

# **Greater London Housing Requirements Study**

December 2004

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**Greater London Authority  
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# Greater London Housing Requirements Study

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## Report of Findings for the Greater London Authority

December 2004

Jonathan Lee

**Opinion Research Services**

Spin-out Company of the  
University of Wales Swansea



# Greater London Housing Requirements Study

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# Executive Summary

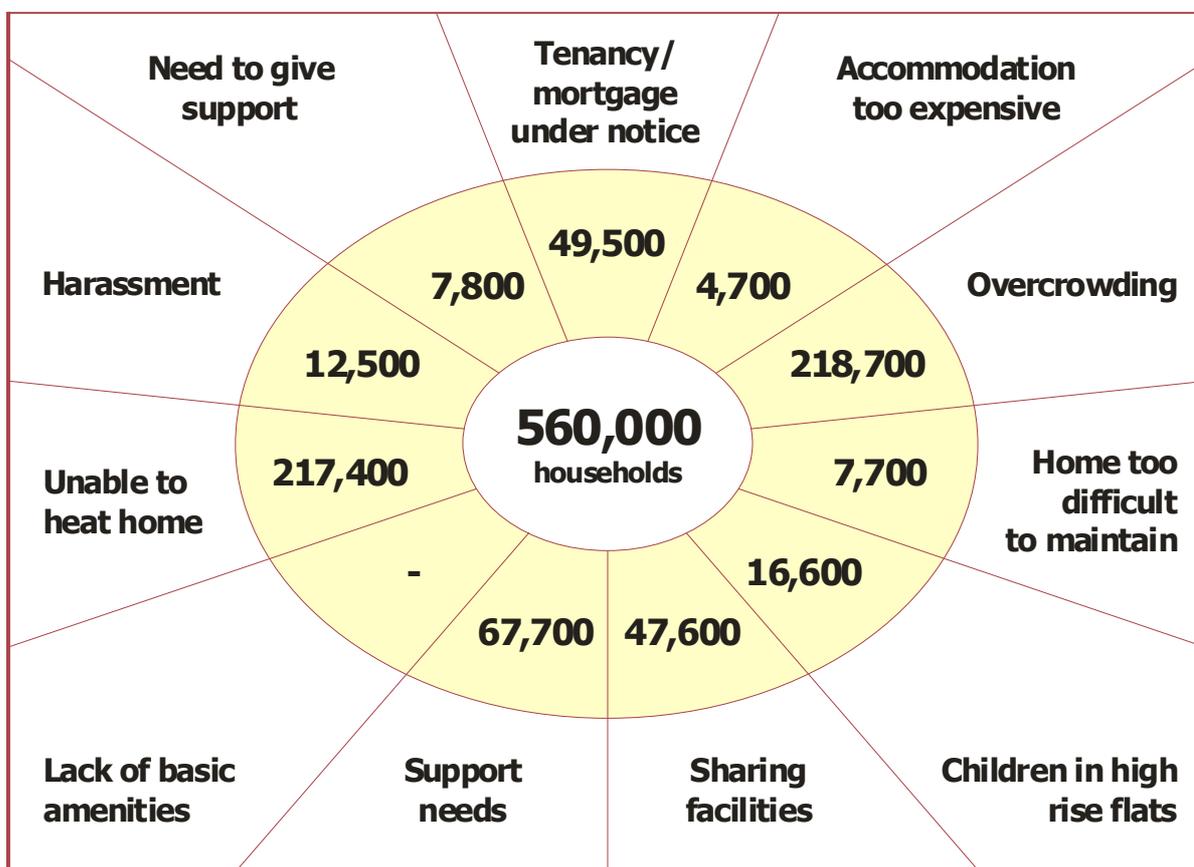
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## Project Overview

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

## Existing Households in Housing Need

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



**Figure 1: Established Households Living in Unsuitable Housing**

Source: London Household Survey 2002

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

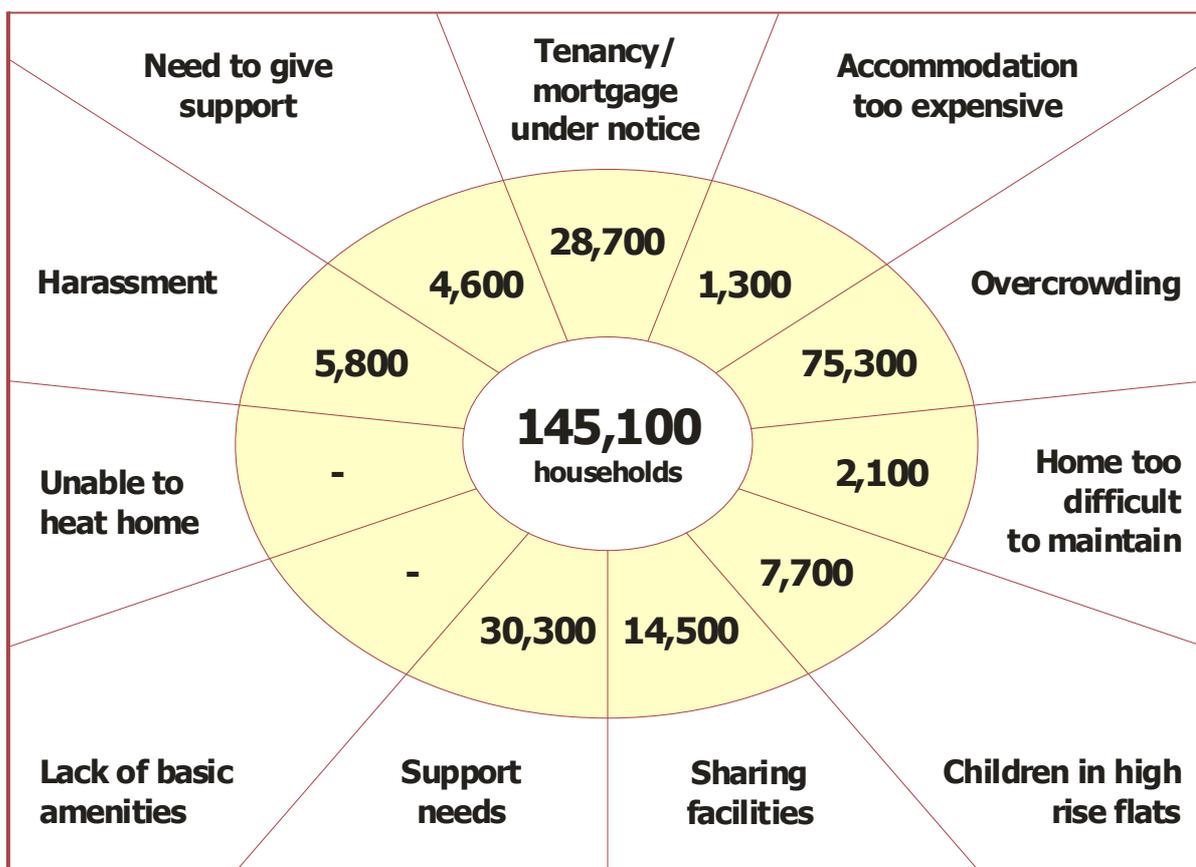
Factor	Number of Households	
	Discounted	Remaining
Households assessed as currently living in unsuitable housing	-	560,000
Households with an objectively assessed in-situ solution	197,800	362,200
Households with a subjectively assessed in-situ solution	120,400	241,800
Households that need to move, but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

**Figure 2: Resolving Housing Suitability Problems**

Source: London Household Survey 2002

Note: Figures may not sum due to rounding

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



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

Source: London Household Survey 2002

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

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

**Figure 4: Summary of Existing Housing Need**

Note: Figures may not sum due to rounding

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

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

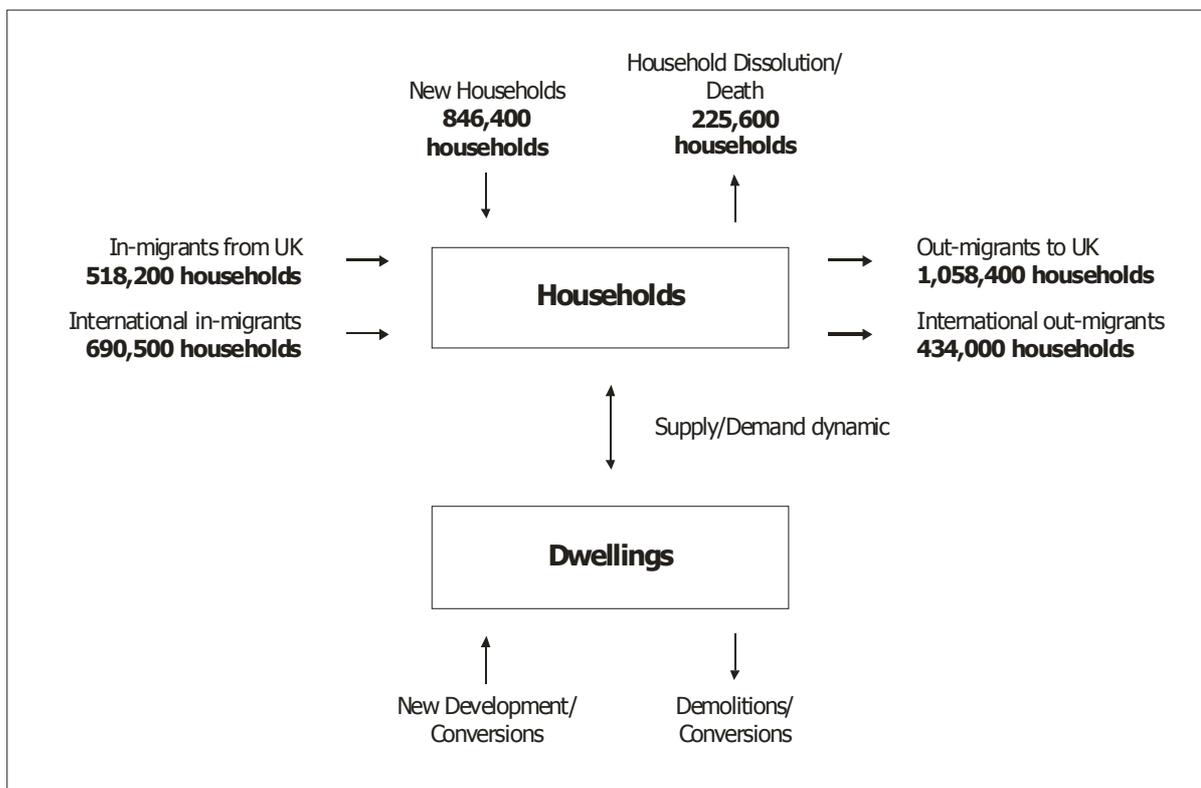
**Figure 5: Summary of Housing Required to Satisfy Existing Housing Need by Housing Type and Property Size**

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

Note: Figures may not sum due to rounding

## Modelling Household Flows

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



**Figure 6: 10-Year Requirement/Supply Flow Analysis**

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

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

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

20. Whilst migration between London Boroughs has no impact on the region's total housing requirement, it is important to consider such moves when seeking to understand the housing market. Recent trends identify that internal migration flows are mainly from inner to outer London Boroughs, with a significant pattern of movement towards the east of London.

### Household Formations

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

### Overall Housing Requirements

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

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

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

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

Note: Figures may not sum due to rounding

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

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

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

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

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

Note: Figures may not sum due to rounding

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

### **Summary of Findings**

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

# 1. Introduction

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## Project Overview

- 1.1 Opinion Research Services (ORS) was commissioned by the Greater London Authority (GLA) to identify existing and future housing needs across the London region in the context of overall housing market requirements.
- 1.2 The analysis was based on primary data gathered in the London Household Survey (2002) complemented by a range of secondary data sources. These included Land Registry figures; data published by the ODPM and Housing Corporation from Local Authority and Registered Social Landlord statistical submissions; and a range of information from the Housing and Homelessness Unit, Data Management and Analysis Group (DMAG), and other teams at the GLA.
- 1.3 The study was comprehensive in considering the different components of housing requirements and supply. In addition to households identified as currently being in housing need, the study identified the future housing requirements of established and newly forming households across the region together with inward migrants from within the UK and abroad. These gross housing requirements were offset against the likely supply of housing from within the existing stock to yield a net requirement for additional housing.
- 1.4 The outputs considered household affordability in terms of the ability to afford appropriate market housing, the ability to afford more than social rented housing without being able to afford appropriate market housing, and the inability to afford any more than the appropriate social rent. Therefore the requirements for market housing, intermediate housing and social housing were comprehensively covered.

## The Strategic Policy Context

- 1.5 In the last decade there has been a growing interest in region-wide (and sub-regional) assessments of housing requirements (and in particular housing need), involving both housing and planning departments of local councils, as well as on occasion other departments (social services, economic development etc.) and various partner organisations including Registered Social Landlords (RSLs).
- 1.6 The objective of a decent home for all, irrespective of ability to pay, has long been a central tenet of housing policy in the UK, no matter which political party has been in power. The duty of local authorities (LAs) to consider housing conditions and any need for further housing was set out in legislation as long ago as the Housing Act, 1936, with such duties currently set out under the Housing Act, 1996.
- 1.7 The GLA is not a local authority and it is the responsibility of the individual London Boroughs to provide housing in their respective areas. However, the Greater London Authority Act 1999 gave the Mayor responsibility for strategic planning in London as a whole and individual local plans must be in general conformity with the Mayor's spatial strategy for the region – "The London Plan" (2004). The London Housing Requirements Study will inform the GLA's strategic spatial development role and is particularly important at a time of rapid change in the region fuelled by population growth (partly due to migration from within and outside the

UK and partly due to high natural change), economic growth, lifestyle changes, environmental issues, and technological change (Mayor of London 2004).

- 1.8 These issues are interrelated but the most significant factor affecting housing is population growth. Sustained housing provision and renewal will be required to accommodate the expanding population and this study will be vital for informing the Mayor's strategic vision for housing provision over the foreseeable future.
- 1.9 The ORS housing market model, using primary survey data (including information on financial resources) and linking this to secondary data on population and household projections, as well as house prices and private sector rent levels, enabled the assessment of these future housing requirements over different time periods and using variable sets of assumptions.

### **The Fundamental Questions**

- 1.10 Local housing assessments must involve a consideration of housing requirements across the whole market and it is important to understand the different components.
- 1.11 Everyone has a housing requirement but many people can satisfy their own requirements in the private housing market since they are able to afford to purchase a home of their own (usually with a loan or mortgage) or to pay a market rent. These households can be regarded as *housing demand* - the quantity of housing, of the type and quality that households both want and can afford to buy or rent in the open market without subsidy (in other words, housing demand takes account of both preference and the ability to pay).
- 1.12 However, a proportion of households may be unable to attain housing of at least a minimum standard (defined in terms of size, type, condition and location) without some form of assistance, either through the provision of a home in the social rented sector or through subsidised access to the private sector (i.e. through housing benefit or by the provision of low cost home ownership opportunities). These households can be regarded as *housing need* - the quantity of housing, of the type and quality, necessary to accommodate those households currently lacking their own housing (e.g. those living with others, as well as the homeless), or living in housing which is unsuitable or inadequate (e.g. they may live in a dwelling which is unfit or in serious disrepair or which is overcrowded), and who cannot afford to buy or rent suitable housing in the open market. In other words, housing need takes account of those without adequate housing who are unable to resolve their situation without assistance.
- 1.13 Not all of these categories of housing need will require a change of address. Some needs can be met in situ – for example, by improvement or adaptation of the existing housing. However, in many cases the addressing of need will require the re-housing of individuals and households.
- 1.14 Underpinning these different aspects of housing need is the concept of "affordability" – what can existing and new households afford to pay for their housing, and is this sufficient to meet their needs?
- 1.15 It can be seen that housing *requirement* encompasses both housing *demand* and housing *need*, and is the quantity of housing necessary for all households to have access to suitable housing, irrespective of their ability to pay. In other words, it is the amount of housing necessary to accommodate the population at appropriate minimum standards.

1.16 Our study has sought to address a number of key issues which underlie these aspects of London's housing requirement. These include:

- Current and future assessments of housing needs and demand, broken down by tenure, price and size (in terms of the number of bedrooms). These have been disaggregated for existing households needing to move within the region, in-migrant and out-migrant households, newly forming households, and households likely to suffer complete dissolution, usually due to death.
- The affordability of different tenure options for new and existing households, analysing the relationship between housing costs in the private sector and available financial resources. As we have already indicated, the issue of affordability is critical to the development of local planning policies.
- Issues around the condition of the existing housing stock (although it should be noted that this is based upon occupiers' perceptions and is not by any means a comprehensive picture of current housing conditions).
- The housing and support needs of different sectors of the population, which have implications not only for housing and planning policies but also for wider health and social care planning.
- Estimates of the number of homes needed to meet current and future housing requirements. The housing shortfalls are broken down by household size and tenure. Projections have been made over different time periods to show how the shortfalls are likely to change over the planning period.

### **Data Sources**

1.17 The analysis was based on primary data gathered by the London Household Survey (2002), complemented by secondary data sources. The London Household Survey was conducted between February and September 2002 and a total of 8,158 households were successfully interviewed. The sample was based on a random probability selection and identified non-response issues were addressed by a comprehensive statistical weighting process.

1.18 Information derived from the weighted data was consistent with reliable comparable information from a range of other secondary data sources – including demographic details, data from the 2001 Census, and secondary housing statistics. Further details about the validation process were presented by Hollis, Jarvis and Spence (2003) in the GLA publication "London Household Survey – Final Validation Report" (June 2003).

1.19 Information from the London Household Survey was complemented by secondary data sources, and the reference point for this information was June 2002 – to correspond directly with the date of the primary data. The secondary data sources used included:

- Price band reports on property sales published by HM Land Registry;
- ODPM publications based on P1E and HIP submissions from Local Authorities; and
- Housing Corporation publications from Registered Social Landlord CORE logs and other statistical returns.

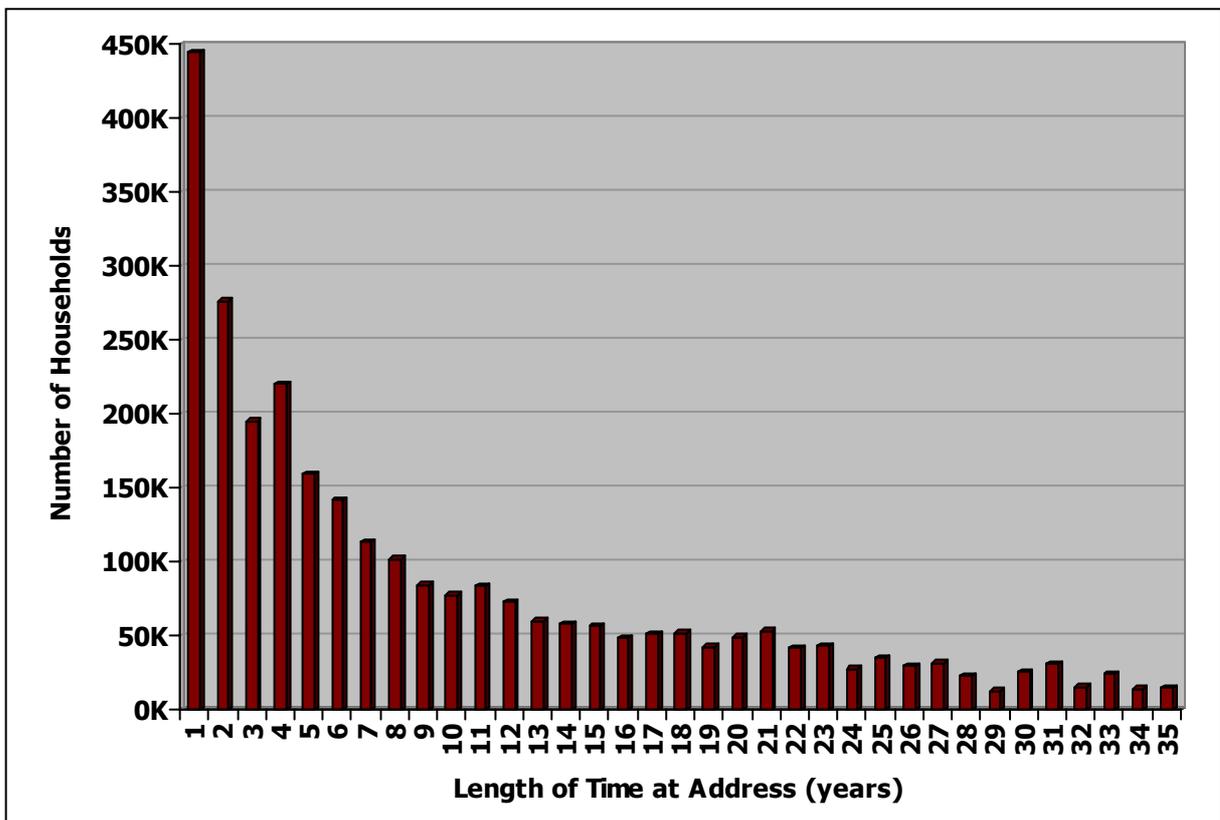
1.20 This information was complemented by a range of additional data from the Housing and Homelessness Unit, Data Management and Analysis Group (DMAG), and other teams at the GLA and fully integrated into the study analysis.

### **Summary of Key Points**

- The Mayor has responsibility for strategic planning in London as a whole, and the London Housing Requirements Study was commissioned to inform this process;
- The study sought to estimate the number of homes needed to meet current and future housing requirements across the region;
- Identified requirements are broken down by household size and tenure, and projections have been made to show how the situation is likely to change over the current planning period;
- The assessment was based primarily on the analysis of 8,158 interviews conducted with households across the region between February and September 2002;
- Additional data from the ODPM, Housing Corporation, Land Registry and a range of other information from teams at the GLA also informed the analysis;
- All data was based on a reference point of June 2002 to correspond with the fieldwork period for the interview sample, and this is the base date for the study projections;
- Information from the analysis is statistically reliable at a regional level, but information cannot be provided about individual London Boroughs.

## 2. The London Housing Market

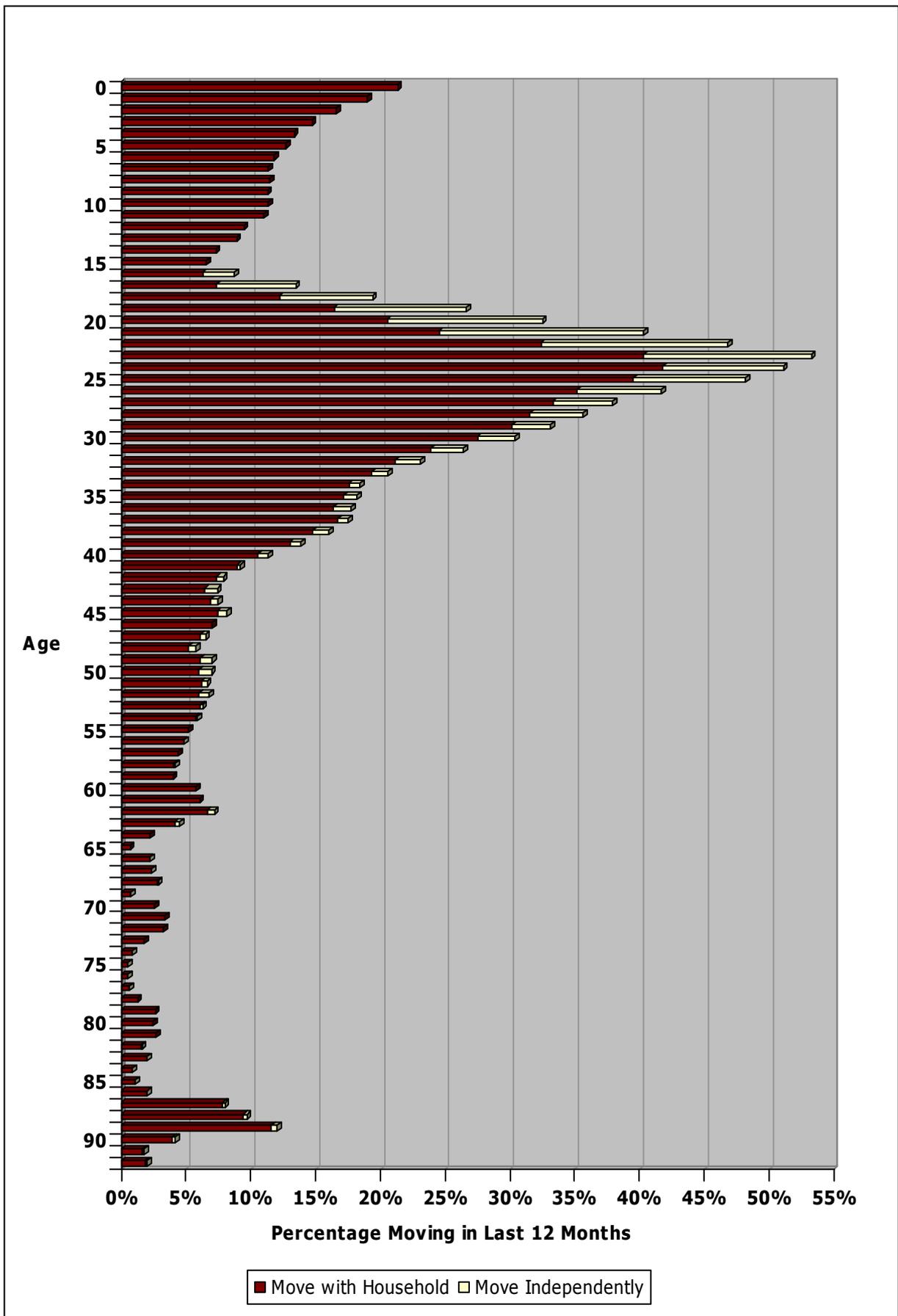
- 2.1 The London housing market is perhaps not confined to the London region, but even within the region boundaries there is a diverse range of housing available. As with elsewhere in the country, owner occupation is the dominant tenure, though the rented sector has a far more significant role perhaps than in other regions. 26% of households rent from social landlords (compared with 18% across the other English regions), with 14% renting from landlords in the private sector, almost double the proportion elsewhere in England (Source: Census 2001).
- 2.2 It is also worth noting the dynamism of the London housing market – with over one in every seven households (a total of almost half a million) having moved within the last 12 months, almost a third within the last 3 years, and fewer than half having lived at their current address for more than 7 years.



**Figure 9: Length of Time at Current Address**

Source: London Household Survey 2002

- 2.3 When we consider the households that have moved within the last 12 months in more detail, it is apparent that young adults are particularly mobile. In fact, when we consider the people that have moved independently (i.e. not as part of a complete household) alongside the household moves, as many as half of those in their early-mid twenties have moved within the last year.

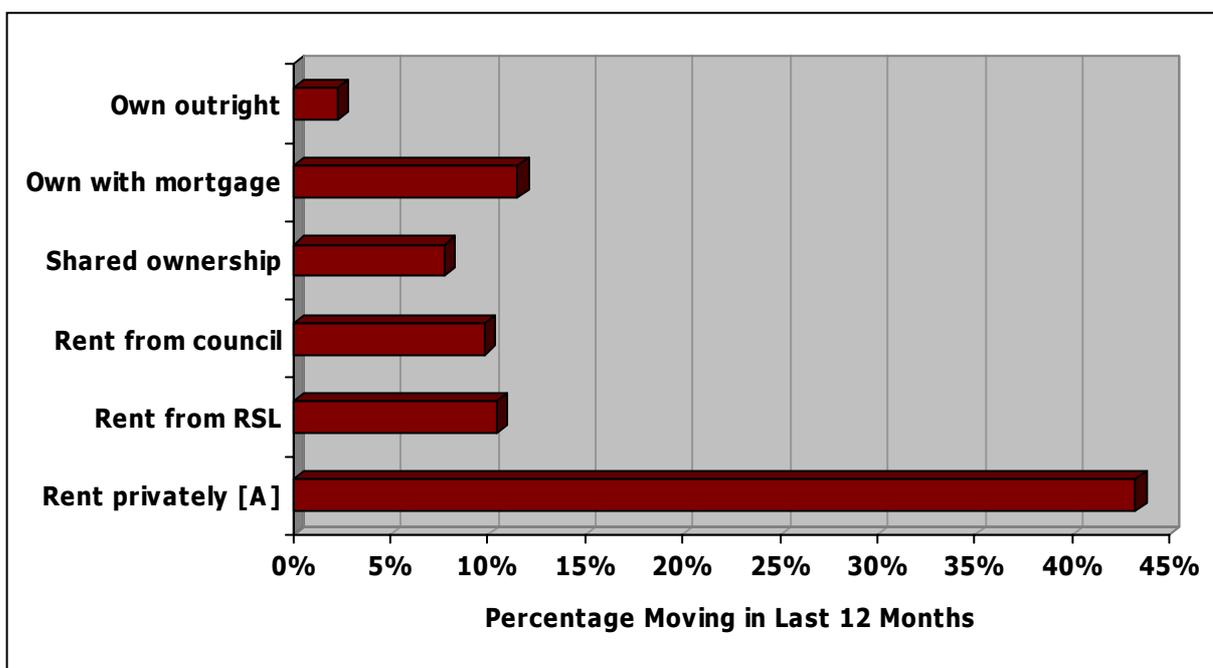


**Figure 10: Percentage Moving in Last 12 Months by Age**

Source: London Household Survey 2002

Note: Data is smoothed based on 3-year averages

2.4 Household mobility is also closely linked to tenure, as illustrated below. Very few households who own outright (2.3%) have moved within the last year, although as many as 11.5% (approaching one in eight) of those who own with a mortgage moved to their current home during this period. In terms of affordable housing, a tenth of households currently renting from the London Boroughs or RSLs operating in the region were housed in the last year, with turnover of shared ownership homes at around one in twelve (7.8%). Nevertheless, undoubtedly the most significant turnover was in the private rented sector – with as many as 43.3% of tenants having lived at their current address for less than a year.



**Figure 11: Percentage Moving in Last 12 Months by Current Tenure**

Source: London Household Survey 2002

Note A: Private Rent category also includes Tied Housing and Other Rented

2.5 Over half of the households that have been living at their current address for less than a year (51.2%) are private sector tenants, equivalent to 227,300 households across the region. Of these households, the majority (172,400 or 75.9%) moved from other private rented accommodation to their current home, though as many as one in eight (11.9%) were previously living with family or friends – and by moving, formed a new household.

Current Housing Circumstances	Previous Housing Circumstances				
	Established Households			Living With Family or Friends	All Households
	Owner Occupation	Private Rent <sup>A</sup>	Affordable Housing		
<b>HOUSING TENURE</b>					
Owner Occupation	65,500	48,200	6,900	10,500	131,200
Private Rent <sup>A</sup>	18,000	172,400	9,900	26,900	227,300
Affordable Housing	3,000	20,400	48,600	13,600	85,600
<b>All Households</b>	<b>86,600</b>	<b>241,000</b>	<b>65,400</b>	<b>51,100</b>	<b>444,100</b>

**Figure 12: Household Moves in Last 12 Months**

Source: London Household Survey 2002

Note A: Private Rent category also includes Tied Housing and Other Rented

Note B: Figures may not sum due to rounding

- 2.6 Whilst many of the moves within the private rented sector were to other properties within the sector, a significant number of the 241,000 properties that were vacated were due to cross-tenure moves. As many as 48,200 owner occupiers that had moved within the last year were identified as previously living in the private rented sector – accounting for 36.8% of home purchases for owner occupation during the period. It is also worth noting that 10,500 purchases (8.0%) involved households previously “living with family or friends”.
- 2.7 The private rented sector also acts as a significant gateway into affordable housing – with 55.0% of new tenants (20,400 households) formerly living in private rented housing. The remaining entrants into affordable housing were predominantly living with family or friends in their previous home – accounting for a total of 13,600 households. These households accounted for a further 36.8% of new households in the social sector, with the remaining 8.2% (3,000 households) accessing affordable housing from the owner occupied sector.

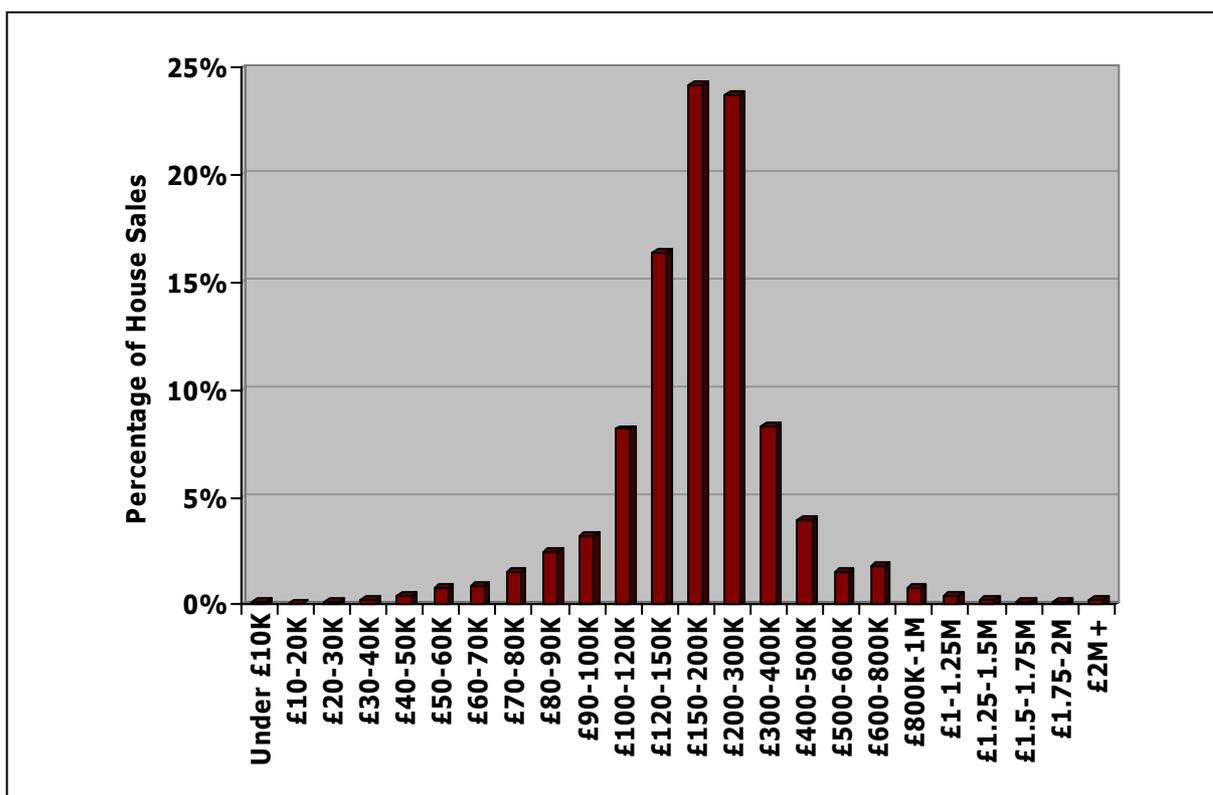
### **Validating the Data**

- 2.8 All of these details are based on information derived from the London Household Survey, and relate to the period July 2001-June 2002. Over the same period, the Land Registry recorded 171,900 property sales in the London region – notably higher than the 131,200 owner occupiers that had been identified by the survey (in fact, a shortfall of 40,700 transactions). Nevertheless, this is not necessarily inconsistent – for the Land Registry sales would also include private landlord purchases during the period.
- 2.9 Information from the Council for Mortgage Lenders (CML) estimated a total of 99,000 mortgage-assisted buy-to-let purchases across the UK during this period – with self-financed landlords obviously not counted within this figure. Given the predominance of the private rented sector in London, it would not seem unreasonable to assume that the buy-to-let market across the region (together with any corporate purchases) accounted for up to 10,000 transactions each quarter – the difference between Land Registry records and survey data on owner occupier moves.
- 2.10 We can also consider the turnover in the affordable housing sector. Whilst information is not readily available for a directly comparable period, we can consider administrative data for the slightly earlier period April 2001-March 2002. Information from the HIP Housing Strategy Statistical Appendix identifies a total of 35,700 lettings of LA stock and the Housing Corporation Continuous Recording (CORE) database identifies 18,800 permanent RSL lettings. This would suggest a total of 54,400 social sector lettings, which together with 1,200 sales of shared ownership homes (Source: Housing Corporation Regulatory Statistical Return) would leave a shortfall of 30,000 social sector lettings.
- 2.11 Once again, this is not necessarily inconsistent – for this information would not include details of the majority of temporary lettings, such as those households housed in properties temporarily leased from the private rented sector (PSL housing), or even some households housed temporarily in permanent LA or RSL housing stock. Such households would have been interviewed as part of the sample for the London Household Survey – and it is likely that many would have moved in the last 12 months and would state that their current housing (although temporary) was rented from a social landlord.
- 2.12 Information from the P1E quarterly homelessness returns identifies 18,400 households in PSL housing with a further 11,000 households housed temporarily in LA or RSL stock. Whilst some of these households would have already been counted in other secondary data and others would have been temporarily housed for over 12 months, these households are likely to account for the majority of the 30,000 household discrepancy identified above. The

remainder may also include some illegal sub-letting of affordable housing – which has previously been estimated at around 0.5% of the stock (around 4,000 units).

### Owner Occupied Housing

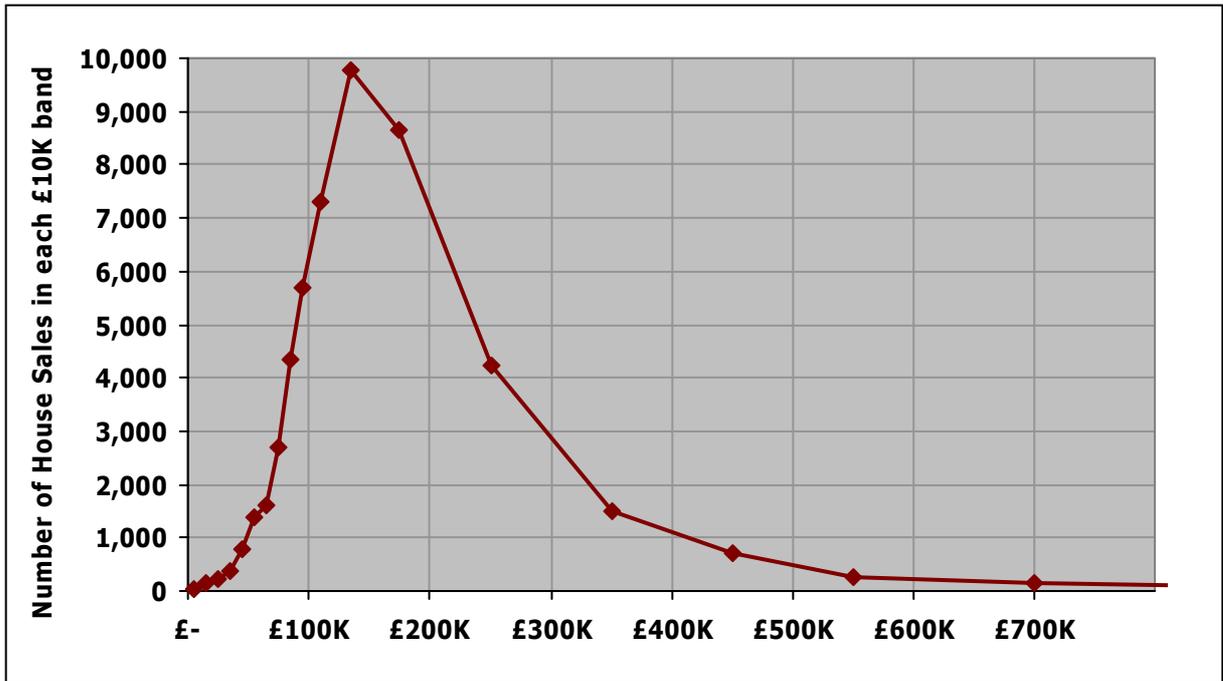
2.13 House prices in the region have more than doubled over recent years, with property prices averaging £233,900 in 2002 (the time of the London Household Survey and the reference point for this study). Nevertheless, this average is based upon a total of 178,600 sales over the twelve month period from January to December 2002 – and whilst some properties would have sold at or above the average price, others would have sold for less than this amount. The profile of actual sales is illustrated below.



**Figure 13: Property Purchase Prices: January – December 2002**  
 Source: HM Land Registry Price Band Report Q1 2002 – Q4 2002

2.14 Whilst it is apparent that the majority of sales were balanced between the £150,000-£200,000 and £200,000-£300,000 categories, this is a little misleading – for the bands in which the data is presented vary in terms of range. In fact, whilst 24% of properties were sold for between £200,000 and £300,000, almost 50% of properties were sold for the equivalent sized range between £100,000 and £200,000. It is also worth noting that 10% of properties were sold for less than £100,000, though very few were sold for less than about £60,000.

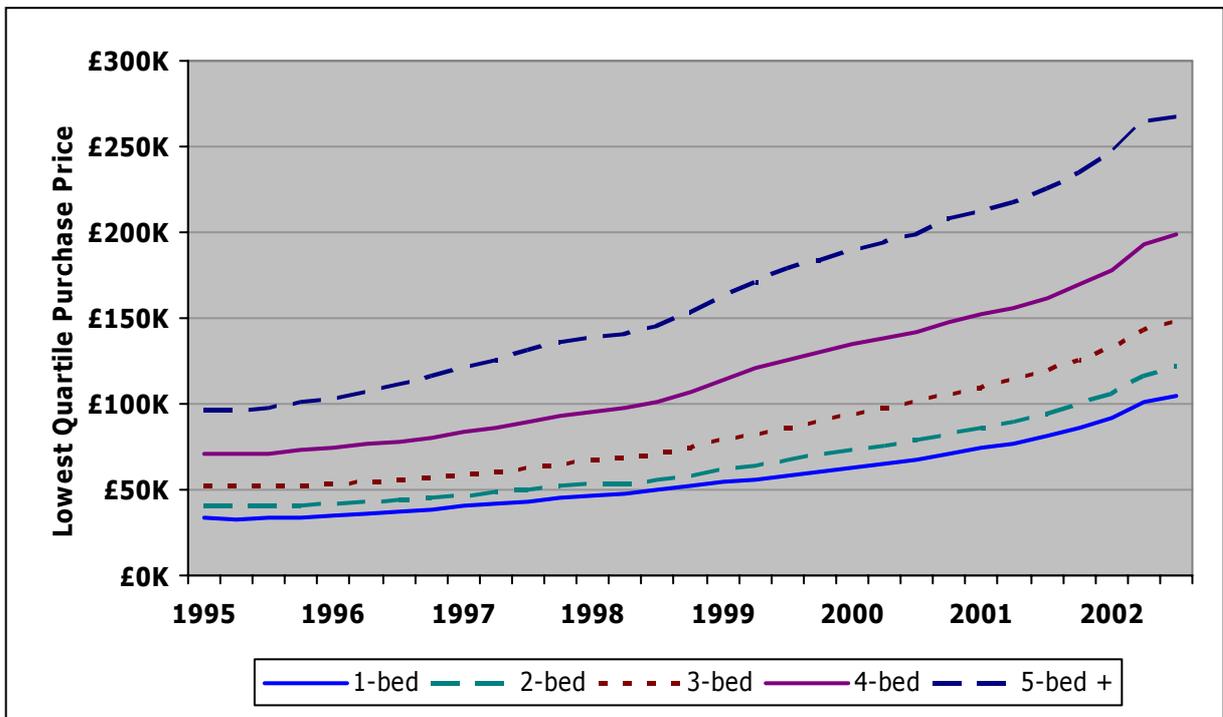
2.15 The following figure evens out the impact of the larger bands used for more expensive properties by identifying the number of house sales in each £10,000 band. It is clear from these graphs that it is the bands between £120,000 and £180,000 that experienced the highest number of sales.



**Figure 14: Property Purchase Prices: January – December 2002**

Source: HM Land Registry Price Band Report Q1 2002 – Q4 2002

2.16 The Land Registry is widely recognised as the only fully comprehensive source of reliable information about property sales in England and Wales. By using the information published in their price banding report combined with the information from the London Household Survey about the relationship between property price, property size and property type, we are able to identify the distribution of housing prices in terms of the number of bedrooms. The change in lowest quartile purchase prices between the mid 90's and the time of the study is illustrated below.



**Figure 15: Lowest Quartile Purchase Price by Property Size & Rolling Year**

Source: Computed based on HM Land Registry Price Band Reports Q1 1995 – Q2 2003 and LHS

- 2.17 In 1995 it was possible for householders to purchase 1-, 2- or even 3-bedroom properties for little more than £50,000. Therefore, with the assistance of a typical mortgage, a household earning £15,000 would comfortably have been able to access the owner occupation market. By 2002, the cost of a 1-bedroom property was almost £100,000, whereas the cost of 2-bedroom properties had already exceeded this mark, with 3-bedroom homes steadily approaching £150,000. Without the assistance of a significant deposit, many households earning as much as £30,000 or more are no longer able access owner occupation in many parts of the region.
- 2.18 The lowest quartile prices for properties of different sizes are detailed below for different parts of the region – in the first table they are identified by the London plan sub-regions and then the Housing Corporation sub-regions in the second table.

Property Size	London Plan Sub-Region					All London
	Central	East	West	North	South	
<b>PURCHASE PRICE</b>						
1 bedroom	110,800	74,000	89,500	83,400	87,500	85,700
2 bedrooms	133,500	85,200	102,700	96,100	99,400	99,400
3 bedrooms	185,900	104,300	131,800	125,400	127,900	132,300
4 bedrooms	321,700	142,200	187,500	182,500	183,300	214,100
5+ bedrooms	491,900	194,600	287,100	279,100	270,500	367,300

**Figure 16: Lowest Quartile Prices by Property Size & London Plan Sub-Region**

Source: Computed based on HM Land Registry Q1 2002 – Q4 2002 and LHS

Property Size	Housing Corporation Sub-Region					All London
	East	Southeast	Southwest	West	North	
<b>PURCHASE PRICE</b>						
1 bedroom	75,800	76,900	91,500	94,200	101,200	85,700
2 bedrooms	86,300	88,700	105,600	109,500	120,000	99,400
3 bedrooms	104,500	111,200	137,700	140,600	159,100	132,300
4 bedrooms	141,400	157,000	205,300	202,900	254,600	214,100
5+ bedrooms	189,900	227,300	313,200	315,000	385,600	367,300

**Figure 17: Lowest Quartile Prices by Property Size & Housing Corporation Sub-Region**

Source: Computed based on HM Land Registry Q1 2002 – Q4 2002 and LHS

## Private Rented Housing

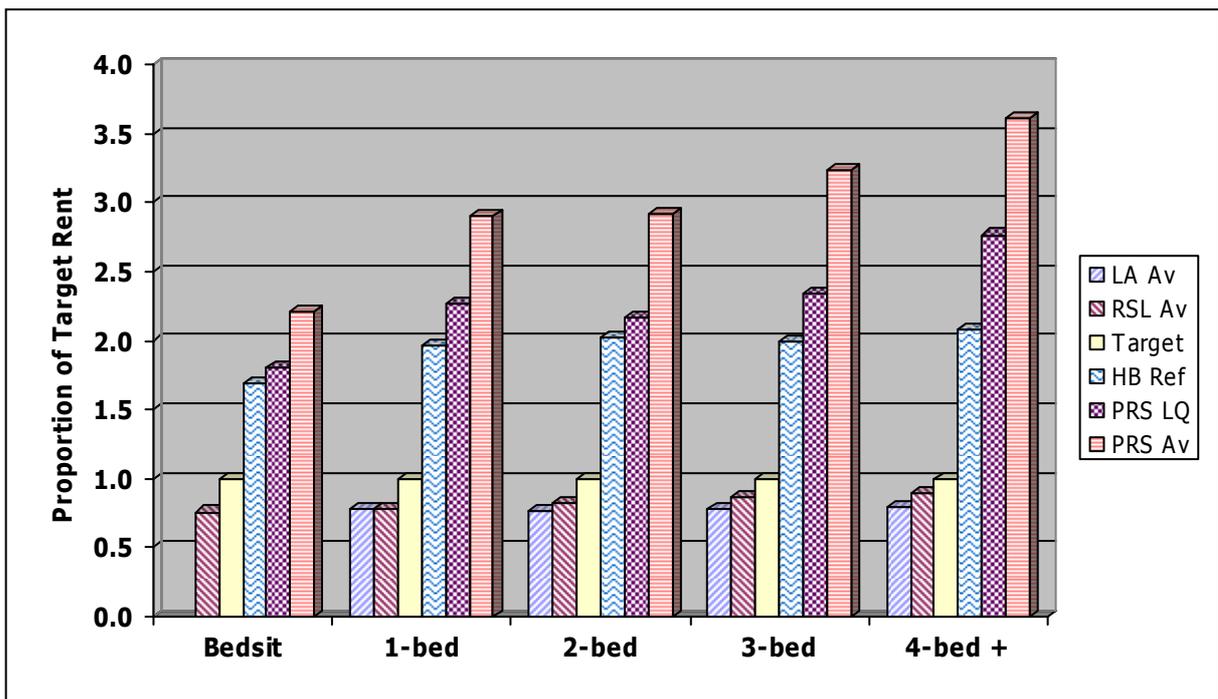
- 2.19 As previously noted, rented housing constitutes a significant and important part of the housing market in London. Nevertheless, as with owner occupation, rent prices in the private rental sector have increased significantly over recent years. Whilst there is a significant range of rental prices in the private rental sector, even the cheapest properties are considerably more expensive than equivalent housing in the social sector.
- 2.20 The following table details existing weekly rents across the region, noting the current average rent for properties rented from both local authorities and registered social landlords as well as the target rent set by the Housing Corporation for the social rented sector. Also included is information about the housing benefit reference rent along with details of the lowest quartile and average weekly rents in the private rented sector.

Property Size	Social Rent <sup>1</sup>			Housing Benefit Reference Rent <sup>2</sup>	Private Rent <sup>3</sup>	
	Current Average		Target		Lowest Quartile	Average
	LA	RSL				
<b>ALL LONDON</b>						
Bedsit	-	46.10	60.97	103.10	110.00	135.00
1 bedroom	54.41	55.12	70.35	138.08	160.00	204.00
2 bedrooms	61.68	65.89	80.53	162.94	175.00	235.00
3 bedrooms	69.69	77.12	89.77	179.44	210.00	291.00
4+ bedrooms	79.29	88.56	99.77	208.02	276.00	360.00

**Figure 18: Weekly Rent by Property Size**

Source 1: Housing Corporation Regulatory Statistical Return 2001/02 – Source 61, Tables A2 & B3  
Source 2: Housing Corporation Regulatory Statistical Return 2001/02 – Source 61, Table A1  
Source 3: Private Sector Rent Bulletin (Issue 1: Winter 2002/03)

2.21 Whilst existing rents in the social sector tend to be lower than the target rent set by the Housing Corporation, the housing benefit reference rent recognises that even the cheapest properties in the private sector will cost almost double the target rent. In fact, whilst the lowest quartile prices in the private rented sector are generally in line with the housing benefit reference rent, average weekly rents are almost 3 times the equivalent target social sector rent. The relationship of rents generally to the target rent for each property size is clearly illustrated in the figure below.



**Figure 19: Weekly Rents Relative to Target Rent by Property Size**

Source: Figure 18

2.22 Information about rents in the private and social sectors is detailed below for both London Plan and Housing Corporation sub-regions. As with owner occupation, the private sector rents are based on identified lowest quartile prices whereas information about social sector rents is based on information from the Housing Corporation about RSL average rents.

Property Size	London Plan Sub-Region					All London
	Central	East	West	North	South	
<b>PRIVATE RENT <sup>1</sup></b>						
Bedsit	139.00	115.00	120.00	110.00	110.00	125.00
1 bedroom	185.00	145.00	162.00	148.00	145.00	160.00
2 bedrooms	220.00	162.00	185.00	180.00	173.00	175.00
3 bedrooms	280.00	185.00	219.00	225.00	197.00	210.00
4+ bedrooms	320.00	231.00	277.00	250.00	277.00	276.00
<b>SOCIAL RENT <sup>2</sup></b>						
Bedsit	58.00	53.00	53.00	60.00	57.00	57.00
1 bedroom	62.00	60.00	62.00	64.00	63.00	62.00
2 bedrooms	68.00	66.00	70.00	70.00	71.00	69.00
3 bedrooms	78.00	77.00	79.00	81.00	80.00	79.00
4+ bedrooms	91.00	88.00	92.00	93.00	92.00	90.00

**Figure 20: Weekly Rent Thresholds by Property Size & London Plan Sub-Region**

Source 1: Private Sector Rent Bulletin (Issue 1: Winter 2002/03)

Source 2: Housing Corporation Regulatory Statistical Return 2001/02 – Source 61, Table A2

Property Size	Housing Corporation Sub-Region					All London
	East	Southeast	Southwest	West	North	
<b>PRIVATE RENT <sup>1</sup></b>						
Bedsit	115.00	112.00	120.00	121.00	130.00	125.00
1 bedroom	150.00	138.00	162.00	167.00	175.00	160.00
2 bedrooms	166.00	162.00	175.00	190.00	200.00	175.00
3 bedrooms	195.00	190.00	233.00	219.00	255.00	210.00
4+ bedrooms	235.00	252.00	300.00	277.00	280.00	276.00
<b>SOCIAL RENT <sup>2</sup></b>						
Bedsit	57.00	53.00	57.00	54.00	62.00	57.00
1 bedroom	63.00	58.00	63.00	61.00	64.00	62.00
2 bedrooms	67.00	67.00	69.00	69.00	71.00	69.00
3 bedrooms	76.00	80.00	79.00	79.00	81.00	79.00
4+ bedrooms	89.00	89.00	89.00	91.00	94.00	90.00

**Figure 21: Weekly Rent Thresholds by Property Size & Housing Corporation Sub-Region**

Source 1: Private Sector Rent Bulletin (Issue 1: Winter 2002/03)

Source 2: Housing Corporation Regulatory Statistical Return 2001/02 – Source 61, Table A2

### **Summary of Key Points**

- The rented sector has a far more significant role in London than elsewhere in the country, with two-fifths of households renting their current home;
- One in every seven households (a total of almost half a million) have moved within the last 12 months. Over half of those in their early-mid twenties and 43% of private sector tenants moved during this period;
- Land Registry data for 1995 indicated that it was possible for householders to purchase 1-, 2- or even 3-bedroom properties for little more than £50,000 at this time;
- The cheapest 1-bedroom properties at the time of study (mid 2002) cost almost £100,000, whereas the cost of 2-bedroom properties had already exceeded this mark and the cost of 3-bedroom homes was almost £150,000;
- Average weekly rents in the private sector are almost 3 times the equivalent target rents set by the Housing Corporation for social rented homes, and Housing Benefit reference rents recognise that even the cheapest properties in the private sector will cost almost double the target social rent;
- In the context of the London Plan sub-regions, properties in the Central area were generally found to be most expensive, with the lowest threshold prices being in the Eastern area;
- In terms of the Housing Corporation sub-regions, the Northern area was found to be the most expensive, with the lowest thresholds found in the Eastern and Southeastern areas.

## 3. Assessing Affordability

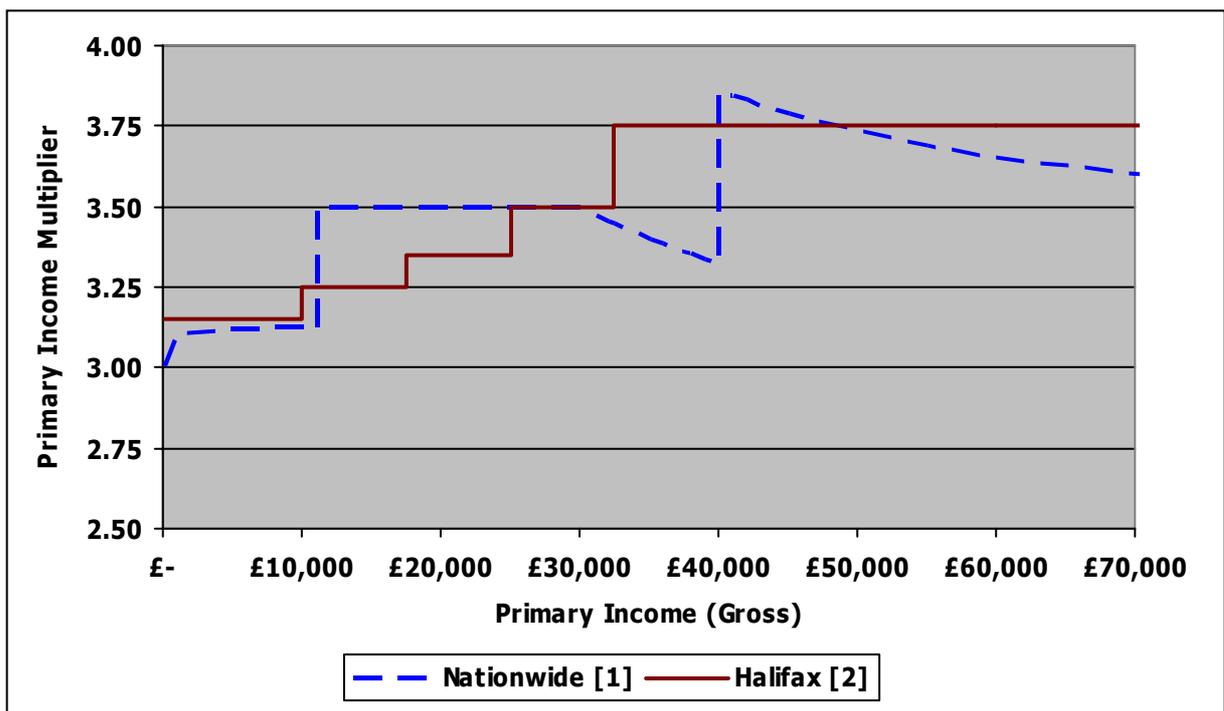
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- 3.1 Affordability is a complex issue and can be assessed in a number of different ways, but each method depends on common factors that are crucial to the analysis. The affordability of any particular household will depend on the relationship between:
- The cost of appropriate local housing, and
  - The amount that the household is able to afford.
- 3.2 Having already considered the cost of local housing (in terms of size and location), we should now consider what is reasonable for a household to pay towards their housing costs.
- 3.3 The National Housing Federation have traditionally promoted that it is appropriate for households to spend up to 30% of their net income on rent or mortgage payments, and in providing affordable housing, Local Authorities and RSLs have often based affordability tests on this relatively straight-forward calculation. Nevertheless, whilst this may be suitable for households expecting to pay relatively low rents in the social sector, the implications become somewhat unrealistic in considering the payments for more expensive properties in the private sector.
- 3.4 As previously noted, the lowest quartile price for a one-bedroom property for rent in the region is £160 per week. Assuming that households were to spend only 30% of their net income on housing costs, any household with a weekly net income of £533 or less (equivalent to an annual gross income of up to c.£40,000) would be deemed unable to afford such housing.
- 3.5 It would seem unrealistic to suggest that a household with a weekly net income of more than £500 could not afford to pay housing costs of £160 without financial subsidy, insofar as their residual income (after housing costs) would amount to over £300. In fact, an adult couple (without children) would need a net weekly income of less than £332 in order to qualify for housing benefit support – despite housing costs accounting for as much as 48.2% of their income.
- 3.6 The London Housing Federation “Mind the Gaps” document recognises that households may be expected to contribute as much as 50% of net income towards their total housing costs in London – noting that it is not the proportion of income that is the over-riding factor, but that the most important consideration is the amount of residual income available after the identified costs have been paid.
- 3.7 Whilst it would seem unsustainable to promote that all households should be expected to pay up to 50% of their income on housing costs, in the context of the London housing market it would seem equally unreasonable to assume that no household could be expected to contribute any more than 30%. Whilst we do not want to commit households beyond their means, we do not want to allocate affordable housing to households who are realistically able to afford housing in the private sector. It is therefore necessary to consider an alternative, more sophisticated assessment of household affordability.

- 3.8 In considering an alternative approach, it is important that the assessment takes account of the actual level of residual income (for households with higher incomes may be able to afford proportionately more than households on lower incomes) and the household structure (for households with many dependents will require a higher residual income than smaller household units).
- 3.9 It is also important to differentiate between the methods for assessing affordability for owner occupation and for renting – for whilst private renters will be expected to meet recurring costs each week or month, it is accepted that all occupiers will normally rely upon a loan or mortgage from a building society or other lender. Therefore, in the context of owner occupation, it is important that the householder is not only able to afford the repayments of such a loan but that also such a loan is accessible to that household. For this reason, a mortgage multiplier is normally applied to determine the amount households are able to afford when considering home purchase.

### Assessing Affordability for Owner Occupation

- 3.10 There are currently thousands of different mortgage products available through hundreds of different lenders – with each lender having different practices in terms of the amount they will loan to borrowers. Typically, however, the amount that can be borrowed will be influenced by the income of the household and the deposit, if any, available. The following figure illustrates the amount that some of the larger lenders will typically lend to households with a 5% or 10% deposit, though this obviously will depend on individual household circumstances.



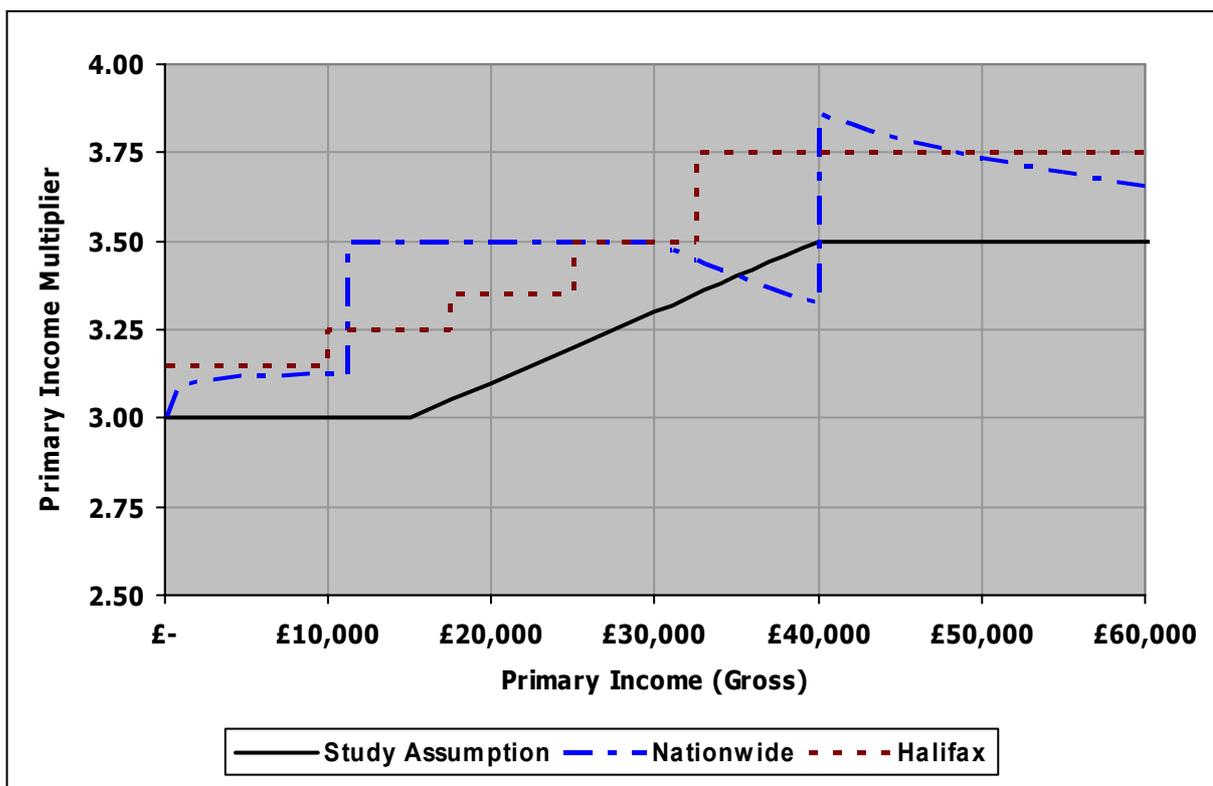
**Figure 22: High Street Mortgage Multipliers by Gross Income**

Source 1: <http://www.nationwide.co.uk/mortgage/tools/how-much.asp>

Source 2: <http://www.halifax.co.uk/mortgages/calculators.shtml>

- 3.11 The affordability tests for mortgage eligibility applied by the study reflect practices within the market. Where households do not have a 10% deposit or where the primary income is less than £15,000 a standard multiplier of three times the primary income plus one times any secondary income is applied. Where households have a deposit of at least 10% available and the primary income exceeds £15,000, the multiplier adopted incrementally increases up

to a maximum of three and a half times the primary income (when such income reaches £40,000 or more). Nevertheless, any secondary income remains at a constant one times multiplier. This is illustrated in the figure below.



**Figure 23: London Housing Requirements Study Primary Income Mortgage Multipliers by Gross Income**

- 3.12 As a final adjustment, all households are expected to repay their loan in full by the time they reach 65 – therefore anyone aged over 40 at the time of the study would have their mortgage capacity adjusted appropriately.
- 3.13 It is important that any assessment of affordability for owner occupation comprehensively considers all household resources, including:
- Savings
  - Debts
  - Equity (positive or negative) from current home (for current owners)
  - Amount that can be borrowed
- 3.14 Perhaps the most important resource is any equity that a household may have in their existing home because, whilst the early years of a mortgage may not impact significantly on the amount of capital repaid, increases in house prices can bring significant additional resources.
- 3.15 In summary, the amount affordable for owner occupation is therefore: savings minus debts plus/minus positive/negative equity plus the amount borrowable.

## Assessing Affordability for Weekly Rent

- 3.16 Unlike with owner occupation, the rental market does not require a single capital payment to be made upfront that has to be funded from a source such as a mortgage. Instead, it is based exclusively on a recurring payment taken from the individual household budget. The amount affordable to any one household will obviously depend upon any existing pressures within the household budget – and such pressures will typically differ depending upon the structure of the household.
- 3.17 In assessing income for rent, the study considers the income from all household members and adjusts the resulting gross household income on the basis of the McClements equivalence scale, before allocating a proportion of the resulting income to housing costs.
- 3.18 The McClements equivalence scale is used in Government research to adjust gross household incomes on the basis of the household structure to recognise the impact of each household member (in particular, dependents) upon the cost of living. Whilst the scale would normally increase the relative income of single person households, in the context of assessing housing costs we would assume that, proportionately, a single person can only afford to contribute as much as an adult couple. Hence the study only utilises the scale to moderate payments for larger households without advocating higher payments for single person households.

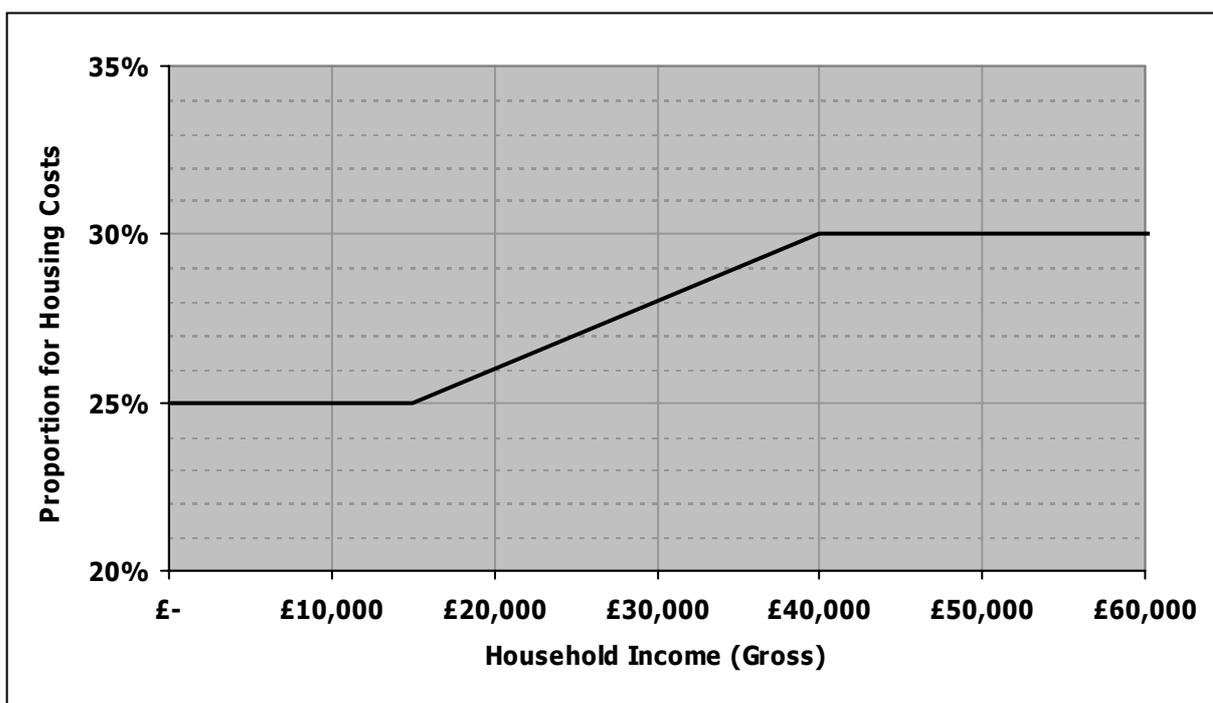
Household Member	Equivalence Value
2 <sup>nd</sup> adult member (excluding head of household's partner)	0.46
3 <sup>rd</sup> adult member	0.42
4 <sup>th</sup> and subsequent adult member(s)	0.36
Child aged 16-18	0.36
Child aged 13-15	0.27
Child aged 11-12	0.25
Child aged 8-10	0.23
Child aged 5-7	0.21
Child aged 2-4	0.18
Child aged under 2	0.09

**Figure 24: McClements Equivalence Scale**

Source: Harmonised Concepts and Questions for Government Social Surveys

- 3.19 The values for each household member are added together to give the total equivalence number for that household. This number is then divided into the gross income for that household to give an equivalised gross income. For example, a household has a married couple with 2 children (aged 6 and 9) plus one adult lodger. The household's equivalence number is  $1.0 + 0.21 + 0.23 + 0.42 = 1.86$ . The household's gross income is £20,000, and so its equivalised gross income is £10,753 ( $= £20,000/1.86$ ).
- 3.20 To recognise that households with higher incomes will be able to afford proportionately more than households on lower incomes (whilst still retaining higher levels of disposable income), we have adopted a similar sliding scale to that used for assessing mortgage eligibility. This approach is consistent with "Local Housing Needs Assessment: A Guide to Good Practice" (DETR 2000) which identifies that "higher affordability ratios will be more bearable to households with higher incomes".

- 3.21 Insofar as household income data was gathered as a gross total, and that the McClements equivalence scale is typically based on gross incomes, we have also based the housing cost calculation on gross household income. To adopt the gross income (as oppose to the net income) reduces the assumed payments for lower income households – because they are typically liable for less deductions (such as income tax and national insurance) from their income.
- 3.22 In allocating a proportion for housing costs, we have assumed that households with incomes of less than £15,000 will contribute no more than 25% of their equivalised gross income, increasing up to a maximum contribution of 30% from households earning £40,000 or more.



**Figure 25: London Housing Requirements Study Housing Cost Allowance by Gross Household Income**

- 3.23 This represents a maximum contribution of 31.5% of net income for those households earning up to £15,000 gross – but the impact of the income equivalence scale, coupled with multiple tax allowances when considering couples and larger households, means that the majority of lower income households are assumed to pay a typical contribution of 20-30% of their net income. When considering higher income households, some may be expected to contribute as much as 45% of their net income towards housing costs – but once again, the majority would not be expected to pay this much, with such higher income households typically expected to contribute no more than 30-40% of their net income.
- 3.24 In addition to the payments derived from the household income, we have also assumed that any savings (including existing equity) over £3,000 can also (in principle) be used to assist with housing costs. We have assumed that up to 10% of any savings beyond the basic £3,000 will contribute to housing costs over the year. To include savings in this way is consistent with the benefits system – where savings would be considered within the means testing.
- 3.25 Whilst the above testing is a relatively involved process, the overall assessment is more robust, ensuring that households are not expected to pay unrealistic amounts towards their housing costs yet restricting affordable housing to those who cannot afford housing in the private sector.

### Summary of Key Points

- Household affordability depends on the relationship between the cost of appropriate local housing and the amount that the household is able to afford;
- In considering affordability for households expecting to pay relatively low rents in the social sector, affordability tests have traditionally been based on 30% of net income – but in the context of intermediate housing in London, it has been suggested that some should pay as much as 50% of net income towards their total housing costs;
- Whilst assessments should not commit households beyond their means, affordable housing should not be allocated to households that are realistically able to afford housing in the private sector;
- The most important consideration is the amount of residual income available after housing costs have been paid – households with higher incomes may be able to afford proportionately more than households on lower incomes, and households with many dependents will require a higher residual income than smaller household units;
- It is important to differentiate between the methods for assessing affordability for owner occupation and for renting – for whilst private renters will be expected to meet recurring costs each week or month, it is accepted that occupiers will normally rely upon loans or mortgages from building societies or other lenders, and they must be able realistically to access such funds;
- The amount affordable for owner occupation is the total amount borrowable together with any existing equity and savings, offset against any debts or negative equity;
- The amount affordable for renting is based on equivalised household income (i.e. the income is adjusted to take account of the individual household structure), with households on higher incomes expected to contribute more than households on more moderate incomes.

## 4. Existing Housing Need

- 4.1 Housing need refers to households lacking their own housing or living in housing which is inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some assistance (Bramley & Pawson, 2000). Therefore, to identify existing housing need we must first consider the adequacy and suitability of households' current housing circumstances.
- 4.2 A classification of unsuitable housing, adapted from Parker and Stirling (1995): "Seen to be Fair: a guide to allocations", was presented by Bramley and Pawson (2000) in the DETR publication "Local Housing Needs Assessment: A Guide to Good Practice". Whilst this table was presented in the context of identifying housing needs at a local level, the classification remains appropriate for the assessment of housing needs more generally.
- 4.3 The classification is sub-divided into four main categories, with a total of sixteen sub-divisions as detailed below.

Main Category	Sub-divisions
1. Homeless or with insecure tenure	<ul style="list-style-type: none"> <li>i. under notice, real threat of notice, or lease coming to an end</li> <li>ii. living in temporary accommodation (e.g. hostel, B&amp;B, with friends or relatives)</li> <li>iii. accommodation too expensive</li> </ul>
2. Mismatch of household and dwelling	<ul style="list-style-type: none"> <li>iv. overcrowded</li> <li>v. house too large (difficult to maintain)</li> <li>vi. households with children living in high flats or maisonettes</li> <li>vii. sharing a kitchen, bathroom or WC with another household</li> <li>viii. household containing person with mobility impairment or other special needs living in unsuitable dwelling (e.g. accessed via steps or containing stairs)</li> </ul>
3. Dwelling amenities and condition	<ul style="list-style-type: none"> <li>ix. lacks a separate bathroom, kitchen or inside WC</li> <li>x. subject to major disrepair or unfitness</li> </ul>
4. Social requirements	<ul style="list-style-type: none"> <li>xi. harassment or threats of harassment from neighbours or others living in the vicinity</li> <li>xii. relationship breakdown</li> <li>xiii. family unable to live together because of lack of accommodation</li> <li>xiv. need to give or receive support including living closer to family/friends</li> <li>xv. need to live closer to employment and/or other essential facilities</li> <li>xvi. want to live independently</li> </ul>

**Figure 26: Classification of Unsuitable Housing**

Source: Bramley & Pawson, 2000

- 4.4 Most of the identified sub-divisions concern established households and several may cause a household to need to move from one property to another, though many will not necessarily need to move if appropriate changes are made to their existing home.
- 4.5 Even where a move is deemed necessary, facilitating households to relocate from one property to another will not inherently require additional homes to be provided because, whilst the characteristics of such dwellings may differ, the overall number of homes will remain the same. Nevertheless, to satisfy the needs of all households, it may be necessary to provide some additional housing with particular characteristics leaving an equivalent number of dwellings (with different characteristics) available to meet housing needs and demands from elsewhere in the market.
- 4.6 Whilst the majority of sub-divisions concerning established households may not contribute directly to the additional housing requirement, households who are currently in temporary housing (group ii) and a number of sub-divisions of the social requirements category may each require additional housing provision.

### Homeless Households in Temporary Housing

- 4.7 At the time of the study period, Local Authorities across England housed a total of 82,600 households in temporary accommodation. As detailed below, 47,100 of these households (57.0%) were housed by authorities in the London region.

Government Office Region	Households in Temporary Accommodation as at 31 March 2002	
	Number	%
<b>HOMELESS HOUSEHOLDS</b>		
North East	1,800	2.2%
North West	1,900	2.3%
Yorkshire and the Humber	1,800	2.2%
East Midlands	2,200	2.6%
West Midlands	2,000	2.5%
East of England	6,600	8.0%
London	47,100	57.0%
South East	11,900	14.4%
South West	7,200	8.7%
<b>ENGLAND</b>	<b>82,600</b>	<b>100.0%</b>

**Figure 27: Homeless Households in Temporary Accommodation by GOR**

Source: P1E Annual Supplement Tables 2001-02

Note: Figures may not sum due to rounding

- 4.8 Nevertheless, whilst the accommodation provided may have been temporary for the households concerned, not all such temporary housing would be considered in group (ii) of our classification. Households housed in accommodation such as Bed & Breakfast should obviously be counted, but due to persistent pressures from homeless households over recent years, many Local Authorities have allocated segments of traditional LA or RSL stock to accommodate these households on a temporary basis. As with other established households, there will be a need for those housed to be relocated to alternative properties, but this in itself will not lead to a requirement for additional housing provision.

4.9 The type of accommodation allocated to homeless households housed temporarily in London at the time of the study period is detailed below.

Type of Accommodation	Number of Households in Temporary Accommodation	
	As at 31 March 2002 <sup>1</sup>	As at 30 June 2002 <sup>2</sup>
<b>HOMELESS HOUSEHOLDS IN LONDON</b>		
Bed & Breakfast	8,500	8,500
Hostels	4,000	4,100
Women's refuges	200	
Within LA stock	8,800	11,000
Within RSL stock	1,400	
Private sector housing leased by LA	7,300	18,400
Private sector housing leased by RSL	13,800	
Directly with private sector landlord	1,000	6,200
Other	2,100	
<b>TOTAL (excluding Homeless at Home)</b>	<b>47,100</b>	<b>48,200</b>
Homeless at Home	5,800	5,100

**Figure 28: Homeless Households in Temporary Accommodation by Type of Accommodation**

Source 1: P1E Annual Supplement Tables 2001-02

Source 2: P1E Quarterly Returns Q2 2002

Note: Figures may not sum due to rounding

4.10 A total of 12,600 homeless households were housed temporarily in Bed & Breakfast or hostel accommodation awaiting permanent housing. These were the only households that would constitute a need for additional housing within the analysis framework (apart from those "Homeless at Home", who are considered in the context of potential households at a later stage of the analysis).

4.11 The remaining households currently housed in traditional LA and RSL stock together with those temporarily housed in traditional private sector housing will not impact on the overall level of need, and resolving the needs of those living temporarily in permanent social sector properties will not impact on the net need for affordable housing. In the short term, this is also true of households housed in private sector housing leased to LAs and RSLs (PSL stock), but over the longer term, if such housing is to be returned to the private sector, additional affordable housing may be required.

4.12 Therefore, whilst the 18,400 households accommodated in PSL stock will not constitute a net need for additional housing, the change in dwelling characteristics must be considered, and they too should be included within the analysis framework. This could, in principle, introduce an element of double counting because these households may also have been interviewed within the LHS. Nevertheless, their needs would not be overstated, for any analysis from the LHS data would assume that the household was housed by a social sector landlord and hence discount the need as a transfer within the stock.

4.13 Nevertheless, to include homeless households housed in "other" temporary housing at this stage could introduce double counting with subsequent categories of analysis based on the LHS interviews. Therefore, their needs are not considered here.

## Established Households in Unsuitable Housing

- 4.14 Households currently lacking their own permanent home are clearly an important aspect of existing housing need, but it is also important to consider established households who are currently living in housing that, for one reason or another, is not suitable for the households' needs. Earlier in this chapter, Figure 26 established four main categories for identifying unsuitable housing, each with a number of sub-divisions. Whilst some of the indicators related to households currently lacking their own housing, the majority considered the circumstances of existing households.
- 4.15 Information on a wide range of housing issues was collated by the London Household Survey, and by drawing on information gathered throughout the questionnaire we are able to rigorously identify whether or not households' current homes are suitable for their needs. Whilst the assessment of housing suitability is based on responses to questions within the survey, many of the indicators are assessed relatively objectively on the basis of answers provided to factual questions. This is a far more sophisticated approach than relying on households identifying themselves with one or more problems selected from a "shopping list" of possibilities, and avoids households associating themselves with issues on the basis of interviewer prompts.
- 4.16 Objective assessments (based upon factual information) can clearly be used in assessing issues such as households' lack of facilities. Where, for example, respondents are asked whether they have an inside WC or not. Such a factual yes/no response clearly leads to an objective assessment of the criteria.
- 4.17 The measure of overcrowding and under-occupancy is also calculated objectively. The number of rooms required by a household is assessed through analysing the household profile against an agreed "bedroom & living room standard". This requirement is then set against the number of rooms available in the home.
- 4.18 The bedroom standard used for the Greater London study is similar to that used in the survey of English Housing. It provides one bedroom for each of the following groups or individuals:
- Each adult couple;
  - Each remaining adult (aged 21 or over);
  - Each pair of children (aged 10 to 20) of the same gender;
  - Each pair of children aged under 10;
  - Each remaining child that has not been paired.
- 4.19 The number of rooms required is then set against the number of bedrooms in the current home, to determine the level of overcrowding or under-occupation.
- 4.20 A similar (though less complicated) assessment is used to identify children living in high rise flats – where the presence of children within the household is compared with the floor on which the household lives to determine whether or not the combination is acceptable.
- 4.21 Where it is not possible to identify problems in an objective manner, subjective responses from the survey have been used. Nevertheless, these are largely responses provided in an unprompted manner to more general, open-ended questions. This avoids any bias being introduced by the interviewing process.

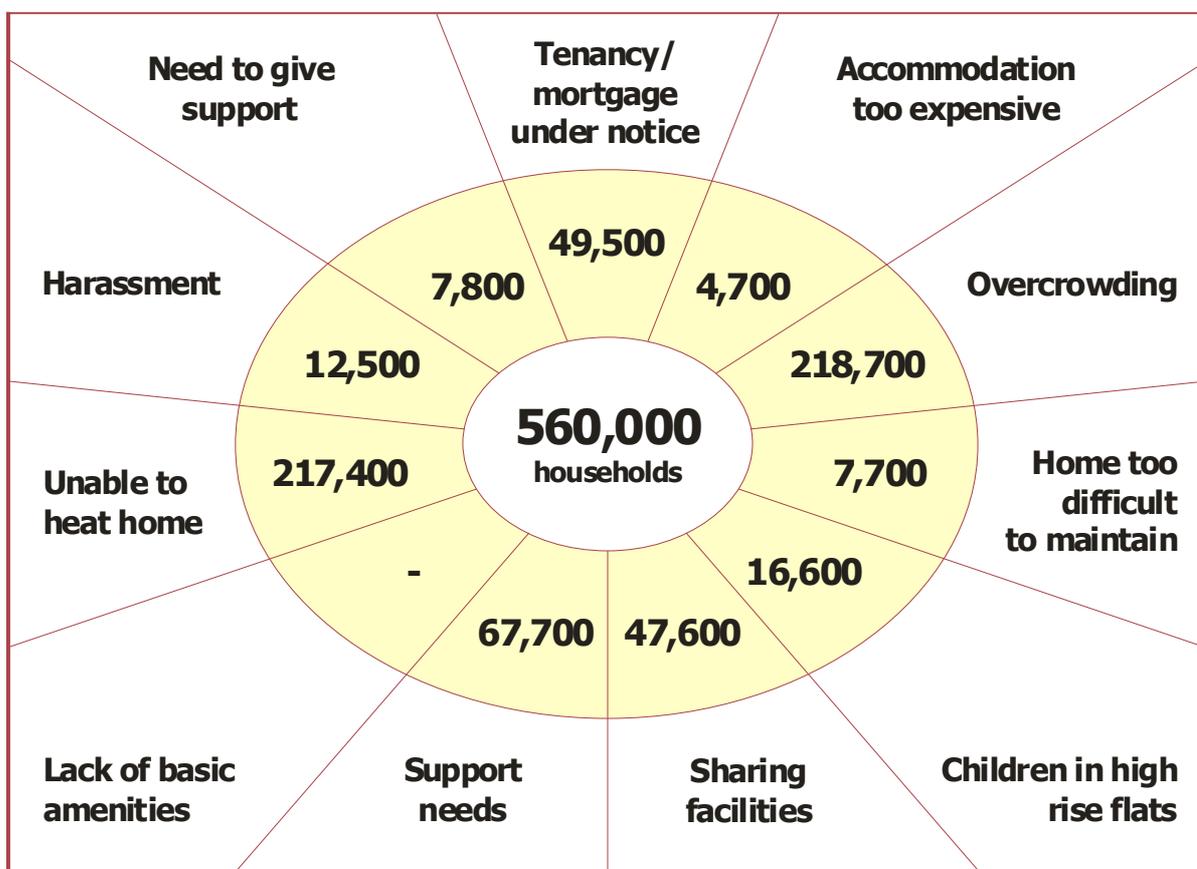
4.22 A summary of the categories used to assess housing suitability from the London Household Survey data is detailed below:

Categories	Survey Analysis
<b>1. Homeless or with Insecure Tenure</b>	
Tenancy under notice, real threat of notice or lease coming to an end	Household moving because of End of tenancy; or Eviction; or Repossession; or Relative/friend no longer able to accommodate
Accommodation too expensive	Household moving because cannot afford current mortgage/rent; and Household finding it very difficult to afford rent/mortgage payments
<b>2. Mismatch of Household and Dwelling</b>	
Overcrowding	Size and composition of household used to assess number of bedrooms required; compared with Number of current bedrooms
Households having to share a kitchen, bathroom, washbasin or WC with another household	Household with persons aged under 16 or 25+; and Living in multiple occupancy dwelling; and Sharing at least one basic facility
Home too difficult to maintain	Household needing to move; and Unable to manage current home
Children living in high-rise flats	Household with children aged under 16; and Living in a flat above 4th floor
Households with support needs	Need to move to housing with specialist adaptations or with care/support; or Need to move and expect to move to specialist housing for people with a disability or for the elderly
<b>3. Dwelling Amenities and Condition</b>	
Lack of basic amenities	Household having no bathroom or shower-room; or Household having no inside WC; or Household having no kitchen
Inadequate heating	Household cannot afford to heat their home to the standards required if it is cold outside
<b>4. Social Requirements</b>	
Harassment	Household moving because of harassment
Need to give support	Household moving to give care
Need to give/receive support	Household moving to receive care/support

**Figure 29: Classification of Unsuitable Housing**

4.23 Households are classified as being unsuitably housed if one or more of the above factors are found to apply. The households identified are considered to be living in unsuitable housing regardless of the number of problems that are identified. This avoids potential double counting.

- 4.24 Although local authorities typically use points systems to score and prioritise overall needs, our analysis does not use artificial calculations to score the relative unsuitability of housing. After all, to say that some homes are more unsuitable than others does not mean that the households in the latter are not in need.
- 4.25 Overall, a total of 560,000 households were assessed as living in unsuitable housing due to one or more factors. Almost two-fifths of these households (39.1%) are currently living in overcrowded circumstances; with a similar proportion (38.8%) experiencing problems due to thermal discomfort. Of the remaining factors, households with support needs account for 67,700 of those identified – where resolving their housing needs may involve more than simply providing a suitably adapted home.
- 4.26 A summary of the analysis output is presented below:



**Figure 30: Established Households Living in Unsuitable Housing**  
Source: London Household Survey 2002

- 4.27 It is worth noting that, overall, this accounts for 18.4% of all established households in the region, though many of these households may not need to move to resolve the identified problems.

### Resolving Housing Unsuitability

- 4.28 Not all housing unsuitability problems require the households involved to move from their current home. In-situ solutions may be more appropriate to resolve some of the problems identified. For example, overcrowding could be resolved by one or more member(s) of the household leaving to live elsewhere, or an alternative solution could be to extend the existing property. Similarly, homeowners or landlords may undertake repairs to resolve

problems with the condition of the property. In these cases (and many others) the problems identified can be resolved without the need for relocation to alternative accommodation.

- 4.29 Whilst in practice it is important to resolve the housing needs of individual households, a strategic analysis is primarily concerned with addressing overall housing need. In this context, it is particularly relevant to consider housing suitability issues concerned directly with the dwelling stock – such as major disrepair or unfitness. Resolving individual household needs (through enabling a move to alternative housing) will not reduce the overall level of housing need because the vacancy that arises will inevitably (over time) be occupied by another household, who will once again be in housing need. In such cases, it is investment in the existing stock (or in extreme cases, clearance and redevelopment) that is required to reduce the numbers unsuitably housed.
- 4.30 It should be noted that any dwellings that are lost from the stock through clearance programmes would need to be replaced in addition to the number of additional housing units identified by this study – that is, our analysis considers the housing requirement in the context of a net increase in dwelling stock.
- 4.31 Where a move is appropriate and required to resolve a housing problem, some households may need to move to homes outside the region (for example, those moving for care or support), and others will choose to move further afield for other reasons. Where unsuitably accommodated households are likely to willingly leave the region, their needs should not be counted within the estimate of net need. Nevertheless, in discounting the needs of likely out-migrants, any needs of in-migrants to the region will add to the total requirement
- 4.32 Finally, a proportion of the households remaining will be able to afford to buy or rent an appropriate dwelling at (or above) threshold market prices. Therefore, when considering households who are in housing need, we must also discount from the total those who are able to afford.
- 4.33 The impact of each of these stages is summarised below:

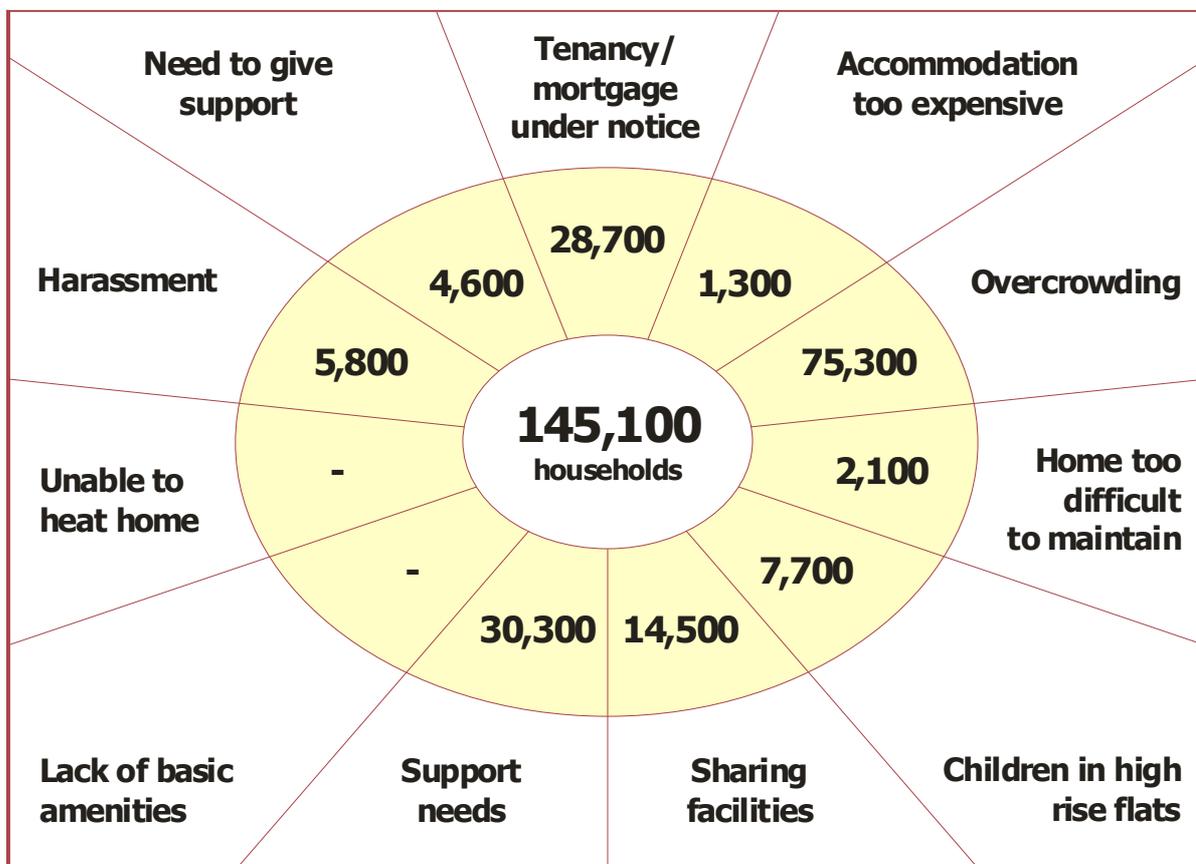
Factor	Number of Households	
	Discounted	Remaining
Households assessed as currently living in unsuitable housing	-	560,000
Households with an objectively assessed in-situ solution	197,800	362,200
Households with a subjectively assessed in-situ solution	120,400	241,800
Households that need to move, but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

**Figure 31: Resolving Housing Suitability Problems**

Source: London Household Survey 2002

Note: Figures may not sum due to rounding

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



**Figure 32: Established Households Living in Unsuitable Housing that Need to Move and are Unable to Afford Lowest Quartile House Prices**

Source: London Household Survey 2002

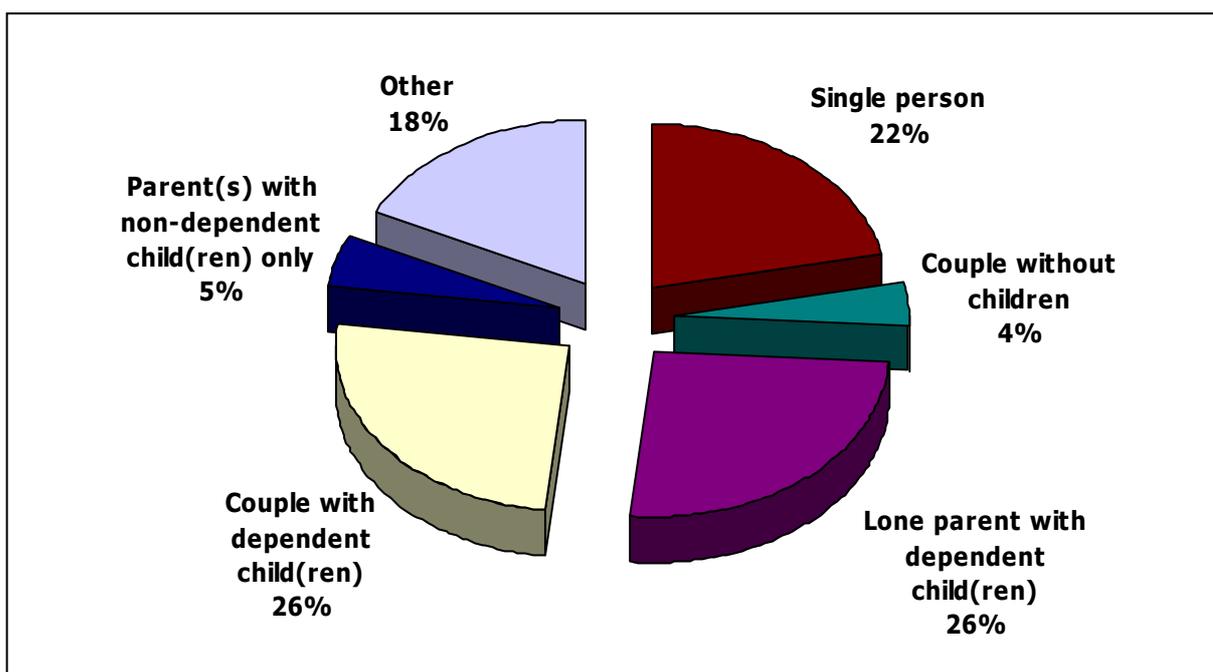
4.35 Overcrowding remains a significant cause for households needing to move – accounting for over half (51.9%) of the total. Problems associated with heating the home have all been assumed to be resolved in-situ, as has the provision of basic amenities, because it is investment in the housing stock that will be required. Of course, if households that experienced problems with heating their home also had other identified issues, these other needs would still be counted within the analysis.

4.36 It should be noted that 108,400 of these households already occupy a home in the social sector – either rented from a Local Authority, Housing Association or other Registered Social Landlord, or owned through a shared ownership scheme. To resolve their needs will involve a transfer within the sector, and insofar as they will be providing a vacancy when they move to another home, their needs do not add to the sector’s overall requirements.

4.37 Whilst the characteristics of this new vacancy will differ from those of the property that they move into, resolving their needs will also assist in resolving the needs of another household in need. Nevertheless, it is important that appropriate housing is provided to facilitate such transfers – and the impact of moves within the existing stock is fully considered and informs the analysis appropriately. Insofar as many households are currently overcrowded and a significant number of others are moving due to support needs, it is likely that new housing in the social sector will need to cater for larger households and those with older, frailer people.

## Established Households in Housing Need

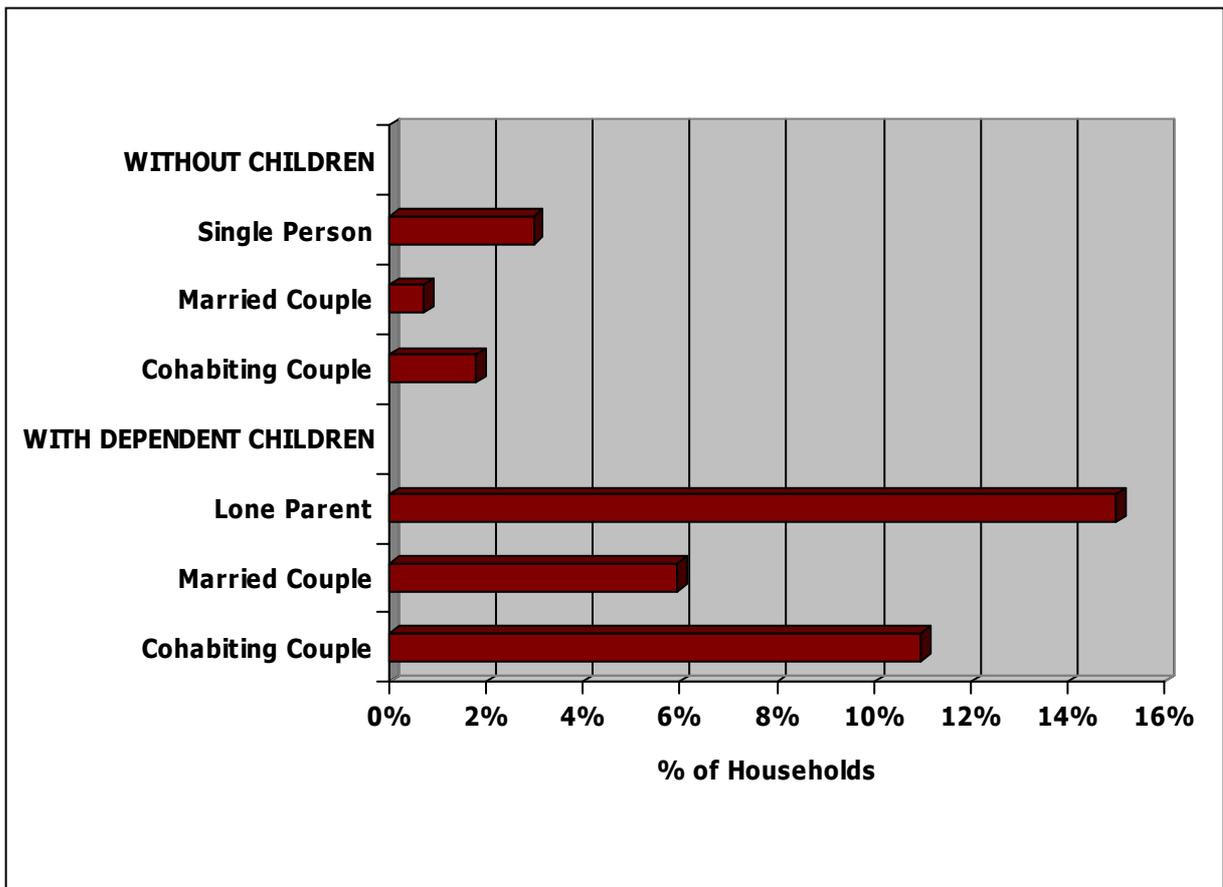
- 4.38 The following paragraphs consider the profile of those established households waiting to move due to existing housing needs – that is, their current home is unsuitable for the household (due to one or more of the factors previously discussed in this chapter), they have no identified way of resolving those needs in situ (i.e. without moving), and they cannot afford to either buy or rent market housing in the area.
- 4.39 Figure 33 shows the household type of established households in housing need and illustrates that more than half of the households in need are households with dependent children. A quarter (25.9%) of existing households in need are single parents and a similar proportion (25.6%) are couples with dependent children. However, single people also make up a fairly large proportion of the households in need (21.7%).



**Figure 33: Household Type of Established Households in Housing Need**

Source: London Household Survey 2002

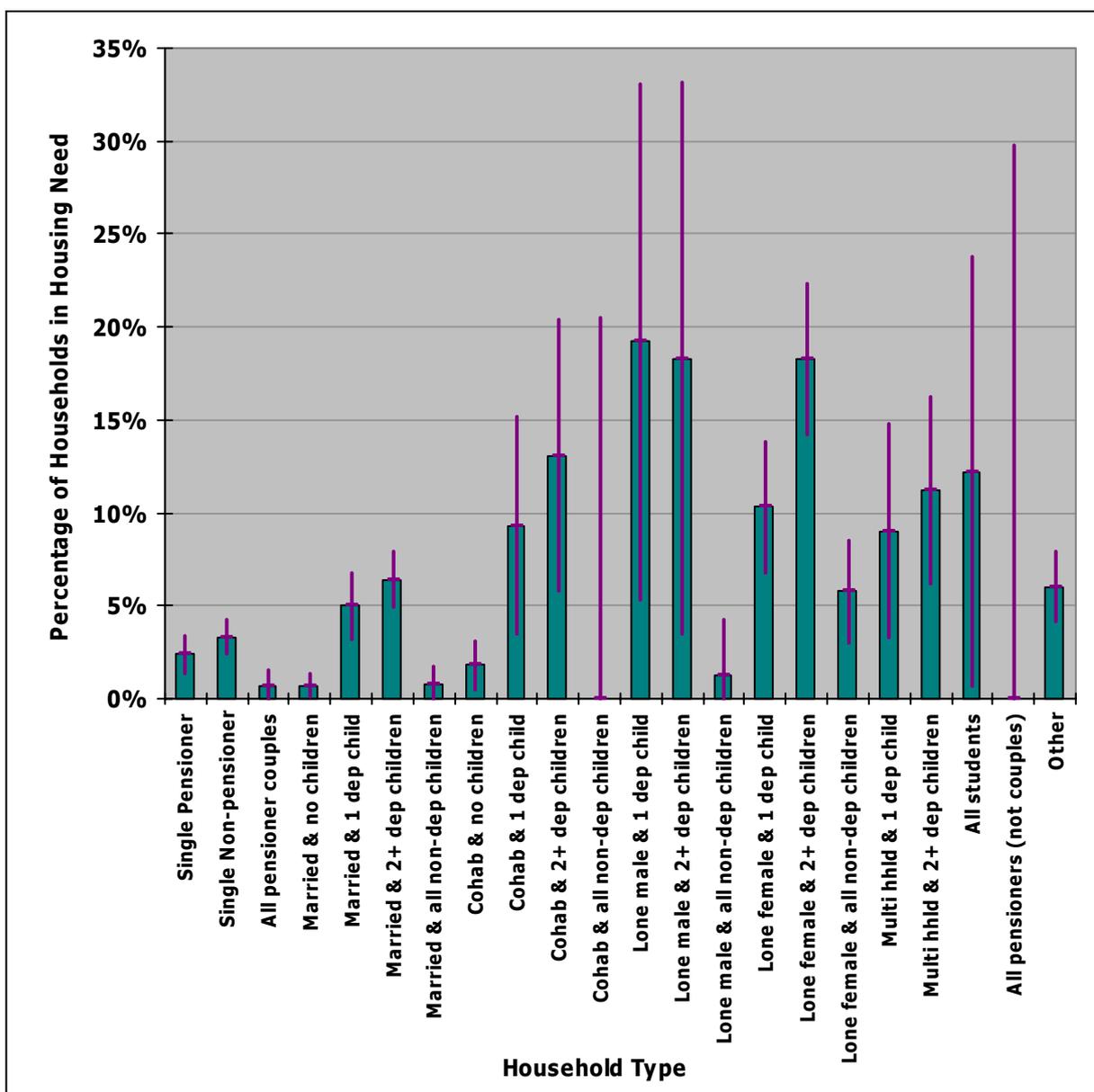
- 4.40 Figure 34 shows the percentage of each household type in London who have existing housing needs. It reaffirms the predominance of households with dependent children being in housing need. 15.0% of single parent households, 11.0% of cohabiting couples and 5.9% of married couples with dependent children are living in unsuitable housing and unable to resolve their needs without assistance.
- 4.41 In contrast, far fewer households without dependent children are currently in housing need. It is clear that while people living alone make up a relatively high proportion of the established households in need, this represents only a fairly small fraction of the established single person household population in London (3.0%).
- 4.42 Similarly, whilst couples without dependent children are generally far less likely to be in housing need than those who have children, couples currently co-habiting are once again disproportionately more likely to be in housing need than those couples who are married (1.8% compared with 0.7%).



**Figure 34: Proportion of Established Households in Housing Need by Household Type**

Source: London Household Survey 2002

- 4.43 Figure 35 below provides more detail on the profile of households shown above. It shows the proportions of different household types in London with housing needs (denoted by the columns), and also the potential range for each result (denoted by the extent of the line in each case) on the basis of the error margin at the 95% level of confidence. If we were to interview all households in London within each sub-group, in each case, 19 times out of 20, the finding would fall somewhere along the relevant line.
- 4.44 It is important to note that the range is affected by two important factors – both relating to the likelihood of chance affecting the results. Firstly, the sample size of the sub-group concerned, and secondly the extremity of the percentage results. The larger the sample size, the less likely it is that the results are due to chance. Similarly, the larger the difference between the proportions of households in need and not in need, the less likely it is that the results are due to chance. Each of these factors influences the different sub-group results to a varying degree – but the combined effect is clearly shown.
- 4.45 It should also be noted that when considering the entire sample, the potential for error is far smaller than when considering any individual sub-group in isolation. It is not the case that the individual errors compound to generate a larger error, but rather that the larger sample yielded by combining the different sub-groups reduces the range for valid results.

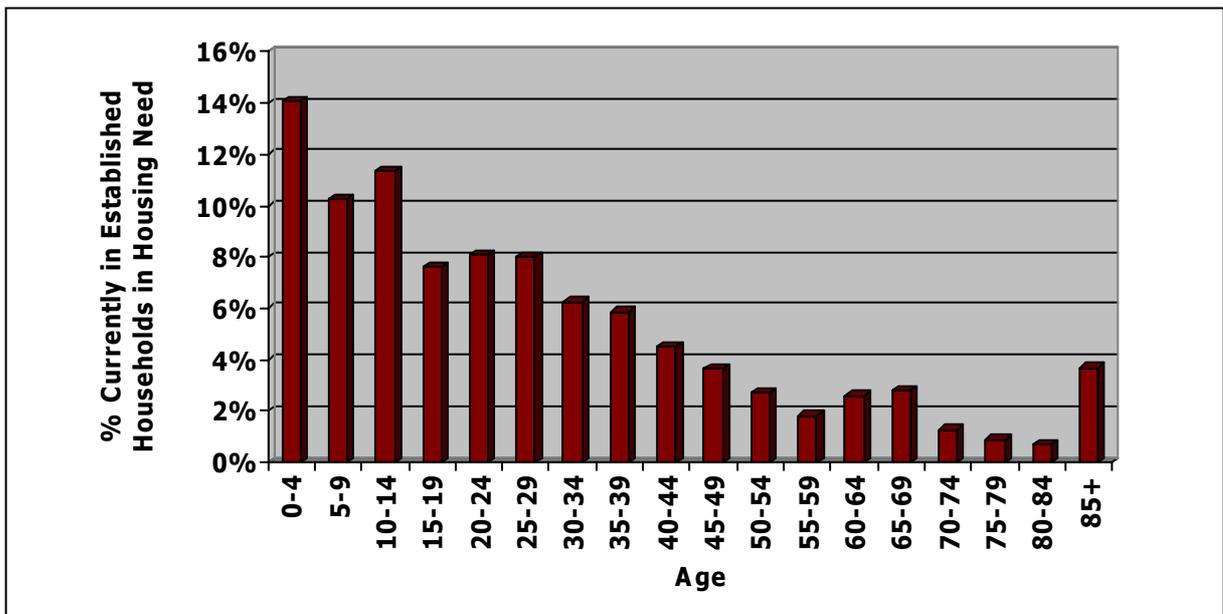


**Figure 35: Proportion of Established Households in Housing Need by Detailed Household Type**

Source: London Household Survey 2002

Note: Column shows percentage of households in housing need, Line shows range @ 95% confidence

- 4.46 The graph shows that a high proportion of established single parent households have housing needs, especially those with two or more dependent children. A similar pattern can be observed for cohabiting and married couples with dependent children, in that households with more than one child are more likely to have housing needs.
- 4.47 It is interesting to note that low proportions of established pensioner households were found to have housing needs – though other pensioner households may still be experiencing problems in their current homes who are able to afford an appropriate housing solution without recourse to financial subsidy, in particular in the context of owner occupiers who are under-occupying larger homes.

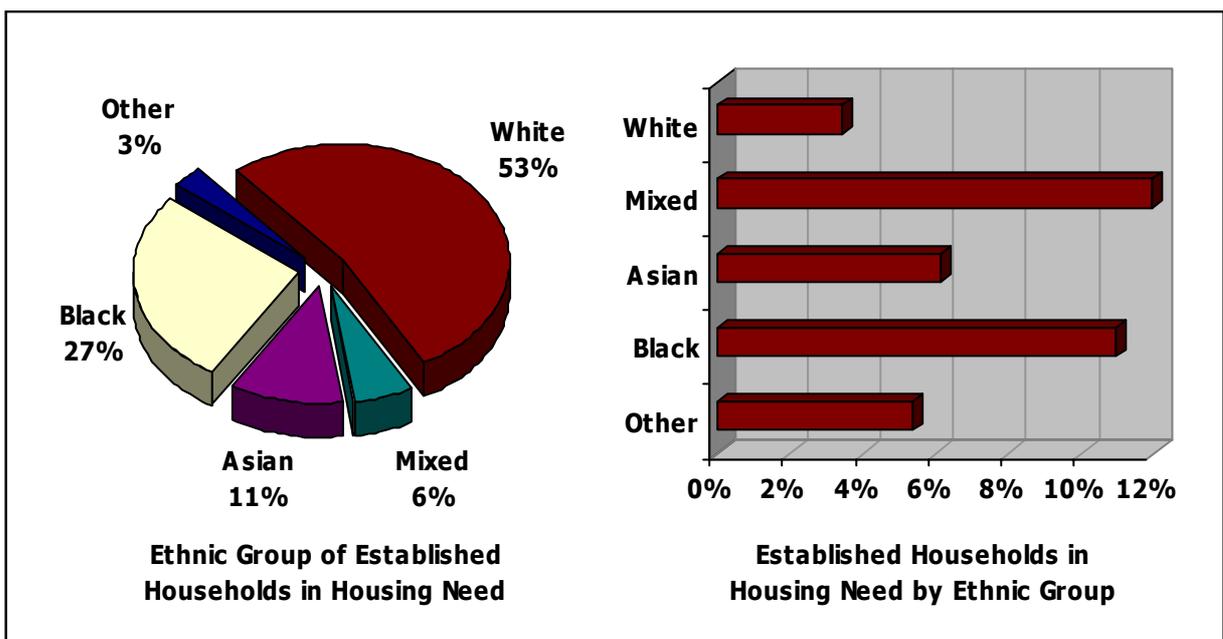


**Figure 36: Proportion of Persons Living in Established Households in Housing Need by Age**  
 Source: London Household Survey 2002

4.48 Figure 36 above shows that a relatively high proportion of children aged 0-4 years live in an established household with existing housing needs, and that the likelihood of living in a household with housing needs generally decreases with age (with the exception of the very elderly). This corresponds with the high proportion of households with dependent children in housing need, and the relatively low proportion of pensioner households with housing needs.

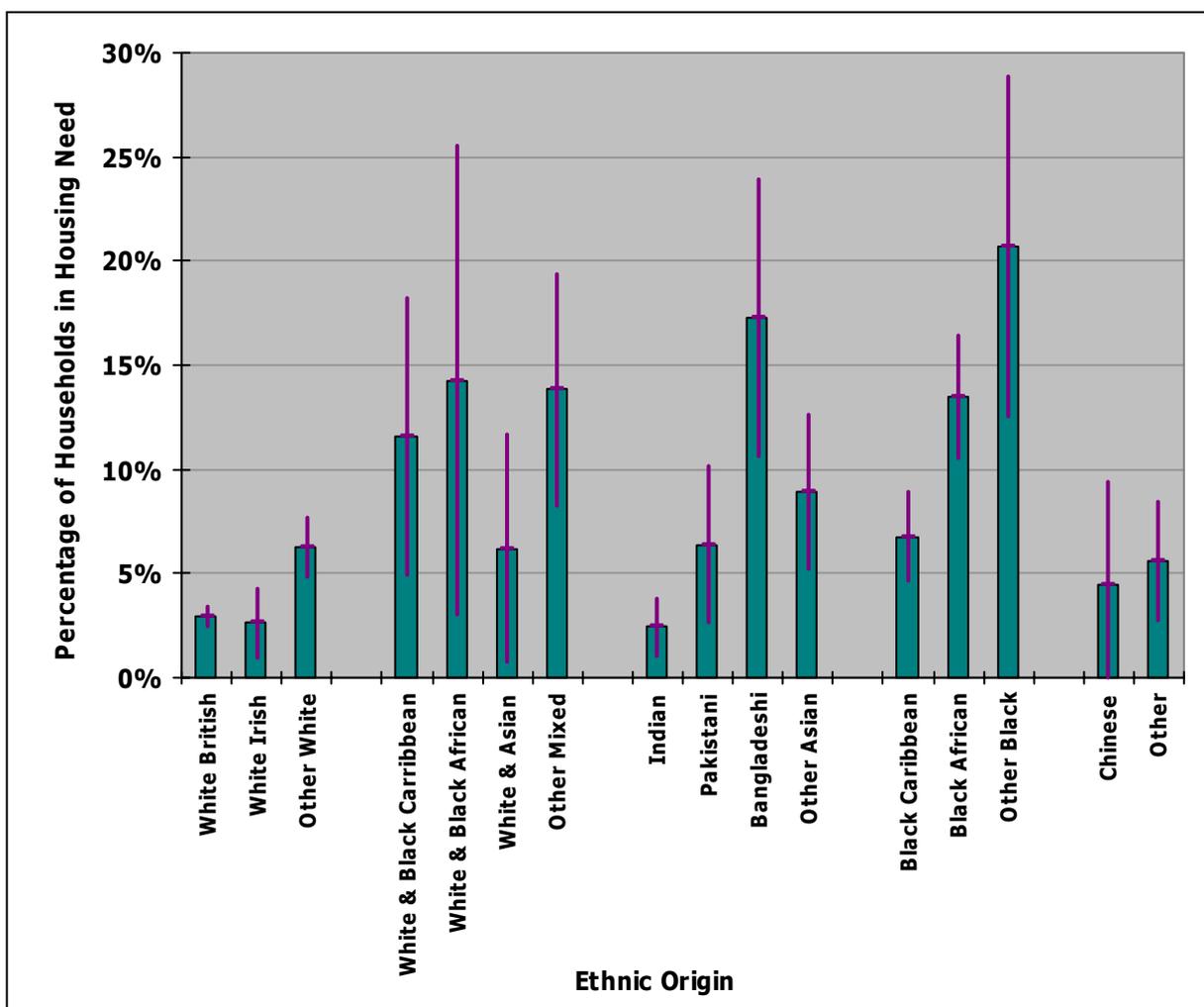
**Ethnicity of Established Households in Housing Need**

4.49 The ethnic origin of established households in housing need is detailed below. Households have been classified where one or more person in the household is of the relevant ethnic group – therefore households with multiple ethnicities may be represented in more than one relevant sub-group, but appropriately weighted to avoid double-counting.



**Figure 37: Established Households in Housing Need – Ethnicity**  
 Source: ORS Housing Market Model, London Housing Requirements Study 2002

- 4.50 The majority of the established households in housing need are of White ethnic origin (representing 53.1% of the total), but only 3.4% of all White established households are in need – proportionately far fewer than any other ethnic group. Therefore, despite White households dominating the profile of households in need, such households only make up a small fraction of the total White household population in London.
- 4.51 Although a far smaller population, Black households represent over a quarter (26.9%) of those established households currently in housing need – with 10.9% of Black households across the region assessed as being currently in need. Whilst households with persons of mixed ethnic backgrounds constitute only 5.7% of the total, a similarly high proportion of households within the group (11.9%) also constitute current housing need.
- 4.52 Overall, households of Asian origin were proportionately less likely to be in housing need than those households of Black or Mixed origin – but this proportion (6.1%) was still considerably higher than found amongst the White population. Nevertheless, this figure masked significant variations amongst the constituent Asian ethnic groups (Figure 38). Whilst Indian households were no more likely to be in housing need than the White majority, 17.3% of Bangladeshi households were currently in need. This finding is subject to a degree of error – but we can be 95% confident that at least 10.6% (and possibly as many as 23.9%) of Bangladeshi households are currently in housing need.



**Figure 38: Proportion of Established Households in Housing Need by Detailed Ethnic Origin**

Source: London Household Survey 2002

Note: Column shows percentage of households in housing need, Line shows range @ 95% confidence

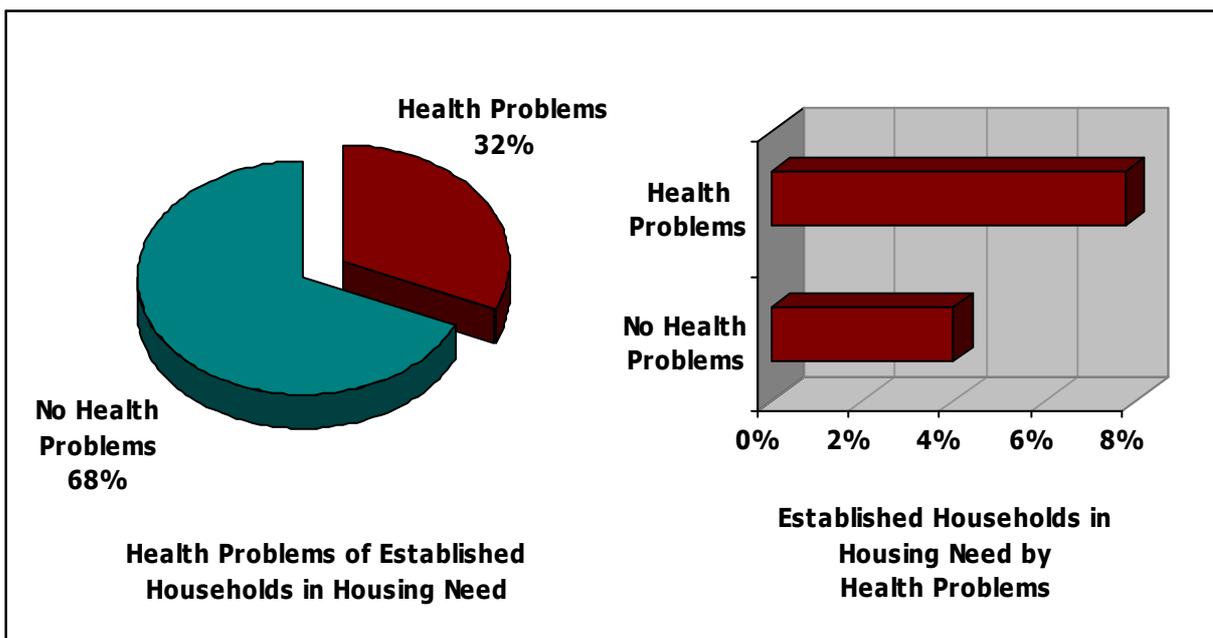
4.53 Further consideration of the constituent sub-groups identifies that, perhaps unsurprisingly, "Other" White households tend to be in housing need proportionately more often than the White British and White Irish sub-groups (6.3% compared to 3.0% and 2.6% respectively). Of course, the White "Other" group will include many Eastern Europeans who have moved to the region from overseas.

4.54 In terms of variations within the Black sub-group, it is apparent that established households of Caribbean origin have proportionately lower housing need than those of African or other Black origins. This is also reflected when considering households with people of mixed ethnicity, where the proportionate need amongst "White & Black Caribbean" is marginally lower than "White & Black African" and "Other Mixed". Households of a "White & Asian" origin are proportionately lower still – but some of these figures should be treated with care as some sample sizes are relatively low due to the high level of data disaggregation.

**Established Households in Housing Need Experience of Health Problems**

4.55 More than three-tenths (31.5%) of existing households in housing need contain at least one household member that experiences a health problem, and almost one-in-twelve households with a member experiencing health problems (7.8%) are currently in housing need.

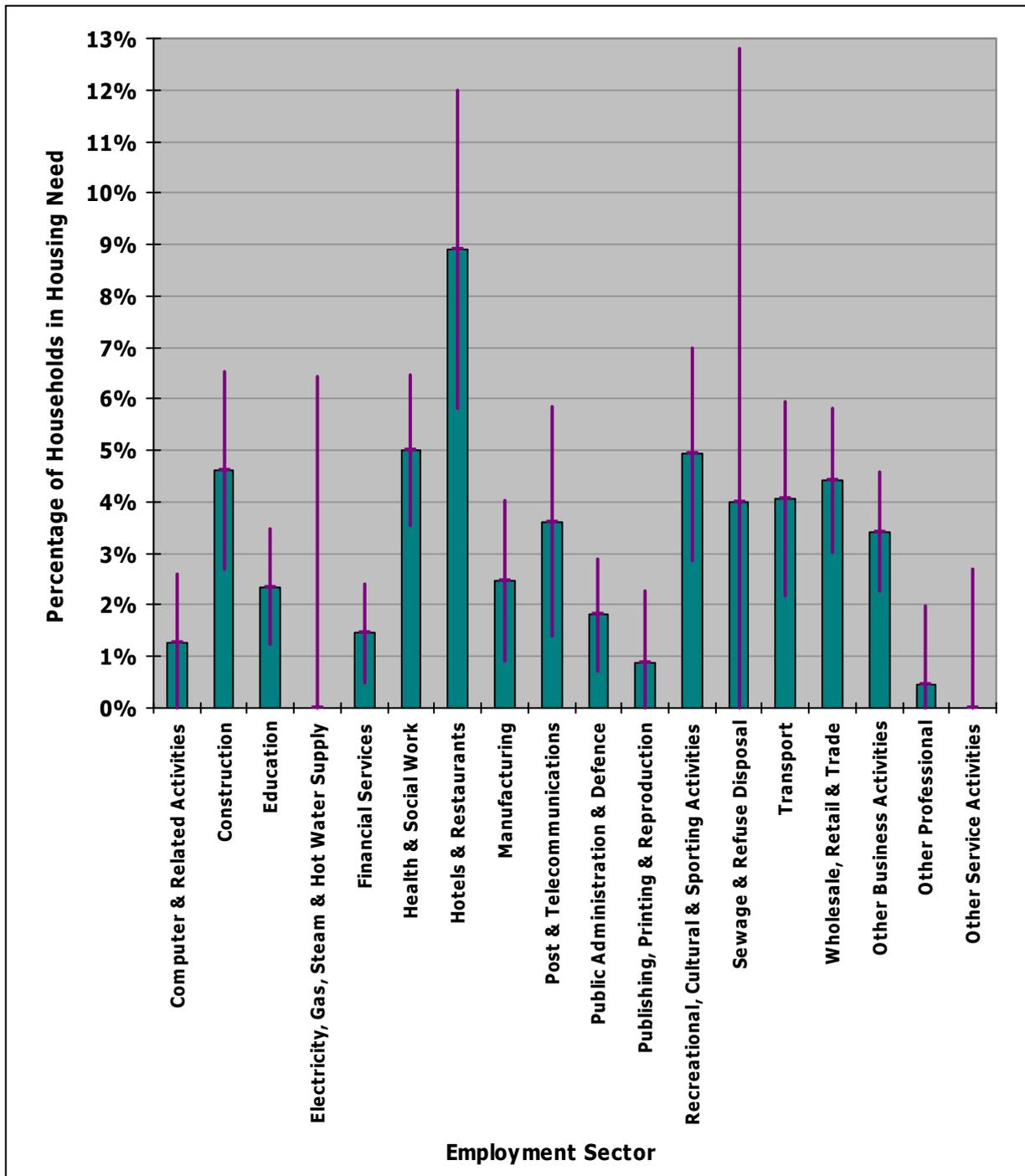
4.56 Whilst the majority experience no health problems, this is attributable to their dominance in the population – for proportionately far fewer such households (4.0%) are assessed as being in housing need.



**Figure 39: Established Households in Housing Need – Health Problems**  
 Source: ORS Housing Market Model, London Housing Requirements Study 2002

## Employment Sector of Workers Living in Established Households in Housing Need

4.57 Figure 40 provides a breakdown by employment sector of workers living in households assessed as being in housing need. It should be noted that the classification is based upon the industry sector in which they work, as oppose to their occupation – therefore whilst teachers would be counted within the Education classification, other employees (such as classroom assistants and administrative, domestic an ancillary staff) would also be included. Furthermore, the classification would also include employees of private schools and further and higher education establishments, as well as those employed at state schools.



**Figure 40: Proportion of Workers Living in Established Households in Housing Need by Employment Sector**

Source: London Household Survey 2002

Note: Column shows percentage of households in housing need, Line shows range @ 95% confidence

- 4.58 In considering the needs of “Key Workers”, it is apparent that there are a number of clearly relevant employment sectors who have a proportion of their workers currently in housing need, including:
- Health and Social Work (5.0%)
  - Education (2.3%)
  - Public Administration and Defence (1.8%)
- 4.59 Of course, this does not take account of the fact that there may still be additional need to house suitable employees for current vacancies, or employees that currently have to commute into the region on a daily basis.
- 4.60 It is also apparent that it is not only the vital employment sectors typically associated with the term “Key Workers” whose employees are currently in housing need. Other employment sectors providing critical public services (though often through private sector providers) have, in some cases, proportionately higher needs:
- Transport (4.1%)
  - Sewage and Refuse Disposal (4.0%)
  - Post and Telecommunications (3.6%)
- 4.61 It is important that the needs of these and other vital industry sectors are recognised when considering the need for affordable housing options across the region. Nevertheless, it is not only essential services like these that are important to London – but many other sectors are key to the economic vitality of the Capital.
- 4.62 Workers in the Hotels and Restaurant industry have the highest proportionate level of housing needs (8.9%) and the needs of workers in Wholesale, Retail and Trade are also relatively high (4.4%). Both sectors have important roles not only in terms of the economy, but also in the context of every-day life in the City.
- 4.63 Figure 41 provides some detail on the affordability of households with workers in the different industry sectors. It shows that some types of household are clearly more able to afford intermediate tenures than others, who are confined to needing social rented accommodation.
- 4.64 It is apparent that social rented housing is the only appropriate solution for the majority of established households in housing need connected with the Hotels and Restaurants sector (82%), where incomes are known to be particularly low. Similarly, social rented housing is the only option for most of those households where no adults were in paid work (89%).
- 4.65 Nevertheless, over three-quarters of established households in housing need with workers in the following sectors could afford intermediate housing options:
- Public Administration and Defence
  - Publishing, Printing and Reproduction
  - Post and Telecommunications
  - Sewage and Refuse Disposal

4.66 Many other employment sectors have at least half of their workers (who are currently in housing need) able to afford intermediate housing products – though such options are only affordable for 29% of all established households in housing need.

Employment Sector	Proportion of Established Households		Proportion of Need Able to Afford Intermediate <sup>A</sup>
	In Need of Social Rent	In Need of Intermediate	
Computer & Related Activities	0.5%	0.8%	62%
Construction	2.3%	2.3%	50%
Education	1.0%	1.3%	55%
Electricity, Gas, Steam & Hot Water Supply	-	-	-
Financial Services	0.7%	0.8%	52%
Health & Social Work	2.2%	2.8%	57%
Hotels & Restaurants	7.3%	1.6%	18%
Manufacturing	0.9%	1.6%	64%
Post & Telecommunications	0.8%	2.8%	78%
Public Administration & Defence	0.2%	1.6%	90%
Publishing, Printing & Reproduction	-	0.9%	100%
Recreational, Cultural & Sporting Activities	1.5%	3.4%	69%
Sewage & Refuse Disposal	0.0%	4.0%	100%
Transport	2.1%	1.9%	48%
Wholesale, Retail & Trade	2.1%	2.3%	52%
Other Business Activities	1.9%	1.5%	44%
Other Professional	-	0.5%	100%
Other Service Activities	-	-	-
Respondent <u>and</u> Partner not in Paid Work	6.1%	0.8%	11%
<b>ALL HOUSEHOLDS</b>	<b>3.4%</b>	<b>1.4%</b>	<b>29%</b>

**Figure 41: Affordability of Workers Living in Established Households in Housing Need by Employment Sector**

Source: London Household Survey 2002

Note A: Figures in shaded cells should be treated with caution due small sample sizes

## Summary of Existing Housing Need

4.67 The overall needs of each of the previously identified groups are summarised below:

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

**Figure 42: Summary of Existing Housing Need**

Note: Figures may not sum due to rounding

4.68 Whilst as many as 179,900 households should currently be considered to be in housing need, resolving the needs of 163,500 of these households will result in a dwelling being vacated – leaving a net additional need for only 16,400 dwellings. Nevertheless, the overall number of dwellings required actually masks more significant shortfalls for some dwelling sizes and types, offset against surpluses of other sizes and types of accommodation. That is not to say that such surplus dwellings would remain empty – they would become available to satisfy the housing requirements of migrant, newly forming and established households moving within the region. The shortfalls and surpluses of different housing sizes and types are shown below.

Property Size	Bedrooms Required	Dwellings Vacated	Net Shortfall (Surplus)
<b>NUMBER OF BEDROOMS</b>			
One bedroom	43,500	55,600	(12,100)
Two bedrooms	63,800	55,100	8,700
Three bedrooms	43,600	42,400	1,200
Four bedrooms	24,600	6,200	18,400
Five or more bedrooms	4,400	4,200	100
<b>TOTAL</b>	<b>179,900</b>	<b>163,500</b>	<b>16,400</b>

**Figure 43: Summary of Housing Required to Satisfy Existing Housing Need by Property Size**

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

Note: Figures may not sum due to rounding

4.69 When the results are broken down by property size (Figure 43), it is apparent that the shortfalls for properties of two-, three-, four- and five- or more bedrooms total a need for 28,500 dwellings, offset against a surplus of 12,100 single- bedroom homes. Insofar as 75,100 of the households in housing need have overcrowding problems, it is perhaps not surprising that a significant need for larger dwellings has been identified to resolve existing need. Nevertheless, this analysis does not yet consider the cost of the required housing.

- 4.70 As previously noted, household affordability has been grouped into three classifications – those able to afford the appropriate lowest quartile market price, those able to afford more than social rents but less than the lowest quartile market price, and those able to afford no more than the appropriate social rent (referred to as market, intermediate and social requirements respectively). An equivalent supply relates to each of these groups – with owner occupied housing and rented housing at or above the lowest quartile threshold accounting for market supply, private rented housing within the lowest quartile and existing shared ownership homes classified as intermediate supply, and existing social rented properties considered as social supply.
- 4.71 The following table details the balance between the households identified as currently being in housing need and the properties likely to be vacated as their needs are satisfied, and provides a detailed breakdown by property type and size.

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

**Figure 44: Summary of Housing Required to Satisfy Existing Housing Need by Housing Type and Property Size**

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

Note: Figures may not sum due to rounding

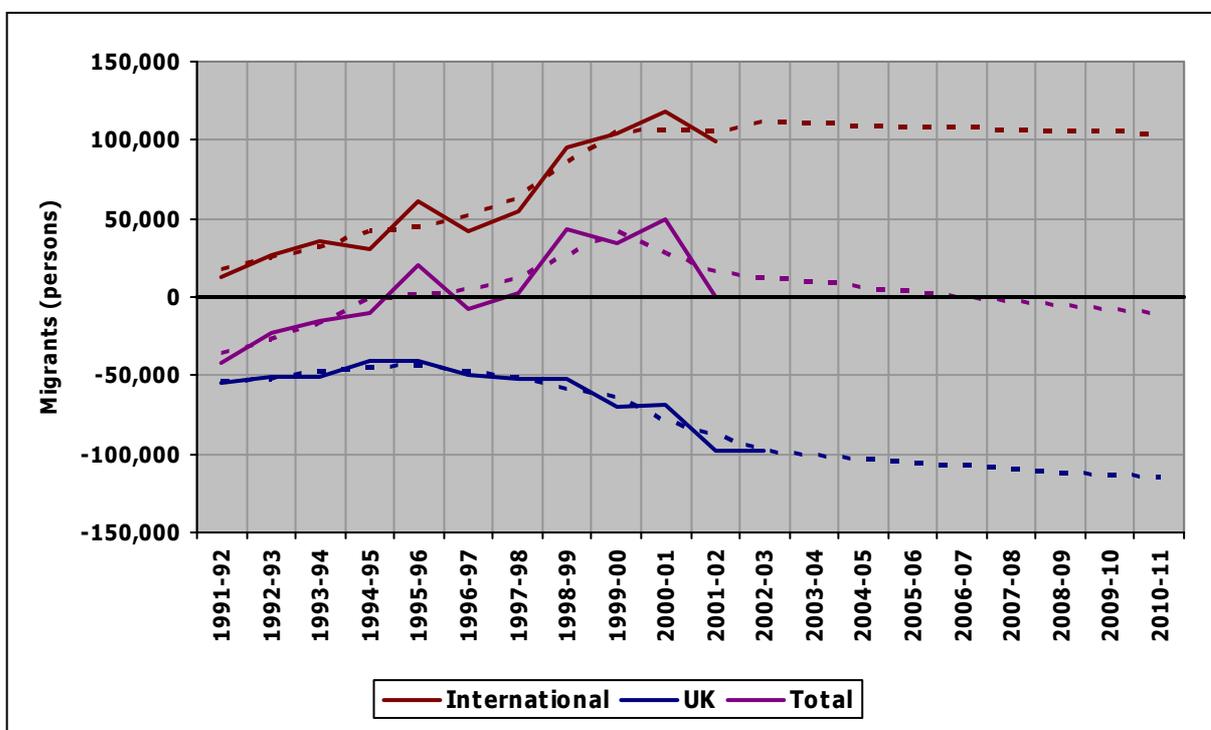
- 4.72 When affordability is taken into account it is apparent that resolving all existing need will require considerably more than the 16,400 dwellings identified in Figure 42 above, or even the 28,500 dwellings identified in Figure 43 when property size is considered.
- 4.73 Figure 44 shows that in the context of housing type and size, there are shortfalls totalling 47,500 dwellings across all property types and sizes, mainly for intermediate and social rented housing with more than one-bedroom (though there is a small surplus of very large intermediate accommodation). These shortfalls are partly offset by surpluses of some property types and sizes. The surpluses are mainly for market housing and single-bedroom intermediate and social housing, and they total 31,200 excess dwellings. Nevertheless, these surplus dwellings will help to satisfy other households' housing requirements in the region.

## Summary of Key Points

- 47,100 homeless households were housed in temporary accommodation in the London region at the base date for the study (mid 2002), representing 57% of the England total;
- 560,000 (18.4%) of London's established households are currently living in unsuitable housing, of which 145,100 (4.8%) need to move within the region to resolve their housing problems and cannot afford to buy or rent market housing – they are in housing need;
- Over half of these households in housing need live in overcrowded accommodation and need larger homes. A fifth need to move due to support needs and a similar proportion have received notice on their tenancy or mortgage;
- A significant proportion of households with dependent children are currently in need – including 15% of lone parents, 11% of cohabiting parents and 6% of married parents. One-in-seven children aged under-5 are in households in housing need, and there is at least one dependent child in over half the identified households in need;
- Almost half of the households in need are of an ethnic minority background, with 11% of Black households and as many as 17% of Bangladeshi households identified as currently in housing need;
- Intermediate housing options are affordable to 29% of established households in need, though over three-quarters of workers in some key industries are likely to be able to afford more than the basic social rent;
- When considering all current housing need (including established households living in unsuitable homes, homeless households housed in temporary accommodation and people sleeping rough), there is currently a total of 179,900 households in need;
- This need will be off-set by the supply of 163,500 properties vacated when these households move to more appropriate housing – yielding a requirement for 16,400 additional dwellings. Nevertheless, this masks surpluses and shortfalls of different housing types, and more affordable units will be required for all of the identified needs to be met;
- Resolving all of the identified housing needs will generate a surplus of one bedroom homes – as the households which currently occupy them need to move to larger dwellings. There is a significant need for additional large, 4-bed affordable homes to alleviate overcrowding problems.

## 5. Migration into and out of London

- 5.1 Migration has a significant impact on the London housing market and the number of people moving in and out of the region can fluctuate considerably from year to year. The London region has historically been a net exporter of people to the rest of the UK, with around 50,000 more people leaving the region than moving in each year. However, more recently this number has increased to an annual net export of around 100,000 people in both 2001-02 and 2002-03 (98,000 and 106,000 respectively).
- 5.2 This higher outward migration within the UK follows sustained increases in migration to London from overseas. International migration has steadily risen from a net annual gain of around 20,000 people in 1991-92 to a recent peak of 120,000 people in 2000-01. Over the last five years, net annual gains in excess of 95,000 people have been sustained with an average annual gain of 105,600 people during this period.
- 5.3 The combined impact of changes in international migration and migration within the UK have led to London's overall migration changing from a net loss of around 42,000 people in 1991-92 to a net gain of around 49,000 people in 2000-01. Nevertheless, overall migration fell to a net gain of less than 1,000 people in 2001-02 (as more people moved to live in other parts of the UK). This tendency towards more moderate change is expected to continue – with a projected gain of 13,000 people (in 2002-03) declining to a projected loss of 10,000 people by 2010-11.

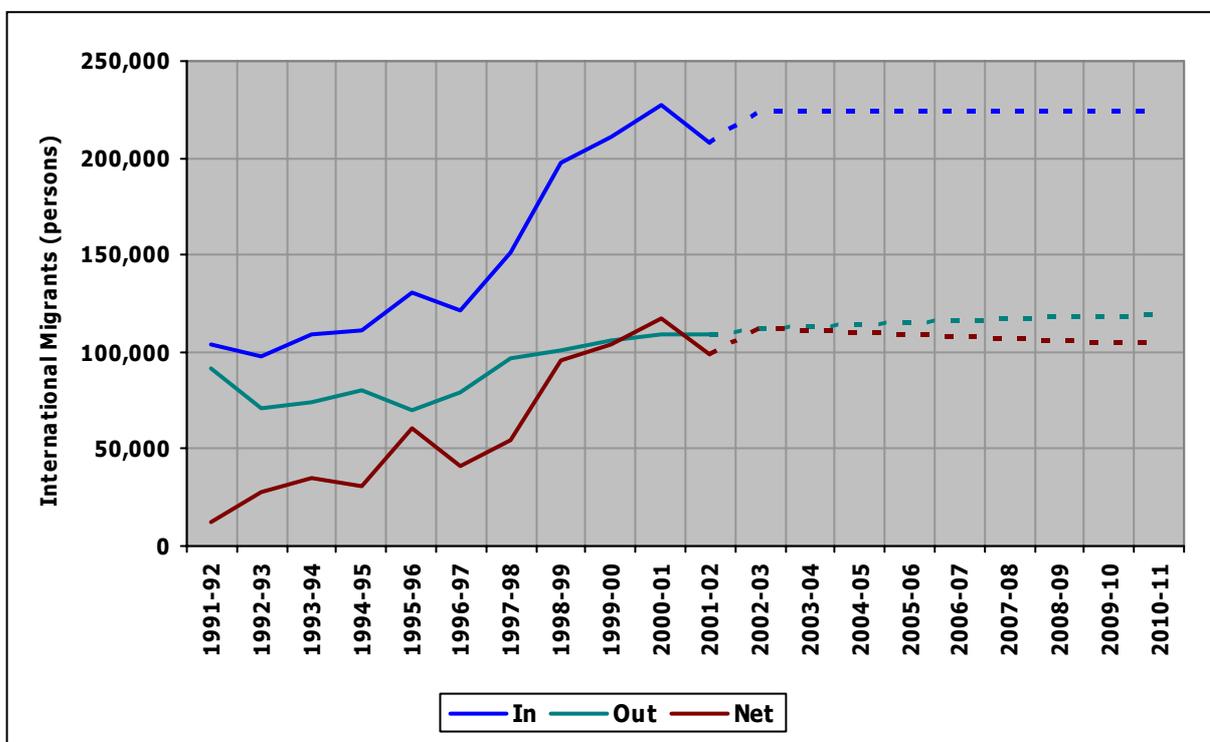


**Figure 45: Total Net Migration**

Source: GLA Data Management and Analysis Group

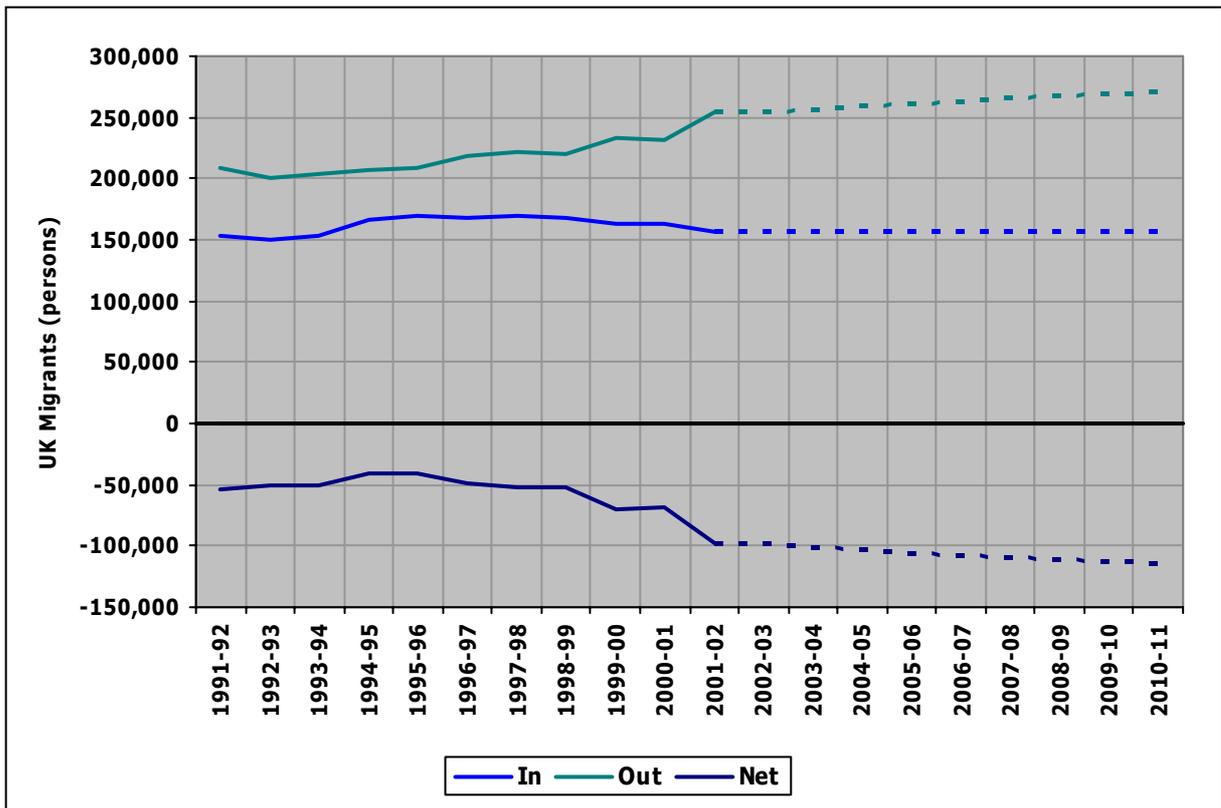
Note: Solid line shows trend; Dotted line shows smoothed trend and projection

5.4 To fully understand these projections, we must consider the individual components of both internal and international migration. As illustrated in the figure below, inward migration has been assumed to remain constant at around 224,000 people each year (based on trends of the last five years) whereas it has been assumed that outward migration (also based on the last five-years) will increase in proportion to the region’s growing population – increasing marginally from 112,000 persons in 2002-2003 to 119,000 persons in 2010-11.



**Figure 46: International Migration**  
 Source: GLA Data Management and Analysis Group  
 Note: Solid line shows trend; Dotted line shows projection

- 5.5 The combined impact of these assumptions is that net international migration is projected to reduce from 112,000 in 2002-2003 to 104,000 by 2010-2011.
- 5.6 Migration to and from other regions of the UK has been far more consistent (as illustrated below) with inward migration remaining virtually constant at around 150,000 over the last ten years. Whilst inward migration has not changed significantly, a steady increase has been observed from around 200,000 persons per year (in 1991-92) to around 250,000 persons per year (in 2001-02) in the number of people leaving.
- 5.7 Once again, trends derived from five-year averages were adopted for the projections, with inward migration kept constant and outward migration varied in proportion to the region’s overall population. The impact of these assumptions is a continued (and increasing) net outward flow from the region.

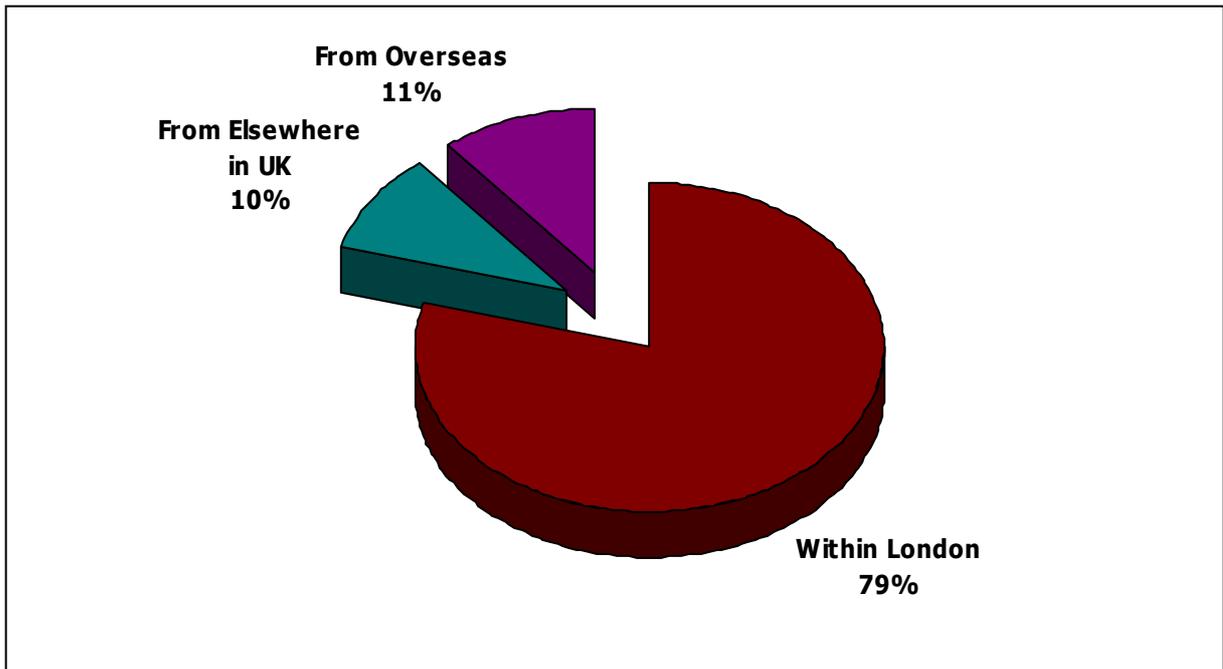


**Figure 47: UK Migration**

Source: GLA Data Management and Analysis Group

Note: Solid line shows trend; Dotted line shows projection

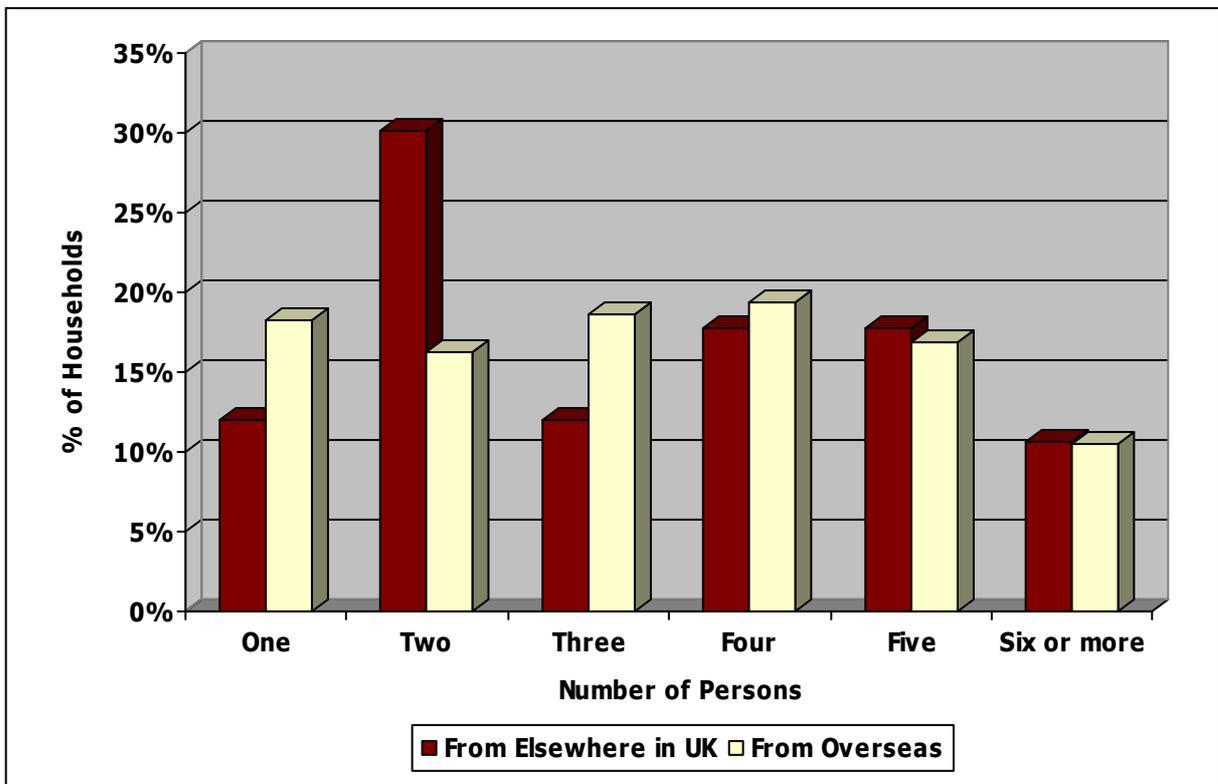
- 5.8 Within the analysis of housing requirements, we are not particularly concerned with the migration of individuals, but rather the migration of households.
- 5.9 Of the 444,100 households from the London Household Survey identified as moving in the last 12 months, 82,300 households have moved to the region from elsewhere. Nevertheless, this once again probably understates the number of inward migrants for many such households will have moved more than once within the last 12 months and therefore would not be identified.
- 5.10 Of the households that were identified, 21% of established households in the London Household Survey were identified as in-migrants with approximately half coming from abroad and the other half moving from within the UK. This compares with the DMAG estimate of 57.2% of inward migrant persons coming from abroad in 2001-02, and an average of 59.0% over the last 5-years. We can therefore infer that the headship rate (the number of people who represent a household) is higher for UK migrants than for those migrants coming from abroad.



**Figure 48: Location of Previous Home for Moves in Last 12 Months**

Source: London Household Survey 2002

5.11 The size of households formed by in-migrants in London over the last 12 months is detailed below. Households from overseas were more likely to be single people than those moving within the UK.



**Figure 49: Size of Households that had Moved in Last 12 months from outside London**

Source: London Household Survey 2002

5.12 Many people moving into the region will not require their own independent housing because they will be joining family or friends already living in established households within the

region, will join together with other in-migrants to form a household, or will be moving into lodgings or to share a room with a previously established multi-adult household. Using trend based information about households in the LHS it is possible to identify these households, the type of housing they were able to afford, and the type of housing that was needed to accommodate households who could not afford to access the private or intermediate housing markets. This trend information has been used to model housing requirements from in-migrants over the ten-year period (see figure below).

5.13 The majority of internal UK migrants require owner occupation (60%). However, the table indicates that a high proportion of the housing requirement from international in-migrants is for social housing - 25% of the international requirement compared to only 20% of the internal UK in-migrant requirement.

5.14 It is also clear from the table below that a higher proportion of the international in-migrants require single bedroom accommodation (especially those in need of social housing).

Property Size	Gross Housing Requirement			
	Market	Intermediate	Social	Total
<b>UK 10-YEAR INWARD MIGRATION</b>				
One bedroom	109,100	29,055	30,700	168,900
Two bedrooms	92,600	23,910	46,600	163,100
Three bedrooms	93,500	12,500	7,400	113,400
Four bedrooms	17,900	18,600	17,900	54,400
Five or more bedrooms	-	14,100	4,200	18,400
<b>TOTAL</b>	<b>313,100</b>	<b>98,200</b>	<b>106,900</b>	<b>518,200</b>
<b>INTERNATIONAL 10-YEAR INWARD MIGRATION</b>				
One bedroom	99,800	47,700	119,700	267,100
Two bedrooms	144,800	51,400	13,100	209,300
Three bedrooms	59,500	28,800	13,200	101,500
Four bedrooms	42,200	8,000	21,600	71,700
Five or more bedrooms	16,700	13,500	10,800	41,000
<b>TOTAL</b>	<b>362,800</b>	<b>149,400</b>	<b>178,300</b>	<b>690,500</b>
<b>TOTAL 10-YEAR INWARD MIGRATION</b>				
One bedroom	208,900	76,700	150,400	436,000
Two bedrooms	237,400	75,300	59,700	372,400
Three bedrooms	152,900	41,300	20,600	214,900
Four bedrooms	60,000	26,500	39,500	126,000
Five or more bedrooms	16,700	27,700	15,000	59,400
<b>TOTAL</b>	<b>675,900</b>	<b>247,600</b>	<b>285,200</b>	<b>1,208,700</b>

**Figure 50: Summary of Inward Migrant Households 10-year Housing Requirements by Housing Type and Property Size**

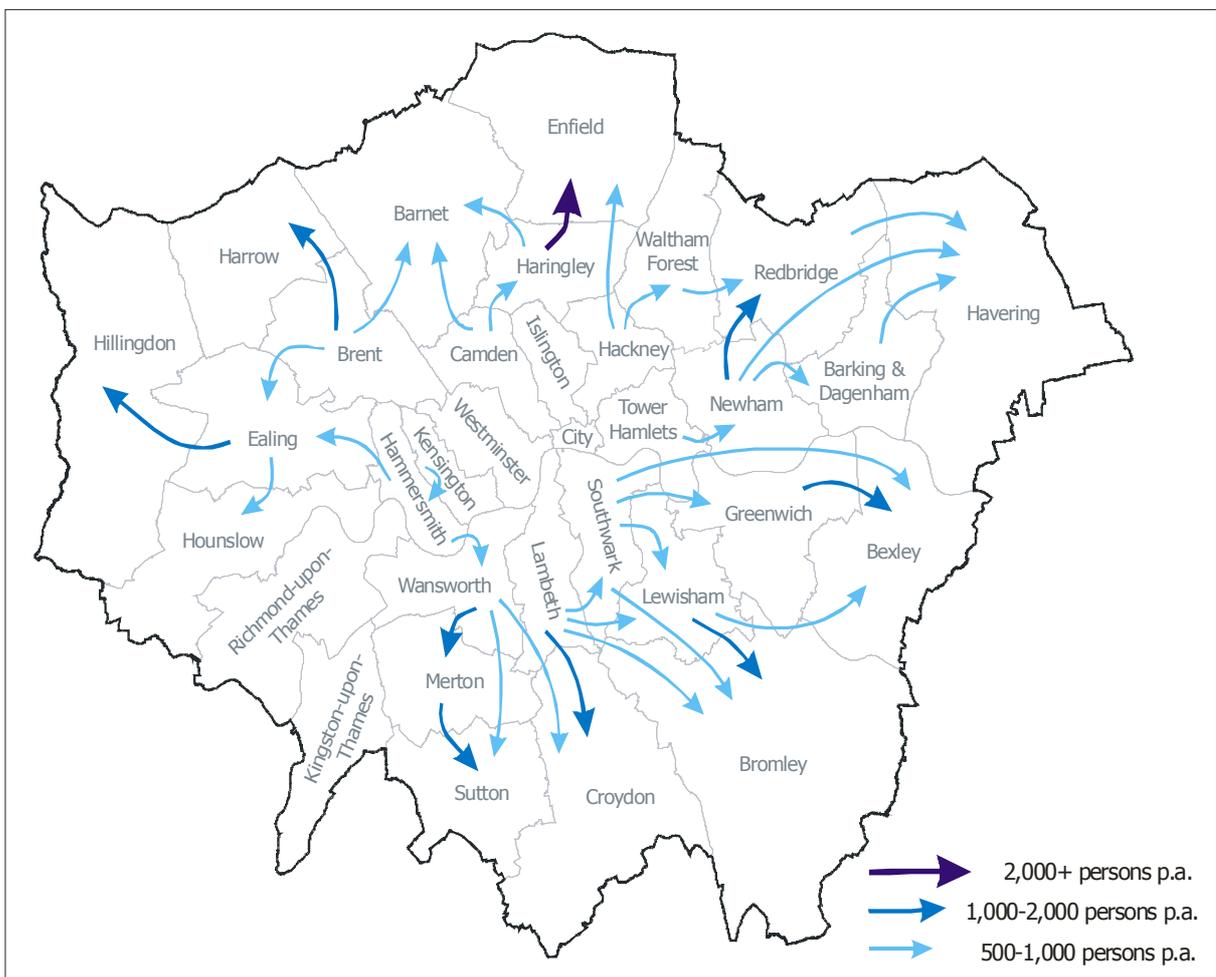
Source: ORS Housing Market Model, London Housing Requirements Study 2002

Note: Figures may not sum due to rounding

5.15 In-migration from overseas is subject to fluctuations (as previously discussed) and the housing requirements shown above are 'best-estimates' based on accepted official population projections. These fluctuations in overseas in-migration may cause these housing requirements to alter in terms of the numbers of homes required. Furthermore, if Government policy towards in-migrants changes, it is likely to affect their housing requirements. Such changes may relate to the housing tenure that in-migrants are able to access, the numbers of in-migrants permitted to move into the country, and any policy relating to the deliberate geographical distribution of in-migrants across the country.

### Internal Migration Between London Boroughs

5.16 Whilst the migration flows between individual London Boroughs will not affect the overall housing requirements, it is interesting to note the existing relationships when seeking to understand the housing market. Figure 51 illustrates the internal migration flows where an average of at least 500 people have moved between the Boroughs concerned each year.



**Figure 51: Internal Migration between London Boroughs**

Source: ONS Migration Statistics Unit: Movements between local authorities in England and Wales (based on patient register data and patient re-registration recorded in the NHSCR), 1998-2002

5.17 A pattern of movement out of the inner London Boroughs into the outer areas of the City is clearly evident. Of particular note is the significant pattern of movement out of Southwark, Lambeth and Newham into more eastern outer London Boroughs, with Havering, Bromley and Bexley experiencing considerable in-migration from several neighbouring Boroughs.

5.18 To the south, Wandsworth has experienced notable outward movement to Merton, Sutton and Croydon. In the west there is a pattern of movement out of Ealing and Brent to the western fringes of the City, while in the north, Barnet has experienced in-migration from the more inner Boroughs of Brent, Camden and Haringey. While the main pattern of movement is to the east, in terms of volume, the largest single borough to borough movement has been in the north from Haringey to Enfield.

### Housing Supply from Out-migrant Households

5.19 The characteristics of out-migrant households have been based on those households interviewed in the London Household Survey (2002) who felt likely to move and leave London, although the actual volume of moves has been objectively constrained on the basis of the demographic data outlined earlier in this chapter. The profile of housing that will be vacated by out-migrants has been based on the homes currently occupied by likely out-migrants in the Survey and is detailed below.

Property Size	Housing Supply			
	Market	Intermediate	Social	Total
<b>UK 10-YEAR OUTWARD MIGRATION</b>				
One bedroom	70,200	60,500	146,900	277,700
Two bedrooms	194,600	76,500	53,300	324,500
Three bedrooms	250,900	40,600	51,900	343,400
Four bedrooms	48,000	29,100	4,400	81,600
Five or more bedrooms	31,300	-	-	31,300
<b>TOTAL</b>	<b>595,100</b>	<b>206,700</b>	<b>256,600</b>	<b>1,058,400</b>
<b>INTERNATIONAL 10-YEAR OUTWARD MIGRATION</b>				
One bedroom	76,100	44,500	27,900	120,600
Two bedrooms	97,600	37,700	6,300	141,500
Three bedrooms	60,600	2,900	-	63,500
Four bedrooms	49,700	15,600	-	65,300
Five or more bedrooms	2,800	12,500	-	15,300
<b>TOTAL</b>	<b>286,700</b>	<b>113,200</b>	<b>34,100</b>	<b>434,000</b>
<b>TOTAL 10-YEAR OUTWARD MIGRATION</b>				
One bedroom	146,300	105,100	174,800	426,200
Two bedrooms	292,200	114,200	59,600	466,000
Three bedrooms	311,500	43,400	51,900	406,900
Four bedrooms	97,700	44,800	4,400	146,900
Five or more bedrooms	34,100	12,500	-	46,500
<b>TOTAL</b>	<b>881,800</b>	<b>319,900</b>	<b>290,800</b>	<b>1,492,400</b>

**Figure 52: Summary of 10-year Housing Supply from Outward Migrant Households by Housing Type and Property Size**

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

Note: Figures may not sum due to rounding

5.20 Nearly a quarter (24%) of households moving to somewhere in the UK will vacate a social rented home, with a further 20% vacating intermediate tenures. A high proportion (66%) of international out-migrants will vacate an owner occupied home.

5.21 In terms of all out-migrants, the vacancies left behind will be distributed 59:21:19 between owner occupied, intermediate and social housing respectively.

### Households Moving from London to the East or South East

5.22 As previously noted, London is a net exporter of people to the rest of the UK – especially to the East and South East Regions. While the people leaving London do not have a housing requirement in the city, it is important to understand their needs and demands for the purpose of cross-region working.

5.23 The London Household Survey identified a total of 133,800 established households that expected to move to the East or South East within the next five years. In addition to these households, as many as 41,000 newly forming households identified that they would be looking for housing in the East or South East Regions – more than actually wanted to leave London, possibly indicating that some expected that they would have to look outside London in order to find suitable accommodation. Overall, therefore, the study identified 174,800 households likely to leave London and move to the East or South East.

5.24 It is important to realise that it is not appropriate to simply divide the above five year figures by five to derive an annual flow. It is likely that many (if not the majority) of the households identified above will actually move within one or two years yielding a far higher flow than could otherwise be inferred.

5.25 Nearly a third (32.4%) of the households that expect to move to the East/South East are currently renting in London – however less than half of these households (15.7%) indicate that they are likely to rent when they leave the region. It is likely that households are leaving London to buy a home in areas they perceive to have cheaper housing.

Current Tenure	Established Households Moving within 5 years	
	All Households Likely/Needing to Move	Expect to move to the East or South East
Own outright	10.6%	16.2%
Own with mortgage	35.3%	51.4%
Shared ownership	0.3%	-
Rent from council/LA	16.7%	11.9%
Rent from HA/COOP	10.0%	6.8%
Private rent/other	27.1%	13.7%

**Figure 53: Current Tenure of Households Moving within 5 years**

Source: London Household Survey 2002

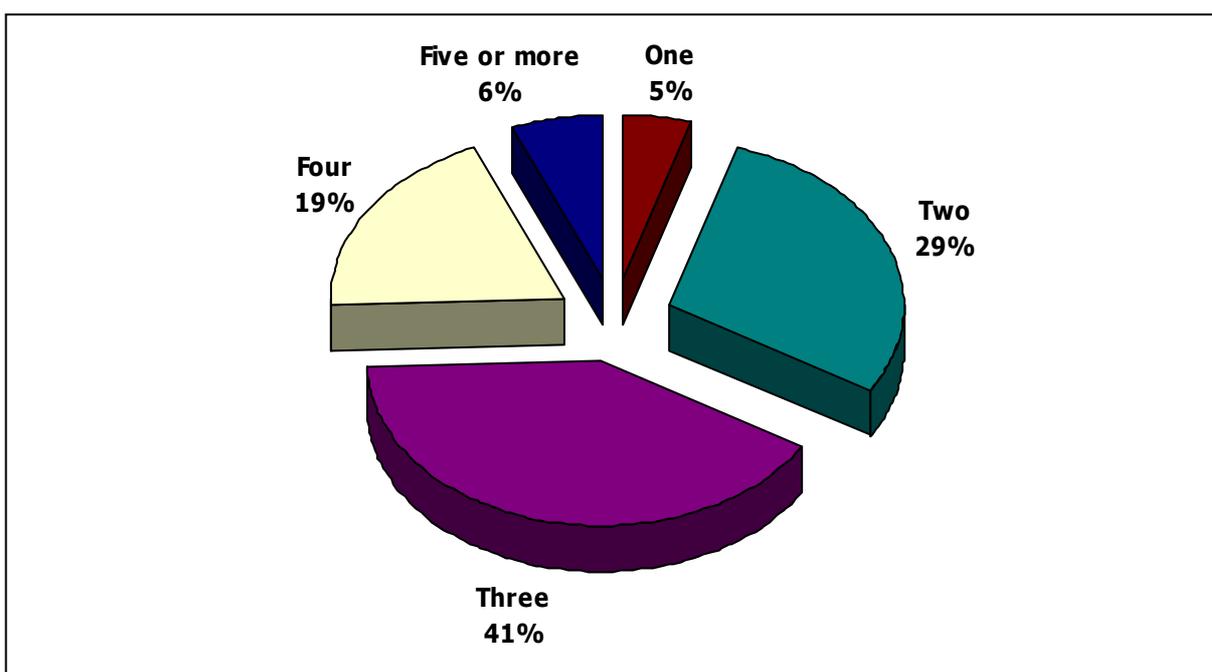
Note: Figures may not sum due to rounding

Tenure	Established Households Moving within 5 years	
	Would Like to move to the East or South East	Expect to move to the East or South East
	Preferred Tenure	Expected Tenure
Owner occupation	85.2%	83.4%
Shared ownership	0.9%	0.9%
Rent from council/LA	7.4%	7.7%
Rent from HA/COOP	3.1%	4.0%
Sheltered/residential/supported housing	1.1%	0.6%
Private rent/other	2.4%	3.3%

**Figure 54: Preferred/Expected Tenure of Households Moving within 5 years who would Like/Expect to Move to the East/South East of England**

Source: London Household Survey 2002  
 Note: Figures may not sum due to rounding

5.26 The London Household Survey results indicate that a significant element of out-migrants are families since moving for better schools was a major reason for moving to the East/South East from London. Furthermore, many households choosing to leave the region are seeking larger homes – and this is borne out in the number of bedrooms that the household will (subjectively) need in their new home.



**Figure 55: Number of Bedrooms Sought by Households Likely to Move to the East/South East of England within the next 5 years**

Source: London Household Survey 2002

5.27 A further significant element of the people who expect to leave London for the East/South East were retired, as older people leave the busy environment of London. Many such households will have built up equity in their existing home and together with other savings will often enable them to effectively compete in other less expensive housing markets – often fuelling the increase in house prices elsewhere.

5.28 It was apparent that a high proportion of households expecting to move to the East and South East were of White origin and relatively few were non-white (see Figure 56) – whilst 31.0% of those households moving within London were of an ethnic origin, such households accounted for less than half this proportion (14.5%) of households moving out of the region to other parts of the East and South East.

Ethnicity	Established Households Moving within 5 years	
	All Households Likely/Needing to Move	Expect to move to the East or South East
White	69.0%	85.5%
Mixed	3.4%	2.6%
Asian or Asian British	9.4%	3.7%
Black or Black British	14.8%	6.2%
Chinese or Other ethnic group	3.4%	1.9%

**Figure 56: Ethnicity of Households Moving within 5 years**

Source: London Household Survey 2002  
Note: Figures may not sum due to rounding

### Summary of Net Household Migration

5.29 Through combining the information on inward migrant households (Figure 50) with the equivalent details on outward migrant households (Figure 52), we can determine the likely net impact of migration on the London housing market over the next 10-years.

Housing Type	Inward Migrant Households	Outward Migrant Households	Net Gain (Loss)
<b>UK 10-YEAR MIGRATION</b>			
Market	313,100	595,100	(282,000)
Intermediate	98,200	206,700	(108,500)
Social	106,900	256,600	(149,700)
<b>TOTAL</b>	<b>518,200</b>	<b>1,058,400</b>	<b>(540,200)</b>
<b>INTERNATIONAL 10-YEAR MIGRATION</b>			
Market	362,800	286,700	76,100
Intermediate	149,400	113,200	36,200
Social	178,300	34,100	144,200
<b>TOTAL</b>	<b>690,500</b>	<b>434,000</b>	<b>256,500</b>
<b>TOTAL 10-YEAR MIGRATION</b>			
Market	675,900	881,800	(205,900)
Intermediate	247,500	319,900	(72,300)
Social	285,200	290,800	(5,600)
<b>TOTAL</b>	<b>1,208,700</b>	<b>1,492,400</b>	<b>(283,700)</b>

**Figure 57: Summary of Housing Required to Satisfy 10-year Net Migration by Housing Type**

Source: ORS Housing Market Model, London Housing Requirements Study 2002  
Note: Figures may not sum due to rounding

- 5.30 Overall, migrant households will generate a net supply of housing in the region – as more households leave London than move into the area. Whilst there is a considerable net gain of households from overseas (an estimated 256,500 additional households over the 10-year period), it is estimated that more than half-a-million (540,200) households will leave the region to live elsewhere in the UK.
- 5.31 In the context of housing type, the majority of the supply is likely to be market housing (205,900 units of the 283,700 unit total) though there is also a marked supply of intermediate housing likely to become available. There is likely to be little net impact on the supply of social rented housing – with the vacancies generated by movers to the UK regions being taken by an equivalent number of new households from overseas.

Property Size	Net Gain (Loss)			
	Market	Intermediate	Social	Total
<b>UK 10-YEAR NET MIGRATION</b>				
One bedroom	38,900	(31,500)	(116,200)	(108,800)
Two bedrooms	(102,000)	(52,600)	(6,700)	(161,300)
Three bedrooms	(157,500)	(28,000)	(44,500)	(230,000)
Four bedrooms	(30,200)	(10,500)	13,500	(27,200)
Five or more bedrooms	(31,300)	14,100	4,200	(12,900)
<b>TOTAL</b>	<b>(282,000)</b>	<b>(108,500)</b>	<b>(149,700)</b>	<b>(540,200)</b>
<b>INTERNATIONAL 10-YEAR NET MIGRATION</b>				
One bedroom	23,700	3,200	91,800	118,600
Two bedrooms	47,200	13,800	6,800	67,800
Three bedrooms	(1,100)	25,900	13,200	38,000
Four bedrooms	(7,500)	(7,700)	21,600	6,400
Five or more bedrooms	13,900	1,100	10,800	25,700
<b>TOTAL</b>	<b>76,100</b>	<b>36,200</b>	<b>144,200</b>	<b>256,500</b>
<b>TOTAL 10-YEAR NET MIGRATION</b>				
One bedroom	62,600	(28,300)	(24,400)	9,800
Two bedrooms	(54,800)	(38,800)	100	(93,600)
Three bedrooms	(158,600)	(2,100)	(31,300)	(192,000)
Four bedrooms	(37,700)	(18,200)	35,100	(20,800)
Five or more bedrooms	(17,400)	15,200	15,000	12,800
<b>TOTAL</b>	<b>(205,900)</b>	<b>(72,300)</b>	<b>(5,600)</b>	<b>(283,700)</b>

**Figure 58: Summary of Housing Required to Satisfy 10-year Net Migration by Housing Type and Property Size**

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

Note: Figures may not sum due to rounding

## Summary of Key Points

- Migration has a significant impact on the London housing market, though the number of people moving in and out of the region can fluctuate considerably from year to year;
- Historically, the London region has been a net exporter of people to the rest of the UK, with around 50,000 more people leaving the region than moving in each year – though a far higher net export (of around 100,000 persons annually) was estimated for both 2001-02 and 2002-03;
- International migration has steadily risen from a net annual gain of around 20,000 people in 1991-92 to a recent peak of 120,000 people in 2000-01. Government policy towards international migration will inevitably affect future housing requirements;
- On the basis of current trends and existing population forecasts, the ORS Housing Market Model estimates that just over 1.2 million households will move to London over the next 10-years. This includes 518,200 households moving within the UK and a further 690,500 coming from overseas;
- A high proportion of the requirement from international in-migrants is for social housing (25% of the international requirement compared to only 20% of the internal requirement from the UK), with similar proportions requiring intermediate housing options in each case;
- The significant housing requirement generated by inward movers is offset by households leaving the region. An estimated 1.5 million dwellings are likely to be vacated as households move away from London – 1,058,400 moving to the UK regions and a further 434,000 leaving the country to move overseas;
- Overall, when in- and out-migration are considered together, migrant households will generate a net supply of housing in the region – as more households leave London than move into the area;
- The majority of the net supply is likely to be market housing (205,900 units of the 283,700 unit total) though there is also a marked supply of intermediate housing likely to become available;
- There is likely to be little net impact on the supply of social rented housing – with the vacancies generated by movers to the UK regions being taken by an equivalent number of new households from overseas;
- Whilst migration between London Boroughs has no impact on the region's total housing requirement, it is important to consider such moves when seeking to understand the housing market. Recent trends identify that internal migration flows are mainly from inner to outer London Boroughs, with a significant pattern of movement towards the east of London.

## 6. Household Formation and Dissolution

### Concealed and Potential Households

- 6.1 Before considering likely household formation, we must first consider existing concealed households – adult individuals, couples or lone parent families living as part of other households of which they are neither the head nor the partner of the head. As previously noted, a total of 3,048,000 established households were resident in London at the time of the study, and the London Household Survey identified a further 1,342,800 concealed households in the region – where either single adults or adult couples were resident in households where they were neither the household representative or partner. Of course, many of these concealed households are currently part of established multi-adult households, multi-generation households or households with adult children still at home – and many will neither lack their own housing nor be inadequately housed. We must therefore consider a subset of this group, namely “potential households”, where the people concerned are likely (or need) to move to live in their own separate housing.
- 6.2 Of the concealed households identified, 369,200 indicated that they were likely to leave their current household within the next 5 years, or (if such a move was unlikely) that they needed to leave to live independently. Of these potential households, some were already living together within the same established household, with groups or individuals likely or needing to leave 335,700 established households. A summary of these groups is detailed below.

Household Type	Group Likely/Needing to Move			
	Now	Within next year	Not within next year	Total Groups
<b>POTENTIAL HOUSEHOLD GROUPS</b>				
Single person	22,500	106,300	161,400	290,300
Single parent with child(ren)	2,800	1,900	100	4,800
Adult couple	700	2,800	4,800	8,300
Adult couple with child(ren)	-	1,300	100	1,400
Group of adults	4,500	12,100	12,600	29,200
Group of adults with child(ren)	-	900	900	1,800
<b>TOTAL</b>	<b>30,500</b>	<b>125,400</b>	<b>179,800</b>	<b>335,700</b>

**Figure 59: Hidden Household Groups by Time of Move**

Source: London Household Survey 2002

Note: Figures may not sum due to rounding

- 6.3 Whilst only 8.9% of the identified groups expect to move immediately, as many as 44.8% expect to be moving within the next year. This is significantly higher in those groups with dependent children, where 35.3% have an imminent move and as many as 87.0% expect to

move within the next year. It is also worth noting that in addition to the groups identified above, a further 14,700 households expect one or more children to be leaving independently – many moving to live with different parents or guardians with some being youngsters who are expected to leave once they reach adulthood.

- 6.4 Of the 155,900 groups expecting to leave the host household either now or within the next year, as many as two fifths (62,700) expect to leave the region to form an independent home. Of the remaining households as many as 58,000 do not expect to form their next home on their own but will be joining with one or more other potential or existing households when they move – leaving less than a quarter of the potential households identified as likely to require independent housing in London.
- 6.5 It is worth noting that whilst single persons accounted for 86.5% of the potential household groups originally identified, only 7.3% of these actually expect to move within London during the next year and live independently as a single person household – many will join together when the new household is established. This is a clearly a critical consideration for not only does it impact on the number of households that may be expect to form but it also influences the affordability of those households that do form – for a household with two or more adults will normally have more resources available than a single person household.

Household Type	Group Likely/Needing to Move			
	Now or within next year	Likely to leave London	Likely to join others	Remaining Groups
<b>POTENTIAL HOUSEHOLD GROUPS</b>				
Single person	128,900	56,200	51,300	21,300
Single parent with child(ren)	4,700	1,100	600	2,900
Adult couple	3,500	2,600	-	1,000
Adult couple with child(ren)	1,300	-	300	900
Group of adults	16,600	2,700	5,700	8,100
Group of adults with child(ren)	900	-	-	900
<b>TOTAL</b>	<b>155,900</b>	<b>62,700</b>	<b>58,000</b>	<b>35,200</b>

**Figure 60: Hidden Household Groups Moving in Next Year by Nature of Move**

Source: London Household Survey 2002

Note: Figures may not sum due to rounding

- 6.6 The 58,000 households identified as likely to move within London in the next year who are likely to have others joining them in their new household, are likely to yield a net additional 29,500 households in total. The majority of these households will be adult couples accounting for 16,800 of the total with a further 1,900 adult couples forming with dependant children resident. Of the remainder, the majority will form as groups of adults, accounting for 8,200 of the total with a further 500 expecting to form as groups of adults with dependant children. The remaining 2,200 households expecting to form are likely to be single parent households where the parents involved are currently living apart from their children.
- 6.7 Considering the 35,200 existing potential households who do not expect to join others alongside the 29,500 households formed from those joining together yields a total of 64,700 households likely to form in London within the next year. Whilst a significant number are single person households (21,300) this group now account for less than a third of the total.

Household Type	Group Likely/Needing to Move within London now or within next year			
	Joining Others		Moving Separately	Total Groups
	Current	Forming		
<b>POTENTIAL &amp; NEWLY FORMING HOUSEHOLD GROUPS</b>				
Single person	51,300	-	21,300	21,300
Single parent with child(ren)	600	2,200	2,900	5,100
Adult couple	-	16,800	1,000	17,700
Adult couple with child(ren)	300	1,900	900	2,800
Group of adults	5,700	8,200	8,100	16,300
Group of adults with child(ren)	-	500	900	1,400
<b>TOTAL</b>	<b>58,000</b>	<b>29,500</b>	<b>35,200</b>	<b>64,700</b>

**Figure 61: Hidden Household Groups Moving in Next Year within London**

Source: London Household Survey 2002

Note: Figures may not sum due to rounding

- 6.8 Insofar as this analysis is based on future expectations and, to an extent, aspirations of individual household members, there remains a degree of uncertainty in the figures. Whilst the host household that was interviewed may have been able to identify that such potential households may want or even need to live independently, it is unlikely that they will be able to accurately assess whether or not they would be able to make such a move.
- 6.9 Nevertheless, having taken proper account of the new household structures and the likely role of migration, the figures provide a reasonable estimate of the current position. There may even be an argument that the estimate is indeed moderated to an extent – insofar as host households are probably aware of circumstances in the London housing market and the relative affordability difficulties likely to be faced by newly emerging households, such that the likelihood of formation may be influenced by such considerations.
- 6.10 Any information gathered about potential households is liable to error (other than statistical error) for a number of reasons. Many such households are in their late teens or early twenties, and their personal and economic circumstances are liable rapidly to change. For example:
- Young people starting out on the employment ladder will often earn less than more mature employees, and their salaries are also more volatile as they progress or move between jobs. This makes it very difficult to estimate what they could afford even in the short-term;
  - Individuals looking for a home of their own may meet a partner and, within a short period, change the type of housing they are seeking – not only because they may need more room, but also because of the amount they are able to afford with two incomes instead of one;
  - Similarly, individuals may decide to club together as a group collectively to rent a home, thus changing the type and price of property that is sought.

## Newly Forming Households

- 6.11 As potential households leave their hosts, they are considered to be newly forming – and such households can be identified as those who have recently moved to their current home after previously “living with” another household. Because of the problems associated with assessing the needs of potential households, information from recently formed households may be used as a proxy.

Current Housing Circumstances	Previous Housing Circumstances				
	Established Households			Living With Family or Friends	All Households
	Owner Occupation	Private Rent <sup>A</sup>	Affordable Housing		
<b>HOUSING TENURE</b>					
Owner Occupation	65,500	48,200	6,900	10,500	131,200
Private Rent <sup>A</sup>	18,000	172,400	9,900	26,900	227,300
Affordable Housing	3,000	20,400	48,600	13,600	85,600
<b>All Households</b>	<b>86,600</b>	<b>241,000</b>	<b>65,400</b>	<b>51,100</b>	<b>444,100</b>

**Figure 62: Household Moves in Last 12 Months**

Source: London Household Survey 2002

Note A: Private Rent category also includes Tied Housing and Other Rented

Note B: Figures may not sum due to rounding

- 6.12 In Chapter 2 we identified that 444,100 households had lived at their current address for less than 12 months, and of these households 51,100 previously lived with family or friends – that is that at the time they moved, they were forming a new household (Figure 62). Nevertheless, this does not identify all newly emerging households – for those households who had moved from living with family or friends into, say private rented accommodation, and subsequently moved again to alternative private rented accommodation within the last 12 months would not be counted. The formation of 51,100 households over the year would suggest a rate of 4,300 formations each month – but more detail analysis of the data for more recent moves suggests that this rate is actually nearer 4,700-4,800, and this higher rate yields an annual formation of 57,600 households.
- 6.13 Nevertheless, some of these households are also in-migrants – and they should be discounted from this analysis, to avoid double-counting households previously considered in Chapter 5. Figure 63 considers those households identified as moving in the last 12 months in the context of their previous housing circumstances and the location of their last home.

Previous Housing Circumstances	Location of Previous Home		All Households
	In London	Elsewhere	
<b>HOUSEHOLD TYPE</b>			
Established Household	322,300	70,800	393,000
Concealed Household Living with Family or Friends	39,600	11,500	51,100
<b>All Households</b>	<b>361,800</b>	<b>82,300</b>	<b>444,100</b>

**Figure 63: Household Moves in Last 12 Months by Previous Housing Circumstances and Location of Previous Home**

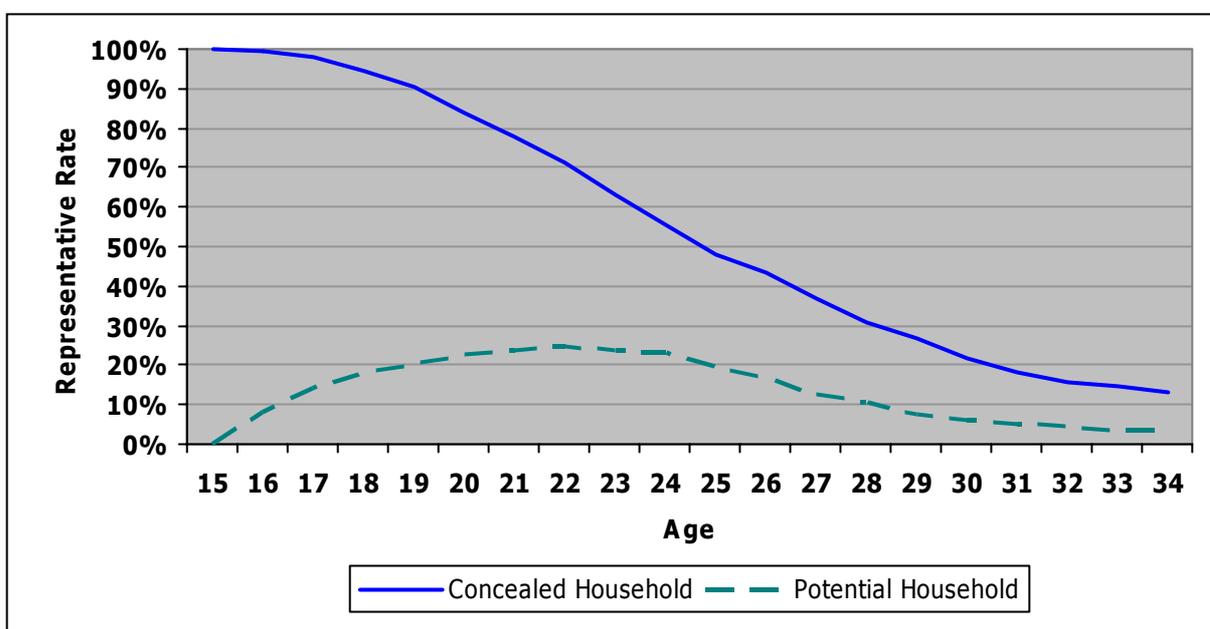
Source: London Household Survey 2002

Note: Figures may not sum due to rounding

- 6.14 It is apparent that only 39,600 of the 51,100 newly forming households formed from host households living within the region – the remaining 11,500 were in-migrants. Nevertheless, on the basis of the earlier monthly formation analysis, the number of households newly forming within the region is around 44,600 households each year.
- 6.15 Given that the analysis of potential households identified 64,700 groups that were likely (or needed) to form independent households annually (Figure 61), a formation rate of 44,600 households over the last year suggests that as many as 20,100 potential household groups are currently unable to form new independent households each year – though whilst many may continue to live with their host households, others may contribute to the significant outward migration from the region.

### Demographic Household Representative Rate

- 6.16 Both the trend analysis and the host's expectations each have their weaknesses – the trend analysis being constrained to an extent by the existing market and the host's future expectations being third party information trying to anticipate future events. A third approach of estimating household formation rates can also be applied more objectively to data about the population. This considers differential household representative rates on the basis of age.
- 6.17 As illustrated below, no 15 year olds were identified as household representatives, all currently being concealed households. As we consider older groups of the population proportionately fewer are concealed households with many more living in their own independent homes – though not all would be representative persons, for at least some would be living as the partner of the household representative person. By the age of 35, less than 15% of people remain as concealed households – that is they are neither the head of the household nor their partner.



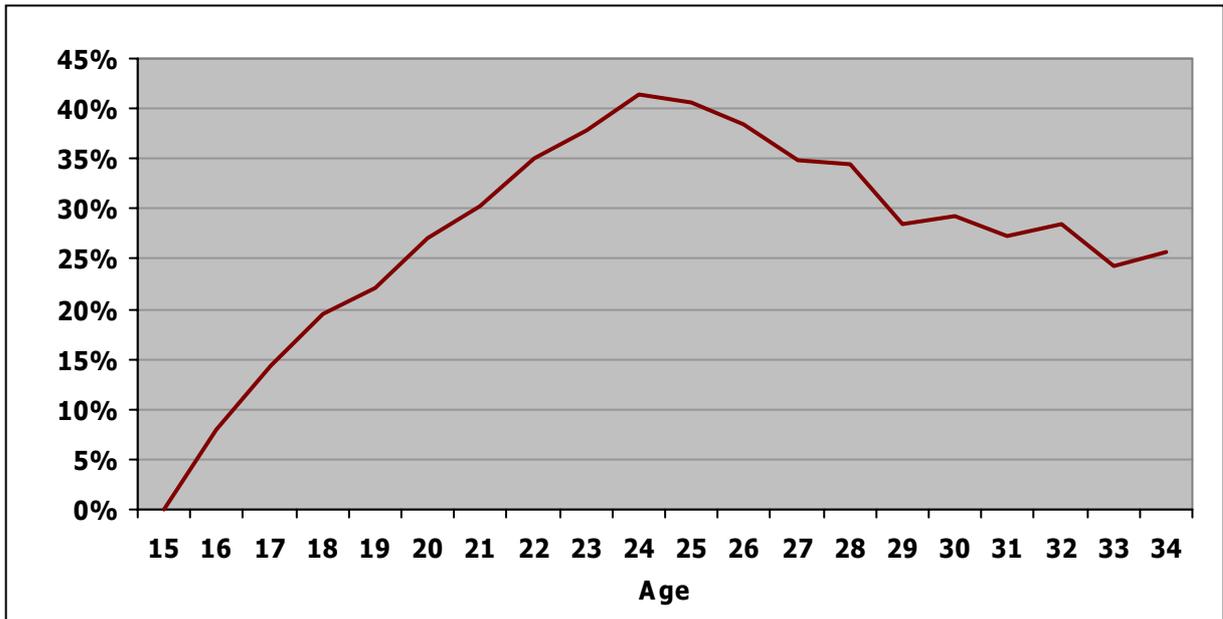
**Figure 64: Concealed and Potential Household Representative Rates by Age**

Source: London Household Survey 2002

Note: Data is smoothed based on 3-year averages

- 6.18 As a subset of concealed households, we also consider potential households – that is those households who would prefer to live in their own independent home. Whilst a significant majority of people aged 16–20 who are living in concealed households do not want, need or

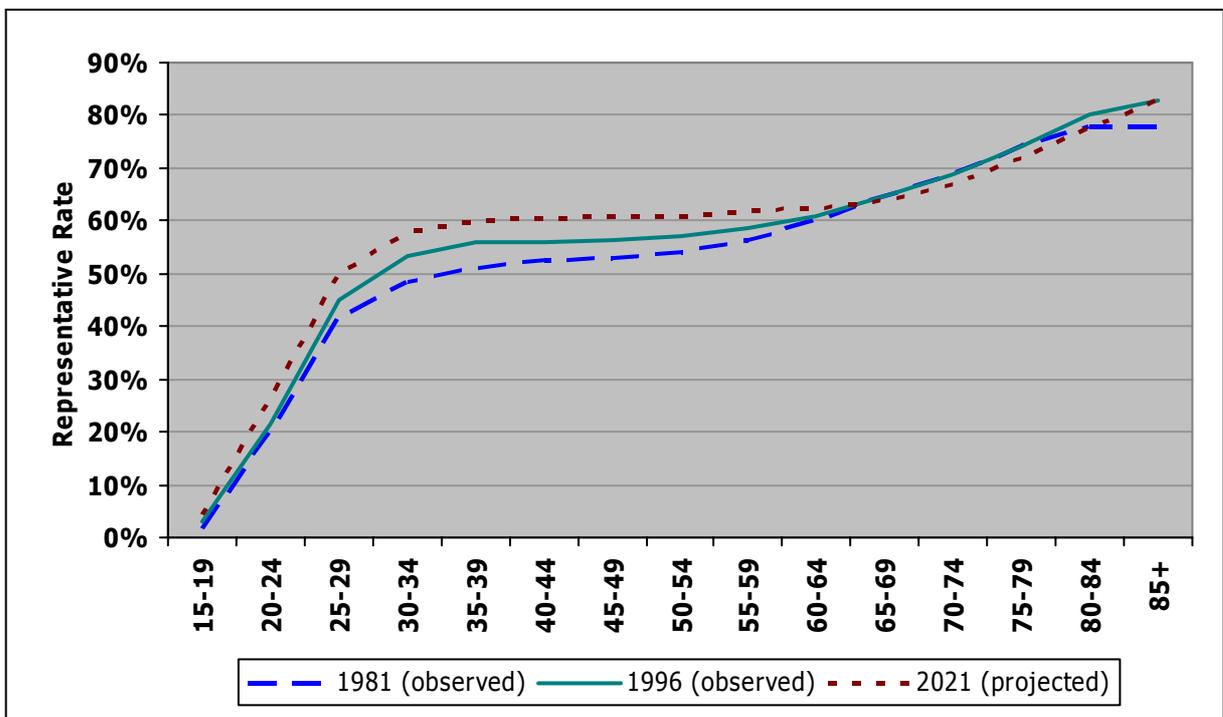
expect to live in their own independent housing, the proportion of concealed households who are aged in their mid and late twenties who would prefer to live in their own independent significantly increases. This is illustrated below:



**Figure 65: Proportion of Concealed Households seeking Independent Housing by Age**

Source: Figure 64

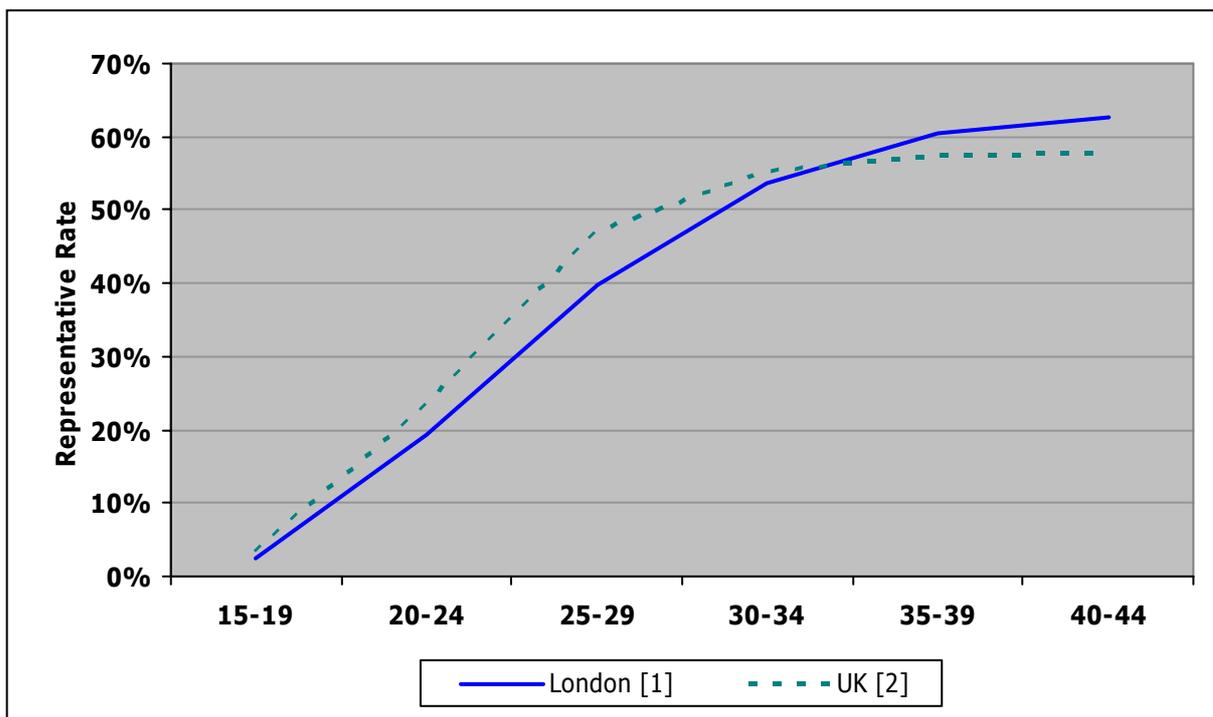
6.19 The differential proportion of household representative persons broken down by age, also referred to as the headship rate, is critical in deriving household projections. Indeed it is the increase in headship rate (and the implicit reduction in household size) that accounts for a significant number of the additional dwellings required across the UK. Details on the UK wide headship rates, both observed and projected, are illustrated below.



**Figure 66: UK Household Representative Rate by Age**

Source: DETR 1996-based Household Projections

6.20 On the basis of this information it is possible to derive probable UK wide figures for the time of the study data and compare these with information derived from the London Household Survey. It is clear that the headship rates of those aged under 30 are typically lower in the London region than for the UK as a whole – though higher for older age groups.



**Figure 67: Comparison of London and UK Household Representative Rates by Age**

Source 1: London Household Survey 2002

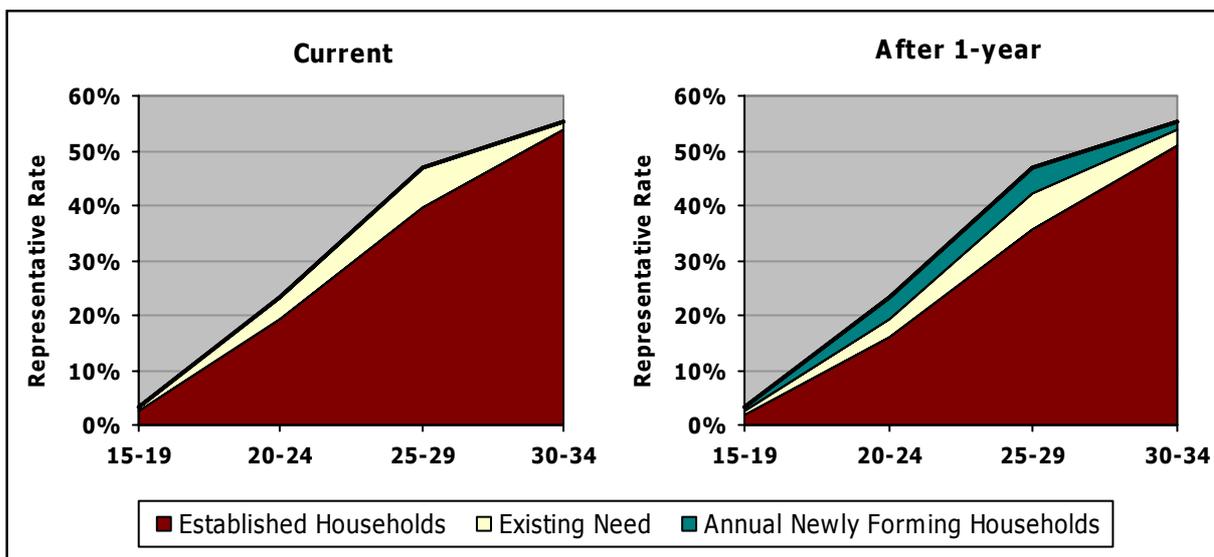
Source 2: Computed based on DETR 1996-based Household Projections

6.21 To bring the London figures in line with the UK as a whole would require as many as 86,900 new household formations, and for this position to then be sustained would currently require 72,400 formations annually. While this is considerably lower than the 155,900 potential households either likely or needing to move within the next 12 months, it is somewhat higher than the 64,700 households identified following appropriate adjustments for migration and likely merging of households at the time of formations. It is also considerably higher than the estimated 44,600 households that successfully formed over the last 12 months.

6.22 Comparing the 72,400 formations required with the 44,600 achieved suggests a shortfall of about 27,800 potential households who are unable to form each year. In its simplest terms this would subsequently infer that the 86,900 household differential between the London headship rates and the UK wide headship rates had been accruing for the last three or four years. In fact this period is likely to have been longer, because in earlier years, the discrepancy between required and actual formation rates would probably have been lower than in more recent years given the increasing affordability problems in the region.

6.23 The implications for the housing requirements analysis are twofold. Firstly, the 86,900 household discrepancies between the London and UK wide headship rates should be covered within our existing housing need analysis. Insofar as these households have not been able to form it is reasonable to suggest that none are able to afford appropriate housing within the London market – though these households will obviously be divided between those able to afford intermediate housing products and those who will be reliant exclusively on the social rented sector.

- 6.24 The second outcome from this issue is that it suggests an annually recurring housing requirement from 72,400 household formations. A number of these households will be able to afford market housing. However, on the basis of the households who have successfully accessed market housing in the past it is evident that this requirement will also include a significant need for affordable housing, both intermediate and social rented.
- 6.25 These two groups are clearly identified in the following figure – with London’s currently established households represented in red and the UK-wide headship rate demoted by the heavy black line. The difference between UK-wide headship rates and headship rates in London is highlighted by the upper area on the first graph in Figure 68 – and this represents the 86,900 households identified as existing need.
- 6.26 Clearly, over the course of a year, the population will age – therefore, without counting any new household formations, the previous representative rate of 20-24 year olds will now, broadly speaking, represent 21-25 year olds. Therefore, there is a requirement for a proportion of new households to form annually if the UK-wide average is to be maintained. The second graph in Figure 68 illustrates how the proportions of established households and existing need will have changed over the course of a year, and shows the annual new formations as an additional layer. These are the 72,400 additional households that will form each year.



**Figure 68: Household Representative Rates Identifying New Household Formations by Age**  
Source: Figure 67

- 6.27 Whilst there is potential for double counting existing need and recurrent annual requirements from newly forming households, Figure 68 clearly identifies the two distinct groups and confirms that no household is counted twice.
- 6.28 In determining the balance between intermediate and social housing for both groups of households, it is not appropriate to base the assessment on existing potential households because the information that we have is based exclusively upon third party data (i.e. it was collected from the existing host household and not the potential household themselves). Furthermore, many of the households forming will be joining together at the time of formation and therefore the information that we have would be incomplete. Consequently, to determine the balance between intermediate and social housing, we once again consider the affordability of recently formed households.

6.29 While this information is arguably going to be influenced by the nature of housing that is currently available, it is the only reliable source of information about the financial circumstances of new households, and in the absence of any other data it would seem reasonable to use this information as the basis for the assessment. We have, nevertheless, considered differential financial circumstances for different types of newly formed households because the profile of affordability for single person households will clearly differ from the affordability of say single parents or adult couples. The following tables indicate the profile of existing need and recurrent requirements that should be considered for newly forming households.

Property Size	Gross Housing Requirement			
	Market	Intermediate	Social	Total
<b>EXISTING NEED</b>				
One bedroom	-	21,600	26,200	47,700
Two bedrooms	-	11,100	23,100	34,200
Three bedrooms	-	1,000	-	1,000
Four bedrooms	-	1,000	1,000	2,000
Five or more bedrooms	-	1,300	700	2,100
<b>TOTAL</b>	<b>-</b>	<b>35,900</b>	<b>51,000</b>	<b>86,900</b>
<b>ANNUAL REQUIREMENT</b>				
One bedroom	5,000	15,000	12,200	31,900
Two bedrooms	10,000	7,700	10,800	28,500
Three bedrooms	8,000	700	-	8,600
Four bedrooms	600	700	500	1,700
Five or more bedrooms	400	900	300	1,700
<b>TOTAL</b>	<b>23,600</b>	<b>25,000</b>	<b>23,900</b>	<b>72,400</b>

**Figure 69: Summary of Housing Required to Satisfy Existing and Recurrent Potential Household Housing Requirements by Housing Type and Property Size**

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

Note: Figures may not sum due to rounding

6.30 As with the earlier migration projections, future potential household requirements are assumed to grow in proportion with the overall population – therefore the overall requirements for the next 10 years can be summarised as follows:

Property Size	Gross Housing Requirement			
	Market	Intermediate	Social	Total
<b>10-YEAR REQUIREMENT</b>				
One bedroom	49,200	178,500	154,600	382,200
Two bedrooms	105,000	91,700	136,600	333,300
Three bedrooms	83,500	8,300	-	91,700
Four bedrooms	5,900	7,900	6,000	19,800
Five or more bedrooms	4,000	11,000	4,400	19,400
<b>TOTAL</b>	<b>247,500</b>	<b>297,300</b>	<b>301,600</b>	<b>846,400</b>
<b>AVERAGED ANNUALLY</b>				
One bedroom	4,900	17,800	15,500	38,200
Two bedrooms	10,500	9,200	13,700	33,300
Three bedrooms	8,300	800	-	9,200
Four bedrooms	600	800	600	2,000
Five or more bedrooms	400	1,100	400	1,900
<b>TOTAL</b>	<b>24,700</b>	<b>29,700</b>	<b>30,200</b>	<b>84,600</b>

**Figure 70: Summary of Potential Households 10-year Housing Requirements by Housing Type and Property Size**

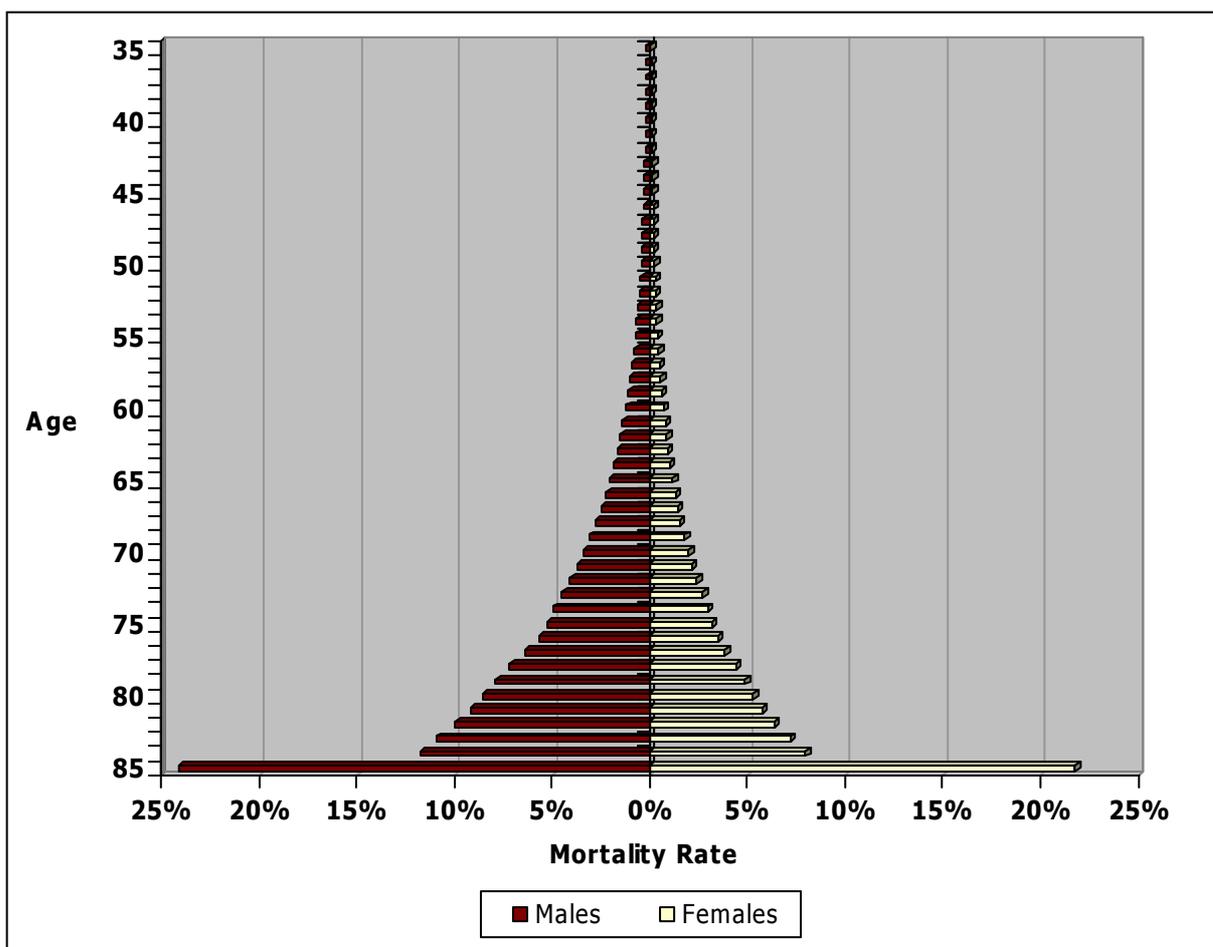
Source: ORS Housing Market Model, London Housing Requirements Study 2002

Note: Figures may not sum due to rounding

### Household Dissolution

6.31 Whilst it is essential to consider the needs of newly forming households it is also critical that the vacancies generated following the dissolution of households are also considered. Some household dissolutions occur as two households merge together (for example when two single people join together to form a couple), but the majority of household dissolutions follow the death of all household members. Such households are predominately comprised of single elderly persons.

6.32 In determining the supply from this group of households it is once again appropriate to consider the differential objective rate based on the age of individual household members. Demographers, in producing population forecasts, regularly use mortality rates. The probability tables of death, broken down by both age and gender as used in the latest population projections, are illustrated below.



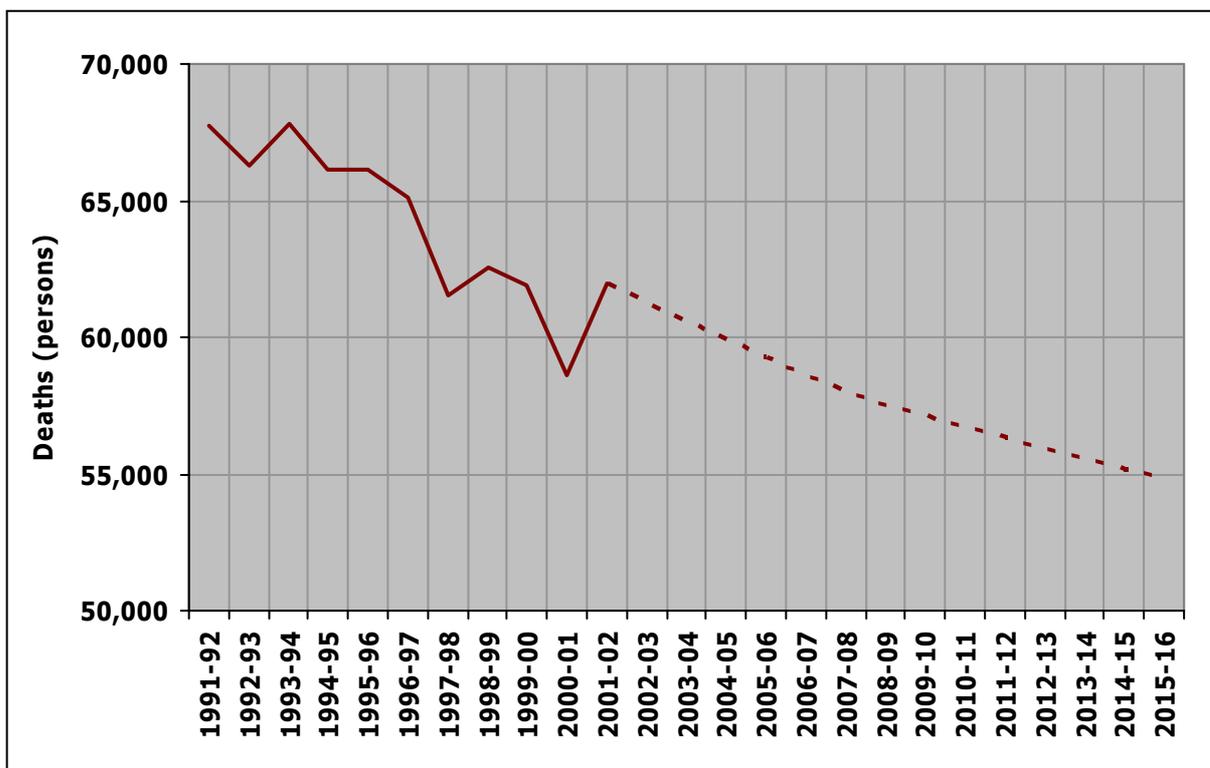
**Figure 71: London Mortality Rates by Age**  
 Source: GLA Data Management and Analysis Group

6.33 By relating these probabilities to the household composition data from the London Households Survey we are able to derive probabilities of complete household dissolution for all households interviewed in the survey. From this we are able to derive a profile of the likely vacancies that will be generated following household dissolutions caused by the death of all household members. The supply in the first year of analysis is detailed in the table below.

Property Size	Housing Supply			
	Market	Intermediate	Social	Total
<b>ANNUAL DISSOLUTIONS</b>				
One bedroom	2,200	400	8,900	11,500
Two bedrooms	5,900	400	2,400	8,700
Three bedrooms	6,700	200	1,600	8,500
Four bedrooms	800	100	-	900
Five or more bedrooms	200	-	-	200
<b>TOTAL</b>	<b>15,800</b>	<b>1,000</b>	<b>12,900</b>	<b>29,700</b>

**Figure 72: Summary of Likely Housing Supply following Complete Household Dissolution by Housing Type and Property Size**  
 Source: ORS Housing Market Model, London Housing Requirements Study 2002  
 Note: Figures may not sum due to rounding

6.34 The detailed demographic work of the DMAG unit at the GLA has identified that the number of deaths within the population is likely to reduce year on year between now and 2016. The number of actual deaths along with the projected figures is illustrated below.



**Figure 73: Total Deaths**

Source: GLA Data Management and Analysis Group  
 Note: Solid line shows trend; Dotted line shows projection

6.35 Through combining information on future population changes, with the profile of stock likely to be vacated following complete household dissolution due to death, we are able to estimate the likely supply over the next 5, 10 and 15 years. The overall number of anticipated vacancies over the next 10-years and the equivalent annual rate is detailed in the tables below.

Property Size	Housing Supply			
	Market	Intermediate	Social	Total
<b>10-YEAR SUPPLY</b>				
One bedroom	16,700	3,200	67,500	87,300
Two bedrooms	44,800	2,800	18,000	65,700
Three bedrooms	50,900	1,300	12,400	64,500
Four bedrooms	6,000	500	200	6,700
Five or more bedrooms	1,300	-	-	1,320
<b>TOTAL</b>	<b>119,600</b>	<b>7,800</b>	<b>98,100</b>	<b>225,600</b>

**Figure 74: Summary of Likely 10-year Housing Supply following Complete Household Dissolution by Housing Type and Property Size**

Source: ORS Housing Market Model, London Housing Requirements Study 2002  
 Note: Figures may not sum due to rounding

Property Size	Housing Supply			
	Market	Intermediate	Social	Total
<b>AVERAGED ANNUALLY</b>				
One bedroom	1,700	300	6,700	8,700
Two bedrooms	4,500	300	1,800	6,600
Three bedrooms	5,100	100	1,200	6,500
Four bedrooms	600	100	-	700
Five or more bedrooms	100	-	-	100
<b>TOTAL</b>	<b>12,000</b>	<b>800</b>	<b>9,800</b>	<b>22,600</b>

**Figure 75: Summary of Likely 10-year Annual Average Housing Supply following Complete Household Dissolution by Housing Type and Property Size**

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

Note: Figures may not sum due to rounding

### Summary of Indigenous Growth

6.36 Over the next 10 years it is anticipated that there is a total requirement for 846,400 household formations. In the context of 225,600 household dissolutions over the same period it is clear that indigenous growth will account for 620,900 additional households, equivalent to a rate of 62,100 additional households per year. The nature of these additional households is detailed in the tables below:

Housing Type	Household Formations	Household Dissolutions	Net Growth (Decline)
<b>10-YEAR CHANGE</b>			
Market	247,500	119,600	127,900
Intermediate	297,300	7,800	289,500
Social	301,600	98,100	203,500
<b>TOTAL</b>	<b>846,400</b>	<b>225,600</b>	<b>620,900</b>

**Figure 76: Summary of Housing Required to Satisfy 10-year Indigenous Change by Type**

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

Note: Figures may not sum due to rounding

Property Size	Net Growth (Decline)			
	Market	Intermediate	Social	Total
<b>NUMBER OF BEDROOMS</b>				
One bedroom	32,500	175,300	87,100	294,900
Two bedrooms	60,200	88,900	118,500	267,600
Three bedrooms	32,600	6,900	(12,400)	27,200
Four bedrooms	(100)	7,400	5,800	13,100
Five or more bedrooms	2,700	11,000	4,400	18,100
<b>TOTAL</b>	<b>127,900</b>	<b>289,500</b>	<b>203,500</b>	<b>620,900</b>

**Figure 77: Summary of Housing Required to Satisfy 10-year Indigenous Change by Housing Type and Property Size**

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

Note: Figures may not sum due to rounding

### **Summary of Key Points**

- The study identified that 64,700 new households expect to form annually, but only 44,600 such households actually formed in the last 12 months;
- To bring household headship rates in London in line with the UK as a whole would require 86,900 new household formations – and insofar as these households have not formed, it is reasonable to suggest that none are able to afford appropriate housing within the London market;
- To maintain headship rates will require 72,400 household formations annually – which, on the basis of the 44,600 formations achieved, suggests that about 27,800 potential households are unable to form each year;
- Over the next 10 years there is anticipated to be a total requirement from 846,400 new households – but over the same period there are anticipated to be 225,600 household dissolutions;
- By comparing new household formations and dissolutions there will be an indigenous growth of 620,900 additional households, equivalent to a rate of 53,400 per year;
- Nearly half (47%) of this additional housing requirement will be for intermediate housing, with a further third (33%) needed as social rented homes. Virtually all should be provided as one- or two-bedroom homes (47% and 43% respectively).

## 7. Overall Housing Requirements

---

7.1 For any housing requirement study, the key or core issues are:

- How many additional units are required?
- How many additional units should be affordable homes?
- For what type of open-market housing is there demand?
- How will 'demand' and 'need' change over time?

7.2 The ORS housing market model answers these questions by analysing the whole housing market. Instead of focusing only or primarily upon poorer households and social sector need, it interprets the interaction of supply and demand across the whole housing market. Social sector needs are interpreted within the context of the whole housing market to take account of the interaction of effective and ineffective demands and needs.

### **The ORS Housing Market Model in Summary**

7.3 The model interprets the market dynamically – by likening the interchange between households and vacancies to 'musical chairs'. The musical chairs analogy brings out the dynamic relation between requirement and supply – for most households find suitable vacancies only because others move or suffer dissolution.

7.4 Through analysing the creation and take-up of vacancies the model recognises that it is only because some households wish to and do move that others can find suitable homes. The extent to which the market clears depends upon the match or mismatch between the households seeking housing, on the one hand, and the available stock, on the other.

7.5 Whether households want or need to move, and what housing is appropriate for them, depends upon their characteristics, requirements and current accommodation. The model considers households' tendency to move or seek independent housing, and also their needs, expectations and priorities for housing of given tenure, type, cost and size. The analysis makes households' choices central to its analysis – while recognising the financial and other constraints facing them.

7.6 Any modelling must use important assumptions about how and on what basis households might or might not be able to fulfil their expectations and aspirations in the open market.

7.7 The model is predominantly trend- rather than aspiration-based – particularly with respect to the treatment of migration and hidden/emerging households – though it is possible to alternate assumptions about factors such as households' affordability and appropriate tenure. Such interaction enables more objective assessments to be considered alongside subjective tests.

7.8 Effective demand is driven primarily by choice – nonetheless, even well-off households can find accommodation only if suitable vacancies arise. Choices of housing of particular tenure,

type, cost and size must operate not only within the context of affordability but also within the available housing stock. Obviously, households in need and with affordability difficulties are doubly constrained – for not only are unable to choose their housing but they also face even more limited availability.

### **Elements of Demand, Needs and Supply**

7.9 By using appropriate assumptions and estimating the market's potential to clear, the model derives the net stock shortfalls or excesses, broken down by tenure, size and price. It assesses net housing requirements by comparing the elements of demand, needs and supply in terms of their interaction over short and longer time periods.

7.10 The elements of demand and need are as follows:

- Established households moving home
- In-migrant households to the area
- Hidden households emerging into the market
- Additional homeless households.

7.11 The supply of housing is generated by:

- Established households moving home
- Out-migration from the area
- Household dissolution through deaths and households merging

7.12 The following sections of this chapter consider the ORS Housing Market Model analysis of the components of demand, need and supply in assessing the London housing market.

### **The Matching Approach**

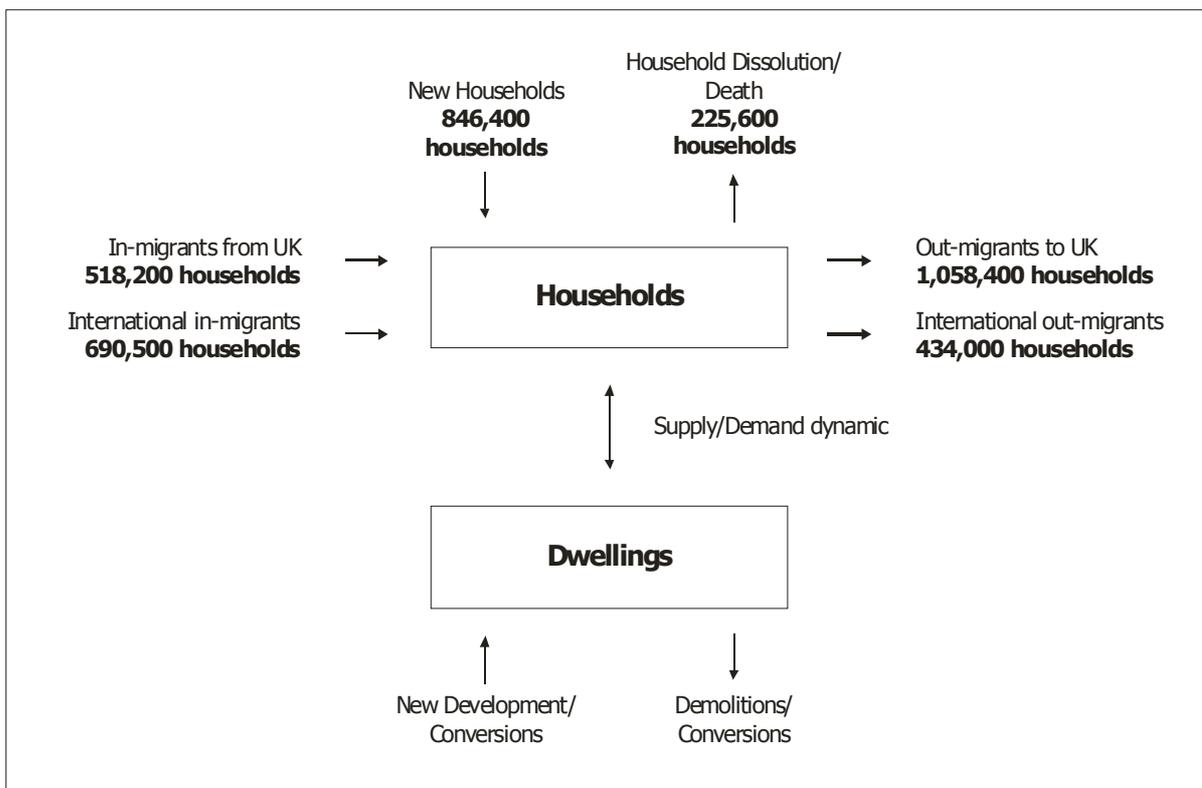
7.13 The model is allocative in using a 'matching' procedure to assess the extent to which actual and potentially available dwellings in the housing stock are suitable for the requirements of households seeking or needing housing. By estimating the market's potential to clear, the model derives the net stock shortfalls or excesses, broken down by tenure, size and price. The model notionally assigns – or matches – available housing to households.

7.14 There is no single right answer to the question of how well the available stock matches households' requirements, and so the model can be used to test assumptions and to constrain households' subjective preferences or expectations against more stringent objective criteria.

7.15 The ORS Housing Market Model considers the gross annual flows of households between each of the main tenures within the district. Such an approach was recognised by Bramley and Pawson (2000) in the DETR good practice guidance where it was noted that:

*The value of this approach is that it makes the connections between what is happening in the private sector and the social sector explicit. It keeps track of households, who can't just disappear without trace, and draws particular attention to the roles of migration.*

7.16 Such an approach has subsequently been adopted by DTZ Pieda Consulting in the “Housing Market Assessment Manual” produced for the Office of the Deputy Prime Minister (ODPM) – where the supply/demand dynamic between households and dwellings is considered at various levels of abstraction.



**Figure 78: 10-Year Requirement/Supply Flow Analysis**

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

7.17 In considering this combination of inward and outward household flows, we can determine the likely pressure placed upon the dwelling stock – and the implicit requirement for additional housing provision. The net gains and losses of each pair of flow streams are detailed below, where it is apparent that up to a net 353,500 additional dwellings would need to be provided over the 10-year period to sustain the existing supply/demand balance. If this number of homes is not provided, one or more flows will have to change.

Housing Type	Inward Flow	Outward Flow	Net Gain (Loss)
<b>10-YEAR REQUIREMENT</b>			
UK migration	518,200	1,058,400	(540,200)
International migration	690,500	434,000	256,500
Indigenous change	846,400	225,600	620,900
Established household moves	1,448,700	1,448,700	-
Homeless households	16,400	-	16,400
<b>TOTAL</b>	<b>3,520,200</b>	<b>3,166,700</b>	<b>353,500</b>

**Figure 79: Summary of 10-year Housing Requirements by Household Flows**

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

Note: Figures may not sum due to rounding

7.18 It is possible to develop this analysis through considering the housing market as a matrix of housing 'origins and destinations' – considering the balance of requirements for market housing, intermediate housing and social housing against the equivalent identified supply. The gross housing requirements and likely supply are matched by the ORS Housing Market Model as detailed below:

Source of Requirement/ Supply		Established households moving to:			Out-migrant households	Household dissolution	Total Housing Supply
		Market Housing	Intermediate Housing	Social Housing			
Established households moving from:	Market Housing	966,700	16,700	25,700	881,800	119,600	<b>2,010,500</b>
	Intermediate Housing	197,400	22,900	36,500	319,900	7,800	<b>584,500</b>
	Social Housing	44,100	24,500	114,300	290,800	98,100	<b>571,700</b>
New household formation (gross)		247,500	297,300	301,600			
In-migrant households		675,900	247,500	285,200			
Homeless households		-	-	16,400			
<b>Total Housing Requirement</b>		<b>2,131,600</b>	<b>609,000</b>	<b>779,600</b>			

**Figure 80: 10-Year Requirement/Supply 'Origin' and 'Destination' Matrix**

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

Note: Figures may not sum due to rounding

7.19 It is apparent that the gross housing requirement is equivalent to the total inward flow (including internal moves by established households) with housing supply equalling the total outward flow. The net housing requirement is equivalent to the net gain of households.

Housing Type	Gross Housing Requirement	Housing Supply	Net Housing Requirement (Surplus)
<b>10-YEAR REQUIREMENT</b>			
Market	2,131,600	2,010,500	121,100
Intermediate	609,000	584,500	24,500
Social	779,600	571,700	207,900
<b>TOTAL</b>	<b>3,520,200</b>	<b>3,166,700</b>	<b>353,500</b>

**Figure 81: Summary of 10-year Housing Requirements by Housing Type**

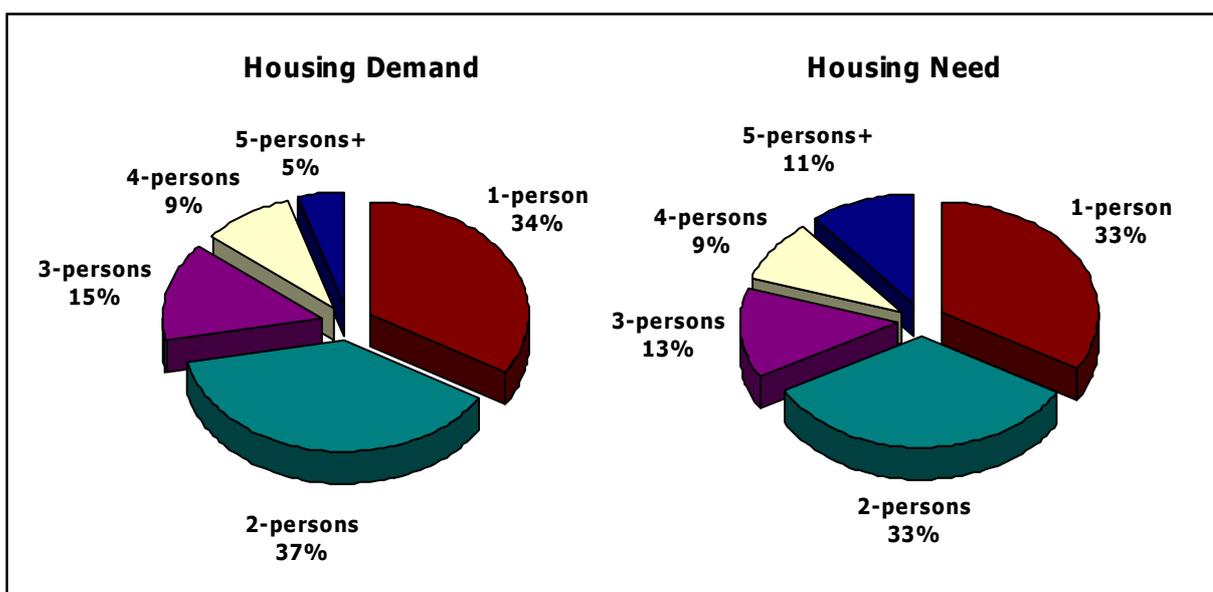
Source: ORS Housing Market Model, London Housing Requirements Study 2002

Note: Figures may not sum due to rounding

- 7.20 It is apparent that whilst market housing requirements account for 61.4% of the overall gross total, it constitutes only 121,100 units within the net housing requirement (34.3% of the overall net total). Furthermore, whilst the requirement for intermediate housing is almost as high as that for social housing – accounting for 43.9% of the overall housing need – when this is considered within the context of likely supply, the need for additional social rented housing provision is clearly considerably more significant.
- 7.21 In summary, the ORS housing market model identifies an overall 10-year requirement for 353,500 additional dwellings, with the balance between social housing, intermediate housing and market housing being 59:7:34.

### Gross Housing Requirement – Households Seeking Housing

- 7.22 The following paragraphs consider the profile of those households that constitute the **gross** housing requirement – that is, those households identified as existing housing need along with all households within the newly arising need and effective demand over the next 10-years.
- 7.23 It is important to note that the gross housing requirement considers all households seeking housing, regardless of whether or not they will move to a new or an existing home. It is not possible to profile the households within the **net** housing requirement in this way (that is, after taking account of supply from within the existing stock) – for whilst the gross housing requirement can be profiled in terms of household characteristics, the housing supply can only be characterised in terms of dwelling characteristics, and therefore the two cannot be effectively combined. Nevertheless, where particular households require particular dwelling types (for example, number of bedrooms, type of housing or location of home), such outputs are readily available, and are presented later in the chapter.
- 7.24 Figure 82 shows that a much higher percentage of households in need consist of five or more persons when compared to households with an effective demand (i.e. those able to afford market housing). In contrast, a notably higher proportion of households within the housing demand consist of just two persons.



**Figure 82: Size of Households within the Gross Housing Requirement**  
 Source: ORS Housing Market Model, London Housing Requirements Study 2002

7.25 These findings are reflected in the average household size of households requiring different types of housing. Households requiring market housing tend to be relatively small (2.15 persons) compared to those needing affordable housing as detailed in Figure 83 below.

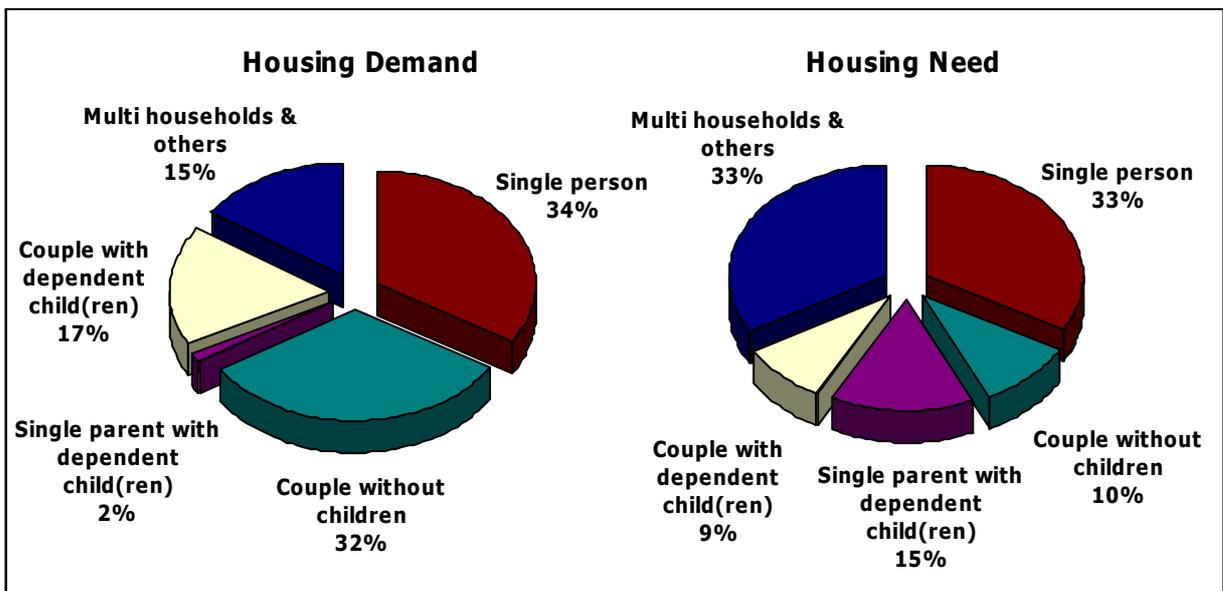
Housing Type	Gross Housing Requirement	Average Household Size
<b>10-YEAR REQUIREMENT</b>		
Market	2,161,600	2.15 persons
Intermediate	609,000	2.44 persons
Social	779,600	2.30 persons
<b>TOTAL</b>	<b>3,520,200</b>	<b>2.23 persons</b>

**Figure 83: Average Household Size by Housing Type**

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

Note: Figures may not sum due to rounding

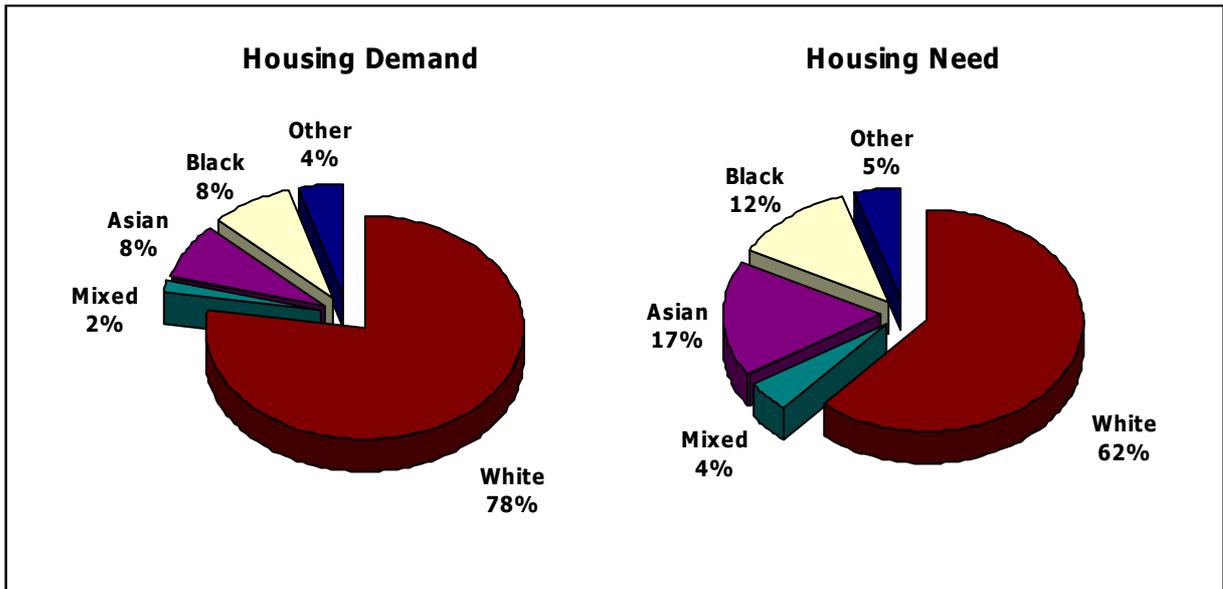
7.26 The pattern of households in need tending to sometimes be quite large is reflected in the chart below. A very high proportion of households in need consisted of large non-traditional household types – multi-adult households and others, including multiple couples. However, households who are an effective demand on the housing market are clearly more likely to consist of couples (with or without children) and less likely to be single parent households. It is also interesting to note that the proportion of single person households does not vary significantly between housing need and demand.



**Figure 84: Household Type of Households within the Gross Housing Requirement**

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

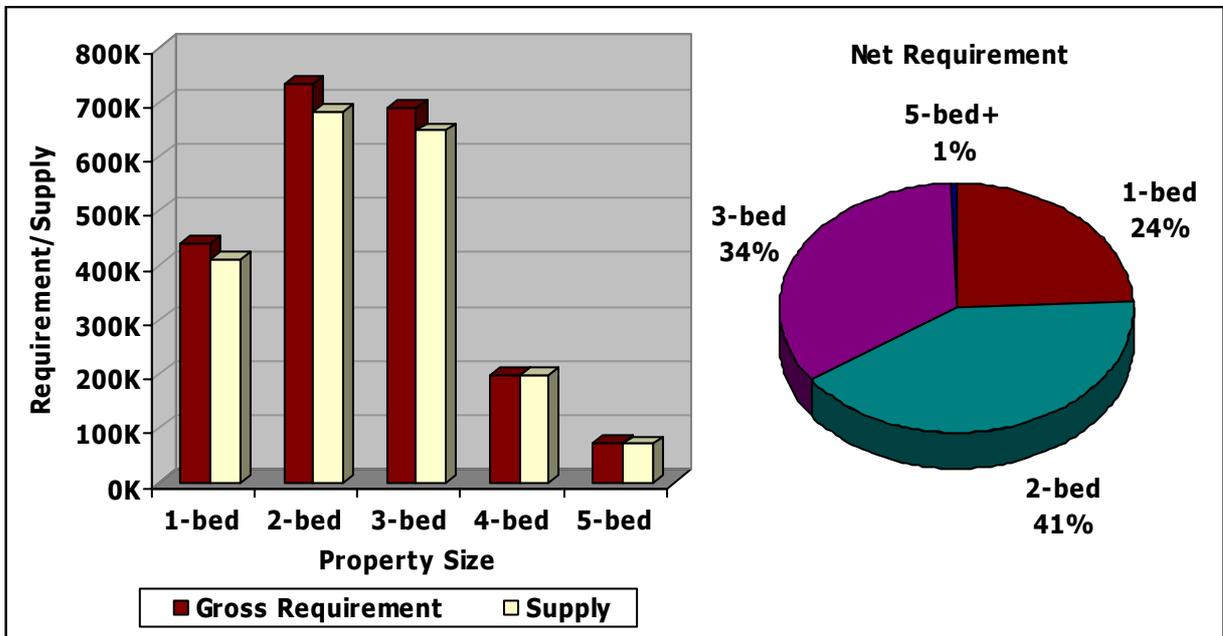
7.27 Figure 85 below shows the ethnic origin of households identified within the projected housing need and housing demand. Non-white households, and Asian households in particular, constitute a far higher proportion of the households in housing need compared to the households with effective demand.



**Figure 85: Ethnic Origin of Households within the Gross Housing Requirement**  
 Source: ORS Housing Market Model, London Housing Requirements Study 2002

### Breakdown of Housing Requirements by Housing Type and Size

- 7.28 One of the primary advantages of the ORS housing market model is the ability to consider the overall gross and net housing requirements (and the individual component flows if necessary) in order to detail the type, size and location of housing.
- 7.29 Figure 86 considers the 10-year demand for market housing across the region in the context of the likely supply of such housing vacated within the existing stock.

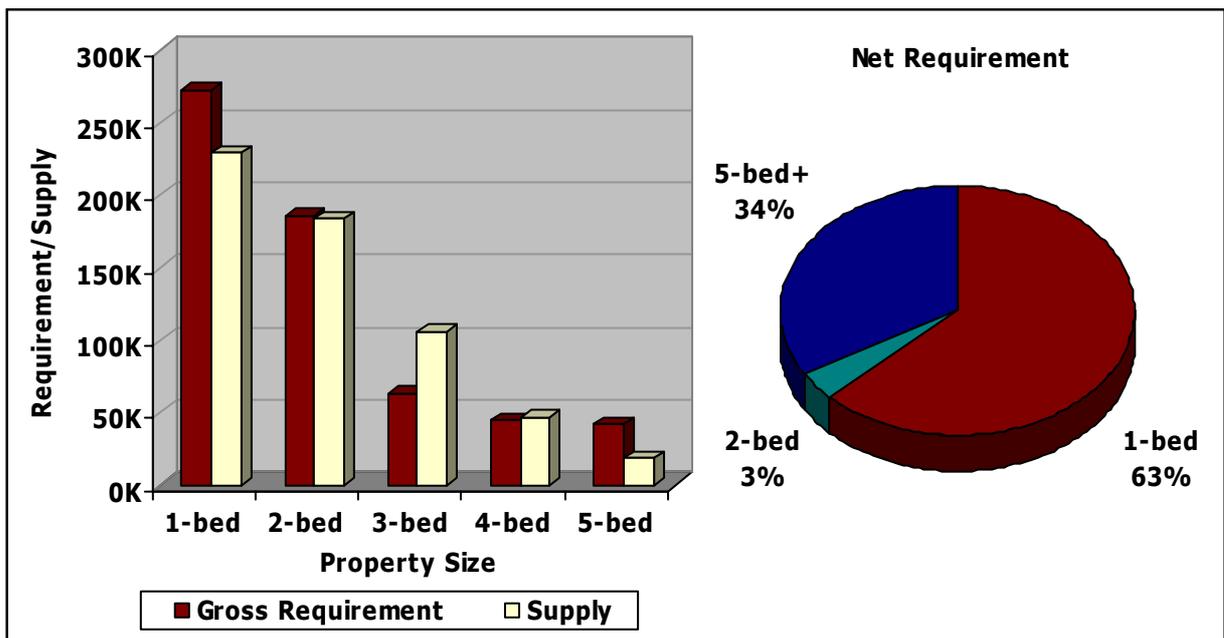


**Figure 86: Market Housing Requirement (Gross and Net) by Property Size**  
 Source: ORS Housing Market Model, London Housing Requirements Study 2002

- 7.30 The gross requirement is detailed in terms of the size of properties sought (where households were able to afford such homes without recourse to financial subsidy), and it is apparent that 733,200 two-bed homes and a further 689,700 three-bed dwellings will be required during the period. Nevertheless, most of this requirement will be satisfied as

dwellings are vacated by existing households moving. When considering the net requirement (i.e. the requirement for additional provision), a total of 50,500 two-bed and 42,000 three-bed market dwellings are identified (41% and 34% of the market sector total respectively).

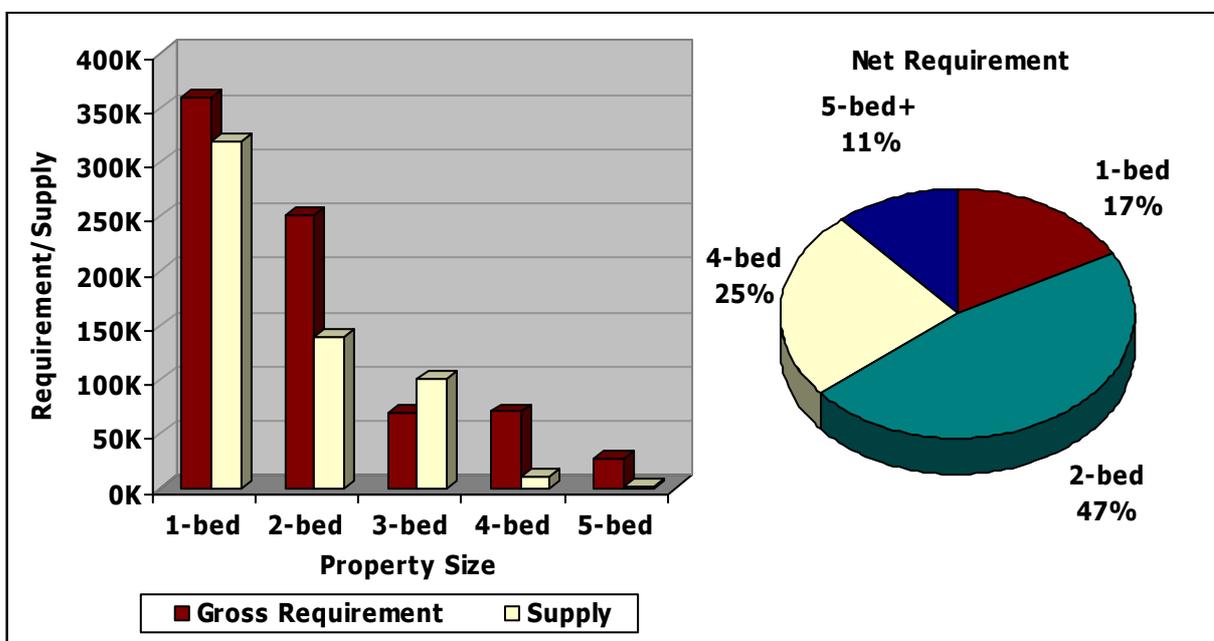
- 7.31 Whilst there is an identified demand for both four-bed properties and larger homes, it is anticipated that sufficient supply will be generated as households vacate the existing stock. Overall, larger properties account for 800 of the additional units over the 10-year period.
- 7.32 In the same way, we can consider intermediate housing needs and the likely supply of such homes within the existing stock. Whilst there is little existing supply officially classified as “intermediate” housing, we have included any existing shared ownership dwellings likely to be vacated together with supply in the private rented sector where the identified rents fall below the relevant threshold. Clearly, households deemed unable to afford market housing at the threshold price may be able to afford housing that is marginally cheaper than this without recourse to subsidy.
- 7.33 It is apparent that most of the intermediate requirement is for smaller, one- and two-bed homes – but it is the requirement for one-bed units that seems unlikely to be satisfied by vacancies arising in the existing stock (accounting for 63% of the net requirement). Whilst the need for larger homes is, once again, more moderate than for smaller dwellings, due to the exceedingly limited supply of large (five-bed plus) properties in this sector, there is a considerable need for such housing identified within the net requirement – accounting for over a third (34%) of the necessary provision.



**Figure 87: Intermediate Housing Requirement (Gross and Net) by Property Size**  
 Source: ORS Housing Market Model, London Housing Requirements Study 2002

- 7.34 Finally, we should consider the profile for social rented homes.
- 7.35 As with intermediate housing need, the majority of the gross requirement is for one- and two-bed dwellings (46% and 32% respectively) – but in the context of likely supply within the existing stock, larger four-bed homes account for a quarter (25%) of the net requirement, with dwellings of five-bedrooms or more accounting for a further 11%.

7.36 This considerable need for additional large dwellings in the social sector is mainly attributable to households overcrowded in smaller homes. If the larger units are provided, most households moving to these new homes would be transferring within the existing social sector stock – and the smaller properties that they currently occupy would become available to other households awaiting social sector housing. It should be noted that the absence of need for additional three-bed units will only be realised if the larger homes are provided. Without these larger units, the anticipated supply of smaller stock will not be forthcoming, and there will be continued pressure on existing three-bed properties.



**Figure 88: Social Housing Requirement (Gross and Net) by Property Size**  
Source: ORS Housing Market Model, London Housing Requirements Study 2002

7.37 Figure 89 (below) identifies the gross requirement for housing over the next 10-years in terms of housing type and size, and Figure 90 (overleaf) details the overall net requirement and the requirement on an annualised basis.

Housing Requirement	Type of Housing			
	Market	Intermediate	Social	All Sectors
<b>Gross Requirement</b>				
1 bedroom	439,400	273,000	359,100	1,071,500
2 bedrooms	733,200	186,100	251,400	1,170,700
3 bedrooms	689,700	63,200	70,200	823,100
4 bedrooms	196,800	44,600	70,600	312,000
5+ bedrooms	72,600	42,100	28,200	143,000
<b>Total</b>	<b>2,131,600</b>	<b>609,000</b>	<b>779,600</b>	<b>3,520,200</b>

**Figure 89: Gross 10-year Housing Requirement by Property Type and Size**  
Source: ORS Housing Market Model, London Housing Requirements Study 2002  
Note: Figures may not sum due to rounding

Housing Requirement	Type of Housing			
	Market	Intermediate	Social	All Sectors
<b>Net Requirement</b>				
1 bedroom	29,700	43,800	40,500	114,000
2 bedrooms	50,500	2,400	112,400	165,400
3 bedrooms	42,000	(42,500)	(31,500)	(32,100)
4 bedrooms	(1,900)	(2,700)	59,400	54,800
5+ bedrooms	800	23,500	27,000	51,400
<b>Total</b>	<b>121,100</b>	<b>24,500</b>	<b>207,900</b>	<b>353,500</b>
<b>Net Requirement (Annualised)</b>				
1 bedroom	3,000	4,400	4,000	11,400
2 bedrooms	5,100	200	11,200	16,500
3 bedrooms	4,200	(4,300)	(3,200)	(3,200)
4 bedrooms	(200)	(300)	5,900	5,500
5+ bedrooms	100	2,400	2,700	5,100
<b>Total</b>	<b>12,100</b>	<b>2,500</b>	<b>20,800</b>	<b>35,400</b>

**Figure 90: Net 10-year Housing Requirement by Property Type and Size**

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

Note: Figures may not sum due to rounding

7.38 As previously noted, whilst it is apparent that there are considerable gross requirements for 1-, 2- and 3-bedroom homes, the net requirement is predominantly for 1- and 2- bedroom properties (with a slight surplus of 3-bedroom homes identified). Despite the gross requirement for larger homes being relatively small (units with 4 or more bedrooms accounting for only 12.9% of the total), together they account for almost 30% of the net housing requirement – though virtually all of this additional provision is for affordable homes.

## Sensitivity Testing the Outputs – Addressing the Existing Need

- 7.39 As previously discussed, the ORS Housing Market Model outputs are derived from both existing housing need and projected future requirements.
- 7.40 The existing need from established households was considered in Chapter 4, and a total of 179,900 households were identified as existing housing need (Figure 41). Nevertheless, because many of these households already have a home (albeit unsuitable for their current requirements), satisfying their needs will also release a significant number of dwellings. In addition to the need from established households, Chapter 6 identified existing need from a further 86,900 potential households who need to form if London’s headship rate is to conform with the UK-wide position (Figure 69). Together, these 266,800 households account for the existing need (or the “backlog”) – though resolving this need will also yield a supply of 163,500 existing dwellings.
- 7.41 It is important to determine a realistic period over which this existing need can be addressed – and whilst local studies routinely adopt a five-year period, this is unlikely to be achievable in the context of the region’s identified needs. A ten-year period is probably the shortest plausible timescale for consideration – though this will still pose a serious challenge. Nevertheless, if the existing need is to be addressed over any period that is within the timeframe of the model projection, the overall outputs from the projection do not change:

Housing Type	Current Need		New Requirement		Total
	Years 1-5	Years 6-10	Years 1-5	Years 6-10	
<b>10-year Backlog Period</b>					
Gross Requirement	133,400	133,400	1,597,700	1,655,700	3,520,200
Housing Supply	81,800	81,800	1,487,400	1,515,700	3,166,700
<b>Net Requirement</b>	<b>51,600</b>	<b>51,600</b>	<b>110,300</b>	<b>139,900</b>	<b>353,500</b>
<b>5-year Backlog Period</b>					
Gross Requirement	266,800	-	1,597,700	1,655,700	3,520,200
Housing Supply	163,500	-	1,487,400	1,515,700	3,166,700
<b>Net Requirement</b>	<b>103,300</b>	<b>-</b>	<b>110,300</b>	<b>139,900</b>	<b>353,500</b>

**Figure 91: Sensitivity Testing the Period for Addressing Existing Need: 5- & 10-Year Periods**

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

Note: Figures may not sum due to rounding

- 7.42 It is apparent that neither the new requirement nor the overall totals vary – merely the distribution of the current need between years 1-5 and years 6-10. Nevertheless, if longer periods are adopted, there is a distinct impact on the analysis:

Housing Type	Current Need		New Requirement		Total
	Years 1-5	Years 6-10	Years 1-5	Years 6-10	
<b>15-year Backlog Period</b>					
Gross Requirement	88,900	88,900	1,597,700	1,655,700	3,431,300
Housing Supply	54,500	54,500	1,487,400	1,515,700	3,112,200
<b>Net Requirement</b>	<b>34,400</b>	<b>34,400</b>	<b>110,300</b>	<b>139,900</b>	<b>319,100</b>

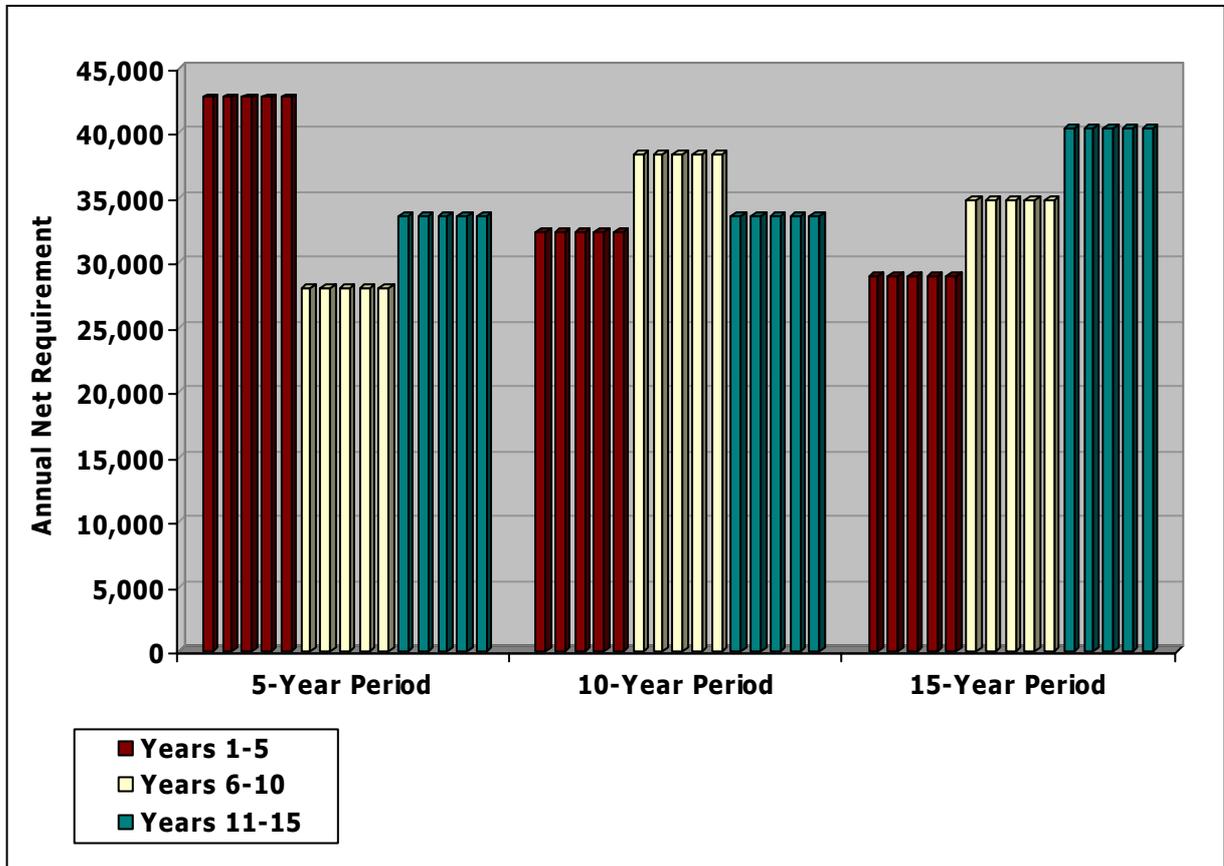
**Figure 92: Sensitivity Testing the Period for Addressing Existing Need: 15-Year Period**

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

Note: Figures may not sum due to rounding

7.43 Once again, the new requirement doesn't change – but insofar as only 10-years of the 15-year backlog are considered within the analysis, the net requirement reduces from 353,500 units to 319,100 units.

7.44 Figure 93 considers the total number of additional dwellings required each year during the first, second and third five-year period of the next fifteen years dependent on whether or not the current need is addressed over a 5-year period, a 10-year period or a 15-year period.

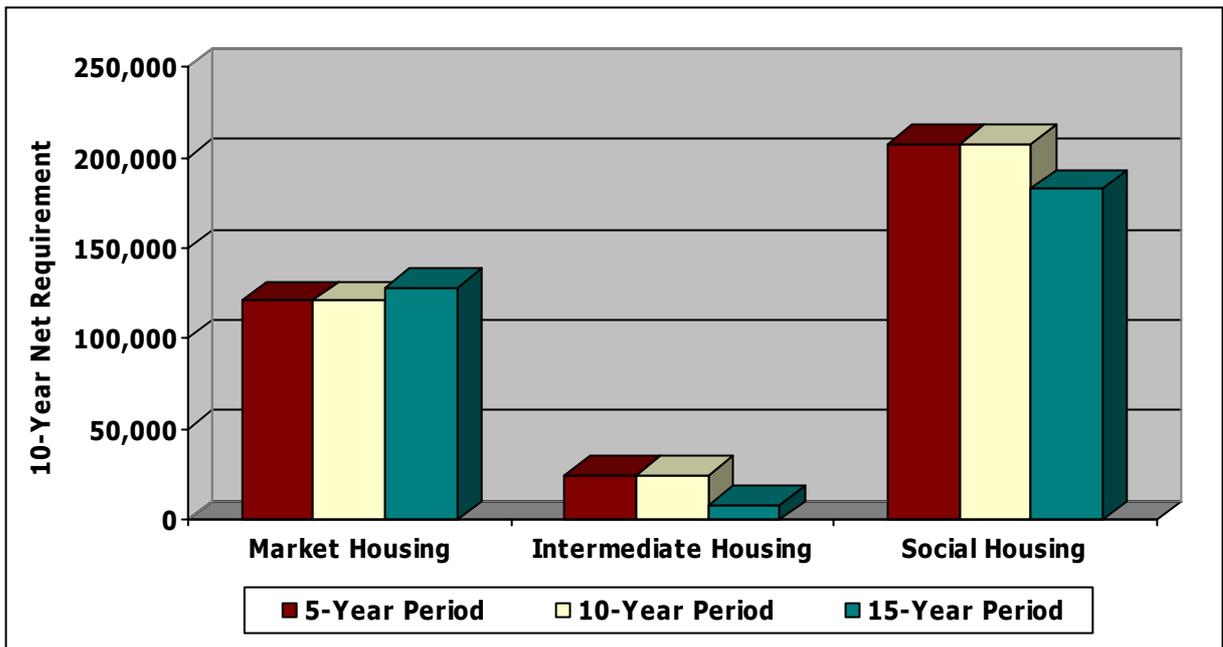


**Figure 93: Sensitivity Testing the Period for Addressing Existing Need: Annual Net Requirement by Housing Type**

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

7.45 The impact of demographic changes on the annual newly arising requirement suggests that (without considering the impact of existing need) the overall number of units required in later years will be higher than in the early years of the projection. On this basis, if the current need is to be addressed with equal provision each year over 15-year period, the overall housing requirement will increase from 28,900 units annually in years 1-5, to 34,900 units annually in years 6-10 and 40,400 units in years 11-15. Addressing the existing need over a 5-year period would require 42,700 units annually in years 1-5, a more moderate 28,000 units each year in years 6-10, increasing to 33,500 in years 11-15. Finally, if the existing need were tackled over 10-years, the annual requirement would be more balanced over the entire 15-year period – increasing from 32,400 units annually in the first five years to 38,300 units each year during years 6-10, before receding back to 33,500 units in years 11-15.

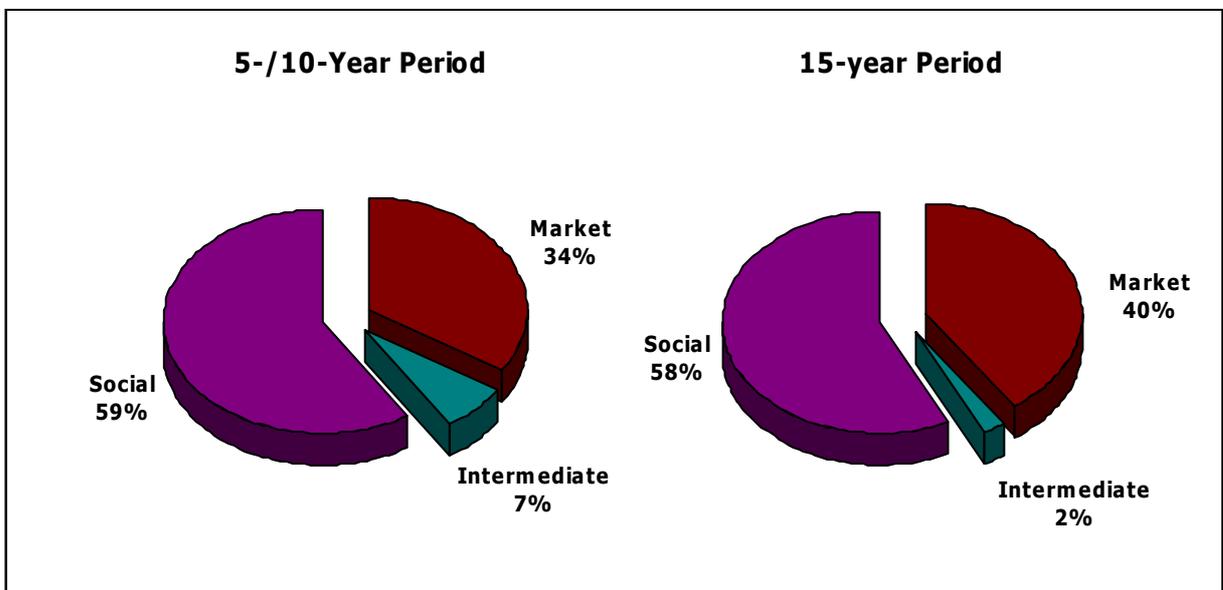
7.46 The target period for addressing the existing need also has an impact on the balance of different housing types. A summary of this impact is detailed below:



**Figure 94: Sensitivity Testing the Period for Addressing Existing Need: Net Requirement by Housing Type**

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

7.47 In terms of the proportionate mix, extending the period for addressing existing need up to 15-years adjusts the balance from 34:7:59 (market, intermediate and social respectively) to 40:2:58 (for the initial 10-year period), as illustrated below:



**Figure 95: Sensitivity Testing the Period for Addressing Existing Need: Proportionate Net Requirement by Housing Type**

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

## Potential Impact of Differential Housing Provision

- 7.48 The ORS Housing Market Model identified a net housing requirement for 353,500 additional dwellings over the 10-year projection period (on the basis of addressing all of the identified existing needs during this time).
- 7.49 Nevertheless, if housing provision does not reach this level, there will be an identifiable shortfall which will result in a combination of the following outcomes:
- Potential households not forming, but staying with their existing host household;
  - Potential households joining with other households rather than forming independently;
  - Potential households leaving the region to form independent households elsewhere;
  - Established households that would expect to move within the region choosing to leave and live elsewhere.
- 7.50 It is difficult (if not impossible) to determine the balance between each of these effects, but a shortfall in housing provision will put pressure on the housing market which could exacerbate existing housing needs problems.
- 7.51 The balance of housing provision (in terms of the proportion of market, intermediate and social housing provided) will also impact on the likely effects. If the level of social housing provision is inadequate to meet the identified needs, local authorities will inevitably be faced with continued pressures from homelessness presentations. In the short-term, such pressures can be alleviated by temporary transfer of tenure (for example the use of private rented stock by social sector landlords), but this can itself cause problems elsewhere in the housing market through restricting supply of relatively inexpensive market housing that would otherwise be available to households seeking housing.
- 7.52 Recent housing provision in the region has typically yielded around 23,000 additional units annually, and the current aim is to develop 50% of all new units as market housing, 15% as intermediate tenures and 35% as social rented homes. The likely shortfall or surplus in provision over the 10-year period in the context of the findings from this study are detailed in Figure 96.

Housing Type	Net Housing Requirement	Provision	Shortfall (Surplus)
<b>23,000 Dwellings per annum</b> 50% market, 15% intermediate, 35% social			
Market	121,100	115,000	6,100
Intermediate	24,500	34,500	(10,000)
Social	207,900	80,500	127,400
<b>TOTAL</b>	<b>353,500</b>	<b>230,000</b>	<b>123,500</b>

**Figure 96: Summary of 10-year Housing Requirements by Housing Type**

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

Note: Figures may not sum due to rounding

- 7.53 Whilst projected market and intermediate housing requirements may be satisfied in the above scenario, there remains a considerable shortfall of social rented homes. It seems most unlikely that temporary solutions (such as PSL housing) will be able to be discontinued

during the period, and indeed there may be call for even more use of such temporary solutions if households in housing need are to continue to be housed in London.

7.54 Figure 97 details the likely impact of a range of potential housing mixes in the context of differential annual completion rates. It is apparent that even with completion rates exceeding 30,000 units annually and 40% being provided as social rented homes, the region's likely housing needs will only be partially satisfied.

Housing Provision	Proposed Housing Mix		
	50% market 15% intermediate 35% social	50% market 25% intermediate 25% social	40% market 20% intermediate 40% social
<b>19,500 Dwellings per annum</b>			
Market	23,600	23,600	43,100
Intermediate	(4,700)	(24,200)	(14,500)
Social	139,600	159,100	129,900
<b>TOTAL SHORTFALL (SURPLUS)</b>	<b>158,500</b>	<b>158,500</b>	<b>158,500</b>
<b>23,000 Dwellings per annum</b>			
Market	6,100	6,100	29,100
Intermediate	(10,000)	(33,000)	(21,500)
Social	127,400	150,400	115,900
<b>TOTAL SHORTFALL (SURPLUS)</b>	<b>123,500</b>	<b>123,500</b>	<b>123,500</b>
<b>26,500 Dwellings per annum</b>			
Market	(11,400)	(11,400)	15,100
Intermediate	(15,200)	(41,700)	(28,500)
Social	115,100	141,600	101,900
<b>TOTAL SHORTFALL (SURPLUS)</b>	<b>88,500</b>	<b>88,500</b>	<b>88,500</b>
<b>30,000 Dwellings per annum</b>			
Market	(28,900)	(28,900)	1,100
Intermediate	(20,500)	(50,500)	(35,500)
Social	102,900	132,900	87,900
<b>TOTAL SHORTFALL (SURPLUS)</b>	<b>53,500</b>	<b>53,500</b>	<b>53,500</b>
<b>33,500 Dwellings per annum</b>			
Market	(46,400)	(46,400)	(12,900)
Intermediate	(25,700)	(59,200)	(42,500)
Social	90,600	124,100	73,900
<b>TOTAL SHORTFALL (SURPLUS)</b>	<b>18,500</b>	<b>18,500</b>	<b>18,500</b>

**Figure 97: Impact of Differential Housing Provision and Housing Mix on 10-year Housing Requirements by Housing Type**

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

Note: Figures may not sum due to rounding

7.55 Of course, restricted household formation rates will ease the apparent pressure on the housing market, and outward migration may disperse the pressures to other regions of the UK. The impact of differential migration rates are considered below.

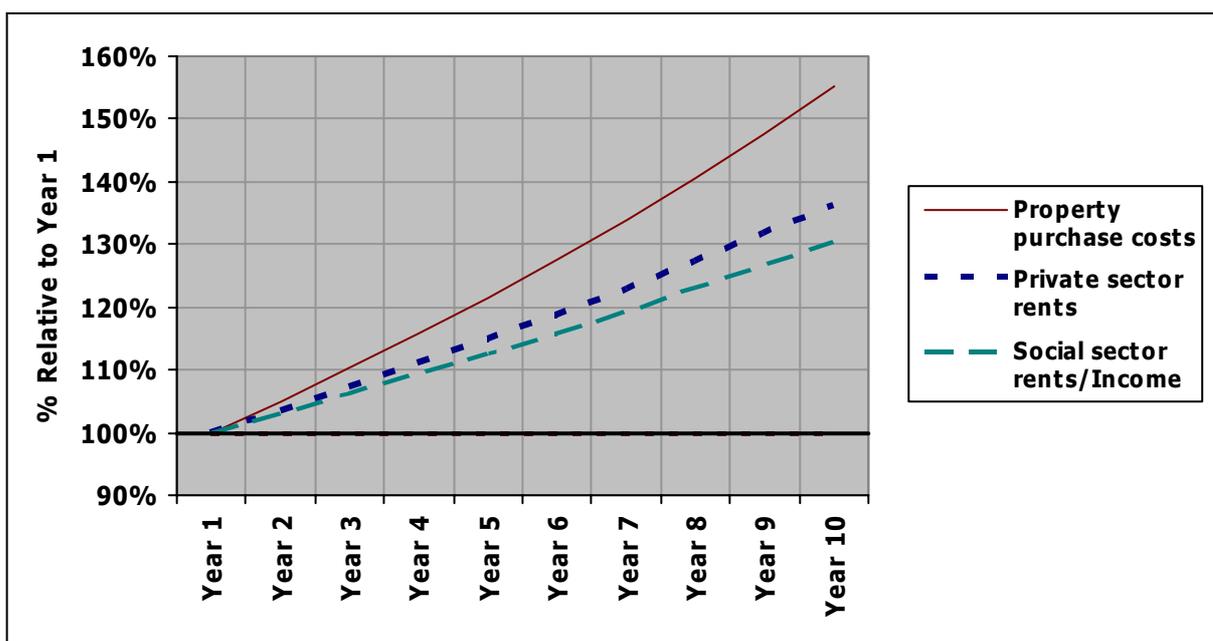
## Sensitivity Testing the Outputs – Differential Affordability Assumptions

- 7.56 As previously noted, the ORS housing market model identifies an overall 10-year net requirement for 353,500 additional dwellings, with the balance between social housing, intermediate housing and market housing being 59:7:34. This is on the basis that the relationship between housing costs and incomes remains constant over the 10-year period – though this balance will inevitably change should the relationship between house prices and incomes differ in future.
- 7.57 The following section considers the impact on the overall balance between housing types given a range of alternative housing market scenarios. Whilst the scenarios are not intended as either forecasts or predictions of likely change, they illustrate the impact of a range of assumptions on the region’s housing requirements.
- 7.58 In developing the different scenarios, we have sought to consider the way in which housing costs will change – in terms of both property prices and rents in the private and social sectors – alongside changes in incomes. Whilst the differential thresholds for each sub-region are considered as base figures, the proportionate change has been assumed to be consistent across the entire region. The following table summarises the three test scenarios:

Factor	Scenario 1	Scenario 2	Scenario 3
<b>PROPORTIONATE CHANGE (ANNUAL)</b>			
Property purchase costs	+5.0%	0.0%	-2.0%
Private sector rents	+3.5%	0.0%	-2.0%
Social sector rents	+3.0%	+3.0%	+3.0%
Income	+3.0%	+3.0%	+3.0%

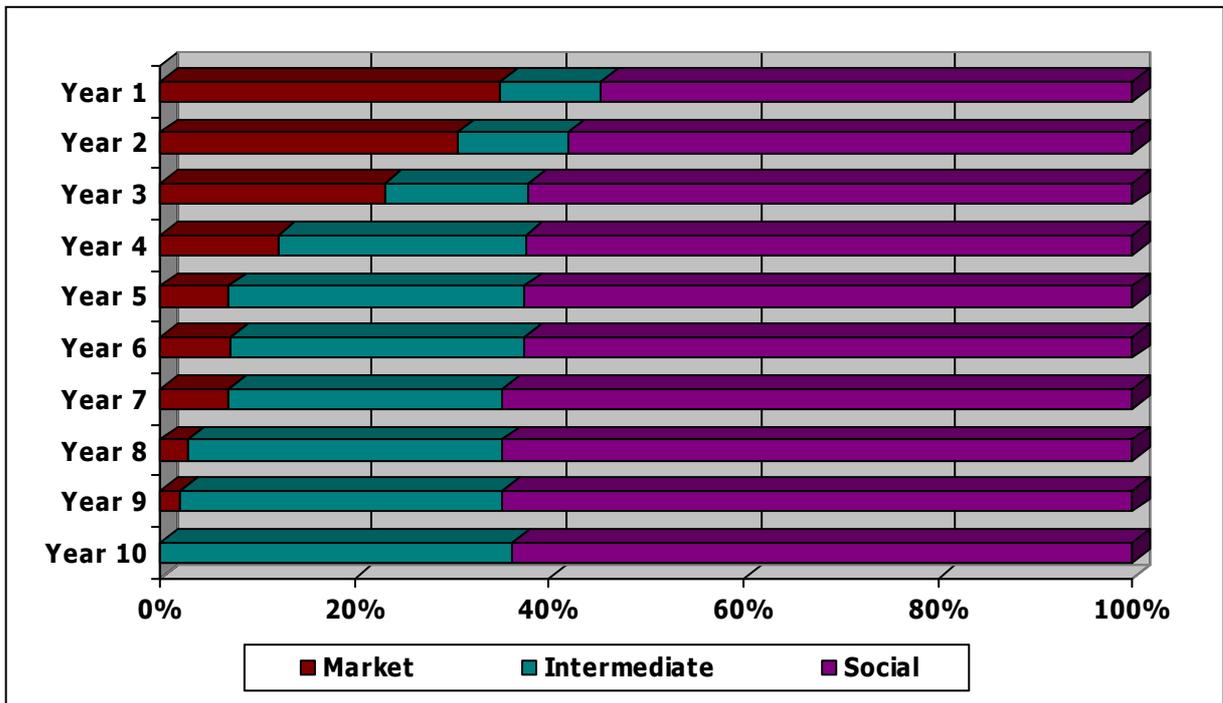
**Figure 98: Summary of Affordability Assumptions for Scenario Testing**

- 7.59 Insofar as the proportionate changes are applied annually, they have a compound effect on the overall change year-on-year. The proportionate changes in costs relative to the base year for scenario 1 are illustrated below:



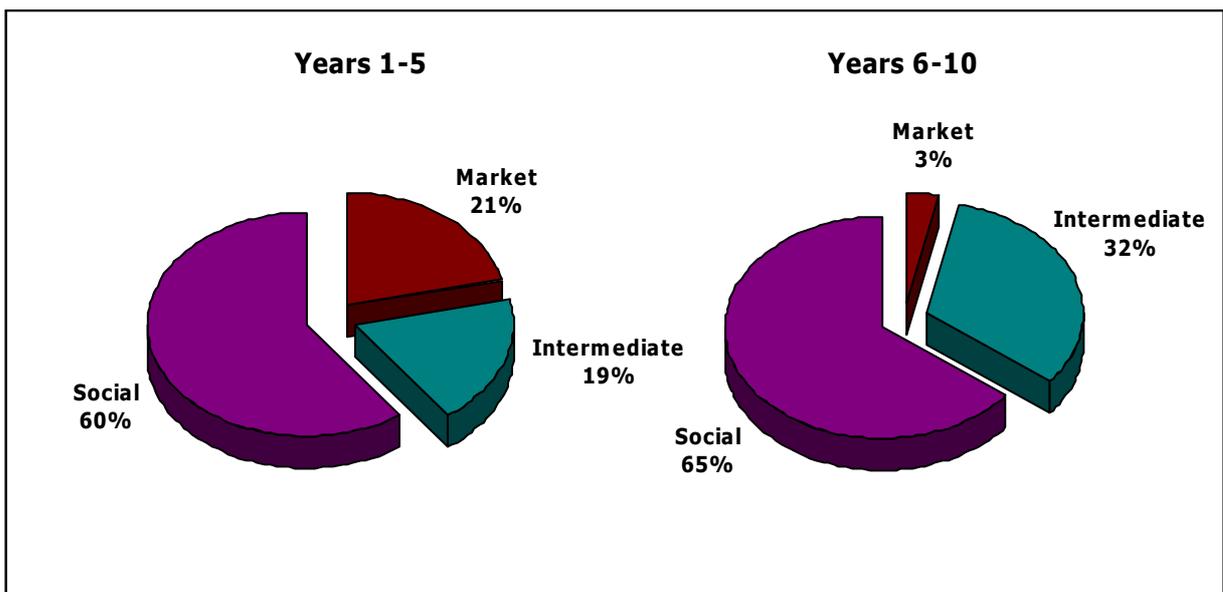
**Figure 99: Cumulative Impact of Scenario 1 Affordability Assumptions over 10-Years**

7.60 Given the first scenario assumptions, where private sector house prices continue to increase at higher rates than household incomes, the changing distribution of market, intermediate and social housing requirements over the next 10-years is detailed below:



**Figure 100: Sensitivity Testing the Affordability Assumptions: 10-Year Net Requirement by Housing Type when Private Sector House Prices Increase Faster than Incomes**  
 Source: ORS Housing Market Model, London Housing Requirements Study 2002

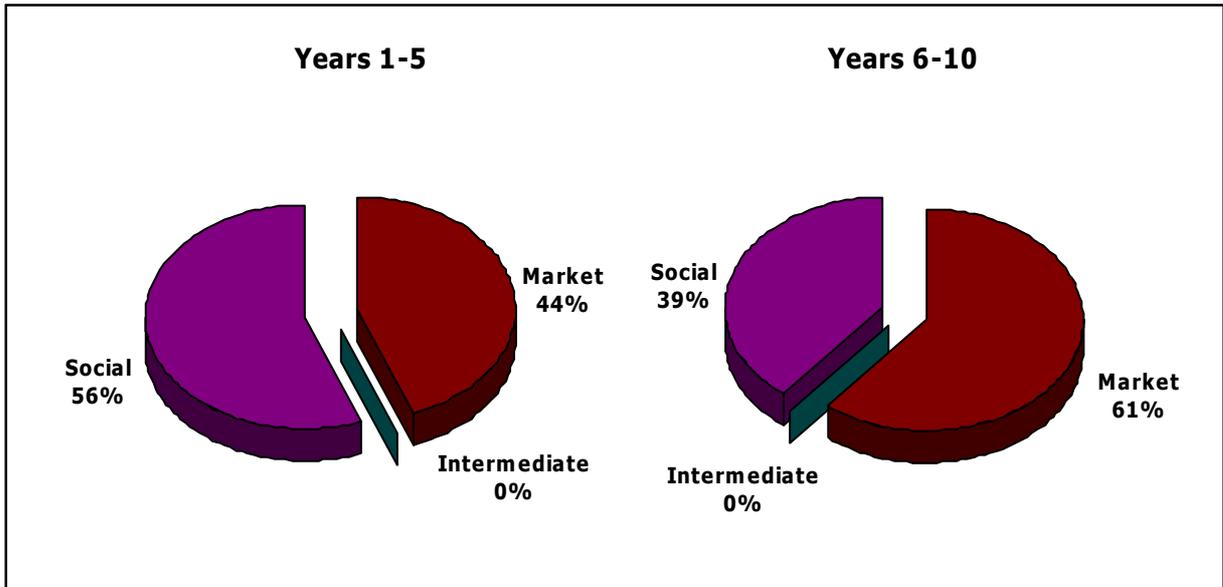
7.61 The overall requirement for the first and second five-year periods are summarised below. Whilst the need for social rented housing does not significantly change, there is a marked shift in the balance between net requirements for additional intermediate and market housing.



**Figure 101: Sensitivity Testing the Affordability Assumptions: Proportionate Net Requirement by Housing Type when Private Sector House Prices Increase Faster than Income**  
 Source: ORS Housing Market Model, London Housing Requirements Study 2002

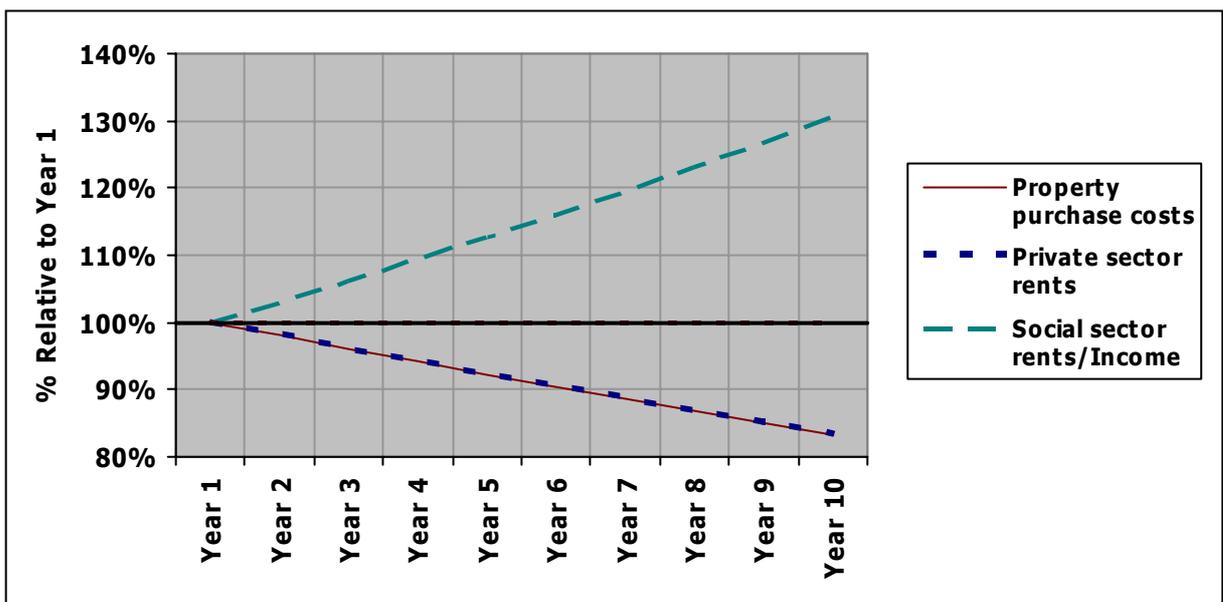
7.62 We now consider the second scenario – where housing costs in the private sector do not change over the 10-year period, but incomes (and rents in the social sector) sustain an increase of 3% annually.

7.63 Figure 102 illustrates that the intermediate housing needs identified can be addressed entirely from within the existing stock (insofar as such households are allocated to the relatively cheaper private rented stock likely to become available). Nevertheless, there is a continued need for social rented housing – accounting for 56% of the overall net requirement in the first five years and 39% in the subsequent five years.



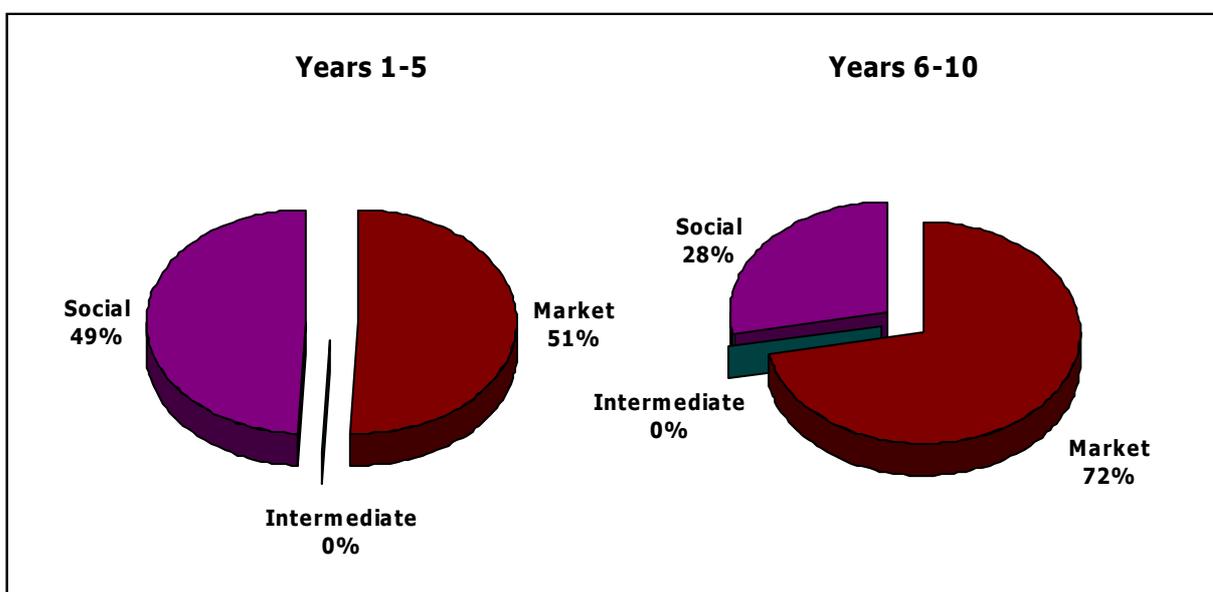
**Figure 102: Sensitivity Testing the Affordability Assumptions: Proportionate Net Requirement by Housing Type when Private Sector House Prices Remain Static**  
 Source: ORS Housing Market Model, London Housing Requirements Study 2002

7.64 The final scenario assumes a 2% drop in private sector housing costs each year over the 10-year period, but that incomes (and rents in the social sector) sustain an increase of 3% annually. The cumulative impact of such assumptions are detailed below:



**Figure 103: Cumulative Impact of Scenario 3 Affordability Assumptions over 10-Years**

7.65 In terms of the net requirement for additional housing, the impact is detailed below, where it is apparent that there would be a sustained need for social rented housing – though this would fall from 49% of the total provision in the first five years to only 28% of the total in the second half of the 10-year period.



**Figure 104: Sensitivity Testing the Affordability Assumptions: Proportionate Net Requirement by Housing Type when Private Sector House Prices Fall by 2% Annually**  
Source: ORS Housing Market Model, London Housing Requirements Study 2002

7.66 Figure 105 summarises the scenario outputs in terms of the annual net housing requirement:

Annual Net Housing Requirement	Market	Intermediate	Social
<b>SCENARIO 1: Private Sector Housing Costs Continue to Increase Faster than Income</b>			
Years 1-5	6,900	6,000	19,400
Years 6-10	1,200	12,400	24,700
<b>Years 1-10</b>	<b>4,100</b>	<b>9,200</b>	<b>22,100</b>
<b>SCENARIO 2: Private Sector Housing Costs Remain Constant Whilst Income Increases</b>			
Years 1-5	14,500	(400)	18,300
Years 6-10	30,600	(12,000)	19,700
<b>Years 1-10</b>	<b>22,600</b>	<b>(6,200)</b>	<b>19,000</b>
<b>SCENARIO 3: Private Sector Housing Costs Fall by 2% Annually Whilst Income Increases</b>			
Years 1-5	18,200	(3,300)	17,500
Years 6-10	43,300	(21,900)	16,800
<b>Years 1-10</b>	<b>30,800</b>	<b>(12,600)</b>	<b>17,200</b>

**Figure 105: Summary of Affordability Assumptions for Scenario Testing**  
Source: ORS Housing Market Model, London Housing Requirements Study 2002

## Sensitivity Testing the Outputs – Differential Migration Rates

7.67 Chapter 5 considered recent migration patterns to and from the region and established a likely pattern of housing requirements on the basis of recent trends. Nevertheless, migration flows are susceptible to significant variation over time – and the following tables consider the impact on net requirement if some of these patterns were to change.

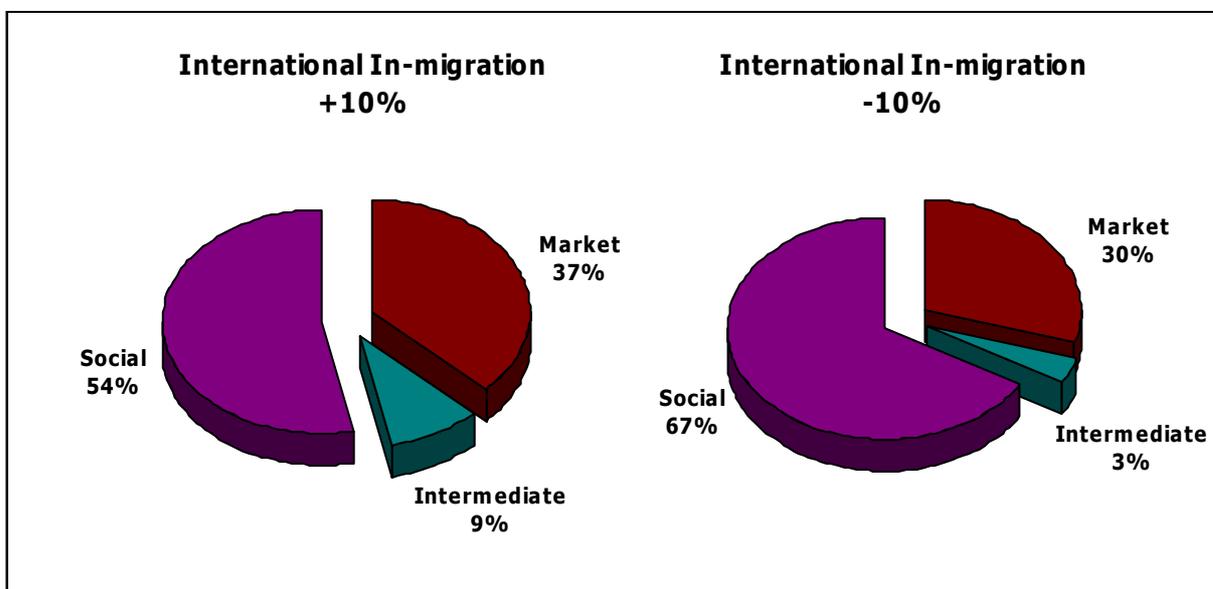
7.68 Figure 106 details the impact on the net housing requirement on the basis of international in-migration being either 10% higher or 10% lower than current trends. Whilst this may seem a relatively marginal adjustment, the impact on the overall output is quite marked. Should international migration over the 10-year period be 10% higher than current trends would suggest, the net housing requirement increases from 353,500 units to 422,600 units, a shift of almost 20%. Conversely, if international migration were to be 10% lower than currently anticipated, the 10-year net requirement reduces to 284,500 units.

Housing Type	Net Housing Requirement	International In-migration	
		+10%	-10%
<b>10-YEAR REQUIREMENT</b>			
Market	121,100	157,400	84,800
Intermediate	24,500	39,500	9,600
Social	207,900	225,700	190,000
<b>TOTAL</b>	<b>353,500</b>	<b>422,600</b>	<b>284,500</b>

**Figure 106: Impact of Increasing and Reducing International In-migration by 10%**

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

Note: Figures may not sum due to rounding



**Figure 107: Impact of Increasing and Reducing International In-migration by 10%: Proportionate Net Requirement by Housing Type**

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

7.69 In terms of housing type, it is apparent that an increase of international in-migrants yields a higher proportionate requirement for both market and intermediate housing, with a proportionately reduced need for social housing. This, of course, is on the basis that the nature of such migrant households remains consistent with past trends – and that any

change is not biased towards any specific type of migrant (such as asylum seekers or (conversely) more affluent economic migrants).

7.70 When considering UK migration, it is the outward flows that are most susceptible to change. Figure 108 details the impact of an 10% increase or decrease in the number of established households moving from London to the rest of the UK.

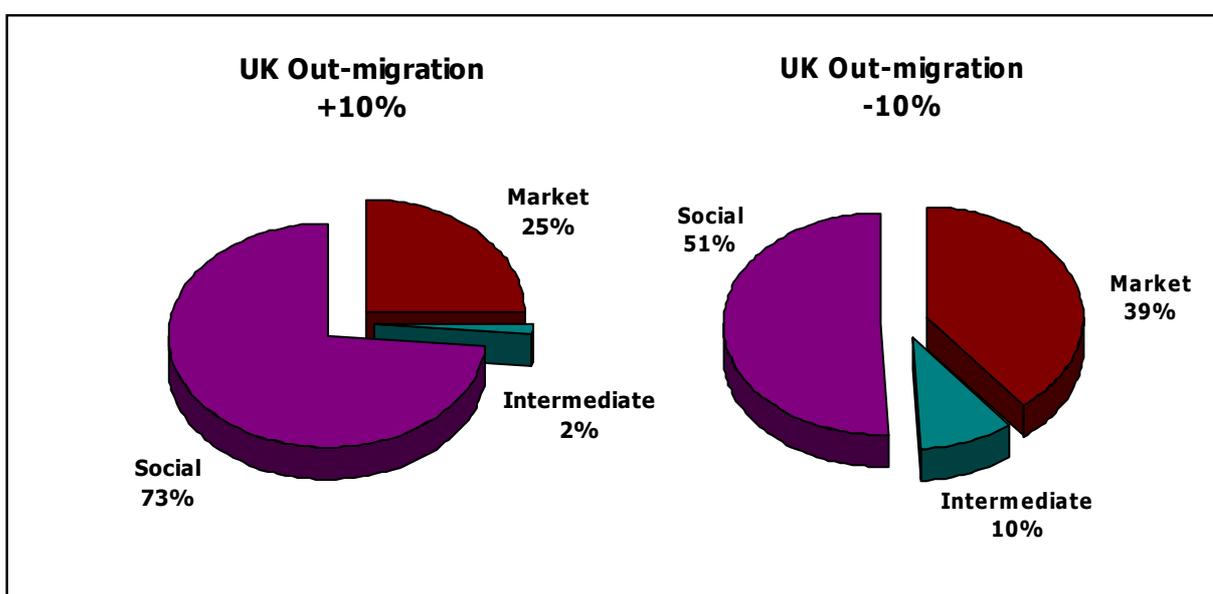
Housing Type	Net Housing Requirement	UK Out-migration	
		+10%	-10%
<b>10-YEAR REQUIREMENT</b>			
Market	121,100	61,600	180,600
Intermediate	24,500	3,900	45,200
Social	207,900	182,200	233,500
<b>TOTAL</b>	<b>353,500</b>	<b>247,700</b>	<b>459,400</b>

**Figure 108: Impact of Increasing and Reducing UK Out-migration by 10%**

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

Note: Figures may not sum due to rounding

7.71 Once again, a relatively marginal shift in the migration flow yields a significant change in the assessment of overall net housing requirement – either reducing the number of units by 30% to 247,700 (should outward migration be higher than projected), or alternatively increasing the required units by an equivalent 30% to 459,400 (should outward migration be lower than expected).



**Figure 109: Impact of Increasing and Reducing UK Out-migration by 10%: Proportionate Net Requirement by Housing Type**

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

7.72 The impact on the housing mix is illustrated above – and it is apparent that given higher outward migration to the rest of the UK, the requirement for new market housing moderates, and the need for additional social housing becomes even more emphasised. Whilst the absolute need for social housing would increase if outward migration from London to the UK-regions were to decline, the proportionate need would reduce to 51% of the total, as the requirement for additional market and intermediate housing increases.

## Summary of Key Points

- The ORS housing market model identifies an overall 10-year net requirement for 353,500 additional dwellings;
- The net requirement comprises an indigenous growth of 620,900 households together with 16,400 homeless households, offset against a net loss of 283,700 households following migration;
- The balance of housing requirements is for 59% social housing, 7% intermediate housing and 34% market housing on the basis of affordability, assuming that the relationship between house prices and income remains constant;
- On the basis of given assumptions where house prices continue to increase faster than incomes, the balance between social housing, intermediate housing and market housing becomes 62:26:12. Nevertheless, when assumptions are adopted that assume incomes will continue to rise whilst house prices will remain constant, the balance shifts to 46:0:54. This balance shifts yet further (to 36:0:64) if we assume that house prices will fall by 2% annually over the 10-year period;
- Extending the period for addressing the existing need from 10-years (or less) up to 15-years, would reduce the initial 10-year requirement from 353,500 units to 319,100 units, and adjust the balance to 58% social housing, 2% intermediate housing and 40% market housing;
- Whilst there are considerable gross requirements for 1-, 2- and 3-bedroom homes across all housing sectors, the net requirement is predominantly for 1- and 2-bedroom properties, with a slight surplus of 3-bedroom homes identified (though such a surplus will only be realised if the need for additional larger homes is addressed). Despite the gross requirement for larger homes (4-bedrooms or more) being relatively small, they account for almost 30% of the net housing requirement – though virtually all of this provision of larger homes is for affordable housing;
- In the context of affordable housing, whilst there is an identified need for additional 1- and 2-bedroom properties, larger properties (of 4-bedrooms or more) account for over 40% of the requirement for additional social rented homes. Many of these larger dwellings are required to enable overcrowded households to transfer within the social sector – and if these larger units are not provided, the anticipated supply of smaller stock (released following transfers) will not be forthcoming and there will be continued pressure on existing 3-bed properties.

# Appendix A:

## Summary of Study Methods

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### Research Overview

- A.1 The London Housing Requirements study was commissioned by the Greater London Authority (GLA) to identify existing and future housing needs across the London region in the context of overall housing requirements. The project was undertaken by Opinion Research Services (ORS), a spin-out company of the University of Wales Swansea, who have worked closely with officers from the GLA throughout the study.
- A.2 The analysis was based on primary data gathered by the London Household Survey (2002), complemented by secondary data sources. These included Land Registry data, data published by the ODPM and Housing Corporation from Local Authority and Registered Social Landlord statistical submissions, and a range of information from the Housing and Homelessness Unit, Data Management and Analysis Group (DMAG), and other teams at the GLA.
- A.3 In addition to those households currently identified as being in housing need (often referred to as the “backlog”), the study identified the future housing requirements of established and newly forming households across the region together with inward migrants from within the UK and abroad. These gross requirements were offset against the likely supply from within the existing stock to yield a net requirement for additional housing.
- A.4 The outputs considered household affordability in terms of the ability to afford appropriate market housing, the ability to afford more than social rented housing without being able to afford appropriate market housing and the inability to afford any more than the appropriate social rent – requirements for market housing, intermediate housing and social housing respectively.

### Affordability

- A.5 Affordability considers the relationship between appropriate housing costs and the amount affordable to households. Sophisticated household affordability tests were developed that took full account of household structure and the number of dependents, the absolute income levels of all adults (with consideration for the residual income after housing costs), and other financial resources such as savings and equity. The tests employed assumed that households with higher incomes would be able to afford proportionately more than those on lower incomes (insofar as they would still have a higher disposable income), and that those with dependents in the household would be able to afford proportionately less than households without dependents.
- A.6 The outcome of these tests was that some households could be expected to pay almost half of their net income on housing costs – but only where there were no dependents and the residual income exceeded five times the households’ minimum living costs (on the basis of state benefit allowances). Nevertheless, other households would be expected to contribute

less than 10% of their net income towards housing costs – to ensure that their residual income remained sufficient to maintain the household and its dependents.

- A.7 Such tests clearly differ from the standard 30% net income measure often used – but allow reasonable estimates of intermediate and market housing affordability to be determined alongside affordability for social rent. The implications are to moderate the apparent need for affordable housing from those households who could realistically afford market housing without financial subsidy.
- A.8 To determine appropriate housing costs, house prices and market rents were analysed in terms of property size, and lowest quartile points were calculated and adopted as appropriate thresholds. In deriving these thresholds, housing was considered in the context of the London sub-regions, and households were assumed able to afford if they could pay the required amount for the relevant sub-region – implicitly accepting that some households would have to move to cheaper boroughs within their sub-region in order to access market housing that they could afford.
- A.9 This approach clearly differs from local studies, where households are typically assessed against the cheapest housing within individual borough boundaries – meaning that (in this study) more households would be deemed able to afford in the relatively expensive boroughs, but conversely that fewer households could afford in the less costly areas.
- A.10 Having identified threshold prices for market housing on the basis of lowest quartiles, we have assumed that households must be able to pay at least this amount in order to afford market housing. However, just because households cannot afford the lowest quartile does not necessarily mean that they are unable to afford all market housing, but the homes they can afford are going to have limited availability and it is unlikely that any new provision will fall into this price range unless it is subsidised. We have therefore included rented homes that become vacated within the lowest quartile (where the applicable rent is below the market housing threshold) as an existing supply of intermediate housing.
- A.11 Through recognising the role of cheaper homes in the private sector alongside supply from existing social sector stock relets, a realistic assessment of the amount of additional affordable housing that is required can be derived. This may be more moderate than such levels identified by local studies, as the role of the private rented sector is considered in the context of satisfying identified needs.

### **Existing Housing Need**

- A.12 Existing housing need considers those households currently lacking their own housing or living in housing which is inadequate or unsuitable and who are unlikely to be able to meet their needs in the housing market without some assistance.
- A.13 In terms of established households' existing housing, four broad categories of suitability were considered:
- Homeless or with Insecure Tenure;
  - Mismatch of Household and Dwelling;
  - Dwelling Amenities and Condition;
  - Social Requirements.

- A.14 A total of 560,000 households were identified across the region as having one or more problems within these categories – though to resolve the identified problems, only 145,100 households need to move from their current home to another home within the region and are unlikely to be able to afford such a move without financial subsidy.
- A.15 It should be noted that households who only suffered from problems due to dwelling amenities or the condition of their existing home were all assumed to have in-situ solutions to their housing needs – for whilst assisting them to move would resolve the immediate need, the following occupier would suffer from the same identified problems (insofar as the problems relate to the dwelling) and an assisted move would not reduce the overall level of housing need in the region. Such assumptions limit the number of additional affordable units required – though there is an implicit need to invest and improve stock that is currently in poor condition.
- A.16 In terms of existing housing need from households lacking their own housing, the calculation was based on information on those currently housed temporarily in bed & breakfast or hostel accommodation (after being accepted as statutorily homeless), in addition to single persons currently sleeping rough or housed in voluntary sector hostels where they were identified as awaiting a move to a permanent home. This is an additional housing requirement, as such forms of temporary accommodation are not regarded as satisfactory long-term (or even short-term) solutions.
- A.17 The needs of potential households (currently living with another household and awaiting their own independent housing) were also considered within the analysis of existing housing need. In local studies, analysis of this group is typically based on future aspirations identified through interviews with the host household (with whom they currently live) – though this approach depends on second hand information about future plans regarding the structure of the new household, the area in which they are most likely to live and their estimated affordability.
- A.18 For our analysis, we have based the volume of new households on demographic information regarding differential headship rates on the basis of age, whilst affordability is based on the financial resources of recently formed households. By comparing headship rates for London and the rest of the UK we have established the existing need, and by ageing the population it can be seen how future requirements will arise over time.
- A.19 This approach avoids any issues of double counting (as future aspirations are not placed alongside trend analysis in determining additional household flows), and enables the identification of those households that should have previously formed (the existing need) to be clearly differentiated from those that should form in future (including any newly arising need).

### **Future Housing Requirements**

- A.20 Future housing needs were considered in the context of likely demands for market housing to determine the overall pressures within the market. Housing needs and demands are intrinsically related insofar as changes in local rents or house prices may cause the balance between need and demand to shift without necessarily impacting on the total number of households concerned.
- A.21 The flows of inward and outward migrant households were considered alongside household formations and dissolutions to determine likely changes in the structure of the population and the resulting impact on local housing. Future migration patterns were projected on the basis of those assumptions used within GLA regional population projections, and

demographic information was used to determine likely rates of household formation and dissolution. In terms of household affordability, information on recent in-migrants and newly formed households was used as a basis for the analysis, whilst the existing housing circumstances of future out-migrants and households likely to dissolve formed the profile of supply.

A.22 The above household flows together with information on future established household moves formed the basis of analysis for the next 5-, 10- and 15-years. This enabled the number of dwellings required, the balance between market, intermediate and social housing, and the likely dwelling size mix required to be clearly identified.

A.23 This analysis goes beyond that typically undertaken in local studies, and benefited from detailed population projections about the region. In this context, the impact of future migration patterns and demographic change is fully considered in a way that is generally not possible in local housing needs assessments.

### **Key Points**

A.24 There are a number of methodologies used in local housing needs and housing requirement studies. The key features of this study are that:

- Housing needs are considered alongside effective housing demands to understand all housing requirements and the dynamics of the housing market;
- Sophisticated household affordability tests are employed with consideration for the residual income after housing costs and other financial resources such as savings and equity;
- Households are assumed to be able to afford market housing if they can afford to live in any borough within their sub-region;
- The role of the private rented sector in addressing intermediate housing needs is recognised and incorporated within the analysis;
- Problems associated with the condition of dwellings are all assumed to be resolved in-situ – on the assumption that there will be parallel investment in the existing housing stock;
- Household formation, dissolution and migration estimates are based on demographic information to provide reliable estimates that avoid potential double-counting.

## Appendix B:

# Data Sources & Statistical Confidence

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### Primary Data Sources

- B.1 The London Household Survey was conducted by Taylor Nelson Sofres (TNS) between February and September 2002 and a total of 8,158 households were successfully interviewed across the London region. The midpoint of the fieldwork was June 2002, and it is this date that is used as a reference point for all secondary data sources used within the housing requirements analysis.
- B.2 The sample was based on randomly pre-selected households, with interviewers re-visiting properties on a number of occasions to maximise the response rate from the primary sample addresses. The difficulties of undertaking fieldwork with pre-selected households in the London area to an appropriate standard are widely recognised by researchers and it is not often that fieldwork of this scale and rigour is conducted outside of central government surveys.
- B.3 By investing in high quality and inherently expensive fieldwork, it was important that the London Household Survey informed a range of policies for the Greater London Authority. Nevertheless, this survey concentrated on households and their current, future and past housing circumstances along with detailed questions regarding affordability. As such, the primary data forms an excellent basis for housing needs and housing requirement analysis across the London Region.
- B.4 The data was verified and validated internally at TNS and has subsequently been scrutinised by a range of officers at the GLA. Whilst the sample was based on a random probability selection, fieldwork issues surrounding non-response did introduce apparent biases into the sample, and it was therefore felt appropriate that the data should be weighted to compensate for these issues. This is a routine procedure that is employed on most social surveys.
- B.5 Overall, the survey achieved a response rate in excess of 55% - over 55 in every 100 households approached participated in the survey. Whilst this in itself may seem low, within the context of fieldwork in London it is in fact a very good response rate. In many of the outer London Boroughs achieved response rates were in excess of 70-75% (which are rarely seen in typical local housing requirements studies anywhere in England). Nevertheless, in Central London Boroughs such as Westminster and Camden, response rates fell to around 30% – though given that the number of apartments in such areas typically exceeds 85% with the number of single person households accounting for almost half of the population (Source: Census 2001), it is perhaps not surprising that it was quite so difficult to achieve interviews.
- B.6 Following detailed investigation, the data was weighted by the following five factors:
- Number of households at the address,
  - Deprivation score of the area,

- Tenure of the home,
- Household composition; and
- London Borough.

B.7 Information derived from the weighted data was consistent with reliable comparable information from a range of other secondary data sources – including demographic details, data from the 2001 Census, and secondary housing statistics.

### Statistical Confidence

B.8 A random sample should be representative of its population to within specified statistical limits, and (as previously noted) the London Household Survey achieved 8,158 personal interviews with households randomly selected throughout the region. The analysis for such a sample should represent the entire population to within  $\pm 1.1\%$  points at the 95% level confidence – that is, if all households in Greater London were interviewed, 19 times out of 20 the results would not differ by more than 1.1% points from the results for the sample.

B.9 Such error margins and levels of confidence are linked. Whilst we can be 95% confident that the overall sample is accurate to within  $\pm 1.1\%$  points, we are confident that 4 times out of 5 the results will actually be within  $\pm 0.7\%$  points. A further factor that influences the error margin is the split in opinion. If the result for a specific question is significantly biased to one response (e.g. if 95% of the sample stated Option A whilst only 5% stated Option B) the results will be subject to a smaller error than if there was less consensus (i.e. where both Option A and Option B are represented more equally). Whilst the achieved sample is always accurate to within  $\pm 1.1\%$  points (based on the worse case scenario of a 50:50 split in opinion), the error margin reduces to  $\pm 0.5\%$  points when at least 95% of respondents opt for the same option.

B.10 The level of accuracy and impact of changes in the opinion split are illustrated below.

Confidence Level	Opinion Split				
	50:50	75:25	90:10	95:5	99:1
<b>MARGIN OF ERROR <math>\pm</math></b>					
80% (4 times out of 5)	0.7%	0.6%	0.4%	0.3%	0.1%
90% (9 times out of 10)	0.9%	0.8%	0.5%	0.4%	0.2%
95% (19 times out of 20)	1.1%	0.9%	0.7%	0.5%	0.2%
98% (49 times out of 50)	1.3%	1.1%	0.8%	0.6%	0.3%
99% (99 times out of 100)	1.4%	1.2%	0.9%	0.6%	0.3%

**Figure 110: Differential Error Margins by Confidence Level and Opinion Split**

B.11 Most social research projects adopt a confidence level of 95% when reporting their findings, and this level is also accepted for housing needs assessments within the DETR publication “Local Housing Needs Assessment: A Guide to Good Practice” (2000).

B.12 The advantages of differential error margins become apparent when considering issues relating to housing need. Since the majority of households are unlikely to be in housing need, the indicators used will often have a non-equal opinion split which in turn will reduce the margin of error.

## Data Analysis and Modelling

- B.13 The response rate for individual questions was very good, with many key questions being answered by over 99% of all respondents. Importantly, financial information was provided by the majority of households, with almost three-quarters of households providing detailed information on income (73.1%), over four-fifths providing details on savings (80.2%) and a similarly high proportion of owner occupiers providing details on equity (79.1%).
- B.14 To ensure that the data is representative, missing data for certain key variables has been imputed for the modelling process. Such key variables include:
- Current tenure;
  - Number of current bedrooms;
  - Length of time at current address;
  - Previous tenure of recent movers;
  - Location of previous home;
  - Whether the household needs to move or is likely to move in the next year;
  - Where households and individuals are most likely to move to;
  - Likely tenure for households likely to move;
  - Individual and household income;
  - Value of the current home (if owned);
  - Receipt of housing benefit (if rented);
  - Existing savings; and
  - Amount of equity that would be released if current home was sold.
- B.15 The data has been imputed using a variant of the hot-deck imputation method (randomly selecting cases within an imputation class on the basis of a hierarchical structure) as detailed further in the "Report of the Task Force on Imputation" (June 1996) published by the Government Statistical Service. Correlations were identified between the variable to be imputed and other questions in the dataset, and these factors were then used as the likely predictive variables.
- B.16 The survey findings were then computed with other data (such as Land Registry information about property sales, Housing Corporation RSL RSR data, and DTLR HIP data) within the framework of the ORS housing market model to calculate levels of demand and need. By interpreting the data through the ORS housing market model, which analyses the whole housing market to compare the match or mismatch between households' needs and housing availability, the study pays particular attention to those who cannot fulfil their housing needs through the normal operation of the housing market, because they currently lack, or are likely to lack, the financial capacity.



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