Housing Type & Size In the South East

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Final Summary Report

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1 SUMMARY REPORT

1.01 The South East of England Regional Assembly (hereafter the Assembly) and the South East England Development Agency (SEEDA) commissioned a study to investigate whether current housing and planning policies are delivering the right type and size of quality housing in sustainable communities to meet future requirements, needs and aspirations.

1.02 There have been longstanding concerns within the Assembly and SEEDA about what has been delivered by way of new housing development and what the region needs in the future. However, less is known about the facts. This study has reviewed relevant literature, assembled evidence from available data and consulted key stakeholders through three workshop events. The study was considered at the South East Examination in public, and will inform the updating of the South East Housing Strategy.

1.03 The study addresses 5 key questions:

i. How has the size and type of new completions changed in recent years?

ii. Why has the size and type of new completions changed in recent years?

iii. Do the observed changes matter?

iv. How does this pattern vary in different housing market areas within the region?

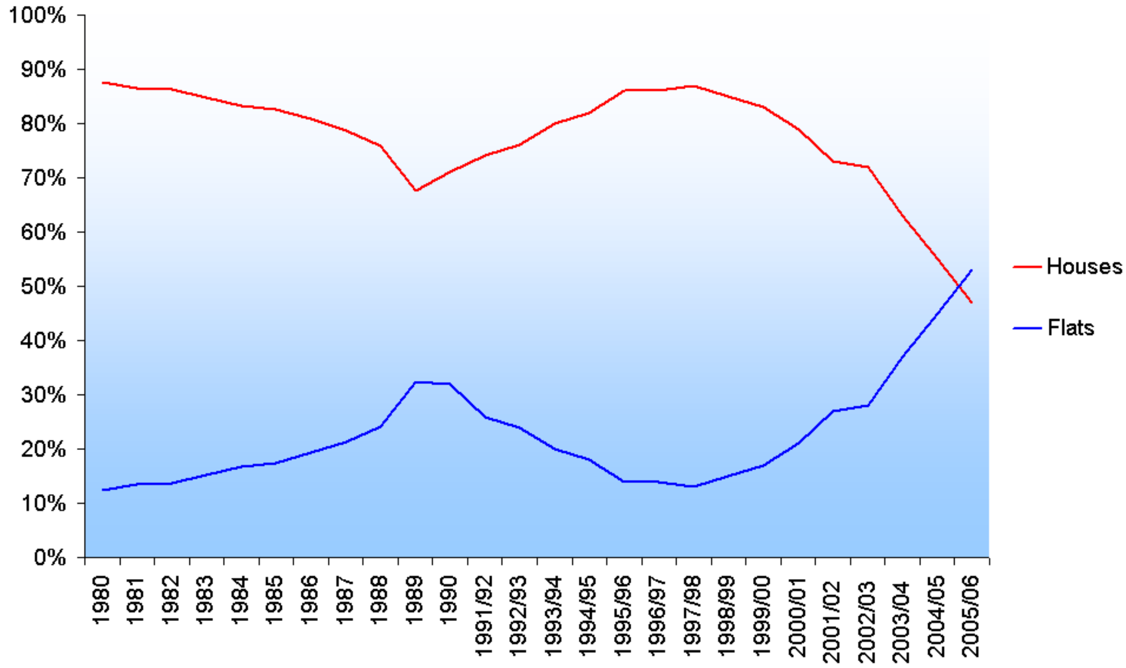
v. If, yes, what *can* be done to address the issue and what *should* be done?

1.04 The type and size of dwelling completions has been analysed over a period of 25 years, since 1980. In this study is has also been important to distinguish between the different types of dwellings built for the open market compared to those built by RSLs – predominantly for social renting. The analysis in this section distinguishes between what has been happening in the market sector (private house building) and the subsidised sector (RSL and previously Council/Development Corporation funded development), since fundamentally different drivers are at work, though these may have changed over time.

How has the size and type of new completions changed in recent years?

1.05 In 2005/06 53% of completions for the open market in the South East were flats, a rise of over twenty percentage points since 2001/02 (see Figure 1). This pattern is similar to that seen in 1989-90 although it appears more pronounced in recent years. The peak of the last housing market cycle was in the late 1980s which corresponded with an increase in the proportion of flats completed (to 33%) and a decrease in the proportion of houses (to 67%).

Figure 1: Type of Completions by Private Enterprise in the South East



Source: DCLG. Note that since 2001, Completions data represents NHBC data only and not Local Authority returns. NHBC covers around 80% of completions. Data for 1980-1990 covers Rest of South East (ROSE), which includes Bedfordshire, Hertfordshire and Essex as well as the current South East region.

1.06 In absolute terms the number of houses built for sale on the open market has fallen significantly since 1997 to around 13,000 in 2004/05. In contrast, the number of flats built for open market sale increased more than threefold in this period from around 3,000 in 1997 to over 10,000 in 2004/05. This is almost double the number of flats that were completed in 1991/02. Consultation with developers operating in the South suggests that this trend will continue at least in the short term as recent permissions are built out.

1.07 In London, over 80% of completions in 2004/05 were flats. The proportion of flats completed has risen steeply since 1999/2000 when 60% of completions were flats. Both the East of England and South West regions have experienced a similar rise in the proportion of flats developed as a percentage of all completions. However, in these regions the vast majority of dwellings developed are still houses.

1.08 The majority of flats completed by private enterprise are low rise (3 storeys or less) rather than high rise blocks or 4 storeys or more. This suggests that the shift to flatted development is not primarily a product of the highly visible development of large flatted schemes in town centres. Rather it is a general trend to be found across the entirety of the South East in suburban locations and new neighbourhood developments as well as town centres.

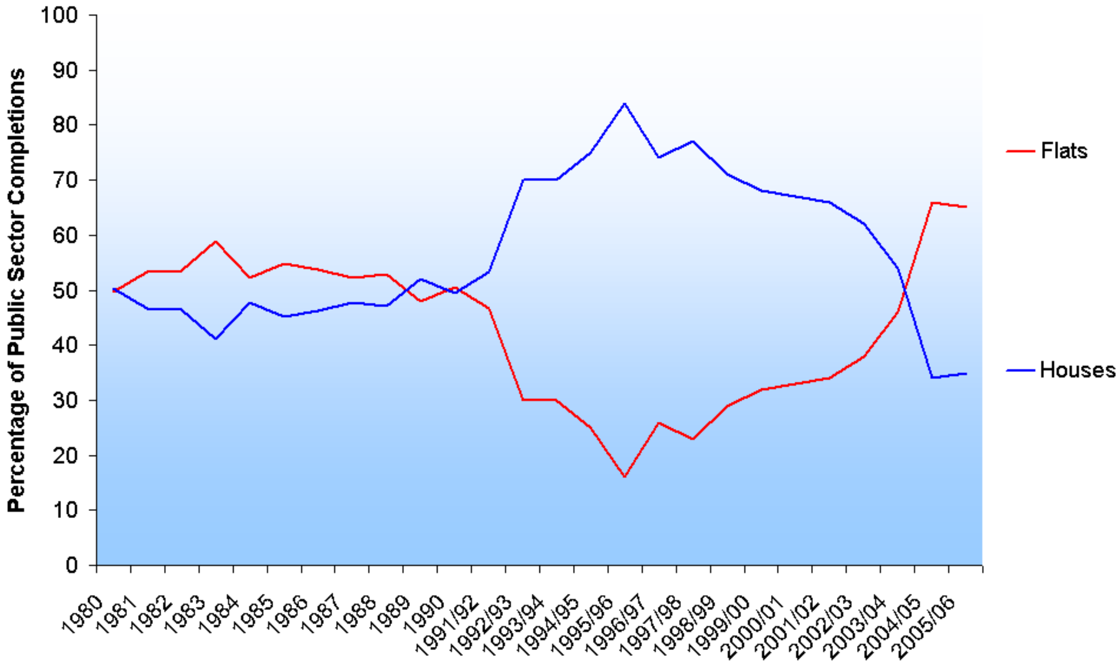
1.09 The market sector is essentially driven by what sells and is unconcerned about who occupies the property, whether it bought by an occupier or an investor or how many people will live in the dwelling. Nor are private house builders generally concerned about long term maintenance and management issues.

1.10 In contrast the publicly funded sector should take into account a broader range of factors in determining what to build. Common sense suggests that publicly funded house building should be driven by the needs of those in priority housing need (those who will actually live in the dwelling) and in particular their requirements in terms of bedrooms.

1.11 In practice value for money considerations have often led the public sector house to provide housing only to meet potential tenants immediate housing need. It has not been standard practice to allocate households an extra bedroom on top of current needs to reflect growing families or that children get older and need separate accommodation.

1.12 The change in the type of completions by RSLs and public sector bodies has been more dramatic in recent years (see Figure 2). In 2004/05, almost 70% of dwellings completed by RSLs were flats (for all practical purposes the output of public sector bodies is now negligible) although this appears to have stabilised in 2005/06. Since 1990 the type of completions by RSLs appears to have followed the pattern in the type of completions by the private sector, albeit with a higher proportion of flats. However the output of the RSL and public sector was markedly different in the years 1980 – 1990 to that of the private sector. Over the period 1980-1990 roughly half of completions by the public sector were houses and half were flats – with a peak in the proportion of flats in 1983 to 60%.

Figure 2: Proportion of Houses and Flats Completed by the Public Sector, South East



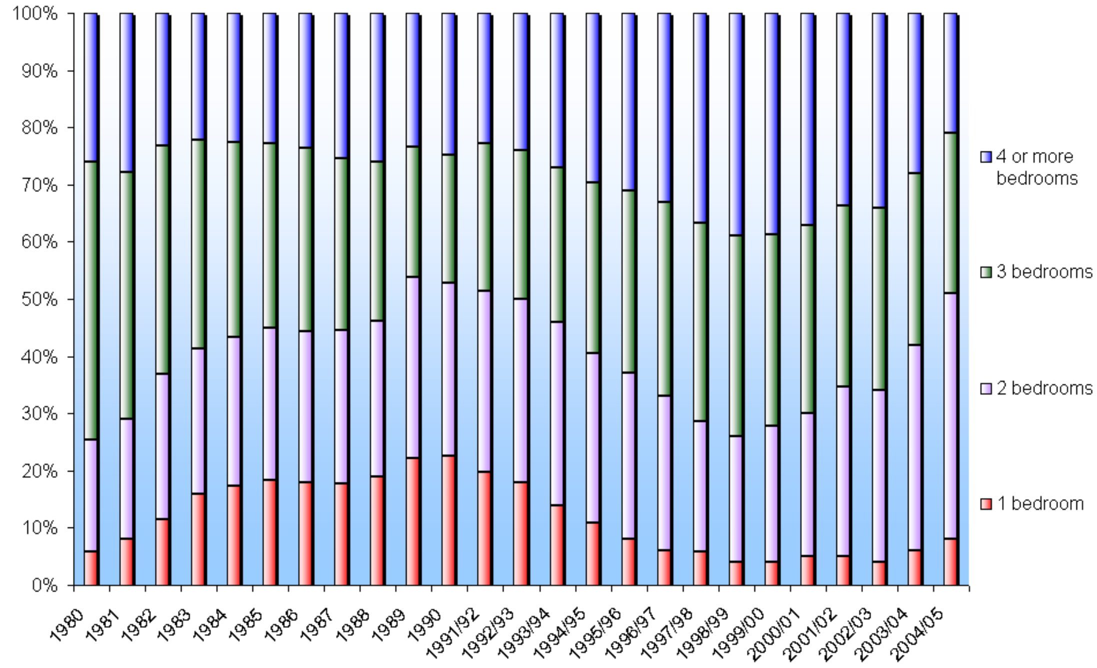
Source: DCLG. Note that since 2001, Completions data represents NHBC data only and not Local Authority returns. NHBC covers around 80% of completions. Data for 1980-1990 covers Rest of South East (ROSE), which includes Bedfordshire, Hertfordshire and Essex as well as the current South East region.

1.13 Figure 3 shows that the majority of dwellings completed for open market sale in 2004/05 were 2 bedrooms or less. There has been a particularly sharp rise in the completion of 1 and 2 bedroom dwellings since 2003. The increased proportion of small dwellings being built in recent years has risen from a low point in 1998/99 when less than 30% of completions for the open market were 2 bedrooms or less.

1.14 However, whilst the proportion of small dwellings is at a high point the size of dwellings completed in 2004/05 is not dissimilar to that in the past. In 1989 55% of market completions were 2 bedrooms or less and a higher proportion of these were 1 bedroom dwellings than in 2004/05.

1.15 Given that flats are on average smaller than houses it is unsurprising that the size (in terms of number of bedrooms) of dwellings completed in the South East has fallen in line with the rise in the number and proportion of flats completed. However much of the growth in building of (almost exclusively) small flats, has been at the expense of the building of small houses. The decline in the proportion of larger (3 bed +) dwellings has therefore been less dramatic than the decline in construction of houses as a whole, though the proportion of detached houses has fallen.

Figure 3: Size of Dwellings Completed by Private Enterprise in the South East



1.16 In the South East, completions of dwellings by private enterprise are currently dominated by two bedroom flats (36% of total private completions) as well as three and four or more bedroom houses, representing 27% and 21% of total private completions respectively. Houses with four or more bedrooms also remain a large part of completions in the South East (21%) despite a fall of 15% over the last four years. The last eight years has seen a steady decline in completions of two bedroom houses in both London and the South East.

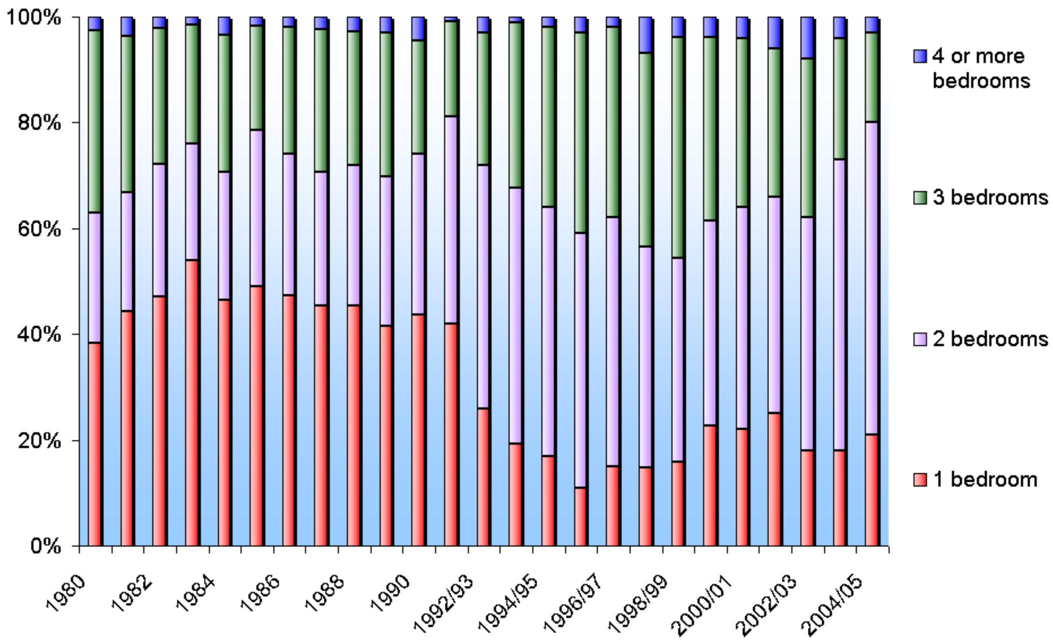
1.17 This is a similar pattern to the South West and the East of England, although completions in the South West are skewed more towards three and four or more bedroom houses and slightly less to two bedroom flats. In contrast, the vast majority (81%) of private completions in London consist of one and two bedroom flats.

1.18 Figure 4 shows that the largest category of RSL completions in the South East is 2 bedroom flats (41% of total RSL completions).

1.19 Prior to 1992/03 RSLs built a much higher proportion of 1 bedroom dwellings (between 40-50% of all RSL completions between 1980-1991). This has halved in the succeeding years and currently stands at around 20% with the proportion of 2 bedroom dwellings having expanded. This may reflect a change in the characteristics of those in priority housing need with growing numbers of couples and small families in need of housing. It may also reflect that local authorities are seeking greater flexibility from the provision of new affordable dwellings – 2 bedroom properties are suited to a wider range of households than 1 bedroom properties though the marginal extra cost of providing a 2 bedroom property is relatively small.

1.20 The growth in the RSL output of 2 bed dwellings in recent years may also reflect the fact that the market and publicly funded sectors have become much more alike, since the main model for procurement of land for public funded housing is through Section 106 agreements. Harmonisation of design standards can tend to occur (in extremis where the affordable housing comprises a floor within a block of flats).

Figure 4: Size of Completions by the Public Sector, South East 1980-2004



1.21 The last eight years in both the South East and London has seen a decline in the proportion of two and three bedroom houses being completed, whilst the completion of four or more bedroom houses has also decreased proportionally over the last five years. By contrast the completion of one bedroom flats has increased over the last five years in both the South East and London.

Why has the size and type of new completions changed in recent years?

1.22 As part of the research process, DTZ developed five hypotheses – plausible stories – that could explain why the pattern of completions has changed in recent years. DTZ would not suggest that the conclusions in this report are the last word on the subject.

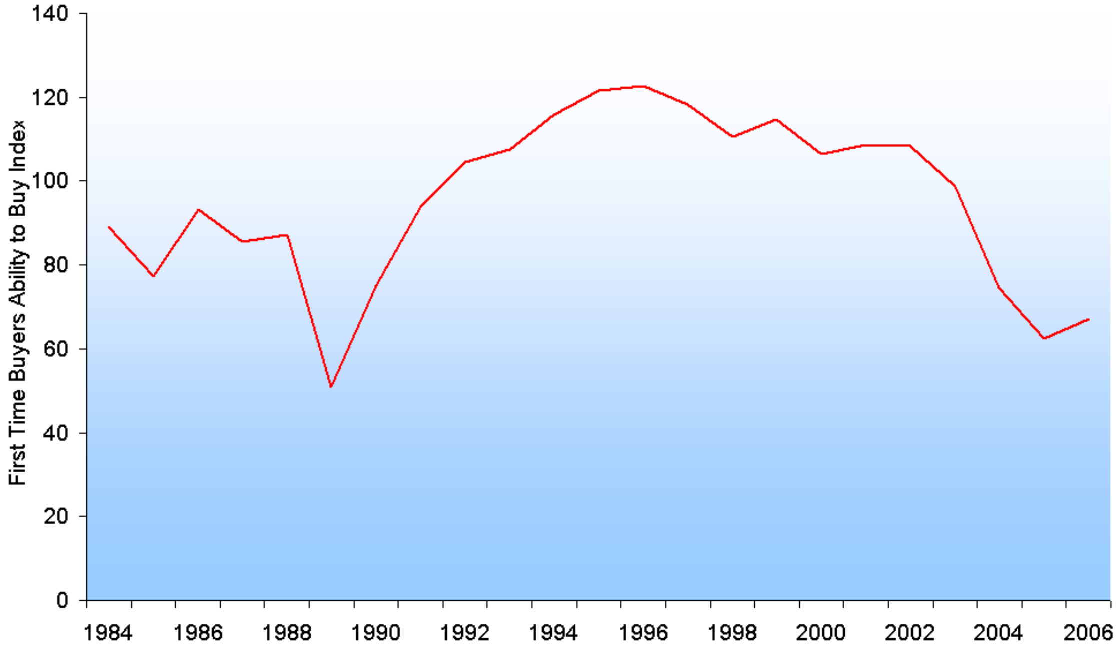
1.23 Five possible explanations for these changes are as follows:

- The changing composition reflects a permanent shift in market demand.
- The changing composition simply reflects the point reached in the housing market cycle and will shift again in due course as the housing market cools.
- The development of the Buy To Let investment market has led to a change in the pattern of market demand.
- Changes in planning policy have led to the growth in the percentage of total completions accounted by flats and small dwellings.
- The pattern of completions in the RSL sector is largely a reflection of what happens in the market sector and the funding regime.

1.24 On the market side the key influences that have led to the growth of output of smaller units and flats are:

- The growth of the Buy-to-Let market – which is a completely new dimension of market demand, and which has been very important in sustaining demand for new housing in recent years.
- The decline in affordability (as evidenced in Figure 5). The most important dimension of this has been that this has fuelled the growth of the Private Rented Sector which has sustained new Buy to Let investment.
- The other effect of the decline in affordability is that home buyers, especially first time buyers, have in general have been able to buy less for their money.
- Intense competition for land and rising costs of development associated with more onerous Section 106 agreements have led developers to build to higher density – a trend that has been accepted by many local authorities though this is not to suggest that it is popular, particularly amongst some local politicians.

Figure 5: First Time Buyers Index (NHBC)



Source: NHBC. Note that up to the end of 1999 the earnings index used was that for males aged 21 or over in full time employment. From 2000 onwards it is the index for all full time employees on adult rates. The change typically reduces the First Time Buyer Index by around 5 points

1.25 Changes in the planning system have also played a central role in the changing pattern of completions in recent years. In particular:

- The focus on development of previously developed land, through the application of the sequential approach, has led to a increase proportion of development on sites where higher density development is deemed acceptable.
- The general policy thrust to increase the density of development has fostered an environment where authorities accept schemes that comprise a higher proportion of flats and small units.
- A greater acceptance of higher densities has interacted with market forces to increase land values, so that lower density schemes are no longer viable; only by building at a high density is the scheme profitable.
- General issues to do with the supply of land for residential development in a rising market have led to escalation of land values, which have fostered increasing density.

1.26 In the RSL sector the key factors underpinning the growing output of flats and small units are:

- The fact that RSL output is now directly tied to the output of the market sector through Section 106 agreements.
- Developers of new housing need to get best value for the land they purchase; this creates an incentive to build more, smaller homes.

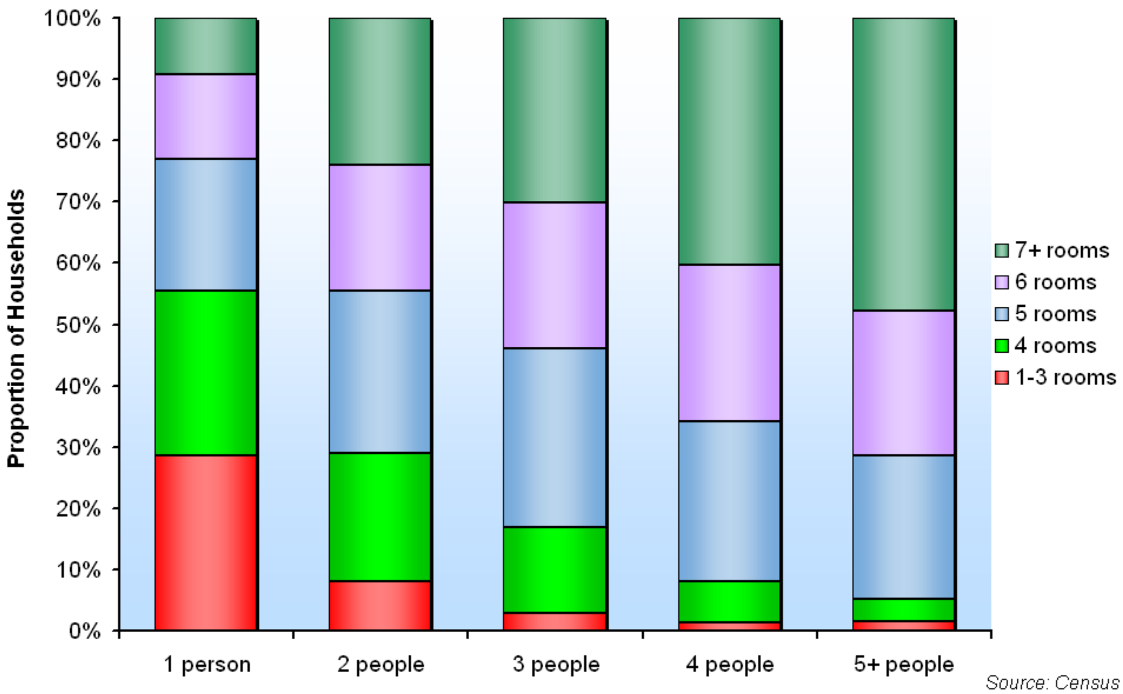
- Local authorities have hitherto wanted to maximise the provision of affordable housing units and accepted that their main requirement is for small units.

- Rents and grant levels are not high enough to make developing family sized homes economically viable for housing associations.

1.27 In summary, there appear to be a number of interrelated factors that explain the current pattern of completions in the South East and how this has changed over time. The key conclusion is that the pattern of completions observed is the output of the interaction of both the market *and* the planning system.

1.28 On balance DTZ does not think the changing demographics have been the key factor in recent changes to the output of the housebuilding sector. Demand from owner occupiers is a function more of household income and wealth (along with the cost of borrowing, affordability etc). Figure 6 shows that, as a result, many small households live in large dwellings. There is a closer link between demographic trends and the pattern of affordable housing requirements, though again income is the key consideration in the scale of housing need. In the market sector investor demand has emerged as a significant source of demand.

Figure 6: Household Size and Dwelling Size in the South East



1.29 Whether or not the changes that have been observed are permanent or not is hard to judge since there are major uncertainties surrounding the future of the housing market. Part of the changes that have occurred are without doubt associated with the peak of the housing market cycle; a fall in house prices and land values probably would, after a period of dislocation and adaptation, generate a change in the pattern of output.

1.30 But there have also been changes in the planning system, which have changed the rules of the game, and are unlikely to be fundamentally changed. The emergence of the Buy-to-Let market introduces a new and volatile element into the market, driven by fundamentally different purchasing criteria. No one knows quite how existing Buy-to-Let investors will react in a changing economic environment or whether past investment flows would be maintained in a different housing market context.

1.31 The most probable scenario is that the output of flats and smaller units will be shown to have continued to increase in 2006/07. This output will remain at these historically high levels until a fundamental change in the housing market environment or the drying up of new Buy-To-Let investment. If the housing market cools and residential land values fall there is likely to be some return to development of larger homes, but not a return to the levels of the mid 1990s because of the change in the planning context.

Do the observed changes matter?

1.32 There are three main considerations in examining the extent to which changes in the pattern of completions might matter:

- The extent to which new completions are significant to the overall stock of dwellings.
- The impact of the pattern of new completions, within the context of the existing stock, on economic and social outcomes in the South East.
- The impact of the pattern of new completions on the social housing sector and the implications for households in housing need and problems of over crowding.

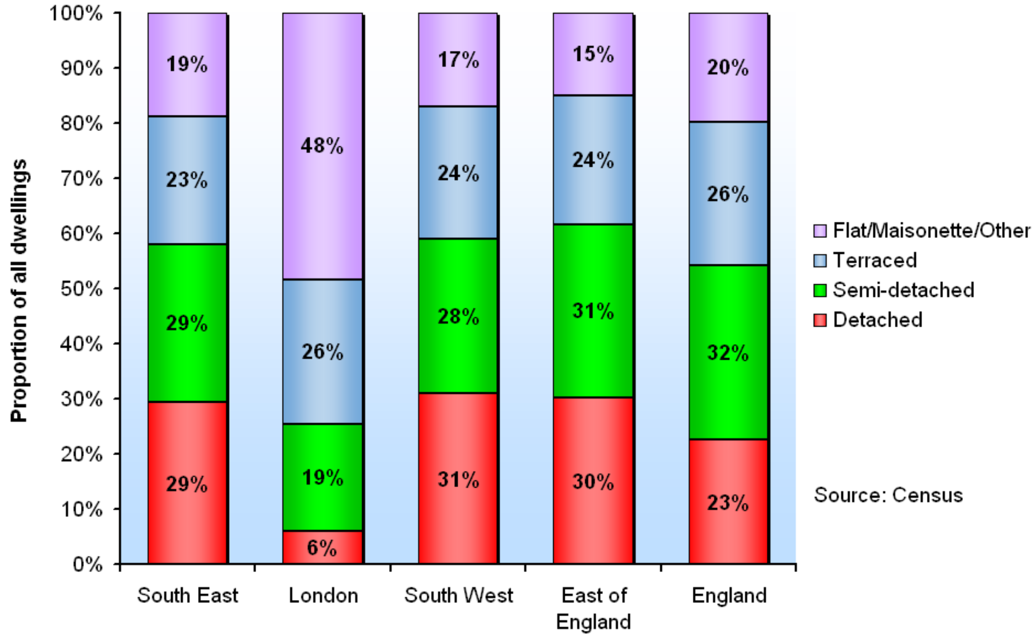
1.33 In considering each of these factors it is also important to keep in mind the impact were the changes described to be long term, or whether they are temporary and a reflection of the current point in the housing market cycle.

1.34 In answering the question 'does it matter?' it is important to remember that new housing output represents only a small part of the housing stock. In any one year new completions in England only add around 1% to the overall stock. Over the last 5 years in the South East new completions have added around 4% to the existing stock of housing.

1.35 Around 80-90% of the dwellings that will be occupied in 20 years time have already been built. For the pattern of new completions to alter the overall balance of dwellings in the South East in terms of size and type would take many years of output with a different profile to the average. However, although the process is slow, new completions have the potential to change the profile of the stock over time.

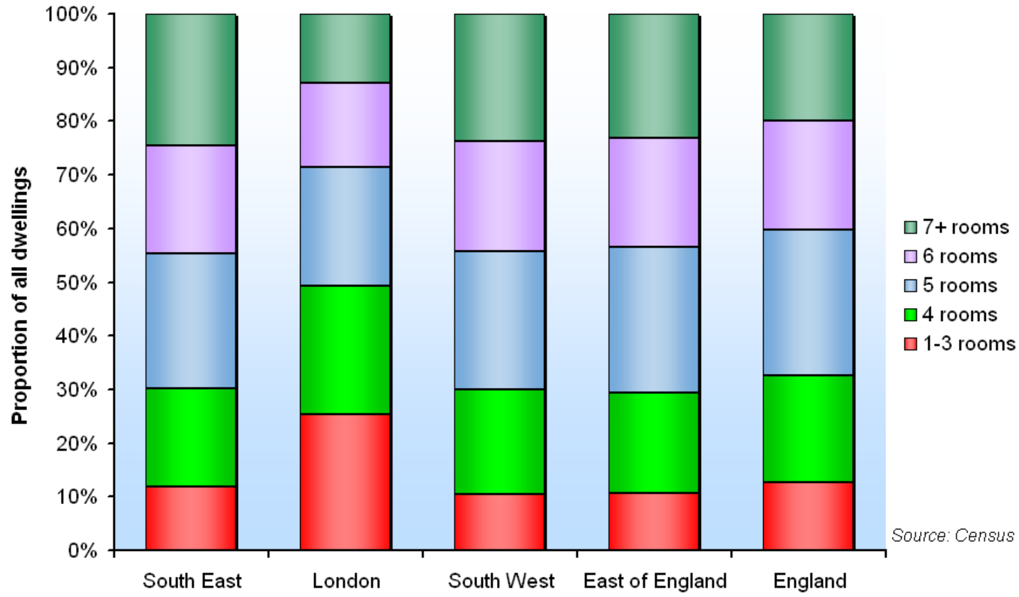
1.36 In the South East, detached houses account for 29% of the total stock, semi-detached dwellings for another 29%, terraced housing for 23% and flats and maisonettes account for 19% of the total (see Figure 7). By contrast, almost half the stock in Greater London consists of flats and maisonettes.

Figure 7: Dwelling stock by type



1.37 Compared to the other benchmark regions the South East has the largest stock of large (7+ room) dwellings (see Figure 8), despite having a slightly smaller stock of detached dwellings compared to these other regions (Figure 7). In terms of number of rooms, the dwelling stock in the South East has similarities with the South West and East of England. Around 10% of dwellings have 3 or less rooms, whilst a quarter of dwellings have 7+ rooms (equivalent to around 4 bedrooms). This is in marked contrast to London, where half of all dwellings have 4 or less rooms.

Figure 8: Dwellings by Number of Rooms



1.38 There is limited data available on the **actual** size of dwellings in terms of floor space rather than number of rooms.

1.39 The size of dwelling varies by tenure. Owner occupied dwellings tend to be larger, with 70% of owner occupied dwellings above 70m^2 in size.[1] This is more than double the proportion of social housing (RSL and LA) that are above 70m^2. Two thirds of dwellings in the social sector are below 70m^2. The size of dwellings in the private rented sector is more evenly distributed than the social sector and less skewed towards larger dwellings than the owner occupied sector, with 81% of dwellings below 90m^2.

1.40 Furthermore, the dwelling stock in the South East appears to be extremely dynamic. Extensions and conversions to existing dwellings play a significant part in changing the size of the stock over time. In the South East, as many 4 bed dwellings are created each year through extensions and conversions of existing dwellings as are constructed through new development.

1.41 A recent study by Cambridge Centre for Housing and Planning Research on 'The Use of the Existing Stock of Housing in the South East'[2] demonstrates that the existing stock is capable of considerable adaptation through:

- Conversions and subdivisions: this study estimates that in the South East in 2004/05, around 2,000 larger houses (4 bed or more) were either demolished or converted to flats.
- Extensions: in the same year however the study estimates that around 9,900 large houses were produced through the extension of existing dwellings or the merging of two or more small houses or flats.
- The study estimates that in the 10 years to March 2005 around 74,000 large houses (4 bedrooms) were produced through changes in the existing stock, compared to 66,000 produced through new building.

1.42 The second reason that the pattern of new completions might matter is if they are impacting negatively on economic and social outcomes in the region. There is no evidence available that the type and size of housing in the South East is impacting upon economic outcomes. However there is some evidence that high housing costs are creating problems for a small (but still significant) proportion of businesses in the South East: 12% of businesses are experiencing labour shortages and/or recruitment difficulties due to high housing costs in South East England.[3] The main difficulty is recruiting workers at the lower end of the pay scale.

1.43 However, there is a relatively significant body of evidence highlighting the gap between the preferences of households and the nature of housing being developed.

- CABE conclude that there is a gap between consumer aspirations and what is actually delivered in terms of new housing. However, there are often good reasons for this. Other priorities need to be balanced in the delivery of new housing, including viability, that a house will have a succession of inhabitants over its lifetime and it also needs to fit into a wider neighbourhood.

[1] Data for England from the Survey of English Housing 2004
[2] Cambridge Centre for Housing and Planning Research and Forum for the Future (2006) The Use of Existing Stock in the South East for the South East Regional Assembly
[3] DTZ Consulting & Research (2006) Housing, Economic Development and Productivity: A Literature Review. A Report for the DTI

- However, new homes are perceived to be short of space (despite the number of bedrooms provided) with some rooms not large enough for the purpose intended. Research suggest that 40% of second hand buyers were put off purchasing a new home because of this. Furthermore, only 25% of intending buyers would *prefer* a new home[4].

- Furthermore, CABE's 2005 Housing Audit, which covered London, South East and East of England,[5] concluded that the quality of new development was 'average'. Although the South East had more 'very good' schemes than London and the East, over 50% of the developments assessed were 'average' and 24% were 'poor' according to Building for Life Standards.

- The Barker Review of Housing Supply found that the explanation for this was that house building industry in the UK is focussed on competing for land rather than consumers with implications for the quality of new development. The Final Report concluded that in some circumstances, once land is secured and competitive pressures are reduced 'to a large extent house builders can "sell anything".[6]

1.44 However, a more significant cause for concern in the debate about whether changes in the type and size of completions matter is the rate of overcrowding within housing in the South East.

1.45 The rate of overcrowding *overall* in the South East is in line with the average for England as a whole, at 6% of all households.[7] London has a much higher rate of overcrowding, with 17% of households in overcrowded accommodation. However, analysed by tenure, only 3% of owners in the South East live in overcrowded conditions, but 15% of social tenants and 15% of private rented tenants lived in overcrowded conditions in 2001. Anecdotal evidence suggests that over crowding in the private rented sector may have increased since 2001 following increased migration from the EU A8 Accession Countries. This is comparatively higher than both the South West and East of England where respectively 11% and 12% of social tenants live in over crowded conditions and 14% of private rented tenants in the South West and 12% in the East of England were living in over crowded conditions.

1.46 These figures have obvious implications for the health and educational welfare of children in the region. There is a considerable body of evidence relating to the impact of overcrowding in housing on the health and educational attainment of children. Furthermore, Black and Minority Ethnic households are disproportionately affected as they are more likely to live in overcrowded conditions than the wider population.

1.47 However, recent policy has concentrated on the provision of smaller units (in response to demographic trends and locally defined housing needs). The majority of bids to the Housing Corporation from the South East for 2006-8 were for 2 bed properties with the minority for three beds or larger. Allocations were in line with

[4] Challenging Perceptions - Case studies of dispersed and mixed tenure new build housing developments (Sovereign Housing Association) 2005
[5] CABE (2005) Housing Audit – South East, London and East of England
[6] Chapter 6 IN Kate Barker (2004) Review of Housing Supply Final Report: Recommendations
[7] According to Occupancy Ratings recorded in the 2001 Census. An occupancy rating of –1 indicates that a household has one too few bedrooms in relation to household size and is considered to be overcrowded

this, despite evidence from Housing Registers suggesting a high level of demand across the region for larger homes.

1.48 Additionally, over 30% of the region's social housing stock has been lost to RTB since 1980 and although data on the type and size of properties sold is lacking, a disproportionately large proportion of larger properties are thought to have been sold, particularly those with gardens.

1.49 Based on the evidence therefore, there appears to be a number of issues suggesting that the size and type mix of new development matters:

- There is a problem in terms of the social housing sector. This can be evidenced by the levels of overcrowding in this sector. In contrast, households who are able to access owner occupied housing are unlikely to live in overcrowded conditions and are, to a certain extent, able to chose the amount of space that they occupy within the constraints of their budget.
- There is a growing overcrowding problem in the private rented sector and even in the owner occupied in London. The former may have grown worse with A8 in-migration. Overcrowding in the private sector is primarily an issue associated with affordability, but also shortage of attractive social rented housing. An issue is how high a priority is this for public investment.

1.50 Given the relatively substantial stock of detached, larger houses in the South East region the completion of relatively high proportions of flats and smaller dwellings in recent years does not appear to present a particular problem for the region at the moment but if current patterns were to continue into the future this would have significant implications in the longer term.

1.51 Emerging evidence suggests that the stock of dwellings in the region is dynamic and that households extend and convert their properties to provide more space (and that this is as significant to the creation of large dwellings in the region as new build). On the one hand, this means that there should be less concern about the decline in the completion of new larger dwellings, since larger dwellings are being created through extension and conversion. On the other hand it is important to note that much of the stock of dwellings now being built are not flexible: flats do not lend themselves to being extended.

How does this pattern vary in different housing market areas within the region?

1.52 In 6 sub-regional housing market areas in the South East where there is likely to be significant housing growth in the future there are differing housing market pressures and local factors in operation.

1.53 However, in the market sector in these sub-regions, recent trends in the pattern of completions have broadly mirrored the South East as a whole (see Figure 9).

Figure 9: Proportion of Flats Completed, Private Sector

	2000/01	2001/02	2002/03	2003/04	2004/5	2005/06
Berkshire	51%	40%	45%	49%	51%	53%
Mid Hampshire	7%	18%	29%	37%	41%	32%
South Hampshire	46%	49%	58%	61%	65%	70%
North Kent Medway	14%	17%	28%	39%	34%	43%
Hastings and Rother	0%	12%	26%	48%	37%	18%
Milton Keynes & Aylesbury Vale	12%	10%	18%	22%	29%	32%
South East	21%	27%	28%	37%	45%	53%

Source: NHBC.

1.54 All 6 sub-regions have experienced an increase in the proportion of flats and small (2 bedroom or less) dwellings. Although in Berkshire around half of the private sector's output over the last 6 years has been flats which is higher than in the South East as a whole and in South Hampshire the proportion of flats completed for the market is higher than any other sub-region. By contrast, the proportion of flats and small dwellings delivered in the private sector in Milton Keynes and Aylesbury Vale was lower, the sub-region has retained a relatively high proportion of houses and larger dwellings in its new completions.

1.55 The public sector output has mirrored the private sector in most sub-regions with an increasing proportion of flats and smaller dwellings being completed over the last 6 years (see Figure 10). However, North Kent Medway and Milton Keynes and Aylesbury Vale sub-regions have retained a relatively balanced provision of different sized dwellings over the last 6 years and a relatively high proportion of larger dwellings in some years, in contrast to other sub-regions.

Figure 10: Proportion of Flats Completed, Public Sector

	2000/01	2001/02	2002/03	2003/04	2004/5	2005/06
Berkshire	69%	49%	55%	69%	66%	65%
Mid Hampshire	32%	31%	57%	50%	62%	57%
South Hampshire	29%	48%	41%	57%	80%	75%
North Kent Medway	25%	24%	60%	44%	71%	46%
Hastings and Rother	0%	0%	24%	15%	0%	57%
Milton Keynes & Aylesbury Vale	16%	6%	41%	29%	45%	60%
South East	33%	34%	38%	46%	66%	65%

Source: NHBC.

Conclusions and Recommendations

1.56 The conclusions of this study are necessarily provisional. Only time will tell for certain if the current high proportion of housing completions that are flats will be maintained, increase or fall in the future. Much may depend on the state of the housing market. It is easy to forget that we have lived through a long period characterised by a rising housing market. Market demand and development economics would almost certainly be very different if the market entered a period of falling house prices, and might therefore result in a significantly different pattern of development – provided the planning system adapts to a new market environment.

1.57 However the public agencies responsible for housing and planning need to take action now to identify what action they can take if current patterns of new housebuilding persist and are deemed to be undesirable. In developing recommendations DTZ has had regard to the CIA (**C**ontrol, **I**nfluence, **A**ccept) model, a model that helps public authorities think realistically about how they can achieve their objectives, and hence how to prioritise their management and research resources in responding to any issue.

Improving Intelligence on the Type and Size Mix of New Development

1.58 Good intelligence is essential to inform the debate about the whether the type and size of dwellings being built in the South East of England will meet current and future housing demand and need in an optimal way. It is important to know the absolute and relative numbers of dwellings being built in the South East broken down by type and size, particularly given the uncertainty around whether the current pattern of completions represents a permanent or relatively short lived shift in completions. Ideally one would also want to be able to anticipate the likely outcome in terms of completions broken down by type and size for future years.

1.59 **Recommendation 1:** The Assembly should negotiate with NHBC to provide data on the type and size of dwelling completions in the South East, and to make data available at individual local authority level on an annual basis. **(*Control*)**

1.60 **Recommendation 2:** The Assembly should identify a representative sample of local authorities in the South East that would be willing to monitor and provide data on the size and type mix of planned new developments at the point at which Resolution to Grant Consent is given. This would enable the Assembly to assess whether there is a long term shift in the pattern of completions and to consider what, if any, policy interventions might be required. This information should include the number of bedrooms in each property and the overall floorspace – the Assembly will need to provide banding for floorspace measurements to that they can be compared meaningfully ***(Control)***

Addressing the Type and Size Mix of Affordable Housing Provision

1.61 This study has identified the growing level of overcrowding in the social housing sector. The national government definition of overcrowding is, in many people's view, a far from generous definition of the number of bedrooms that a household needs. Consultations undertaken as part of this study have confirmed the perceived need to increase the supply of larger affordable dwellings for rent.

1.62 **Recommendation 3:** The Regional Housing Board and individual local authorities should develop strategies to deal with overcrowding and determine the priority that should be given to investment to address the problem. These strategies need to identify the role that new housing provision is expected to play in these strategies. (***Control)***

1.63 **Recommendation 4:** Local authorities should become more sophisticated in their analysis of what type of affordable housing provision they need. The mix of new affordable housing needed should be determined by reference to the characteristics of those in priority need, and not by reference to the characteristics of all households in need, since many of these households are unlikely to be allocated affordable housing. (***Control)***

1.64 **Recommendation 5:** Local authorities, working in partnerships with RSLs, should incorporate an assessment of social sustainability into their allocation policies, to minimise the prospects of management difficulties emerging. The issues are greatest in large mixed tenure blocks of flats, but need also to be taken into account in planning new neighbourhoods. (***Control)***

1.65 **Recommendation 6:** Regional and local strategies for overcrowding and social sustainability should inform what local authorities ask RSLs to provide, and hence the type of schemes that RSLs put forward for funding; but they should also inform discussion with developers regarding the size and type of affordable housing provision as part of mixed tenure development. ***(Control)***

1.66 **Recommendation 7:** If local authorities are seeking to increase the provision of larger affordable housing dwellings of mixed tenure development sites they will need to be flexible in their negotiations with developers, since they will not be able to secure the same number of larger units through s106 agreements as small units. ***(Control)***

1.67 **Recommendation 8:** In the longer term authorities should consider moving from affordable housing targets based on a quota of units, to quotas based on floorspace, habitable rooms or bedrooms. At the same time authorities need to develop a stronger appreciation of development economics, so they can assess the implications of changes in the size and type mix of affordable housing on scheme viability. ***(Control)***

1.68 **Recommendation 9:** In developing a revised Housing Strategy for the South East, the South East Housing Board and the Assembly should consider introducing a target or targets that reflect the need to secure a range of different sized affordable dwellings, for example including a proportion of larger affordable homes. Development of such a target should be informed by the analysis of those households in priority need on the housing registers across the South East and the availability of different types and sizes of dwellings within the existing stock of affordable housing. ***(Influence)***

1.69 **Recommendation 10:** If the local housing strategy identifies the need for more family houses, then there is a need to ensure that sites are identified through the planning system that allow for development of such dwellings. Often this will mean ensuring that sites are allocated for development that are suitable for development of houses as well as flats within each five year period of the plan. ***(Control)***

1.70 **Recommendation 11:** If the output of family houses for social renting is to be increased this will need to be reflected in the allocation decisions made by the Housing Corporation. A shift to measuring the number of people housed by the affordable housing development programme as the key measure of success, rather than the number of units built would help this, and encourage the use of grant per person to become the key measure of Value for Money. ***(Control)***

Influencing the Type and Size Mix of Market Developments

1.71 One factor that has led to the growing emphasis on provision of flats and smaller units is competition for land. Potential purchasers of land bid up the price of land by assuming ever more dense levels of development, knowing that in general local authorities will often approve high density developments.

1.72 There is also evidence that the high cost of land, particularly where demand for housing outstrips supply, is one of the factor that has led to increasing density of development and therefore more flats and small units. If more larger units are to be developed, not withstanding design solutions such as construction of town houses, this is likely to require more land per unit than is currently being used. DTZ consider that Sub-Regional Housing Land Availability Assessments should be given as much, if not more priority, as Housing Market Assessments, since land supply is an important factor.

1.73 DTZ do not recommend that local authorities seek to control the size and type of dwellings provided by the private sector. Local authorities, as indicated in PPS3, should plan for a range of household types, and in their site allocations and policies on density should in general be seeking a mix of new housing provision. Such policies may also appropriately seek to correct any broad imbalances in the stock of dwellings.

1.74 **Recommendation 12:** Local authorities need to develop policies in the Local Development Plans that provide guidance on the maximum densities that are acceptable on particular sites or within particular neighbourhoods ***(Influence)***

1.75 **Recommendation 13:** Local authorities need to take early action on the requirements set out in PPS3: Housing to undertake Sub-Regional Housing Land Availability Assessments and to allocate a minimum 5 years supply of housing land that can be developed in that period. DTZ recommend that local authorities ensure that as part of the process of allocating land for immediate development they ensure that they allocate a mix of sites in terms of size, location and suitability for development of different housing types. ***(Control)***

1.76 **Recommendation 14:** Local authorities should not seek to control the size and type of dwellings built by the private sector, since the housebuilding industry is better placed to interpret market demand than the public sector. It is appropriate, however, for the planning system to influence in broad terms the mix of new housing developed within a local authority area, supported by Strategic Housing Market Assessments. ***(Influence)***

1.77 **Recommendation 15:** On major sites, whether in public or private ownership local authorities should develop Supplementary Planning Documents in the form of development briefs, that provide guidelines on density of development and housing mix, without prescribing in detail the mix of market housing. ***(Influence)***