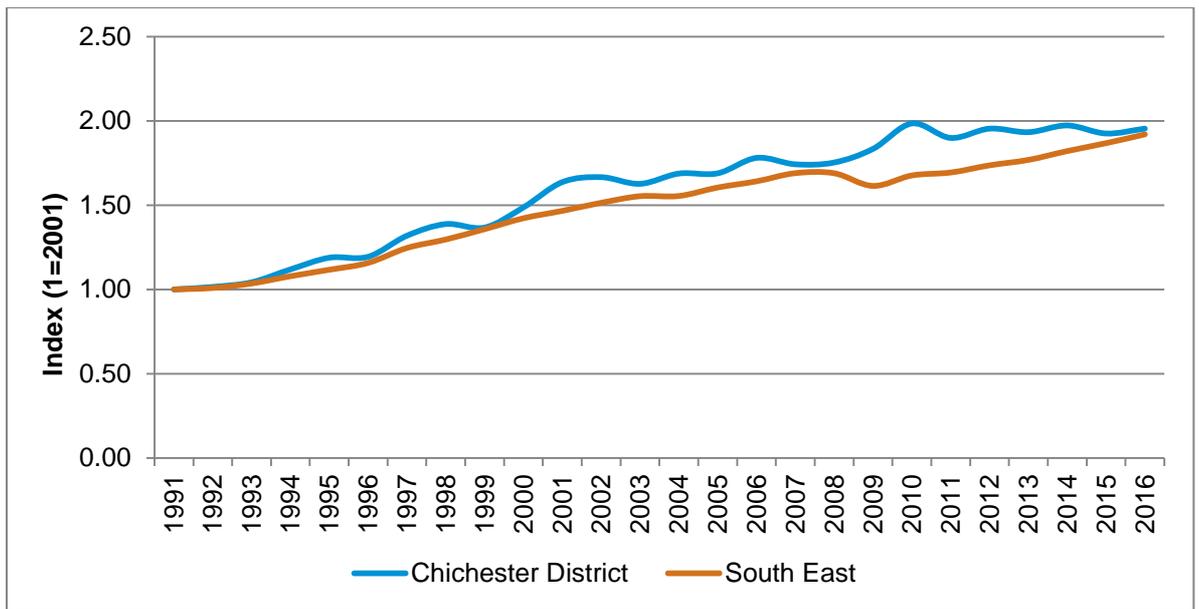
Source: Oxford Economics, 2017

3.4   Since 1991 the employment in Chichester District has grown by almost 19,000 jobs (34% growth). This represents a level of growth above regional trend where there has been a 30% growth in employment. Growth in employment has not been as strong as the GVA growth, indicating productivity improvements within the local economy.

Figure 11: Indexed Employment Growth (1991-2016)
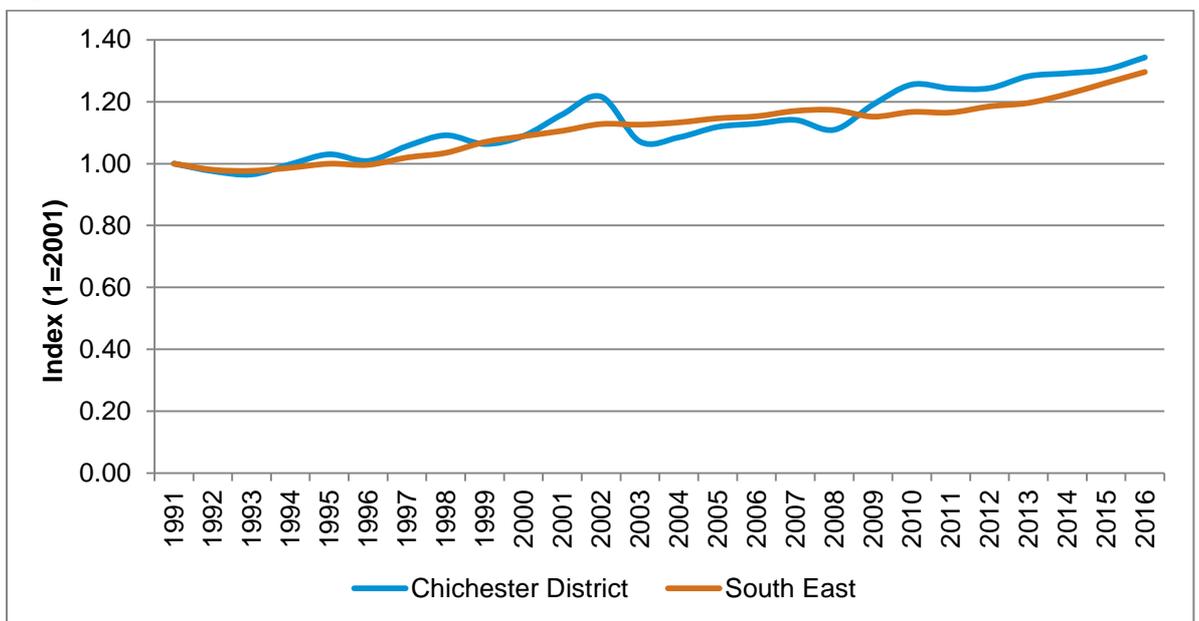
Source: Oxford Economics, 2017

GVA Growth by Sector

3.5   Figure 12 shows the breakdown of Chichester District's GVA by sector in 2016. The strongest contributors to GVA in Chichester are the real estate, wholesale and retail and manufacturing sector. Also shown is the equivalent GVA figure from 1991. This shows that the real estate sector has seen the largest absolute GVA growth over this period.

3.6   In proportional terms the Information and Communications (320%) and Administrative and support services sector (335%) have outstripped the real estate sector (262%). Most sectors have seen a growth in GVA over this period, the exception being the construction sector.

Figure 12: GVA by Sector (1991-2016) – Chichester District
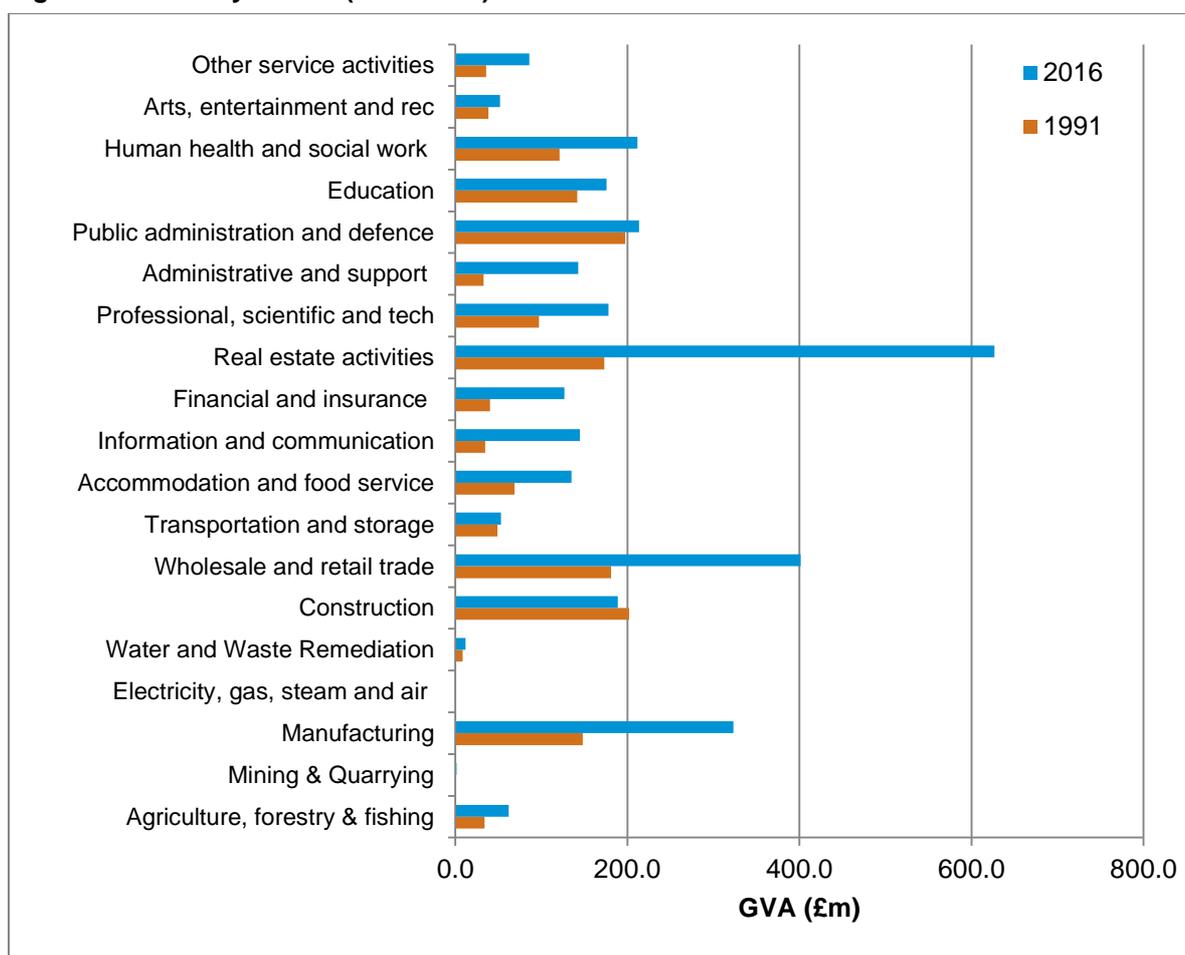
Source: Oxford Economics, 2017

Employment Structure

3.7   The District's largest sector in terms of total employment numbers is the Wholesale and Retail sector with 11,200 jobs in 2016. There are also large numbers employed in the Health and social work sector (9,400 jobs), Accommodation and Food (7,000) and the Education sector (6,700).

3.8   Although the Oxford Economics data suggests that 2,200 agricultural jobs are located in Chichester District the West Sussex Growers Association has this figure at around 6,750. It is not entirely apparent as to whether the WSGA includes a wider definition including packers, processors and distributors and/or temporary workers but this would seem likely given the figures. It could also reflect the seasonality of employment.

3.9   The most recent figures produced by DEFRA (from where OE obtain this information) is from 2013. These set out that total agricultural labour was increasing steadily (5% per annum for the last three years) but that only 2,800 people are employed in Chichester. This figure includes partners, directors and spouses which could be included in other sectors.

3.10   The Wholesale and Retail sector has seen the largest jobs growth since 1991, with a growth of 3,800 jobs. Other sectors which have seen large growth in the District over this period are Accommodation and food service (3,400 jobs) and Administrative and Support (3,100 jobs). In percentage terms the largest growth was in the Real Estate sector (260%) followed by the Administrative and Support (133%) and Information and Communications sectors (117%). Conversely, the Construction sector has seen the largest reduction in employment in this period with a loss of 790 jobs since 1991. Other sectors which have seen small reductions in total jobs numbers (although not necessarily a loss of floorspace) include Transportation and Storage (300 jobs) and Agriculture (-270 jobs).

Figure 13: Employment by Broad Sector[7] (1991 - 2016) – Chichester District
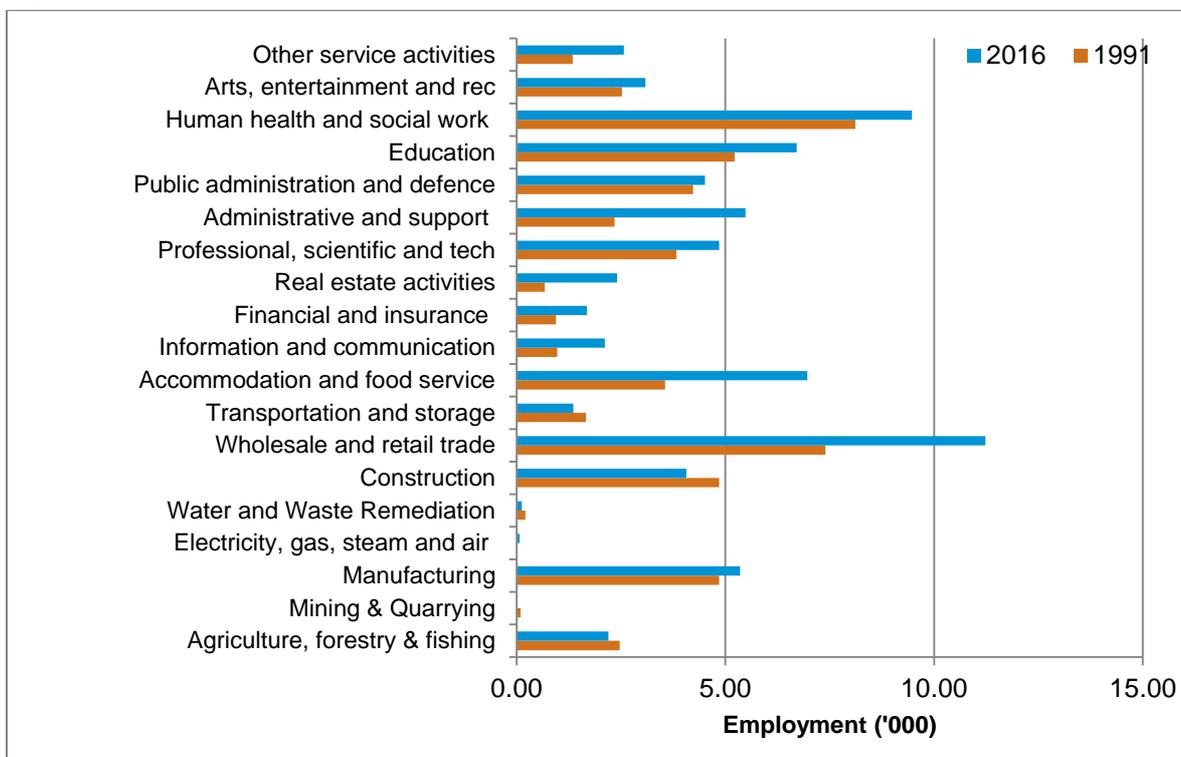
Source: Oxford Economics

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[7] A schedule showing the breakdown of each broad sector by 2-digit sectors is included in Appendix A

3.11   The OE forecasts do not explicitly identify jobs in the tourism sector, but these are divided across the Accommodation and food service and Arts, entertainment and recreation sectors. In combination, these totalled just over 10,000 jobs in 2016 and have seen a growth of just under 4,000 jobs since 1991.

Location Quotient

3.12   Figure 14 shows the location quotient analysis of Chichester District's employment structure compared to the structures at regional and national levels. In relative terms, a key sector strength in Chichester is Agriculture, forestry & fishing sector, accommodation and food service and Real Estate activities all of which are stronger than the national and regional trends.

3.13   Against the regional representation Chichester District also has significant manufacturing, public administration and defence sectors; while against the national representation Chichester has strong arts, entertainment and recreation, education and professional, scientific and technical sectors.

Figure 14: Employment Location Quotient (2016)
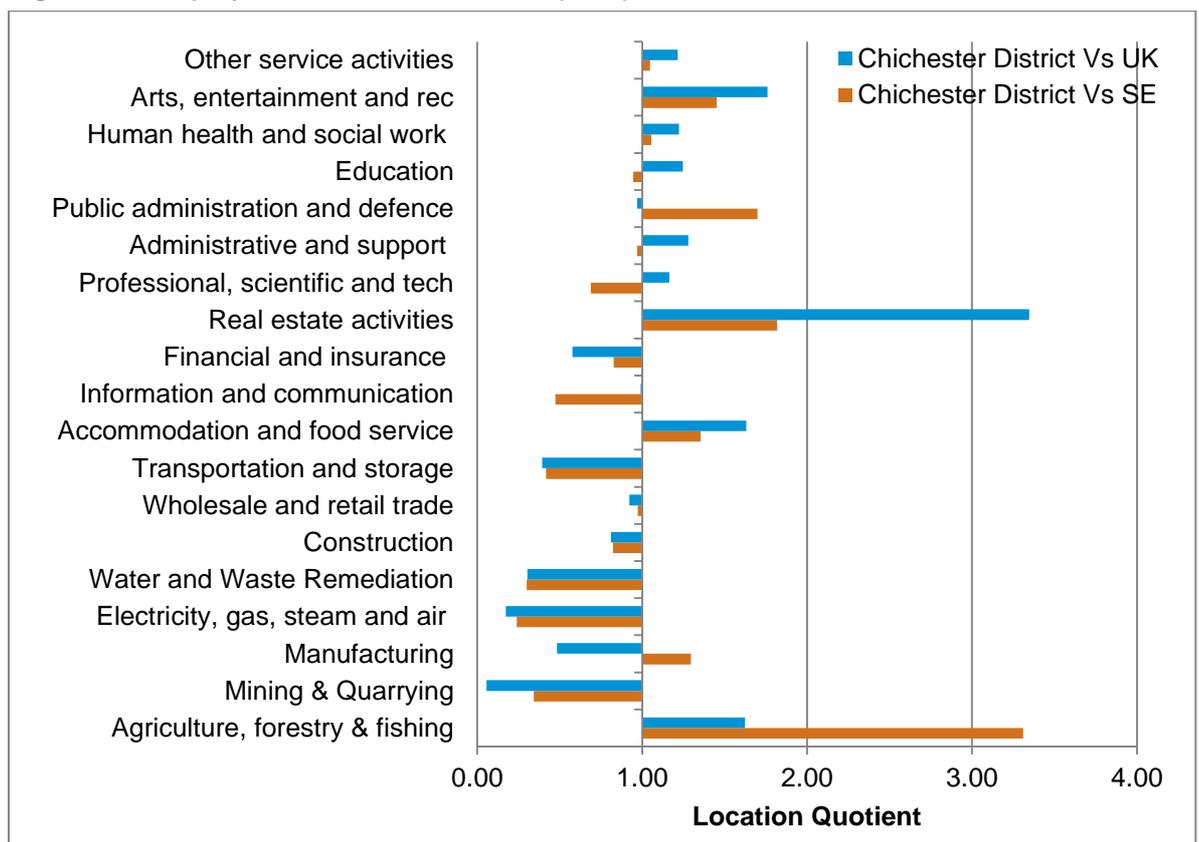
Source: Derived from Oxford Economics

3.14   There are a number of sectors in the district which are relatively weak in comparison to the regional and national representation. Of particular note are wholesale and retail trade, construction, transportation and storage, financial and insurance and information and communication sectors.

Although the wholesale and retail trade is slightly less than the regional and national representation it remains the largest sector of employment in the district.

3.15   Within the manufacturing sector we do see some notable variation within the sub sectors. For example, there is significant strength in the manufacturing of motor vehicles (mostly Rolls Royce), textiles, food products, wood and of wood related products and "Other" manufacturing, but lower representation within the manufacturing of machinery and equipment, fabricated metal and rubber and plastic.

3.16   The lack of representation in the transportation and storage sector reflects the location of the district away from motorway networks. While the A27 runs through the district its reputation for congestion may be off putting to major distribution operators as well as other sectors.

Business Base

3.17   The vast majority (90.4%) of the enterprises based in the district are micro businesses: that is they employ fewer than 10 people. This group includes a high percentage of self-employed and sole-traders. This is slightly higher than the county (89.6%), regional (89.8%) or national (89.3%) rates indicative of a level of local entrepreneurship.

Figure 15: Enterprises by Size, 2016 – Chichester District
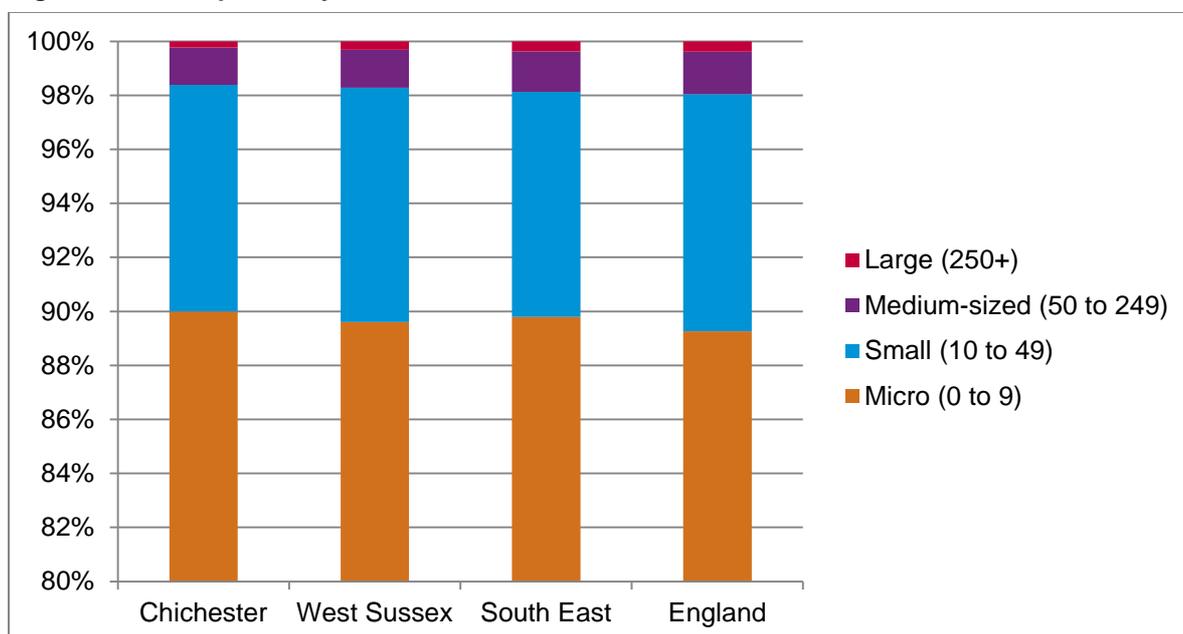
Source: UK Business Counts, NOMIS 2016

3.18   As with the regional and national picture employment within Chichester is not overly reliant on a small number of major employers. This provides the district with a level of resilience to a major downturn affecting a single business.

3.19   There are 15 businesses which have over 250 employees. This includes Rolls Royce Motor Cars which is part of the manufacturing of motor vehicles sector which employs around 1,700 people locally (1,000 in Chichester and 700 in Arun). There are also a number of major food production companies which employ over 250 employees, although levels of employment in the horticulture/food production sector are subject to significant seasonal fluctuations.

Labour Market

Economic Participation

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

3.21   The figures show that the employment rate in Chichester District is 77.4%. This is in line with the regional rate (77.6%) and above the national rate (73.7%). Chichester's employment rate is among the top 5% of local authorities in the UK.

3.22   In Chichester the employment rate for males is 79.3%, which is lower than the regional rate (82.6%) but above the national rate (78.8%). For females the employment rate in Chichester is 75.4% - higher than both the regional (72.8%) and national (68.9%) averages.

Figure 16: Economic Activity Rates (2016) [8]
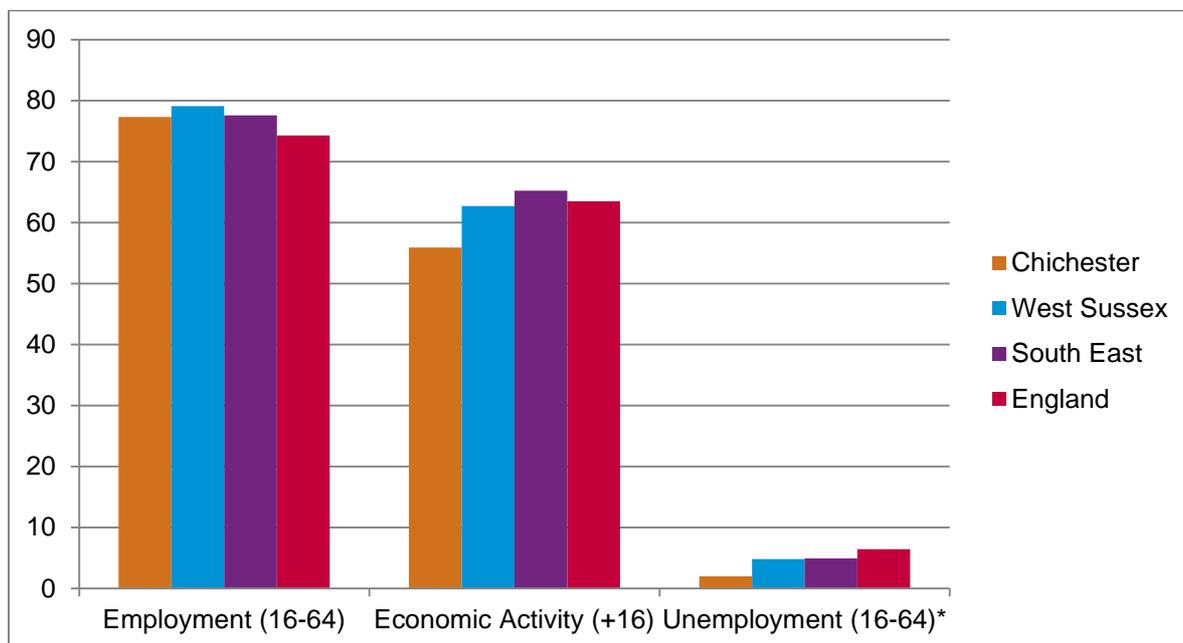
Source: Annual Population Survey (2016) *Unemployment 2014 figure as latest available for Chichester District.

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[8] Employment as % of people aged 16 -64 who did some paid work in the reference week (whether as an employee or self-employed); those who had a job that they were temporarily away from (e.g. on holiday); those on government supported training and employment programmes; and those doing unpaid family work (i.e. working in a family business).; Economic Active people, who are economically active, expressed as a percentage of all people; Unemployment as % is a proportion of economically active population.

3.23   The Economic Activity Rate describes the percentage of working-age adults (+16) who are working or looking for work. Note this is a slightly different denominator. The Economic Activity Rates in Chichester (55.9%) are much lower than the other comparators. This is likely to reflect the older age structure in the district.

3.24   In contrast unemployment within Chichester District (2%) is less than half that seen in the county and South East region (both 5%) and less than a third of the national figure (6.2%). The level of self-employment in Chichester (28.4%) exceeds that in compared to the County (16.9%), regional (16.7%) and national trends (15.5%). This is driven by a particularly high level of self-employed females.

Figure 17: Employment by Type (2016)
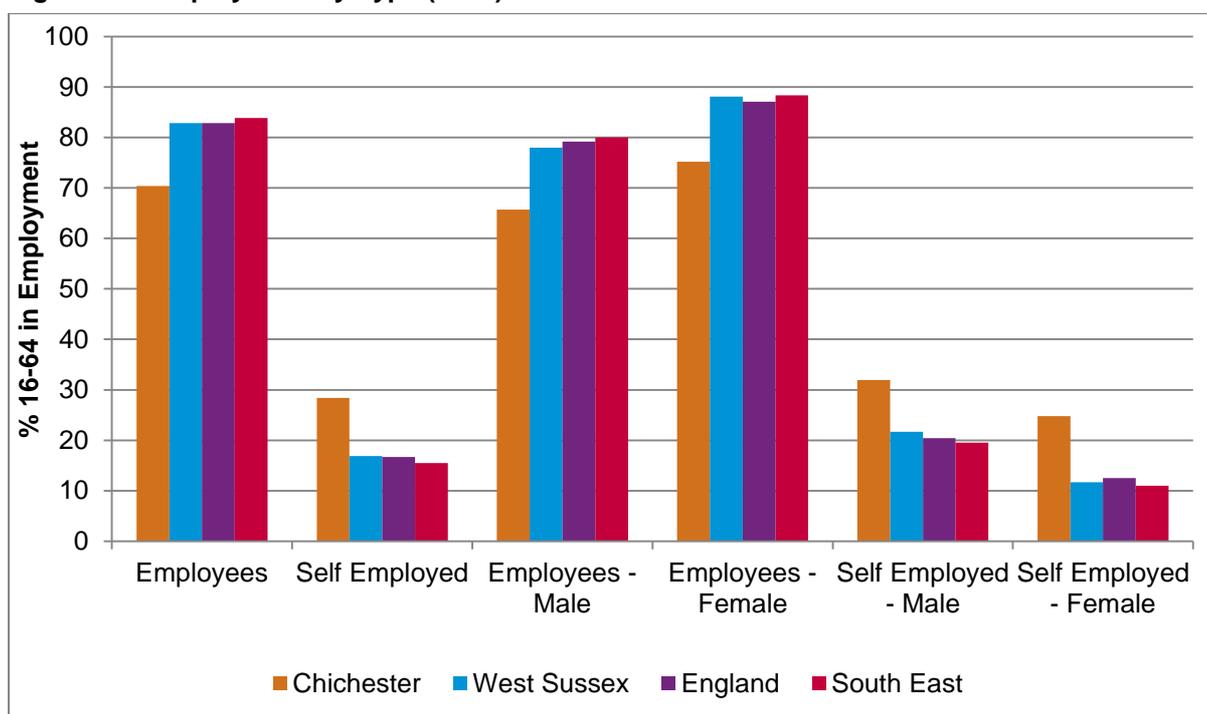
Source: Annual Population Survey (2016)

Earnings

3.25   Chichester District residents in full-time employment earn a median gross annual pay of just over £30,000. This is slightly higher than the median for West Sussex (£29,000) and the England as a whole (£28,500 per annum), but slightly less than the South East region (£30,700 per annum).

3.26   GL Hearn use median values in preference to mean values for earnings data. This is because median values are less influenced by extreme values and because of the skewed distribution of earnings data.

3.27   The median gross annual pay of people working full-time in Chichester District is much lower at around £27,400. This is less than all of the other comparators but particularly the wider South East (£29,700).

Figure 18: Earnings – Annual Median Pay of Full-Time Workers (2016)
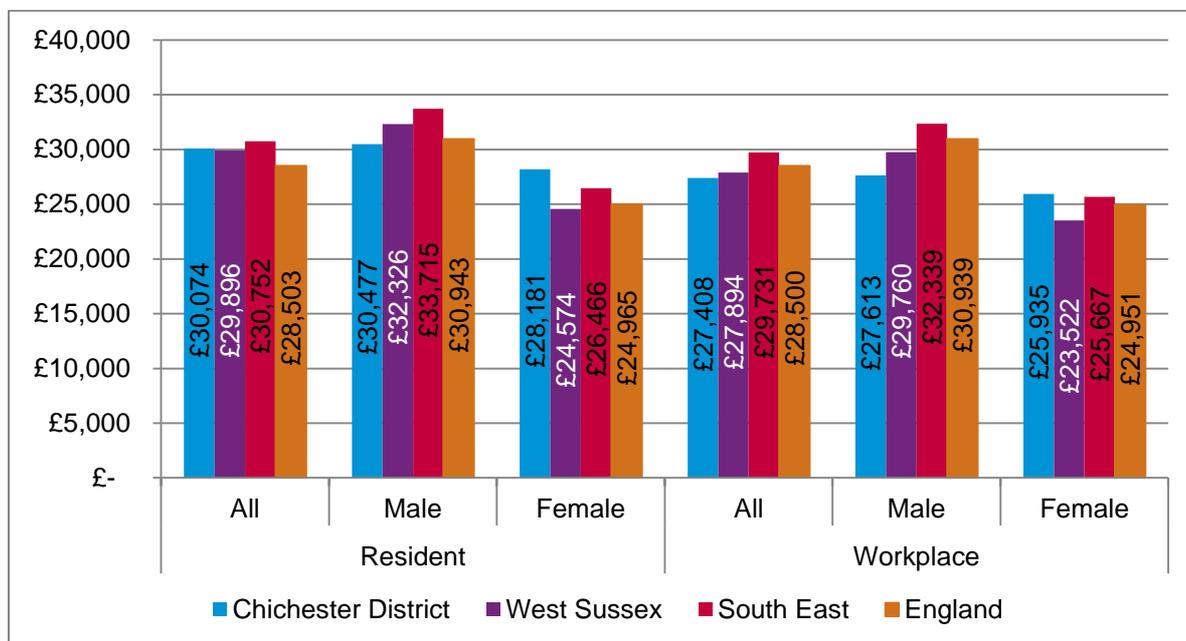
Source: ONS Annual Survey of Hours and Earnings, 2016

3.28   Those working full-time in the district typically earn around £2,700 less than those who reside in the district suggesting, as we might expect, that a number of higher-earning residents commute out of the area to higher paid jobs in surrounding areas such as Brighton and Greater London. This is also supported by Census data showing distance travelled to work by occupation which shows a larger proportion of workers in the managerial, professional, and technical occupations commute over 10km to work, and a smaller proportion of workers in these occupations commuting shorter distances, when compared to other occupations.

Table 1:   Distance Travelled to Work by Occupation, Chichester Residents (2011)

Occupation	Less than 10km	10km and over	Work mainly at or from home	Other
1. Managers, directors and senior officials	31%	39%	26%	4%
2. Professional occupations	34%	45%	16%	5%
3. Associate professional and technical occupations	31%	38%	23%	8%
4. Administrative and secretarial occupations	49%	34%	16%	2%
5. Skilled trades occupations	28%	19%	21%	32%
6. Caring, leisure and other service occupations	55%	25%	12%	7%
7. Sales and customer service occupations	65%	28%	5%	2%
8. Process, plant and machine operatives	43%	33%	11%	13%
9. Elementary occupations	59%	21%	8%	12%

Source: Census 2011

3.29   Also notable is the fact that the earnings of both male residents and male workers are less than the wider county and regional and national equivalent whereas female residents and to a lesser degree female workers earn more than the county, region and national figures. Although male earnings are still above those for women.

3.30   Potentially this is due to the high number of low paid manual roles such as agricultural employment which are typically filled by men. Thus the male average is reduced by this but the female earnings are less affected.

Key Points

- Chichester District's economy produces goods and services valued at £3.1 billion per annum (GVA) and supports around 74,250 jobs. The strongest contributor to GVA in Chichester is the real estate sector.

- The District's largest sector in terms of total employment numbers is the wholesale and retail sector. In relative terms, key sectors of strength in Chichester are the agriculture, forestry & fishing sector, accommodation and food service and real estate activities sectors.

- The vast majority of the enterprises based in the district are micro businesses: that is they employ fewer than 10 people. This group includes a high percentage of self-employed and sole-traders. Despite a high employment rate in Chichester the Economic Activity Rate is relatively low reflecting the local age structure.

- Unemployment in the district, recorded at 2.0% by the Annual Population Survey, is below that in most of the comparator geographies considered. The England average is 5.2%.

- Chichester District residents in full-time employment earn a median gross annual pay of £30,000 with those working in the district earning. £27,400. This is indicative of a notable number of higher-earning residents commuting out of the area to higher paid jobs in surrounding areas.

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4   EMPLOYMENT FORECASTS

4.1   Oxford Economics (OE) was commissioned by GL Hearn to provide baseline demand based forecasts for the HEDNA. The OE forecast is dated May 2017.

4.2   The baseline model is the lowest hierarchical level of the OE framework of forecasting models. Such a modelling framework ensures that global and national factors (such as developments in the Eurozone and UK Government fiscal policy) have an appropriate impact on the forecasts at local authority level. This framework ensures that the forecasts are much more than just an extrapolation of historical trends. Rather, the trends in the OE global, national and sectoral forecasts have an impact on the local area forecasts alongside the sectoral structure and past sector performance locally.

Figure 19: Hierarchal structure of Oxford Economics' suite of models
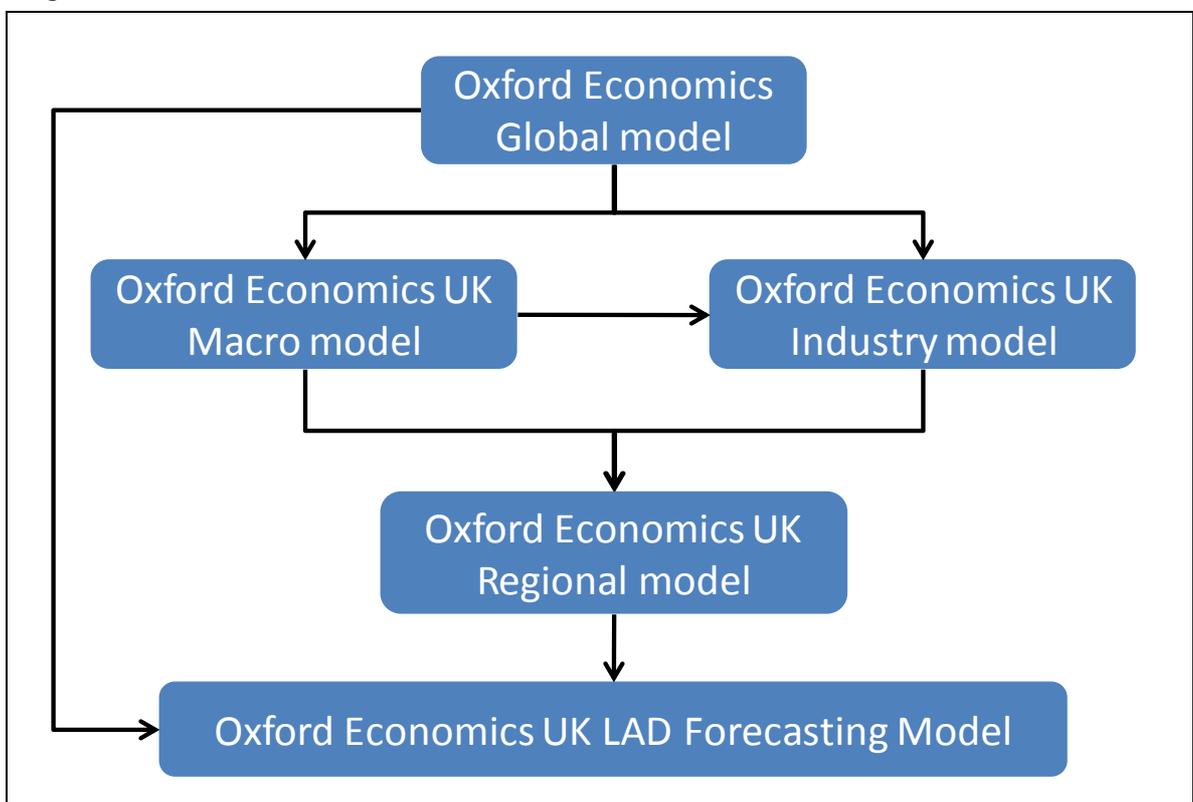
Source: Oxford Economics, 2016

4.3   The baseline forecasts for the HEDNA and its constituent authorities are essentially shaped by three factors:

- International, national and regional outlooks - all the local area forecasts produced by OE are fully consistent with broader regional, national and international models and forecasts. This ensures global events that impact on the performance of UK local economies, such as the strength of global trade are fully captured in the forecasts for a local area. So too are national level growth and policies, whether that be the impact of monetary policy on consumer spending or government spending on locally provided public services;

- Historical trends in an area, which implicitly factor in supply side factors affecting demand, combined with the OE and GLH knowledge of local areas and the patterns of local economic development. This ensures for example, that we recognise and factor in to the forecasts any evidence of particularly high/low levels of competitiveness that local economies have in particular activities. It also means national policy programmes that have a particular local impact and that are very likely to happen; and
- Fundamental economic relationships which interlink the various elements of the outlook. OE's models ensure full consistency between variables in a local area. For example, employment, commuting, migration and population are all affected by one another.

4.4   The forecasts are produced within a fully-integrated system, which makes assumptions about migration, commuting and activity rates when producing employment and population forecasts. Note that these are different assumption from the population assumptions set out earlier in this report and therefore different from the demographic growth assessment. The main internal relationships between variables are summarised in the Figure 20.

Figure 20: Employment Forecasting Main Relationships
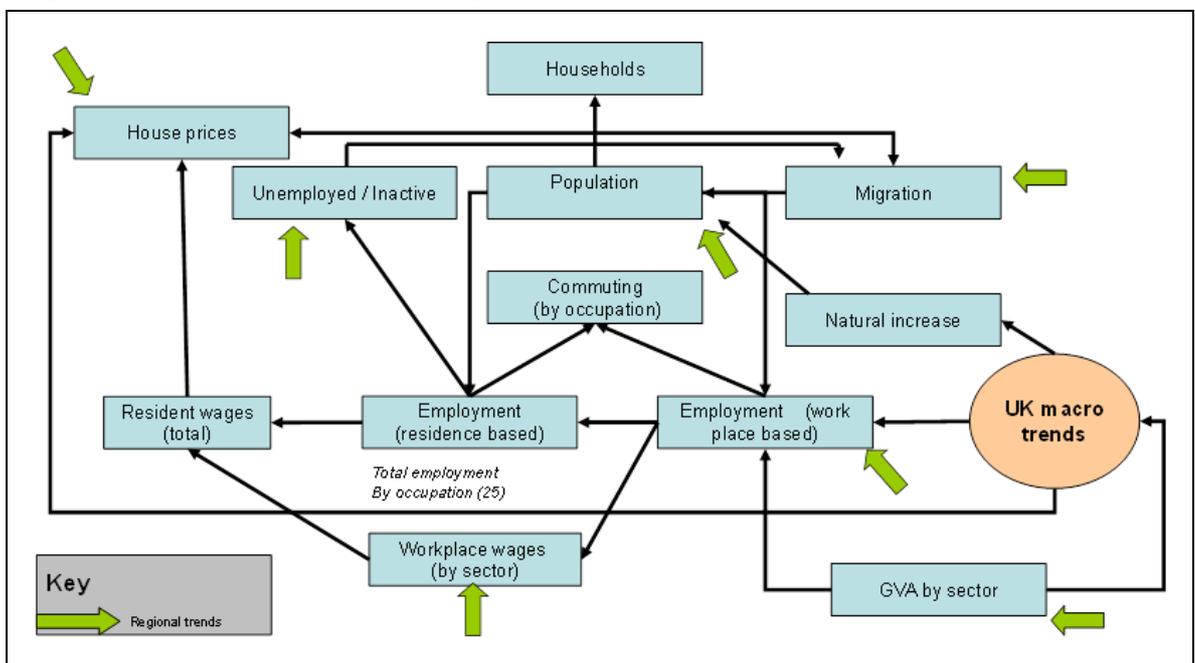
Source: Oxford Economics, 2016

4.5   The starting point for producing employment forecasts for a local authority is the determination of workplace-based employees in employment in each broad sector. There are two key sources for this – ONS Workforce Jobs (WFJ) and the Business Register and Employment Survey (BRES). The WFJ series is reported on a quarterly basis, providing estimates of employee jobs by sector (based on the 2007 Standard Industrial Classification – SIC 2007) for the UK and its constituent government office regions. The BRES Survey is an annual survey of businesses which is used to estimate the employment levels by different sectors.

4.6   Within the OE model migration is expected to grow or decline in parallel with the employment total. If the employment total within an area is falling too fast, migration also falls as the model assumes that people would not be attracted into this area to live, given that the employment prospects are

weak. This ensures that the relationship between the labour market outlook and the population outputs are inter-linked.

Disaggregating Growth

4.7   The Oxford Economics forecasts are based on a global view of growth which is translated to the UK, then the South East region and then each local authority within the region. Within the hierarchy the growth in the lower level in the hierarchy must add up to that of the level above within the baseline forecast.

4.8   How the national level of growth is translated to a regional and local authority level differs from sector to sector. Some of the sectors are driven predominantly by population estimates, others by total employment in the area and the remainder by the sector's performance relative to the regional performance (largely exporting sectors). The methods of sectoral projection are as follows, each of which are forecast based upon recent trends:

- Agriculture - share of the regional employment
- Mining and quarrying - share of the regional employment
- Manufacturing - share of the regional employment
- Electricity, gas, and steam - share of the regional employment
- Water supply; sewerage, waste management - share of the regional employment
- Construction - location quotient (LQ) based upon total employment
- Wholesale and retail trade - LQ based upon consumer spending
- Transportation and storage - LQ based upon consumer spending
- Accommodation and food service activities - LQ based upon consumer spending
- Information and communication - share of the regional employment
- Financial and insurance activities - share of the regional employment
- Real estate activities - LQ based upon total employment
- Professional, scientific and technical activities - LQ based upon total employment
- Administrative and support service activities - LQ based upon total employment
- Public administration and defence - LQ based upon sectoral employment per population
- Education - LQ based upon sectoral employment per population
- Human-health and social-work activities- LQ based upon sectoral employment per population
- Arts, entertainment and recreation - LQ based upon consumer spending
- Other service activities LQ based upon consumer spending

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

Baseline Forecast

4.10   In this section we have provided the baseline forecast between 2016 and 2036. Oxford Economics indicate that Chichester District's economy is expected to grow by 2.0% per annum (GVA growth), which is just over half the growth achieved over the previous economic cycle (1993-2010) – 3.9% growth per annum. By comparison, the OE baseline forecast for the South East Region shows a

GVA growth of 1.9% per annum (2016-36) compared to a past growth of 2.9% per annum (1993-2010).

4.11   Oxford Economics Baseline scenario shows the total number of jobs in Chichester District is expected to grow from approximately 74,300 in 2016 to 83,200 in 2036. This is a total forecast growth of 8,900 which equates to an annual growth rate of 0.6%.

Figure 21: Chichester District Jobs Growth, Baseline Forecast (1993-2036)
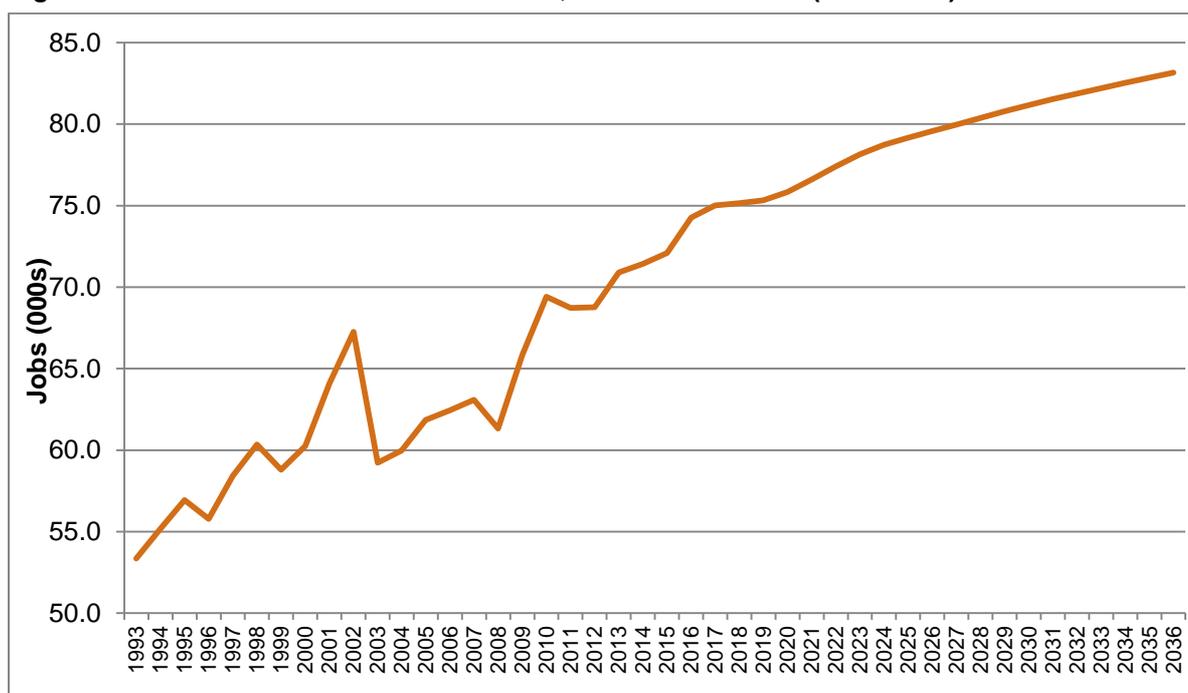
Source: Oxford Economics, 2017

4.12   As with GVA growth, the jobs growth in the Baseline Forecast in Chichester District is slower than the level of jobs growth over the previous economic cycle (1.6% per annum). The forecast level of jobs growth is slightly higher than the regional equivalent (0.5% pa) but below the forecast national increase (1.1% pa).

4.13   The slower rate of growth going forward is not confined to Chichester District but is expected regionally and nationally. Oxford Economics justify this slowing rate of growth for two key reasons:

4.14   Regionally and nationally, OE do not expect the consumer to continue to be a key driver of growth as interest rates and inflation rise over the forecast period. Thus, at a regional scale, they expect more modest growth within the wholesale, retail and accommodation and food service sectors. However, all of these are key sectors within Chichester District and as such the OE baseline shows higher levels of growth in these sectors in Chichester than in the South East reflecting the expected growth in tourism and day visitors to the District.

4.15   Secondly public services growth is also likely to be weaker in the 2016 to 2036 period due to government spending constraints (austerity), thus the outlook for public administration, healthcare and education is more subdued than has been seen historically.

4.16   The future GVA growth is particularly driven by growth in professional, scientific and technical activities, together with a strong contribution from the Wholesale Sector. The forecasts for Chichester show particularly strong growth in motion picture, video and television (3.5% growth per annum), computer programming consultancy (3.4% growth pa), information service activities (3.2% growth pa), architectural and engineering (3.2% growth pa), the scientific research and development sector (2.6% growth pa), Legal and accounting (2.7% growth pa), veterinary services (3.1% growth pa) and Activities of head offices (3.1% growth pa).

4.17   Manufacturing employment in Chichester has seen a historic growth rate of 0.4% over the period 1993-2010. However, the outlook moving forward is less positive and shows an overall contraction with a forecast annual average decline of -1.1% per annum to 2036. Despite this, the baseline forecast shows a GVA growth for the Manufacturing sector of 1.3% per annum, indicating the net reduction of jobs is not translated into a reduction in productivity and thus demand for floorspace.

Adjusted Forecasts

4.18   While the baseline forecast provides a good indication of the direction of growth it does not reflect the progression of some specific sectors locally. We have considered the Baseline Forecast for these sectors and reviewed the historic and future trends for the District in each and compared this to regional and national trends.

4.19   The location quotient analysis in Figure 14 set out the structure of Chichester District's economy compared to that of the South East region in 2016. That figure illustrated that the District has particular strengths in the agriculture sector (where the proportion of jobs in Chichester is three times the regional rate).

4.20   Additionally, the District has strengths against the South East in manufacturing. This is predominantly linked to Rolls Royce Motors Goodwood site which represents over a third of the sector's employment[9] in Chichester District. In addition, Accommodation and food services and the creative and recreation sectors (both linked to tourism), real estate and business support services, public administration and defence and healthcare (linked to the aging population) are also significant contributors to the District's economy.

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[9] 2 digits SIC20017 sectoral division: 19-32

4.21   The way that OE constructs their models means that the baseline forecast for some sectors in Chichester may more closely resemble the regional trends which, as described above, OE considers will be less positive than the historic trends at a regional level. Furthermore when the regional trends for these sectors are disaggregated to a local authority level it may result in a modest growth (or contraction) in Chichester which does not necessarily reflect either past trends, current market dynamics, or future growth opportunities.

4.22   Growth plans identified by Local Enterprise Partnership (LEPs), the Council, and University of Chichester as well as consultation with local commercial agents has identified a number of sectors which are expected to see high levels of jobs growth in the District:

- Crop and animal production
- Manufacture of food products
- High-tech manufacturing
- Civil Engineering and Waste
- Wholesale trade and warehousing
- Accommodation*
- Food and beverage service
- Computer programming
- Financial services
- Scientific research and development
- Office administration
- Education
- Creative, arts and entertainment activities*
- Sports activities and amusements*.

4.23   We have assessed the growth potential of these sectors as shown in the OE baseline forecasts. For three of the sectors (Accommodation; Creative, arts and entertainment activities; and Sports activities and amusements) the baseline forecast shows a strong level of growth in Chichester District – stronger than either the regional growth rate or the historic trend in the District. This reflects that these are growth sectors at a regional level as well as being strongly represented in Chichester District, and as such are already forecast to have high levels of growth in the baseline forecast.

4.24   For the other growth sectors listed the OE baseline forecast for Chichester District is either slower than the historic trend for the District or below the regional forecast growth. We have therefore developed a Growth Scenario which applies sectoral uplifts for the Chichester District specific growth sectors. The uplift increases the future jobs growth in these sectors (or lowers expected reductions) based on modelling the forecast sectoral performance over the Plan period to better reflect the historic sectoral performance seen in the District over the period 1993-2010[10]. The uplift for each sector is set out in the Figure 22.

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[10] The period covering the last complete market cycle.

Figure 22: Growth Sub-Sectors, 2016-36 – Chichester District
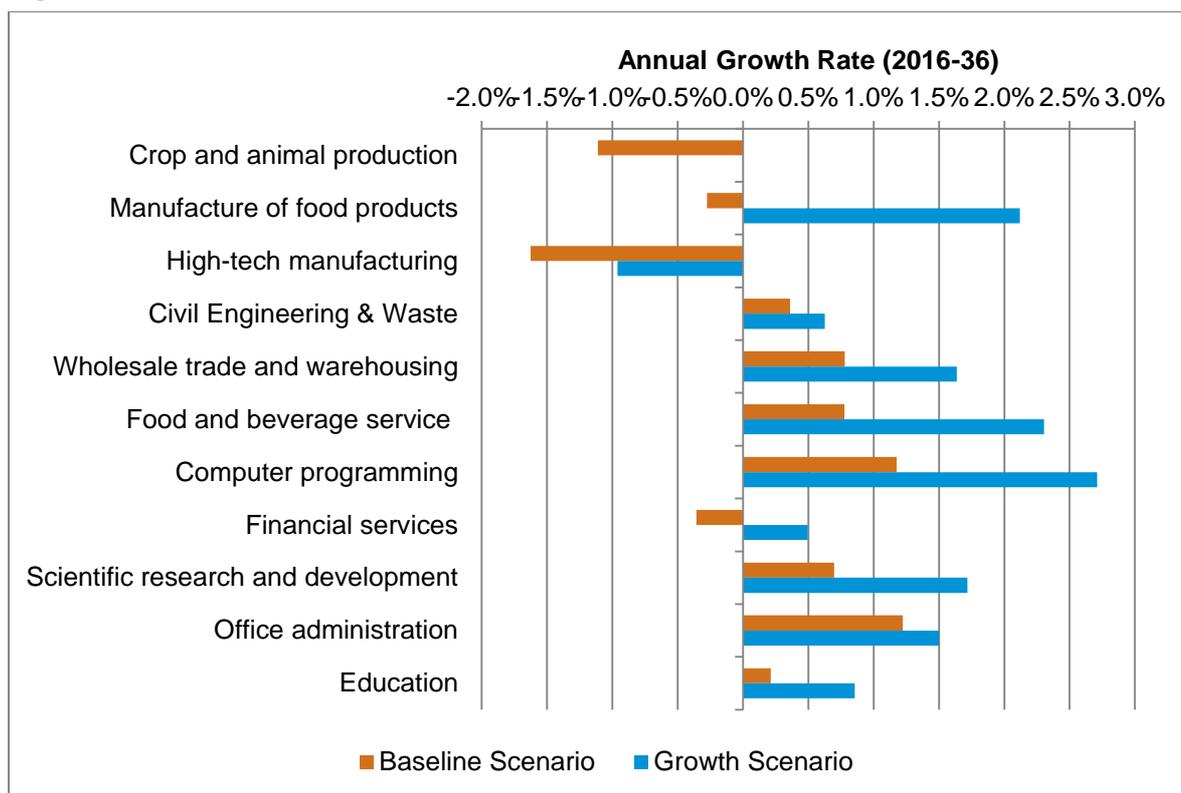
Source: *Oxford Economics, 2017*

4.25   Table 2 shows the sectoral jobs growth for the Baseline and the Growth scenarios over the period from 2016-36. Both scenarios show the largest growth sectors are Wholesale and retail trade, Accommodation and food services, Professional and scientific services, Business Support Services, Education and Health.

4.26   The sectors which are uplifted in the Growth scenario are highlighted in green. The sectors with the largest increase in jobs growth in the Growth Scenario are Wholesale and Retail (500 additional jobs) Accommodation and food services (2,200 additional jobs), Manufacturing (no growth instead of a loss of 1,100), and Education (1,000 additional jobs).

4.27   The adjusted scenario results in an additional employment growth of 6,000 jobs above the Baseline Scenario taking the total jobs growth to around 14,900 (2016-36). This represents a growth rate of 0.9% pa, up from 0.6% pa in the Baseline Scenario. This compares to a regional growth rate of 0.7% pa. However, when compared to historic trends both the Growth and the Baseline scenarios are lower than the growth rate seen over the previous economic cycle (1.6% pa in Chichester and 1.1% across the South East).

Table 2:   Jobs Growth by Sector, Baseline and Growth Scenario, 2016-2036

Sector	Baseline Scenario	Growth Scenario	Justification
Agriculture and Mining	-400		Growth in horticultural sector
Manufacturing	-1,100		Full return to historic trend for automotive manufacturing
Utilities			
Construction	1,100	1,100	
Wholesale and Retail Trade	1,800	2,300	Half return to historic trend
Transport, Warehouse and Postal	100	100	
Accommodation and Food and Beverage Services			Half return to historic trend
Media and IT	400	800	Quarter return to historic trend
Professional and Scientific Services	2,000	2,400	Half return to historic trend
Business Support Services	1,400	1,500	Half return to historic trend
Public Administration and Defence	-400	-400	
Education	300	1,300	Half return to historic trend
Health	1,300	1,300	
Creative and Recreation	700	700	
Other	600	600	
Total	**8,900**	**14,900**	

Source: Oxford Econometrics and GL Hearn, 2017 (numbers may not sum due to rounding)

4.28   The Growth Scenario has considered the sectors which, given the local economic drivers in Chichester District and across the LEP area, would be expected to see strong future performance. The baseline was assessed to consider how the growth sectors were forecast to grow over the period from 2016-36 and appropriate adjustments have been made where appropriate. However, these adjustments have been informed by sectoral performance in Chichester district and the South East over the last full economic cycle (1993-2010) to ensure the scale of growth is reasonable. The one exception is the Agriculture and Mining sector where an adjustment arresting the decline in jobs was informed by stakeholder engagement.

Table 3:   Employment Growth Scenarios Comparison

	1993-2010	2016-36	2016-36
	Growth Per Annum	Jobs Growth	Growth Per Annum
Chichester Baseline	1.6%	8,900	0.6%
Chichester Adjusted	1.6%	14,900	0.9%
South East	1.1%	770,100	0.7%

4.29   Considering the above factors as a whole, we consider the Growth Scenario to be a robust forecast of economic growth for the purposes of assessing future employment and housing needs taking account of local drivers and historic trends.

Key Points

- The baseline forecast produced by Oxford Economics indicates that the economy is expected to grow by 2.0% per annum (GVA growth pa) between 2016 and 2036. The total number of jobs growth forecast is 8,900 which equates to an annual growth rate of 0.6%.

- As with the national forecasts this is a slower level of growth compared to the previous business cycle. However, this is justified as both consumer and public sector expenditure is expected to fall.

- The future GVA growth is particularly driven by growth in the professional, scientific and technical activities and Wholesale Sectors.

- However, these baseline forecasts are largely trend based and do not reflect local investment or planned growth. We therefore considered adjustments to the forecasts to reflect this.

- The adjusted scenario results in an additional employment growth of 6,000 jobs from the Baseline Scenario (2016-36) taking the total jobs growth to around 14,900 representing growth of 0.9% pa, again exceeding both the regional and national performances.

- The adjusted forecasts see the accommodation and food services sector, professional and scientific services and wholesale and retail sectors have most significant growth in jobs.

- The agricultural and manufacturing sectors are expected to buck historic trends with a cessation of job losses. Both however are still expected to see significant growth in GVA and productivity.

5   HOUSING MARKET DYNAMICS

5.1   As set out earlier in this report in September 2017, the Government published consultation proposals for a new standardised approach to quantifying housing need. This is based on the latest official household projections with adjustments to take account of market signals (which are capped in some instances). The confirms the position of the NPPF which is clear that plans should take account of market signals, such as land prices and housing affordability (Paragraphs 17 and 158).

5.2   The new methodology focuses solely on affordability while the PPG sets out that studies should also assess house prices and rents, land values, rates of development as well as overcrowding, concealed and shared households. The PPG sets outs that appropriate comparisons should be made (in terms of absolute levels and rates of change) with trends in the HMA, similar areas and nationally. For completeness we have set out the housing market signals from both the PPG and the new methodology.

5.3   In interrogating market signals we have sought to assess trends over the 2001-11 period, as this is the period from which household formation trends in the 2011-based Household Projections are derived. We have also considered more recent trends and current performance, to assess whether there is a case for adjusting levels of housing provision (relative to those shown in the projections thus far).

5.4   Each of the market signals for Chichester have been assessed against the Housing Market Area, West Sussex, the South East Region and Nationally. In line with the PPG we have also assessed against "similar demographic and economic areas" which ONS[11] have defined for Chichester as Cotswold and West Dorset.

Land Values

5.5   The DCLG published a report on residential land value estimates in December 2015, this is the latest release. As it can be seen from Table 4, the residential land values in Chichester District are estimated at £4,150,000 per hectare, which is higher than the regional figure and also the national (excluding London) values.

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[11]

https://www.ons.gov.uk/methodology/geography/geographicalproducts/areaclassifications/2011areaclassifications/abouttheareaclassifications

Table 4:   **Land Values, December 2015**

Area	Land Value
Chichester District	**£4,150,000**
Arun	£2,930,000
Cotswold	£2,905,000
West Dorset	£2,020,000
West Sussex	n/a
Chichester and Bognor Regis HMA*	£3,540,000
South East	£3,600,000
England incl. London	£6,900,000
England excl. London	£2,100,000

Source: DCLG, December 2015 *as an average of Chichester and Arun - based on data availability this is the best fit to the HMA

5.6   Among the comparable local authorities, the highest residential land values are achieved in Arun, although at £2.9million per hectare these are over a million pounds less than the land values in Chichester District.

House Price Analysis

5.7   The average (mean) house price in Chichester District (2016) was around £440,000 whilst the median price was significantly less at £335,000 indicating a small concentration of very expensive properties in the district. Lower Quartile prices were just under £245,000 in Chichester.

5.8   In comparison to comparable local authorities and the wider comparators, median prices in Chichester District are generally the highest. The difference is even more significant when the mean average price is reviewed.

Table 5:   **Average House Prices in the Housing Market Area (2016)**

	Median	Mean	Lower Quartile
Chichester District	**£335,000**	**£439,162**	**£243,875**
Arun	£263,000	£306,476	£200,000
Cotswold	£325,000	£397,008	£235,250
West Dorset	£265,000	£304,432	£195,000
West Sussex	£305,000	£375,400	£235,000
Chichester and Bognor HMA*	£283,000	£358,064	£217,975
South East	£290,000	£372,322	£210,300
England and Wales	£212,950	£304,992	£130,000

Source: *Land Registry Price Paid Data 2016* *both median, mean and LQ figures are based in the total transactions across Chichester and Arun District Councils

5.9   Figure 23 illustrates house price distribution across the District. The northern parts of the District present higher values than the more urbanised south. This mainly related to the size of the properties, with the rural areas having more predominantly detached homes.

5.10   We would however expect the rural areas within the National Park to have higher house prices as well. While this is the case in pockets of the South Downs the higher house prices in the North may relate to the area's proximity to London.

Figure 23: House Price Heat-map (2016)
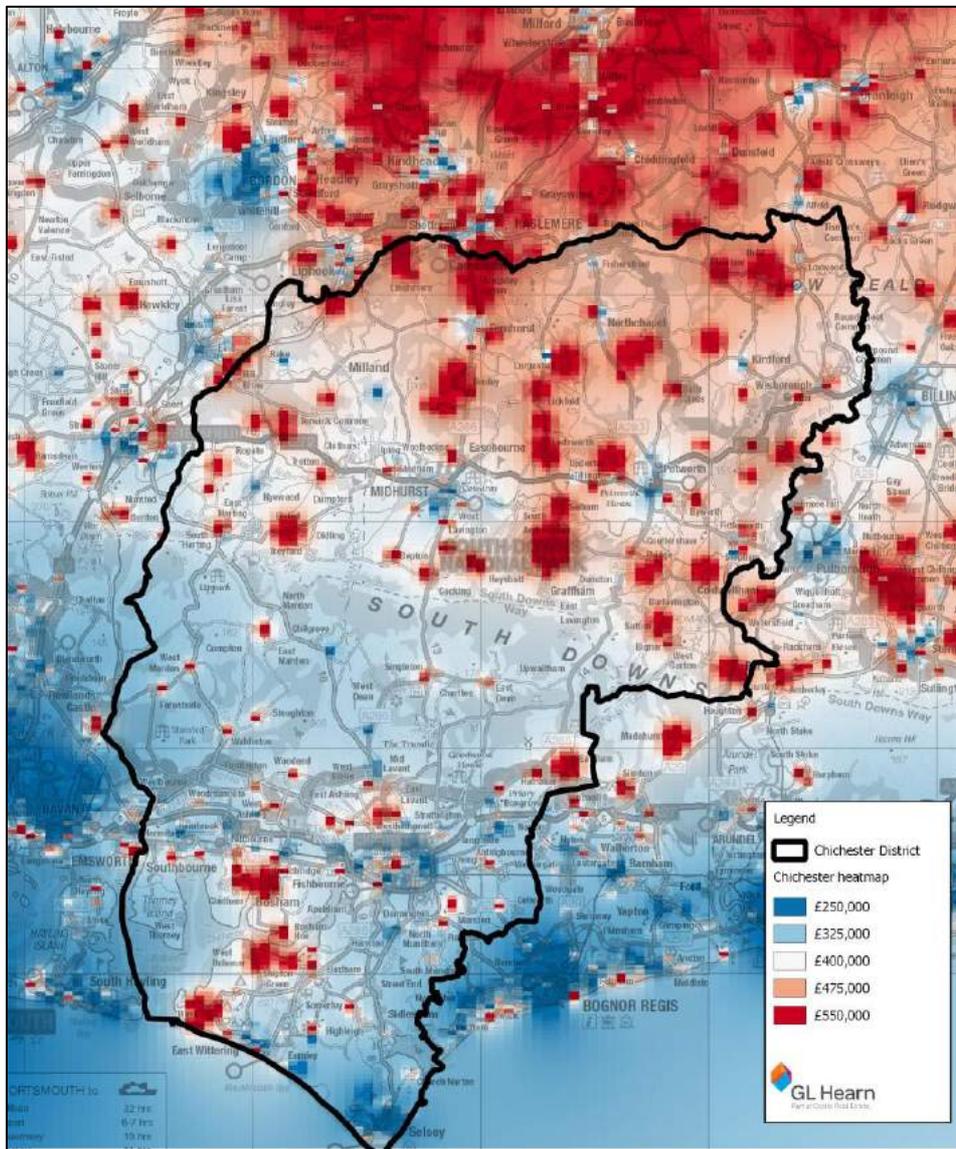
Source: GL Hearn based on HM Land Registry Data, 2017

5.11   The Manhood Peninsula demonstrates high housing values in specific locations around Chichester Harbour. These high values may be related to second/holiday homes driving house prices in the area. As presented in later in this chapter the Sub-area analysis there were also significantly more sales in detached and semi-detached properties in Manhood Peninsula compared to the rest of the District for 2016.

Entry Level Housing

5.12   Table 6 illustrates the difference in entry level homes (lower quartile and first time buyers) and those purchased by people who previously owned a home. First time buyers in Chichester are again purchasing homes which are more expensive than the other comparators.

Table 6:   Entry Level House Price and First Time Buyer Averages (2016)

	Lower Quartile	1st Time Buyer Mean	Owner Occupier Mean
Chichester District	**£243,875**	**£271,026**	**£399,570**
Arun	£200,000	£207,648	£292,312
Cotswold	£235,250	£261,889	£380,911
West Dorset	£195,000	£219,027	£289,763
West Sussex	£235,000	£239,985	£347,346
Chichester and Bognor HMA*	£217,975	£239,337	£345,941
South East	£210,300	£244,026	£350,784
England and Wales	£130,000	£191,364	£257,402

Source: *Land Registry Price Paid Data and ONS 2017*

5.13   This once again illustrates that at both ends of the market Chichester has higher absolute costs than the other comparable areas. This can impinge on the ability of local businesses to attract and retain its workforce.

5.14   The difference between the lower quartile cost and the first time buyer costs is indicative of a large supply of unsuitable and/or age restricted properties in the district. This is explored later in this chapter.

House Price Change

5.15   Figure 24 profiles house price change in Chichester District and the wider comparators from 1997 to 2007 (i.e. the pre-recession decade). This shows that house price trends in Chichester closely followed the county-wide trend over this period albeit at a higher level.

5.16   Over the pre-recession decade, median prices in Chichester increased from £90,000 to £260,000 – an increase of almost £170,000 (189%). Over the same period, median prices across the wider comparators grew at very similar rates. The South East rose by £147,250 (189%) and across England prices increased by £117,950 (190%).

Figure 24: Median House Price Trends, 1997-2007
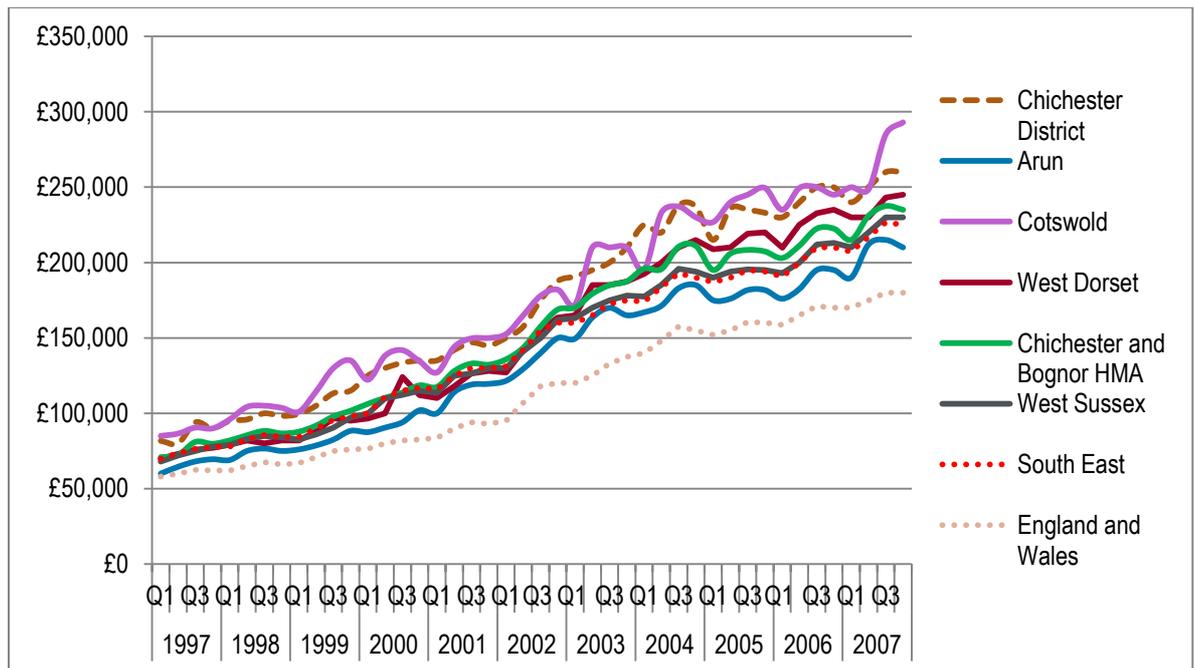
Source: DCLG Live Tables: Land Registry Data

5.17   The increase in house prices in particular points to an imbalance between supply and demand for housing primarily over the 2001-5 period, when the increase in prices was most notable.

5.18   Reflecting the economic backdrop, trends in house prices since 2007 have understandably been very different. Chichester District experienced a fall in median prices from early 2008 to 2009 at the onset of the recession, as was the case regionally and nationally.

5.19   House prices subsequently rose during 2009 and as of 2010 Q2, median house prices in Chichester were the same as pre-recession levels. Since this time house prices in Chichester have continued to increase at a faster rate than the national trend.

5.20   As Figure 25, median house price growth in Chichester has also been significantly higher than the majority of the comparable areas, apart from Cotswold where the prices have been at a similar level. This suggests that house price affordability is not necessarily a new factor in the district but one that is on a worsening trend.

Figure 25: Median House Price Trends by Local Authority, 2008-16
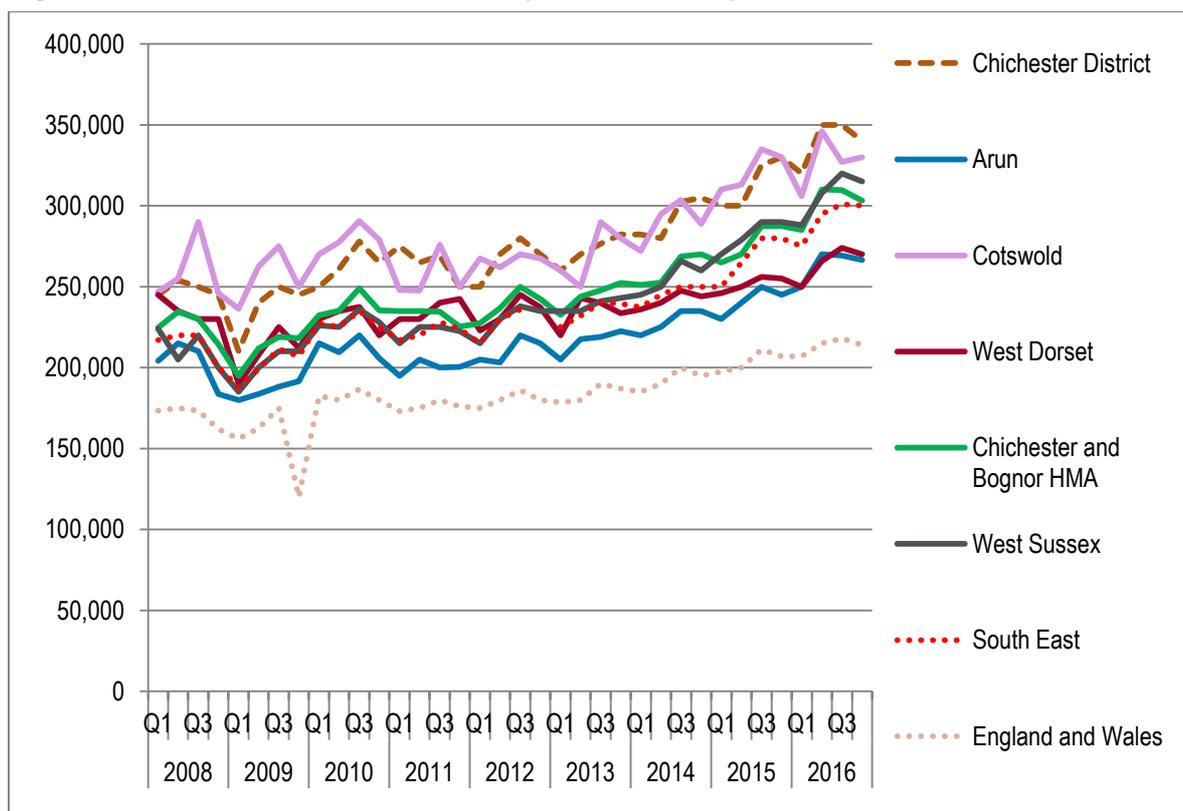
Source: DCLG Live Tables: Land Registry Data

5.21   While this information presents an interesting picture the overall median house prices are skewed slightly by the proportion of each dwelling type being sold. We have therefore analysed more recent house prices by house type to gain a further understanding of the latest dynamics for different within Chichester and the wider comparators.

House Price by Type

5.22   We have examined sales data by type of property for the latest full year (2016). As can be seen in Figure 26 there is some variance in median house prices across Chichester and the wider comparators. There is a clear split in house prices with detached house prices in Chichester being significantly higher than the other comparator areas.

5.23   However, for semi-detached, terraced and flatted properties, prices in Chichester fall below those across West Sussex as a whole. For flatted properties the district also falls behind the South East average.

5.24   As noted in the qualitative analysis, there are a disproportionate amount of older restricted age flats in Chichester City that are often difficult to sell and bring the overall average price down.

Figure 26: Median House Prices by Local Authority, 2016

	Detached	Semi-detached	Terraced	Flat
■ Chichester District	£515,000	£320,000	£284,500	£187,000
■ Arun	£390,000	£265,000	£235,000	£144,000
■ Chichester and Bognor HMA	£452,500	£292,500	£259,750	£165,500
■ Cotswold	£455,000	£285,000	£262,995	£181,000
■ West Dorset	£365,000	£257,500	£220,000	£173,375
■ West Sussex	£470,000	£328,000	£295,000	£215,000
■ South East	£467,725	£315,000	£260,000	£195,000
■ England and Wales	£305,000	£187,000	£168,000	£197,000
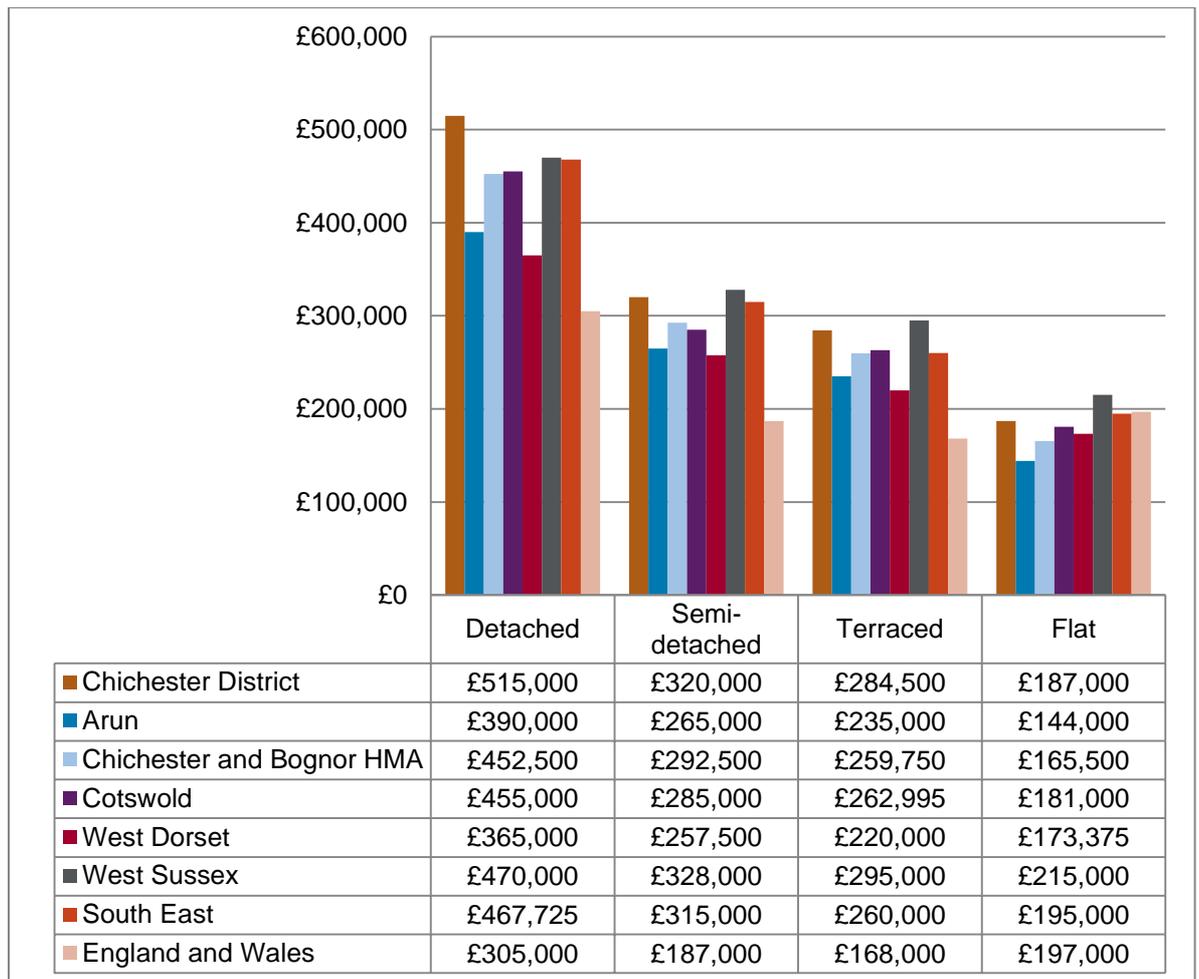
Source: GLH Analysis: Land Registry Price Paid Data

5.25   Figure 27 shows that there were considerably more detached house sales in Chichester which confirm that these sales drive the average house price in the district up. The only comparator local authority which has achieved a higher number of sales of detached properties is Cotswold district which is arguably a more rural district in that its largest town (Cirencester) is much smaller than Chichester City.

Figure 27: Sales by Dwelling Type (2016)
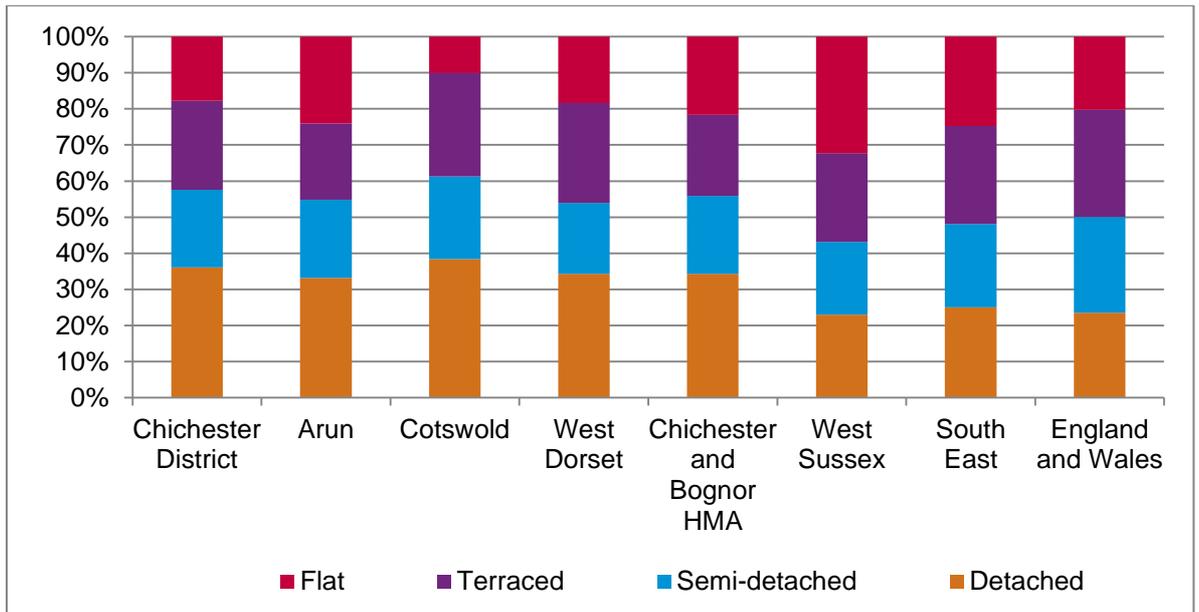
Source: GLH Analysis: Land Registry Price Paid Data

Sales Volumes and Effective Demand

5.26   We have benchmarked sales performance against long-term trends to assess the relative demand for market homes for sale. Figure 28 benchmarks annual sales over the period 1996 to 2016 against the pre-recession index.

Figure 28: Indexed Analysis of Sales Trends, 1996 – 2016
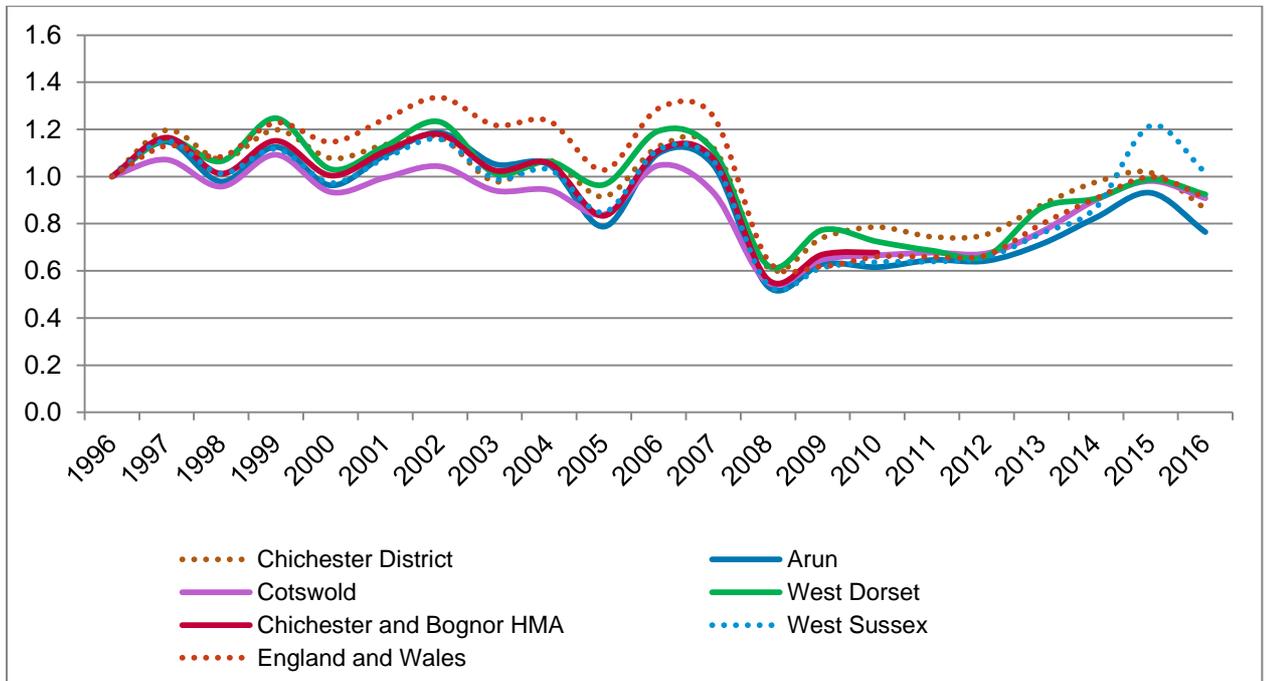
Source: DCLG Live Tables and Land Registry Price Paid Data

5.27   The latest published data by CLG is for 2012, although this has been brought together with data from the Land Registry for subsequent years using the price paid database. As illustrated sales volumes nationally experienced a significant drop between 2007 and 2008. During 2008-12 the recovery in sales volumes was very modest. Since 2013, there has been a gradual growth in sales trends, with a steep increase for West Sussex in 2015 when compared to the other areas.

5.28   By 2016 sales volumes in Chichester had recovered to around 90% of their pre-recession levels. This is a slight fall from the previous year when the pre-recession level was exceeded. The trend shown in the last year was also seen nationally. The similarity between trends nationally, within the region and in Chichester highlights the influence of macro-economic dynamics on sales volumes at a local level.

Rental Trends

5.29   Mean average private rents in Chichester (£975 per calendar month (pcm)) are slightly lower than the regional average (£984 pcm) but notably higher the national average (£839 pcm).

5.30   Median rents in the District (£895 pcm) are higher than both the regional (£850 pcm) and national figure (£650 pcm).

5.31   As shown in Table 7, in comparison to Cotswold District, Chichester has a lower mean average rent but a higher median average. As with house sales, these differentials are influenced by the balance of property transactions by size.

Table 7:   Average and Median Rental Prices (September 2016)

Area	Mean Average Rent (p.c.m.)	Median Rent (p.c.m.)
Chichester District	**£975**	**£895**
Arun	£779	£750
Cotswold	£1,086	£845
West Dorset	£767	£710
Chichester and Bognor HMA	£877	£823
West Sussex	£912	£850
South East	£984	£850
England	£839	£650

Source: VOA Private Rental Data - Table 2.7

5.32   An analysis of median rents by number of bedrooms (see Figure 29) indicates that rents in Chichester are the highest amongst the comparable local authority areas although they are generally less than the county and regional figures.

Figure 29: Rental Costs By Size, 2016
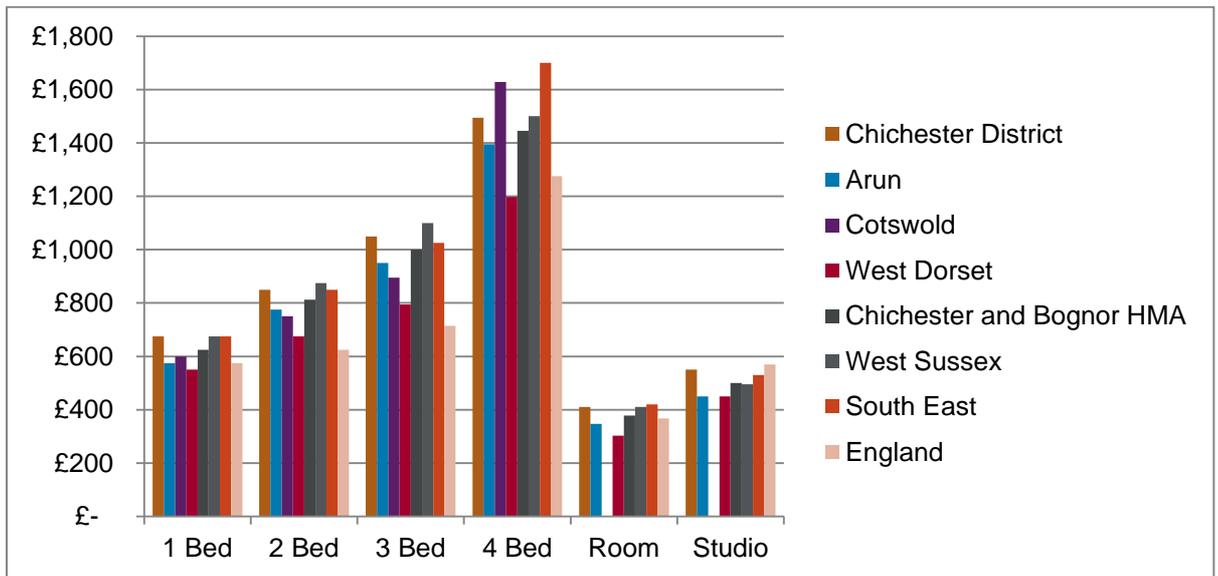
Source: VOA Private Rental Data

5.33　　Figure 30 shows trend in the rental costs recorded by the VOA, indexed against 2011 figures. This illustrates that the increase in the District is in line with the trend across the county and the region.

Figure 30: Trend in Private Rental Transactions, September 2011 to June 2016
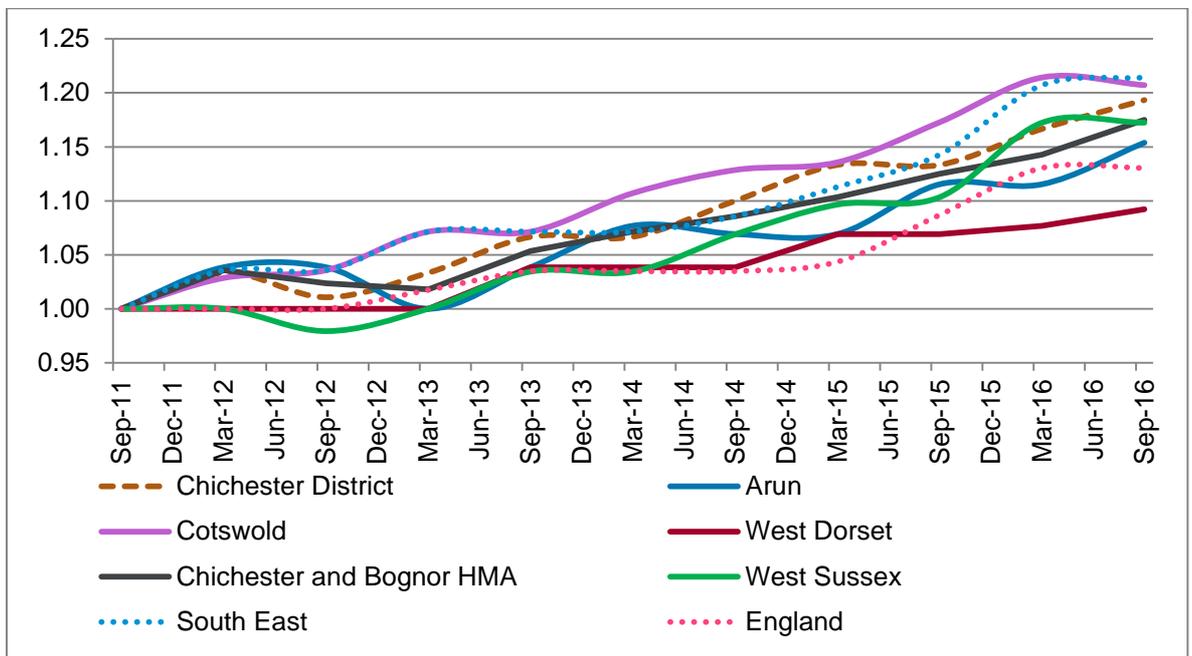
Source: VOA Private Rental Data

5.34　　Over the last 6 years, median rental values in Chichester have grown by 19% compared to 13% nationally and 21% regionally. Again Cotswold District has higher values than Chichester District.

Affordability

5.35   We have considered evidence of affordability by looking specifically at the relationship between house prices and incomes. We have done this for both lower quartile values, which represent entry level house prices, and also for median values. For both we have also examined the ratio based on residents' earnings (residents based) and the earning of those working in the district (workplace based).

5.36   As shown in Figure 31, nationally, the ratio of lower quartile house prices to residents' earnings peaked in 2007 and linked to the recession fell over the following two years. The affordability ratios then plateaued in the following two year (12-13) with modest growth since. The most recent data for England and Wales shows affordability at around 0.3 below its 2007 peak.

5.37   Chichester District broadly follows the national trend, albeit at a higher level. There has also been a stronger increase since 2013. The affordability ratio has also fallen in the last year from 12.5 to 11.6, but is still one of the highest ratios anywhere in the country. This illustrates the notable affordability pressures at the lower end of the market.

Figure 31: Lower Quartile Affordability Trend, 2002-2016
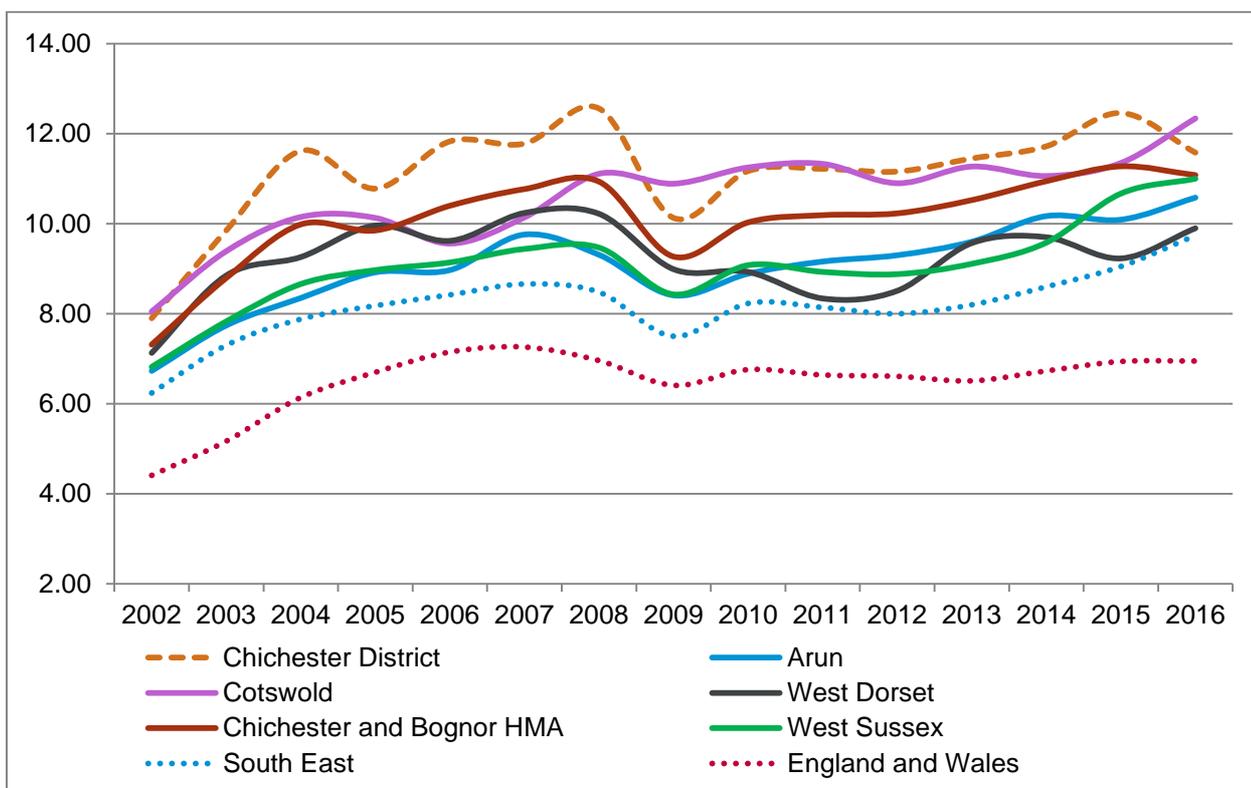
Source: ONS Ratio of house price to residence-based earnings (lower quartile and median), 2002 to 2016

5.38   We have also considered and compared lower quartile affordability ratios to the median affordability ratio (Residence Based) to identify whether affordability is an issue across the market or within a particular segment. In Chichester District the median ratio at 11.14 is slightly lower than the lower quartile ratio. The median ratio is also notably higher that the other comparator areas, apart from Cotswold district.

Table 8:   Residence Based Affordability Ratios 2016

	Lower Quartile Ratio	Median Ratio	Difference
Chichester District	**11.58**	**11.14**	**0.44**
Arun	10.58	10.06	0.52
Cotswold	12.34	11.34	1.00
West Dorset	9.90	10.10	-0.20
Chichester and Bognor HMA	11.08	10.60	0.48
West Sussex	11.00	10.00	1.00
South East	9.74	9.43	0.31
England and Wales	6.95	7.58	-0.63

Source: ONS Ratio of house price to residence-based earnings (lower quartile and median), 2002 to 2016

5.39   This illustrates that affordability is particularly an issue for the lower end of the market and impacts the ability for locals to access the housing ladder. This generally manifests in worsening affordability for first time buyers.

5.40   Figure 32 shows that workplace affordability has worsened since 2012 in Chichester (the ratio between house prices and workplace earnings). However, there was almost no change over the last two years (2015-16). Overall, this follows the national and regional trends post 2009, albeit at a higher level.

Figure 32: Workplace-based median affordability ratio, 2002-2016
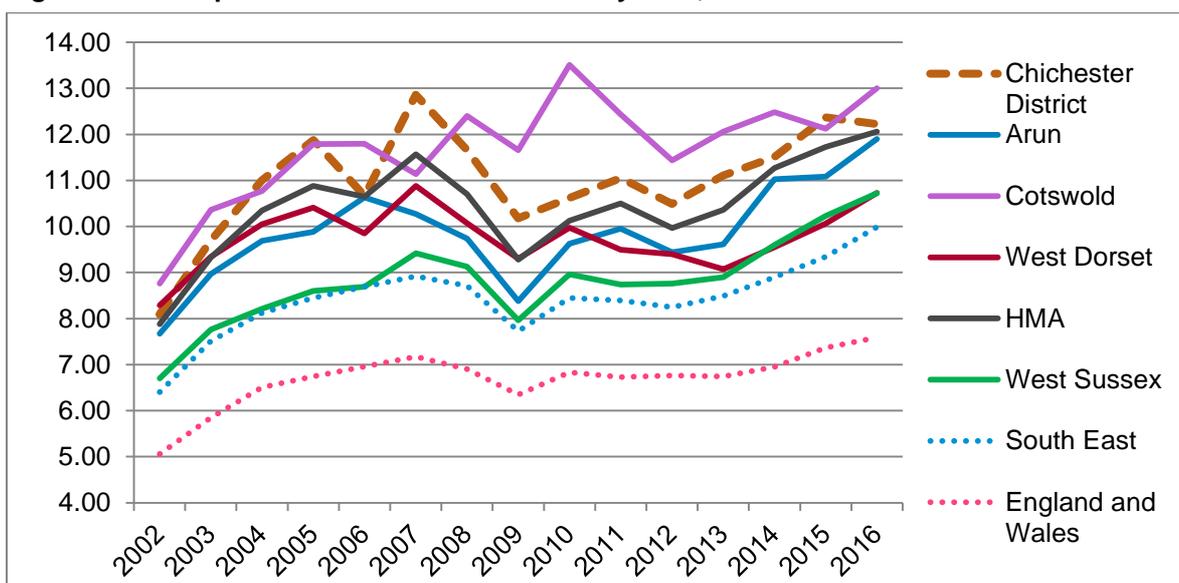
Source: DCLG Workplace Based Affordability Ratio

5.41   Table 9 presents the most recent median workplace-based affordability ratios. This includes the median ratio which according to the proposed methodology is the key market signal for consideration when calculating the district's OAN. As of 2016 the ratio was 12.22 in Chichester is above all the comparable ratios illustrating severe affordability pressures in Chichester.

Table 9:   Affordability Ratio 2016 (Workplace Based)

	Lower Quartile Ratio	Median Ratio 2016	Difference
Chichester District	**12.59**	**12.22**	**0.4**
Arun	11.69	11.9	-0.2
Cotswold	12.63	13	-0.4
West Dorset	10.6	10.73	-0.1
Chichester and Bognor HMA	12.14	12.06	0.1
West Sussex	12.03	10.72	1.3
South East	11.28	9.99	1.3
England and Wales	9.01	7.59	1.4

Source: ONS, 2017

5.42   The workplace based median ratio in Chichester is lower that the Lower Quartile workplace based ratio. This demonstrates a more acute affordability issue in the entry level market. Although this is also the case across the County, Region and Nation. Indeed while the ratio in the wider areas are lower the difference is less marked.

Change in Tenure

5.43   A combination of deteriorating affordability, restricted access to mortgage products and a lack of social housing supply over the 2001-11 decade has resulted in fewer households being able to buy and thus increased pressures on the existing affordable housing stock.

5.44   These factors have also resulted in strong growth in the private rented sector as households are being forced to rent longer or cannot secure alternative accommodation. As illustrated in Table 10, the percentage of all households who own their house with a mortgage fell significantly between 2001 and 2011. Over this same period there has been a substantial growth in the private rented sector, although this trend was less evident in Chichester than in the rest of the region and country.

Table 10:   Change in Households by Tenure, 2001-11

	Owned Outright	Owned with mortgage	Shared Ownership	Renting: RP	Renting: Council	PRS	Living Rent Free
Chichester 2001	39.1%	31.1%	0.4%	7.9%	6.8%	11.1%	3.6%
Chichester 2011	40.5%	26.6%	0.9%	12.7%	2.2%	14.9%	2.2%
Chichester District	**1.5%**	**-4.5%**	**0.5%**	**4.8%**	**-4.7%**	**3.7%**	**-1.4%**
Arun	1.2%	-6.0%	-0.1%	0.7%	-0.9%	5.7%	-0.6%
Cotswold	3.6%	-5.8%	0.2%	0.3%	0.2%	3.2%	-1.7%
West Dorset	2.7%	-5.2%	0.3%	-0.2%	0.1%	3.4%	-1.1%
West Sussex	1.1%	-6.3%	0.2%	1.8%	-1.7%	5.6%	-0.7%
Chichester and Bognor HMA	1.3%	-5.4%	0.2%	2.5%	-2.5%	4.9%	-0.9%
South East	1.2%	-6.8%	0.3%	1.3%	-1.5%	6.1%	-0.6%
England & Wales	1.4%	-6.0%	0.1%	2.2%	-3.8%	6.8%	-0.7%

Source: Census 2001 & 2011 * Note numbers may not sum due to rounding.

5.45   The inverse correlation between the growth in renting from registered providers (affordable and social) and the decline in renting from the Council reflects the transfer of housing stock to Housing Associations.

5.46   Finally, shared ownership grew slightly faster in Chichester District when compared to the other comparable authorities and the region. Although the tenure still only equates to 0.9% of all households.

Housing Supply Trends

5.47   We have examined housing completions data for Chichester District dating back to 2006/07. Figure 33 shows the net housing completions in Chichester District from 2006/07 to 2011/12 compared to the South East Plan target for the district of 480 dwellings/year. Figure 33 also shows net housing completions over the more recent period 2012/13 to 2015/16 for the Chichester Local Plan area (excluding the South Downs National Park area) compared to the housing target of 435 dwellings/year set in the current Chichester Local Plan adopted in July 2015.

5.48   The South Downs National Park Authority is currently preparing its own separate Local Plan which will establish a housing provision figure for the wider Park area, including those parts within Chichester District.

5.49   The initial period (2001/02-2011/12) saw an under-delivery of 649 across the whole district. However since 2012 (covering the Local Plan period) there has been a shortfall in delivery of 373 dpa across the Plan Area.

Figure 33: Housing Supply vs. Target, 2001/02-2015/16
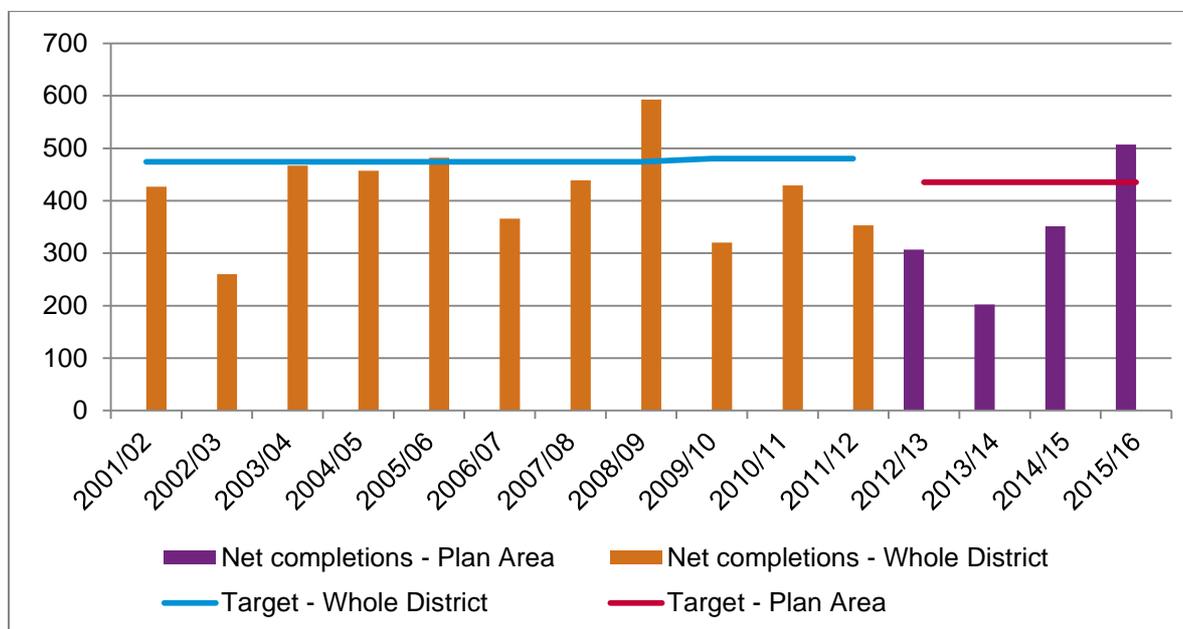
Source: Chichester AMRs

5.50   Over the period 2006/07 to 2011/12, 87% of the District's housing target was delivered, equating to an overall shortfall of 362 dwellings. In the four years since the current Chichester Local Plan base date of 1 April 2012, net housing completions in the Chichester Local Plan area (excluding the National Park) have totalled 1,367 net dwellings, representing 79% of the annualised requirement, a cumulative shortfall of 373 net dwellings.

Overcrowded and Shared Housing

5.51   Over-crowding is defined as the number of properties which have fewer rooms than their households require. The requirement is calculated based on the size, age and relationship of household members.

5.52   Under- occupied properties, on the other hand, are those with more bedrooms than the household needs. For instance, an under-occupied property can relate to a couple with no children living in a 2 or more bedroom property.

5.53   At the national level, there has been a notable increase in overcrowded households (including young people living with their parents for longer) and houses in multiple occupation. This has been a symptom of the affordability pressures identified above; restrictions on access to mortgage finance; and increased housing under-supply.

5.54   This national trend has also manifested in Chichester District where the proportion of residents living in over-occupied properties increased by 28% between 2001 and 2011, although this increase was below average in comparison to the South East and national trend.

Table 11:   Changes in Under- and Over-Occupied households (2001-2011)

	Under-Occupied			Over- Occupied		
	2001	2011	% Change	2001	2011	% Change
Chichester District	**37,078**	**39,757**	**7.2%**	**1,977**	**2,530**	**28%**
Arun	48,700	51,248	5.2%	3,308	4,467	35%
Cotswold	28,911	30,390	5.1%	1,027	1,292	26%
West Dorset	33,508	36,261	8.2%	1,336	1,710	28%
Chichester & Bognor HMA	85,778	91,005	6.1%	5,285	6,997	32%
South East	2,539,347	2,660,553	4.8%	195,392	265,974	36%
England & Wales	16,254,820	17,070,912	5.0%	1,510,422	1,995,860	32%

Source: 2001 & 2011 Censuses

5.55   Conversely the number of under-occupied properties in Chichester (7.2%) has increased at a greater rate than the wider HMA (6.1%), South East region (4.8%) and England and Wales (5.0%). This is in part linked to a growth in older population who tend to remain in their family homes after their children have left. Providing suitable accommodation for this group to move on to would reduce the need for additional large properties.

5.56   Similarly the growth in shared households in Chichester District has also increased (23%) - although to a lesser extent than over occupied properties (28%). Again this in below the regional and national growth figures (see Table 12).

Table 12:   Shared Household Spaces (2001-2011)

	2001	2011	% Change
Chichester District	**9,000**	**11,052**	**23%**
Arun	10,027	14,349	43%
Cotswold	5,285	5,930	12%
West Dorset	5,556	6,923	25%
Chichester & Bognor HMA	19,027	25,401	33%
South East	725,101	946,199	30%
England and Wales	5,092,681	6,774,807	33%

Source: 2001 & 2011 Censuses

Second Home Ownership

5.57   As shown in the Table 13 Chichester (7.3%) has a relatively high level of second home ownership in comparison to the wider region (4.0%) and England and Wales (3.7%). However, in comparison to the other comparable authorities including Arun the level of second home ownership is slightly below average.

Table 13:   Second Home Ownership (2011)

Second Home Address	Population	Second Home	% Second Homes
Chichester District	**116,976**	**8,488**	**7.3%**
Arun	63,429	5,788	9.1%
Chichester & Bognor HMA	180,405	14,276	7.9%
Cotswold	80,376	6,477	8.1%
West Dorset	92,360	7,596	8.2%
South East	8,947,913	359,553	4.0%
England and Wales	54,786,327	2,029,108	3.7%

Source: ONS, Census 2011

5.58   No information is available below local authority area or prior to 2001. It is therefore not possible to review how this has changed or to identify where this is occurrence is strongest. However, a recent study by the Resolution Foundation [12] identified that second home ownership in the UK had increased by 30% between 2000-02 and 2012-14.

5.59   This however includes those with buy-to-let properties. While the data does not break down by local authority, Chichester district already has an over-representation of second home-owners and therefore it is likely that a similar level of growth has occurred in the district.

Sub-area analysis

5.60   We sought to also analyse the local market signals in sub-area level to reveal more localised market interrelationships. Figure 2 in Chapter 1 illustrates the sub-areas for which we have provided the following analysis.

House Prices

5.61   Using data from Land Registry, we have been able to track the change in median house prices over the past 4 years (since 2013). Earlier data and records are inconsistent at the sub-area level and therefore we have only considered the trend for the past four years.

5.62   The highest median house prices over the period have been registered for Plan Area (North) sub-area, followed by the SDNP sub-area. This again reflects the rural nature of these sub areas and the larger sizes of dwellings/number of detached properties.

5.63   In comparison, the Chichester City sub-area demonstrates some of the lowest median house prices. However considering the location and context, the sub-area offers predominantly smaller sized dwellings which generally achieve lower prices. Furthermore the number of age-restricted flats (particularly those of a poorer quality) in the City would also contribute to lower house prices.

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[12]   http://www.resolutionfoundation.org/media/press-releases/21st-century-britain-has-seen-a-30-per-cent-increase-in-second-home-ownership/

Figure 34: Median House Prices Trend by Sub Area, 2013-2016
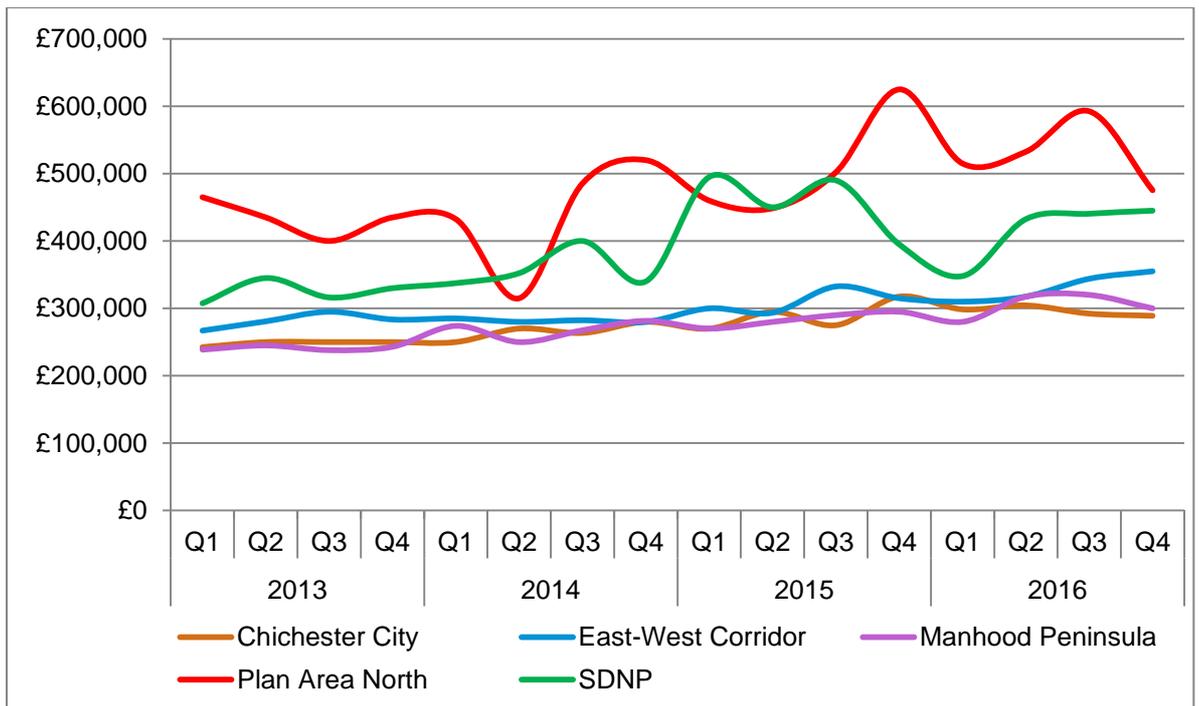
Source: Land Registry Price Paid Data, 2016

5.64   Figure 35 illustrates the median house prices by type of dwelling for 2016. Again, the Plan Area (North) and South Downs National Park sub-areas demonstrate some of the highest prices across each dwelling type.

Figure 35: Median House Prices by Type, 2016

	Detached	Semi-Detached	Terraced	Flats
Chichester City	£537,000	£343,000	£335,000	£190,000
East-West Corridor	£476,500	£300,000	£265,000	£178,000
Manhood Peninsula	£420,000	£270,000	£235,500	£165,000
Plan Area North	£590,000	£377,500	£345,000	£204,250
SDNP	£700,000	£376,500	£297,500	£215,000
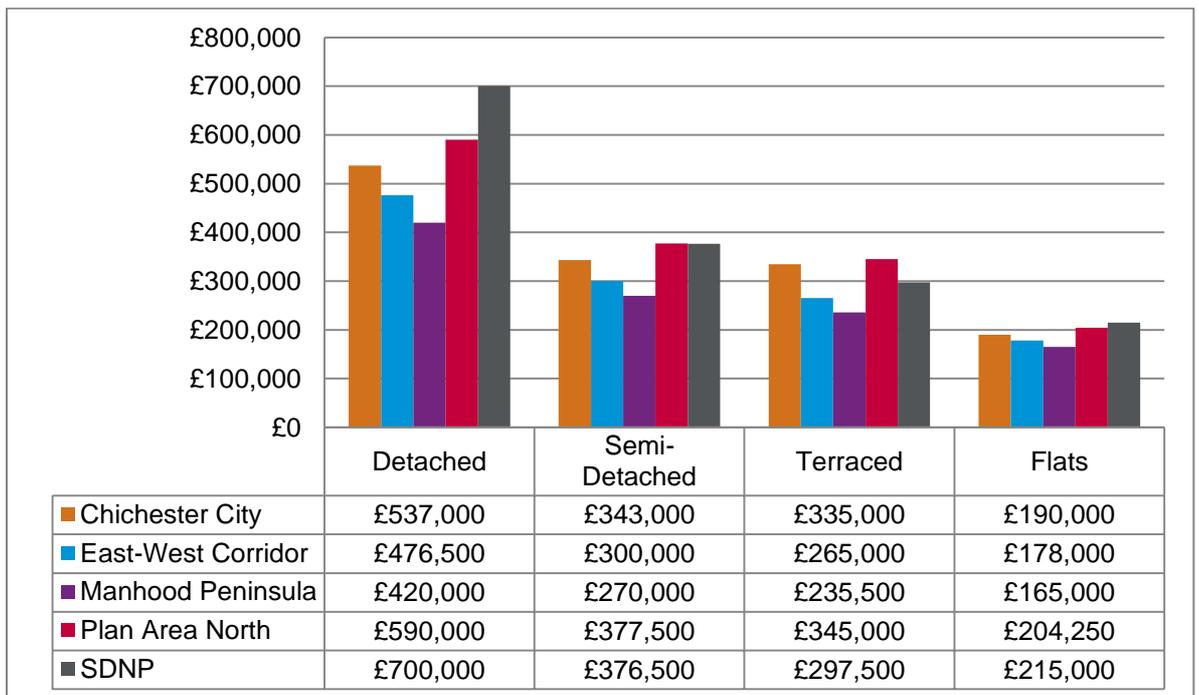
Source: Land Registry Price Paid Data, 2016

5.65   Despite being the largest urban area the Chichester City sub-area shows relatively high median prices for all typologies. In contrast the Manhood Peninsula has the lowest median prices for all typologies.

Sales

5.66   Table 14 shows the number of sales in each sub-area over the 2013-2016 period showing the percentage of the District total. The highest number of sales has been achieved in the Manhood Peninsula sub area (532). The Chichester City sub-area with the second highest number of sales and for the first three years also seen a disproportionately high number of sales. However, these figures mainly reflect the size of the existing stock for each sub-area.

Table 14:   Number of sales and percentage of District total, 2013-2016

Sub Area	2011 % Stock	2013	2014	2015	2016
Chichester City	25%	599 (29%)	603 (26%)	648 (27%)	492 (25%)
East-West Corridor	17%	368 (18%)	396 (17%)	416 (17%)	346 (18%)
Manhood Peninsula	24%	524 (25%)	634 (28%)	659 (28%)	532 (27%)
Plan Area North	7%	132 (6%)	137 (6%)	133 (6%)	110 (6%)
SDNP	27%	451 (22%)	533 (23%)	544 (23%)	468 (24%)

Source: Land Registry Price Paid Data, 2016

5.67   The lowest number of sales were achieved in the Plan Area (North) sub-area, where in 2016 there have been only 4 flat sales and only 106 sales in total for the remaining dwelling types. Despite having 7% of the housing stock the area has only seen 6% of the sales.

5.68   In 2016, overall the largest number of sales have been achieved in detached properties (703), followed by terraced (480) and semi-detached (419) across the District. However there was a disproportionately high number of sales in terraced properties compared to the number of flats in that area.

5.69   Despite the Manhood Peninsula sub-area being the second least expensive it perhaps the counter intuitively has significantly more sales in detached and semi-detached properties (which typically command higher prices) compared to the remaining sub-areas. It may however be the type of detached properties that are reducing these prices i.e. more bungalows although this is not recoded separately from detached properties.

Table 15: Number of sales (%) by type, 2016

Sub Area	2011 Stock				2016 Sales			
	Detach-ed	Semi-Detach-ed	Terrac-ed	Flats	Detach-ed	Semi-Detach-ed	Terrac-ed	Flats
Chichester City	17%	24%	26%	33%	68 (14%)	83 (17%)	179 (36%)	162 (33%)
East-West Corridor	39%	32%	21%	8%	136 (39%)	88 (25%)	89 (26%)	33 (10%)
Manhood Peninsula	48%	27%	13%	12%	239 (45%)	138 (26%)	92 (17%)	63 (12%)
Plan Area North	60%	23%	9%	8%	71 (65%)	24 (22%)	11 (10%)	4 (4%)
SDNP	41%	30%	16%	12%	189 (40%)	86 (18%)	109 (23%)	84 (18%)
District	**38%**	**28%**	**18%**	**16%**	**36%**	**22%**	**25%**	**18%**

Source: Land Registry Price Paid Data, 2016

5.70   The Chichester City sub-area has the lowest number of sales in detached properties, however the highest in terraced and flats when compared to other sub-areas.

Lower Quartile Sales

5.71   It is also important to understand entry level house prices for each of the sub-areas. This analysis looks at the Lower Quartile values achieved in 2016. As shown in Table 16 the Plan Area (North) sub area has the highest entry level prices.

5.72   The lowest prices can be found in the Manhood Peninsula sub-area. This is again somewhat counter-intuitive given the overall number of sales in each area by type i.e. we would expect a higher number of detached sales to drive median house prices upwards as they tend to be a more expensive property. Unless those detached properties are dominated by sales of smaller detached bungalows.

Table 16: Lower Quartile House Price, (2016)

	Overall
Chichester City	£244,375
East-West Corridor	£250,000
Manhood Peninsula	£236,000
Plan Area North	£383,750
SDNP	£280,000
District	**£255,000**

Source: Land Registry Price Paid Data, 2016

Rental Costs

5.73   Analysis of rental costs by sub-area has been calculated by using data from Rightmove and aligning this to the Chichester data produced by the VOA. As of August 2017 there were 216

properties advertised to rent in the district. The largest percentages are in the City and SDNP Sub-Areas.

Table 17:   Median & Lower Quartile Rental Costs, (2017)

Sub Area	Median	Lower Quartile
Chichester City	£795	£700
East-West Corridor	£710	£660
Manhood Peninsula	£935	£635
Plan Area North	£1,015	£890
SDNP	£955	£720
District	**£880**	**£700**

Source: GL Hearn Analysis of Rightmove and VOA data

5.74   As with purchase prices the lowest entry level rents are also found in the Manhood Peninsula sub-area (£635 per calendar month). However, one of the highest median prices is also in the same sub-area (£935).

5.75   The highest entry prices are found in the Plan Area (North) sub-area (£890). The East-West Corridor has the narrowest range between the Median and Lower Quartile Rent indicating a fairly consistent rent across the area.

5.76   We have also looked at the advertised cost of properties of different bedroom numbers for each of the sub-area. Again, this is based on analysis of Rightmove data. It is notable that there were no studio properties advertised in the Manhood Peninsula and Plan Area (North) sub-areas.

Table 18:   Median & Lower Quartile Rental Costs by Size, (2017)

Sub Area	Studio		1 Bed		2 Beds		3 Beds		+4 Beds	
	Median	LQ	Median	LQ	Median	LQ	Median	LQ	Median	LQ
Chichester City	£550	£500	£750	£690	£952	£952	£1,100	£1,000	£1,895	£1,800
East-West Corridor	£595	£550	£775	£750	£895	£803	£1,275	£1,200	£1,423	£1,359
Manhood Peninsula			£658	£586	£950	£786	£1,200	£1,175	£1,900	£1,848
Plan Area North			£723	£709	£1,088	£994	£1,598	£1,200	£3,500	£3,000
SDNP	£660	£615	£733	£618	£925	£850	£1,495	£1,298	£3,600	£2,250
District	**£595**	**£550**	**£750**	**£625**	**£950**	**£850**	**£1,200**	**£1,100**	**£2,184**	**£1,799**

Source: GL Hearn Analysis of Rightmove

5.77   For smaller properties (studio and 1-bedroom) a mixed picture appears. For example, the SDNP area has the highest cost studios but one of the lowest cost 1-bedroom costs. Conversely the East West Corridor has the highest cost 1-bedroom flats and the lowest cost studios.

5.78   Median or family sized (2- and 3-bed) properties are consistently high in the Plan Area (North) sub–area. The East-West Corridor has the least expensive 2-bedroom properties whereas Chichester

had the least expensive 3-bedroom homes. A similar picture appears within the larger home market with rental costs once again highest in the Plan Area (North) and lowest in the East-West Corridor.

Over-crowding

5.79   We have also analysed Census data at a sub-area level which shows that each sub areas saw the proportion of over-occupied properties increase with the exception being the Chichester City sub-area.

Table 19:   Changes in Over Occupied Houses and Shared Households (2001-2011)

	Over Occupied			Shared		
	2001	2011	Change	2001	2011	Change
Chichester City	6.7%	5.3%	-1.4%	7.9%	9.5%	1.6%
East-West Corridor	4.5%	5.1%	0.6%	4.9%	5.5%	0.6%
Manhood Peninsula	3.8%	3.9%	0.2%	5.6%	5.9%	0.3%
Plan Area North	3.7%	3.9%	0.2%	5.5%	4.8%	-0.7%
SDNP	4.5%	5.2%	0.7%	5.0%	4.4%	-0.6%

Source: ONS, Census 2011

5.80   The number of residents living in shared households has increased for most sub-areas including Chichester City. This sub-area had the highest proportion of shared households (9.5%), this would include student households.

5.81   Both the Plan Area (North) and SDNP sub-areas saw a small decrease in the proportion of shared housing.

Local Agent Consultation

5.82   This sub-section outlines the key findings of consultation with local housing agents in the Chichester District. Discussions were had with seven agents and two on-site sales agents. The majority of these were located in the towns of the district with fewer covering the rural areas. This is reflected in the extent of the evidence for each. This also includes commentary on towns outside of the Plan area.

5.83   Through a process of face to face interviews, telephone interviews and observations, we have obtained evidence regarding market drivers and dynamics. As such these findings are anecdotal and may not directly reflect the empirical evidence set out elsewhere in this report.

5.84   The main sources of information are estate and letting agents, sales agents and officials of new build housing on site. Because of high market prices we have also sought to understand gaps in the market.

5.85   Where appropriate and available we have also provided some comments and data reflecting these findings.

General Comments

5.86   The options available for new households seeking to live in Chichester but who are unable or unwilling to become home owners are to seek affordable housing, private rented sector lettings or house sharing. There is also the option to occupy park homes. Others may live with parents or move to cheaper areas.

5.87   House shares are in high demand amongst young professional, single or two adult households. As at May 2017 there were 67 house shares advertised on the SpareRoom Website. Most related to the City rather than the district as a whole.

5.88   The asking price for a single room was typically £475 pcm and double en-suite around £650 pcm in central locations. Some lettings are weekday only and not all have en-suite facilities. This is becoming a preferred choice for young professionals in high priced cities as they can live close to their place of work in better quality accommodation at a reasonable price.

5.89   There are many websites that operate in this market. We only looked at SpareRoom.com as many vacancies are advertised across multiple sites and this leads to double counting. It also gives us a consistent basis for comparison between cities.

5.90   In the case of Chichester City we were surprised to see vacancies not being advertised to attract students or hospital staff as this is evident in most other areas of high priced housing that we have studied. However, this may to some extent reflect the time of year when our analysis was undertaken as student accommodation tends to be let earlier in the term time.

5.91   Park homes are a feature of the housing market selling for between £30,000 and £150,000. Although many vacancies advertised at the time of our survey were marketed towards residential use, many were subject to a 50 week per year occupancy clause.

5.92   Park homes are normally marketed towards older people who regard park home living as a lifestyle choice enabling them to live in rural or coastal locations in a community befitting their needs. Because of high service charges, fees levied on resales and niche financing methods this is generally not seen as an "affordable" alternative to living in traditional housing.

5.93   Nationally this type of property has seen consistent growth. One agent specialising in part-exchange investment reported that demand for park homes has seen a year on year growth for the past 6 years and added that this was likely to continue. This was driven by both a lifestyle choice and worsening affordability of alternatives.

5.94   As set out previously the size of the private rented sector across England has grown rapidly in recent years, meeting demand from those unable to access affordable housing or owner-occupation.

Estate and letting agents told us that high rental costs and demand from incomers in Chichester District restrict the sector from growing and meeting the needs of people receiving benefits.

5.95   Landlords are unable to get good yields due to high house prices and there is limited scope for buy to let except though new-build housing. We only came across one significant single investment opportunity in the City.

5.96   Due to higher yields landlords in Chichester city will seek to let to students where possible which again restricts supply for residential lettings. We were told that some additional supply will come from reluctant landlords - individuals who choose to let property they own rather than sell, typically after a bereavement.

5.97   The local agents told us that there is a shortage of supply in the private rented sector generally which drives up rents. Thus the lower income household seeking a residential letting faces the same problem as those seeking to become home owners - they are priced out of the market.

5.98   One option to deliver additional affordable housing would the creation of a Council owned delivery vehicle using Council owned land. This would provide competition to RP and the PRS but may also provide better quality rental accommodation compared to the latter.

5.99   Affordable housing is allocated on the basis of need so there are some groups that will rarely be offered tenancies, for example single young men already in accommodation or young couples living with their parents. We note that the affordable element of new-build housing offers low cost housing for sale opportunities alongside social or affordable rented opportunities. Elsewhere in this report the scale of unmet need for affordable housing is estimated.

5.100   We put the above scenario to an independent estate agent and asked how lower income households find suitable housing that they can afford. His reply was succinct: 'they move to Bognor Regis'. This reflects what we were told by many agents but it is not the whole story.

5.101   Local people will in practice either pay a larger proportion of their income in order to stay near social networks and their children's school and adapt to their existing housing as their circumstances change. This clearly would have a wider impact on lifestyles with a reduction in disposable income and indeed income for other necessities.

5.102   Agents told us that this slows down the market as fewer homes become available for re-sale or re-let. There is also the option of households being unable to form until they can afford to do so with non-dependent adults living with their parents for longer.

5.103   Census data reveals that the percentage of households with non-dependent children in Chichester has increased from 7.7% in 2001 to 8.1% in 2011. In absolute terms the increase was around 491 to just over 4,000 homes.

5.104   As well as the main towns of Chichester and Midhurst we also visited Birdham, Bosham, Donnington, Fishbourne, Southbourne and Tangmere, East Wittering and Selsey. New build housing was evident in most of these places and we obtained interviews with on-site sales agents wherever we could. The sub-area analysis is presented below.

Chichester City

5.105   There are many pressures on the City Centre housing supply. Chichester University campus and St Richard's Hospital are located just to the north of the City Centre. The presence of these facilities, coupled with the historic city offer, excellent leisure and cultural facilities lead to high levels of demand, high house prices and difficult conditions for median and lower income households.

5.106   There are few opportunities for the residential investor in the residential sector other than new build apartments some of which had been purchased 'off plan'.

5.107   Many newly forming households make flats or apartments their first purchase. A small number are for sale from £150,000, however lower quartile prices are around £220,000 and median prices are around £250,000. First time buyer prices across the district are however considerably higher than this (£280,000) although there is no sub-area information available for Chichester City specifically. To quantify this there were only 226 sales of flats in 2016 which were less than £220,000 within Chichester District.

5.108   According to the agents for houses, lower quartile asking prices were around £325,000 and entry level is from £250,000. Median prices are around £400,000. There were very few opportunities for sale at entry level prices. To quantify this there were only 283 sales in 2016 (excluding flats) which were less than £250,000 within Chichester District.

5.109   Ex-local authority homes would normally offer a lower price alternative but this is not the case in Chichester. Agents told us that vacancies in the former council estate near to the university had been bought by investors over many years and their target market was students. This would produce much higher yields than residential lettings.

5.110   Around 30% of apartments for sale were for 'retirement living' for the over 55s. Prices start at £85,000 but some are slow to sell and all of them are unavailable to younger households. The lower cost of these homes also distorts the overall house prices in the City and thus affordability.

5.111   The asking price of a re-sale retirement home in a prime location close to the Cathedral was up to £275,000. Ground rent and service charges can be significant - one example we looked at estimated annual charges as £2,300 p.a.

5.112   At the other end of the scale there are many age restricted properties being advertised for less than £150,000 within the City. There is even a single 1-bedroom retirement properties close to the town centre on-sale for as little as £87,000 with maintenance charges at around £147 per month.

5.113   We visited Linden Homes' development at Graylingwell Park. The current phase is a part new-build and part refurbishment of the former hospital. This features a number of apartment blocks and 3 story houses.

5.114   The sales agent told us that around one third of the apartments have been bought by investors. These are let to hospital and university staff as well as younger members of the Rolls Royce workforce. There are no student lets on the site.. The other two thirds have sold to first time buyers and elderly downsizers.

5.115   Help to Buy has assisted many households to buy into the scheme. With a 20% government discount prices start at £200,000 for a 1-bedroom apartment Rising to £365,000 for a 3-bedroom terraced home. Affordable homes on site are provided by Affinity Sutton.

5.116   Eligible Help-to-Buy purchasers are required to provide a 5% deposit on these schemes and be able to prove they can afford a mortgage for the remaining 95% (75% with government discount). Mortgage eligibility would be dependent on lifestyle etc. but the Lindon Homes website suggests that all things being equal a mortgage for £190,000 would require a household income of around £31,170. This is based on a mortgage multiplier of 4.5 times household income.

5.117   An adjacent housing site, Roussillion Park is a former military barracks. This is now fully sold out demonstrating the relatively quick turnaround of sales properties. Hastoe Housing provided shared ownership on this site.

Manhood Peninsula

5.118   The Coastal areas have a residential as well as holiday and leisure roles. Whilst the area's largest settlements, Selsey and East Wittering/Bracklesham, are small in comparison to many seaside 'resorts', there are many caravan parks and holiday villages. The other feature we observed was the large areas of bungalow housing that in our experience is often associated with coastal towns and large villages.

5.119   We observed that a small number of homes with a sea view had been demolished and rebuilt, replacing them with larger homes. Agents told us that this was only happening on a small scale.

5.120   Large scale new build was apparent at Selsey. Some new build 2 bedroom shared ownership homes were available at £90,000. Barratt Homes was offering 2 bedroom market homes from £250,000. The agent told us that these smaller homes were typically purchased by first time buyers. Elderly downsizers would purchase across the range.

5.121   The majority of sales were to Chichester District residents. Resale bungalows, terraced and semi-detached homes are available from £250,000. One bedroom flats were available from £150,000. Estate agents told us that these were mostly purchased by people local to Chichester district however the more expensive homes would invariably be sold to households living in or around London some as second homes. The agents suggested that there was only a small but fairly static level of demand for second homes in the area.

5.122   We met with 2 caravan site managers both of which were holiday parks not park homes. With high local house prices, we were interested to discover the extent to which holiday accommodation was in residential use.

5.123   Both site managers explained that planning conditions prevented all year round use and the sites offered a range of licenses restricting use to parts of the year. Managers insisted that no residential use existed on their sites. One manager consulted his records and told us that 90% of his 500 licensees had summer only uses.

5.124   The Council's enforcement team have however highlighted a growing number of instances where holiday homes are being used as permanent residences. One estimation was that 50% of the caravans in one park were being used as permanent residence. This was based on their surveillance, council tax claims and response to complaints.

5.125   One site in the Manhood Peninsula has seen an increasing number of applications to convert holiday homes into permanent residences. This has resulted in a small proportion obtaining a 'Certificate of Lawful Use' confirming that the plot can be used as a caravan site without condition of occupancy.

5.126   While the LPA will continue to respond to individual reports the underlying cause of why the breach occurs (i.e. a lack of affordable housing; family break downs and bankruptcy) will continue to make accommodation on holiday parks an affordable and attractive option.

5.127   It is also evident that holiday park homes were being advertised for sale in Rightmove and being marketed as residential even though they were subject to a 50-week occupancy clause.

5.128   A local resident told us that a holiday village had closed so that the site could be used for housing. This was also confirmed during our consultation with West Sussex Growers Association, who suggested its use is for seasonal fruit pickers and migrant workers under license. Although we also noted from an article in the local newspaper that this was in breach of the site's planning conditions.

5.129   We visited 2 marinas and interviewed their managers. Again we were seeking to establish the extent of any residential use, in the case of boats rather than caravans.

5.130   Both managers described their berth hire arrangements. One marina restricted on site boat occupancy to 40 days per year. We were told that owners would sometimes exceed this limit but all took their boats out from time to time. This would enable the boats to be used for residential uses.

5.131   The marina also let berths on the adjacent canal for house boats on annual licences. We were told that of the 31 houseboats their use was in thirds: main residence; holiday/second home; holiday let.

5.132   The second marina was much smaller and there were no houseboats, although apartments existed within the site. These were a combination of residences and holiday lets. This marina said it would not enforce occupancy restrictions on boats.

5.133   The area generally had lower prices and it was explained to us that this is because of the distance to travel into the City which is exacerbated by problems of traffic congestion on the A27 and roads leading to/from the coast especially in summer. Also the area was serviced by local shops and it was some distance to discount supermarkets and a wider range of services, although a new superstore has recently opened on the edge of Selsey. .

East- West Corridor

5.134   Housebuilding was evident on a significant scale in this sub-area. Some were small premium developments without on-site sales staff so no interviews took place. A large site was in the early stages of development at Shopwhyke Lakes east of Chichester and a smaller development at Tangmere, further to the east but in the latter case no agent was on-site.

5.135   At Hambrook we met with the Mildren Homes representative. New homes were on offer between £465,000 and £820,000. The agent told us that a number of homes had been sold to first time buyers on the basis of a discounted sale basis (75% of open market value). Market homes had also been sold to families and elderly downsizers. Around half of these buyers came from outside the district

5.136   In total 9 units were designated as "affordable" with 4 being made available as affordable rent and 5 for intermediate sales. As an example the 3 bed intermediate units were delivered as 75% shared equity (with full Market Value of £350,000). This meant that properties were accessible to those who could afford a mortgage of £262,500 with no rent charged on the remaining share. This would typically require a household income of around £58,000 to be able to afford such a home.

5.137   We also interviewed the Taylor Wimpey representative covering sites at Southbourne and Fishbourne. It is noteworthy that these sites are very close to local rail services. The sites offered 2 bedroom homes from £280,000 to 4 bedrooms homes up to £510,000. The smaller homes had mostly sold to local down-sizers and a lesser number of first time buyers. Larger homes in contrast were sold in greater numbers to wealthy incomers.

5.138   Resale and lettings agents pointed out that although prices were generally lower in this area than those in the City and the National Park area they were still not affordable to many first time buyers.

SDNP

5.139   Midhurst is highlighted here because it is a market town within the National Park that acts as a service centre for the surrounding area. Its location within the National Park is exceptional in terms of quality of place and environment and this impacts on its housing market.

5.140   The residential market within the town has adjusted to the influx of older people with a couple of leasehold schemes for older people. The incomers are attracted to the area's quality of life and typically arrive from Surrey and Greater London. There were many leasehold homes for sale advertised as 'retirement living' priced between £275,000 and £475,000.

5.141   We observed one new build site of 17 homes just off the main street. The sales agent told us that a small number of clients were local first time buyers, but the main customers were local elderly downsizers. The new homes were suited to these clients because of their 'mews' design and manageable gardens. Prices for the unsold homes started at £460,000.

5.142   Re-sale agents told us that incomers from Guildford and London were attracted to the area. They were typically older home owners who had accrued high levels of equity. Some would purchase a second home for holidays and weekends.

5.143   This means that local re-sale housing is mostly affordable to incomers rather than waged or salaried local people. One agent told us that even re-sale ex-local authority housing is out of reach of many local first time buyers. An example was on offer at £280,000. With a 10% deposit this would still require a household income of £56,000 based on a mortgage multiplier of 4.5, Agents concluded that the gap is for local first time buyers and first time movers who had not accrued sufficient savings of equity to participate in the local market.

5.144   We were told that the gap in the rental market is for smaller homes for singles and couples rather than family accommodation which was more readily available albeit many of the tenants require support. We were also told that local landlords would not consider households that were benefit claimants. The agent thought that there was scope for some apartments to be created above shops and on our visit we observed many businesses with first floor space that appeared to be un-used.

5.145   Both letting and sales agents concluded that newly forming lower income households had to move away from the town to find suitable housing they can afford. Only two affordable homes were currently advertised, including a new build 3-bedroom shared ownership opportunities for £107,000. Separately the Local Alms Trust had advised the Council of difficulty letting properties in the district.

Plan Area (North)

5.146   The Plan Area (North) is a largely rural area and there is very little housing being advertised for sale. Of the 63 homes being advertised on Rightmove only 7 were less than £500,000. There was a predominance of larger detached property.

5.147   The northern part of the Plan Area (North) i.e. around Linchmere, generally had lower cost homes than the eastern part (i.e. from Plaistow to Wisborough Green) although there were far fewer properties in total. However agents in Haslemere covering the Linchmere area suggested there was limited scope for classifying sales in that area.

5.148   Both areas have a relatively wealthy population although there are some service and agricultural workers who would consider the area if property became available. One agent suggested that due to the lack of facilities low cost or affordable homes would be slow to sell. This was because younger people did not want to buy in remote rural areas.

5.149   The Ifold area is a large private estate with family housing within large plots. It is however very isolated with no amenities but very nice family housing. Families are attracted to the excellent but private schooling in Cranleigh.

5.150   Wisborough Green commands a premium (compared to Ifold) as it is seen as a classic Sussex Village offering the rural idyll. The village is also very close to Billingshurst which attracts more commuters to the village.

5.151   The majority of buyers in Loxwood and Plaistow are from a 10 mile radius of the villages. Wisborough Green is even more localised with the majority from a 5 mile radius. Both areas still see around 30% of homes sold to incomers from Surrey.

5.152   Kirdford has a number of one and two one bedroom flats however these have been slow to sell as younger people apparently do not want to buy for full-market price in remote area. Also downsizers in the area tend to have a lot of equity and tend to look for two or three bedroom houses.

Rural Issues

5.153   We asked local registered providers for their views on managing social housing in some of the smaller rural settlements. Our research reveals that there are around 20 small parishes with a handful of social rented homes.

5.154   In consultation with registered providers there would appear to be some willingness to consider future development in rural areas where management would be efficient. However, one registered provider indicated that they are looking to sell off stock in rural areas when renovation costs for re-let exceed £10,000.

5.155   Generally local need for affordable rented housing is unlikely to be met in remote rural settlements. While, there is some interest in low cost home ownership products which have the effect of helping to keep younger households in their community these are benchmarked against market rates which are still high making sales difficult and this delivery unlikely.

5.156   One housing association only had 4 units in management outside Chichester urban area. It was reviewing its investment strategy in September 2017 regarding type tenure and geographical spread. It would still welcome any opportunity to consider potential development/acquisition of affordable homes and is working closely with CDC.

5.157   Another told us that from a management perspective it has no issues in managing rural, or urban housing and manages a large volume of stock across the region. We were told that the main factor in managing urban and rural housing schemes is proximity to other stock in order to make management cost effective and efficient.

5.158   This is a significant factor that will inform its development strategy. We were also told that from a development perspective it is increasingly difficult to progress smaller schemes (less than, say, 20 affordable units), irrespective of whether rural or urban, purely because of the resourcing implications in terms of driving efficiencies within our growth strategy (i.e. when compared to delivering larger sites). However, the PPG still requires some contribution, on-site or otherwise on all sites of 11 units or more.

5.159   The final RP told us that they do not have any stock in the rural areas of Chichester. Most of their stock within Chichester District is in Bracklesham and within Chichester City. They did have a small number of properties in Westhampnett and Tangmere (approx.30 total) but these would not be considered truly 'rural' due to their proximity to Chichester City.

5.160   The Council has also reported that it is more difficult to let social housing in the rural areas as the vacant properties are generally of a poorer condition. This was worsened by the reduced housing registered which lessened the pool of potential occupiers. As a result they lie vacant for longer or require substantial maintenance.

5.161   The Council have also noted, albeit anecdotally that some key worker positions are not being filled in the districts more rural areas as a result of affordability.

Key Points

- The key analysis in this section reveals that median house prices in Chichester stand at 12.2 times the median earnings of those working in the district.

- Land values in Chichester are significantly higher than the values of all the rest comparable areas including South East and England and Wales (excluding London).

- In comparison to neighbouring local authorities and the wider comparators, mean and median house prices in Chichester are significantly higher. For example median prices in Chichester are £30k higher than West Sussex as a whole.

- Over the pre-recession decade, median prices in Chichester District increased by 189% compared to 189% regionally and 190% nationally. House prices subsequently rose during 2009 and as of 2010 Q2 median house prices in Chichester were the same as pre-recession levels. Over the last four years prices have been significantly higher than the majority of the comparable areas (apart from the house prices in Cotswold).

- There were considerably more detached houses sold in Chichester in 2016 compared to the rest of the comparable areas and this mix is driving high house prices in the area as detached homes tend to attract higher values due to their size.

- Sales volumes both nationally and within Chichester experienced a significant drop between 2007 and 2008. Between 2008 -12 the recovery in sales volumes was modest. Since 2013, there has been a gradual growth in sales trends as the market recovers.

- Mean and median average rents in Chichester are higher than the national average and similar to the regional. Over the last 6 years, median rental values in Chichester have grown by 19% compared to 13% nationally.

- In terms of affordability Chichester follows the national trend of significant growth since 2001 and stabilising since 2008 albeit at a higher level. Generally Chichester is less affordable than all of the comparable areas.

- In 2016, lower quartile house prices in the District stood at 11.58 times lower quartile resident earnings, indicating notable affordability pressures at the lower end of the market.

- Between 2001 and 2011 there has been a substantial growth in shared ownership units. The private rented sector in Chichester District has grown, although this trend was felt less than in most of comparable areas.

- Since 2012 there has been a shortfall in delivery of 373 dpa across the Plan Area.

- Chichester has seen the proportion of residents living in over-occupied and shared properties increase by 28%, although in comparison to South East (36%) and national trends (33%) this growth is below average.

- Linked to the aging population Chichester District has also increased levels of under-occupation.

  Combined, the market signals evidence highlights notable market signals and affordability pressures in the District. This is reflected in the 40% increase in the housing need figure calculated using the CLG's proposed methodology.

6   AFFORDABLE HOUSING NEED

Introduction

6.1   This section discusses the level of affordable housing need in Chichester. The following section then discusses the types (tenures) of housing potentially available to meet the need. The PPG (2a-022) describes affordable housing need as being 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'*.

6.2   The PPG sets out a model for assessing affordable housing need – this model largely replicates the model set out in previous SHMA guidance (of 2007). The 2007 guide contained more detail about specific aspects of the analysis and so is referred to in this section as appropriate. The analysis is based on secondary data sources. It draws on a number of sources of information including the Chichester Housing Register, 2011 Census data, demographic projections, house prices/rents and income information.

6.3   The affordable housing needs model is based largely on housing market conditions (and particularly the relationship of housing costs and incomes) at a particular point in time – the time of the assessment – as well as the existing supply of affordable housing which can be used to meet the need. The base date for analysis is 2016 (e.g. data about housing costs and incomes is for 2016). It is recognised that the analysis should align with other research and hence estimates of affordable housing need are provided in this section on an annual basis for the period to 2036.

Key Definitions

6.4   The analysis begins by setting out key definitions relating to affordable housing need, affordability and affordable housing.

Current Affordable Housing Need

6.5   Current Affordable housing need is defined as the number of households who lack their own housing or who live in unsuitable housing and who cannot afford to meet their housing needs in the market. This is sometimes referred to as the 'backlog'.

Newly-Arising Need

6.6   Newly-arising (or future) need is a measure of the number of households who are expected to have an affordable housing need at some point in the future. As per paragraph 25 of the PPG this is made up of newly forming households and existing households falling into need.

Supply of Affordable Housing

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

Affordability

6.8   Affordability is assessed by comparing household incomes against the cost of suitable market housing (to either buy or rent). Separate tests are applied for home ownership and private renting and are summarised below:

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

   b. *Assessing whether a household can afford market renting: A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than a particular percentage of gross income. The choice of an appropriate threshold is an important aspect of the analysis, CLG guidance (of 2007) suggested that 25% of income is a reasonable start point but also notes that a different figure could be used. Analysis of current letting practice suggests that letting agents typically work on a multiple of 40% (although this can vary by area). Government policy (through Housing Benefit payment thresholds) would also suggest a figure of 40%+ (depending on household characteristics). Consideration of a reasonable proportion of income to use in analysis can be found later in this section.*

6.9   It should be recognised that a key challenge in assessing affordable housing need using secondary sources is the lack of information available regarding households' existing savings. This is a key factor in affecting the ability of young households to purchase housing particularly in the current market context where a deposit of at least 10% is typically required for the more attractive mortgage deals. In many cases households who do not have sufficient savings to purchase have sufficient income to rent housing privately without support, and thus the impact of deposit issues on the overall assessment of affordable housing need is limited.

Local Prices and Rents

6.10   Information about entry-level local prices and rents is an important input to the modelling. The affordable housing needs assessment compares prices and rents with the incomes of households to establish what proportion of households can meet their needs in the market, and what proportion require support and are thus defined as having an 'affordable housing need'.

6.11   For the purposes of establishing affordable housing need, the analysis focuses on overall housing costs (for all dwelling types and sizes). The following section expands on this information in more

detail to present a consideration of the types of affordable housing that might meet local needs. This section focuses on establishing, in numerical terms, the overall need for affordable housing.

6.12   Analysis in the previous section considered the entry-level costs of housing to both buy and rent across the District. The approach being to analyse Land Registry and Valuation Office Agency (VOA) data to establish lower quartile prices and rents – using a lower quartile figure is consistent with the PPG and reflects the entry-level point into the market. Some smaller area estimates were informed by an internet search of properties to rent.

Income Required to Access Different Tenures of Housing

6.13   Having established the likely cost of housing, the next step is to estimate what level of income might be required to access the different products. Separate tests are applied for home ownership and private renting; home ownership is based on looking at mortgage multiples (mortgage affordability) with accessing private rented housing being based on consideration of the proportion of income that might need to be spent on housing (rental affordability).

Mortgage affordability

6.14   A household is considered able to afford to buy a home if it costs less than four times the gross household income; it has also been assumed that a household will have a 10% deposit.

6.15   Previous CLG guidance (2007) suggests using thresholds of 2.9× for households with multiple incomes and 3.5× for those with a single income. The use in this study of a multiple of four (×4) reflects the fact that there is likely to be some keenness from Government to ensure that prospective households are able to access the finance they need (for example, with the Help-to-Buy Scheme, the maximum income multiple is 4.5). Additionally, a brief review of a number of lenders indicates that four times income is generally available across the market; although the exact availability of finance will also depend on an individual household's circumstances.

6.16   The 10% deposit is used to reflect the typical minimum deposit required to access mortgage finance although we recognise that in some cases 5% deposits can be used. Again deposit availability will vary by household and raising this sort of level of capital would potentially be an issue for a number of households. However, there are initiatives available to help households to raise a deposit (such as Help-to-Buy ISAs).

6.17   Hence, as with other analysis, the affordability measure used should be treated as indicative given that there are a number of variables that will differ based on the circumstances of individual households – this cannot be captured within this study.

Rental affordability

6.18   A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than a particular percentage of gross income. The choice of an appropriate threshold is an important aspect of the analysis, CLG guidance (2007) suggested that 25% of income is a reasonable start point but also notes that a different figure could be used. Analysis of current letting practice suggests that letting agents typically work on a multiple of 40% (although this can vary by area). Government policy (through Housing Benefit payment thresholds) would also suggest a figure of 40%+ (depending on household characteristics).

6.19   For the purposes of analysis in this section, it has been assumed that a household should spend no more than 30% of their income on housing. This is to provide consistency with the main analysis of affordable housing need and to be consistent with the previous SHMA assessment in the HMA. A different assumption could be used but it is unlikely that a figure much different from 30% could reasonably be justified.

6.20   It should be noted that the Private Rental Sector plays a role in delivering affordable accommodation. As of August 2017 there were approximately 1,920 households being accommodated in PRS accommodation with the aid of Housing Benefit. However as shown in Figure 36 the role of PRS in providing affordable accommodation has fallen by around 17% from its peak in March 2014.

Figure 36: Housing Benefit Claimants in PRS property - Chichester District (2008-17)
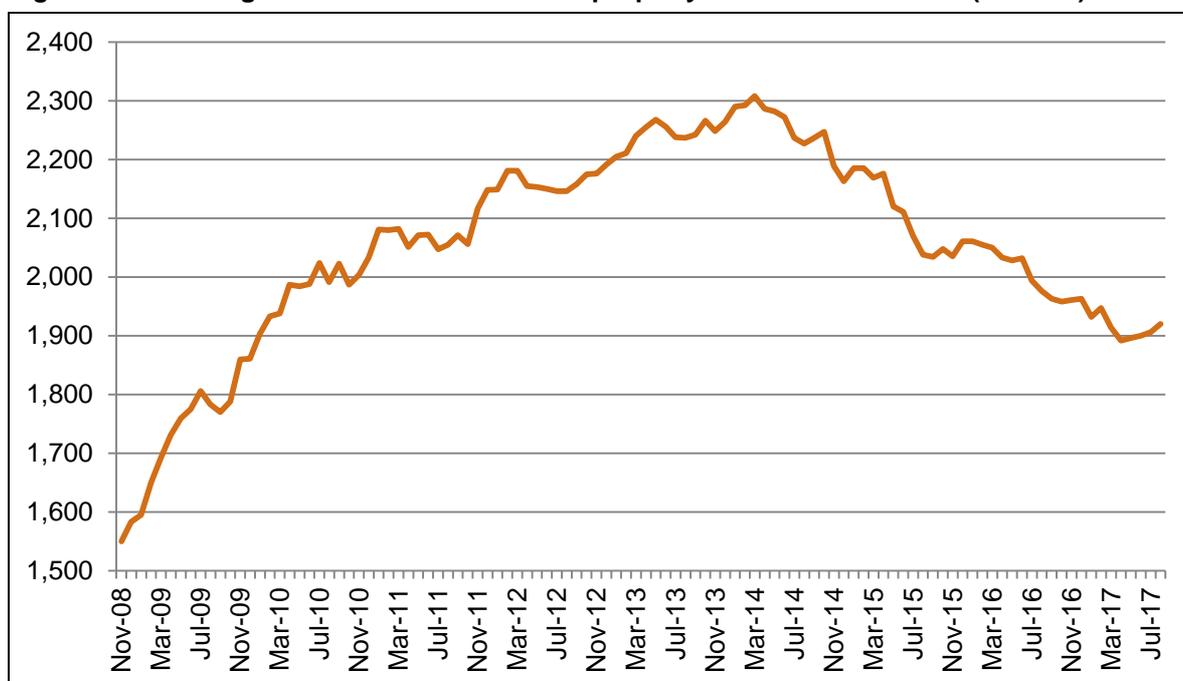
Source: Department of Work and Pension

Income Levels and Affordability

6.21   Following on from the assessment of local prices and rents it is important to understand local income levels as these (along with the price/rent data) will determine levels of affordability (i.e. the ability of a household to afford to buy or rent housing in the market without the need for some sort of subsidy). Data about total household income has been based on ONS modelled income estimates, with additional data from the English Housing Survey (EHS) being used to provide information about the distribution of incomes.

6.22   Drawing all of this data together we have therefore been able to construct an income distribution for the whole District for 2016. Figure 37 shows that around a quarter (27%) of households have incomes less than £20,000 with a further third in the range of £20,000 to £40,000. The overall average (median) income of all households in the District was estimated to be around £33,200 with a mean income of £43,900.

Figure 37: Distribution of Household Income in Chichester District (mid-2016 estimate)
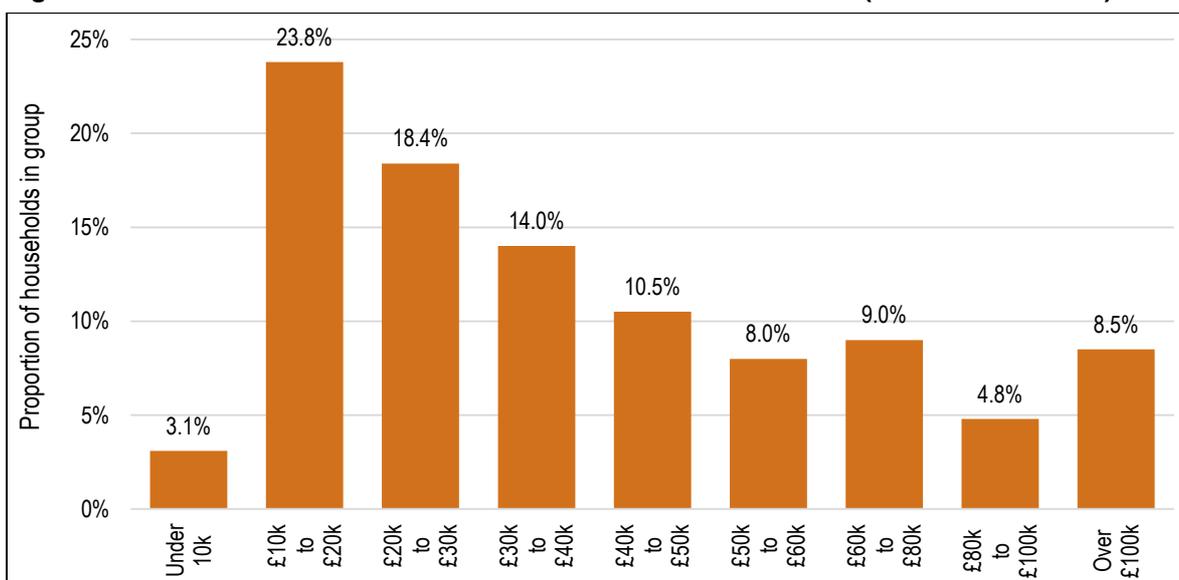
Source: Derived from EHS and ONS data

6.23   Table 20 shows how income levels vary for each of the sub-areas. From this it is clear that incomes are lower in the Manhood Peninsula and highest in the Plan Area North.

Table 20:   Households income levels by sub-local authority (mid-2017 estimate)

	Mean income	Median income
Chichester City	£41,900	£31,868
East-West Corridor	£47,504	£36,131
Manhood Peninsula	£36,295	£27,606
Plan Area North	£52,682	£40,069
SDNP	£47,825	£36,375
Chichester District	**£43,915**	**£33,164**

Source: Derived from EHS and ONS data

6.24   To assess affordability, the analysis has looked at household's ability to afford private rented housing. This is because the income threshold for such housing (across the district) is lower than for buying a home. The distribution of household incomes is then used to estimate the likely proportion of households who are unable to afford to meet their needs in the private sector without support, on the basis of existing incomes. This analysis brings together the data on household incomes with the estimated incomes required to access private rented housing.

6.25   Different affordability tests are applied to different parts of the analysis depending on the group being studied (e.g. recognising that newly forming households are likely on average to have lower incomes than existing households (this has consistently been shown to be the case in the English Housing Survey and the Survey of English Housing). Assumptions about income levels for specific elements of the modelling are discussed where relevant in the analysis that follows.

Affordable Housing Needs Assessment

6.26   Affordable housing need has been assessed using the Affordable Needs Assessment Model as set out in the PPG which is virtually identical to models set out in previous guidance (such as the 2007 CLG SHMA guide). The analysis is essentially an update to the affordable needs assessment presented in the previous Coastal West Sussex SHMA (May 2009) and Update (November 2012). The methodology used is summarised in Figure 38, which as noted, is in line with the Affordable Needs Assessment Model as set out in the PPG (2a-023 to 2a-029).

Figure 38: Overview of affordable housing needs model
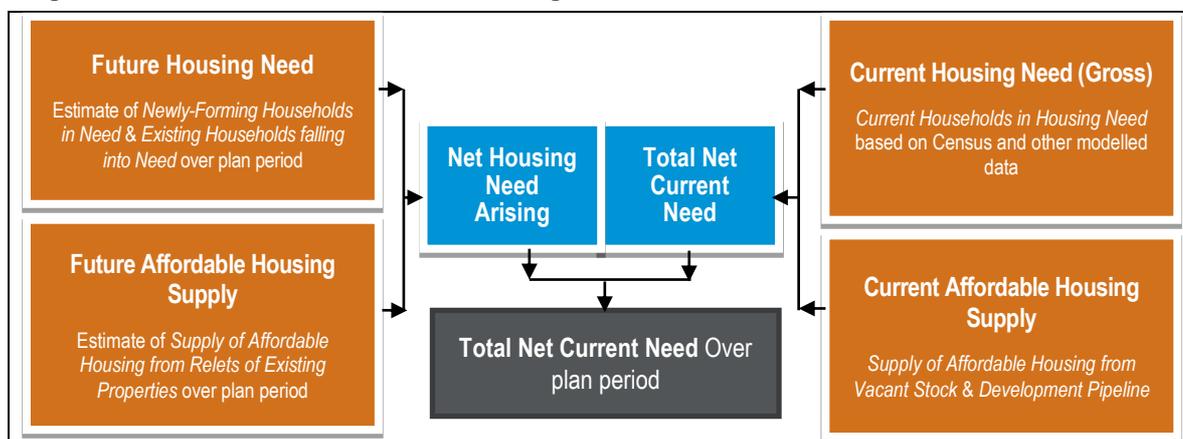
6.27   Due to the analysis being based on secondary data sources only, there are a number of assumptions that need to be made to ensure that the analysis is as robust as possible. Key assumptions include understanding the likely income levels of different groups of the population (such as newly forming households), recognising that such households' incomes may differ from those in the general population.

6.28   To overcome the limitations of a secondary-data-only assessment, additional data has been taken from a range of survey-based affordable needs assessments carried out by GL Hearn over the past

five years or so. These surveys (which cover a range of areas and time periods) allow the assessment to consider issues such as needs which are not picked up in published sources and different income levels for different household groups. This data is then applied to actual data for Chichester (e.g. about income levels) as appropriate. It is the case that outputs from surveys in other areas show remarkably similar outputs to each other for a range of core variables (for example the income levels of newly forming households when compared with existing households) and are therefore likely to be fairly reflective of the situation locally in Chichester. Where possible, data has also been drawn from national surveys (notably the English Housing Survey).

6.29   It should also be stressed that the secondary data approach is consistent with the PPG. Specifically, guidance states that:

'Plan makers should avoid expending significant resources on primary research (information that is collected through surveys, focus groups or interviews etc. and analysed to produce a new set of findings) 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 (e.g. Census, national surveys) to inform their assessment which are identified within the guidance'.

6.30   The analysis that follows is therefore consistent with the requirements of the Planning Practice Guidance. The sections to follow consider each part of the needs assessment model and initially a table is provided to summarise the key assumptions.

Table 21:   Affordable Needs Model – summary of core analysis and sources

Aspect of analysis	Sources	Notes
Lower quartile private sector rents	Valuation Office Agency (VOA) data for the year to March 2017	Used to establish the entry level cost of housing and supplemented by local data to provide estimated entry-level rents by sub-area
Incomes	ONS small area income estimates, English Housing Survey (EHS), Annual Survey of Hours and Earning (ASHE)	Used to estimate the average household income in 2016 and the distribution of income. Different distributions are developed for different household groups (e.g. newly forming households) as well as for the different sub-areas
Affordability ratio	Valuation Office Agency (VOA) data for the year to March 2017	Consideration of the relative cost of housing in the area compared with national benchmarks. In the case of Chichester District the analysis suggests that spending 30% of income on housing is an appropriate affordability threshold.
Current need	Data from the Council's Housing Register	This source is suggested in the PPG. To capture need, only households in housing need bands A-C are included
Future need (newly forming households)	Demographic projections – number of newly forming households aged under 45, income and housing cost data	Analysis consistent with 2a-025 of PPG, including affordability testing
Future need (existing households)	Continuous Recording of Sales and Lettings (CoRe), income and housing cost data	Analysis consistent with 2a-025 of PPG, including affordability testing
Supply of affordable housing (through relets)	Continuous Recording of Lettings and Sales (CoRe)	Takes account of new-build and transfers as well as including resales of intermediate housing (e.g. shared ownership). Subarea data also provided by the Council and checked against stock information.

Current Affordable Housing Need

6.31   In line with the PPG the current need for affordable housing is assessed through analysis of Housing Register information. As part of this project, information was provided by the Council about the number of households on the register, who were also in a reasonable preference category (i.e. had a housing need (Bands A-C)) and who were not currently living in affordable accommodation. This latter analysis recognises that households already living in affordable housing would release a home for use by another household if they were to move and hence there is no additional need for housing to be provided (although there may be a mismatch between the homes needed and those released, both in terms of size and location). Table 22 shows that 541 households are currently

assessed as in need, with just over a third of these living in (or having a local connection if living outside the area) Chichester City.

Table 22:   Current households on Housing Register and in need – by sub-area

	Total in need	% of households
Chichester City	189	34.9%
East-West Corridor	73	13.5%
Manhood Peninsula	125	23.1%
Plan Area North	23	4.3%
SDNP	131	24.2%
Chichester District	**541**	**100.0%**

Source: Chichester Housing Register

Newly-Arising Need

6.32   To estimate newly-arising (projected future) need two key groups of households based on the PPG (2a-025) have been studied. These are:

- Newly forming households; and
- Existing households falling into affordable housing need.

Further details on these groups of households and how they have been calculated as part of the affordable housing need is set out below.

Newly-Forming Households

6.33   The number of newly-forming households has been estimated through the demographic modelling with an affordability test also being applied. This has been undertaken by considering the changes in households in specific 5-year age bands relative to numbers in the age band below 5 years previously to provide an estimate of gross household formation. This differs from numbers presented in the demographic projections which are for net household growth. The numbers of newly-forming households are limited to households forming who are aged under 45 – this is consistent with CLG guidance (from 2007) which notes after age 45 that headship (household formation) rates 'plateau'. There may be a small number of household formations beyond age 45 (e.g. due to relationship breakdown) although the number is expected to be fairly small when compared with formation of younger households.

6.34   The estimates of gross new household formation have been based on outputs from the 2014-based CLG household projections to allow for a consistent approach across areas. In looking at the likely affordability of newly-forming households, data has been drawn from previous surveys. This establishes that the average income of newly-forming households is around 84% of the figure for all households. This figure is remarkably consistent across areas (and is also consistent with analysis of English Housing Survey data at a national level).

6.35   The analysis has therefore adjusted the overall household income data to reflect the lower average income for newly-forming households. The adjustments have been made by changing the distribution of income by bands such that average income level is 84% of the all household average. In doing this it is possible to calculate the proportion of households unable to afford market housing without any form of subsidy (such as LHA/HB). The assessment suggests that overall around half of newly-forming households will be unable to afford market housing and that a total of 375 new households will have a need on average in each year to 2036.

Table 23:   Estimated Level of Affordable Housing Need from Newly Forming Households (per annum)

	Number of new households	% unable to afford	Total in need
Chichester City	192	52.3%	101
East-West Corridor	136	43.2%	59
Manhood Peninsula	155	54.7%	85
Plan Area North	57	53.0%	30
SDNP	214	47.1%	101
Chichester District	755	49.7%	375

Source: Projection Modelling/affordability analysis

Existing Households falling into Affordable Housing Need

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

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

6.38   Following the analysis through suggests a need arising from 208 existing households each year from 2016 to 2036.

Table 24:   Estimated Level of Affordable Housing Need from Existing Households Falling into Need (per annum)

	Total in need	% of total
Chichester City	75	36.3%
East-West Corridor	28	13.5%
Manhood Peninsula	33	15.9%
Plan Area North	10	4.8%
SDNP	61	29.5%
Chichester District	**208**	**100.0%**

Source: CoRe/affordability analysis

Supply of Affordable Housing

6.39   The future supply of affordable housing is the flow of affordable housing arising from the existing stock that is available to meet future need. This focusses on the annual supply of social/affordable rent relets.

6.40   The Practice Guidance suggests that the estimate of likely future relets from the social rented stock should be based on past trend data which can be taken as a prediction for the future. Information from CoRe has been used to establish past patterns of social housing turnover. The figures include general needs and supported lettings but exclude lettings of new properties plus an estimate of the number of transfers from other social rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing stock.

6.41   On the basis of past trend data is has been estimated that 317 units of social/affordable rented housing are likely to become available each year moving forward. It is additionally estimated that around 8 resales of affordable housing (shared ownership) might be expected on the basis of past trends – this brings the total estimated supply up to 325 units per annum.

Table 25:   Analysis of past social/affordable rented housing supply (per annum – based on data for 2013-16 period)

	General needs	Supported housing	Total
Total lettings	477	147	623
% as non-new build	76.3%	100.0%	81.9%
Lettings in existing stock	364	147	510
% non-transfers	58.3%	71.6%	62.1%
Total lettings to new tenants	212	105	317

Source: CoRe

6.42   Table 26 shows how the projected supply splits down by sub-area. These estimates have been based on information provided by the Council about past lettings, as well as an analysis of the current stock of social housing in each area.

Table 26: Estimated Future Supply of Affordable Housing by sub-area – per annum

	Social/affordable rented relets (+resales)	% of total
Chichester City	115	35.4%
East-West Corridor	47	14.5%
Manhood Peninsula	50	15.4%
Plan Area North	15	4.7%
SDNP	98	30.0%
Chichester District	**325**	**100.0%**

Source: CoRe

Net Affordable Housing Need

6.43 Table 27 shows the overall calculation of affordable housing need for the whole district. This excludes supply arising from sites with planning permission (the 'development pipeline') to allow for a comparison with the OAN set out in this report (which does not include committed supply). The analysis has been based on meeting affordable housing need over the period to 2036. Whilst most of the data in the model are annual figures the current need has been divided by 20 to make an equivalent annual figure.

6.44 As the table sets out, the analysis calculates an overall need for affordable housing of 5,700 units over the 20-years to 2036 (285 per annum) across Chichester District. The net need is calculated as follows:

Net Need = Current Need + Need from Newly-Forming Households + Existing Households falling into Need – Supply of Affordable Housing

Table 27: Estimated level of Affordable Housing Need (2016-36) – Chichester District

	Per annum	2016-36
Current need	27	541
Newly forming households	375	7,505
Existing households falling into need	208	4,153
Total Gross Need	610	12,198
Supply from existing stock	325	6,507
Net Need	285	5,692

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

6.45 This analysis has also examined sub-area housing need based on the lower quartile rental costs in each area as set out in the previous chapter. As set out the highest net need is located in the Manhood Peninsula although there is also notable need in Chichester City and the SDNP sub-areas.

Table 28:   Estimated level of Housing Need per annum by sub-area

	Current need	Newly forming house-holds	Existing house-holds falling into need	Total Gross Need	Supply from existing stock	Net Need
Chichester City	9	101	75	185	115	70
East-West Corridor	4	59	28	91	47	43
Manhood Peninsula	6	85	33	124	50	74
Plan Area North	1	30	10	42	15	26
SDNP	7	101	61	169	98	71
Chichester District	**27**	**375**	**208**	**610**	**325**	**285**

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

Housing Need and the National Park area

6.46   As well as looking at housing need across the whole District and study area, it is important to consider the needs arising in the National Park. This is because Chichester Council is only the planning authority for that area sitting outside of the National Park, hence any housing targets (e.g. in the Local Plan) would not apply to the whole District. Likewise, the National Park area is covered by a separate Local Plan.

6.47   The South Downs National Park Authority is the planning authority within the National Park. It has two statutory purposes, these are to:

- Conserve and enhance the natural beauty, wildlife and cultural heritage of the area; and
- Promote opportunities for the understanding and enjoyment of the special qualities of the Park by the public.

6.48   The National Park Authority has a duty to foster the socio-economic well-being of local communities within the South Downs National Park (Section 62, Environment Act 1995). National policy recognises that National Parks are not appropriate locations for unrestricted housing and new housing should therefore be focused on meeting local needs, rather than catering for external demand. This national policy and legislative framework enables National Park Authorities to prioritise affordable housing for local people.

6.49   Section 62 of the Environment Act 1995 requires all relevant authorities, including statutory undertakers and other public bodies, to have regard to these purposes. Where there is an irreconcilable conflict between the statutory purposes, the 'Sandford Principle' is statutorily required to be applied and the first Purpose of the National Park will be given priority. The Sandford Principle relates to a statement first made by Lord Sandford in his committee report on possible changes to the management and legislation governing National Parks and now in the Environment Act 1995 which states that: 'if it appears that there is a conflict between those two Purposes, any relevant Authority shall attach greater weight to the first [Purpose]'.

6.50   Paragraph 115 in the NPPF reaffirms this, setting out that

"great weight should be given to conserving landscape and scenic beauty in National Parks, the Broads and Areas of Outstanding Natural Beauty, which have the highest status of protection in relation to landscape and scenic beauty. The conservation of wildlife and cultural heritage are important considerations in all these areas, and should be given great weight in National Parks and the Broads."

6.51   National Park Authorities also need to take into account the 2010 Circular13 which sets out national policy in respect of National Parks. In this the Government is clear that action by National Park Authorities should include fostering and maintaining thriving rural economies, and supporting the delivery of affordable housing. The Circular is cross-referenced within paragraph 115 of the NPPF and the PPG – clearly showing how the Government in preparing the NPPF in 2012 commended the guidance in the Circular.

6.52   The 2010 Circular recognises that National Parks often have higher house prices than surrounding areas, and can have include low paid jobs in their local economies. It clearly sets out that national park authorities have an important role to play in the delivery of affordable housing, setting out that:

"Through their Local Development Frameworks they should include policies that pro-actively respond to local housing needs. The Government recognises that the National Parks are not suitable locations for unrestricted housing and does not therefore provide general housing targets for them. The expectation is that new housing will be focused on meeting affordable housing requirements, supporting local employment opportunities and key services.

6.53   The Government expects the Authorities to maintain a focus on affordable housing and to work with local authorities and other agencies to ensure that the needs of local communities in the Parks are met and that affordable housing remains so in the longer-term.[14]"

6.54   There is thus a particular emphasis in national policy on meeting affordable housing needs within national parks; and recognition that unrestricted provision of housing is not appropriate.

6.55   As noted above, the analysis suggests a need for 70 affordable homes per annum within the National Park. It needs however, to be recognised, that the affordable need outputs are not just a number in relation to new-build homes, but do include a number of households who have a home but where there is a mismatch in tenure (hence the OAN based on affordable housing in the National Park area will be lower than 70).

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[13] DEFRA (2010) English national parks and the broads: UK government vision and circular 2010
[14] DEFRA (2010) Circular: National Parks, Paragraphs 78 and 79

Relating Affordable Need and OAN

6.56   The analysis indicates a clear need for affordable housing. As it is, the identified affordable housing need of 285 per annum comprises around 47% of the 609 dpa need resulting from the OAN. This is higher than the affordable housing policy requirement in the current Chichester Local Plan, which seeks (subject to scheme viability) 30% affordable dwellings on sites where there is a net increase of 11 or more dwellings and in all developments with a net increase of between 6 and 10 units in rural areas.

6.57   It should be noted that the proposed widened definition of affordable housing now includes low cost and discounted market housing such as Starter Homes. This may impact on the viability of schemes and the future level of affordable housing provision.

6.58   Given the level of affordable housing need, the Council should however seek to maximise delivery where possible and it should be borne in mind that besides delivery of affordable housing on mixed-tenure development schemes, there are a number of other mechanisms which deliver affordable housing. These include:

- National Affordable Housing Programme – this (outside London this is administered by the HCA) provides funding to support Registered Providers in delivering new housing including on sites owned by RPs e.g. such as garage sites or sites purchased by RPs;
- Empty Homes Programmes – where local authorities can bring properties back into use as affordable housing. These are existing properties, and thus represent a change in tenure within the current housing stock, although most of the empty homes in Chichester are second homes;
- Rural Exception Site Development – where the emphasis is on delivering affordable housing to meet local needs (this could also form part of the three mechanisms above). This includes delivery through Community Land Trusts.

6.59   The Council's current affordable housing target on market sites (i.e. through affordable housing quotas) is 550 over 5 years.

6.60   In addition, it is also seeking to deliver a further additional 150 affordable housing units being delivered through the use of the Council's or their registered provider resources. These are usually delivered with the support of either or a mix of RP, HCA or CDC funds and includes:

- RP delivering affordable housing in excess of quota on sites
- RP owned sites e.g. garage sites -
- RP purchased sites with RP delivery over and above quota

6.61   The Council has also received £1.4m from government to support Community led housing. This is being used to support groups in setting up (incorporation) @ £10k per group, to help fund technical support in achieving planning permission @ £30k per group, purchase of exception sites at £10k per plot, as well as funding additional enabling and planning resources to help facilitate this project.

6.62   The Council currently has 8 groups moving forward, some of which have already identified land. Although this project is not expected to deliver homes in great numbers it is hoped that it will

contribute to easing the affordability issues in rural parishes, where the larger regional/ national RPs are less willing to develop

6.63   The Council currently has £2,095,715 to support affordable housing of which £1.35m is already allocated. It also has £2.5m to make available to community Land Trust or RP as loans.

6.64   Funding for specialist forms of affordable housing, such as extra care provision, may also be available from other sources; whilst other niche agents, such as Community Land Trusts, may deliver new affordable housing.

6.65   Net changes in affordable housing stock may also be influenced by estate regeneration schemes, as well as potentially negatively by factors such as the proposed extension of the Right to Buy to housing association properties and increased disposals of vacant dwellings. Small amounts of affordable housing need can be met by changes in the ownership of existing housing stock, not just by new-build development.

6.66   The discussion above has already noted that the need for affordable housing does not generally lead to a need to increase overall provision (with the exception of potentially providing housing for concealed households). It is however worth briefly thinking about how affordable need works in practice and the housing available to those unable to access market housing without Housing Benefit. In particular, the increasing role played by the Private Rented Sector (PRS) in providing housing for households who require financial support in meeting their housing needs should be recognised.

6.67   Whilst the Private Rented Sector (PRS) does not fall within the types of affordable housing set out in the NPPF 'for planning purposes', it has evidently been playing a role in meeting the needs of households who require financial support in meeting their housing need. Government recognises this, and indeed legislated through the 2011 Localism Act to allow Councils to discharge their "homelessness duty" through providing an offer of a suitable property in the PRS. It is also notable that the Housing White Paper is proposing to include a new tenure of affordable housing (affordable private rent housing). However, some private landlords are withdrawing due to changes in tax and introduction of Universal Credit.

6.68   It is also worth reflecting on the NPPF (Annex 2) definition of affordable housing. This says: *'Affordable housing: Social rented, affordable rented and intermediate housing, provided to eligible households whose* <u>*needs are not met by the market'*</u> [emphasis added]. Clearly where a household is able to access suitable housing in the private rented sector (with or without Housing Benefit) it is the case that these needs are being met by the market (as within the NPPF definition). As such the role played by the private rented sector should be recognised – it is evidently part of the functioning housing market. There are however issues with the use of Housing Benefit in the private rented sector, including the cost to the public purse and a disincentive barrier to reduce benefit

dependency (i.e. there is potentially a disincentive for households to work if benefit losses are greater than the income they can earn).

6.69   Data from the Department of Work and Pensions (DWP) has been used to look at the number of Housing Benefit supported private rented homes. As of August 2017 it is estimated that there were around 1,900 benefit claimants in the private rented sector in Chichester District – this serves to illustrate that there is some flexibility within the wider housing market.

6.70   However, national planning policy does not specifically seek to meet the needs identified through the Needs Assessment Model in the Private Rented Sector. Government's benefit caps may reduce the contribution which this sector plays in providing a housing supply which meets the needs of households identified in the affordable housing needs model. In particular, future growth in households living within the PRS and claiming Housing Benefit cannot be guaranteed.

Housing and Planning Act and Welfare Reform

6.71   The reforms introduced over recent years – alongside future planned reforms – could continue to impact upon the calculated need for affordable housing presented in this HEDNA. This includes announcements made in the Summer Budget of 2015 and the Housing and Planning Act.

6.72   In October 2015, the Government published the Housing and Planning Bill 2015-16 (this received Royal Assent as the Housing and Planning Act 2016 on the 12th May 2016). This set out a number of government initiatives which are likely to directly influence the supply and demand for housing and affordable housing. There were a number of initiatives (from both the Act and previous announcements) which may impact on the supply and demand for general and affordable homes, although the full impact is yet to be understood. These include:

- **A requirement for social/affordable rents to be reduced by 1% for four years from April 2016.** The impact of this will be to reduce income for both the local authorities (which have housing stock) and housing associations. This in turn may reduce the LA or RP reinvestment funding/borrowing power and may subsequently reduce the capacity for new affordable homes to be developed.
- **The extension of the Right to Buy to RP tenants**. Although voluntary, this could reduce affordable housing stock and reduce thus the number of re-lets. Research by Joseph Rowntree Foundation predicts that nationally 8.3% of housing association tenants will be eligible for and could afford the RTB, and that 71% of those will purchase their home over the first five years. The Housing and Planning Act empowers Government to reimburse Registered Providers the cost of the discount but does not confer any rights on any tenants.
- **Capping social housing rents at Local Housing Allowance.** For some Registered Providers this will limit their income to a multiple of the Local Housing Allowance. In the long term this is likely to influence the type of homes they build with more smaller homes being likely. The proposal will see any single claimants under 35 only being eligible for the LHA Shared Accommodation Rate which at present is much lower than the LHA for one bedroom flats. This could result in reduced demand for RP properties with a shift toward the PRS.
- **Changes to Tax Relief for Residential Landlords.** This may result in the number of Buy-to-let landlords being reduced as they see the option as being less viable. The changes means that the amount of Income Tax relief landlords can get on residential property finance costs will be restricted to the basic rate of tax.

- **The introduction of 3% higher stamp duty on buy to let properties and second homes.**
  This again may result in the number of Buy-to-let landlords being reduced; The Bank of England expressed their concerns that the proliferation of Buy-to-let landlords could result in a housing crash if they flood the market with their unwanted property. While the introduction of the new rules may not result in a flood of sales it may well reduce the supply of PRS properties such as HMOs and Shared Housing.
- **Vacant Building Credit** – As there has been a large percentage of development on brownfield land this reduces the ability of the Council to demand affordable housing contribution as the developer should be offered a financial credit equivalent to the existing gross floorspace of relevant vacant buildings

6.73   The November 2017 budget included a number of additional measures seeking to make housing more affordable. These measures included:

- A new land assembly fund (£1.1bn);
- Increasing the housing infrastructure fund (£5bn);
- Further £2 billion of funding for affordable housing (£9.1bn total);
- Increasing the Housing Revenue Account borrowing caps for councils to £1bn
- Housebuilding Fund (additional £1.5bn);
- Increase of the small sites: infrastructure and remediation fund (additional £630 m);
- Further £10 billion for Help to Buy Equity Loan
- Their intention to create more housing deals in the South East,

6.74   The Chancellor also announced the government's intention to abolish Stamp Duty a for 1st time buyers of homes up to the Value of £300,000. The expected impact is that 80% of first- time buyers will pay no Stamp duty at all.

6.75   The Government also announced their intention to increase some Local Housing Allowance rates by increasing Targeted Affordability Funding by £40 million in 2018-19 and £85 million in 2019-20 in areas where private rents are rising fastest.

6.76   It is too early to fully quantify the impact these changes will have on the supply and demand for affordable homes. However, the local authorities should monitor the situation. We would however add that any reduction in the supply of affordable housing or/and PRS would need to be offset by increasing the need within the affordable housing calculations.

Key Points

- An assessment of affordable housing need has been undertaken which is compliant with Government guidance to identify whether there is a shortfall or surplus of affordable housing in Chichester District. Overall, in the period from 2016 to 2036 a net deficit of 285 affordable homes per annum is identified. There is thus a requirement for new affordable housing and the Council is justified in seeking to secure additional affordable housing.

- The identified affordable housing need of 285 per annum comprises around 47% of the 609 dpa need resulting from the OAN. This is slightly higher than the current Council policy.

- The housing needs research represents a point in time and the need for affordable housing going forward is dependent on a number of factors. For example, current Government policies around Universal Credit, Supported Housing, Local Housing Allowance, Homeless Reduction Act and other related policies may mean an increase in the need for affordable housing need going forward. The Council will need to be mindful of such policies and monitor their impact.

7   TYPES OF AFFORDABLE HOUSING

Introduction

7.1   This section builds on the analysis of the overall need for affordable housing to consider the range of affordable housing options in Chichester. This provides an indication of the range of tenure options that meet the needs of a broad spectrum of households. A particular focus of the analysis is to consider the (wider) proposed definition of affordable housing in the Housing White Paper (HWP) of February 2017.

7.2   The analysis in this section therefore looks at the cost of housing of different tenures, and develops this to seek to understand what this might mean in terms of an income required to access such housing. The analysis looks at both market housing and the full range of affordable housing options set out in the HWP.

National Planning Policy Framework and Housing White Paper (HWP) 2017 Definitions of Affordable Housing

7.3   Affordable housing is currently defined in national policy (National Planning Policy Framework (NPPF), Annex 2: Glossary) as follows:

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

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

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

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

Homes that do not meet the above definition of affordable housing, such as "low cost market" housing, may not be considered as affordable housing for planning purposes.

7.4   The HWP proposes amending the definition of affordable housing to include starter homes and 'affordable private rent'. The proposed new definition of affordable housing in the HWP is as follows:

Affordable housing: housing that is provided for sale or rent to those whose needs are not met by the market (this can include housing that provides a subsidised route to home ownership), and which meets the criteria for one of the models set out below.

Social rented and affordable rented housing: 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 Government's rent policy. 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).

Starter homes is housing as defined in Sections 2 and 3 of the Housing and Planning Act 2016 and any subsequent secondary legislation made under these sections. The definition of a starter home should reflect the meaning set out in statute at the time of plan-preparation or decision-taking. Local planning authorities should also include income restrictions which limit a person's eligibility to purchase a starter home to those who have maximum household incomes of £80,000 a year or less (or £90,000 a year or less in Greater London).

Discounted market sales housing is housing that is sold at a discount of at least 20 per cent below local market value. Eligibility is determined with regard to local incomes and local house prices. It should include provisions to remain at a discount for future eligible households.

Affordable private rent housing is housing that is made available for rent at a level which is at least 20 per cent below local market rent. Eligibility is determined with regard to local incomes and local house prices. Provision should be made to ensure that affordable private rent housing remains available for rent at a discount for future eligible households or for alternative affordable housing provision to be made if the discount is withdrawn. Affordable private rented housing is particularly suited to the provision of affordable housing as part of Build to Rent Schemes.

Intermediate housing is discount market sales and affordable private rent housing and other housing that meets the following criteria: housing that is provided for sale and rent at a cost above social rent, but below market levels. Eligibility is determined with regard to local incomes and local house prices. It should also include provisions to remain at an affordable price for future eligible households or for any receipts to be recycled for alternative affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement. These can include Shared Ownership, equity loans, other low cost homes for sale and intermediate rent (including Rent to Buy housing).

Initial Discussion of Proposed Changes to Definition of Affordable Housing

7.5   The HWP proposals do not change the basic definition of who affordable housing is for (households whose needs are not met by the market) but at the same time a series of additional options for meeting affordable need are suggested. In particular, some of the home ownership options (such as Starter Homes) might arguably be seen as unaffordable when looking at access to the housing market generally (i.e. to include the private rented sector). However, central Government is clear in its desire to see more home ownership options being made available, stating that *'to promote delivery of affordable homes to buy, we propose to make it clear in national planning policy that local authorities should seek to ensure that a minimum of 10% of all homes on individual sites are*

affordable home ownership products'. The figure of 10% is considered to provide a balance between renting and home ownership.

7.6   Whilst home ownership options may not be affordable in the traditional sense of the term (i.e. to only apply to those who cannot afford any form of market housing), it is clear that enabling additional households to access home ownership will release other forms of housing for use by other households – this will particularly be in the private rented sector, and it is noteworthy that the HWP now includes a form of private renting within the affordable definition.

7.7   Looking more closely at some of the individual forms of affordable housing in the HWP, there appears to be some degree of similarity. For example, both affordable rented and affordable private rent are said to be based on a discount from market costs of 20% - hence in cost terms they are arguably identical. However, the difference is that affordable private rent is seen to be a suitable tenure on Build to Rent schemes, whereas affordable rented housing would be let by local authorities or Registered Providers. The difference is therefore partly how housing might be allocated and hence the eligibility criteria; this would make a difference to the size profile of such housing (particularly as affordable private rent would be expected to be *'physically indistinguishable'* from other types of housing in a development).

7.8   This discussion is designed to show that the widening range of affordable options within the HWP would not necessarily lend itself to a straightforward suggestion of different percentages of delivery of different types of housing. For example, affordable private rent (given that this is seen as most suitable on Build to Rent schemes) might arguably not have any target, but could be provided should an appropriate scheme come forward. Additionally, some home ownership schemes might not be affordable in a traditional sense (depending on the cost of other forms of housing) but might be considered suitable to allow households to move out of private rented accommodation and to meet the 10% provision level suggested in the HWP. All of these issues are discussed in more detail in the analysis to follow.

Housing Costs

7.9   The analysis below looks at the cost of housing of different tenures, and develops this to seek to understand what this might mean in terms of an income required to access such housing. The analysis looks at both market housing and the full range of affordable housing options set out in the HWP.

Owner-occupied housing

7.10   Data from the Land Registry for the year to March 2017 (i.e. Q2-Q4 of 2016 and Q1 of 2017) shows that the average (mean) cost of housing in the District was £435,000, with a median cost of £350,000. When looking at the bottom end of the market (traditionally viewed by reference to lower quartile house prices) it can be seen that the 'average' cost is £255,000.

7.11   The timescales for this information differs from that set out in the Housing Market Dynamics chapter. As such the figures may be different. This information used below is more prone to change but is the latest available data.

Table 29:   Cost of housing to buy – year to March 2017 – Chichester District

	Lower quartile	Median	Mean
Flat/maisonette	£155,000	£189,950	£231,430
Terraced	£245,000	£293,000	£347,884
Semi-detached	£265,000	£315,000	£354,469
Detached	£398,500	£518,500	£629,197
All dwellings	**£255,000**	**£350,000**	**£435,076**

Source: Land Registry

7.12   To put the data for Chichester into context, it is possible to compare figures with other areas; this is shown in the Table 30. This shows that prices in the District are generally similar to those seen across West Sussex and the South East (albeit the overall average is higher due to a greater volume of detached sales). Compared with England & Wales as a whole, it is however clear that prices are relatively high.

**Table 30:   Median and lower quartile cost of housing to buy – year to March 2017 –
        Chichester District**

Median	Chichester	West Sussex	South East	England & Wales
Flat/maisonette	**£189,950**	£195,000	£200,000	£201,000
Terraced	**£293,000**	£282,500	£265,000	£170,000
Semi-detached	**£315,000**	£322,500	£320,000	£189,950
Detached	**£518,500**	£470,000	£473,500	£310,000
All dwellings	**£350,000**	£305,000	£300,000	£215,000
Lower Quartile	Chichester	West Sussex	South East	England & Wales
Flat/maisonette	**£160,000**	£153,500	£146,950	£124,800
Terraced	**£480,000**	£175,000	£168,000	£105,000
Semi-detached	**£500,000**	£180,000	£200,000	£137,000
Detached	**£399,000**	£377,500	£361,000	£228,500
All dwellings	**£250,000**	£235,000	£220,000	£135,000

Source: Land Registry

7.13   The data above is from actual sales and split by the built form of properties, however in analysis of affordability, and to be consistent with analysis for other tenures of housing, it is more useful to consider the cost of housing in terms of the number of bedrooms. The Land Registry analysis has therefore been supplemented by a search of homes for sale in the District with the Table 31 showing estimated lower quartile prices by size.

7.14   In this case it is estimated that housing costs would vary from about £111,300 for a one-bedroom homes and up to £352,000 for four bedrooms. It should be noted that some caution should be

exercised when considering the one-bedroom figures, This is due to the inclusion of a number of retirement properties, as such homes will not be available to all cohorts of the population (i.e. there may be age restrictions). The two-bedroom category is also slightly influenced by a number of park homes (which again may be age or occupancy restricted).

7.15   Removing age restricted properties and holiday homes would see the lower quartile cost of a one-bedroom property on Rightmove increase to £132,000 with 2-bedrooms increasing to £250,000 – these latter (higher) prices are used in the analysis to follow.

Table 31:   Estimated lower quartile property price by dwelling size – Chichester District

	Lower quartile [excluding retirement/park homes]
1-bedroom	£111,300 [£132,000]
2-bedroom	£190,600 [£250,000]
3-bedroom	£262,200
4-bedroom	£351,900

Source: Land Registry and Internet price search (June 2017)

7.16   To complete the initial analysis of owner-occupied housing, it is of interest to look at the cost of new homes compared with second-hand properties. The analysis below is taken from Land Registry (and hence looks at built form) and is for a median property in each case.

7.17   The analysis shows a wide variation in the costs of new and second-hand housing depending on the type of home. For all dwelling types, a new home is more expensive than a second-hand one, but new semi-detached and detached homes appear to be cheaper. This suggests that the more detailed mix of new homes is somewhat different to the second-hand market (e.g. in terms of number of bedrooms, facilities or build quality).

Table 32:   Median cost of housing (year to March 2017) by new or resale home – Chichester District

	New home	Second-hand	Difference
Flat/maisonette	£307,750	£185,000	£122,750
Terraced	£440,000	£290,000	£150,000
Semi-detached	£275,000	£320,000	-£45,000
Detached	£502,500	£520,000	-£17,500
All dwellings	£406,250	£345,000	£61,250

Source: Land Registry

7.18   Overall, the analysis would suggest that new homes are more expensive than second-hand homes, but that it is difficult to be precise about the difference. This is not least because new and second-hand homes will in many cases not be readily comparable (e.g. a new-build 3-bedroom semi-detached homes will be different to a 3-bedroom semi-detached home in the resale market). At a national level, it is estimated that new-build homes are around 15% more expensive than the equivalent all property figure, and this 15% figure has been used in analysis as appropriate. It

should be noted that this is a best estimate, as previously noted it is difficult to get a direct comparison between new and second-hand homes.

Private Rental Housing

7.19   The Table 33 sets out the cost of renting a property on the open market in Chichester by size of property. Average rents start at around £675 per calendar month for a 1-bedroom property, rising to £1,500 for a 4-bedroom family sized home. For comparison, lower quartile rents are also presented in Table 33 along with the local housing allowance (LHA) available to those receiving housing benefit.

7.20   Table 33 also shows local housing allowance rates for the Chichester Broad Rental Market Area (BRMA), although some parts of the District do fall in to other BRMAs. The Chichester LHA is insufficient to cover the cost of renting a lower quartile property in the District for all dwellings sizes, meaning that many households are likely to need to 'top up' their rent to be able to access private rented housing. For some households, a benefit cap will also impact on the ability to afford private rented housing in the District; this is likely to particularly affect larger family households.

Table 33:   Average (median) and Lower Quartile Market Rents, year to March 2017 – Chichester BRMA

Property Size	Rent		Local Housing Allowance by Broad Rental Market Area (as at August 2017)		
	Average (median) pcm	Lower Quartile pcm	Chichester	Guildford	Portsmouth
Room only	£403	£378	£319	£364	£299
Studio	£565	£475	-	-	-
1-bedroom	£675	£600	£581	£740	£505
2-bedrooms	£850	£775	£728	£966	£626
3-bedrooms	£1,050	£925	£858	£1,161	£748
4-bedrooms	£1,500	£1,325	£1,161	£1,496	£1,040
All properties	£875	£700	-	-	-

Source: Valuation Office Agency

7.21   As with prices, the rent levels can be compared with other areas (as in the Table 34 for median rents by property size). This shows that rents are generally in-line with equivalent figures across West Sussex and the South East. When compared with data for England, the analysis does however show higher average rent levels.

Table 34:   Average (median) Market Rents, year to March 2017

	Chichester BRMA	West Sussex	South East	England
Room only	£403	£400	£410	£376
Studio	£565	£500	£550	£570
1-bedroom	£675	£675	£695	£595
2-bedrooms	£850	£875	£875	£650
3-bedrooms	£1,050	£1,100	£1,075	£735
4-bedrooms	£1,500	£1,500	£1,733	£1,300
All properties	£875	£850	£875	£675

Source: Valuation Office Agency

Affordable Rents

7.22   The Table 35 sets out what an affordable rent would be if calculated at 80% of average and lower quartile market rents within Chichester alongside the Local Housing Allowance. Affordable rents are capped at the Local Housing Allowance or 80% market value whichever is less. The average and lower quartile affordable rents are generally below the aligned with the LHA limits (for Chichester BRMA) and would suggest that households claiming benefits would in many cases be able to afford an affordable rent, whilst the private rent is likely to put some strains on household finances.

7.23   It should be noted that the private rent data from VOA does not include service charges (whereas an affordable rent cost would do so). If additional service charges were added to the VOA data, then the estimates of the cost of an affordable rent (as in the Table 35) would increase. It is possible that this would take the cost above LHA limits, and again could cause difficulties for some households in affording rents. It is not however possible from the data available to estimate if and/or how much the private rent costs would increase with the inclusion of service charges.

7.24   The costs below for affordable rented housing are likely to be similar to those for affordable private rent housing (a new tenure being proposed for introduction in the Housing White Paper (HWP)) and so private rent housing has not been separately studied.

Table 35:   Estimated Affordable Rent level (2017)

	Local Housing Allowance for Chichester BRMA	80% of Average Market Rents pcm	80% of Lower Quartile Market Rents pcm
Room only	£319	£322	£302
1-bedroom	£581	£540	£480
2-bedrooms	£728	£680	£620
3-bedrooms	£858	£840	£740
4-bedrooms	£1,161	£1,200	£1,060

Source: Derived from Valuation Office Agency data

Social rents

7.25   The final main tenure analysed initially is social rents. The figures provided are an average rent and include services charges. The figures have been derived by looking at rent levels for 2015/16 (which are the latest available) (as evidenced by CoRe[15] data) and then figures for different sizes established by looking at historical data (to iron out any potential year-on-year anomalies) and also the profile of dwellings let at social rents.

7.26   It should be noted that these rents are based on general needs housing and include service charge information where available. For some properties this can be as much as £55 per month. Where supported housing to be included then the costs would be significantly higher as the services charges come with a care package.

7.27   The analysis shows rent levels starting at £437 per month for a 1-bedroom home and rising to around £580 for four (or more) bedrooms. The figures for the 4-bedroom category should be treated with some caution as there are generally very few lettings of properties of this size in Chichester. For comparison, the Local Housing Allowance limit has also been provided (for the Chichester BRMA) – this shows for all sizes that social rents are less than LHA.

Table 36:   Estimated average general needs social rent by dwelling size

	Average (median) social rent	LHA limit (Chichester BRMA)
1-bedroom	£437	£581
2-bedroom	£482	£728
3-bedroom	£578	£858
4-bedroom	£582	£1,161

Source: CoRe and VOA data (costs including service charge where applicable)

Income Required to Access Different Tenures of Housing

7.28   Having established the likely cost of housing, the next step is to estimate what level of income might be required to access the different products. Separate tests are applied for home ownership and private renting; home ownership is based on looking at mortgage multiples (mortgage affordability) with accessing private rented housing being based on consideration of the proportion of income that might need to be spent on housing (rental affordability). These tests were set out in the previous section and can be summarised as:

- Mortgage affordability – a 10% deposit and an income of at least four times the remaining equity; and
- Rental affordability – spending no more than 30% of income on housing.

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[15] Continuous Recording of Lettings and Sales in Social Housing in England – a national information source funded by the Department for Communities and Local Government that records information on the characteristics of both Private Registered Providers' and Local Authorities' new social housing tenants and the homes they rent and buy

7.29   Table 37 brings together an analysis of the different tenures discussed so far to consider what level of income would indicatively be required to access a home. Although the measures for mortgage and rental affordability are different; both ultimately lead to an estimate of the income required. Looking at figures for the whole of the District it can be seen that it is estimated that an income of around £56,250 would be required for open market purchase of a 2-bedroom property; but much lower figures are seen for rental options.

7.30   The analysis shows a figure of around £17,500-£23,300 to afford social rented housing and therefore it is assumed that any household with an income below this level would need this tenure of housing (probably supported by Housing Benefit). In reality, affordable rented housing might also be a solution for such a household, as long as sufficient Housing Benefit were to be available. The estimated incomes to access social rented housing should also be considered in light of benefit caps; both 3- and 4-bedroom properties show an income requirement which is higher than the upper end of benefit caps (£20,000 per annum for non-single person households).

7.31   As of May 2017, data from the Department for Work & Pensions (DWP) shows that around 90 households in the District were having their benefits capped (and around 40% of these by more than £50 a week). Further analysis of DWP data identifies that over 90% of these households have at least two children and that 80% are lone parent households. This confirms that benefit cap issues are likely to disproportionately impact on households needing larger homes.

Table 37: **Indicative affordability (income) thresholds for different tenures of housing – by size – Chichester District**

	LQ purchase	LQ private rent	Affordable rented	Social rented
1-bedroom	£29,700	£24,000	£19,200	£17,480
2-bedrooms	£56,250	£31,000	£24,800	£19,280
3-bedrooms	£58,995	£37,000	£29,600	£23,120
4-bedrooms	£79,178	£53,000	£42,400	£23,280

Source: Derived from a range of sources as described

7.32   With regard to the use of Housing Benefit (particularly to assist households affording affordable rented homes) it should be noted that there are a number of implications. The most obvious one is that the higher rents potentially charged will see a greater burden on the public purse. Additionally, with households being subject to the tapering of Housing Benefit as their income rises, the higher rents potentially provide for a longer 'benefit trap'.

Affordable Home Ownership

7.33   The analysis above has considered some of the main tenures of housing. There are also a series of other tenures in the NPPF and HWP that can be considered in this report. These are under the banner of affordable home ownership, and in terms of the HWP could include Starter Homes, Discounted market sales housing and intermediate housing (taken in this report to largely be shared ownership).

Intermediate Housing (shared ownership)

7.34   Looking at affordability for shared ownership draws on both a mortgage and rental affordability test and is discussed separately below. Shared ownership starts with an open market value (OMV) and then part of the property is sold and the rest is rented (normally from a Registered Provider). It is difficult to know exactly what the OMV of shared ownership might be (as this will depend on a range of factors such as the location of the dwelling), however, for the purposes of an indicative analysis, it is assumed that the OMV for shared ownership will be approximately lower quartile house price plus 15% (the estimated new-build premium).

7.35   Taking the example of a 2-bedroom property, it is estimated that the OMV would be about £285,000 of a new property. If buying a 25% share in the property, the income required for the purchase part of the tenure would be around £16,000 (this assumes a 10% deposit and 4× income multiple). The rental element would be about £6,400 per annum (based on paying a rent of 3% per annum on the unsold equity) and based on 33% of income for this (which seems to be a fairly standard figure for shared ownership) an additional income of about £19,200 would be needed. The overall income required for shared ownership would therefore be around £35,300.

7.36   Table 38 shows the same calculation (working through to an income requirement) for all dwelling sizes and also considering a 50% share (as well as 25%). This shows that shared ownership is affordable for 1-bedroom homes with either a 25% or 50% share (this is based on considering if there is an income requirement which is less than the LQ private rent figure). Additionally, other dwelling sizes look to just about 'work' with a 25% share but not if this is raised to 50%. This means that with a 50%, shared ownership is arguably not an affordable product. That said enabling households to access shared ownership would potentially release other accommodation into the market for use by another household.

7.37   The calculations below all assume a 10% deposit on the equity part of the home; if a household were to be able to pay a larger deposit, then the mortgage cost (and income requirement) would reduce, and hence the housing would be more affordable. That said, it may be that some shared ownership is available with deposits lower than 10% - this in turn would increase the monthly housing cost. Overall, it should therefore be noted that the analysis below is based on a specific set of circumstances; these would be different for individual households seeking to access shared ownership accommodation and should therefore be seen as indicative (albeit consistent with the analysis carried out when looking at the affordability of other tenures).

Table 38: Indicative affordability (income) thresholds for shared ownership – by size – Chichester District

	25% equity share	50% equity share
1-bedroom	£18,563	£23,625
2-bedrooms	£35,269	£44,888
3-bedrooms	£37,314	£47,491
4-bedrooms	£50,080	£63,738

Source: Derived from a range of sources as described

7.38   The above analysis is based on a standard set of assumptions. There may be some circumstances for example rural shared ownership properties where a higher deposit may be required and where households are unable to staircase to full ownership.

7.39   In looking at shared ownership, the question about affordability can be shifted to ask what level of equity purchases would be needed for a home to be affordable (i.e. at the same cost or less than access level private rented accommodation). Table 39 estimates these percentages and shows that an equity purchase of 51% for a 1-bedroom home would bring the cost in at a level close to the private rented sector. For other sizes of homes, a household would only be able to equal the income requirement to access the private rented sector if the equity purchase was as low as 13%-30%.

7.40   The analysis (particularly for the larger dwelling sizes) does not mean that the Council should not consider this type of accommodation within the mix of housing, as larger shared ownership can add to the mix of housing and will be affordable to some households who are able to rent but not to buy. Additionally, whilst 1-bedroom shared ownership looks to be relatively affordable, it would need to be established if there is actually demand for this size and tenure of accommodation in a local area – experience elsewhere has suggested that one-bedroom shared ownership is not typically of high demand.

Table 39: Equity share needed to make shared ownership income requirements the same as requirements in the private rented sector – Chichester District

	Affordable equity share
1-bedroom	51%
2-bedrooms	13%
3-bedrooms	24%
4-bedrooms	30%

Source: Derived from a range of sources as described

Starter Homes/discounted market sales housing

7.41   The final tenures to be considered are Starter Homes and discounted market sales housing. These are considered together as in many cases they would be the same product (having a discount of at least 20% from open market value (OMV). There are some differences in terms of eligibility and the

extent to which the discount is held in perpetuity, but for the purposes of this report they are most readily considered as a single tenure.

7.42   Consistent with other analysis, to establish the likely OMV we have looked at lower quartile prices and added 15%. Then a discount of 20% is applied and all of the same assumptions about deposits and income multiples as for full open market purchase. Table 40 shows a worked example of the income requirement for a 2-bedroom home. This shows an income requirement of £51,300, which is less than the income required for open market purchase (£56,250) but above the equivalent figure for a lower quartile private rented home (£31,000).

Table 40:   Income Required for Starter Home/discounted market sales housing – 2-bedroom – Chichester District

	Assumptions	Value (£)
Overall price of SH/DMS (before discount)	Price is 15% above estimated lower quartile second-hand purchase	£285,000
Price of home after 20% discount	20% discount on market value	£228,000
Deposit	10% required	22,800
Mortgage required	Minus 20% discount and 10% deposit	£205,200
Income required to afford home	Assuming a mortgage up to 4 times income	£51,300

Source: Derived from a range of sources as described

7.43   Table 41 shows equivalent income requirement figures for all dwelling sizes. This does split Starter Homes for Discounted Market Sale. This is because Starter Homes have a maximum cost of £250,000 outside London. A 20% discount from the estimated OMV for 4-bedroom homes give a figure in excess of £250,000 and so the figure is capped at this level for this size of property. For all dwelling sizes the income requirement sits somewhere between the income for open market purchase and the income required to access the private rented sector (also shown in Table 41 for clarity).

Table 41:   Affordability thresholds for Starter Homes and Discounted Market Sale housing – Chichester District

	Discounted market sale	Starter Home	LQ purchase	LQ private rent
1-bedroom	£27,000	£27,000	£29,700	£24,000
2-bedrooms	£51,300	£51,300	£56,250	£31,000
3-bedrooms	£54,275	£54,275	£58,995	£37,000
4-bedrooms	£72,843	£56,250	£79,178	£53,000

Source: Derived from a range of sources as described

7.44   One additional question arising from this analysis is to study at what point increasing the discount on a Starter Homes (above the minimum 20% assumed above) will put this tenure on an equal

footing (in affordability/income requirement terms) as the access level to the market (i.e. a lower quartile private rent). The simplest way to consider this is to look at the discount required so that the income required is in line with that needed to access a lower quartile private rented home – this tenure essentially sets the upper bound for intermediate housing. Hence an additional analysis has been undertaken to test what level of discount might be needed for Starter Homes/Discounted Market Sale housing to be an intermediate product, as currently defined in the NPPF.

7.45   Table 42 shows that for a Starter Home to just fall into the bracket of intermediate housing, that the discount from OMV would need to be in the order of 29% for a one-bedroom home and rising to 52% for homes with 2-bedrooms.

Table 42:   Theoretical discount needed from OMV to make a Starter Home/Discounted Market Sale as 'affordable' as intermediate housing – Chichester District

	Discount from OMV
1-bedroom	29%
2-bedrooms	52%
3-bedrooms	46%
4-bedrooms	42%

Source: Derived from a range of sources as described

7.46   An alternative way to look at discounts to make housing affordable is to use the income thresholds for private rented accommodation and work these back into a house price (again assuming a four times income multiple and a 10% deposit). Table 43 shows what the sale price would need to be if low-cost home ownership were to essentially be at the access level to the market. The final column in the table shows how a developer contribution could be calculated.

Table 43:   Chichester affordable home ownership prices – March 2017 – Chichester District

	Affordable Housing Prices (AHP) (initial fixed sale prices)
1-bedroom	£105,600
2-bedrooms	£136,400
3-bedrooms	£162,800
4-bedrooms	£233,200

Source: Derived from a range of sources as described

7.47   One advantage of looking at the cost of housing in this way is that it can readily be updated (every six months by reference to Valuation Office Agency data). However, it is not entirely clear if setting low-cost home ownership costs at these levels would be a worthwhile exercise.

7.48   Firstly, whilst these costs would theoretically mean that an affordable home ownership unit would meet the current NPPF definition of affordable housing; it would remain the case, that many households who are able to afford such a product, could already afford open market housing without the need for subsidy/discount (unless strict income limits were to be applied, which certainly in the case of Starter Homes looks unlikely (given an £80,000 upper income limit).

7.49   Secondly, providing homes at these costs (e.g. a 2-bedroom home for £136,400) will be less viable than providing the same homes at (say) a 20% discount (e.g. in the case of a 2-bedroom home a 20% discount would roughly equate to a property price of £228,000). The larger discount could have a knock-on effect on the ability for other forms of affordable housing to be provided (such as social/affordable rent). As with many aspects of looking at affordable housing provision, there will be a series of choices to be made by the Council which will need to balance up overall delivery, the affordability of housing and the viability of provision.

Types of Affordable Housing – Discussion

7.50   The cost of housing to buy in Chichester District is relatively expensive compared with national data. A lower quartile terraced home (regardless of size) is estimated to cost around £245,000, whilst a lower quartile two-bedroom home is estimated to be around £191,000. To access a 2-bedroom home (assuming a 10% deposit and a four times income multiple) a household would need an income of around £56,000.

7.51   The cost of private rented accommodation is also somewhat more expensive than seen nationally. A lower quartile 2-bedroom home costs around £775 per month, and the income needed to access this accommodation (assuming that around 30% of income could reasonably be spent on housing) would be around £31,000. The amount of Housing Benefit that can be claimed is generally lower than lower quartile market rents, meaning that benefit dependent households could find it difficult to access market housing (without having to top-up the rent to be paid).

7.52   The cost of affordable rented housing (at 80% of market rents) looks likely to have a cost at or below the maximum Housing Benefit levels, and hence can be considered as an affordable product likely to be available to most households. However, for households requiring larger homes, it is possible that the benefit cap would make it difficult to access this form of affordable housing. Social rents are notably cheaper than private or affordable rents and are the most affordable form of accommodation.

7.52   Because of those households who are unable to afford the affordable rental products it places a greater strain on social rental and temporary accommodation. The latter is looked at in more detail within the specific groups chapter.

7.53   Analysis has been carried out to look at the potential cost of a range of affordable home ownership options. Key forms of affordable home ownership set out in the HWP (e.g. Starter Homes or Discounted Market Sale) have the potential to be expensive relative to the income requirements for private rented accommodation. Generally, if such homes were sold at a 20% discount to Open Market Value (OMV) then they would not be meeting affordable need (i.e. those able to afford such accommodation could also afford to rent privately without any subsidy). To make home ownership as affordable as the private rented sector, discounts on OMV of well in excess of 20% would

typically be needed (for a 2-bedroom home a discount of around 50% is estimated as being necessary).

7.54   Turning to shared ownership, this tenure would generally sit at an effective cost somewhere between the cost of outright ownership and renting privately. Hence, this type of accommodation is in most instances not affordable in terms of the definitions in the NPPF (and reaffirmed in the HWP). However, this analysis is based on a specific set of assumptions; the affordability of any particular dwelling could vary depending on the OMV and the individual circumstances of prospective purchasers. Additionally, the options that Help to Buy offer in purchasing a share may make such housing affordable for the applicant, and would therefore make this a viable and affordable home ownership option.

7.55   It is however clear from the analysis that shared ownership is likely to be the most affordable home ownership option available and should ideally be included in the mix of housing where an affordable home ownership element is to be included (which is likely to be necessary if the suggestions in the HWP are followed through).

7.56   The range of analysis around the cost of housing (including affordable housing) does provide the Council with a series of choices. The analysis clearly identifies a need for affordable housing based on the current NPPF definition, as well as a potential role of affordable home ownership (although it is recognised that this may not meet 'needs' as currently defined, it is the case that such housing would sit in the gap between privately renting and home ownership).

7.57   There are clear overlaps between different 'affordable' products, with the analysis only able to provide a broad overview; for example, shared ownership could be provided with different equity shares to that assumed in this study, whilst Starter Homes could be provided with a greater discount than 20% on open market value.

7.58   Affordable home ownership with 'standard' discounts would typically require an income that is above the income needed to access private rented accommodation. This means that such housing is not technically affordable; however, inclusion of affordable home ownership products as part of the mix of housing would enable some households to move out of private rented accommodation, as well as fulfilling the Government desire to increase home ownership.

7.59   It is therefore suggested that the Council should consider seeking 10% of all housing to be affordable home ownership (as set out in the HWP). There will be decisions to make about the form such housing takes. The analysis is clear that a 20% discount from OMV will not make housing affordable, but higher discounts will impact on viability, with the possibility that such housing still does not meet an ideal target audience (e.g. if households with relatively high incomes are able to access such housing). Hence any policy to include the 10% should be carefully thought through. Furthermore, it is not considered that there is any basis (in affordability terms) to increase the provision of affordable home ownership above the 10% figure currently suggested in the HWP.

7.60   The Council will also need to consider what forms of affordable home ownership are most appropriate in local circumstances. The discussion when looking at different tenures within this broad 'affordable home ownership' category clearly points towards shared ownership as being the most affordable option; the Council should therefore focus on this tenure as a start point, with other options potentially being considered where viability is a concern. The Council could also consider other forms of affordable home ownership over and above the typical social: intermediate split typically sought in policy. This could be in addition to the affordable housing and could form part of the market housing.

7.61   Subject to viability, in addition to 10% of affordable home ownership, the Council should be seeking to provide additional rented housing; the provision of such housing should be maximised where opportunities arise. Analysis in this report suggests that rented housing could be split broadly equally between social and affordable rented, although the amount of affordable rent could be increased as long as the rent level does not fall above LHA limits (and also being mindful of the impact of benefit caps for larger households).

7.62   In terms of the choices, the delivery of affordable housing will be limited by the finance available to provide such housing, and this will need to be balanced against the need for different types of accommodation. For example, the analysis clearly indicates the main need to be for rented homes and that social rents are the most affordable tenure of housing. However, social rent is typically less viable to provide than say shared ownership (or indeed affordable rents) – therefore fewer social rented homes would be able to be provided than homes of other tenures.

7.63   Additionally, affordable home ownership may not meet the current NPPF definitions of affordable housing; however, Local planning authorities in England are under a general duty to *promote* the supply of Starter Homes, with the HWP looking to include a 'policy expectation' that 10% of all new homes will be some form of affordable home ownership. Hence, there will be further choices to make regarding the provision of affordable home ownership and this will include consideration of issues such as the discount on OMV.

7.64   There are further considerations when looking at the tenures of affordable homes to be provided. This includes the cost to the public purse of Housing Benefit and also the extent to which households might get caught in a benefit trap if rent levels are too high (which could act as a disincentive to seek employment). Differences in the pricing and availability of housing in different areas will also be a consideration when deciding what mix of housing is most appropriate (e.g. rural housing is typically more expensive, and these areas typically have a lower proportion of social rented homes currently).

7.65   Overall, whilst this analysis provides an evidence base about different types/tenures of housing, it remains the case that the local authority will need to recognise that there are a series of choices to

be made with regard to the provision of new affordable housing; essentially a trade-off between the affordability of accommodation and the number of homes that can viably be provided.

Summary

7.66   The analysis in this section seeks to consider the affordability of housing options in Chichester District. A particular focus of the analysis is to consider the (wider) proposed definition of affordable housing in the Housing White Paper (HWP) of February 2017 (including proposals to introduce a 'policy expectation' that at least 10% of new homes are in an 'affordable home ownership' tenure).

7.67   Table 44 provides a summary of estimated income requirements to access a range of different property sizes and tenures. This clearly identifies that affordable home ownership with 'standard' discounts would typically require an income that is above the income needed to access private rented accommodation. This means that such housing is not technically affordable; however, it needs to be noted that the figures below are based on a specific set of assumptions; the affordability of any particular dwelling could vary depending on the open market value and the individual circumstances of prospective purchasers.

7.68   Additionally, the options that Help to Buy offer in purchasing a share (for shared ownership) may make such housing affordable for the applicant, and would therefore make this a viable and affordable home ownership option. Overall, the analysis would support shared ownership as the most affordable form of affordable home ownership that can be promoted by the Council.

Table 44:   Indicative affordability (income) thresholds for different tenures of housing – by size – Chichester District

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms
Lower Quartile purchase	£29,700	£56,300	£59,000	£79,200
Discounted market	£27,000	£51,300	£54,300	£72,800
Starter Home	£27,000	£51,300	£54,300	£56,250
Shared ownership (50% equity share)	£23,600	£44,900	£47,500	£63,700
Lower Quartile private rent	£24,000	£31,000	£37,000	£53,000
Affordable rented	£19,200	£24,800	£29,600	£42,400
Social rented	£17,500	£19,300	£23,100	£23,300

Source: Derived from a range of sources as described

7.69   On the basis of the analysis of housing costs, income requirements and an understanding of potential changes to the definition of affordable housing; the main conclusions from the analysis are:

- The Council should consider seeking 10% of all housing to be affordable home ownership (as set out in the HWP);
- The bulk of the affordable home ownership should be shared ownership – this is the most affordable of the home ownership options;

- The Council could also consider other forms of affordable home ownership (such as Starter Homes). This could be in addition to the affordable housing and could form part of the market housing; and
- Subject to viability, in addition to the affordable home ownership, the Council should be seeking to provide additional rented housing. A broadly equal split between social and affordable rented could be considered, although the costs and affordability of affordable rented housing should be monitored over time.

7.70 Overall, it needs to be recognised that there are a series of choices to be made with regard to the provision of new affordable housing; essentially a trade-off between the affordability of accommodation and the number of homes that can viably be provided. Hence the analysis in this report can only provide a guide to the types of affordable housing that should be provided.

7.71 In order to aid the decision-making process regarding these choices, the following breakdown of tenure could be used as a starting point.

- Market sale – 65%;
- Market rent – 0%;
- Affordable Home Ownership (inc. Starter Homes and Intermediate) – 10%;
- Affordable rent – 12.5% and
- Social rent – 12.5%

7.72 However, this comes with a series of caveats including the viability of providing different types of affordable housing. While there is no evidence of a need to build additional PRS homes, if build to rent opportunities arise then these should be considered on their merits.

7.73 Furthermore, the cost of low cost home ownership properties can sometimes exceed those of lower cost market homes and thus cannot be truly considered as "affordable", albeit they might be recognised as such by the government. It therefore becomes a choice for the Council to pursue this tenure above more traditional forms of affordable accommodation.

7.74 Viability and available funding should also be considered when deciding upon the most suitable form of rental products for the Council to pursue. The above starting point in theory could merge the social and affordable rental mix or have any reasonably percentage of each.

Key Points

- We have estimated that households require almost £30,000 per annum to be able to purchase lower quartile (1-bedroom) home within Chichester. While to Privately Rent a 1-bedroom lower quartile the household income requirement falls to £24,000 per annum.

- The evidence clearly identifies that affordable home ownership with 'standard' discounts still typically requires an income in excess of that required for PRS (£27,000). This means that such housing is not technically affordable;

- Overall, the analysis would support shared ownership as the most affordable form of affordable home ownership that can be promoted by the Council.

- Social rent still requires a household income of £17,500 per annum.

- The Council will require to make a series of choices with regard to the provision of new affordable housing; essentially a trade-off between the affordability of accommodation and the number of homes that can viably be provided.

8   HOUSING TECHNICAL STANDARDS AND NEEDS OF SPECIFIC GROUPS

Introduction

8.1   Planning Practice Guidance note 56 (Housing: optional technical standards) sets out how local authorities can gather evidence to set requirements on a range of issues (including accessibility and wheelchair housing standards, water efficiency standards and internal space standards). This section looks at the first two of these (i.e. accessibility and wheelchair housing) as well as considering the specific needs of older people.

8.2   The PPG sets out that the reason for the approach to setting standards is designed to *'rationalise the many differing existing standards into a simpler, streamlined system which will reduce burdens and help bring forward much needed new homes'* (56-001) and that *'local planning authorities will need to gather evidence to determine whether there is a need for additional standards in their area'* (56-002).

8.3   The PPG sets out that local authorities should be using their assessment of housing need (and other sources) to consider the need for M4(2) (accessible and adaptable dwellings), and/or M4(3) (wheelchair user dwellings), of the Building Regulations. It sets out that there are a range of published statistics which can be considered, including:

- the likely future need for housing for older and disabled people (including wheelchair user dwellings);
- size, location, type and quality of dwellings needed to meet specifically evidenced needs (for example retirement homes, sheltered homes or care homes);
- the accessibility and adaptability of existing housing stock;
- how needs vary across different housing tenures; and
- the overall impact on viability.

8.4   This section of the report draws on a range of statistics, including those suggested in the PPG (for which the Government has provided a summary data sheet 'Guide to available disability data' – termed the Guide in analysis to follow). The discussion below begins by looking at older persons' needs.

Current Population of Older People

8.5   Table 45 provides baseline population data about older persons and compares this with other areas. The data for has been taken from the published ONS mid-year population estimates and is provided for age groups from 65 and upwards. The data shows, when compared with both the South East region and England, that the District has a notably higher proportion of older persons. In 2016, it is estimated that 27% of the population of the District was aged 65 or over.

Table 45:   Older Person Population (2016)

		Under 65	65-74	75-84	85+	Total	Total 65+
Chichester District	**Popn**	**86,622**	**16,313**	**10,427**	**4,813**	**118,175**	**31,553**
	% of popn	**73.3%**	**13.8%**	**8.8%**	**4.1%**	**100.0%**	**26.7%**
West Sussex	% of popn	77.5%	11.8%	7.2%	3.5%	100.0%	22.5%
South East	% of popn	81.1%	10.3%	6.0%	2.7%	100.0%	18.9%
England	% of popn	82.1%	9.8%	5.7%	2.4%	100.0%	17.9%

Source: ONS 2016 Mid-Year Population Estimates

Future Changes in the Population of Older Persons

8.6   As well as providing a baseline position for the proportion of older persons in the District, population projections can be used to provide an indication of how the numbers might change in the future compared with other areas. The data presented below uses the 2014-based SNPP for consistency across areas and runs from 2016 to 2036 to be consistent with projections developed for use within this report. The data for Chichester has additionally been updated to reflect ONS mid-year population estimates (MYE) up to 2016.

8.7   The data shows that the District is expected to see a notable increase in the older person population with the total number of people aged 65 and over expected to increase by 47% over the 20-years from 2016; this compares with overall population growth of 14% and an increase in the Under 65 population of just 1%.

Table 46:   Projected Percentage Change in Population of Older Persons (2016 to 2036)

	Under 65	65-74	75-84	85+	Total	Total 65+
Chichester District	1.3%	25.5%	49.7%	117.0%	13.6%	47.5%
West Sussex	5.4%	33.5%	59.5%	108.6%	16.3%	53.6%
South East	5.6%	31.9%	59.8%	118.9%	14.6%	53.2%
England	5.3%	29.3%	54.2%	113.1%	13.0%	48.5%

Source: Derived from ONS subnational population projections (2014-based)

8.8   In total population terms, the projections show an increase in the population aged 65 and over of 15,000 people, this is against a backdrop of an overall increase of 16,100 and an increase in the population aged under 65 of just 1,100.

Table 47: Projected Change in Population of Older Persons (2016 to 2036) – Chichester District

	2016 population	2036 population	Change in population	% change
Under 65	86,622	87,754	1,132	1.3%
65-74	16,313	20,469	4,156	25.5%
75-84	10,427	15,610	5,183	49.7%
85+	4,813	10,446	5,633	117.0%
Total	118,175	134,279	16,104	13.6%
Total 65+	**31,553**	**46,525**	**14,972**	**47.5%**

Source: ONS subnational population projections (2014-based)

Older Persons' Housing Needs

8.9   Given the ageing population and higher levels of disability and health problems amongst older people there is likely to be an increased requirement for specialist housing options moving forward. The analysis in this section draws on data from the Housing Learning and Information Network (Housing LIN) along with demographic projections to provide an indication of the potential level of additional specialist housing that might be required for older people in the future.

8.10   The More Choice, Greater Voice toolkit has been developed by Housing LIN, in association with the Elderly Accommodation Council and endorsed by the Department of Health, to identify potential demand for different types of specialist housing for older people and model future range of housing and care provision. It suggests that there should be around 170 units of specialised accommodation (other than registered care home places) per thousand people aged over 75 years.

8.11   It should be noted that these are national based assumptions which the Housing LIN apply to local areas. It may well be the case than in more affluent areas the need for this type homes would be less. Therefore, the figures should be treated as indicative.

8.12   Table 48 shows the change in the population aged 75 and over and what this would mean in terms of provision at 170 units per 1,000 head of population. The analysis shows a potential need for 1,800 units – 92 per annum in the 2016-36 period – this is 15% of the total OAN. The Housing LIN source also suggests a broad tenure split of 40% rented housing (affordable housing) and 60% in the market[16] - this is likely to be a reasonable tenure split to consider in Chichester.

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[16] See: http://www.housinglin.org.uk/_library/Resources/Housing/Support_materials/Reports/MCGVdocument.pdf

Table 48:   Projected need for Specialist Housing for Older People (2016-36) – Chichester District

	2014-based SNPP (+MYE)
Population aged 75+ (2016)	15,240
Population aged 75+ (2036)	26,056
Change in population aged 75+	10,816
Specialist housing need (@ 170 units per 1,000)	1,839
Per annum need (2016-36)	**92**

Source: Derived from demographic projections and Housing LIN

8.13   In examining the need across the sub-areas the largest requirements over the plan period are in the Manhood Peninsula (25 per annum) and the SDNP (also 25). The lowest need is in the Plan Area North.

Table 49:   Projected need for Specialist Housing for Older People by Sub Area (2016-36)

	East West Corridor	SDNP	Chichester City	Manhood Peninsula	Plan Area North
Change in population aged 75+ (16-36)	1,850	2,899	2,467	3,000	514
Percentage Increase	72.0%	71.3%	70.8%	71.0%	67.3%
Specialist housing need (@ 170 units per 1,000)	314	493	419	510	87
Per annum need (2016-36)	**16**	**25**	**21**	**25**	**4**

Source: Derived from demographic projections and Housing LIN

Registered Care Bedspaces (C2 use class)

8.14   As well as the need for specialist housing for older people the analysis needs to consider Registered Care. As with the analysis of potential need for specialist accommodation, the analysis below considers changes to the number of people aged 75 and over who are expected to be living in some form of institutional housing.

8.15   This is a direct output of the demographic modelling which indicates an increase of 970 people living in institutions over the 2016-36 period (48 per annum). These figures are important to note if the Council intends to include C2 class uses in their assessment of 5-year housing land supply as it will be necessary to include figures on both the OAN (which currently excludes it) and supply side of the equation.

Table 50:   Potential Need for Residential Care Housing – Chichester District

	2014-based SNPP (+MYE)
Institutional population aged 75+ (2016)	1,179
Institutional population aged 75+ (2036)	2,147
Change in institutional population aged 75+	967
Per annum 'need' (2016-36)	**48**

Source: Derived from demographic projections

8.16   For clarity, the analysis in this report does not make any distinction about what form of housing might fit into each of the C2 and C3 classes; it is possible for example for Extra-care/sheltered housing to be in either classification depending on the configuration of the scheme. The definition of C2 used in this report follows that of the 2011 Census (and is therefore the same definition as used by CLG in their projections).

8.17   The definition of C2/C3 is essentially based on the proportion of households in a scheme who have their own kitchen. If 50 per cent or more units in a scheme have their own kitchen then all occupants of the scheme are defined as households (irrespective of whether there are other communal facilities) – these would be within a C3 use class. The C2 figures are therefore based on schemes where fewer than 50% of units have their own kitchen.

8.18   At present C2 specialist accommodation is not included within the OAN but C3 sheltered accommodation is included as part of the OAN.

Health-related Population Projections

8.19   In addition to providing projections about how the number and proportion of older people is expected to change in the future we can look at the likely impact on the number of people with specific illnesses or disabilities. For this data from the Projecting Older People Information System (POPPI) website has been used which provides prevalence rates for different disabilities by age and sex. For the purposes of the SHMA analysis has focussed on estimates of the number of people with dementia and mobility problems.

8.20   For both of the health issues analysed the figures relate to the population aged 65 and over. The figures from POPPI are based on prevalence rates from a range of different sources and whilst these might change in the future (e.g. as general health of the older person population improves) the estimates are likely to be of the right order.

8.21   Table 51 shows that both of the illnesses/disabilities are expected to increase significantly in the future although this would be expected given the increasing population. In particular there is projected to be a large rise in the number of people with dementia (up 75%) along with a 65% increase in the number with mobility problems.

8.22   When related back to the total projected change to the population, the increase of 3,900 people with a mobility problem represents 24% of the total population growth projected by the 2014-based SNPP (+MYE).

Table 51:   Estimated Population Change for range of Health Issues (2016 to 2036) – Chichester District

Type of illness/disability	2016	2036	Change	% increase
Dementia	2,240	3,927	1,687	75.3%
Mobility problems	5,987	9,897	3,910	65.3%

Source: Data from POPPI and demographic projections

People with disabilities

8.23   The Guide provides data about households with a long-term illness or disability from the English Housing Survey. Whilst this provides a national perspective, the source cannot provide more localised data. Hence the analysis below has drawn on the 2011 Census (which has a definition of long-term health problem or disability (LTHPD)).

8.24   Table 52 shows the proportion of people with a long-term health problem or disability (LTHPD) and the proportion of households where at least one person has a LTHPD. The data suggests that across the District some 31% of households contain someone with a LTHPD. This figure is similar to that seen in other areas. The figures for the population with a LTHPD again show a similar pattern in comparison with other areas (an estimated 17% of the population of the District have a LTHPD). The analysis therefore identifies that issues around disability are similar in the District, despite the area having a higher proportion of older people.

Table 52:   Households and people with Long-Term Health Problem or Disability (2011) – Chichester District

	Households containing someone with health problem		Population with health problem	
	Number	%	Number	%
Chichester	**15,292**	**30.7%**	**19,883**	**17.5%**
West Sussex	107,127	31.0%	138,880	17.2%
South East	1,048,887	29.5%	1,356,204	15.7%
England	7,217,905	32.7%	9,352,586	17.6%

Source: 2011 Census

8.25   It is likely that the age profile will impact upon the numbers of people with a LTHPD, as older people tend to be more likely to have a LTHPD. Therefore, Figure 39 shows the age bands of people with a LTHPD. It is clear from this analysis that those people in the oldest age bands are more likely to have a LTHPD; it is also notable that the prevalence of disabilities is lower in Chichester for all age groups than in any of the comparator areas.

Figure 39: Population with Long-Term Health Problem or Disability in each Age Band
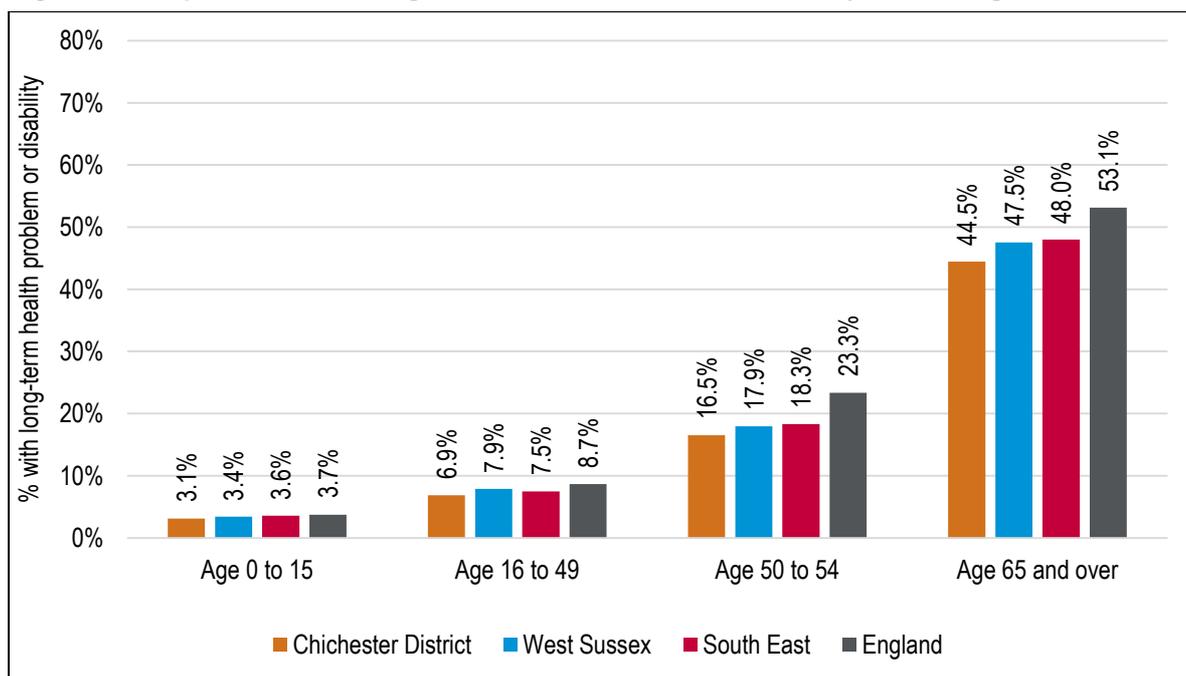
Source: 2011 Census

8.26   The age specific prevalence rates shown above can be applied to the demographic data to estimate the likely increase over time of the number of people with a LTHPD. In applying this information to the demographic projections, it is estimated that the number of people with a LTHPD will increase by around 6,600 (a 30% increase).

8.27   Across the District, this increase is strongly focussed in age groups aged 65 and over. The population increase of people with a LTHPD represents 41% of the total increase in the population estimated by the projections.

Table 53:   Estimated change in population with LTHPD (2016-2036) – Chichester District

	Population with LTHPD		Change	% change from 2016
	2016	2036		
2014-based SNPP (+MYE)	21,658	28,259	6,601	30.5%

Source: Derived from demographic modelling and Census (2011)

8.28   Figure 40 shows the tenures of people with a LTHPD – it should be noted that the data is for population living in households rather than households. The analysis clearly shows that people with a LTHPD are more likely to live in social rented housing and are also more likely to be outright owners (this will be linked to the age profile of the population with a disability). Given that typically the lowest incomes are found in the social rented sector and to a lesser extent for outright owners the analysis would suggest that the population/households with a disability are likely to be relatively disadvantaged when compared to the rest of the population.

Figure 40: Tenure of people with LTHPD
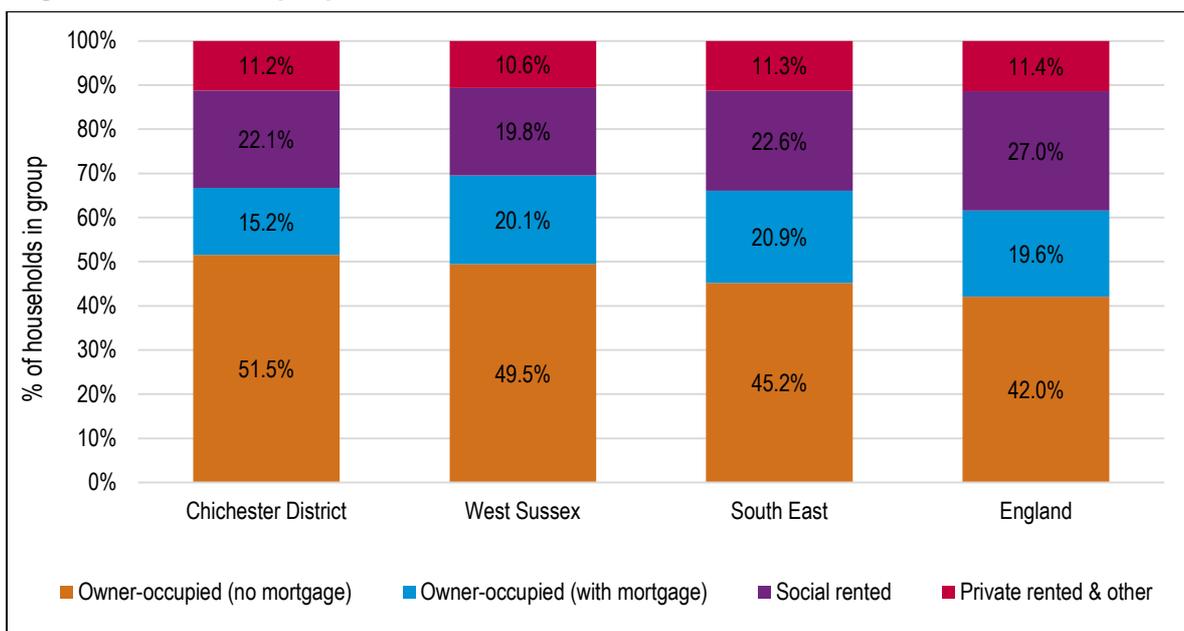
Source: 2011 Census

8.29   Table 54 shows further information about the tenure split of the household population with a LTHPD. This shows that people living in the social rented sector are about twice as likely to have a LTHPD compared to those in other tenures.

Table 54:   Tenure of people with a LTHPD

	% of social rent with LTHPD	% of other tenures with LTHPD
Chichester District	**25.2%**	**15.2%**
West Sussex	26.0%	15.0%
South East	26.2%	13.5%
England	28.2%	15.0%

Source: Derived from demographic modelling and Census (2011)

Wheelchair Adapted Housing

8.30   Information about the need for housing for wheelchair users is difficult to obtain (particularly at a local level) and so some brief analysis has been carried out based on national data within a research report by Habinteg Housing Association and London South Bank University (Supported by the Homes and Communities Agency) – *Mind the Step: An estimation of housing need among wheelchair users in England*. This report provides information at a national and regional level although there are some doubts about the validity even of the regional figures; hence the focus is on national data.

8.31   The report identifies that around 84% of homes in England do not allow someone using a wheelchair to get to and through the front door without difficulty and that once inside, it gets even more restrictive. Furthermore, it is estimated (based on English House Condition Survey data) that

just 0.5% of homes meet criteria for 'accessible and adaptable', while 3.4% are 'visitable' by someone with mobility problems (data from the CLG Guide to available disability (taken from the English Housing Survey) puts the proportion of 'visitable' properties at a slightly higher 5.3%).

8.32   Overall, the report estimates that there is an unmet need for wheelchair adapted dwellings equivalent to 3.5 per 1,000 households – in the Chichester District, as of 2014, this would represent a need for about 180 wheelchair adapted dwellings. Moving forward, the report estimates a wheelchair accessibility need from around 3% of households. If 3% is applied to the household growth in the projections (2016-36) then there would be an additional need for around 320 adapted homes. If this figure is brought together with the estimated current need then the total wheelchair adapted need would be for around 507 homes – this is about 5% of total household growth.

Table 55:   Estimated need for wheelchair adapted homes (2016-2036) – Chichester District

	Current need	Projected need (2016-36)	**Total**	Total household growth	% wheelchair
2014-based SNPP (+MYE)	183	324	507	10,794	4.7%

Source: Derived from demographic projections and Habinteg prevalence rates

8.33   Information in the CLG Guide on available disability data also provides some historical national data about wheelchair users by tenure (data from the 2007/8 English Housing Survey). This showed around 7.1% of social tenants to be wheelchair uses, compared with 2.3% of owner-occupiers (there was insufficient data for private renting, suggesting that the number is low). This may impact on the proportion of different tenures that should be developed to be wheelchair accessible (although it should be noted that the PPG (56-009) states that *'Local Plan policies for wheelchair accessible homes should be applied only to those dwellings where the local authority is responsible for allocating or nominating a person to live in that dwelling'*).

Housing Technical Standards – discussion

8.34   This section has drawn on a range of data sources, as suggested by CLG and also some more traditionally used in assessments such as this (e.g. from Housing LIN). This is to consider the need for Building Regulations (M4(2) and M4(3)).

8.35   The data shows that in general, Chichester has a similar level of disability when compared with other areas and that an ageing population means that the number of people with disabilities is expected to increase substantially in the future. Key findings include:

- 47% increase in the population aged 65+ (accounting for over 90% of total population growth);
- 15% of household growth identified in the CLG projections to be specialist housing for older persons;
- 65% increase in the number of older people with mobility problems (representing around a quarter of all population growth);

- 30% increase in the number of people with a long-term health problem or disability (LTHPD) (representing over 40% of all population growth);
- concentrations of LTHPD in the social rented sector;
- a need for around 4.7% of dwellings to be wheelchair adapted (M4(3))

8.36   This would suggest that there is a clear need to increase the supply of accessible and adaptable dwellings and wheelchair user dwellings. The exact proportion of homes in categories M4(2) and M4(3) is for the Councils to consider based on this evidence and also any other relevant information (e.g. about viability). That said, the CLGs Housing Standards Review Cost Impact study (which accompanies the PPG) suggests that meeting M4(2) standards is likely to cost in the range of £520-£940 per dwelling (M4(3) being substantially higher).

8.37   In seeking M4(2) compliant homes the Council should also be mindful that such homes could be considered as 'homes for life' and would be suitable for any occupant, regardless of whether or not they have a disability at the time of initial occupation.

8.38   The Council should also consider if a different approach is prudent for market housing and affordable homes, recognising that Registered Providers may already build to higher standards, and that households in the affordable sector are more likely to have some form of disability.

Qualitative Needs

8.39   We also consulted with local registered providers of age restricted properties to understand the local dynamics. In particular we asked about the quality of this product in different areas and the likelihood of these properties being let.

8.40   One registered provider had invested in its retirement housing over the past few years to bring standards up and to address issues with bedsits, which are generally undesirable. They told us that age restricted housing can be harder to let in some circumstances. We were told that it depends on the scheme and the unit in that scheme, e.g. is it a bedsit (from older stock) or a 1 bed, what facilities there are and if it meets the expectations and desires of potential residents.

8.41   A different registered provider suggested that none of its properties in Chichester District had any age restrictions, adding that generally it does not have issues with letting properties in the district.

8.42   One RP suggested that a minor issue which can cause short delays is the length of time taken by the Council in the allocation process as the current number of applicants on the register is low in comparison to the number of properties that are currently available in the district as a whole.

8.43   Some local estate agents drew our attention to the issue of age restricted housing being slow to sell. Others responded to our questions as the quantity of age restricted housing was visible in branch displays. All of the above is also apparent from Rightmove and Zoopla listings.

8.44   The local estate agents consider that this is because many are leasehold and some attract service charges that are perceived as high. They drew our attention to a high proportion on the market that have either been offered for sale or have been subject to price reduction.

8.45   The agents also informed us that 'lease for life' arrangements are not attractive to some buyers. Also potential buyers are cautious as such property does not apparently hold its value especially if it is new-build.

8.46   This scenario is a common one up and down the country, but what is different about Chichester is the scale. For a relatively small district, the number of such properties offered for sale is in our experience is disproportionately high.

8.47   However, we would point out that resale and new build agents remarked on demand from elderly downsizers for houses and bungalows. We observed high concentrations of bungalows in the coastal settlements.

8.48   Another feature of the market is the high proportion of park homes on sale. A key difference between the Chichester market and others with a significant supply of park homes is that the marketing is targeted on second homes and holiday homes. None of the park homes for sale are age restricted (as far as we can tell), which is often the case where we have undertaken similar work.

8.49   The scenario we have described regarding age restricted housing is surprising given the findings set out above showing the scale of the elderly population. However, it is clear from the qualitative research overall, that many options exist in the Chichester housing market for older people.

Black and Minority Ethnic Households

8.50   Black or Minority Ethnic (BME) households, as a group, are quite often found to have distinct characteristics in terms of their housing needs, or may be disadvantaged in some way.

8.51   From 2011 Census data we find that around 6% of the population of the HMA came from a non-White (British/Irish) background. This figure is slightly less than that found across the HMA (7%) and county (10%) and more significantly below that of the South East (14%) and England (19%).

8.52   The largest minority ethnic group in Chichester and the HMA is the Other-White group (which is likely to contain a number of Eastern European migrants). The Other-White population makes up 3.1% of all people in the district and 4% in the HMA. This figure is notably higher than for any other group.

Table 56:   Black and Minority Ethnic Population (2011)

Ethnic Group	Chichester District	HMA	West Sussex	South East	England
White: British	93.0%	92.2%	88.9%	85.2%	79.8%
White: Irish	0.7%	0.6%	0.7%	0.9%	1.0%
White: Gypsy or Irish Traveler	0.2%	0.2%	0.1%	0.2%	0.1%
White: Other White	3.1%	4.0%	4.0%	4.4%	4.6%
Mixed: White & Black Caribbean	0.2%	0.3%	0.4%	0.5%	0.8%
Mixed: White & Black African	0.1%	0.1%	0.3%	0.3%	0.3%
Mixed: White and Asian	0.3%	0.3%	0.5%	0.7%	0.6%
Mixed: Other Mixed	0.3%	0.2%	0.4%	0.5%	0.5%
Asian: Indian	0.4%	0.4%	1.2%	1.8%	2.6%
Asian: Pakistani	0.0%	0.1%	0.6%	1.1%	2.1%
Asian: Bangladeshi	0.1%	0.2%	0.3%	0.3%	0.8%
Asian: Chinese	0.3%	0.3%	0.4%	0.6%	0.7%
Asian: Other Asian	0.6%	0.5%	1.0%	1.4%	1.5%
Black: African	0.3%	0.2%	0.6%	1.0%	1.8%
Black: Caribbean	0.1%	0.1%	0.2%	0.4%	1.1%
Black: Other Black	0.1%	0.1%	0.2%	0.2%	0.5%
Other ethnic group: Arab	0.1%	0.1%	0.1%	0.2%	0.4%
Any other ethnic group	0.1%	0.1%	0.2%	0.4%	0.6%
Total	100%	100%	100%	100%	100%
Total population	113,794	263,312	806,892	8,634,750	53,012,456
% non-White (British/Irish)	**6.3%**	**7.1%**	**10.3%**	**13.9%**	**19.3%**

Source: ONS (2011 Census)

8.53   Since 2001 the BME population in the HMA can be seen to have increased significantly as can be seen in Table 57. We have merged some categories due to a slightly different list of potential groups being used in the 2011 Census when compared with 2001 data.

8.54   The data shows that whilst the overall population of the HMA has risen by 7,300 over the 10-year period the increase in BME groups (all groups other than White (British/Irish)) has been 3,200. The White (British/Irish) population has therefore increased by 4.1% compared to an increase of 84% in BME groups (all combined).

8.55   Looking at particular BME groups we see that the largest increase in terms of population has been within the White Other group increasing by around 1,500 in ten years. While in percentage terms the largest increase was the Chinese and Other Asian population – almost trebling between 2001-11.

**Table 57:   Change in BME groups 2001 to 2011 -Chichester District**

Ethnic Group	2001	2011	Change	% change
White (British/Irish)	102,431	106,584	4,153	4.1%
White - Other	2,272	3,738	1,466	64.5%
Mixed	656	1,092	436	66.5%
Asian or Asian British	275	637	362	131.6%
Black or Black British	211	518	307	145.5%
Chinese and other	374	980	606	162.0%
Total	106,450	113,794	7,344	6.9%
Non-White (British/Irish)	3,788	6,965	3,177	83.9%
% Non-White (British/Irish)	3.6%	6.1%	43.3%	-

*Source*: Census 2001 and 2011

BME Household Characteristics

8.56   Census data can also be used to provide some broad information about the household and housing characteristics of the BME population in Chichester. Figure 41 looks at the population age structure of four broad age groups using data from the 2011 Census.

8.57   The age profile of the BME population is striking when compared with White: British/Irish people. All BME groups are considerably younger than the White (British/Irish) group with people from a Mixed background being particularly likely to be aged 15 or younger when compared with any other group.

8.58   The proportions of older persons are also notable with 26% of White; British/Irish people being age 65 or over compared with all BME groups showing proportions of no more than 12%.

**Figure 41: Population Age Profile (2011) – Chichester District**
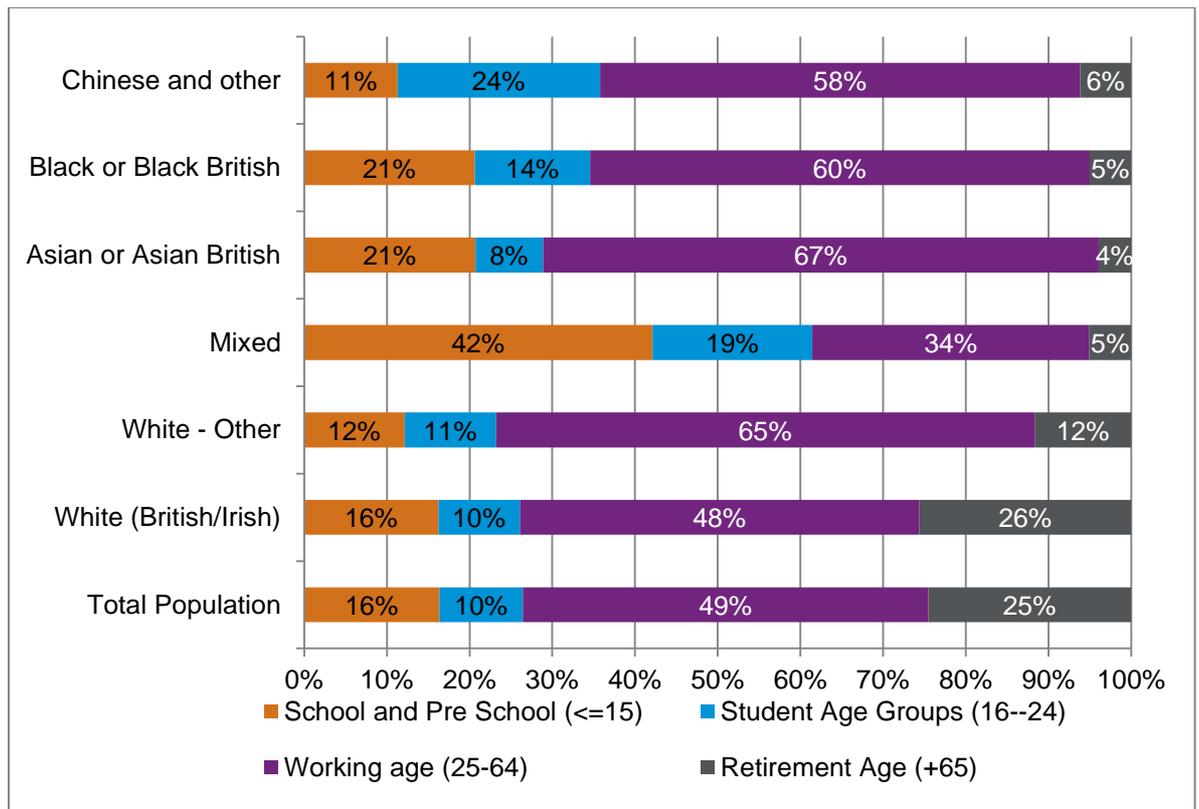
Source: Census (2011)

8.59   There are notable differences between the household characteristics of BME households and the White: British population. Figure 42 indicates that all BME groups are significantly less likely to be owner-occupiers (particularly outright owners) and far more likely to live in Private Rented accommodation. Arguably the starkest trends are the 41% of White (Other), 44% of Asian and 51% of Black households living in the Private Rented Sector.

Figure 42: Tenure by Ethnic Group in Chichester District
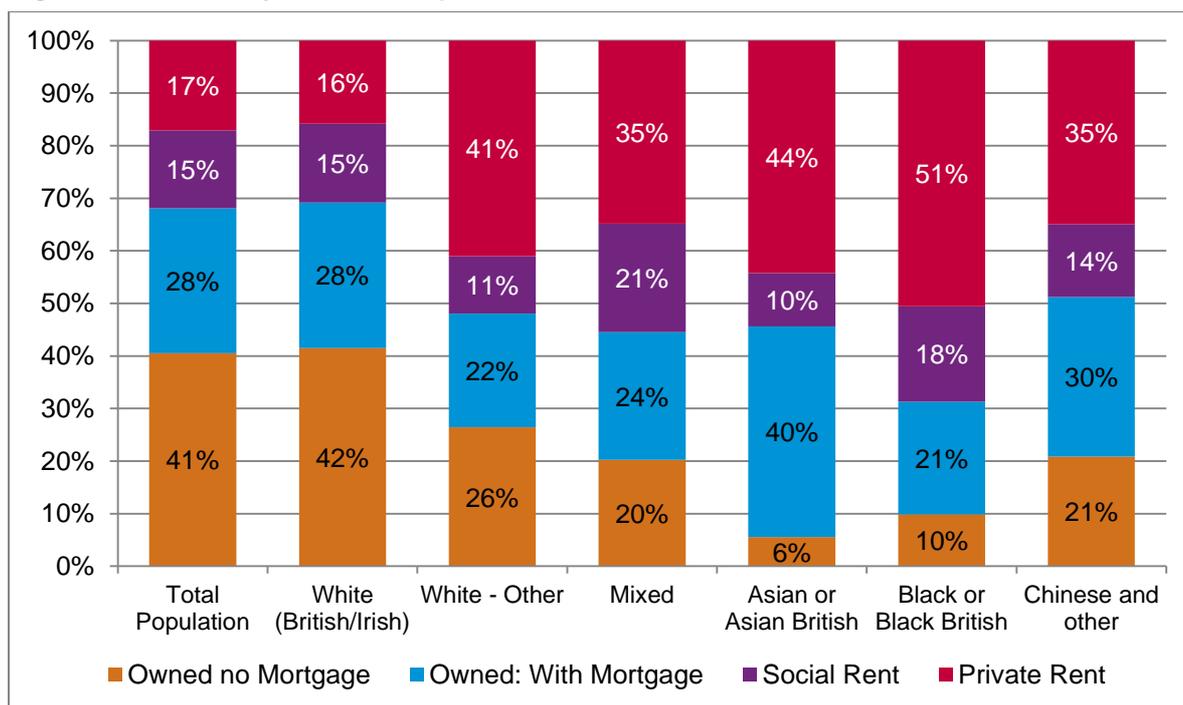
Source: 2011 Census data (from NOMIS)

8.60   The strong representation of BME households in the Private Rented Sector means that they are more likely to be affected by the implementation of Universal Credit. While the over reliance on PRS could be perceived as an issue it has been reported by local agricultural and horticultural businesses that many of the agricultural workers choose this tenure as a preference as they do not reside in the country for the entire year.

8.61   However, as BME communities mature over time, the level of owner occupation may increase. The pace at which this happens may be influenced by economic opportunities available as well as the level of enterprise within the local community.

8.62   For some communities there may be support mechanisms which can work within the community, such as availability of interest free loans or support raising a deposit to buy a home, depending on cultural factors.

8.63   Figure 43 shows 'occupancy ratings' by BME group; this is based on the bedroom standard. BME groups and particularly Asian Households (17%) are more likely to be over-occupied than White (British) households (4%).

Figure 43: Occupancy Rating by Ethnic Group – Chichester District
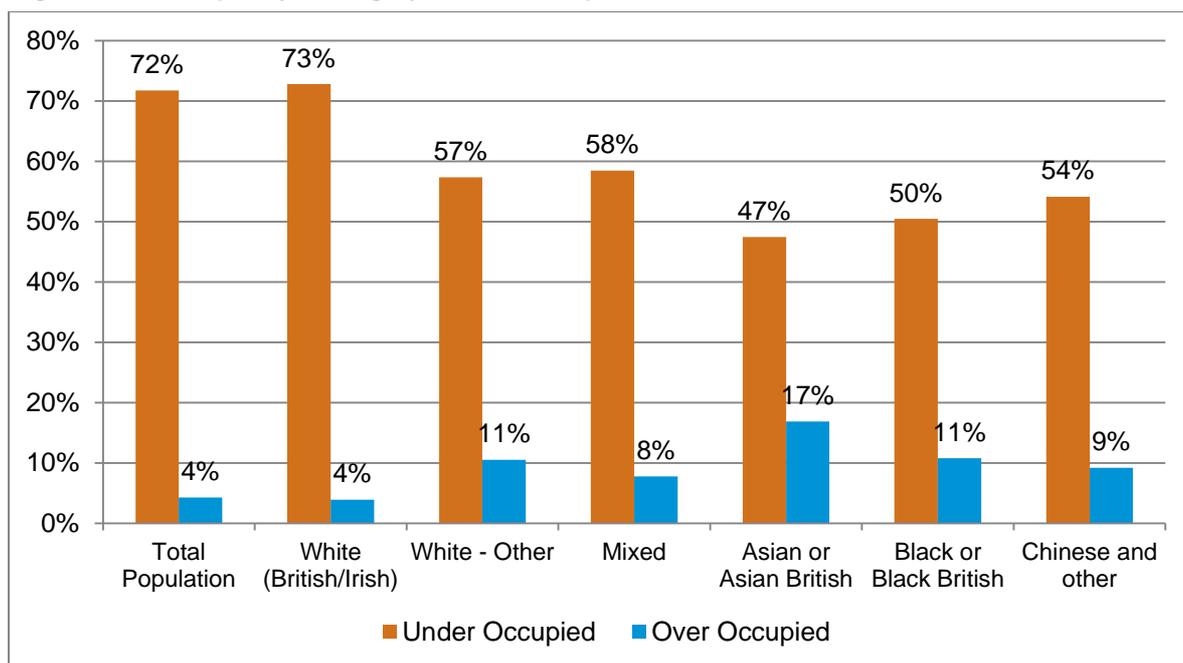
Source: 2011 Census data (from NOMIS)

8.64   Conversely the levels of under-occupancy amongst BME communities are generally lower than in White British/Irish Households. Therefore there may be a need to provide further larger homes to deal with this specific issue. Alternatively (or as well as) more smaller homes to allow for the aging and under-occupying White British/Irish households to downsize into thus releasing their larger homes.

8.65   As noted later in this report the horticultural industry is reliant on a significant proportion of eastern European workers. However, the owners of these businesses are of the firm belief that the workforce are transient and are content with renting cheap temporary accommodation which allows them to leave at short notice.

8.66   While there may be some interest for more sustainable locations for agricultural workers to live i.e. agricultural accommodation on site this was not currently required nor proffered as a solution.

Homeless Households and Temporary Housing

8.67   The lack of delivery of affordable housing may also impact on the demand for temporary homes. That said Chichester has bucked the national trends by having a reduction in the number of people being accepted as homeless.

8.68   As shown in Figure 44 in 2009-10 approximately 0.9 households/persons were accepted as being homeless for every 1,000 households. By 2016-17 this figure had fallen to 0.7. In contrast the national figure for England saw an increase from 1.9 to 2.5 per thousand households.

Figure 44: Numbers accepted as being homeless and in priority need per 1,000 Households
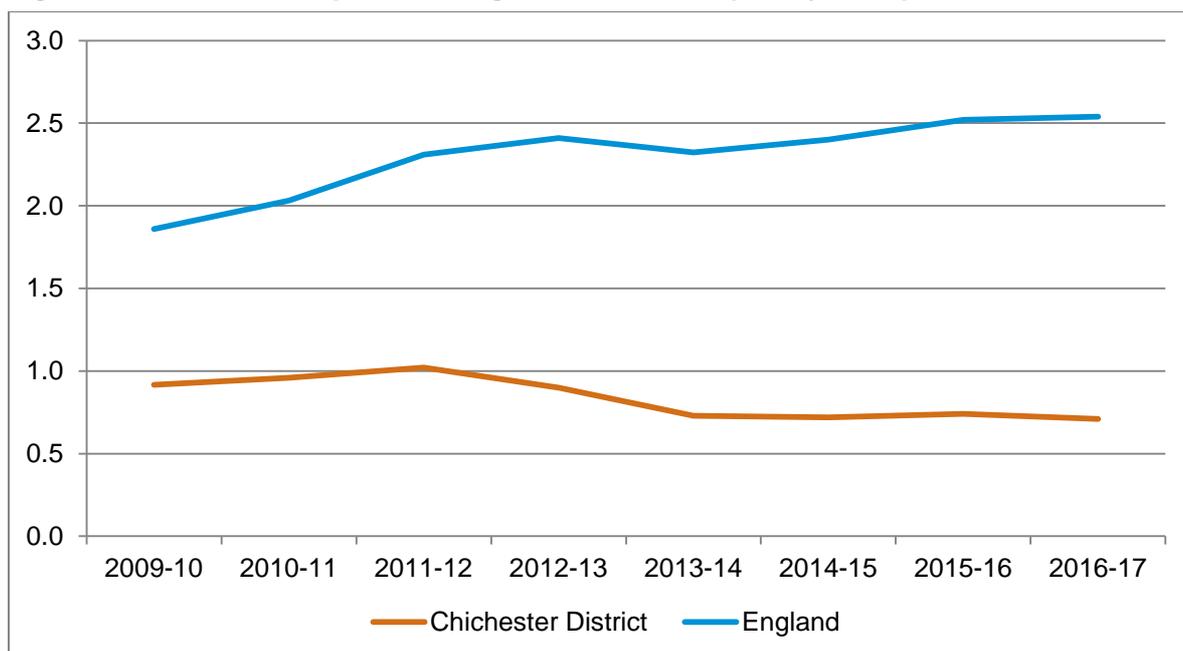
Source: DCLG 2017, Live Table 784

8.69   In numerical terms the fall in Chichester District was from 44 to 37 with the latter being a relatively steady figure for the last four years. This equates to around 0.06% of homeless acceptances nationally compared to 0.2% of the country's population.

8.70   Of those being accepted as homeless 86% were white which compared to over 93% of the district's population. The ethnicity of the other 14% of acceptances was not disclosed due to their small number. By comparison the white population accounted for 60% of homelessness acceptances nationally.

8.71   A range of accommodation types have been utilised by the Council to temporarily accommodate homeless households. As set out in Table 58 since 2010/11 the vast majority of homeless households have been placed in vacant local authority or housing association stock with any shortfall taken up by local bed & breakfast accommodation.

Table 58:   Type of Temporary Accommodation – Chichester District

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Bed and breakfast (inc. shared annexe)	3%	3%	7%	20%	0%	0%	14%	0%
Hostels	0%	0%	0%	0%	0%	0%	0%	0%
LA/HA stock	97%	97%	93%	80%	90%	80%	80%	93%
Private sector leased (by LA or HA)	0%	0%	0%	0%	0%	0%	0%	0%
Other types (including private landlord)	0%	0%	0%	0%	0%	0%	0%	0%

Source: DCLG 2017, Live Table 784 (Note numbers may not add to 100% as some figures are suppressed due to being less than 5 or to prevent calculation),

8.72   The Council has set up its own letting agency whereby it guarantees private sector landlords their rent; to manage their property at a low rate. These properties are then used to secure accommodation for potentially homeless households. This has increased the available private rented sector accommodation available to vulnerable people in the City.

8.73   The Council's Housing Options Team is actively implementing a range of measures to reduce homelessness. This includes providing eligible households with the required deposit on a rental property and paying up to six weeks rent in advance. This is then repaid at £10 per week.

8.74   The Housing Options team also provide emergency assistance including providing access to the 48 flats used for homeless accommodation. Alternatively they assist with placing these households in a local bed and breakfast or provide better access to private sector temporary accommodation.

8.75   As part of the Homelessness Reduction Act the Council also work across their different agencies to ensure earlier intervention in potentially homeless cases. This includes working to prevent parental evictions.

8.76   In addition, the Council's Cabinet has approved the employment of a full time additional outreach worker to engage with rough sleepers and assist them into settled accommodation and support the existing outreach worker and the Council's Community Safety team. The Council has also recently purchased property in Freeland Close which will provide additional homeless accommodation.

8.77   More widely there has been a recent successful county wide bid to the governments Rough Sleeper fund to jointly employ an outreach worker.

8.78   This is in addition to the three existing tenancy sustainment officers and welfare officers who ensure households threatened with homelessness are receiving the support in terms of claiming benefits, sorting out issues with landlords, help with budgeting, etc.

8.79   The Council Rough Sleepers Panel also works with a number of agencies and entities to ensure homelessness is minimised. This includes working with:

- Community safety wardens;
- Sussex Police;
- City Angels – a pastoral care project working in the night time economy of Chichestere
- Stonepillow – a provider of a local homeless hostel and day centre;
- Southdowns Housing Association.

8.80   The work with South Downs Housing Association includes provision of an independent living scheme, tenancy support for vulnerable people and a tenancy sustainment service for anyone with a history of rough sleeping.

Self and Custom Build

8.81   The Council defines Custom and self-build housing as housing commissioned and built by individuals or groups for their own use, either by building it themselves or working with builders. "Custom build" is used to include self-build, which is a particular type of custom build where a person organises all the works themselves. Custom build may be undertaken by an individual, a group, or a builder.

8.82   According to local agents Self and Custom Build (SCB) occurs across the district on infill sites and 'garden grabs'. This particularly occurs in Chichester City and in the East West Corridor. We have also seen evidence of this in the Manhood Peninsula where a small number of dwellings have been replaced on existing plots.

8.83   A brief examination of the Council's planning portal revealed 11 applications that are potentially custom build projects applied for over a 5 week period. We have also been supplied with information about CIL exemptions and the local authority SCB register. The Council's information provides the following key findings.

- The register demonstrates that plots are being sought by households with lower and higher levels of available finance compared to typical buyers;
- 68% of applicants were aged 41 years or over;
- All were seeking to build detached homes of varying sizes;
- Over 80% of applicants were contemplating a custom build approach;
- Evidence from CIL exemptions tells us that a 37 households over a 13-month period had managed to obtain 100% CIL relief on land that had not been provided by the Council for the purpose.

8.84   Just over one quarter of respondents were aged 60 and over and a similar number were aged 41 - 50 years. Around 68% of applicants were aged 41 or over. Most respondents were also currently living outside of the district.

Table 59:   Self and Custom Build by Age (2017) – Chichester District

Ages	Local	Non-local	Total no.	Total %
60+ (1956 & earlier)	6	12	**18**	27.3%
51-60 (1957-1966)	6	5	**11**	16.7%
41-50 (1967-76)	6	10	**16**	24.2%
31-40 (1977-86)	7	6	**13**	19.7%
Under 30 (1987 & later)	2	5	**7**	10.6%
Error		1	**1**	1.5%
Total	**27**	**39**	**66**	**100%**

Source: Chichester District Council, 2017

8.85   In June 2017 the Council's Cabinet approved the introduction of a 2-part register. A local connection of 5 years will now be required to be eligible for the Part 1 register. The Council will then look to provide sufficient permissions through their Local Plan policies to meet the demand of the Part 1 register. It is therefore likely that only those 27 local applications from locals set out in the table above will be eligible.

8.86   A small proportion of local respondents were seeking to self-build (22%). The majority, 78%, envisaged a custom build project.

Table 60:   Self and Custom Build by Build Type (2017) – Chichester District

	Local	Total %
Do work themselves	6	22%
Employ someone else	21	78%
Want individual (not group) build	27	100%

Source: Chichester District Council, 2017

8.87   As shown in Table 61 around 48% of local respondents were seeking to build a 3-bedroom home which is the largest group. Around 20% were seeking to build a 4-bedroom home. Only around 7% were looking to build smaller homes of one or two bedrooms. All were seeking to build a detached house or bungalow.

Table 61:   Self and Custom Build by Bedrooms (2017) – Chichester District

Want:	Local	Total %
1 bedroom	0	0%
2 bedrooms	2	7%
3 bedrooms	13	48%
4 bedrooms	6	22%
5 bedrooms	5	19%
6 bedrooms	0	0%
Unstated	1	4%
Total	**27**	**100%**

Source: Chichester District Council, 2017

8.88   Whilst we are aware that further questions were asked regarding available finance, only the following information was supplied. It is difficult to reach conclusions about financial capacity for projects without information about savings and equity and without such figures being verified.

8.89   Only around 10% of the applicants have finance of £100,000 or less. The majority (63%) had finance in the range of £100,000 to £500,000. Around 19% of local respondents had finance of over £500,000 with 7% failing to state their finance position.

Table 62:   Self and Custom Build by Scale of Finance (2017) – Chichester District

Finance available	Local	Total %
up to £50k	2	7%
£51k-100k	1	4%
101k-£250k	6	22%
£251k-500k	11	41%
£501k-£1million	4	15%
£1million+	1	4%
unstated	2	7%
Total	**27**	**100%**

Source: Chichester District Council, 2017

8.90   In terms of completion the following 100% CIL exemptions were granted in the 13-month period between March 16 to April 2017:

- Annexe relief - 14 applications;
- Extensions relief - 10 applications; and
- Self-build relief - 37 applications

8.91   This would indicate that even without specific policy plots for self and custom-build are available in greater numbers than that indicated for on the register for local need. However in order to maintain this supply this should be kept under review.

8.92   Through consultation with local agents it was evident that very few plots were traded and even fewer via agents. We came across no agent that specialised in the area. No new build sales agents were able to discuss their company's interest in the issue. However, from our wider experience:

- Volume house builders are likely to resist having mixed sites as 'hands on' self or custom-builders especially can be slow to complete projects; and
- Partnerships with smaller regional and local house builders offer the best opportunity to collaborate with the local authority and individual self and custom builders.

8.93   There are no comprehensive sources of plot supply for custom and self-build homes however the two most commonly used are the Buildstore[17] and Rightmove. While Buildstore has 16 plots with a capacity for 21 homes across West Sussex. None of these are located within Chichester.

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[17] www.Buildstore.co.uk

8.94   In contrast Rightmove have five plots with capacity for at least eight homes although two of these plots are within the SDNP. Of those which are not within the SDNP one site has no planning permission.

8.95   Of the remaining two sites one has capacity for three five-bedroom homes in Nutbourne and the other for a single 5-bedroom home in Fishbourne. The Fishbourne site would not result in a net additional dwelling. The average cost per home for these sites is £362,500.

Students

8.96   According to the Higher Education Statistics Agency (HESA), in 2015/16 the University of Chichester had 4,630 full time graduate and post graduate students. Of the 132 institutions listed on the HESA website, Chichester is the 43rd smallest university with the median institution size having more than double the number of Chichester's students.

8.97   In order to gain a better understanding of the University's growth aspirations and accommodation strategy we have engaged with their acting director of estate management.

8.98   We were informed that as of 2017 there were now 5,503 students at the University. Of these 2,522 lived at home (45%). This can be disaggregated to 1,135 who live with their parents or guardian (20%) and 1,387 lived at home (25%).

8.99   Around 21% of the students lived in halls of residence owned by the University (1,174 students). Of these 80% were located in Chichester District with the remaining 10% located in Arun. It should be noted that students living in halls of residence are not included as part of the OAN as they are not classed as part of the household population which feeds into it.

8.100   The remaining 1,807 students lived in the general housing stock (22%). Students living in the general housing stock are included within the OAN of the district. However any anticipated growth in student numbers at the University above current levels would not be included and but would increase the figures for future housing needs as they begin to impact future editions of the official projections. Conversely any reduction in this number would eventually result in a reduction to the OAN.

8.101   The OAN has been calculated using the official population projections. These are comprised of the household population projections and the institutional population projections. The projections assume that there is no growth in the number of people aged under 75 living in institutions, such as Halls of Residence.

8.102   As shown in Table 63, the official projections show a substantial growth in the number of people aged between 18 and 24. As they are trend based these projection would reflect any historic growth in student numbers not living in halls of residence.

Table 63: Growth in Student Age Population (2016-36) – population aged 18-24 – Chichester District

	2016	2036	Change	% Growth
2014-based SNPP (+MYE)	9,545	10,440	895	9%

Source: ONS and GLH Analysis, 2017

8.103   The level of population growth in these age groups would also indicate that the official projections are anticipating continued growth in the number of students. For example in 2011 of the 11,458 residents aged 18-24 in Chichester 5,609 (49%) were full time students. While the projections are not broken down by economic activity even maintaining the same percentage of that age group as students would see a growth of 520 full-time students.

8.104   However, it is understood that within Chichester District the University is only anticipating a modest growth in student numbers of the medium term. However, the creation of the Engineering and Digital Technology Park at their Bognor Regis Campus (Arun District) will see a significant growth in student numbers but outside of the district.

8.105   At present the University currently owns and directly manages a total of 945 bed spaces in Chichester district. The accommodation is for first year students together with second and third year students who have special housing needs.

8.106   The University anticipate that a further 134 bed spaces will come on stream in 2018. Although this may replace older stock as it gets decommissioned. The new accommodation is being developed by a third party but will be fully managed by the University.

8.107   If there is a net gain in the number of students living in halls of residence it would be appropriate to reduce the household population and increase the institutional population. This would result in a reduced OAN.

8.108   Alternatively it could be equally appropriate to maintain the OAN but allow for student bedspaces to be counted against it. The justification for this is that it would release student homes in the wider housing stock back into the wider market. However, it would not be a 1 for 1 equation as most students live in larger households.

8.109   Examination of 2011 Census data reveals that within Chichester the average household size for all student households is around 4 persons. Therefore for every 4 bedspaces created in the district the OAN can be reduced by one home or the supply increased by one.

Table 64: Average All Student Household Size (2011)

	Chichester District	England
All student households - Households	297	124,285
All student households - Persons	1,282	465,663
Average All Student Household Size	4.3	3.7

Source: Census 2011

8.110   As new Halls of Residence are delivered it would be worthwhile the Council monitoring the impact these have on the number of all student households. This can be achieved by monitoring Council Tax exemptions for all student households.

8.111   We have also asked the main private sector student letting agency for an overview of the private rented sector student market. The local letting agent believed that across the city, supply and demand for student housing was more or less in balance but there were few opportunities for landlords to invest in additional stock.

8.112   We were told that as at May 2017, they had fully let all their accommodation. However, we noted from internet sources that other providers were still offering lets. The University also advertises privately rented properties that have been accredited through Chichester and Arun District Councils' Accreditation Scheme.

8.113   As well as the University this district is also home to Chichester College although as a further education college it is not included in the HESA statistics. The College does however teach university level courses.

8.114   Chichester College has over 15,000 students, of whom 5,000 are full-time students. It is not anticipated that part-time students will require any additional housing as they will already be living in the area.

8.115   The College has entered into a sub-lease and separate head-lease agreement with the University on some accommodation at Stockbridge Student Village. Between them they share facilities management services with the University providing housing management and Pastoral Care Service.

8.116   Around 4,000 of the full-time students are aged between 16 and 18 years old with the remainder aged 19 or older. Due to their age, the majority of full-time student are likely to live at their parental home. As a result there will be little impact on the local housing stock.

8.117   While we approached the College for comment they were not in a position to provide any information prior to the publication of this report.

Key Points

- The District has a higher proportion of older persons than nationally or regionally and is expected to see an increase in the older person population (over 65) of 47% between 2016 and 2036.

- Given the ageing population and higher levels of disability and health problems amongst older people there is likely to be an increased requirement for specialist housing options moving forward.

- The analysis shows a potential need for around 1,800 units of specialist housing – (92 per annum) in the 2016-36 period – this is around 15% of the total need identified (for 609 dwellings per annum linked to the draft CLG standardised methodology).

- The Housing LIN source also suggests a broad tenure split of 40% rented housing (affordable housing) and 60% in the market for older person accommodation.

- The need for Registered/Residential Care is estimated to increase by 967 people living in institutions over the 2016-36 period (48 per annum).

- There is projected to be a large rise in the number of people with dementia (up 75%) along with a 65% increase in the number with mobility problems.

- Around 31% of households contain someone with a long-term health problem or disability (LTHPD), which is slightly lower than that seen nationally but above the regional average. It is estimated that this will increase by 30%.

- The current and future need for wheelchair adapted dwellings is for around 4.7% of homes pa

- Demand for Self-Build accommodation totals around 22 local persons which is currently being met without specific policy

- There is not expected to be any significant growth in the number of students at the University. However, the official projections see significant growth in that age group.

9   NEED FOR DIFFERENT SIZES OF HOMES

Introduction

9.1   As discussed in previous sections, there are a range of factors which influence housing demand. These factors play out at different spatial scales and influence both the level of housing demand (in terms of aggregate household growth) and the nature of demand for different types, tenures and sizes of homes. It is important to understand that the housing market is influenced by macro-economic factors, as well as the housing market conditions at a regional and local level.

9.2   In this section consideration is given to the current housing mix initially, as future housing delivery will principally add to this. The section then moves on to assess the need for different types of homes in the future, modelling the implications of demographic drivers on need/demand for different sizes of homes in different tenures. The assessment is intended to provide an understanding of the implications of demographic dynamics on need and demand for different sizes of homes.

9.3   The analysis in this section seeks to use the information available about the size and structure of the population and household structures; and consider what impact this may have on the sizes of housing required in the future.

9.4   The analysis assumes population and household growth in line with a demographic projection linked to the 2014-based household projections (with an adjustment to the base date of 2016 to take account of ONS mid-year population estimates (MYE)). This projection indicates household growth of around 10,800 across the District between 2016 and 2036 – if a vacancy allowance (of 7.2% based on Council Tax data) is applied to this figure then the estimated housing need is for some 580 dwellings per annum, slightly lower than the OAN figure previously derived, although this figure does not include an uplift for 'market signals' or affordability improvements.

9.5   We start out by profiling the "housing offer," considering the characteristics of the current stock of housing by tenure, type and size. As the majority of housing that will be in existence in 2036 already forms part of the current housing stock, it is important to understand the existing housing mix when considering what new housing is needed.

Tenure

9.6   The 2011 Census data can be used to provide a detailed breakdown of the housing stock by tenure. Owner occupation is the most common tenure type in all the sub-areas, with the percentage being highest in Plan Area North (80%), followed by the Manhood Peninsula sub-area (66%). This compares to the national percentage of 64%.

9.7   In terms of social renting, the highest percentage can be found in the Chichester City sub-area (22%). In comparison to the national figure (18%) this tenure type is over-represented in Chichester

City. The lowest levels of social renting are found in the Manhood Peninsula Sub Area at 8%, with all other sub-areas falling below the national average.

Table 65:   Households by Tenure Type

	Chichester City	East-West Corridor	Manhood Peninsula	Plan Area North	SDNP	England & Wales
All Households	**12,316**	**8,390**	**11,716**	**3,279**	**13,481**	**23,366,044**
Owned Outright	34%	41%	48%	42%	39%	31%
Owned with Mortgage	21%	30%	29%	38%	25%	33%
Shared Ownership	1%	1%	1%	1%	1%	1%
Social Rented	22%	11%	9%	9%	16%	18%
Private Rented	20%	15%	12%	8%	15%	17%
Living Rent Free	2%	2%	2%	2%	4%	1%

Source: Census, 2011

9.8   The Private Rental Sector is most prominent in Chichester City - 20%, followed by SDNP with 13%. Apart from Chichester all the sub areas have a lower level of private renting than the national figure (17%).

9.9   With the exception of the Plan Area (North) the percentage of home owners with a mortgage is below the National average. Conversely those who own their homes outright exceeds the national average. This reflects the high percentage of older wealthy population who have paid off their mortgage.

Change in Tenure

9.10   Analysis of the change in tenure composition between 2001 and 2011 reveals a notable shift from home ownership with a mortgage towards the private rental sector. This reflects the national picture which has been a result of restricted access to mortgage products particularly for younger households.

9.11   Within the district private renting is highest in the Chichester City sub area, followed by Manhood Peninsula and East-West Corridor. All areas saw an increase in the number of rental properties, both private and social rented.

**Table 66:   Households by Major Tenure Type, change in Households (%) 2001-2011**

	All households Growth	Owned Outright	Owns with mortgage	Social Rented	Private Rented
Chichester City	**1,595** **(15%)**	543 (15%)	-378 (-13%)	361 (15%)	1,075 (78%)
East-West Corridor	**1,103** **(43%)**	595 (21%)	-73 (-3%)	137 (17%)	421 (52%)
Manhood Peninsula	**1,278** **(31%)**	574 (11%)	53 (2%)	112 (12%)	553 (66%)
Plan Area North	**255** **(8%)**	207 (18%)	-11 (-1%)	57 (23%)	22 (10%)
SDNP	**705** **(21%)**	671 (14%)	-243 (-7%)	132 (6%)	363 (22%)

Source: Census, 2001 & 2011

House Types and Sizes

9.12   The housing mix is dominated by detached and semi-detached homes. Around 84% of the housing stock in the District is made up of houses – 38% detached; 28% semi-detached; and 18% terraced houses with only 16% of household spaces are flats.

9.13   The highest proportion of detached homes are located in Plan Area (North) sub area (60%), followed by the Manhood Peninsula (48%).

9.14   Only the Chichester City sub area does not have the largest stock type as detached housing. The largest proportion of the City's housing stock are flats at around 33%. Some of these would be restricted to elderly residents (as is the case in all areas).

9.15   The highest percentage of semi-detached houses is located in East-West Corridor (32%), while the highest proportion of terraced is located in Chichester (26%).

Figure 45: Housing Types, % of Dwellings, 2011
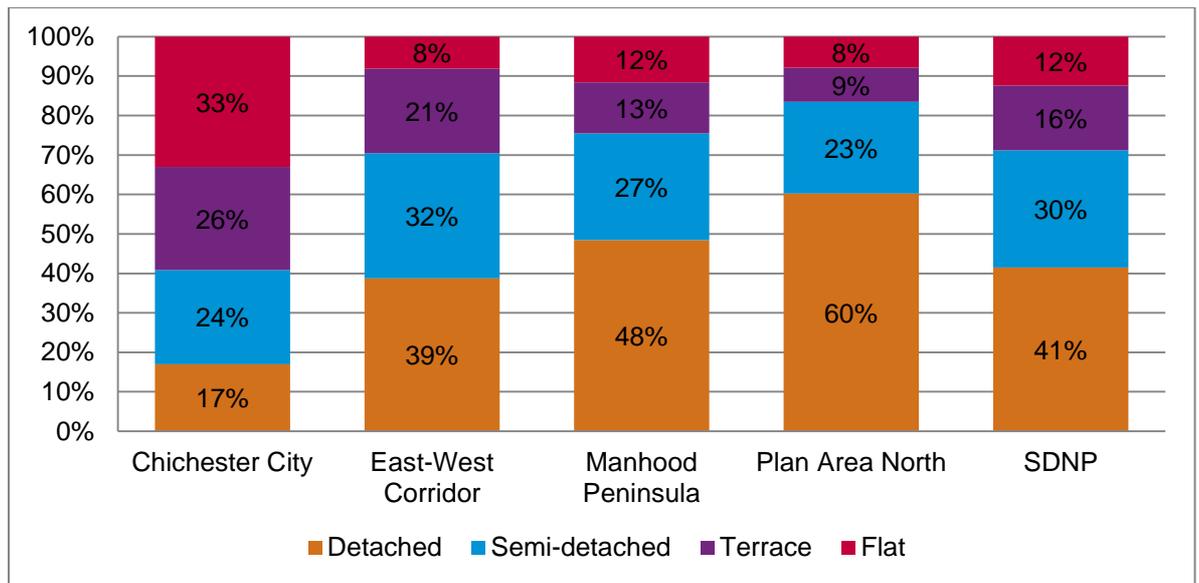
Source: 2011 Census

Number of bedrooms

9.16   Three bedroom properties are the most common size of properties in all of the sub-areas. The next most numerous are two bedroom properties. The only exception being the Plan Area (North) sub-area where four bedroom properties are more common than two bedroom properties.

9.17   As perhaps expected the highest percentage of one bedroom properties are found in Chichester City (17%). Conversely the highest percentage of five-bedroom properties can be found in the Plan Area (North) sub area (14%) and SDNP (11%).

Figure 46: Dwelling Size by Number of Bedrooms, 2011
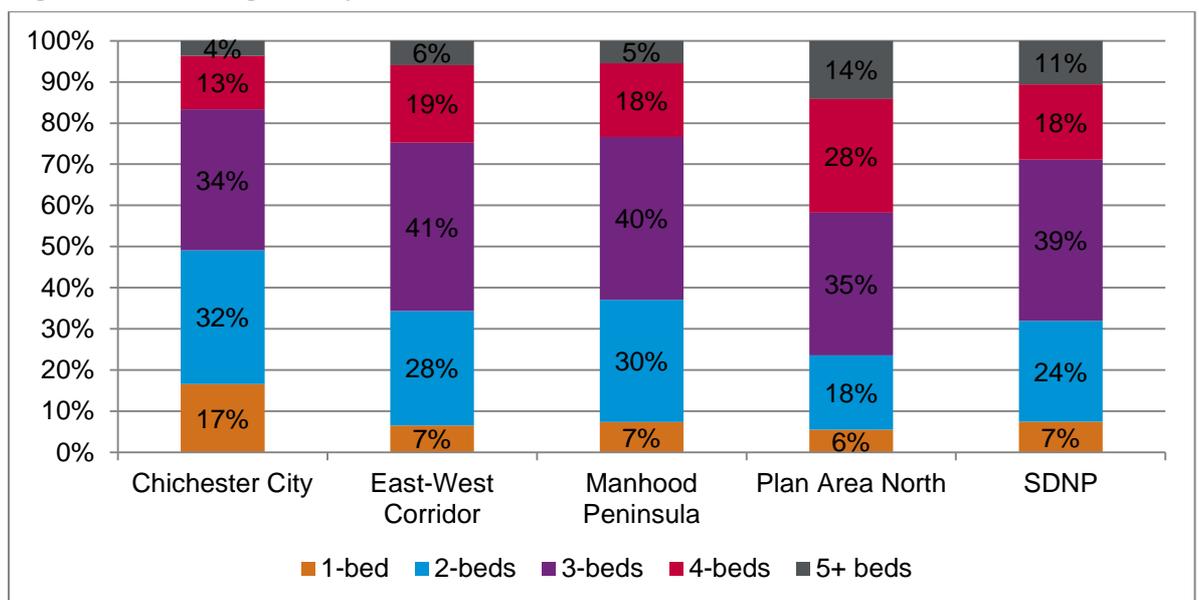
Source: 2011 Census

9.18   According to the Council's own data there have been a substantial number of extensions to existing properties. This would result in a growth in larger properties to the detriment of smaller properties. As set out in Table 67 there has been a small but steady increase in the number of applications the Council has received from people wishing to extend their homes. Although it should be noted that this starts from a recessionary base period.

Table 67:   Residential extensions permitted in Local Plan Area

Year	Number
2008	304
2009	315
2010	344
2011	307
2012	325
2013	329
2014	359
2015	349
2016	397
2017 (to date)	265

Source: CDC, 2017

9.19   These applications are particularly notable in rural areas where there are larger plot sizes. This is driven by people who can't afford to move but require (or would like) a larger home. The result is worsening affordability due to a reduction in smaller properties.

Methodology

9.20   The analysis in this section seeks to use the information available about the size and structure of the population and household structures; and consider what impact this may have on the sizes of housing required in the future. For analysis purposes, this assumes population and household growth in line with the 2014-based CLG household projections (+MYE).

Figure 47: Stages in the Housing Market Model
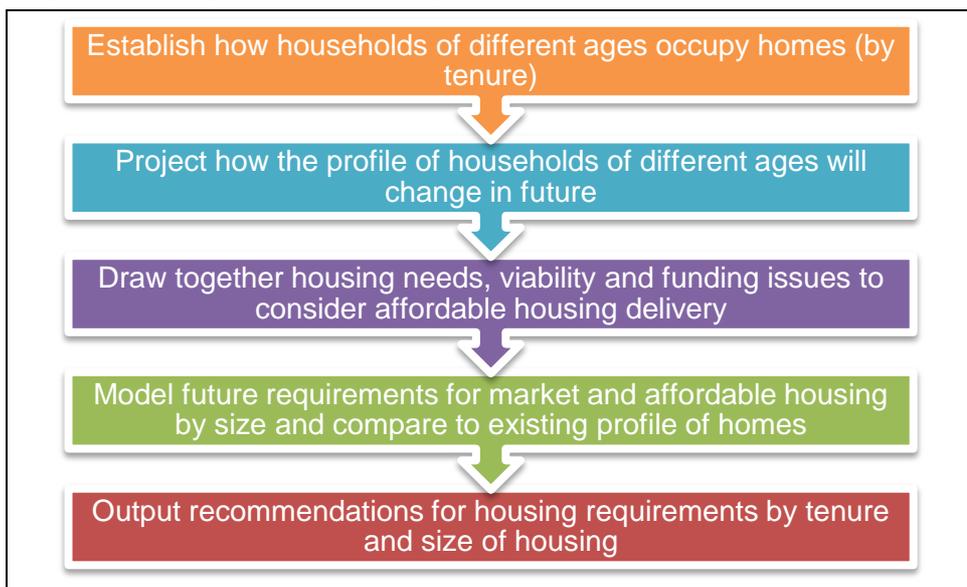
Understanding how Households Occupy Homes

9.21   Whilst demographic projections provide a good indication of how the population and household structure will develop, it is not a simple task to convert the net increase in the number of households into a suggested profile for additional housing to be provided. The main reason for this is that, in the market sector, households are able to buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided.

9.22   The size of housing which households occupy often relates more to their wealth and age than the number of people which they contain. For example, there is no reason why a single person cannot buy (or choose to live in) a four-bedroom home as long as they can afford it and hence projecting an increase in single person households does not automatically translate in to a need for smaller units. This issue is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) although there will still be some level of under-occupation moving forward with regard to older person and working households who may be able to under-occupy housing.

9.23   The approach used is to interrogate information derived in the projections about the number of household reference persons (HRPs) in each age group and apply this to the profile of housing within these groups. The data for this analysis has been formed from a commissioned table by ONS (Table CT0621 which provides relevant data for all local authorities in England and Wales from the 2011 Census).

9.24   Figure 48 shows an estimate of how the average number of bedrooms varies by different ages of HRP and broad tenure group. In the owner-occupied sector the average size of accommodation rises over time to typically reach a peak around the age of 50; a similar pattern (but with smaller

dwelling sizes) is seen in the private rented sector. In the social rented sector, this peak appears earlier. After this peak, the average dwelling size decreases – as typically some households downsize as they get older. It is also notable that the average size for affordable housing dwellings is lower than that for market housing for all age groups.

Figure 48: Average Bedrooms by Age and Tenure – Chichester District
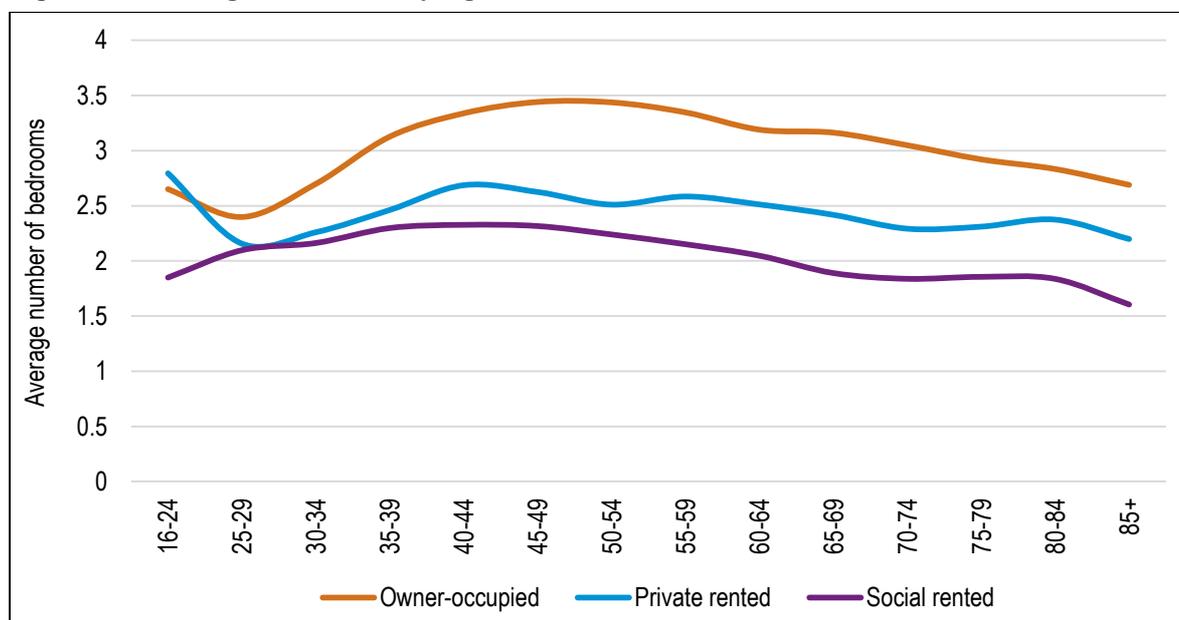
Source: Derived from ONS Commissioned Table CT0621

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

Tenure Assumptions

9.26   The housing market model has been used to estimate the future need for different sizes of property over the 20-year period from 2016 to 2036. The model works by looking at the types and sizes of accommodation occupied by different ages of residents, and attaching projected changes in the population to this to project need and demand for different sizes of homes. However, the way households of different ages occupy homes differs between the market and affordable sectors. Thus it is necessary to consider what the mix of future housing will be in the market and affordable sectors.

9.27   For modelling purposes, the analysis assumes that 35% of net completions are either affordable housing (rented) or low-cost home ownership and therefore that 65% are market housing (designed to be sold for owner-occupation). Within the 35% affordable/low-cost a split of 25% of completions

as affordable housing (rented) and 10% as low-cost home ownership has been assumed. Whilst the 35% figure is based on what is considered to be reasonably possible in the District, this has not been subject to viability testing which could see the potential for this figure to go up or down.

9.28   It should be stressed that these figures are not policy targets. Policy targets for affordable housing on new development schemes in some cases are above and below this depending on the scale and location of the development; but not all sites deliver policy-compliant affordable housing provision, whist some delivery is on sites below affordable housing policy thresholds.

9.29   Equally some housing development is brought forward by Registered Providers and may deliver higher proportions of affordable housing. The figures used are not a policy position and have been applied simply for the purposes of providing outputs from the modelling process. To confirm, it has been assumed that the following proportions of different tenures will be provided moving forward:

- Market housing – 65%
- Low-cost home ownership – 10%
- Social/affordable rent – 25%

Key Findings: Market Housing

9.30   There are a range of factors which can influence demand for market housing in different locations. The focus of this analysis is on considering long-term needs, where changing demographics are expected to be a key influence. It uses a demographic-driven approach to quantify demand for different sizes of properties over the 20-year period from 2016 to 2036.

9.31   Looking first at market housing, an increase of 7,000 households is modelled based on the official projections (+MYE). The majority of these need two- and three-bed homes. The data suggests that housing need can be expected to reinforce the existing profile, but with a shift towards a requirement for smaller dwellings relative to the distribution of existing housing (particularly towards a need for 2-bedroom homes). This is understandable given the fact that household sizes are expected to fall slightly in the future – particularly as a result of a growing older population living in smaller households.

Table 68:   Estimated Size of Dwellings Needed 2016 to 2036 – Market Housing – Chichester District (CLG household projections (+MYE))

Size	2016	2036	Additional households 2016-2036	% of additional households
1 bedroom	1,348	1,694	346	4.9%
2 bedrooms	8,247	10,212	1,964	27.9%
3 bedrooms	14,947	17,895	2,949	41.9%
4+ bedrooms	11,343	13,120	1,777	25.3%
Total	**35,885**	**42,921**	**7,036**	**100.0%**

Source: Housing Market Model

9.32   The statistics are based upon the modelling of demographic trends. As has been identified, it should be recognised that a range of factors including affordability pressures and market signals will continue to be important in understanding market demand; this may include an increased demand in the private rented sector for rooms in a shared house due to changes in housing benefit for single people. In determining policies for housing mix, policy aspirations are also relevant.

9.33   At the strategic level, a local authority in considering which sites to allocate, can consider what type of development would likely be delivered on these sites. It can also influence housing mix implicitly through policies on development densities.

9.34   The analysis has also been undertaken by sub-area with Table 69 showing the summary outputs. This shows only small variations between areas, and on balance, the differences are not so great as to require any different approach across different sub-areas.

Table 69:   Estimated size mix of dwellings by sub-area – market housing (CLG household projections (+MYE))

	1-bedroom	2-bedrooms	3-bedrooms	4+ bedrooms
East-West Corridor	5%	27%	42%	26%
SDNP	5%	26%	41%	28%
Chichester City	6%	29%	43%	21%
Manhood Peninsula	4%	29%	42%	24%
Plan Area North	4%	25%	41%	30%
Chichester District	**5%**	**28%**	**42%**	**25%**

Source: Housing Market Model

Key Findings: Low-cost home ownership

9.35   Table 70 show estimates of the need for different sizes of affordable home ownership based on the analysis of demographic trends. The data suggests in the period between 2016 and 2036 that the main need is again for homes with two- or three-bedrooms, although the proportions in the 1-bedroom category are higher than for market housing.

Table 70:　Estimated Size of Dwellings Needed 2016 to 2036 – low-cost home ownership (CLG household projections (+MYE)) – Chichester District

Size	2016	2036	Additional households 2016-2036	% of additional households
1 bedroom	1,524	1,727	203	18.7%
2 bedrooms	3,204	3,631	427	39.5%
3 bedrooms	2,786	3,120	334	30.9%
4+ bedrooms	1,121	1,239	118	10.9%
Total	**8,634**	**9,717**	**1,082**	**100.0%**

Source: Housing Market Model

9.36　The analysis has also been undertaken by sub-area with Table 71 showing the summary outputs. The main difference between areas looks to be a potentially higher need/demand for smaller homes in Chichester City; that said, as with market housing, the data overall shows little variation between areas and does not suggest that a different approach needs be taken in different locations.

Table 71:　Estimated size mix of dwellings by sub-area – low-cost home ownership (CLG household projections (+MYE))

	1-bedroom	2-bedrooms	3-bedrooms	4+ bedrooms
East-West Corridor	16%	38%	35%	11%
SDNP	17%	39%	33%	11%
Chichester City	23%	39%	25%	13%
Manhood Peninsula	18%	41%	32%	9%
Plan Area North	17%	38%	33%	12%
Chichester District	**19%**	**39%**	**31%**	**11%**

Source: Housing Market Model

Key Findings: Affordable Housing (rented)

9.37　Table 72 show estimates of the need for different sizes of affordable homes based on the analysis of demographic trends. The data suggests in the period between 2016 and 2036 that the main need is for homes with one- or two-bedrooms.

9.38　This analysis provides a longer-term view of the need for different sizes of affordable housing and does not reflect any specific priorities such as for family households in need rather than single people. In addition, it should be noted that smaller properties (i.e. one-bedroom homes) typically offer limited flexibility in accommodating the changing needs of households, whilst delivery of larger properties can help to meet the needs of households in high priority and to manage the housing stock by releasing supply of smaller properties.

9.39　That said there may in the short-term be an increased requirement for smaller homes as a result of welfare reforms limiting the amount of housing benefit being paid to some working-age households.

Table 72:   Estimated Size of Dwellings Needed 2016 to 2036 – affordable housing (rented) (CLG household projections (+MYE)) – Chichester District

Size	2016	2036	Additional households 2016-2036	% of additional households
1 bedroom	2,144	2,994	850	31.4%
2 bedrooms	3,236	4,394	1,158	42.8%
3 bedrooms	2,071	2,708	636	23.5%
4+ bedrooms	219	281	61	2.3%
Total	**7,671**	**10,377**	**2,706**	**100.0%**

Source: Housing Market Model

9.40   As with market housing, the data again shows that relative to the current profile there is a slight move towards a greater proportion of smaller homes being needed (in-part related to the ageing population and also reflective of the higher proportion of households on the housing register with a need for smaller homes. That said in translating the modelling outputs into policy decisions about mix the Council will additionally need to consider issues such as:

- The priority of those on the waiting list e.g. Priority given to households with children;
- Issues around single people aged under 35 (who are only eligible for single room housing allowance);
- Any issues raised by Registered Providers in relation to the turnover and management of their properties (i.e. high turnover of one bedroom homes). And
- Demand issues for sheltered and age restricted flats

9.41   The analysis has also been undertaken by sub-area with Table 73 showing the summary outputs. As with other analysis, it is not considered that sub-area differences are so great, such that a different approach be taken in different locations.
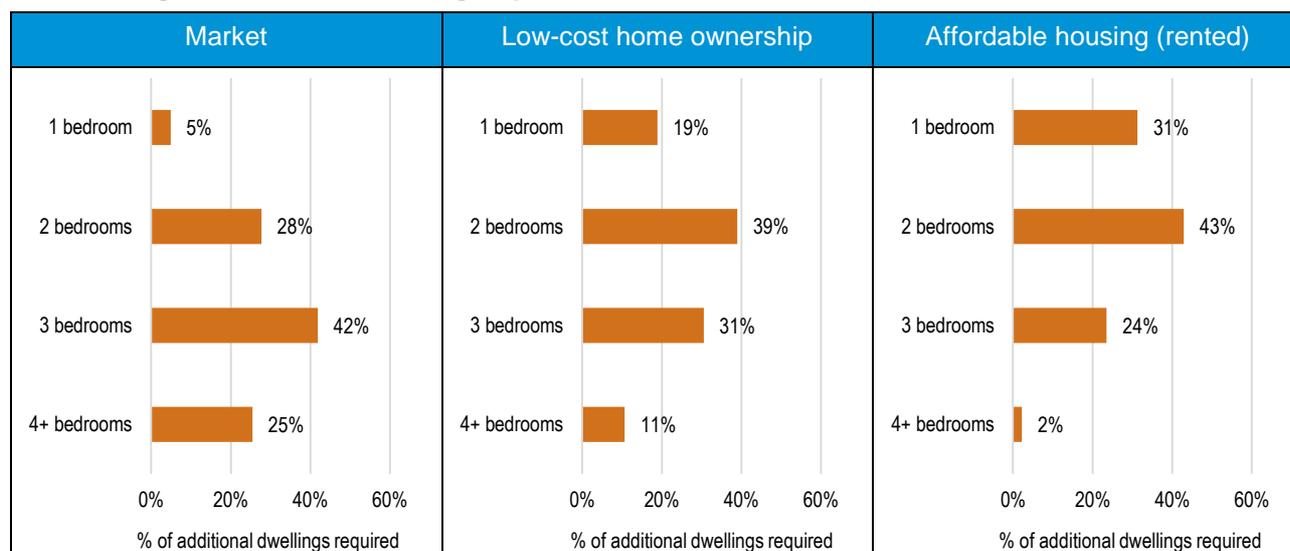
Table 73:   Estimated size mix of dwellings by sub-area – affordable housing (rented) (CLG household projections (+MYE))

	1-bedroom	2-bedrooms	3-bedrooms	4+ bedrooms
East-West Corridor	27%	45%	25%	2%
SDNP	31%	42%	25%	2%
Chichester City	34%	43%	21%	2%
Manhood Peninsula	32%	43%	23%	2%
Plan Area North	32%	41%	25%	2%
Chichester District	**31%**	**43%**	**24%**	**2%**

Source: Housing Market Model

Indicative Targets by Tenure

9.42   Figure 49 summarises the above data in both the market and affordable sectors under the modelling exercise. The analysis clearly shows the different profiles in the three broad tenures with affordable housing being more heavily skewed towards smaller dwellings, and affordable home ownership sitting somewhere in between the market and affordable rented housing.

Figure 49: Size of housing required 2016 to 2036 – Chichester District

Market	Low-cost home ownership	Affordable housing (rented)
1 bedroom: 5%	1 bedroom: 19%	1 bedroom: 31%
2 bedrooms: 28%	2 bedrooms: 39%	2 bedrooms: 43%
3 bedrooms: 42%	3 bedrooms: 31%	3 bedrooms: 24%
4+ bedrooms: 25%	4+ bedrooms: 11%	4+ bedrooms: 2%
% of additional dwellings required	% of additional dwellings required	% of additional dwellings required

Source: Housing Market Model

9.43   Whilst the output of the modelling provides estimates of the proportion of homes of different sizes that are needed, there are a range of factors which should be taken into account in setting policies for provision. This is particularly the case in the affordable sector where there are typically issues around the demand for and turnover of one-bedroom homes (as well as allocations to older person households) – e.g. one-bedroom homes provide limited flexibility for households (e.g. a couple household expecting to start a family) and as a result can see relatively high levels of turnover – therefore, it may not be appropriate to provide as much one-bedroom stock as is suggested by the modelling exercise. At the other end of the scale, conclusions also need to consider that the stock of four-bedroom affordable housing is very limited and tends to have a very low turnover. As a result, whilst the number of households coming forward for four or more bedroom homes is relatively small the turnover of larger homes is less frequent and as a result the ability for these households needs to be met is even more limited and should not be ignored.

9.44   For these reasons, it is suggested in converting the long-term modelled outputs into a profile of housing to be provided (in the affordable sector) that the proportion of one bedroom homes required is reduced slightly from these outputs with a commensurate increase in four or more bedroom homes also being appropriate.

9.45   There are thus a range of factors which are relevant in considering policies for the mix of affordable housing (rented) sought through development schemes. At a District-wide level, the analysis would support policies for the mix of affordable housing (rented) of:

- 1-bed properties: 25-30%
- 2-bed properties: 40-45%
- 3-bed properties: 20-25%
- 4-bed properties: 5-10%

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

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

9.48   In the low-cost home ownership and market sectors a profile of housing that closely matches the outputs of the modelling is suggested. The recommendations take some account of the time period used for the modelling and the fact that the full impact of the ageing population will not be experienced in the short-term.

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

- 1-bed properties: 20%
- 2-bed properties: 40%
- 3-bed properties: 30%
- 4-bed properties: 10%

9.50   Finally, in the market sector, a balance of dwellings is suggested that takes account of both the demand for homes and the changing demographic profile, this sees a slightly larger recommended profile compared with other tenure groups. The following mix of market housing is suggested:

- 1-bed properties: 5%
- 2-bed properties: 25-30%
- 3-bed properties: 40-45%
- 4-bed properties: 25%

9.51   If low-cost home ownership and full cost market housing were to be looked at as one group then the need for smaller properties (1,2, and 3 bedroom homes) would be increased with a reciprocal reduction in larger (+4 bedroom) homes.

9.52   Although the analysis has quantified this on the basis of the market modelling and an understanding of the current housing market it does not necessarily follow that such prescriptive figures should be included in the plan making process.

9.53   For example if the Council to encourage downsizing within the district or focus housing on local need this may mean adopting a policy which has increased provision of small to medium homes and reduced numbers of larger (+4 bed homes).

9.54   Such an approach would also increase supply of medium sized homes and potentially lessen the competition between downsizers and families for this type of accommodation.

9.55   When interpreting this mix the Council will also need to take into account the location of their housing supply and the need to maximise densities on these sites. This would again reduce the need for larger homes particularly in smaller sites.

9.56   The figures should be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by demographic change in the area or linked to macro-economic factors and local supply.

Housing Mix (Size of Homes Needed) – Conclusions

9.57   There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability. Taking account of all these factors, our analysis suggests that the following represents an appropriate mix of affordable and market homes:

Table 74:   Suggested mix of housing (by size and broad tenure) – Chichester District

	1-bed	2-bed	3-bed	4+ bed
Market	5%	25-30%	40-45%	25%
Low-cost home ownership	20%	40%	30%	10%
Affordable housing (rented)	25-30%	40-45%	20-25%	5-10%

Source: Derived from GL Hearn modelling

9.58   The conclusions for the affordable rented sector recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues. The analysis also takes account of the fact that rented affordable housing would tend to be allocated on the basis of a bedroom standard (which for example would see a childless couple having a need for a one-bedroom home), whilst it is expected that accessing low-cost (affordable) home ownership would have more flexibility (and that this tenure is in part designed to allow households in the private rented sector to buy their own home).

9.59   The mix identified above should inform strategic planning and housing policies. In applying recommended housing mix to individual development sites, regard should be had to the nature of the development site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.

9.60   Based on the evidence, it is expected that the focus of new market housing provision should be on two- and three-bed properties. Continued demand for family housing can be expected from newly forming households. There may also be some demand for medium-sized properties (2- and 3-beds)

from older households downsizing and looking to release equity in existing homes, but still retaining flexibility for friends and family to come and stay.

9.61   The analysis of an appropriate mix of dwellings could also inform the 'portfolio' of sites which are considered by the local authority through its local plan process. Equally it will be of relevance in affordable housing negotiations.

9.62   Our analysis has also looked at the housing mix in each of the sub-areas. Whilst there were differences between locations, it is not considered that these are so great as to point towards a different profile of new housing being needed in different areas when compared to District level findings.

Key Points

- The housing mix model takes into consideration a range of factors including the current housing mix and the need for different types of homes in the future, modelling the implications of demographic drivers on need/demand for different sizes of homes in different tenures and how households occupy homes and how affordable housing might be delivered.

- Based on the demographic led forecasts there is a clear need across the district for market housing delivery to be focussed on 2 and 3 bedrooms.

- Similarly affordable home ownership/Intermediate should also focus delivery on 2 and 3 although a greater percentage should be delivered as smaller homes compared to the market sector.

- The focus of affordable rented housing delivery should be for 2 bedroom property as a mix of flats and houses (2 bedroom upper floor flats do not meet the needs of families with young children or older people and can be difficult to let). This reflects the closer links between need and occupation.

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10   COMMERCIAL PROPERTY MARKET

10.1   This section provides an assessment of the office and industrial property market in Chichester District. This assessment has been undertaken using a variety of sources including take-up and availability data from the Estates Gazette Interactive (EGi) database and the Focus CoStar commercial property database, a review of the latest commercial property literature and stakeholder/property agents' consultation.

National Economic Conditions

10.2   The Office for Budget Responsibility (OBR) published its Economic and Fiscal Outlook in November 2016. In the short time since the previous March 2016 forecast, economic development and growth has slowed since the EU referendum and business investment has been falling.

10.3   The main forecast expects to see investment being postponed following post-Article 50 negotiations. It is expected that import prices will be pushed up, which in turn will lead real earnings growth to fall close to zero.

10.4   However, the depreciation of the pound is likely to result in some net trade increases in the short term, with UK exports being more competitive in overseas markets and imports to UK seen as less attractive relative to domestically produced goods and services. This process will eventually lead to short term growth in GDP.

Office Market Review

10.5   At national level, the office market performed surprisingly strongly in 2016, according to Knight Frank. In 2017, the UK economy is expected to face some challenges largely related to Brexit and rising inflation.

10.6   The triggering of Article 50 negotiations will cause some increase in concerns over the future trading environment for UK exporters. Knight Frank forecasts indicate that the UK economy will grow by 1.5% in 2017, lower than 2016 but high enough to maintain a steady level of demand for commercial property.

10.7   Savills' Regional Office Market Spotlight in September 2016 forecast lower levels of leasing activity, and rises in lease extensions until the end of 2016 and in 2017. The forecasts expect a combined fall of take up levels with 5-10% in 2017 and 2018.

10.8   The Cushman & Wakefield Office Market Snapshot for the last quarter of 2016 suggested that despite the uncertainty surrounding the EU Referendum, there has been a moderation of leasing activity after the referendum in June 2016. The year-end volumes were down but better than

anticipated levels. The outlook for 2017 is that the UK will remain an attractive target destination for the overseas market, yet activity will be largely dependent on future EU negotiations.

Chichester District Office Market

10.9   This section provides an assessment of the Chichester District office market compared with office markets of similar local authorities. The quantitative analysis for the District itself in terms of past take-up has been based on transactions recorded on EGi and CoStar.[18] This has been augmented through engagement with commercial agents.

10.10   The amount of office floorspace in Chichester District in 2016 was 104,000 sq.m. The figure is very similar to the office floorspace totals recorded for Cotswold and West Dorset.

Table 75:   Office Floorspace, 2016

	Office Floorspace ('000 sq.m.)
Chichester District	**104**
Arun	49
Havant	109
Waverley	131
Horsham	158
East Hampshire	88
Worthing	132
Cotswold	102
West Dorset	101
Lewes	61
South East	13,588
England and Wales	89,037

Source: VOA Business Floorspace Statistics

10.11   Over the 2000-16 period, office floorspace has decreased by 8% in Chichester District. In contrast there has been an increase of 21% in Cotswold and 23% in West Dorset. In comparison, the South East saw 6% growth.

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[18] Although these are the most comprehensive lists available, not all transactions are included. In some cases transactions or availability is applied to the nearest postal town which may be in a different local authority to the transaction. GL Hearn have used Geographic Information System (GIS) to accurately present the analysis at a local authority level.

Table 76:   Net Change in Office Floorspace, 2000-16

Local Authority	2000 Floorspace ('000 sq.m.)	2016 Floorspace ('000 sq.m.)	Change 2000-2016 ('000 sq.m.)	Change %
Chichester District	**113**	**104**	**-9**	**-8%**
Arun	37	49	12	32%
Havant	73	109	36	49%
Waverley	130	131	1	1%
Horsham	158	158	0	0%
East Hampshire	79	88	9	11%
Worthing	171	132	-39	-23%
Cotswold	84	102	18	21%
West Dorset	82	101	19	23%
Lewes	57	61	4	7%
South East	12,877	13,588	711	6%
England	78,631	89,037	10406	13%

Source: VOA Business Floorspace Statistics, 2016

10.12   Commercial property data providers such as EGi and CoStar were used to inform the following sections. Figure 50 provides an overview of the distribution of take-up activity over the period 2007-2016. In total, the number of office deals in Chichester District over the period was 371, covering 62,600 sq.m. of floorspace.

10.13   As Figure 50 shows, the majority of take-up activity was concentrated in Chichester City and the East-West Corridor sub-areas, with some activity within the South Downs National Park along the A272 at Midhurst, Petworth and Fernhurst, and also some moderate activity around Selsey.

Figure 50: Office Floorspace Take-Up in Chichester District, 2007-2016
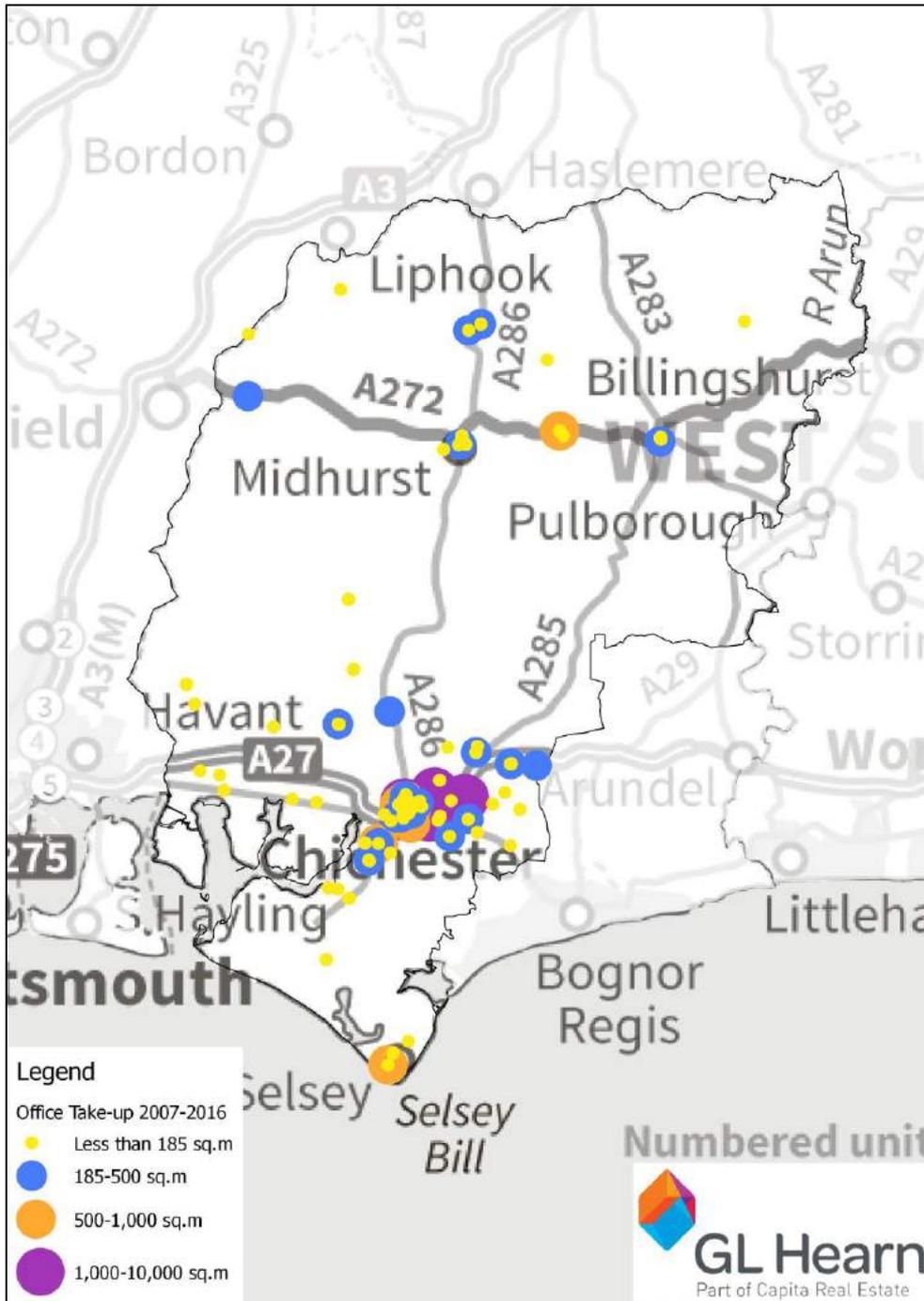
Source: GL Hearn Analysis of EGi and CoStar Data, May 2017

10.14   Figure 51 illustrates the number of deals within the sub-areas of Chichester District over the 10 year period to 2016. The highest number of deals was recorded in the Chichester City sub-area (176 transactions). This is followed by South Downs National Park (83) and Manhood Peninsula (59). There were 52 transactions in East-West Corridor and only 1 deal in Plan Area North.

10.15   The market was most active in 2016 when 70 deals were recorded. The lowest number of transactions was recorded in 2008 and 2010 when just 28 transactions were made. On average 37 office transactions were made per annum in the district.

Figure 51: Number of Office Transactions by Year and sub-area, 2007-2016
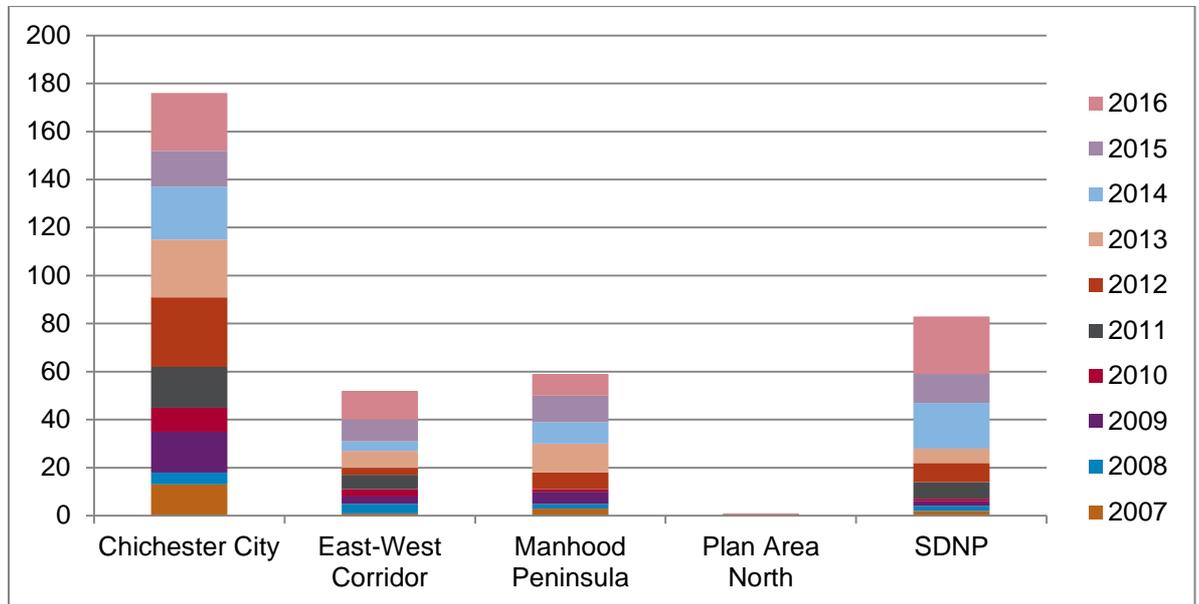
Source: GL Hearn Analysis of EGi and CoStar Data

10.16   At 64% the vast majority of office floorspace was transacted in Chichester City sub area (40,074 sq.m.), this is followed by South Downs National Park (8,221 sq.m.) at 13%.

10.17   Over the 2007-2016 period, the average annual floorspace take-up was around 6,260 sq. m. The highest volume of transactions in a single year was recorded in 2016 with 10,242 sq.m. of office floorspace transacted across the district.

Figure 52: Office Floorspace Take-Up by Location, 2007-16 (sq.m.)
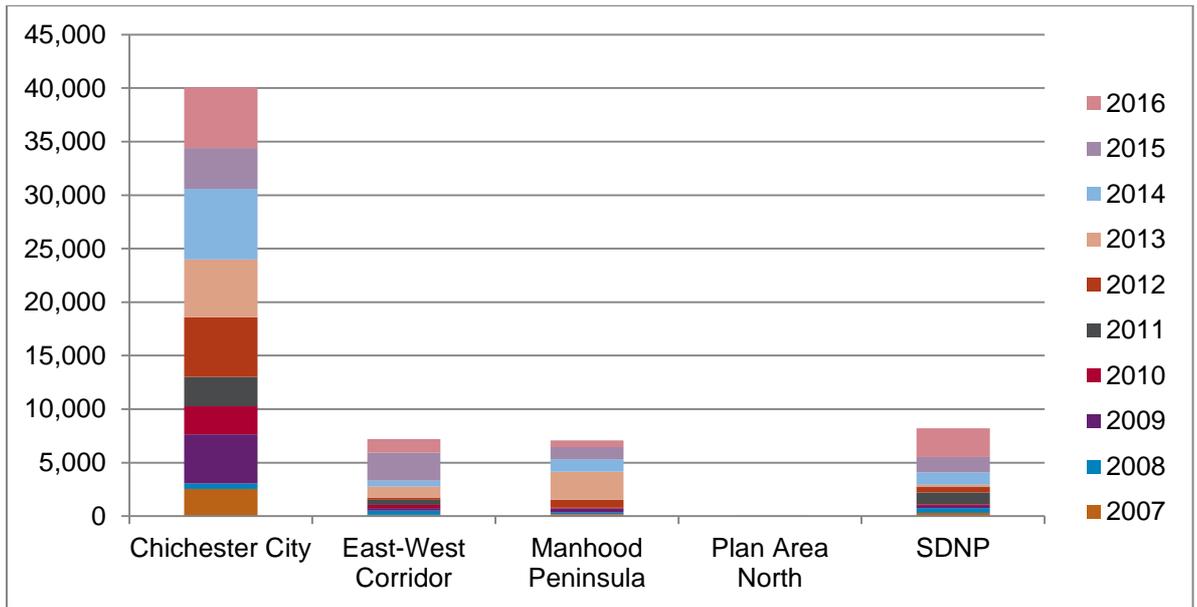
Source: GL Hearn Analysis of EGi and CoStar Data

10.18   The majority of transactions in Chichester District involved units with sizes less than 185 sq.m. Since 2014 there has however been an increase in the number of larger transactions recorded on EGi/CoStar, likely reflecting in part improvements to data; together with a partial recovery in the office market.

Figure 53: Profile of Office Deals by Size in Chichester District (sq.m.), 2007-2016
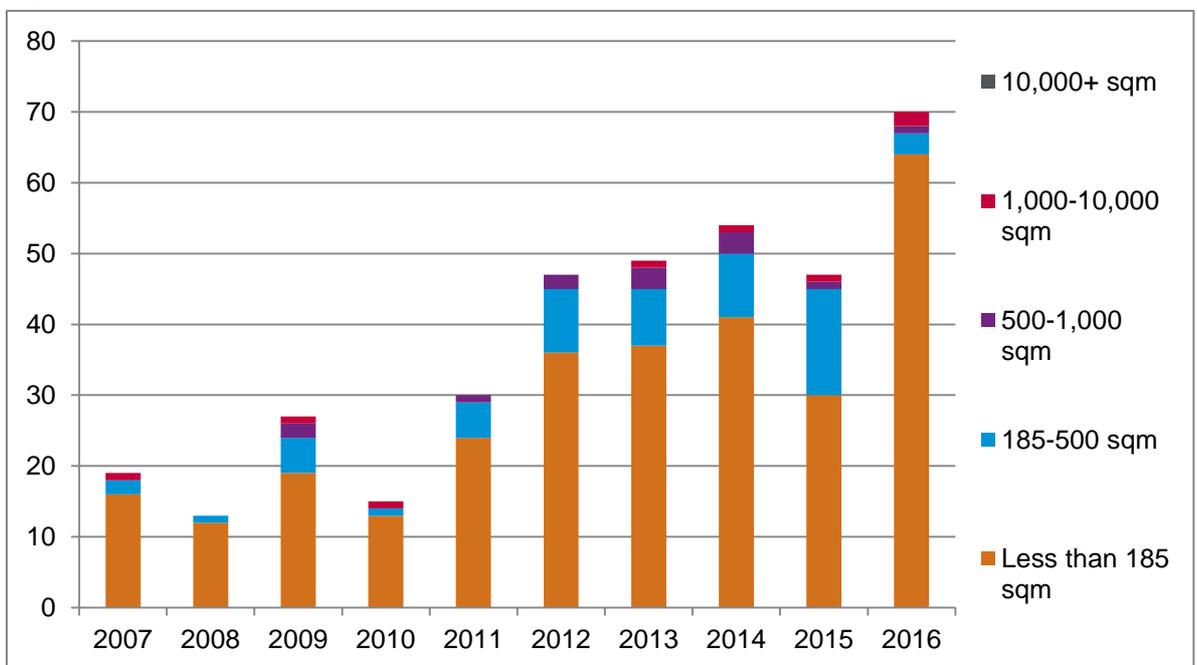
Source: GL Hearn Analysis of EGi and CoStar Data

10.19   Figure 54 profiles take-up over time and by floorspace in each size band in the district over the last 10 years. This illustrates the strong activity in the office market over the last 3 to 4 years and growth

in take-up across a number of size bands. The highest volume of office floorspace take-up was in the small size band of less than 185 sq.m.

Figure 54: Office Floorspace Take- Up by Size in Chichester District (sq. m), 20107-2016
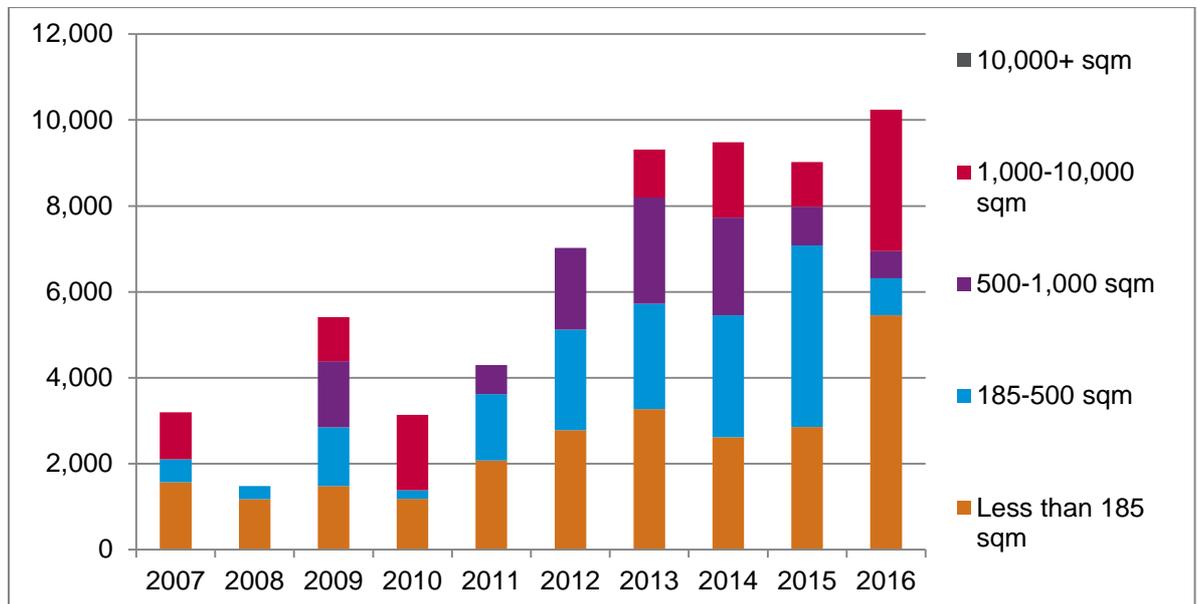
Source: GL Hearn Analysis of EGi and CoStar Data

10.20   The largest office transaction throughout this period was located in the Chichester City sub-area which was the 2,116 sq.m. unit advertised at Gravel Lane.

Office Availability

10.21   Figure illustrates the distribution of available office space across the District as recorded in EGi and CoStar databases in May 2017. As at May 2017 there was total available space of 21,499 sq.m. of office floorspace across the District.

Figure 55: Office Availability Distribution across Chichester District, May 2017
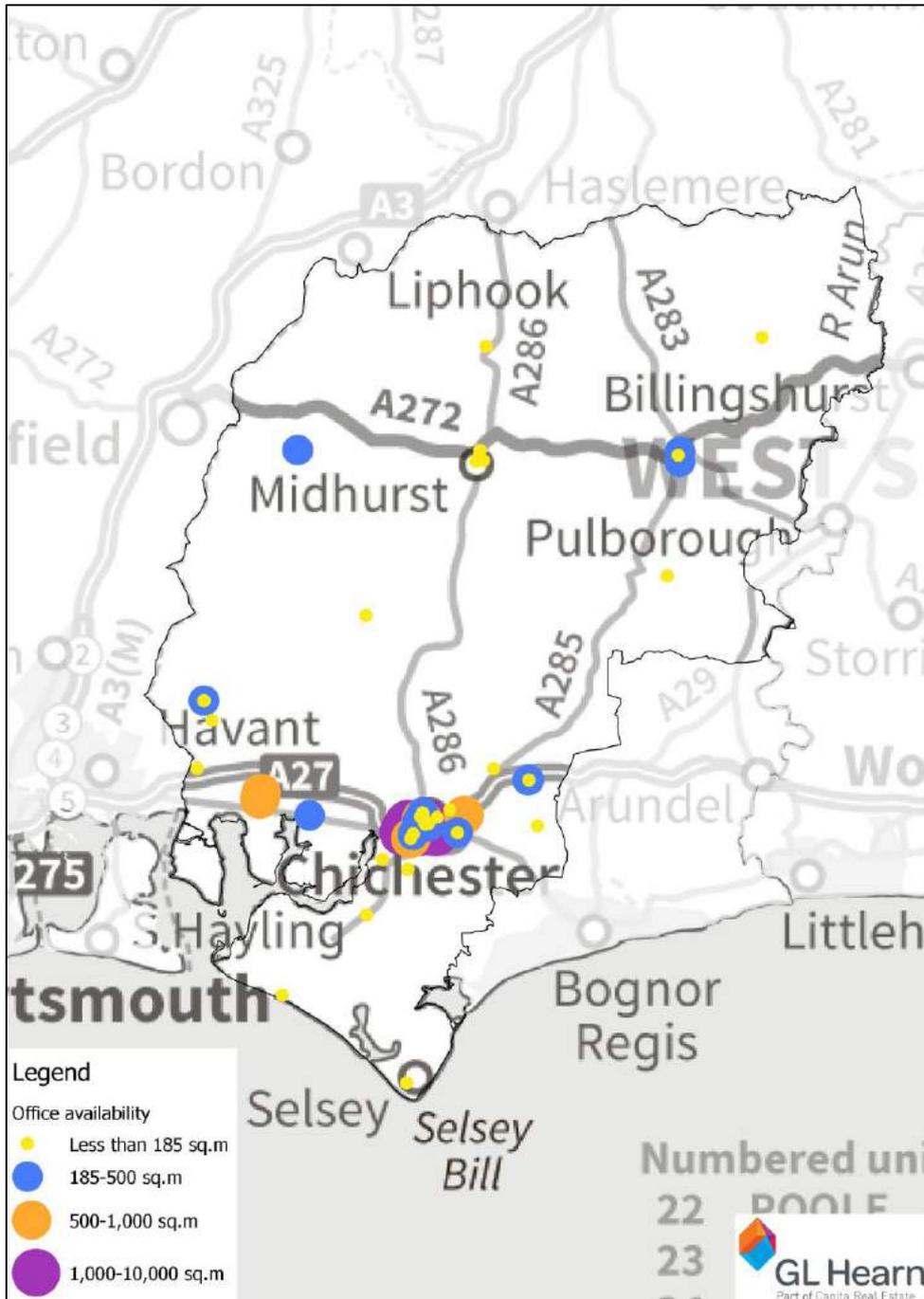
Source: GL Hearn Analysis of EGi and CoStar Data

10.22   Within the District, the highest number of office spaces available is in the Chichester City sub area (40) followed by the South Downs National Park sub-area (30).The majority of available office stock comprises smaller office spaces than 185 sq.m. (63%), followed by those sized between 185-500 sq.m. (25%). There are only six offices which are larger than 1,000 sq.m. available in the district.

Figure 56: Number of available office units
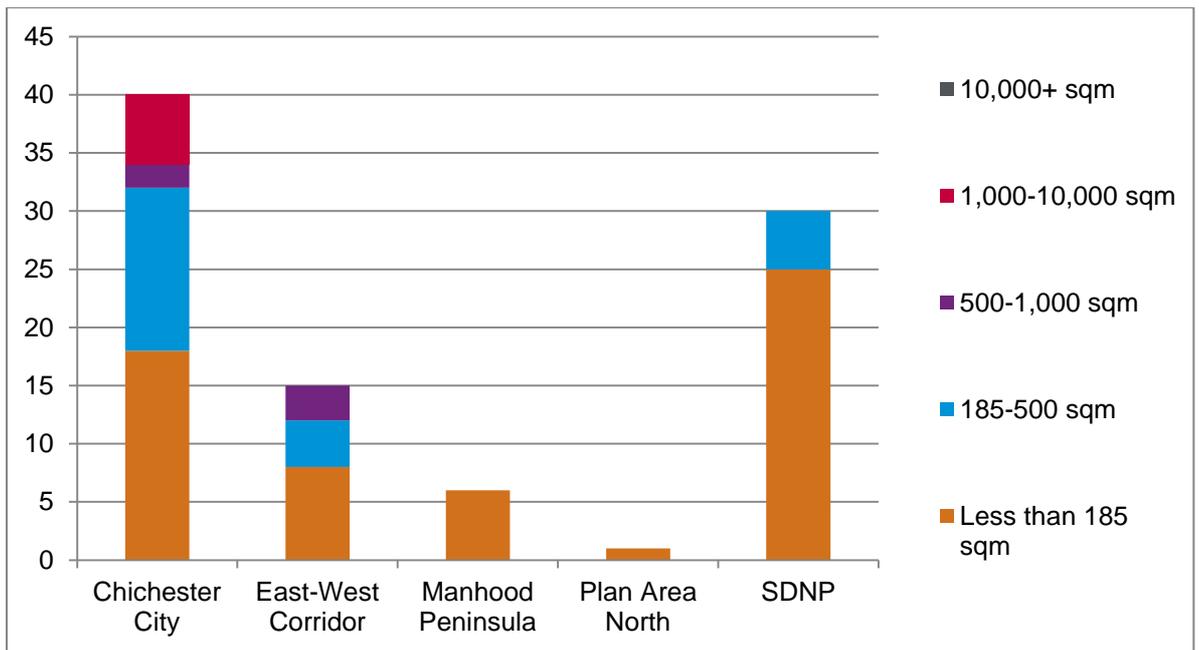
Source: GL Hearn Analysis of EGi and CoStar Data

10.23   Figure 57 displays the amount of available office floorspace located within the district by sub-area. The highest amount of available office floorspace is located in Chichester City sub area (14,639 sq.m.), followed by East-West Corridor sub area (3,827 sq.m.).

10.24   Despite being only six offices the highest amount of available office floorspace is held within offices of between 1,000-10,000sq.m in size (35%). This is followed by 185-500 sq.m. sizes (31%). The largest single available office unit in the District is a 1,858 sq.m. sized unit on Terminus Road in Chichester City.

Figure 57: Office Availability by Location and Size (May, 2017) , sq.m.
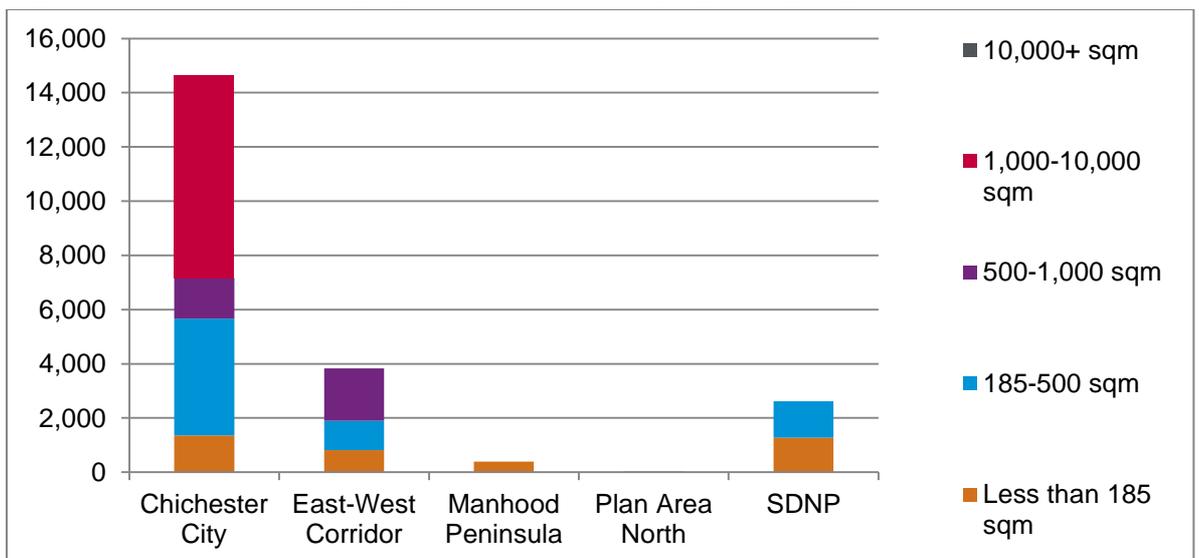
Source: GL Hearn Analysis of EGi and CoStar Data

10.25   In terms of status of office floorspace, the highest amount is concentrated in Second-hand Grade B (76%), followed by Existing (7%). In terms of location, the highest amount of proposed floorspace is located in South Downs National Park, followed by Chichester City. Chichester City demonstrates the highest concentration of New Build (pre-construction), New Build (existing), Refurb (Existing) and Second-hand Grade B. The highest concentration of Under Construction is located in the East-West Corridor.

Figure 58: Office floorspace by status and location, May 2017 (sq.m.)
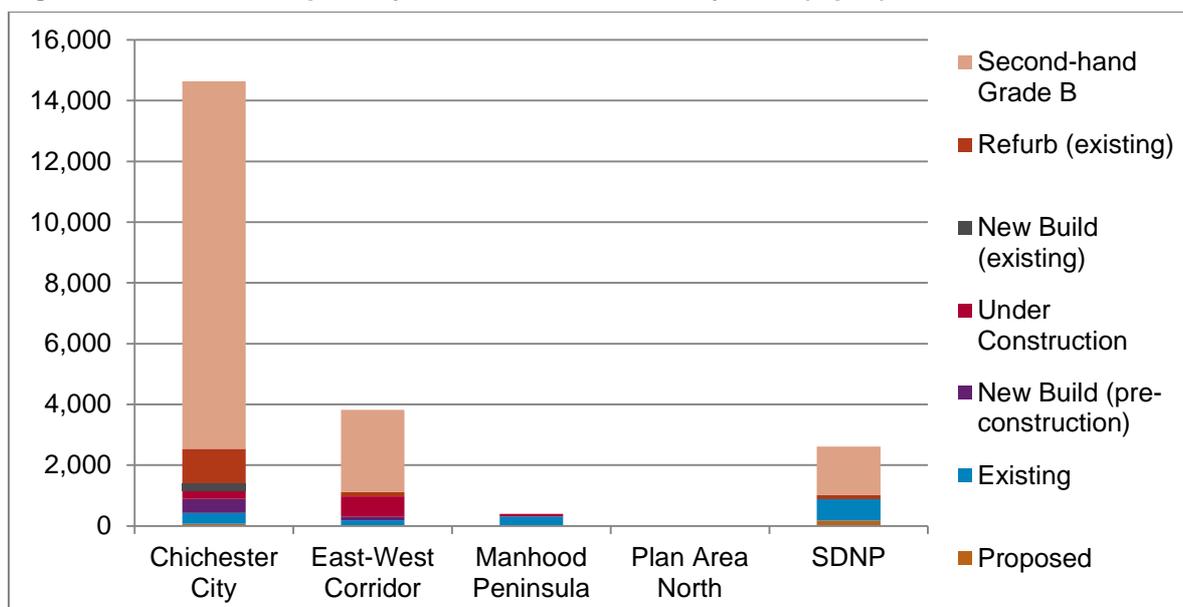
Source: GL Hearn Analysis of EGi and CoStar Data

Industrial Market Review

10.26   This section provides an assessment of the Chichester District industrial market with those in comparable local authorities. The quantitative analysis for the District itself in terms of past take-up has been based on transactions recorded on EGi and CoStar.[19] This has been augmented through engagement with commercial agents.

10.27   The amount of industrial floorspace in Chichester in 2016 was 498,000 sq.m. The figure is slightly lower than the industrial floorspace recorded for West Dorset but higher than Cotswold.

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[19] Although these are the most comprehensive lists available, not all transactions are included. In some cases transactions or availability is applied to the nearest postal town which may be in a different local authority to the transaction. GL Hearn have used Geographic Information System (GIS) to accurately present the analysis at a local authority level.

Table 77:   Industrial Floorspace, 2016

	Office Floorspace ('000 sq.m.)
Chichester District	**498**
Arun	499
Havant	424
Waverley	263
Horsham	544
Lewes	364
East Hampshire	491
Worthing	254
Cotswold	464
West Dorset	504
South East	35,858
England and Wales	321,855

Source: VOA Business Floorspace Statistics

10.28   Over the 2000-16 period, industrial floorspace has increased by 32% in Chichester District (although this large increase is largely due to a single major development by Rolls Royce – see Chapter 12). In contrast there has been an increase of 2% sq.m. in Cotswold and 15% in West Dorset. In comparison, the South East saw 1% growth.

Table 78:   Industrial Floorspace Change, 2000-2016

Local Authority	2000 Floorspace ('000 sq.m.)	2016 Floorspace ('000 sq.m.)	Change 2000-2016 ('000 sq.m.)	Change %
Chichester District	**376**	**498**	**122**	**32%**
Arun	545	499	-46	-8%
Havant	486	424	-62	-13%
Horsham	481	544	63	13%
East Hampshire	439	491	52	12%
Waverley	250	263	13	5%
Lewes	386	364	-22	-6%
Worthing	241	254	13	5%
Cotswold	453	464	11	2%
West Dorset	440	504	64	15%
South East	35,532	35,858	326	1%
England	337,705	321,855	-15850	-5%

Source: VOA Business Floorspace Statistics

10.29   Figure 59 overleaf illustrates the distribution of industrial transactions in the district since 2007. Unsurprisingly the majority of transactions took place in Chichester City and the East-West Corridor with a smaller number taking place in the Manhood Peninsula.

10.30   In contrast there was only a single transaction involving a larger property (+1,000 sqm) in the north of the district. This related to a 2015 transaction of a 1,300 sq.m site in Newpound Common.
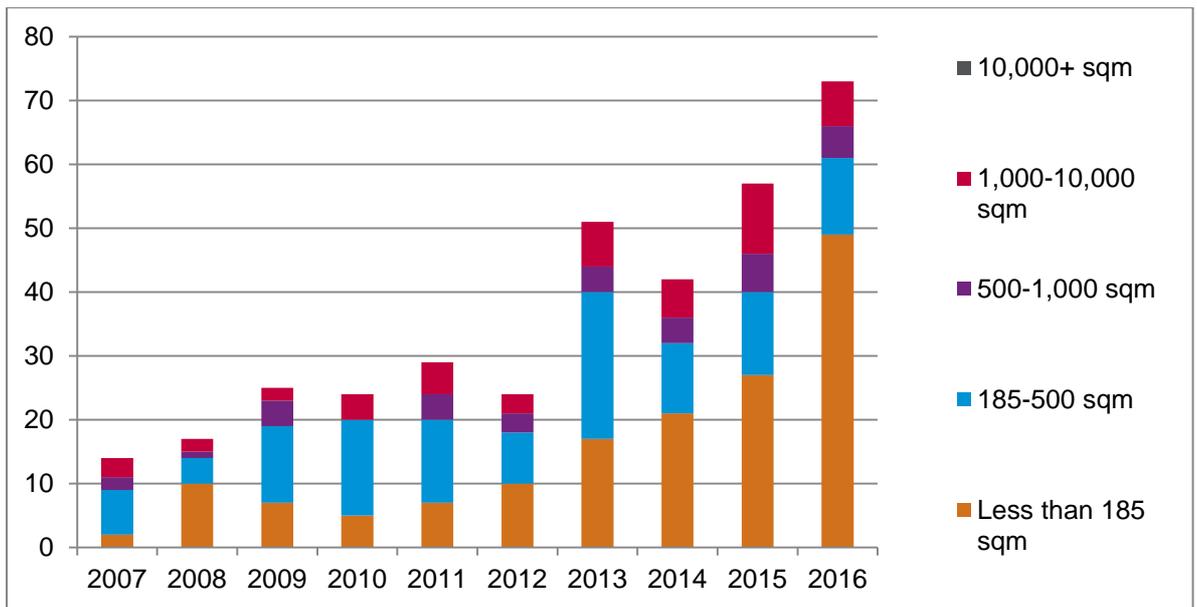
Figure 59: Industrial transactions in Chichester District since 2007
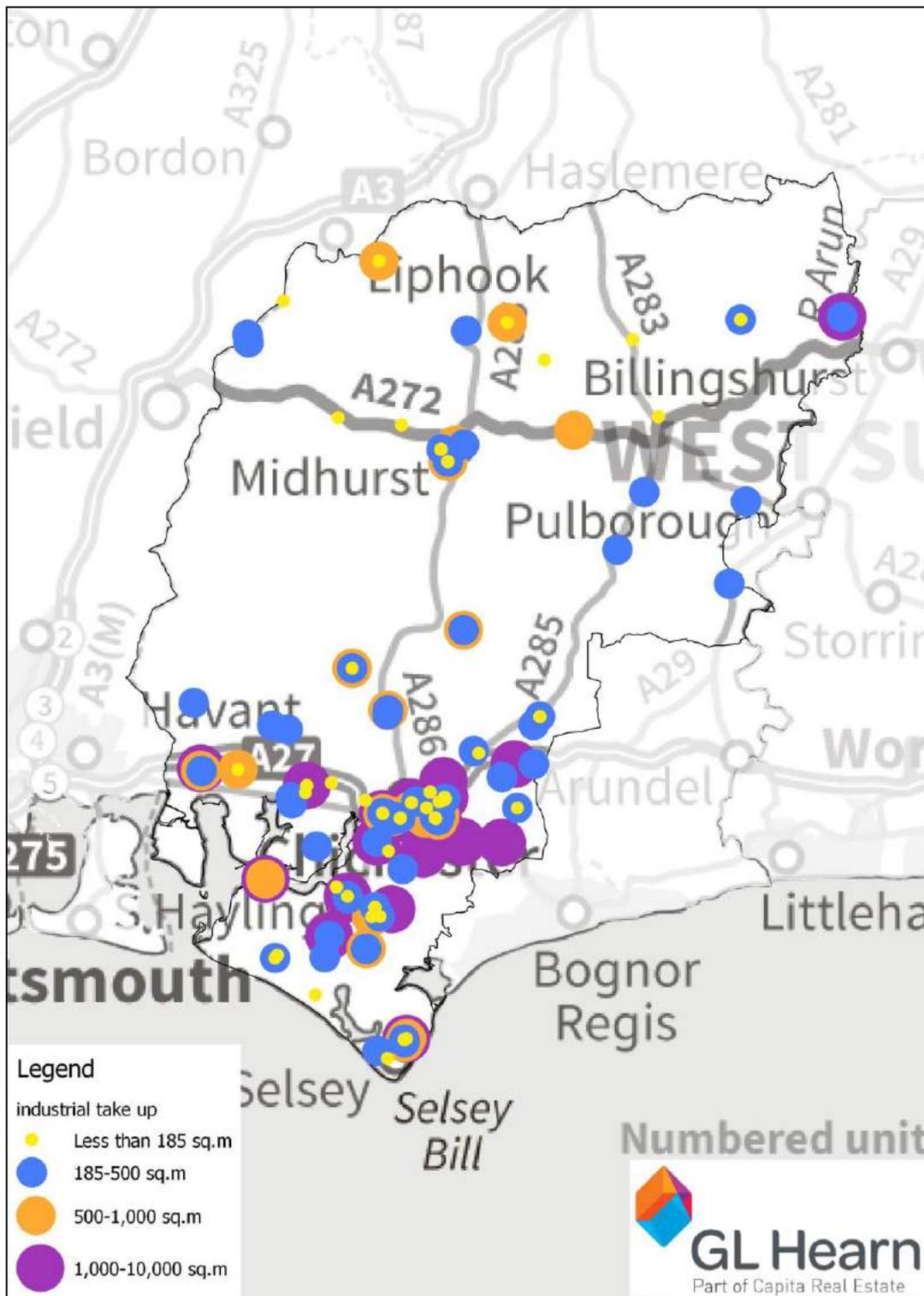
Source: GL Hearn Analysis of EGi and CoStar Data

10.31   Figure 60 presents the number of industrial deals by size and year in Chichester District. On average 36 deals were recorded per annum in the District. The highest amount of deals were made on premises with less than 185 sq.m. (44%), followed by units between 185 and 500 sq.m. (33%).

Figure 60: Number of Industrial deals by size and year in Chichester District, 2007-16

Source: GL Hearn Analysis of EGi and CoStar Data

10.32   Figure 61 presents the number of deals broken down by year and sub-area for the 2007 to 2016 period. The highest number of deals were recorded in the Chichester sub-area (136), followed by South Downs National Park (76). The smallest number of industrial deals was recorded in Plan Area North sub-area (9 deals).
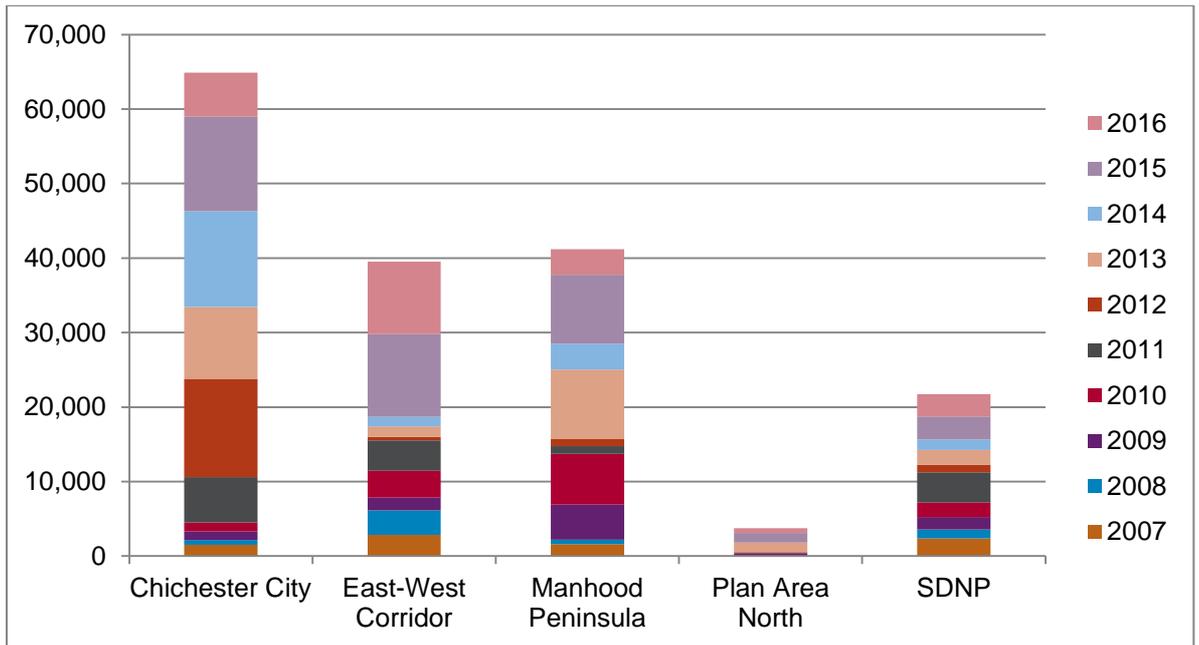
Figure 61: Number of Industrial deals by year and sub-area, 2007-16
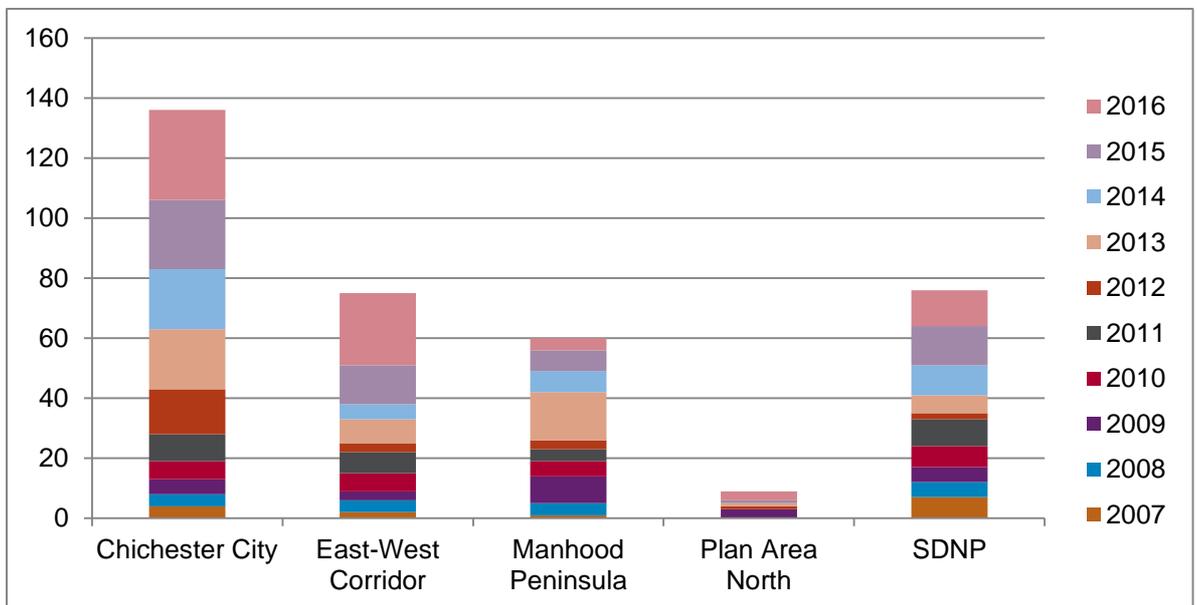
Source: GL Hearn Analysis of EGi and CoStar Data

10.33   Figure 62 presents the spatial distribution of the industrial floorspace take-up by sub-area. The highest volume of industrial floorspace transactions was recorded in Chichester City sub area (38%), closely followed by Manhood Peninsula (24%) and East-West Corridor (23%).

Figure 62: Industrial floorspace by year and sub-area, 2007-16 (sq.m.)

Source: GL Hearn Analysis of EGi and CoStar Data

10.34   Figure 63 presents the industrial floorspace take-up by size band. Over the 10 year period, the highest volume of floorspace was recorded for units between 1,000 and 10,000 sq.m. (58%), followed by units between 185 and 500 sq.m. (20%).

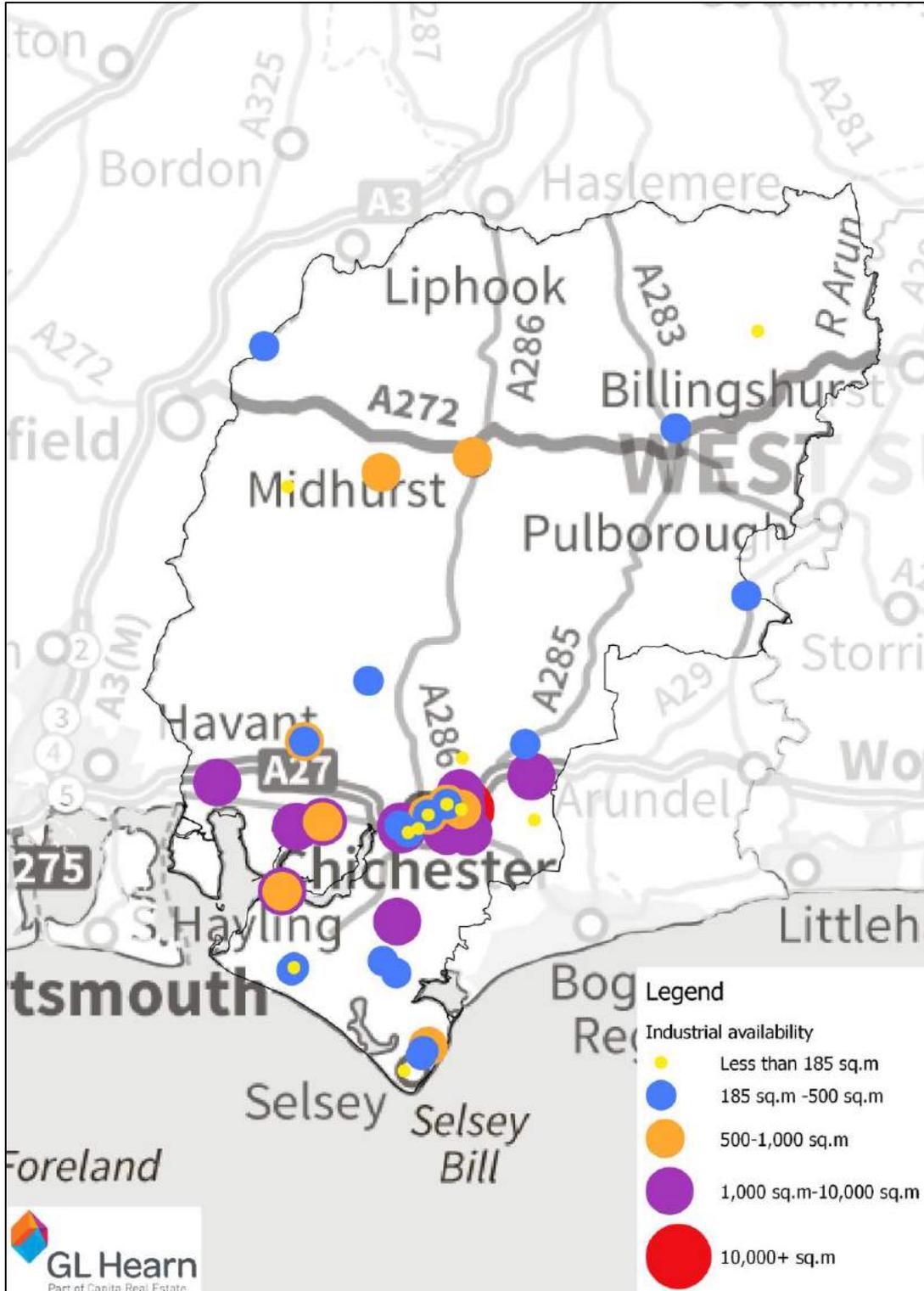**Figure 63: Industrial floorspace by year and size in Chichester District, 2007-16 (sq.m.)**
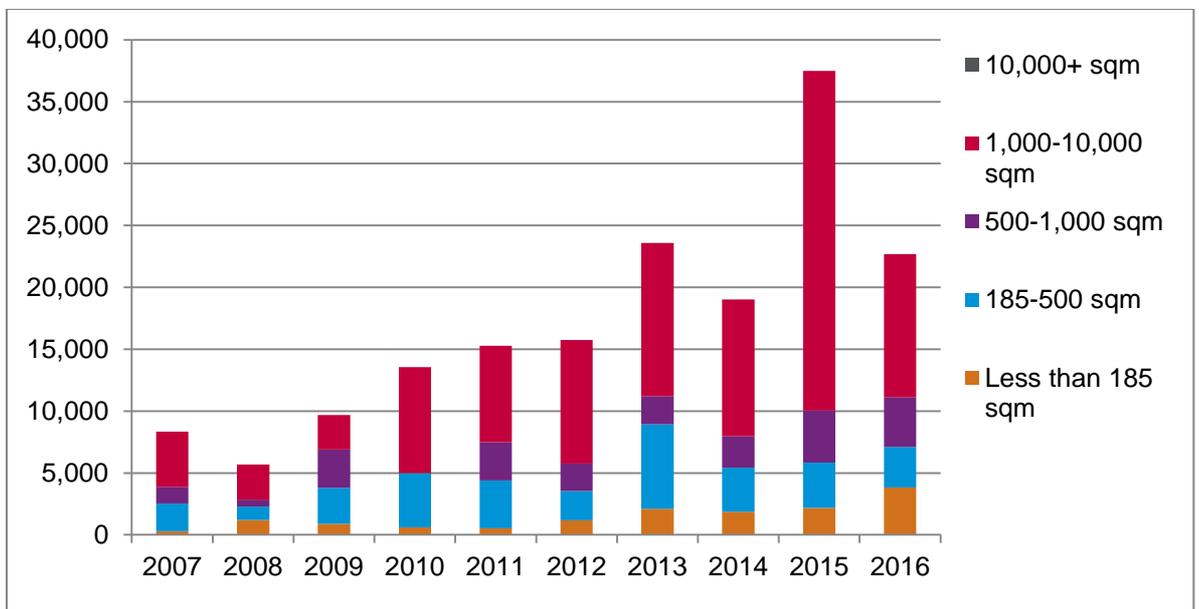
Source: GL Hearn Analysis of EGi and CoStar Data

Available Industrial Floorspace

10.35   As of May 2017, there was 65,641 sq.m. of available industrial floorspace in Chichester District. Figure 64 shows the spatial distribution of the available industrial floorspace / development

opportunities across the District as registered on EGi and CoStar databases in May 2017. The highest concentration of available industrial floorspace can be observed in Chichester, Manhood Peninsula and East-West Corridor sub-areas.

Figure 64: Industrial availability across Chichester District, May 2017

Source: GL Hearn Analysis of EGi and CoStar Data

10.36   Figure 65 presents the available industrial properties by size and sub-area within the District. The highest number of available industrial properties is in the Chichester City sub area (37%), followed by the East-West Corridor sub-area (25%). The smallest amount of available industrial properties is recorded in the Plan Area North sub-area (1%).

Figure 65:   Number of available industrial properties by size and sub-area (May 2017)
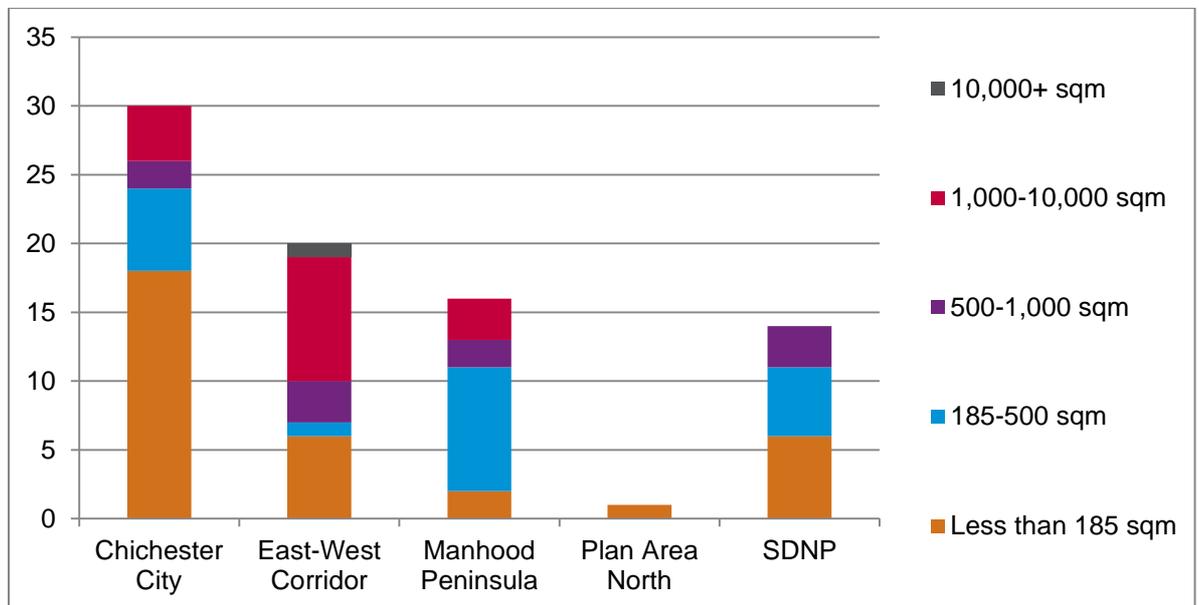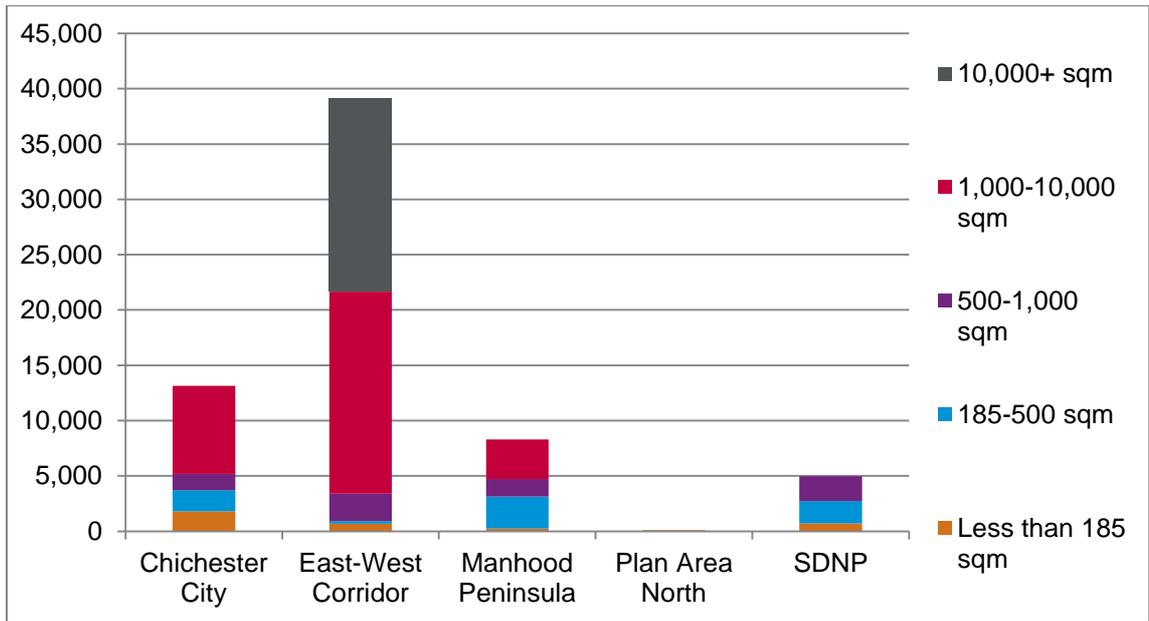

Source: GL Hearn Analysis of EGi and CoStar Data

10.37   Figure 66 shows the available industrial floorspace by size and sub-area. According to data recorded by EGi and CoStar, in May 2017 the highest amount of available industrial floorspace was located in East-West Corridor sub-area (60%), followed by Chichester City (20%).

10.38   The largest industrial development which is advertised as available is the Glenmore Business Park located in East-West Corridor. Six blocks comprising 35 units are already completed totalling 7,533 sq.m. and construction is now underway on a further 9,319 sq.m. to be developed as 5 units (2 of which can be merged into one unit totalling 4,750 sq.m.). The second largest site is the City Fields Way development also in the East West Corridor which is just over 3,700 sq.m.

Figure 66: Industrial Floorspace Availability by size and sub-area (May 2017), sq.m.

Source: GL Hearn Analysis of EGi and CoStar Data

10.39   In terms of status, the highest amount of industrial floorspace has been advertised as Second-hand Grade B (84%), followed by Design & Build (8%). When broken down by sub-area, Figure 67 demonstrates the distribution is uneven in terms of types of properties, with the East-West Corridor sub-area demonstrating the only supply in terms of Design & Build, South Downs National Park – in New Build (pre-construction), Chichester City in New Build (Under Construction) and Refurb (pre-construction).

Figure 67: Industrial floorspace by status (sq.m.), May 2017
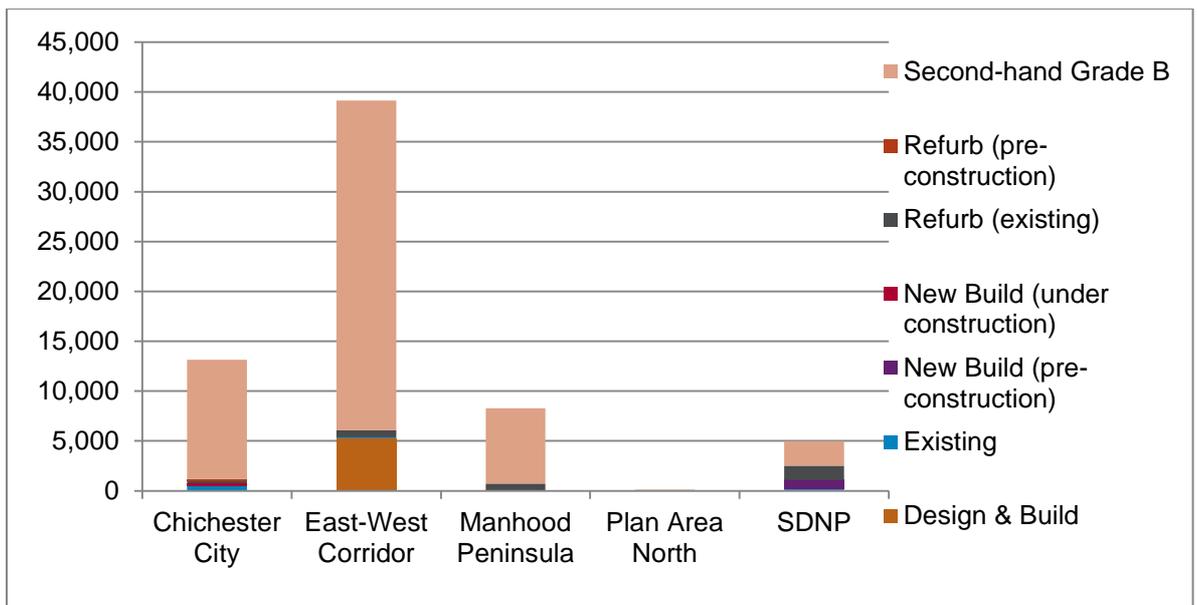
Source: GL Hearn Analysis of EGi and CoStar Data

10.40   In terms of sizes, it can be seen that Second-hand Grade B dominates in all size bands, with some Refurb (existing) within the 1,000-10,000 sq.m. band, and some New Build (pre-construction) in units less than 500 sq.m.

Figure 68: Industrial floorspace by status and size in Chichester District, May 2017(sq.m.)
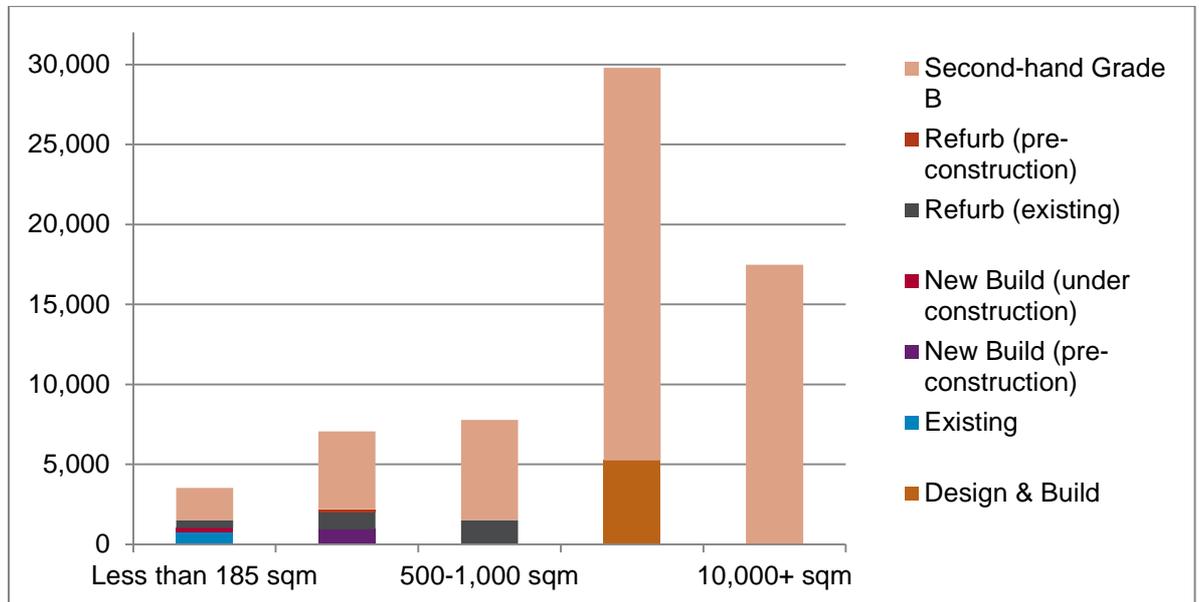
Source: GL Hearn Analysis of EGi and CoStar Data

Commercial Agent Consultation

10.41   GL Hearn has conducted consultation with local commercial estate agents operating within the District and surrounding areas to understand local dynamics and trends in commercial property. Some of the agents were solely based in the Chichester City sub-area; however we also approached other agencies dispersed across the District, in order to receive a wider scope of views.

10.42   All agents have agreed that the highest demand for both office and industrial properties is located around Chichester City, along the A27 and mainly in non-rural locations with good infrastructure. Some agents highlighted that demand in the South Downs National Park sub-area is higher for retail rather than B Class units; however there have also been inquiries for investment in office and industrial across the National Park area.

10.43   The main demand in terms of sizes for offices in Chichester District vary from 500sq.ft. to 2,500 sq.ft., with rents ranging from £12 per sq.ft. to £17 per sq.ft. Good quality and new build offices reach rents of £19 per sq.ft., and rural areas achieve rates of £14-£17.5, with old stock achieving rents of £10 per sq.ft. In terms of industrial, sizes most in demand are from 1,000-3,000 sq.ft., with rare inquiries of over 10,000 sq.ft. Industrial rents achieved would range from £4.50 to £6.50 per sq.ft., on industrial estates reaching £6.50-£8 per sq.ft. For industrial units larger than 1,000sq.ft, rents would go above £8 per sq.ft.

10.44   Some agents stated that there is a demand for good quality office space, small offices units ranging from 500 to 2,000 sq.ft. for sale and but that this a lack of supply. The agents also noted that there is currently a limited supply of good quality B8 premises. The highest demand is coming from existing companies within the District which are expanding their current units due to lack of new premises. The District has no wider catchment; however this is starting to change gradually, with some speculative developments happening along the A27. Agents recognise there are various viability issues connected with rents and current values, which have been restricting speculative development. Some of the main sectors which have been experiencing growth in the District include Storage, Wholesale, Services, Real Estate and Small scale manufacturing, which are generally uses which would require B1, B2 and B8 floorspace. However, there is not much demand from "dirty" industrial uses.

10.45   All agents were unanimous in saying there is no oversupply of commercial properties, and there has been high demand for conversion of offices to residential in Chichester City area, however demand for conversion has not been high in the National Park or the rural areas of District. This could be due to the conservation and/or heritage status of the buildings meaning that there are no permitted development rights.

10.46   Some of the main restrictions to growth and development of commercial premises in the district mentioned by the commercial agents included lack of or good quality broadband in rural areas, planning restrictions which can delay or prevent development, limited available employment land due to competition with residential development, the quality of employment floorspace available, and recruitment issues. Some agents expressed the view that it is difficult to attract labour from the Brighton area due to problems getting to Chichester via Southern Rail. Another issue mentioned was demand for senior staff in Chichester as it is in direct competition with Guildford, Brighton and Horsham.

Key Points

- Commercial activity in the district is focussed in areas around Chichester City, the East-West Corridor and Manhood Peninsula, with more moderate activity across South Downs National Park.

    Offices

- The vast majority (47%) of office take-up has been in Chichester City and the surrounding area. There has been a smaller level of commercial activity in South Downs National Park and Manhood Peninsula.
- The majority of the District's office availability is in Chichester City and the surrounding area. The available office floorspace is 21,499 sq.m. This equates to 2.9 years' worth of transactions based on the average for the last 10 years.

    Industry/Warehousing

- There has been 171,098 sq.m. of industrial floorspace transacted in the District for the last 10 years. The majority of this has been focussed in Chichester City and the surrounding area, and to a lesser degree the East-West Corridor.
- As of May 2017, there was 65,641 sq.m. of available industrial floorspace in Chichester. The highest amount of available industrial floorspace was located in Chichester City, followed by East-West Corridor and Manhood Peninsula.

11   EMPLOYMENT LAND REQUIREMENTS

11.1   In this section we consider demand for employment land and floorspace over the period from 2016-36. The section considers requirements for employment land in the B1, B2 and B8 use classes. The analysis is of 'demand' for employment land and therefore does not take account of any supply-side factors such as existing employment land allocations or commitments.

11.2   When considering the scale of future needs the Planning Practice Guidance (PPG, 2014) requires consideration of quantitative and qualitative need. This entails estimating the scale of future needs broken down by different market segments, such as different B use classes. The PPG recommends the use of a number of different techniques to estimate future employment land requirements, namely assessments based on :

- Labour Demand;
- Labour Supply; and
- Past Take-Up.

11.3   There are relative benefits of each approach. Econometric forecasts take account of differences in expected economic performance moving forward relative to the past, overall with regard to the sectoral composition of growth. However a detailed model is required to relate net forecasts to use classes and to estimate gross floorspace and land requirements.

11.4   In contrast, past take-up is based on actual delivery of employment development; but does not take account of the implications of growth in labour supply associated with housing growth nor any potential differences in economic performance relative to the past. It is also potentially influenced by past land supply policies.

11.5   The quantitative evidence is supplemented by the wider analysis of market and economic dynamics.

Labour Demand Scenarios

11.6   This section takes forward the economic growth forecasts set out in Chapter 4. This includes a scenario based on the baseline Oxford Economics forecast and a second scenario based on the adjusted Growth forecast.

Table 79:   Total Jobs – Jobs Growth Scenarios – Chichester District

	2016	2036	Growth 2016-36
Baseline Scenario	74,300	83,200	8,900
Growth Scenario	74,300	89,200	14,900

Source: GLH and Oxford Economics (numbers may not add due to rounding)

Baseline Scenario

11.7   The Baseline Scenario considers the quantum of employment land required to support the growth of 8,900 jobs (2016-36) shown in the Oxford Economics baseline forecast.

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

11.9   Table 80 shows the percentage of full-time workers for each sector in the district. This is used in relating the forecasts for total employment to expected growth in Full-Time Equivalent (FTE) employment which is used in calculating employment floorspace and land requirements.

Table 80:   Percentage of full time jobs per sector in Chichester District

Industrial Sector	% of Full Time Workers
Agriculture and Mining	80%
Manufacturing	93%
Utilities	95%
Construction	96%
Wholesale and retail trade	67%
Transport and Warehouse	85%
Accommodation and F&B Service	49%
Media and IT	84%
Professional Services	66%
Business support services	71%
Public Administration & Defence	86%
Education	50%
Health and Social Care	52%
Arts, Recreation, and Other Services	61%

Source: GLH analysis of BRES data

11.10   This provides a figure for net change in the number of FTE jobs in each sector over the plan period. The baseline OE forecasts show a net jobs growth of 7,125 FTE jobs over the period 2016-36.

Figure 69: OE Baseline – Net change in FTE jobs in Chichester District, 2016-2036
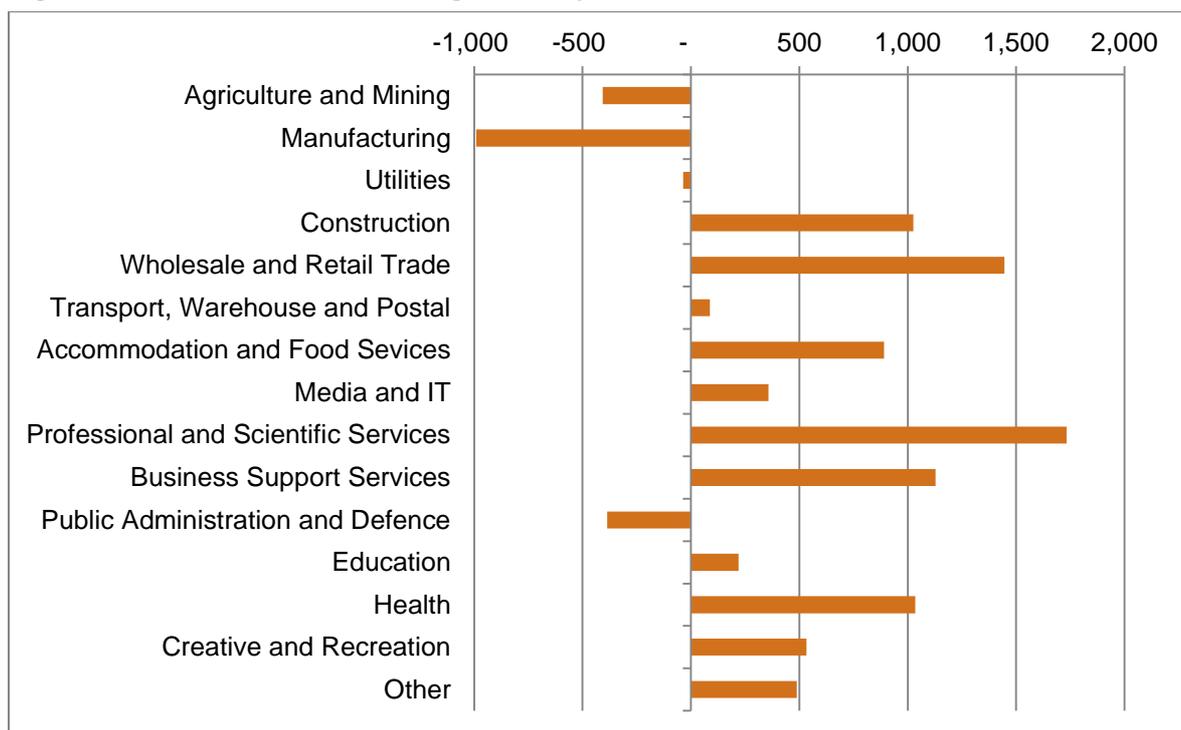
Source: Oxford Economics

11.11   GLH has considered the proportion of employment in each of these sectors which is likely to take place in office or R&D floorspace (Use Classes B1a and B1b), light industrial floorspace (Use Classes B1c), general industrial floorspace (Use Class B2), and warehouse / distribution floorspace (Use Class B8). To do this we have calibrated our standard model which relates sectors and use classes for the Chichester economy through interrogation of the current composition of employment in key sectors at 4-digit SIC level. This provides an estimate of the proportion of FTE jobs in each sub-sector which are currently located on each type of employment land (or other use class) in Chichester District. The modelling assumes that this proportion will hold true moving forwards. This approach has been used to derive the following forecasts of net growth in FTE employment by use class over the plan period:

Table 81:   Baseline Scenario – FTE Job Growth by B-Class Sector, 2016-36 – Chichester District

	2016-21	2021-26	2026-31	2031-36	Total 2016-36
B1a/b	432	611	423	388	1,853
B1c/B2	-135	-144	-219	-219	-717
B8	99	96	53	45	293
Total B-Class	**397**	**562**	**257**	**213**	**1,428**

Source: Oxford Economics

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

- Office (B1a): an average of 14 sq. m GEA per employee based on a blend between business park, serviced office and general office floorspace and assuming that the gross external area of buildings is on average 20% higher than the net internal area;
- Office – Research and Development (B1b): an average of 60 sq. m GEA per employee, assuming that the gross external area of buildings is on average 20% higher than the net internal area;
- Light Industrial (B1c): an average of 49 sq. m GEA per employee, assuming that the gross external area of buildings is on average 5% higher than the net internal area;
- General Industrial (B2): an average of 38 sq. m GEA per employee, assuming that the gross external area of buildings is on average 5% higher than the gross internal area;
- Warehouse/ Distribution (B8): an average of 72 sq. m GEA per employee. This is slightly below the middle of the range of employment densities for B8 activities, reflecting the predominantly smaller stock and lack of large scale and high bay warehousing in the district.

11.13   Applying these employment densities to the forecasts of net growth in jobs in B-class activities, we can derive forecasts for net changes in employment floorspace. This forecasts a net requirement for additional B-Class floorspace of 18,500 sq. m. The breakdown by use class is shown below.

Table 82:   Baseline Scenario – Net Floorspace Growth by B-Class Use, 2016-36 – Chichester District

	Floorspace Change (sq. m)
B1a/b	25,046
B1c/B2	-27,649
B8	21,128
Total B Class	**18,526**

Source: GL Hearn based on Oxford Economics data

11.14   Floorspace is converted to land area by using the following plot ratios: for B1a/b office space a plot ratio of 0.75 is used (i.e. it is assumed that total floorspace will comprise 75% of the site area); for B1c/B2 industrial space a plot ratio of 0.4 is used; for B8 warehouse/distribution space a plot ratio of 0.5 is used.

11.15   These are net changes and do not take account of replacement demand, such as from existing companies requiring upgraded floorspace.

11.16   In identifying how much land to allocate for development, we consider that it would be prudent to include a 'margin' to provide for some flexibility, recognising:

- The potential error margin associated with the forecasting process;
- To provide a choice of sites to facilitate competition in the property market;
- To provide flexibility to allow for any delays in individual sites coming forward.

11.17   We consider that it would be appropriate to make provision for a 5-year 'margin' based on the five year completions trend data. This is equivalent to 0.8 ha per annum. Including such a margin results in a need for 15.9 ha of employment land to meet development needs in the District.

Table 83:   Gross Employment Land Need – Baseline Labour Demand Scenario 2016-2036 – Chichester District

|	Employment Floorspace Requirement (sq. m)	Employment Land Requirement (Ha)
B1a/b	43,319	5.8
B1c/B2	2,092	0.5
B8	48,194	9.6
Total B Class	**93,606**	**15.9**

Source: GL Hearn based on Oxford Economics data

Growth Scenario

11.18   The Growth Scenario considers the quantum of employment land required to support the growth of 14,900 jobs (2016-36) shown in the adjusted growth forecast.

11.19   Using the same modelling assumptions as for the Baseline Scenario, GLH has converted the forecasts for total employment by sector into forecasts for Full-Time Equivalent (FTE) employment by sector. This provides a figure for net change in the number of FTE jobs in each sector over the plan period. The Growth Scenario forecasts show a net jobs growth of 12,150 FTE jobs over the period 2016-36.

Figure 70: Growth Scenario – Net change in FTE jobs, 2016-2036 – Chichester District
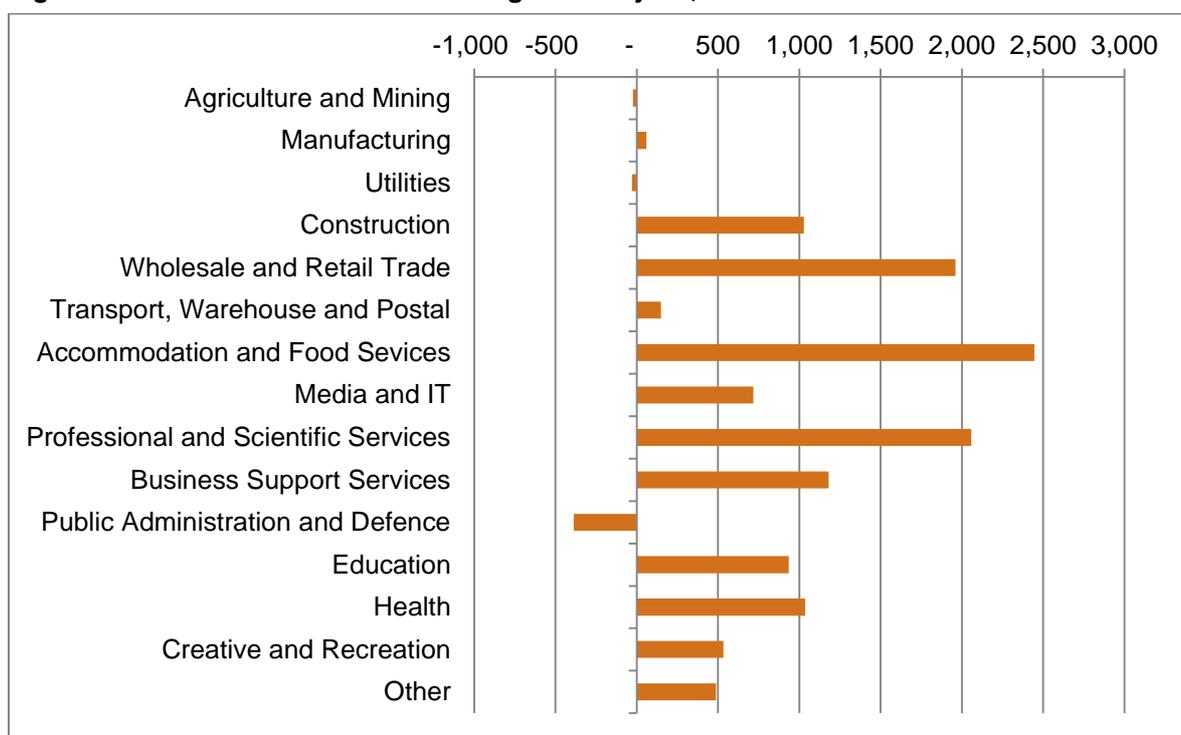
Source: GL Hearn based on Oxford Economics data

11.20   Using the same modelling assumptions as the Baseline scenario, the Growth Scenario results in the following forecasts of net growth in FTE employment by use class over the period 2016-2036:

Table 84: Growth Scenario – FTE Job Growth by B-Class Sector, 2016-36 – Chichester District

	2016-21	2021-26	2026-31	2031-36	Total 2016-36
B1a/b	574	774	661	662	2,670
B1c/B2	69	92	79	103	343
B8	165	173	169	180	687
Total B-Class	**808**	**1,038**	**908**	**945**	**3,700**

Source: GL Hearn based on Oxford Economics data

11.21   Applying the employment densities to the forecasts of net growth in jobs in B-class activities, we can derive forecasts for net changes in employment floorspace. This forecasts a net requirement for additional B-Class floorspace of 105,500 sq. m. The breakdown by use class is shown below.

Table 85: Growth Scenario – Net Floorspace Growth by B-Class Use (sq. m), 2016-36 – Chichester District

	Floorspace Change (sq. m)
B1a/b	42,880
B1c/B2	13,107
B8	49,508
Total B Class	**105,495**

Source: GL Hearn based on Oxford Economics data

11.22   Converting to land requirements and including the same margin of flexibility as in the baseline scenario results in a need for 34.2 ha of employment land to meet development needs in the District.

Table 86: Gross Employment Land Need – Growth Labour Demand Scenario 2016-2036 – Chichester District

|	Employment Floorspace Requirement (sq. m)	Employment Land Requirement (Ha)
B1a/b	61,153	8.2
B1c/B2	42,848	10.7
B8	76,573	15.3
Total B Class	**180,574**	**34.2**

Source: GL Hearn based on Oxford Economics data

11.23   The Growth Scenario forecasts an employment land requirement which is 18.2 ha greater than the Baseline Scenario (15.9 ha). The Growth Scenario forecasts a greater need for all types of employment land: it identifies a need for 2.4 ha more office (B1a/b) land and 5.7 ha more warehouse/distribution (B8) land than the Baseline Scenario.

11.24   However, the most notable difference is for industrial (B1c/B2) uses where the Growth Scenario shows a need for 10.7 ha compared to the Baseline Scenario of 0.5 ha. This reflects the Growth Scenario's more positive view of growth in the food and advanced manufacturing sectors.

Past Completions Trend

11.25   Next we have considered historic completions of employment floorspace in Chichester District. We have considered data for completions of B class floorspace in the District over the period from 2001 to 2016 based on the Council's annual development monitoring data. This period is bisected by the global recession in 2008 and therefore provides an assessment of take-up in both buoyant, and less buoyant, economic conditions.

11.26   Over the period 2001-2016 there has been a total of 280,800 sq. m of employment floorspace (gross) completed in Chichester District. This is equivalent to an annual completion rate of 18,700 sq. m per annum.

11.27   The employment completions figures per year are shown in Figure 71. The year with the largest total completions was 2004 which saw just under 90,000 sq. m of employment space completed. A large proportion of this was due to the 55,500 sq. m Rolls Royce factory at Westhampnett.

11.28   As shown in Figure 71, this can be considered an outlier, and results in the figure for 2004 being considerably higher than the other years (the year with the next highest figure is 2007 with 33,700 sq. m). Aggregating this figure forward over the forecasting period results in a slightly higher annual need figure arising from the completions trend,

Figure 71: Completions By Employment Use, 2001-16 – Chichester District
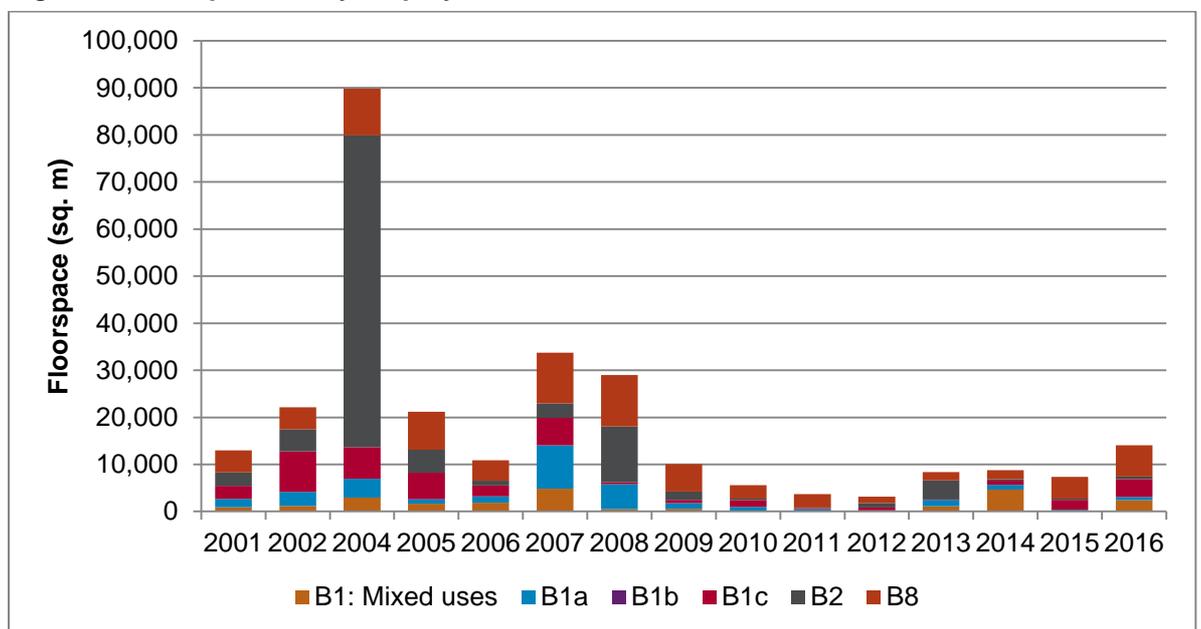
Source: Chichester District Council

Table 87:   Chichester District Past Floorspace Completions, 2001-16 (sq. m) – Chichester District

	Total 2001-2016	Annual Average 2001-2016
B1a/b	54,800	3,700
B1c/B2	144,800	9,700
B8	81,200	5,400
Total	**280,800**	**18,700**

Source: Chichester District Council

11.29   Applying the same plot ratio assumptions as the labour demand scenarios, we can extrapolate the future quantum of employment land required to 2036 assuming that development trends seen over the past fifteen years continue. This results in a need for 79.7 ha of employment land.

11.30   If we were to treat the 2004 Rolls Royce development as an outlier and exclude it from the data, this would result in a need for 29.7 ha of industrial (B1c/B2) land and a total need for 61.1 ha of employment land. Effectively, the scenario including the Rolls Royce development includes a provision of 18.5 ha to support future large-scale inward investment opportunities and should be treated as such. We would regard planning for this scale of development as a policy choice for the Council.

Table 88:   Completions Trend Scenarios Future Requirement, 2016-36 – Chichester District

	Including Rolls Royce Development		Excluding Rolls Royce Development	
	sq. m	Ha	sq. m	Ha
B1a/b	73,100	9.7	73,100	9.7
B1c/B2	193,000	48.3	119,000	29.7
B8	108,300	21.7	108,300	21.7
Total	**374,400**	**79.7**	**300,300**	**61.1**

Source: GL Hearn based on Chichester District Council data

Implications

11.31   Having considered two labour supply scenarios and two completions trend scenarios, it is clear that there is a contrast between the projections. The various forecasts show a future employment land need ranging from 93,600 sq. m / 15.9 ha (Labour Supply Baseline) to 374,400 sq. m / 79.7 ha (Completions Trend Upper).

Table 89:   Range of Employment Land Need (sq. m) 2016-36 – Chichester District

	Labour Supply Baseline Scenario	Labour Supply Growth Scenario	Completions Trend - Upper	Completions Trend - Lower
B1a/b	43,319	61,153	73,100	73,100
B1c/B2	2,092	42,848	193,000	119,000
B8	48,194	76,573	108,300	108,300
Total	**93,606**	**180,574**	**374,400**	**300,300**

Source: GL Hearn based on Oxford Economics and Chichester District Council data

Table 90:   Range of Employment Land Need (Ha) 2016-36 – Chichester District

	Labour Supply Baseline Scenario	Labour Supply Growth Scenario	Completions Trend - Upper	Completions Trend - Lower
B1a/b	5.8	8.2	9.7	9.7
B1c/B2	0.5	10.7	48.3	29.7
B8	9.6	15.3	21.7	21.7
Total	**15.9**	**34.2**	**79.7**	**61.1**

Source: GL Hearn based on Oxford Economics and Chichester District Council data

11.32   The above scenarios have been considered together to draw an overall conclusion of employment land need in Chichester. There are relative benefits of each approach. The labour supply scenarios take account of forecast jobs growth and how these might differ relative to past performance. They are strongly influenced by economic changes at a national and regional level, which shows a more cautious level of forecast jobs growth to 2036 than was seen historically – both in Chichester and across the South East.

11.33   In contrast, the scenarios based on past take-up assume the rate of employment development seen in Chichester over the past 15 years continues over the period to 2036. This approach has the benefit of being based on the actual delivery of development in the District, but does not take account of any potential differences in economic performance relative to the past performance. It is also potentially influenced by past land supply policies and hence this approach can often represent a rolling forward of a constrained supply, however this does not appear to be the case in Chichester.

11.34   The completions trend scenarios show a gross need, i.e. they do not take losses into account, whereas the labour supply scenarios are based on net jobs growth. This explains why the completions trends show a higher need than the labour demand scenarios for all sectors as well as overall.

11.35   However, there is a considerable difference between the labour supply and completions trend scenarios in regard to the forecast land requirements for industrial (B1c/B2) use. The scenarios result in a wide range of industrial land needs ranging from 0.5 ha in the Baseline labour supply scenario to 48.3 ha in the Upper Completions Trend scenario.

11.36   The Baseline labour demand jobs forecast shows losses of jobs in manufacturing sectors over the period from 2016-36 reflecting wider (national and regional) trends as well as long term trends prior to 2001. The OE forecast considers this range of data and expects the performance of the manufacturing sector in Chichester to return to these wider trends. The result is a forecast loss of jobs in the sector over the forecasting period 2016-36, which is not reflective of the sectoral growth seen over the period 2001-2016. The Growth Scenario recognises this discrepancy between the longer-term and shorter-term trends and upwardly adjusts the jobs growth in the manufacturing sector to account for this.
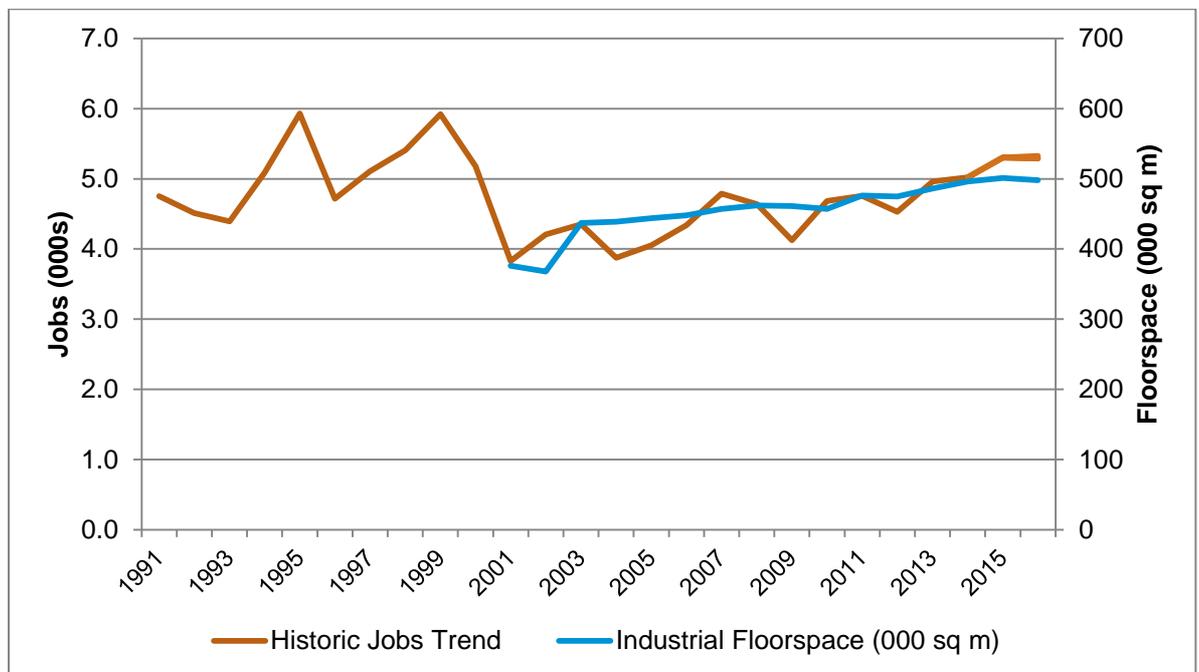
11.37   However, the Completions Trend scenarios are based on data since 2001. During this period there has been a growth of 1,500 manufacturing jobs in Chichester, which is reflected in the reasonably healthy B1c/B2 completions data for this period. This level of growth is projected forward in the Completions Trends scenarios.

11.38   To assess which of these scenarios represent the most realistic estimation of future industrial land needs we have considered the relationship between the historic trend for manufacturing jobs and industrial land in Chichester. In some areas changing operating practices and increasing levels of automation have meant that there is a changing relationship between manufacturing jobs and industrial floorspace: the amount of floorspace required per manufacturing worker (i.e. the employment density) has been increasing, influenced by productivity improvements.

11.39   However, the data suggests that in Chichester this has not had a significant impact. Figure 72 compares the growth in manufacturing jobs to total industrial floorspace in the District. This shows that over the period from 2001 to 2016 (the period when both data are available) there has been a fairly strong correlation between manufacturing jobs growth and industrial floorspace growth. Over this period both have seen annual growth of around 2% per annum (1.89% to 2.18%).

11.40   As there is only a modest divergence between the jobs and floorspace data this suggests that the floorspace trend, and therefore the Completions Trend Scenarios, more closely reflects growing job numbers rather than increasing employment densities.

Figure 72: Manufacturing Jobs Growth vs Industrial Floorspace – Historic, 1991-2016 – Chichester District
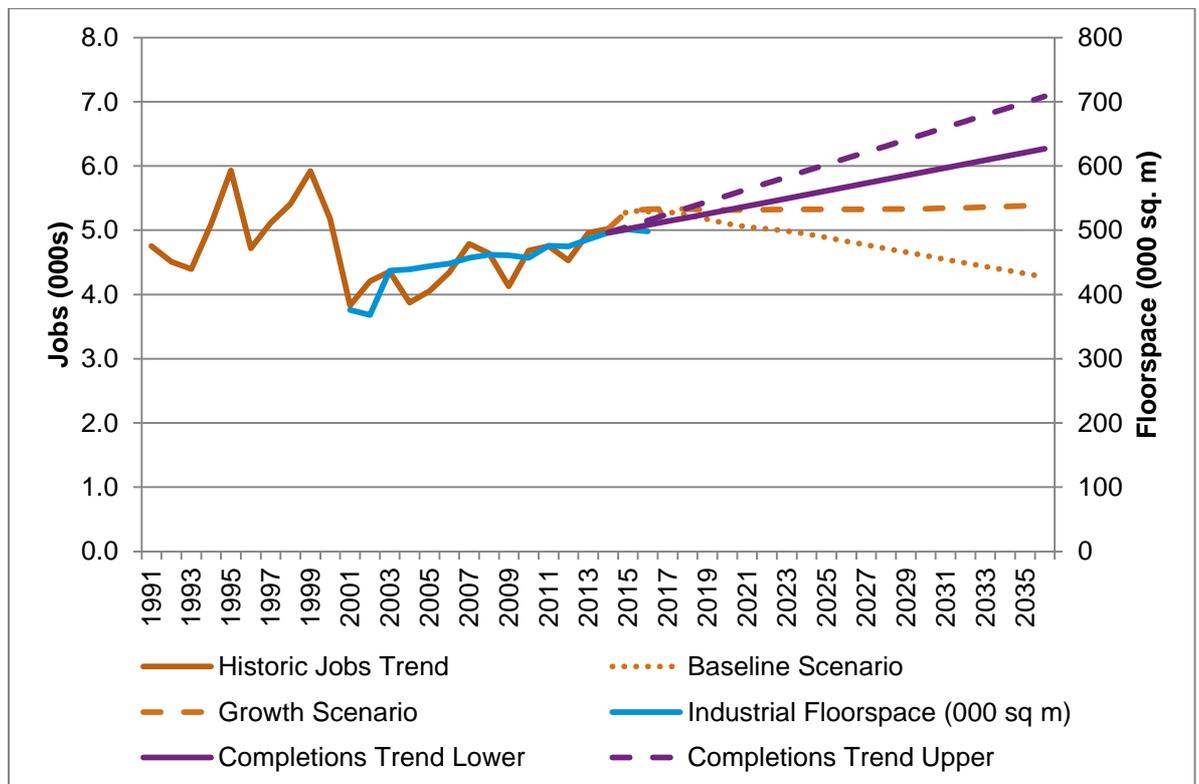

Source: VOA 2016 & OE 2017

11.41   Figure 73 shows the data in the above graph and adds the four economic scenarios for the period 2016-36. The completions trend based scenarios show continued growth which broadly represents a continuation of the historic floorspace data. Conversely, the jobs growth forecasts show a more negative future performance, the Baseline Scenario showing a decline and the Growth Scenario showing a plateauing of jobs. This is contrary to the manufacturing jobs trend since 2001.

11.42   The analysis suggests that, given recent trends in the District, adopting an industrial land requirement from either of the labour demand scenarios, which assume negative or zero manufacturing jobs growth, could likely have a constraining effect on the District's future industrial performance.

11.43   Overall the analysis suggests that the Lower Completions Trend Scenario appears the most reasonable basis for estimating future industrial land needs for manufacturing (B1c/B2 uses) in Chichester District (32.7ha). This broadly reflects a continuation of the District's 15 year growth trend. This also allows more flexibility to support changing practices in manufacturing process, including increasing levels of automation, requiring greater floorspace per manufacturing job, although the data suggests that since 2001 there is a correlation between jobs growth and floorspace indicating this relationship remains fairly strong.

Figure 73: Manufacturing Jobs Growth vs Industrial Floorspace – Forecast, 1991-2036 – Chichester District

Source: VOA 2016 & OE 2017

11.44   For office uses and warehouse/distribution uses the labour demand and completions trend scenarios show a fairly similar land requirement. For office uses the growth scenario and the

completions trend scenarios show a need for around 9 ha of office land. For B8 uses, they show a need for 15-22ha of land. The employment density assumptions for B8 uses are generally less accurate and depend to some degree on the type of commodity being stored as well as the number of employees. Accordingly, we would consider it appropriate to plan for the higher end of this range.

11.45   Overall, the evidence suggests that the Lower Completions Trend Scenario provides the most robust estimation of future employment land needs. This shows a need for 300,400 sq. m of employment floorspace or 61.1 ha of employment land in the District over the period from 2016-36:

Table 91:   Land requirements 2016-2036 – Chichester District

Use Class	Floorspace Requirement (sq. m)	Land Requirement (ha)
B1a/b	73,100	9.7
B1c/B2	119,000	29.7
B8	108,300	21.7
Total	**300,400**	**61.1**

Source: GL Hearn 2017

Horticultural Development Areas

11.46   The Chichester Local Plan includes four designated Horticultural Development Areas around Tangmere, Runcton, Sidlesham & Highleigh and Almodington. These allocations are intended to ensure that the District's horticultural industry remains nationally and internationally competitive. It is anticipated that these areas would host glasshouses and related facilities, including pack houses.

11.47   In order to assess the scale of future horticulture land and floorspace needs and to inform the decision of whether to retain or expand the HDA allocations we have sought to engage with the horticultural industry. The industry spans a range of sectors including agriculture, food manufacturing, professional scientific and technical and logistics and distribution. As such there is some overlap with the analysis above which has estimated the need for B-class accommodation for these sectors.

11.48   However, the general analysis of demand for B-Class floorspace does not cover the need for glasshouses which are key to the industry's continuing success. There are a number of approaches to estimating the need for glasshouses in the district including linking it to employment and GVA growth in crop and animal production as well as a trend based growth linked to completions.

Engagement

11.49   As part of our examination of the horticultural industry in Chichester we have approached most of the major employers seeking their views on the key drivers affecting the horticulture industry both nationally and locally and how these are expected to influence the future requirements of the industry within Chichester.

11.50   We also sought qualitative information around each company's requirements in terms of premises and staff. Information relating to their employees including the type of premises they worked in, where they lived and the types of homes they occupied.

11.51   The consultation was structured as an informal telephone based discussion. We received responses from four individuals which have been generalised (to avoid repetition) and anonymised to avoid disclosure of potentially sensitive information. The respondents represented the following groups and companies:

- West Sussex Growers Association;
- Wight Salads (APS Produce);
- Princes Foods; and
- Tangmere Airfield Nurseries

11.52   In broad terms the horticultural industry in Arun and Chichester is the strongest in the Country with nearly all horticulture in West Sussex located within these two districts, of this 75% is located in Chichester.

11.53   The industry generates around £1bn in turnover and some reports suggest that it supports up to 7,500 jobs in the district. This is likely to include associated jobs in distribution and food production as well as seasonal work. whereas Rolls Royce only employs around 1,500. The industry is a year round employer driven by the local greenhouses, packhouses and logistics operations.

11.54   The strength of the industry is linked to geography with the Sussex Coast receiving the most hours of sunshine for any part of the country. The greatest competition for the horticulture industry within the UK is from Kent and the Isle of Wight.

11.55   The local industry includes a number of major players such as who have moved their HQ to Chichester such as Vitacress and the Newey Group (Runcton). One example was given that the area is home to the majority of UK Sweet Pepper production with more than half of the UK peppers grown in the district's glasshouses. Although this still only equates to 25% of UK consumption.

11.56   Recent growth has been driven by increased demand for healthy food and also locally produced food. Also the supermarket price wars have encouraged the growers to grow more to cut costs.

11.57   The supermarkets also expected year round productions which in some cases have meant shipping in produce for it to be packed locally during the winter. Indeed some of the packhouses in Chichester do this with UK produce year round.

Future Outlook

11.58   All of the respondents thought that there was some potential to expand further but not at same rate. It was difficult to quantify the growth in employment due to automation. Particularly given that most

employers are nearly all national or international industries with rationalisation practices far more aligned to Rolls Royce than a standard farm.

11.59   The West Sussex Growers Association estimate is that the industry will see 10% growth per annum in both GVA and jobs based on their discussions with their members and an extrapolation of past trends. But this is not a sustainable level of growth due to restrictions on land and workforce. This is also likely to be across a range of linked sectors. In contrast one business estimated growth to be 5% over the next 10 years although that reflected a continued constraint to growth.

11.60   There is substantial expansion plans for the local horticultural industry due to the high winter light levels on the Sussex Coast. This is the golden triangle for this industry and one operator reported that every major horticulturalist wants to locate there.

11.61   Around half of the respondents believed that the industry would have grown at a much faster rate if it wasn't for the restrictive planning issues placed on them by local government. They believed this went against government policy which aims towards greater food security and reduced food miles. It also goes against the commercial demands of the industry driven by supermarkets who want more production of every type of food.

11.62   These companies are still automating as fast as they can but there is still a need for people to operate machinery. This includes a great many technical staff rather than just harvesting manpower. In the agricultural aspects there may be a reduction in employment but in high tech areas this unlikely to happen.

11.63   The industry is also diversifying into other areas, for example some of the large nurseries are also energy centres. Many others are gas heated water users and recycle their CO_2 through the greenhouse. While this has slowed due to reduced subsidies a number of other nurseries are still looking to do this which will require technicians.

11.64   Other nurseries use hydroponics which require a larger site than for example an organic glasshouse. However a lack of large sites was seen as limiting their development. Technological advances have largely focused on the packing side rather than picking. Although further advances expected on both sides.

11.65   The technological advances did come with a downside in that glasshouse costs were now estimated to be around £1m per hectare to build. This was difficult to justify as supermarkets did not want to pass this cost down to consumers.

11.66   There was some concern about rumoured plans to reduce the Horticultural Development Areas. The HDAs were considered to provide certainty as well as a sizeable area to make the industry more viable. As well as glasshouses one respondent said that they thought there was a lack of food grade premises with refrigeration units.

Premises and Staffing Requirements

11.67   There was also a requirement for premises with better access to the strategic road network and that transport infrastructure was a barrier in general. In particular there was a concern about the congestion on the A27 and the threat that substantial housing growth would only make this worse.

11.68   If additional premises are to become available then there would be an expectation that (subject to availability) employment numbers would increase also. In Chichester the horticultural industry is heavily reliant on imported staff with around 50% (3,750) from eastern European particularly from Latvia, Lithuania, Bulgaria, Poland and Romania.

11.69   The threat and uncertainty of Brexit is proving a huge issue for operators trying to get the required labour force. This has resulted in increased starting salaries of up to £20,000. This has slowed potential investment while uncertainties are ironed out. Some argued that if the staffing issues could be resolved the depreciation in the pound is an opportunity to grow the domestic market.

11.70   Labour was seen as a major challenge particularly as inflation pushes wages upwards as the horticultural producers don't tend to have the margins to do this. Many businesses struggled to get British workers and therefore rely on imported workers.

11.71   This is not just fruit pickers however and includes many technical and managerial roles. Indeed one respondent suggested there was a distinct lack of trained engineers. Most of the current engineers were skilled in-house. One suggested this could be mitigated through improved links with the local university and college.

11.72   It was estimated that around 45% of the horticultural workforce were employed in growing and another 45% in packing with the remaining 10% employed in the administration departments. The percentage of growers and packers also increases at the peak harvest months during the summer. Most growers used outside distributors or their produce was collected at source by the supermarkets.

Impact on Housing

11.73   The imported staff have a significant impact on local residential stock with many priced out of local homes. This has resulted in operators busing in staff from larger towns such as Littlehampton and Bognor Regis and to a lesser extent Portsmouth and Havant

11.74   One operator suggested that the workforce were content with their living arrangements (short-term, shared, PRS) as it meant they could send more money home to their families and also re-join them out of season without continuing housing payment.

11.75   The workforce also tended to share private cars or biked to work to save on costs. Most of the operators do not operate bus schemes to get workers to the glasshouses and packing houses although it has been known in peak season.

11.76   The former South Downs Holiday Village in Bracklesham Bay is now being used to house seasonal agricultural workers. The site was on the verge of being mothballed but a large employment agency (pro-force) have taken over to house 120 migrant workers. A planning application has been approved for a change of use to agricultural workers accommodation for a temporary 1 year period to 13th December 2018.

Glasshouse Needs

11.77   The OE forecasts for crop and animal production were examined to understand the potential growth in the industry. The reason we have only looked at crop and animal production is that this sector includes the core glasshouse production sub-sectors of:

- Growing of non-perennial crops (SIC Code - 01.1);
- Growing of perennial crops (SIC Code - 01.2); and
- Plant propagation (SIC Code - 01.3)

11.78   However, it also includes other non-glasshouse related industries such as traditional farming and therefore any assessment based on these forecasts are likely to over-estimate the need in the district.

11.79   As with the manufacturing sector the production of crops has become increasing automated. As indicated in Figure 74 while GVA for animal and crop production has increased substantially since 1994, employment over the same period has shown a largely downward trend.

Figure 74: OE forecasts for Food and Crop Production (1994-2036) – Chichester District
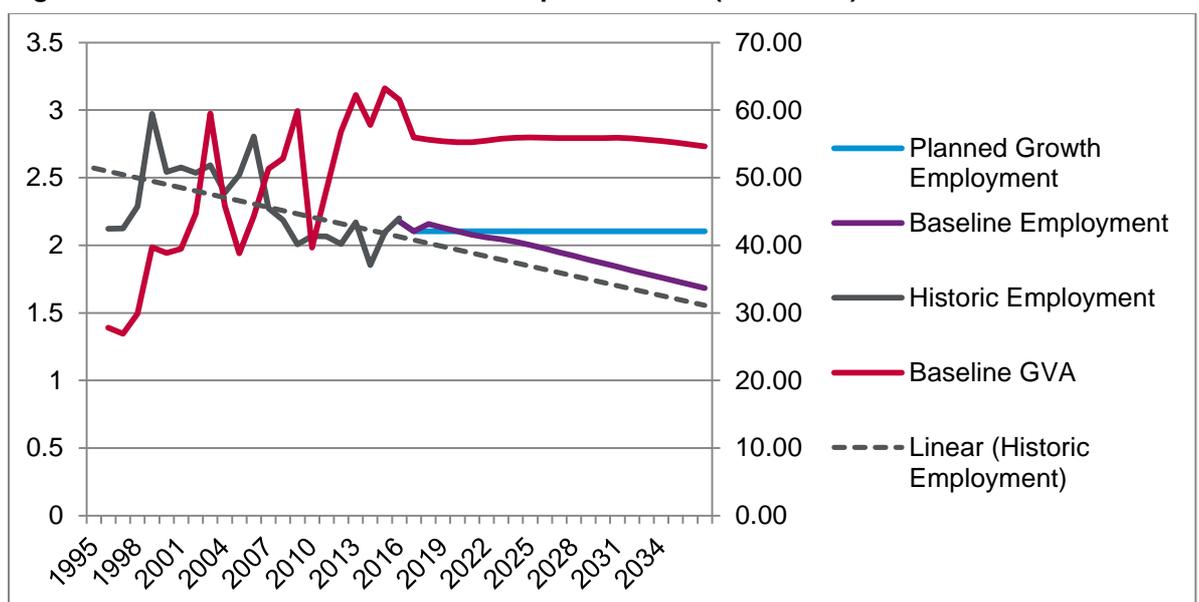
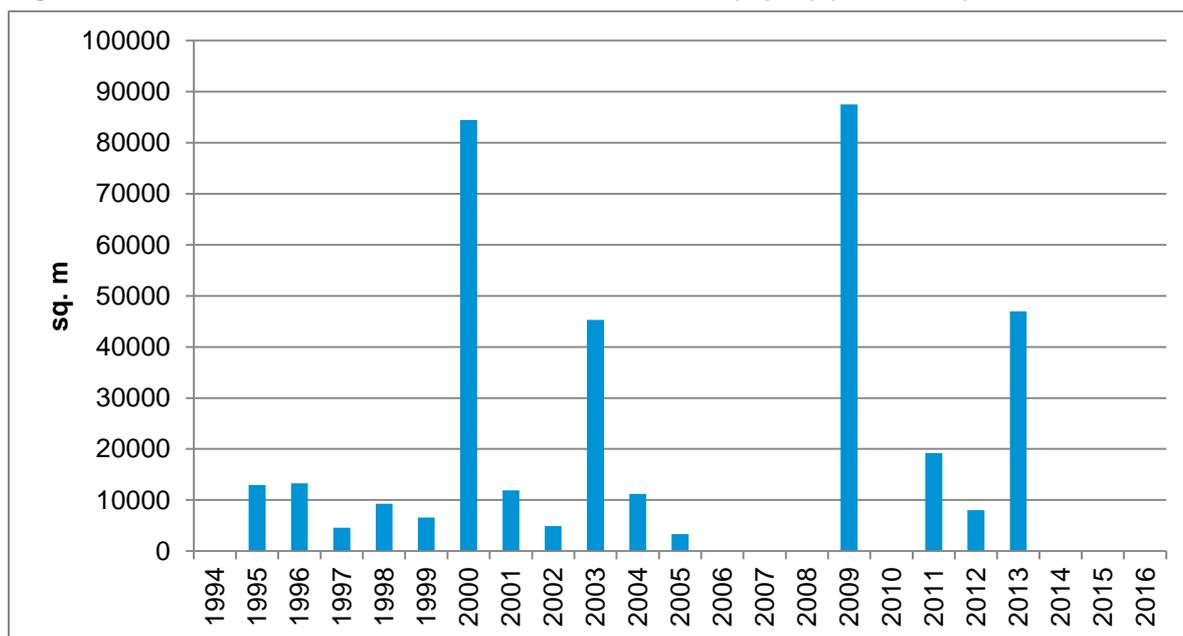*Source:* Chichester District Council

11.80   The Oxford Economics baseline forecasts show a continuation of this trend in employment but a levelling off in the GVA growth. Reflecting our discussions with the horticultural industry we have made a 30% increase to the baseline employment within food and animal production in the Growth Scenario. However, this adjustment only halts the forecast decline in employment. As such it is difficult to draw any labour force based conclusions on future need.

11.81   We have therefore sought to project forward a trend based forecast for the district over the period 2016-36 based on past glasshouse floorspace completions over a broadly equivalent time period (1994-2016) as shown in Figure 75.

11.82   This information has been derived from the Council's planning records. In total new glasshouses in the district have totalled almost 370,000 sq.m. during this time. The historic growth has on average seen around 16,000 sq.m. per annum being delivered.

11.83   However, there are some uncertainties with the more historic data with more recent trends in the period 2011 to 2016 showing a slightly lower rate of delivery at just over 12,000 sq.m.

Figure 75: Net New Glasshouse in Chichester Plan Area (sq.m.) (1995-2016)

Source: Chichester District Council (2017)

11.84   Extrapolating the rounded 12,000 sq.m. of glasshouse space over the 2016-36 period would result in a need for 240,000 sq.m. of additional glasshouse space. Based on an average known plot ratio of 0.75, this equates to a need for 32 Ha of land for glasshouses and associated works.

11.85   Between 1995-2006 such a growth in floorspace accommodated a doubling of GVA (in agricultural) although it is not anticipated that this level of GVA growth would occur going forward. The baseline forecasts anticipate no future growth while extrapolating historic trends would see a 66% growth in

GVA. The mid-point of these levels of growth would equate to 30% uplift which is similar to the uplift applied to the baseline employment growth for the planned growth scenario.

11.86   Given the uncertainties with the industry at this stage and the general slowing of growth across the country (and within Chichester) the development of 32 Ha of glasshouses should be seen as an absolute maximum, particularly until Brexit issues are clarified.

Functional Economic Market Area

11.87   As noted in Chapter 1, most of Chichester District falls within the Chichester & Bognor Regis Functional Economic Market Area (FEMA) which extends across the whole of Arun District. It is therefore worthwhile examining how Arun District Council is planning to meet employment land needs in their district.

11.88   The latest evidence for Arun was produced by Nathanial Litchfield and Partners in the April 2016 "Arun Employment Land Needs Update". The broad Methodology for this work is similar to that in this report with some slight variations on assumptions.

11.89   The report sets out a range of scenarios including completions trend based and forecast based assumptions as with this HEDNA. As with the HEDNA the completions trend based forecasts result in a significantly different picture to the baseline forecasts. Similar to the analysis undertaken in this report, this includes a scenario whereby the floorspace associated with the major new Rolls Royce facility at Bognor Regis is taken as an outlier.

11.90   Excluding the past trend scenario (including Rolls Royce) the largest need is identified for up to 49,405 sq. metres of floorspace and 10.8 Ha of land based on a high labour supply position (900dpa). This compares to the OAN for Arun of 919 dpa which has been taken forward in their main modifications of their Local Plan

11.91   In response to this identified need Arun District are proposing to allocate 79.8 Ha of strategic employment land in their emerging Local Plan [20]. The majority of this comprises four large employment sites to the north of Bognor Regis together totalling around 58 Ha land, which Arun DC is promoting as 'Enterprise Bognor Regis'. In addition, there are smaller employment allocations in Littlehampton and Angmering. The Coastal West Sussex Partnership has recognised the importance of Enterprise Bognor Regis for the whole of Coastal West Sussex. Arun DC's ambition is to achieve enterprise zone status and this objective has the support and prioritisation of the Coast to Capital Local Enterprise Partnership (LEP).

11.92   The creation of an Enterprise Zone in Bognor Regis could reduce Chichester competitiveness in attracting new business as the district would not be able to offer the same incentives as the EZ.

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[20] Arun Local Plan 2011-2031 Publication Version incorporating Proposed Main Modifications (April 2017) which is currently at examination.

11.93   It is intended that development of sites within the Enterprise Bognor Regis area will be phased over period of the Arun District Local Plan to 2032. Arun DC has prepared a draft Local Development Order (LDO) for Enterprise Bognor Regis which will be adopted to simplify planning permission in order to help deliver certainty for growth. Full planning permission was granted for 38,099sq.m of industrial (B1c/ B2/B8) floorspace in August 2017 at Oldlands Farm. Phase 1 comprising of 29,099sq.m of this development has now been completed and occupied by Rolls Royce with 9,000sq.m to be constructed as part of Phase 2. Outline planning permission was also granted for a further 20,453sq.m of industrial floorspace (B2/B8) on land to the north east of Rolls Royce at Oldlands Farm in 2016.

11.94   Arun DC's most recent assessment indicates that the scale of employment land allocated will potentially considerably exceed their own identified employment land needs[21] and identifies that there may be potential for the District to accommodate some medium to large scale requirements from neighbouring authorities, as has already occurred with Rolls Royce at Bognor Regis.

11.95   Arun DC have committed to work on an on-going basis with adjoining authorities and those within the Coastal West Sussex and Greater Brighton area to identify the scope to help accommodate unmet employment land needs – particularly for industrial, logistics and warehouse (B8) uses. Nevertheless, the commitment to meet any of these needs from neighbouring authorities within Arun will be balanced with meeting the District's own employment land needs in the first instance.

11.96   The strategic employment provision in Arun could therefore contribute towards meeting some of Chichester District's identified employment need by providing for a greater proportion of the FEMA wide need. This redistribution however would need to be agreed with Arun DC through the duty to cooperate.

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[21] Arun Local Plan Economy and Enterprise Background Technical Paper (March 2017)

Key Points

- This section estimates the quantum of employment floorspace and land area required to support B Class employment development in the District over the period 2016-36.

- Four scenarios have been developed:
    - A labour demand baseline scenario – based on the OE baseline jobs growth forecast;
    - A labour demand growth scenario – based on the growth jobs growth scenario;
    - Two scenarios based on past completions trends – one including and one excluding the large scale Rolls Royce development at Westhampnett.

- The labour demand scenarios both result in lower employment land requirements than the completions trend based forecasts. The various forecasts show a future employment land need ranging from 93,600 sq. m / 15.9 ha (Labour Supply Baseline) to 374,400 sq. m / 79.7 ha (Completions Trend Upper).

- The largest differences between the scenarios are the land requirements for industrial (B1c/B2) uses. The labour demand forecasts show lower requirements reflecting national and regional long term decline in the manufacturing sector. However, since 2001 Chichester District has seen a positive performance of the manufacturing sector and there has been a growth in both jobs and industrial floorspace.

- Considering all factors we consider that the Lower Completions Trend is the most reasonable forecast for Chichester District. This shows a need for 300,300 sq. m of employment floorspace or 61.1 ha of employment land in the District over the period from 2016-36.

- In addition a trend based forecast for glasshouses in the district calculates a need for an additional 240,000 sq.m of glasshouse space or 32 Ha of land to support the continued growth horticultural industry.

12   CONCLUSIONS

12.1   The purpose of this Housing and Economic Development Needs Assessment (HEDNA) has been to assess future housing needs, the scale of future economic growth and the quantity of land and floorspace required for B-class and horticultural economic development uses[22] between 2016 and 2036.

12.2   The HEDNA identifies Chichester and Arun as the relevant Housing Market Area (HMA) and Functional Economic Market Area (FEMA), although we recognise there are overlaps with other neighbouring authorities. For plan-making purposes we have only considered the needs for Chichester.

Objectively Assessed Housing Need (OAN)

12.3   The HEDNA follows the proposed approach as set out by the Government in their "Planning for the right homes in the right places" consultation document[23] published in September 2017. As the new methodology is only published as a consultation there may changes to it over time.

12.4   The new methodology seeks to simplify the approach to housing need and has three components:

- Starting Point or Baseline;
- Market Signals Adjustment; and
- Cap.

12.5   **The start point household projections show over the period 2016-26 a household growth of 5,165 (517 households per annum).** This equates to a 10% increase in households over the same period, equal to the household growth for England.

12.6   The proposed methodology seeks to adjust the demographic baseline on the basis of market signals. In 2016 the workplace affordability ratio in Chichester was 12.22 i.e. median house prices were 12.22 times the median earnings of those working in the district. This means that the adjustment factor in Chichester is 0.51 or 51%. **This equates to 775 dwellings per annum,** however this does not include any capping.

12.7   The final stage of the proposed methodology is to cap the OAN to a level which is deliverable. As Chichester District only adopted its Local Plan in July 2015 the OAN is capped at 40% above the adopted housing requirement.

12.8   The Local Plan was adopted on the basis delivering 7,388 homes over the period 2012-2029. This equated to an average housing delivery of approximately 435 homes per year. **Capping the OAN**

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[22] These comprise Office, industrial and warehouse/ distribution space
[23] CLG (March 2012) National Planning Policy Framework

to 40% above the adopted figure gives Chichester a housing need of 609 dwellings per annum.

12.9   It should be noted that the adopted figure reflects the Plan Area i.e. excluding the parts of the district which fall within the National Park. This is because it is a 40% cap on the adopted plan area figure rather than on the official projections which are for the district. It is therefore not a like for like comparison with the household projections (with and without adjustment) set out above.

Need for Different Types of Homes

12.10   The HEDNA identifies a range of factors which influence the need for different types of homes. This includes demographic trends, and in particular a growing older population; market dynamics and affordability; the Government's ambitions and initiatives to boost home-ownership and self/custom-build development; as well as growth in student numbers and accommodation.

Affordable Housing Need

12.11   The report has considered the need for affordable housing; using the Basic Needs Assessment Model recommended in the PPG. Using the available information, it identifies a net need for 285 affordable homes per annum across the HMA for the 2016-36 period.

12.12   As the report explains this would represent the 'theoretical need' for affordable homes if all households who needed some form of support in meeting their housing need were to be allocated an affordable home.

12.13   However, the affordable needs calculations include the needs arising from existing households who require an alternative type/ size of home (and would thus release their current homes) and from newly forming households who are already included in the demographic growth.

Tenure Mix

12.14   In analysing the need for housing of different tenures it needs to be recognised that there are a series of choices to be made with regard to the provision of new affordable housing; essentially a trade-off between the affordability of accommodation and the number of homes that can viably be provided. Hence the analysis in this report can only provide a guide to the types of affordable housing that should be provided.

12.15   In order to aid the decision-making process regarding these choices, the following breakdown of tenure could be used as a starting point.

- Market sale – 65%;
- Affordable Home Ownership (inc. Starter Homes and Intermediate) – 10%;
- Affordable rent – 12.5%; and
- Social rent – 12.5%

12.16   However, this comes with a series of caveats including the viability of providing different types of affordable housing. Furthermore, the cost of low cost home ownership properties can sometimes exceed those of lower cost market homes and thus cannot be truly considered as "affordable", albeit they might be recognised as such by the government.

Need for Different Types and Sizes of Homes

12.17   The modelling outputs provide an estimate of the proportion of homes of different sizes that are needed, there are a range of factors which should be taken into account in setting policies for provision. The mix of <u>affordable rented housing</u> sought through development at a District-wide level should be as follows:

- 1-bed properties: 25-30%;
- 2-bed properties: 40-45%;
- 3-bed properties: 20-25%; and
- 4-bed properties: 5-10%.

12.18   The strategic conclusions recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues and the issue of single people under 35 years old only being eligible to claim benefits for a room in a shared house.

12.19   The provision of affordable home ownership should be more explicitly focused on delivering smaller family housing for younger households. On this basis the following mix of <u>low-cost home ownership housing</u> is suggested:

- 1-bed properties: 20%;
- 2-bed properties: 40%;
- 3-bed properties: 30%; and
- 4-bed properties: 10%.

12.20   In the market sector, a balance of dwellings is suggested that takes account of both the demand for homes and the changing demographic profile. The following mix of <u>market housing</u> is suggested:

- 1-bed properties: 5%;
- 2-bed properties: 25-30%;
- 3-bed properties: 40-45%; and
- 4-bed properties: 25%

12.21   The figures can however be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by demographic change in the area or linked to macro-economic factors and local supply.

12.22   The need for affordable housing of different sizes will vary by area (at a more localised level) and over time. In considering the mix of homes to be provided within specific development schemes, the

information herein should be brought together with details of households currently on the Housing Register in the local area and the stock and turnover of existing properties.

12.23   Within Chapter 9 we have set out localised mix conclusions. This shows that in the more urban areas, particularly Chichester City, the mix will need to take account of density requirements and may therefore be slightly skewed towards more smaller 1 and 2 bedroom market properties with a commensurate reduction in 4 and 4+ bedroom properties. In the rural areas the overall district wide mix should be more closely adhered to.

12.24   The mix identified above should inform strategic planning and housing policies. In applying recommended housing mix to individual development sites, regard should be had to the nature of the development site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.

Older Persons Housing Need

12.25   The HEDNA indicates that the number of residents aged over 65 across district is projected to increase by 47% over the period to 2036. As a result of a growing older population and increasing life expectancy, the official projections would result in an increase in people with mobility problems of around 65% by 2036 and an increase of 75% in persons with dementia.

12.26   Some of these households will require adaptations to properties to meet their changing needs whilst others may require more specialist accommodation or support. There is clear evidence of need for properties which are capable of accommodating people's changing needs.

12.27   Based principally on the expected growth in population of older persons, the report estimates a need for additional specialist C3 dwellings for older persons in Chichester over the 2016-36 period of around 90 dpa. This forms part of the HEDNA's conclusions on the objectively assessed housing need (OAN).

12.28   A 60:40 split between market (including shared ownership) and affordable (rented) housing provision is expected. While it is not possible to disaggregate this figure further the Housing LIN is quite pro-active in looking at intermediate options for downsizing and the market part of the older persons' needs.

Table 92:   Need for Specialist Housing for Older People, 2016 - 36 – Chichester District

Change in population aged 75+	Specialist housing need (@ 170 units per 1,000)	Per annum need (2016-36)
10,816	1,839	92

12.29   A need is identified for around 507 wheelchair adapted homes (2016-36), equivalent to 4.7% of new housing provision.

12.30   Decisions about the appropriate mix of specialist housing should take account of the current stock, other local needs evidence as appropriate, and policies regarding accommodation and care for older persons. The Council should liaise with the County Council as appropriate in this respect.

12.31   GL Hearn recommends that councils should give consideration to how best to deliver the identified specialist housing need, including, for instance, the potential to identify sites in accessible locations for specialist housing or to require provision of specialist housing for older people as part of larger strategic development schemes.

Need for Registered Care Provision

12.32   Registered care provision falls within a C2 use class, with households who live in care homes counted as part of the institutional rather than the household population. As such provision of residential care is treated in the analysis of housing need separately in the HEDNA from that for C3 dwellings (and is separate to the C3 housing OAN).

12.33   The official population projections would result in a net need for 967 C2 bed spaces for older persons in the HMA over the 2016-36 period (48 per annum). The assessment, however, should be treated as indicative, and does not seek to set policies for how older persons with care needs should be accommodated.

Employment Land Requirements

12.34   GL Hearn have purchased forecasts for Chichester from Oxford Economics to inform this assessment. The baseline forecasts show a growth of employment of 8,900 jobs over the period 2016-36.

12.35   While the baseline forecast provides a good indication of the direction of growth it does not reflect the progression of some specific sectors locally. We have therefore developed a Growth Scenario which applies sectoral uplifts for the Chichester District specific growth sectors. The "Growth Scenario" set out a growth 14,900 over the period 2016-36.

12.36   In accordance with PPG, the assessment of employment land required in the district has been assessed in two ways: a labour demand approach based on calculating the employment land required to support forecast jobs growth; and a forecast based on past completions trend data.

12.37   On a "policy off" basis, to support this level of jobs growth set out the "Growth Scenario" over the plan period we consider the lower projections of past completions forecasts provides the most robust overall figure for land requirements. This shows a need for 300,400 sq. m of floorspace or 61.1 ha employment land over the period 2016-2036:

Table 93:   Chichester District employment floorspace and Land requirements 2016-36

Use Class	Floorspace Requirement (sq. m)	Land Requirement (ha)
B1a/b	73,100	9.7
B1c/B2	119,000	29.7
B8	108,300	21.7
Total	**300,400**	**61.1**

12.38   In addition to traditional B-class accommodation a trends based forecast for glasshouses in the district reveals a need for an additional 240,000 sq.m of floorspace or 32 Ha of land over the 2014-2036 period in order to sustain the growth in the horticultural industry. The other elements of horticultural growth such as packhouses and logistics spaces are included within the overall B-class requirements.

APPENDIX A: OXFORD ECONOMICS BROAD SECTORS BY 2 DIGIT SECTORS

Broad Sector	2 Digit Sector
Agriculture, forestry and fishing	Crop and animal production
	Forestry and logging
	Fishing and aquaculture
Mining and quarrying	Mining of coal and lignite
	Extraction of crude petroleum
	Mining of metal ores
	Other mining and quarrying
	Mining support service activities
Manufacturing	Manufacture of food products
	Manufacture of beverages
	Manufacture of tobacco products
	Manufacture of textiles
	Manufacture of wearing apparel
	Manufacture of leather
	Manufacture of wood and of products
	Manufacture of paper and paper
	Printing and reproduction of records
	Manufacture of coke
	Manufacture of chemicals
	Manufacture of basic pharmaceuticals
	Manufacture of rubber and plastic
	Manufacture of other non-metallic products
	Manufacture of basic metals
	Manufacture of fabricated metal
	Manufacture of computer, electronics
	Manufacture of electrical equipment
	Manufacture of machinery and equipment
	Manufacture of motor vehicles
	Manufacture of other transport equipment
	Manufacture of furniture
	Other manufacturing
	Repair and installation of machinery
Utilities	Electricity, gas, steam and air conditioning
	Water collection, treatment
	Sewerage
	Waste collection, treatment
Construction	Remediation activities
	Construction of buildings
	Civil engineering
	Specialised construction activities
Wholesale and retail trade	Wholesale and retail trade
	Wholesale trade, except of motor vehicles

	Retail trade, except of motor vehicles
Transportation and storage	Land transport
	Water transport
	Air transport
	Warehousing and support activities
	Postal and courier activities
Accommodation and Food services	Accommodation
	Food and beverage service activities
Information and communication	Publishing activities
	Motion picture, video and television
	Programming and broadcasting
	Telecommunications
	Computer programming, consultancy
	Information service activities
Professional, scientific and technical activities	Financial service activities
	Insurance, reinsurance and pension
	Activities auxiliary to financial services
	Real estate activities
	Legal and accounting activities
	Activities of head offices
	Architectural and engineering
	Scientific research and development
	Advertising and market research
	Other professional, scientific
Administrative and support service activities	Veterinary activities
	Rental and leasing activities
	Employment activities
	Travel agency, tour operator
	Security and investigation activities
	Services to buildings and landscapes
	Office administrative, office support
Public admin and defence	Public administration and defence
Education	Education
Health and Social work	Human health activities
	Residential care activities
	Social work activities
Arts, entertainment and recreation	Creative, arts and entertainment activities
Other service activities	Libraries, archives, museums
	Gambling and betting activities
	Sports activities and amusement
	Activities of membership organisation
	Repair of computers and personal
	Other personal service activities