

Strategic Housing Need Assessment

(Also known as Strategic Housing Market Assessment - SHMA)

London Borough of Merton

July 2019

Prepared by

GL Hearn
65 Gresham Street
London EC2V 7NQ

T +44 (0)20 7544 2000
glhearn.com

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Quality Standards Control

The signatories below verify that this document has been prepared in accordance with our quality control requirements. These procedures do not affect the content and views expressed by the originator.

This document must only be treated as a draft unless it has been signed by the Originators and approved by a Business or Associate Director.

DATE

July 2019

ORIGINATORS

Nena Pavlidou
Senior Planner



APPROVED

Paul McColgan
Associate Director



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1 INTRODUCTION

- 1.1 London Borough of Merton has commissioned GL Hearn and Justin Gardener Consulting to prepare a Strategic Housing Market Assessment (SHMA) to identify the housing need and mix across the Borough for the 2017-35 period.
- 1.2 The purpose of the SHMA is to assess future development needs for housing (both market and affordable) across the Borough. The SHMA considers housing need over the 2017-2035 period in order to inform the emerging Local Plan.
- 1.3 It should be noted that the plan period differs (i.e. 2020-35) however for the purposes of this analysis and based on data availability we identified housing need and mix for both periods where possible.
- 1.4 The Study also considers the need for different types of housing; and the housing needs of different groups within the Borough. The SHMA forms part of the evidence base, which the London Borough of Merton will use in developing their Local Plan.

National Planning Policy Framework and Guidance

- 1.5 This Study responds to and is compliant with the requirements of the Revised National Planning Policy Framework¹ (the NPPF2) published in July 2018. It is informed by the Revised Planning Practice Guidance² (PPG) published by Government in September 2018 and revised again in February 2019 and in particular, the Housing need assessment³ section.

NPPF

- 1.6 The Ministry of Housing, Communities and Local Government (MHCLG) published a revised National Planning Policy Framework (NPPF) in July 2018 with minor updates in February 2019. This updated and replaced the March 2012 version.
- 1.7 Paragraph 60 of the NPPF (2018) states that in determining the minimum number of homes needed the Local Plans should be based on the local housing need assessments conducted using the standard method as presented in national planning guidance (How is a minimum annual local housing need figure calculated using the standard method?⁴)

¹https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728643/Revised_NPPF_2018.pdf

²https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/687239/Draft_planning_practice_guidance.pdf

³<https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments>

⁴https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728247/How_is_a_minimum_annual_local_housing_need_figure_calculated_using_the_standard_method.pdf

Planning Practice Guidance

- 1.8 Guidance on *Housing and Economic Needs Assessments* is set out by Government, which deals with how objectively assessed housing need should be defined. It provides a framework against which evidence-based studies, such as this, are assessed at local planning examinations and planning appeals, and thus the methodology that needs to be followed.
- 1.9 The PPG methodology was updated in July and September 2018 and again in February 2019 and is available online.⁵ It is framed by the Government's objective to significantly boost housing supply. The PPG represented the formal adoption of the standard methodology.
- 1.10 This latest amendment to the PPG was to ensure that the government's target of 300,000 homes per annum by the mid-2020s is achieved. To do this local authorities are to revert to the 2014-based household projections (rather than the 2016-based) when using the standard method to assess the minimum number of homes needed in their areas.
- 1.11 It is clear that the OAN derived from the standard methodology is a minimum, there is ample scope, and indeed, it is encouraged for local authorities to provide housing in excess of this. Paragraph 10 of the PPG sets out the circumstances where this may be appropriate:

"The government is committed to ensuring that more homes are built and supports ambitious authorities who want to plan for growth. The standard method for assessing local housing need provides a minimum starting point in determining the number of homes needed in an area. It does not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour. Therefore, there will be circumstances where it is appropriate to consider whether actual housing need is higher than the standard method indicates.

This will need to be assessed prior to, and separate from, considering how much of the overall need can be accommodated (and then translated into a housing requirement figure for the strategic policies in the plan). Circumstances where this may be appropriate include, but are not limited to situations where increases in housing need are likely to exceed past trends because of:

- *growth strategies for the area that are likely to be deliverable, for example where funding is in place to promote and facilitate additional growth (e.g. Housing Deals);*
- *strategic infrastructure improvements that are likely to drive an increase in the homes needed locally; or*

⁵ <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments>

- *an authority agreeing to take on unmet need from neighbouring authorities, as set out in a statement of common ground;*

There may, occasionally, also be situations where previous levels of housing delivery in an area, or previous assessments of need (such as a recently-produced Strategic Housing Market Assessment) are significantly greater than the outcome from the standard method. Authorities will need to take this into account when considering whether it is appropriate to plan for a higher level of need than the standard model suggests.”

- 1.12 The standard methodology is described in more detail in chapter 3 but to summarise it is three-step approach that takes demographic growth, increases this on the basis of local affordability, with a final step which caps this increase to ensure deliverability.

Draft London Plan

- 1.13 Within London, there is a two-tier planning system with housing targets set centrally by the Mayor. The latest targets are still in draft but for Merton, the Draft London Plan sets out a need to deliver 13,280 additional homes over the next ten years (1,328 per annum).
- 1.14 It should be noted that this target might be further increased in the near future. The secretary of state for communities, housing and local government James Brokenshire’s recently wrote to the London Mayor Sadiq Khan suggesting that an immediate review of London Plan targets would be required (if the Plan is adopted).
- 1.15 This would be in order to reflect the NPPF2 which sets out that the Government expects plans to be reviewed early where all identified housing need (based on the standard methodology) is not being met and to ensure a plan is in place which reflects current national policy.
- 1.16 Further complications arise as on publication of the revised PPG the MHCLG signalled their intention to consult again on a further revised standard methodology. This is in order to ensure that 300,000 dwellings per annum are built by the mid-2020s.
- 1.17 The NPPF2 Standard Methodology and London Plan together with this SHMA will provide important inputs into setting targets for housing provision, but plan-making will also take into account factors such as the supply of land for new development, local infrastructure capacity, open spaces and environmental constraints.
- 1.18 These factors may limit the amount of development which can be sustainably accommodated. It should also be noted that the SHMA does not set housing targets. It provides an assessment of the

need for housing, making no judgements regarding future policy decisions which Borough may take. Housing targets will be set through the local plan.

Wider Government Reforms

- 1.19 There are a number of wider current housing policy issues and proposed reforms which will affect demand and supply of housing. Some of these have already come in to force while others are still being proposed. Amongst these are the changes set out in the table overleaf from the Housing Green Paper among others:

Table 1: Key Government Housing Reforms

Policy	Details
Scrapping the sale of vacant social housing	This proposal would stop local authorities having to sell off affordable housing stock of a higher value once it becomes vacant.
Councils to be given new flexibilities to spend the money raised from right to buy sales on new homes	The proposals include holding receipts for up to five years or giving them to a housing company that they own. The proposals are also consulting remove or increase the cap on spending on replacement units and/or allow them to buy additional stock or to replace the affordable stock with shared ownership.
Scrapping the planned requirement for a fixed tenancy	Local authorities will still be able to use fixed-term tenancies for social and affordable rents at their discretion
Government to make deals with housing associations to provide certainty of funding	This is intended to address the intermittent nature of the government's current approach to allocating funding for five years at a time.
Lowering the household benefit cap threshold	The Welfare Reform and Work Act 2016 will Lower the household benefit cap threshold from £26,000 for a family and £18,200 for a single person, to £23,000 in London (£15,410 for a single person). There will also be a four-year benefits freeze.

Social Housing Rent Reductions	As part of the Summer Budget 2015, the Chancellor announced that rents in social housing would be reduced by 1% a year for four years resulting in a 12% reduction in average rents by 2020-21.
Extension of Right-to-Buy to Housing Association Tenants	<p>As set out above, the Housing & Planning Bill includes proposals for the voluntary extension of Right-to-Buy by Housing Associations to their tenants.</p> <p>Although not enforceable this could reduce affordable housing stock and reduce thus the number of re-lets. Research by Joseph Rowntree Foundation⁶ predicts that nationally 8.3% of housing association tenants will be eligible for and could afford the RTB and that 71% of those will purchase their home over the first five years.</p>
Caps on Social Rents	<p>Rents are also to be capped at the Local Housing Allowance level. For some Registered Providers, this will limit their income to a multiple of the Local Housing Allowance. In the long term likely to influence the type of homes they build with more smaller family homes being likely. The inclusion of the shared accommodation rate for those aged under 35 may also impact the development of one-bed affordable rental units with tenants reliant on housing benefit having a shortfall of at least £30 per week.</p> <p>The reduction in social rents is also likely to influence the type of stock brought forward through development programmes of Registered Providers – which is likely to be more private sale and shared ownership properties. To subsidise rented units Registered Providers may also increase service charges or change the service offer to tenants including support.</p> <p>The LHA cap will also impact on supported housing – there is a one-year exemption but it is expected that Registered Provider developers will put off schemes without surety on income.</p>
Increasing Rents to Market Rates for Social Housing Tenants earning over £40,000	This “pay to stay” initiative will ensure those who can afford to pay market rates will do so. However, it may mean that people are more likely to exercise their right to buy thus reducing the stock level.

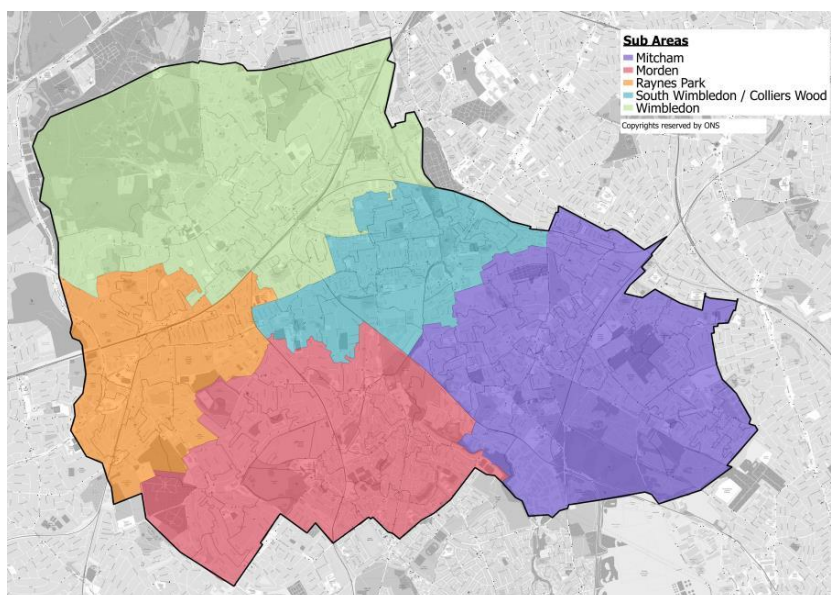
⁶ Understanding the likely poverty impacts of the extension of Right to Buy on housing association tenants. JRF 21st November 2015.

<p>Stamp Duty on Second Homes</p>	<p>The government announced a 3-percentage point surcharge on Stamp Duty rates for Buy-to-Let and Second Home Purchases from April 2016. The evidence from the estate and letting agents indicates that this had a short-term impact on increasing demand from investors seeking to buy homes before the changes came into play. In the longer-term, the impact is less certain.</p>
<p>Tax Relief Changes for Landlords</p>	<p>Investors can currently claim tax relief on mortgage interest at the rate at which they pay tax (20%/ 40%/ 45%). Between 2017-20 the system will change – with landlords liable for tax on all of their rental income, and able to claim tax relief only at the basic rate (20%). This will reduce or eradicate rental returns for higher rate taxpayers, and may push some into higher tax bands.</p> <p>While the introduction of the new rules may not result in a flood of sales, it may well reduce the supply of PRS properties.</p>

Geographies

- 1.20 As well as outputs for Merton borough we have also provided outputs for the Borough’s sub-areas. These have been defined (along with the HMA) in Appendix B of this report. These are also illustrated in the figure below.

Figure 1: Merton Sub Areas



Source: GL Hearn based on ONS Geographies

Report Structure

1.21 The remainder of the report is structured as follows:

- [Chapter 2](#): Housing Baseline Position
- [Chapter 3](#): Demographics and Housing Need
- [Chapter 4](#): Market Signals
- [Chapter 5](#): Affordable Housing Need
- [Chapter 6](#): Private Rented Sector
- [Chapter 7](#): Housing Mix
- [Chapter 8](#): Older persons, Disabled and Other Groups
- [Chapter 9](#): Conclusion and recommendations

2 HOUSING BASELINE POSITION

2.1 This section presents the housing stock baseline position of the Borough and each sub-area. To provide the current stock position we have initially based our analysis on Census Dwelling Stock information. This is then updated with information on net completions as recorded through the Council's Residential Monitoring Dataset. We have also analysed the same data in a sub-area level.

2.2 The table below presents Merton's housing stock as at June 2018. This shows that there are almost 85,000 dwellings in the borough which is 4.6% higher than the position in 2011. The majority of new development has taken place in Mitcham.

Table 2: Housing Stock, June 2018 (rounded to nearest 10)

	Stock 2011	Dwelling Stock 2018	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms
Colliers Wood/ South Wimbledon	14,470	15,230	26%	40%	22%	12%
Mitcham	24,370	25,800	18%	27%	44%	10%
Morden	15,570	16,050	9%	26%	48%	17%
Raynes Park	10,010	10,630	18%	28%	36%	18%
Wimbledon	16,490	17,010	18%	28%	20%	33%
LB Merton	80,920	84,720	18%	29%	36%	17%

Source: Census 2011, LB Merton Monitoring Database– edited by GL Hearn

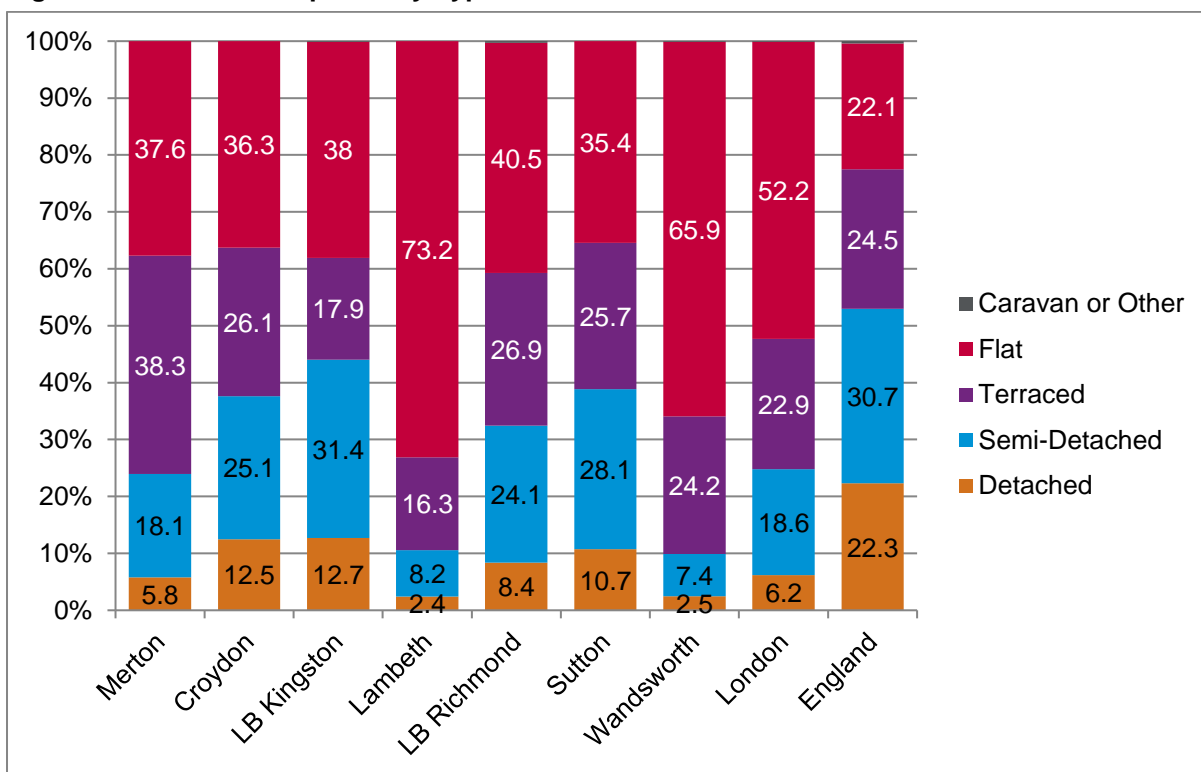
2.3 Merton is a family borough with over half of its properties (53%) being 3+ bedrooms. All the sub-areas, with the exception of Colliers Wood/South Wimbledon, follow the same pattern with over 50% of family homes. Morden exceeds this threshold with 65% of its stock being 3+bedrooms.

2.4 A quarter of the stock of Colliers Wood/South Wimbledon relates to 1-bed properties and 40% to 2 beds. This has attracted many young professionals and couples alongside its accessibility to Central London.

Household spaces by type

2.5 The most common type of household in LB Merton are terraced homes accounting for 38.3%. This is far higher than the London average of 22.9%. The next most common is flats (37.6%) which is conversely lower than the London average of 52.2%. This broadly fits Merton's profile as an Outer London borough.

Figure 2: Household Spaces By Type



Source: Census 2011

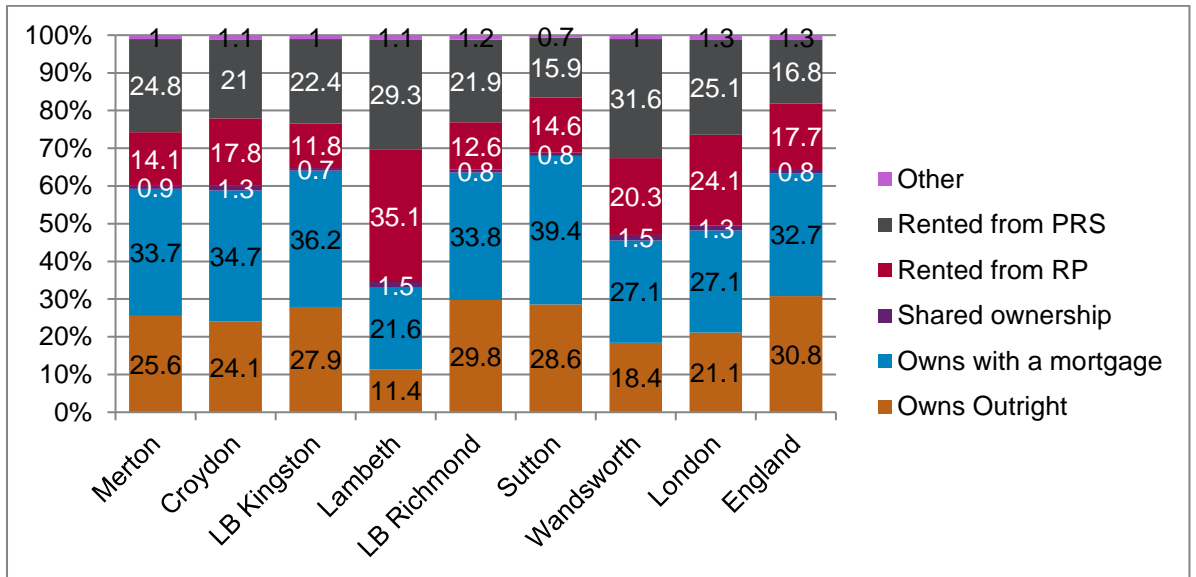
2.6 The proportion of semi-detached (18.1%) and detached houses (5.8%) is similar to the London figure, although this is far less than the England equivalents.

Tenure

2.7 The percentage of households which are owned outright in LB Merton sits between the national figure (30.8%) and the London figure (21.1%) at 25.6%. Between 2001 and 2011, the percentage of households owned outright has decreased by 1.5% in line with the trend seen across London as a whole (-1%). In contrast, the national trend saw an increase in homes owned outright by 1.5%.

2.8 Meanwhile, the percentage of households owned with a mortgage in LB Merton (33.7%) is higher than both the national figure (32.7%) and the London figure (27.1%). All boroughs analysed, as well as London as a whole and England, have seen a significant decrease in this figure from 2001. This is linked to reduced access to mortgages and worsening affordability.

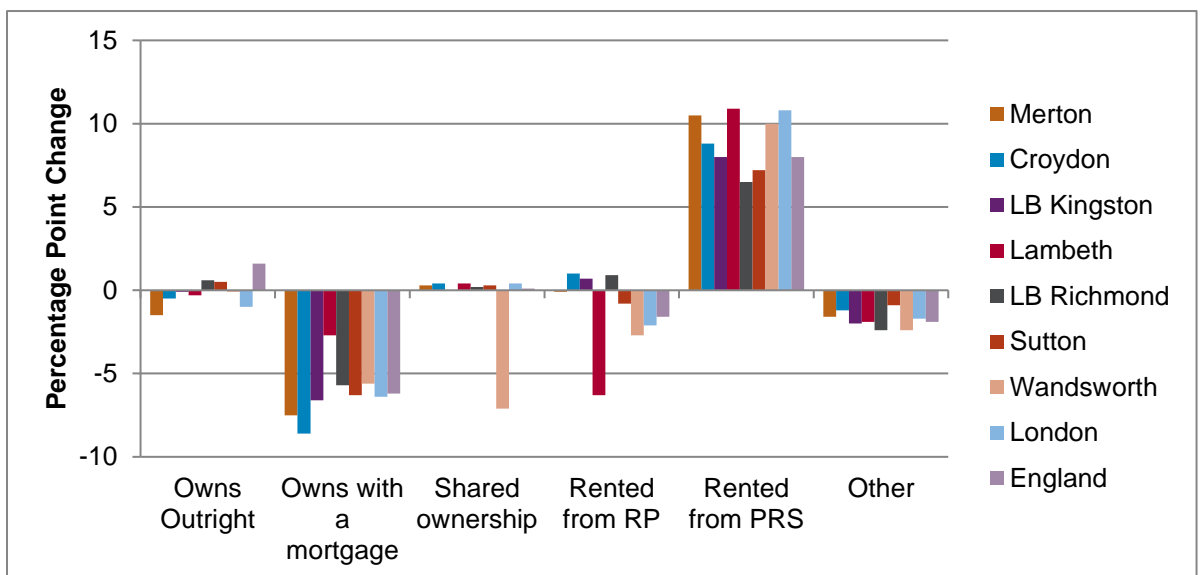
Figure 3: Households by Tenure (2011)



Source: ONS, Census 2011

2.9 The figure of households living in socially rented accommodation in Merton (14.1%) is lower than both the national figure (17.7%) and far lower than that of London as a whole (24.1%). While in contrast, the private rented sector makes up a higher proportion of housing in Merton (24.8%) compared to the national figure (16.8%), but very similar to that of London as a whole (25.1%).

Figure 4: Change in Tenure (2001-2011)



Source: ONS, Census 2011

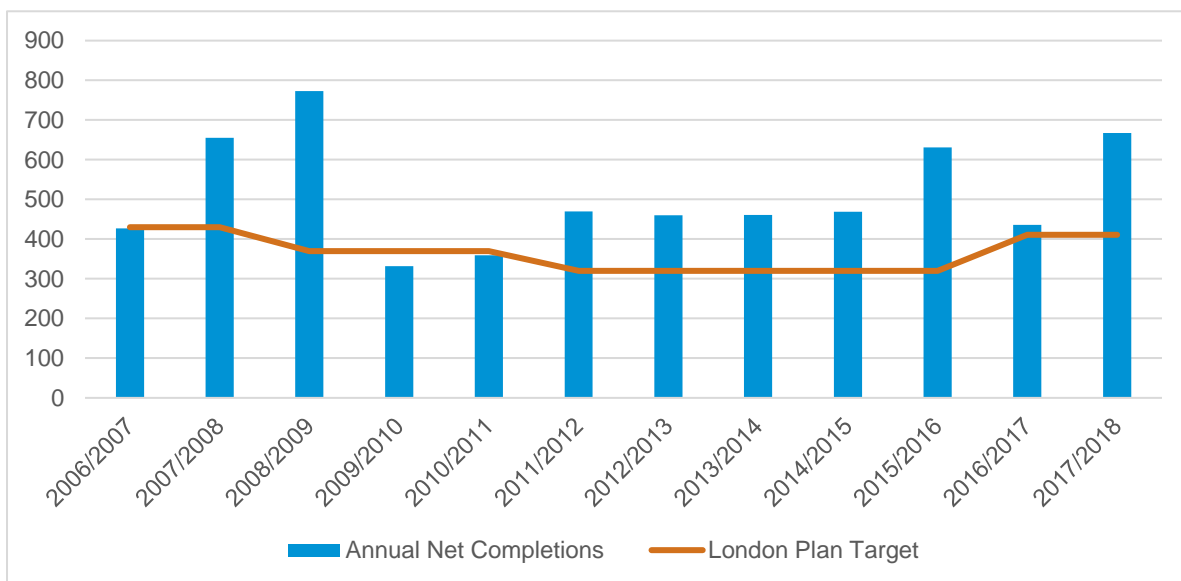
2.10 The private rented sector has seen an increase in prominence across England as a whole as well as London, including all of the boroughs analysed. Merton has seen the second largest increase in this sector (an increase of 10.5% on 2001) only after Lambeth (10.9%). This sector now makes up 24.8% of the housing stock in Merton, broadly similar to the London figure of 25.1%. Again, this trend is linked to the worsening affordability and access to mortgage products.

Historic Housing Provision

2.11 We have examined housing completions data for Merton dating back to 2006/7. The figure below shows the net housing completions in the Borough from 2006/7 to 2017/18 compared to various London Plan targets for the Borough for the same period.

2.12 Over the last six years, there has been an over-supply against the various London Plan targets (+1,180). Before 2010/11, there had been years of under-delivery and others of over-supply. Cumulatively, over the last 12 years, the Council has delivered a total of 6,140 new homes (net increase) against a target of 4,392 homes an over-supply of 1,748 homes.

Figure 5: Housing Provision vs London targets, 2006/2007-2017/18



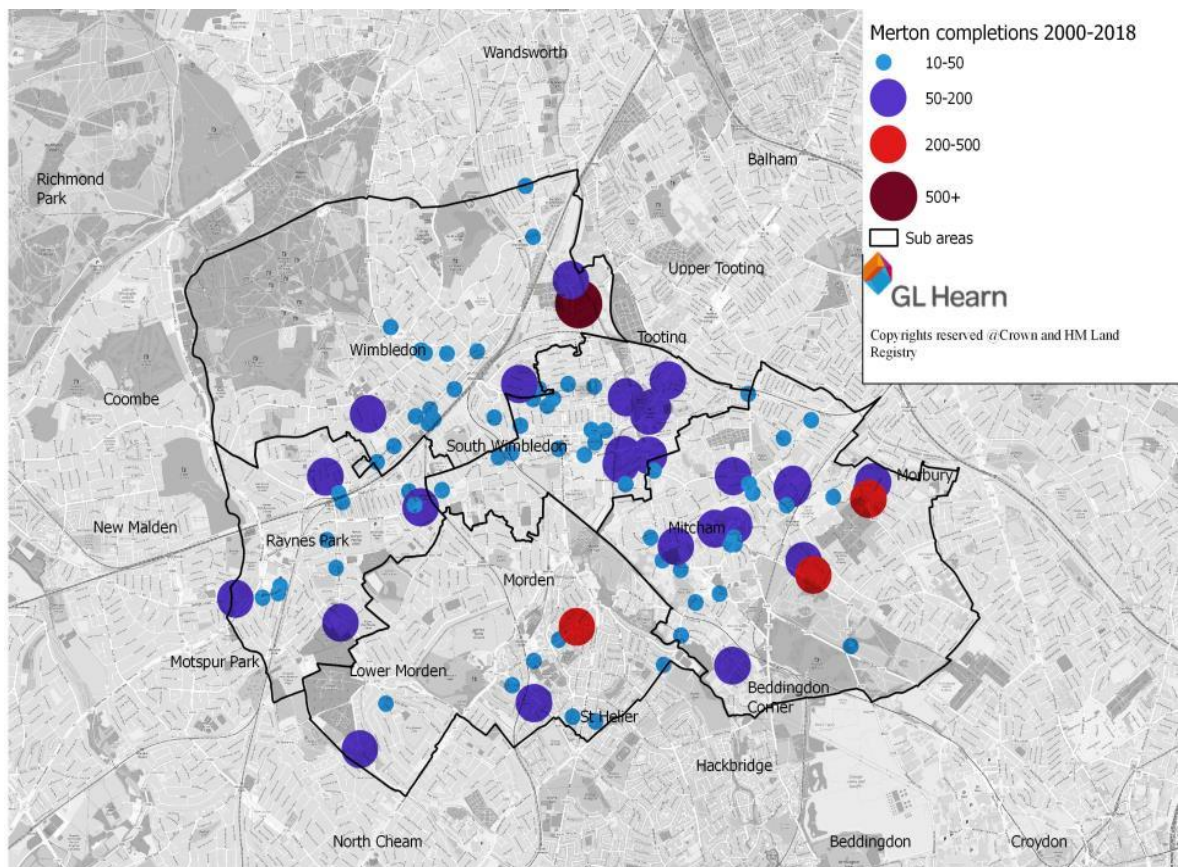
Source: London Borough of Merton – edited by GL Hearn

2.13 However, the new London Plan targets that will come into implementation in April 2019 proposed a 223% increase in the target from 411 to 1,328 dpa. Such a level has never been achieved in Merton over the last 17 years, the highest being 773 in 2008/2009.

Historic Provision by sub-area

- 2.14 We have sought to analyse the historic provision by sub area. As presented in both the graph and the map below. Over the last 15 years, the majority of completions have taken place in Mitcham representing 31% of all the completions.
- 2.15 As illustrated in the map below Mitcham has concentrated the majority of larger schemes (over 50 units - net gain) commenced in Merton including Former Rowan School, Windmill Trading Estate, Brenley Playing Fields, Tooting & Mitcham Football Club, Segas House.

Figure 6: Historic Provision by size and sub-area

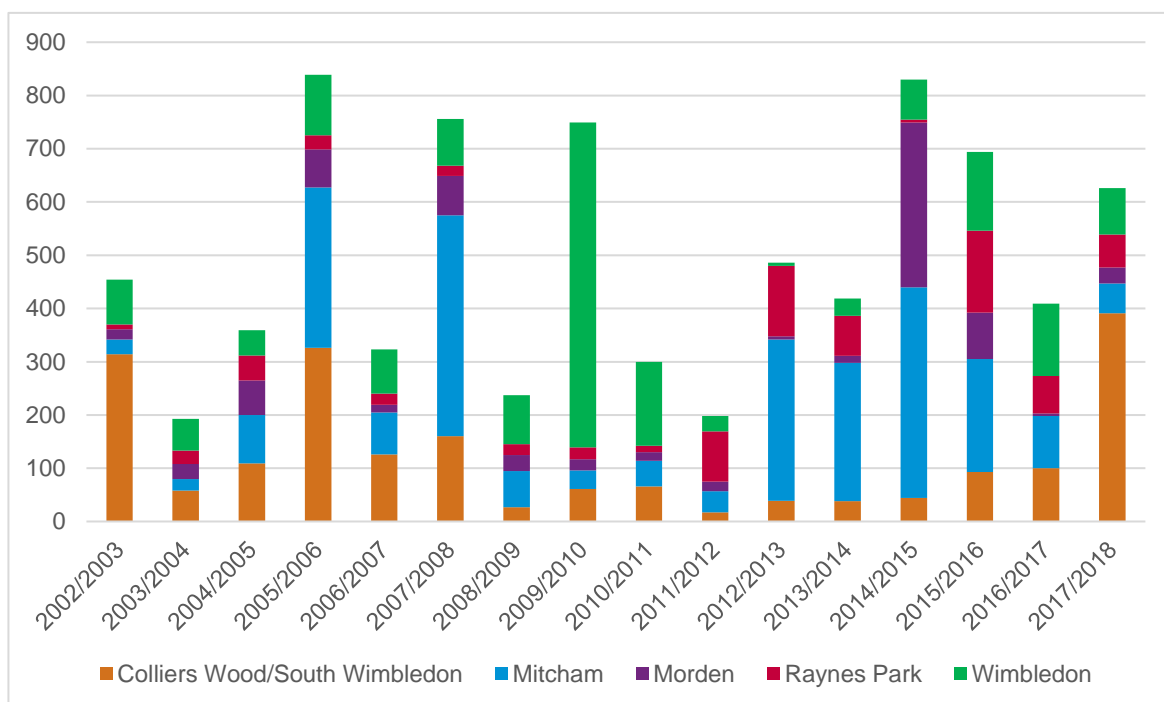


Source: London Borough of Merton – edited by GL Hearn

- 2.16 The Colliers Wood / South Wimbledon sub-area was next most active across the monitoring period (2002/03-2017/18), with 25% of Borough’s new homes being provided there. It should be noted that between 2002/03 and 2007/18, there was a constant provision of new homes in the area relating mainly to Conolly Leather Works in Wandle Bank and Merton Abbey Mills.

- 2.17 In addition, the Former Brown & Root Tower, opposite Colliers Wood underground station, was completed last year (2017/18) boosting the area’s provision. That development provided over 180 built-to-let units.
- 2.18 Wimbledon has contributed 24% of the overall provision. The completion of the Plough Lane scheme boosted the supply up to an including 2009/10. This is expected to happen again once the Wimbledon FC scheme will be completed on the former Wimbledon Stadium.

Figure 7: Net historic provision by sub area 2002-2017

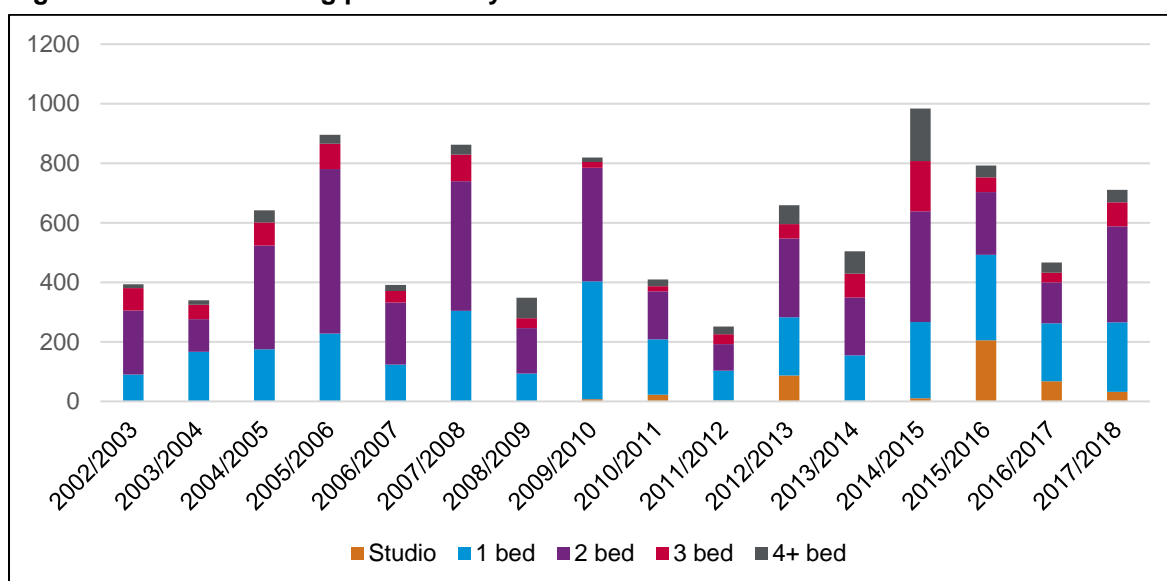


Source: London Borough of Merton – edited by GL Hearn (note that this does not take into account the phasing of larger schemes and reflects the year when the whole development was completed nor does it include permitted developments)

- 2.19 Finally, Morden and Raynes Park contribute 10% of the supply each. Both areas have seen some significant developments including Merton Sixth Form College which is one of the largest schemes completed across Merton (following Plough Lane Development in Wimbledon).

Completions by Bedroom size

- 2.20 The figure below shows the housing gross completions across Merton by the size of property translated into the number of bedrooms. 2-bedroom properties, followed by 1-bedroom, are those that have been provided in notably higher quantum

Figure 8: Gross housing provision by size of unit

Source: London Borough of Merton – edited by GL Hearn (note that this does not take into account the phasing of larger schemes and reflects the year when the whole development was completed nor does it include permitted developments)

2.21 The Borough has also seen an increase in studio schemes recently, while larger family homes have been constantly delivered across the borough at a rate of 22% since 2011/12. Although each-sub areas completions are similar to the Borough’s equivalent there are some differences particularly on the proportions of large family homes.

Table 3: Gross Completions by size and subarea, 2011-2018

	Studio	1 bed	2 bed	3+4 bed completions
Colliers Wood/South Wimbledon	8%	38%	44%	10%
Mitcham	9%	27%	39%	26%
Morden	1%	36%	44%	19%
Raynes Park	15%	35%	32%	18%
Wimbledon	14%	32%	21%	33%
Merton	9%	32%	36%	22%

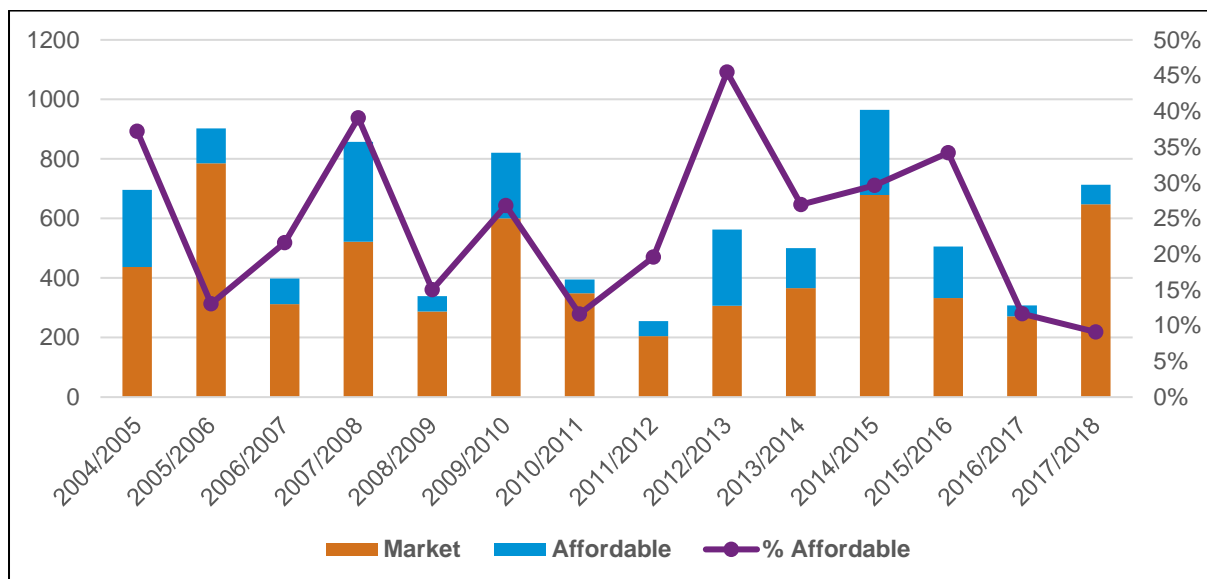
Source: London Borough of Merton – edited by GL Hearn (not including permitted development)

2.22 Around 33% of the provision in Wimbledon is 3+ bedroom properties while Colliers Wood/South Wimbledon’s equivalent is just 10%. This reflects that character of each area. With the exception of Morden which only delivered 3 studios all of the sub-areas delivered at least 8% of their additional stock in this form.

Tenure

2.23 A total of 2,116 affordable homes have been built in Merton between 2004/15 and 2017/18. This level of provision relates to an average of 151 affordable units per annum or 26% of the annual gross dwelling provision across the Borough. The figure below shows the housing provision split by tenure.

Figure 9: Gross completions – market and affordable units, 2004/15-17/18



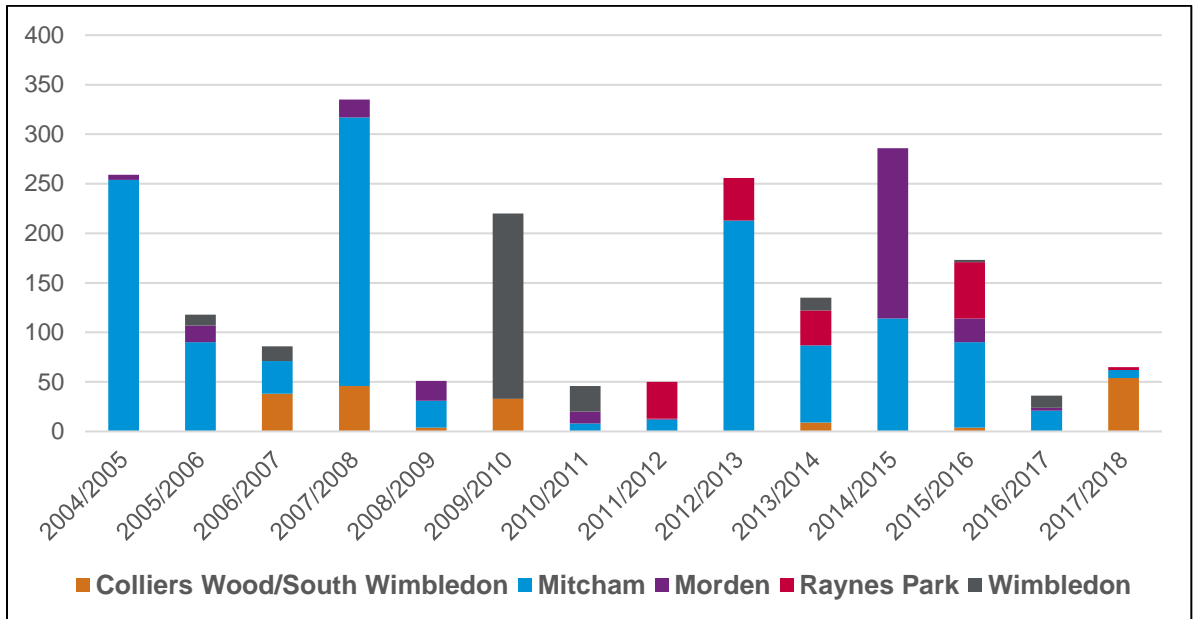
Source: London Borough of Merton – edited by GL Hearn (note that this does not take into account the phasing of larger schemes and reflects the year when the whole development was completed nor does it include permitted development)

2.24 It should be noted that the private developments include the delivery of build to rent schemes as well as any private development that is subsequently transferred to PRS. This is not monitored therefore it is not possible to break this down further.

2.25 It should also be noted that the majority of developments are on sites with 10 units or fewer and so do not contribute any affordable housing. Only schemes with 11 units or more are expected to deliver 40% affordable housing.

2.26 The figure overleaf shows how this affordable provision is distributed across the five sub-areas. Most of the affordable provision (57%) has been provided in Mitcham. This provision includes 160 units provided in 2004/15 near Pollards Hill Estate, the Tooting and Mitcham FC (50 units in 2005/06), the Former Builders Yard (50 units in 2007/08) in Sandy Land, 90 units in Miles Road and 60 units completed in London Road.

Figure 10: Gross affordable completions by sub-area, 2004/05-17/18



Source: London Borough of Merton – edited by GL Hearn (note that this does not take into account the phasing of larger schemes and reflects the year when the whole development was completed nor does it include permitted developments)

- 2.27 Wimbledon and Morden have also seen some provision of affordable homes each contributing 13% and of the total provision respectively. Some of the largest schemes include Plough Lane development (170 units in 2007/08) in Wimbledon and Merton Sixth Form College (85 units in 2014/15) and the Oaks in Eastway (50 units in 2014/15) in Morden.
- 2.28 Finally, there 9% of the provision of affordable units was in Colliers Wood/ South Wimbledon and 8% in Raynes Park sub-areas. Some key schemes include 50 units in Burlington Road, Raynes Park (2015/16) and 55 units in Christchurch, Colliers Wood (2017/18).

Prior Approvals

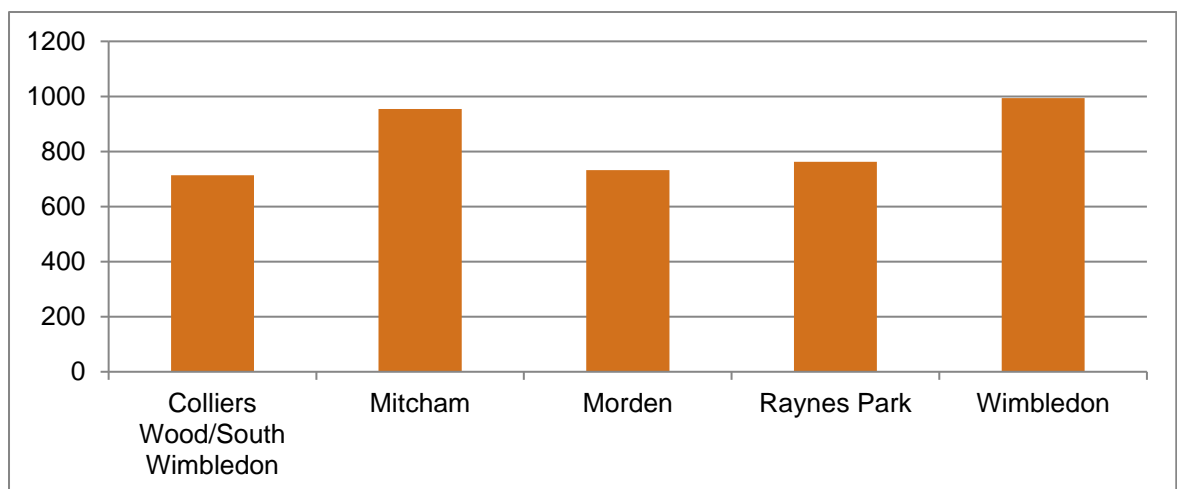
- 2.29 We have undertaken some analysis on prior development in Merton for conversion of office, retail and storage uses to residential. In 2017-18, 57 new homes were delivered through Prior Approvals. This was a significant reduction from the previous year when 149 new homes were delivered. This was itself was a large reduction from the previous year when 236 new dwellings were delivered (2015-16).
- 2.30 Since 2013 prior approvals of office to residential have largely been focused in the Cricket Green, Dundonald, Village and West Barnes Ward. This resulted in a loss of 12 office spaces over the last year (17/18).

- 2.31 Information on what happens to prior approval developments once this is achieved has not historically been collated. However, since the start of 2017, a review of planning decisions showing prior approvals has been collated and cross-referenced to sales and lettings data. However, this is not a complete dataset, therefore the findings can only be seen as anecdotal.
- 2.32 What little information that is available indicates that the majority of developments are being sold. Although there is some evidence that some conversions are now in the private rental sector. There is a wide range in quality from over-shop development to high-end re-developments.
- 2.33 The average price of those homes and flats being advertised or sold averages £519,000 this compares to £608,000 for all new build properties. This suggests that the prior approvals are providing lower-cost affordable homes.

Housing Pipeline

- 2.34 We sought to undertake a similar exercise considering the Borough's current pipeline supply⁷ (as of July 2018). This includes all the schemes with planning permission, which have not lapsed, within the Borough. The figure below shows the data for each sub-area.
- 2.35 The majority of upcoming new homes are in Wimbledon followed closely by Mitcham. Key schemes include the Volante Site adjacent to the new Wimbledon FC stadium and the remainder of the Former Atkinson Morley site in Wimbledon and Pollards Hill Estate in Mitcham.

Figure 11: Future homes within the pipeline by sub-area (July 2018)



Source: London Borough of Merton – edited by GL Hearn

⁷ Sites with planning permission only.

2.36 Raynes Park and Morden each provide around 18% of the future supply. Finally, 17% of the current pipeline falls within the South Wimbledon / Colliers Wood sub-area. However, once further developments including the Estates Plan are given planning permissions this supply distribution will change radically.

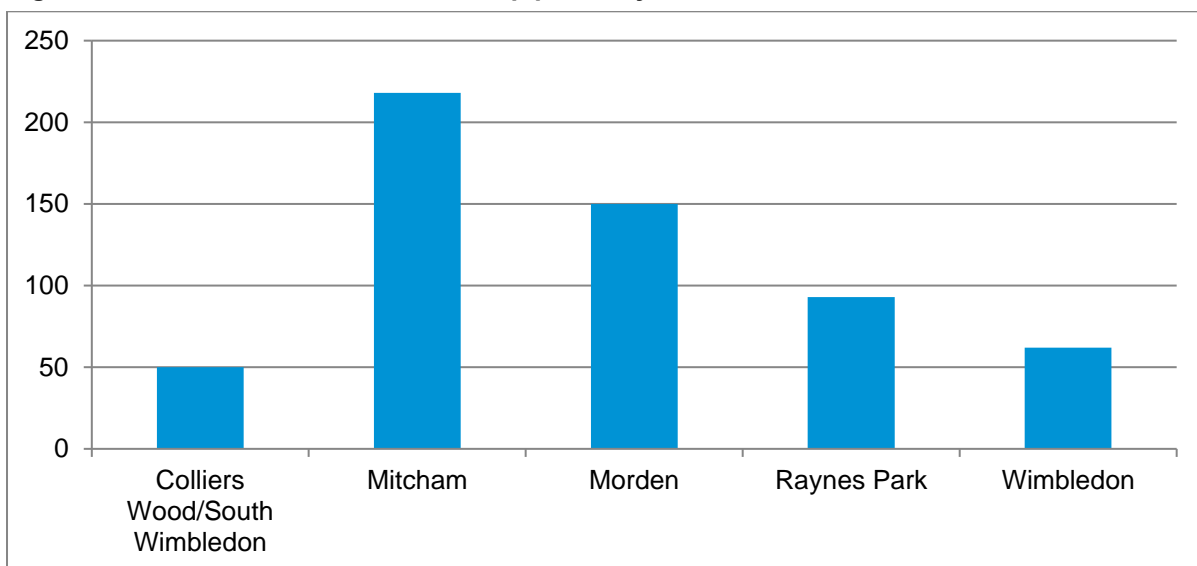
2.37 The Estates Plan will see a much higher level of growth at three estates in Merton, namely Eastfields (Mitcham), High Path (South Wimbledon) and Ravensbury (Mitcham/Morden). These developments are not included in the above table.

Affordable Pipeline

2.38 In terms of dwelling stock, according to the Ministry of Housing, Communities & Local Government Live Table 100, it is estimated that Merton has a total of 11,400 affordable dwellings (14% of the total stock) in March 2017. In addition, there is a total of around 573 affordable units within Merton’s pipeline (sites with planning permission).

2.39 These are distributed as presented in the figure below. Once again Mitcham has the most provision with 38% of the pipeline, followed by Morden (26%). The remainder are located in Raynes Park (16%), Wimbledon (11%) and in Colliers Wood/South Wimbledon (9%).

Figure 12: Affordable Units in Merton’s pipeline by sub-area



Source: London Borough of Merton – edited by GL Hearn

2.40 However, this provision will change (in scale and distribution) once the Borough’s upcoming key schemes including Morden’s regeneration and the Estate Regeneration programme are included in the pipeline.

Housing Baseline Key Summary

Merton has a total of 84,720 dwellings as in July 2018 comprising:

- 15,230 dwellings in Colliers Wood / South Wimbledon
- 25,800 dwellings in Mitcham;
- 16,050 dwellings in Morden;
- 10,630 dwellings in Raynes Park; and
- 17,010 dwellings in Wimbledon

Based on census data on households rather than dwellings, Merton has a total of 83,275 households in July 2018. These are distributed as below:

- 14,690 1-bedroom households (including studios)
- 24,242 2-bedroom households
- 30,068 3-bedroom households
- 14,275 4+-bedroom households

Around 14% of the total dwelling stock is affordable. A total of 2,100 affordable units have been delivered since 2004. These are distributed as below:

- 196 in Colliers Wood / South Wimbledon;
- 1,208 in Mitcham;
- 250 in Morden;
- 166 in Raynes Park; and
- 279 in Wimbledon

3 DEMOGRAPHICS AND HOUSING NEEDS

3.1 This section of the report first examines the demographic baseline for the London Borough of Merton benchmarked against other boroughs and well as wider comparators. This section also provides outputs from analysis of local population and household data.

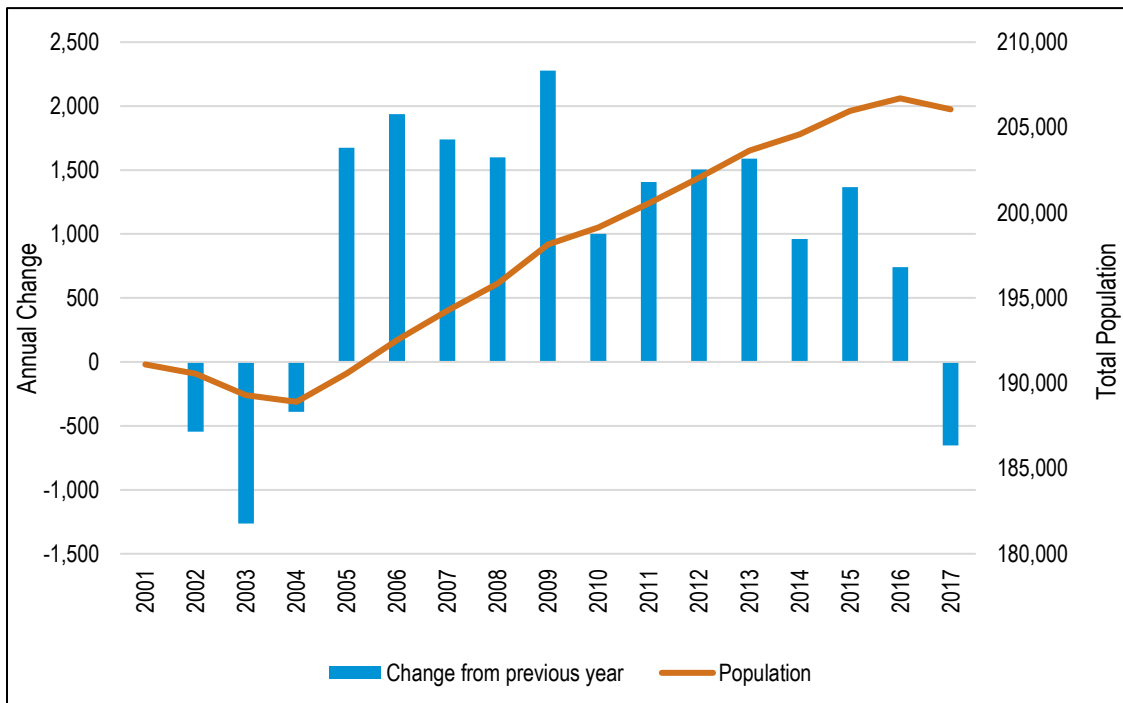
3.2 A range of data has been accessed, including the Census and official population and household projections from the Office for National Strategic (ONS) (the latest being 2016-based) and also projections from the Greater London Authority GLA – the latest of which take a 2016-base.

3.3 We also draw on the previous household forecasts produced by the Ministry for Communities and Local Government (MHCLG) 2014-based data.

Demographic Baseline

3.4 The figure below shows population growth from 2001 to 2017, using data from the ONS mid-year population estimates (MYE). This shows a population decline in the period to about 2004, followed by a period of steady population increase. The most recent years (since about 2013) have seen lower levels of population growth, with the 2016-17 period recording a fall in the population of the Borough.

Figure 13: Population change in Merton – 2001-17

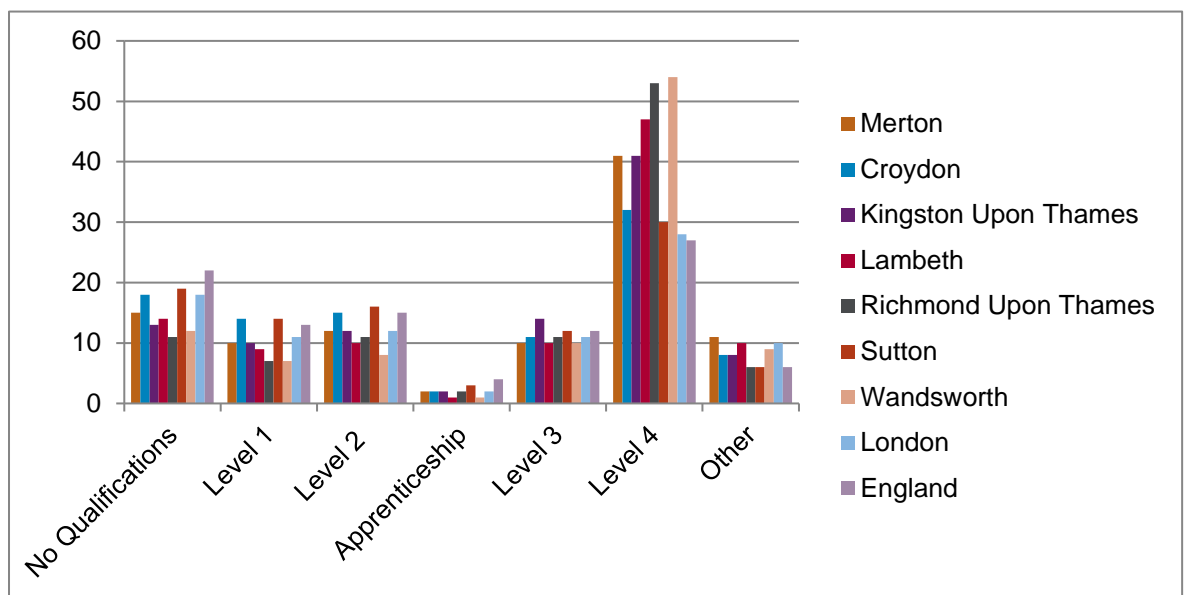


Source: ONS

Level of Educational Attainment

3.5 LB Merton has a much higher proportion of residents qualified to at least ‘Level 4’, the equivalent of an undergraduate degree, than England and London as a whole, at 41% compared to 27% and 28% respectively. Although this is not as high as Wandsworth, Richmond and Lambeth.

Figure 14: Highest Level of Education Attained



Source: Census 2011

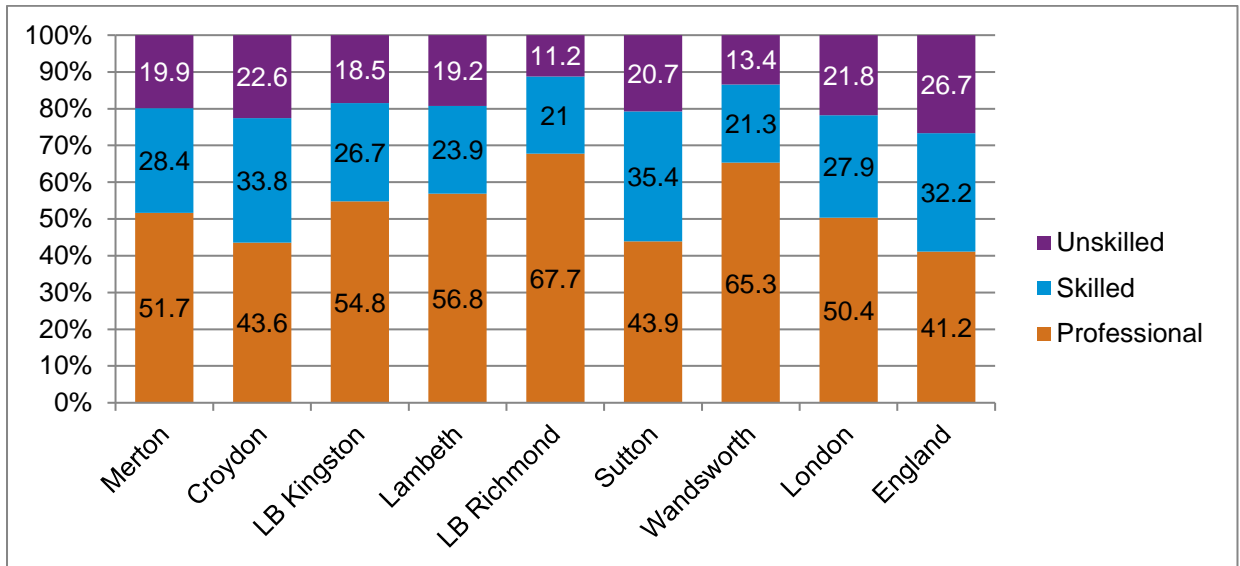
3.6 Additionally, Merton has a lower percentage of residents with no qualifications compared to England and London. This proves that the skills profile of the Borough’s residents is clearly well above average.

Occupation

3.7 Despite Merton having a stronger education profile than the London average, the percentage of the borough’s residents working in professional and skilled work is broadly in line with London as a whole. However, this is still higher than the national average.

3.8 Approximately 20% of Merton’s residents are in unskilled professions which is slightly less than the London average (21.8%) and less than the national average (26.7%).

Table 4: Occupation Level



Source: ONS, Census, 2011

Earnings

3.9 The median wage of LB Merton’s residents in full-time employment (£35,708) is less than that of three other boroughs considered in this analysis: Richmond (£40,818), Wandsworth (£40,123), and Kingston upon Thames (£37,594).

Figure 15: Median Earnings (Resident and Workplace) - 2017



Source: Annual Survey of Hours and Earnings, 2018

- 3.10 However, the Borough-wide median is still slightly higher than the London wide median (£34,725), although it is significantly higher than the national median (£29,085).
- 3.11 The median workplace earnings of LB Merton (£29,627) are far lower than residents' earnings suggesting a net outward flow for high paying jobs which fits the general trend of Outer London boroughs.
- 3.12 However, the difference is significant with Merton's workplace earnings being far lower than the London average workplace earnings (£37,171) and similar to the national average (£29,083). Of the other boroughs analysed, only Lambeth bucks this trend and is an Inner London borough.

Commuting

- 3.13 Resident's earnings will reflect the fact that around 15% of the borough's resident workforce work in Westminster and the City where higher wages are more common. Indeed around 43% of residents work in Inner London.

Table 5: Where Residents Work, 2011

	No Persons	% Resident Workforce	% Resident Workforce (excl. Offshore/ No Fixed Place)
<i>Self-Containment</i>	16,588	16%	20%
<i>Self-Containment including Working from Home and No Fixed Workplace</i>	37,356	35%	44%
Inner London			
<i>Inner London Boroughs</i>	45,567	43%	54%
<i>... of which</i>			
<i>Westminster and City</i>	16,210	15%	19%
<i>Wandsworth</i>	8,798	8%	10%
Outer London			
<i>Outer London Boroughs (Ex Merton)</i>	14,647	14%	17%
<i>... of which</i>			
<i>Sutton</i>	3,929	4%	5%
<i>Kingston Upon Thames</i>	3,504	3%	4%
<i>Croydon</i>	2,775	3%	3%
<i>Self-Containment within London</i>	76,802	73%	91%
Inter-regional and International			
<i>Other UK Regions</i>	7,799	7%	9%

Source: GLH Analysis of 2011 Census

- 3.14 Around 16% of residents work in Merton. This increases to 35% when those who work from home or have no fixed workplace are included in this number. Only around 7% of Merton residents work outside of London the greatest number of which work in Elmbridge 1%.

Index of Multiple Deprivation

- 3.15 The Index of Multiple Deprivation is a qualitative study conducted by the Department of Communities and Local Government (DCLG), looking into how deprived areas of England are, this is based on seven topics and criteria (see Table below).
- 3.16 The index ranks every local authority and Lower Super Output Area (LSOA) on these criteria and given a combined overall deprivation score. The latest study was conducted in 2015. Overall, LB Merton is ranked 212 of 327 local authorities placing it within the least deprived 35% of MSOAs in the country.

Table 6: Index of Multiple Deprivation Ranking for LB Merton

Index	LA Ranking (of 327 with 1 being most deprived)	National Percentile	% of LSOAs in most deprived 10%
Overall	212	64.8%	0.0%
Income	185	56.6%	1.6%
Employment	246	75.2%	0.0%
Education	288	88.1%	0.0%
Health	236	72.2%	0.0%
Crime	79	24.2%	7.3%
Barriers to Housing & Services	195	59.6%	0.8%
Living Environment	53	16.2%	4.8%

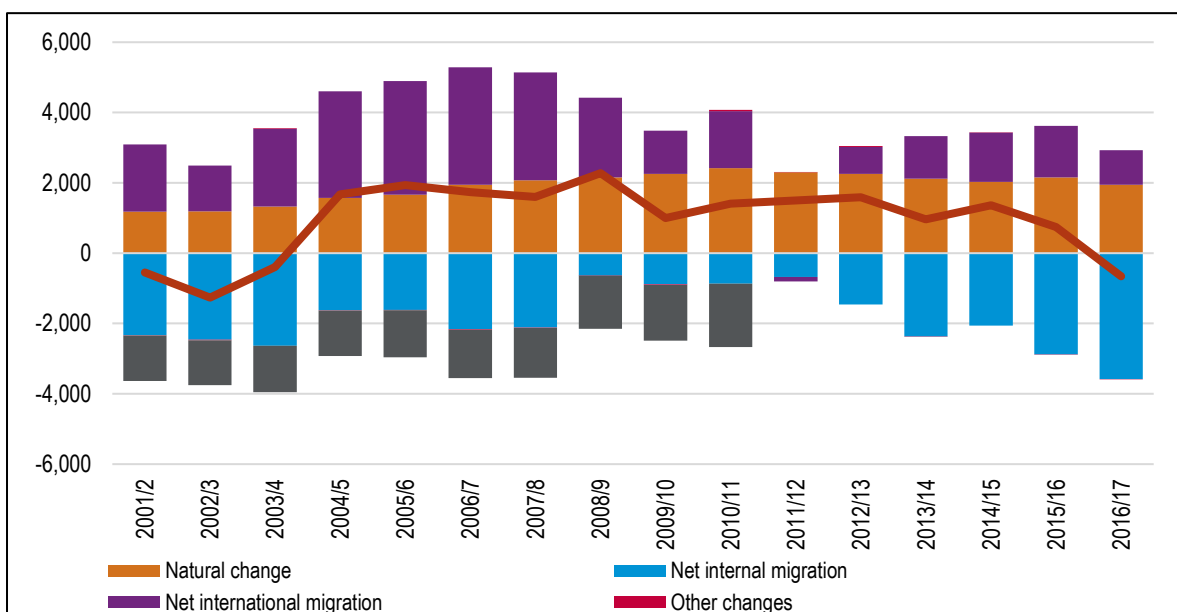
Source: GLH Analysis of CLG IMD, 2015

- 3.17 The borough performs well across most of the seven indicators with the exceptions of crime and living environment. Much of the crime is related to anti-social behaviour in the Town Centres in the Borough.

Recent Demographic Trends

- 3.18 The table below shows the components of population change in the Borough over the 2001-17 period. This shows that much of the population growth is driven by international net migration, along with positive natural change (i.e. more births than deaths). Generally, there is a net out-migration from Merton to other parts of the country. The patterns seen in Merton are similar to those seen across London.

Figure 16: Components of population change, mid-2001 to mid-2017 – Merton



Source: ONS

Projected population growth

- 3.19 The latest population projections from ONS are a 2016-based set (sub-national population projections (SNPP)), additionally, the GLA have also published their own 2016-based version, the Central variant being based on migration trends over the 10-year period from 2006-16.
- 3.20 As can be seen above, there are now official population estimates for 2017 and so it is possible to rebase the SNPP by including the estimated data for 2017. The GLA also publishes population projections set against estimates of future housing delivery, the latest of these projections are based on delivery of a little under 900 additional units⁸ per annum on average in the 2017-35 period.
- 3.21 The table below shows the projected population growth under a number of scenarios as described above. The projections look at the 2017-35 period. The core projections are:
 - 2016-based SNPP (2016-SNPP)
 - 2016-based SNPP plus mid-year estimates (2016-SNPP+MYE)
 - GLA Central projections (GLA_Central)
 - GLA Housing-led (GLA_Housing)

⁸ Delivery based figure

- 3.22 The analysis shows that the GLA projections are showing much higher levels of future population growth than the ONS figures. The latest official projections show population growth over the 18-year period of around 8%, whereas the GLA Central scenario is approaching double this figure with a growth of 16%. The housing-led figure also shows a notably higher level of population growth than the official projections.

Table 7: Projected population growth in a range of projections

	Population 2017	Population 2035	Change	% Change
2016-SNPP	207,897	225,089	17,192	8.3%
2016-SNPP+MYE	206,052	222,466	16,414	8.0%
GLA-Central	208,227	240,630	32,404	15.6%
GLA-Housing	208,231	236,666	28,435	13.7%

Source: Derived from ONS/MHCLG data and GLA

- 3.23 As well as the projections shown above, the analysis in this report has looked at the implications for population growth of the Council meeting the targets in the draft London Plan (1,328 dwellings per annum) and also with a housing delivery figure averaging 823 dwellings.
- 3.24 This figure is taken from the Council's Strategic Housing Land Availability Assessment, which was undertaken using the GLA approach. Overall, the figures include a rounded capacity from large sites of 6540 over the next ten years. To which an allowance for windfall⁹ which on average generate 169 dpa per year. Together these figures over a 10 year period are expected to generate 8,228 dwellings. This divided by 10 gets them an average figure of 823 new dwellings per year, and is used as the average over the longer term.
- 3.25 This figure is considered by the Council to be a realistic upper end based on their knowledge of available sites and past delivery and the overall capacity of the Borough. It also falls slightly short of the GLA housing led figure.
- 3.26 The 1,328 dpa figure is based on capacity at large sites and trends based on the conversion of larger properties into smaller homes. This is not considered to be appropriate in Merton where such trends have never transpired and there is limited capacity for such a level of conversions. As such, it would seem unreasonable for the Council to plan on the basis of the GLA projections or capacity that does not reflect the reality of housing delivery or capacity within the Borough.
- 3.27 In order to translate these capacity-led figures into population growth, we have used the latest official projections (2016-based) as the starting point with adjustments made to migration and household

⁹ Including from change of use, conversion (not office to residential in Wimbledon Town Centre which they are now protected against), new build on smaller sites and development on garden land.

formation rates to fill these homes. Although the 2016-based household projections have been criticised by many parties (see representations to MHCLG consultation on the standard methodology) the population projections which underpin them have largely been accepted as robust.

- 3.28 For the 823 dpa scenario, we have assumed a part return to trend (halfway between the 2016-based 2001 figure) for younger households (25-34 and 35-44-year-olds) and for the 1,328 dpa scenario a full return to 2001 levels for younger households.
- 3.29 This approach reflects the intention of the guidance which is to make improvements to household formation through uplifts to the demographic baseline. This will also increase options for people to move to the borough that perhaps previously had been priced out. The higher the increase the better the improvement.
- 3.30 The table below shows population growth associated with these two scenarios and contrast with the latest official projections (2016-SNPP). The additional projections can be described as:
- Population growth associated with 1,328 additional dwellings per annum (1,328-dpa); and
 - Population growth associated with 823 additional dwellings per annum (823-dpa)
- 3.31 The analysis shows that the draft London Plan dwelling target would potentially be expected to see a substantial increase in population, whereas the Council's own view about potential delivery shows more modest growth, albeit growth that is still above the level shown by the most recent official projections.

Table 8: Projected population growth in a range of projections

	Population 2017	Population 2035	Change	% change
2016-SNPP	207,897	225,089	17,192	8.3%
1,328-dpa	206,052	249,689	43,637	21.2%
823-dpa	206,052	226,629	20,577	10.0%

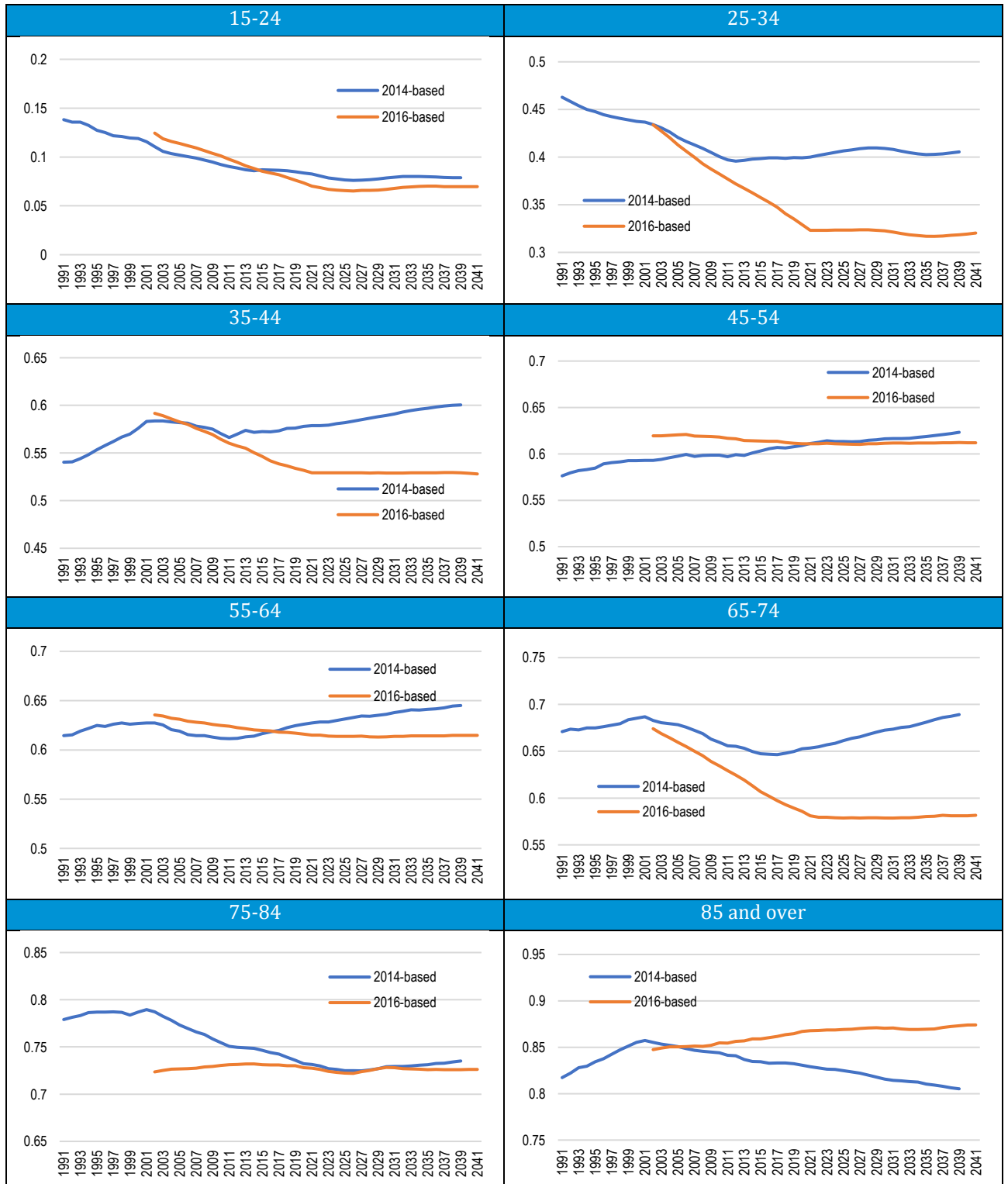
Source: Demographic projections

- 3.32 It would, therefore, seem prudent to consider the most robust assessment of population growth (based on methodology and likely delivery) as those shown in the official projections with the sensitivity relating to local capacity being the realistic upper end of growth.
- 3.33 However, we recognise that the target from the Draft London Plan requires further exploration given its likely status as the document driving local housing targets across London. As such, we have used both the 823 and 1,328 dpa figures to produce outputs for the remainder of the report.

Household Representative Rates (Household Formation)

- 3.34 Having studied the population size, the next step in the process is to convert this information into estimates of the number of households in the area. To do this the concept of household representative rates (HRR) is used. HRRs can be described in their most simple terms as the number of people who are counted as heads of households (or in this case the more widely used Household Reference Person (HRP)).
- 3.35 The latest HRRs are contained in the ONS 2016-based subnational household projections (SNHP) – these were published in September 2018. It would be fair to say that the 2016-based SNHP have come under some criticism, this is because they arguably build in a suppression of household formation.
- 3.36 The figure below compares HRRs in the 2014- and 2016-based SNHP – the figures are essentially the proportion of a particular age group that is considered to be the ‘head of household’ (HRP as described above). Overall, the analysis would suggest that the 2016-based figures are building in suppression, particularly when looking at the 25-34 and 35-44 age groups.
- 3.37 Looking at some of the older age groups, it can be seen that the 2016-based SNHP are projecting for there to be some increases in HRRs (particularly the 85 and over group). Whilst an increase is possible (and does appear to be the trend) it is thought that overall HRRs for older groups are actually more likely to fall over time. This is due to improving mortality rates and therefore the likelihood that households will remain as couples for longer.
- 3.38 In making use of the 2016-based projections, it is suggested that some adjustments are made to reduce the apparent suppression (as well as to deal with possible issues within older age groups). This is discussed in more detail in the following section.

Figure 17: Projected Household Representative Rates by age of head of household – Merton



Source: Derived from ONS and CLG data

- 3.39 The table below shows some initial assessments of housing need linking to the 2016-based projections (along with some other scenarios). To get from household growth to housing need a further allowance has been added for vacant homes – this has been based on 2017 Council Tax data, with a vacancy allowance of 3.4% being used.
- 3.40 In some instances, such as the GLA projections, the figures provided are as published by GLA, whereas in some cases (e.g. the dwelling led projections) the figures for housing need are essentially provided.
- 3.41 The table below shows the housing need associated with the various projections developed. The two projections linked to official ONS statistics show a need of around 500 dwellings per annum, whereas the GLA housing projection (which is described on their website as the recommended scenario for most uses) is higher at 897 dwellings per annum.
- 3.42 The Councils own view of potential delivery based on capacity and windfall trends shows a capacity for 823 dwellings per annum. This sits in the middle of this range and is arguably a reasonable position to take.

Table 9: Projected household growth and housing need with a range of scenarios – Merton

	Households 2017	Households 2035	Change in households	Per annum	Dwellings per annum
2016-SNPP	79,827	88,903	9,075	504	521
2016-SNPP+MYE	79,215	87,931	8,716	484	501
GLA-Central	83,508	102,715	19,207	1,067	1,104
GLA-Housing	-	-	-	-	897
1,328-DPA	79,215	102,326	23,111	1,284	1,328
823-DPA	79,215	93,538	14,322	796	823

Source: Demographic projections

Housing Need and the Standard Method

- 3.43 This section seeks to review recently published data from ONS (around population growth) to estimate what housing need might be suggested by the Government's proposed standard method. It should be recognised that there may be changes to the method in the coming months as MHCLG consult on potential changes.

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

Start Point

- 3.45 The initial revisions to the Planning Practice Guidance makes it clear that national household projections should provide the demographic baseline for every local authority. After a period of consultation in February 2019, the MHCLG confirmed that local authorities should revert to the 2014-based household projections when calculating their OAN during the standard methodology.
- 3.46 The Standard Method proposes that the demographic baseline should be the annual average household growth over a 10-year period with the current year being the first year. As this document is being published in 2019 then the period examined is 2019-2029.
- 3.47 We have also examined the 2017-2027 period to be consistent with the start date of the projections developed in this report, and also because 2017 is the latest data for which ONS has published affordability data.
- 3.48 Across the Borough, the 2014-based projections show household growth of 11,203 for the 2017-27 period (1120 households per annum). This equates to a 13.2% increase in households over the same period.
- 3.49 For the 2019-29 period, the projections show a growth of 10,960 households (1,069 households per annum). This equates to a 12.5% increase in households over the same period.

Market Signals Adjustment

- 3.50 The methodology seeks to adjust the demographic baseline on the basis of market signals. The adjustment increases the housing need where house prices are high relative to workplace incomes. This uses the published median workplace based affordability ratios from the Office for National Statistics. This is the ratio between workplace earnings in a given area and the median house price.
- 3.51 Specifically, the adjustment increases the housing need derived from the household projections by 0.25% for every percentage point the affordability ratio is above four (4.0). This is justified on the basis that four is the typical multiple used by mortgage providers to gauge affordability. The equation is as follows:

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

- 3.52 In 2017, the workplace affordability ratio in Merton was 15.44; i.e. median house prices were 15.44 times the median earnings of those working in the Borough. This means that the adjustment factor for Merton is 0.715 or 71.5%. This is calculated as follows: $(15.44 - 4) / 4 \times 0.25$.
- 3.53 To this point, the housing need in Merton would be 71.5% above the demographic baseline of 1,120 and 1,096 households per annum. This uplift takes the OAN to 1,921 dwellings per annum and 1,880 dwellings per annum.

Capping

- 3.54 The final step in the standard method is to possibly cap the market signals uplift; in the PPG it is noted that *'the market adjustment could lead to a significant increase in the local housing need in some parts of the country. To help ensure the method is deliverable, a cap on the local housing need may be applied'*.
- 3.55 There are two situations where a cap is applied. The first is where an authority has reviewed their plan (including developing an assessment of housing need) or adopted a plan within the last five years. In this instance, the need may be capped at 40% above the requirement figure set out in the plan.
- 3.56 The second situation is where plans and evidence are more than five years old. In such circumstances, a cap may be applied at 40% of the higher of the projected household growth or the housing requirement in the most recent plan (where this exists).
- 3.57 In Merton, the capping means that the housing need would be set at 40% above the household projections (i.e. 1,120 or 1,096 \times 1.4) and would lead to a figure of 1,568 dwellings per annum for the 2017-27 period and 1,534 dpa over the 2019-29 period. These figures would be classed as the objectively assessed need for the Borough under the standard methodology.
- 3.58 However, the Council's view about potential delivery suggests that the standard methodology (1,568 dpa) is very unlikely to be achieved with the capacity led figure (823 dwellings per annum) likely to be more realistic. While the GLA figure (1,328 dpa) could also claim this, it is less likely to occur given the local assessment of capacity. We have however still provided analysis based on both figures.

Age structure changes

- 3.59 The analysis above has focused on overall population change and household growth. Within all of the projections, there is also information about how the population profile is expected to change. The

analysis below looks at age structure changes with a focus on older people (aged 65 and over) and the number of people of student age (taken to be 18-23 for the purposes of this analysis).

- 3.60 All of the data is based on the projection linking to 823 dwellings per annum and the draft London Plan target of 1,328 dpa. The table below summarises the findings for key (5 year) age groups. For both scenarios, the largest growth will be in people aged 65 and over.
- 3.61 Based on the 823 dpa scenario, in 2035 it is projected that there will be 37,600 people aged 65 and over. This is an increase of 11,900 from 2017, representing growth of 46.5%. The population aged 85 and over is projected to increase by an even greater proportion, 52.9%.
- 3.62 Based on the 1,328 dpa scenario in 2035 it is projected that there will be 38,400 people aged 65 and over. This is an increase of 12,750 from 2017, representing growth of 49.7%. The population aged 85 and over is projected to increase by an even greater proportion, 49.7%.
- 3.63 Looking at the other end of the age spectrum the data shows that there is projected to be little change in the number of people aged under 15, with increases or decreases shown for other age groups.

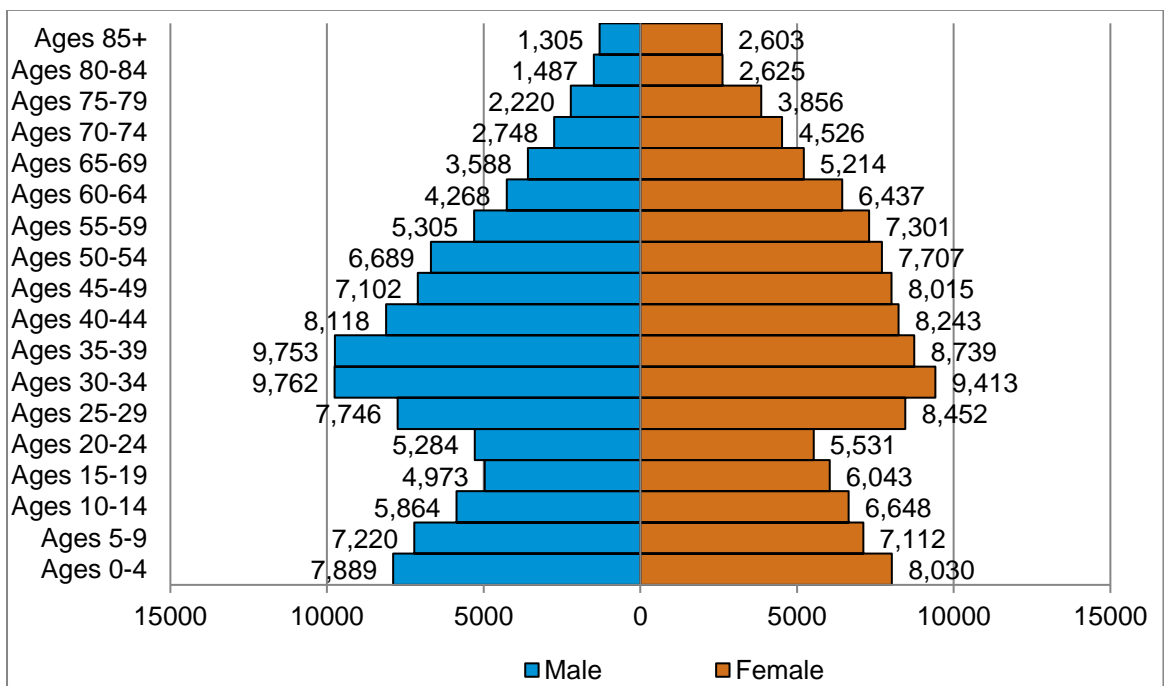
Table 10: Population change 2017 to 2035 by five-year age bands – Merton

	2017	823 dpa			1,328 dpa		
		2035 (823 dpa)	Change (17-35)	% Change	2035 (1,328 dpa)	Change (17-35)	% Change
0-4	15,363	15,137	-226	-1.5%	16,588	1,225	8.0%
5-9	14,123	13,807	-316	-2.2%	15,105	982	7.0%
10-14	11,379	12,761	1,382	12.1%	13,715	2,336	20.5%
15-19	9,613	11,671	2,058	21.4%	12,286	2,673	27.8%
20-24	10,583	11,764	1,181	11.2%	12,498	1,915	18.1%
25-29	15,875	16,743	868	5.5%	17,848	1,973	12.4%
30-34	19,248	16,749	-2,499	-13.0%	18,186	-1,062	-5.5%
35-39	19,948	17,969	-1,979	-9.9%	19,716	-232	-1.2%
40-44	16,233	17,090	857	5.3%	18,762	2,529	15.6%
45-49	14,464	16,443	1,979	13.7%	17,760	3,296	22.8%
50-54	13,652	15,722	2,070	15.2%	16,620	2,968	21.7%
55-59	11,001	14,261	3,260	29.6%	14,821	3,820	34.7%
60-64	8,931	12,022	3,091	34.6%	12,395	3,464	38.8%
65-69	7,750	10,932	3,182	41.1%	11,224	3,474	44.8%
70-74	6,017	9,249	3,232	53.7%	9,466	3,449	57.3%
75-79	4,770	6,940	2,170	45.5%	7,079	2,309	48.4%
80-84	3,509	4,943	1,434	40.9%	5,029	1,520	43.3%
85&	3,593	5,493	1,900	52.9%	5,591	1,998	55.6%
Total	206,052	229,696	23,644	11.5%	244,688	38,636	18.8%

Source: Demographic projections

- 3.64 Looking at the other end of the age spectrum the data shows that there is projected to be a more modest change in the number of people aged under 15 with only 2.1% growth resulting from the 823 dpa figure. For both scenarios, there is expected to be a decrease in the number of people in their thirties.
- 3.65 Focussing on the population aged 18-23 (student-age) the analysis shows that there is projected to be some modest rise in the age group. In total it is projected that the number of people aged 18-23 will increase from 11,300 in 2017 up to 12,800 by 2035, an increase for around 1,500, or 13%.
- 3.66 We have also examined the split between males and females of different age groups. The figures below show the existing split. At present 53% of the population is female. Although the largest population group are males in their thirties.

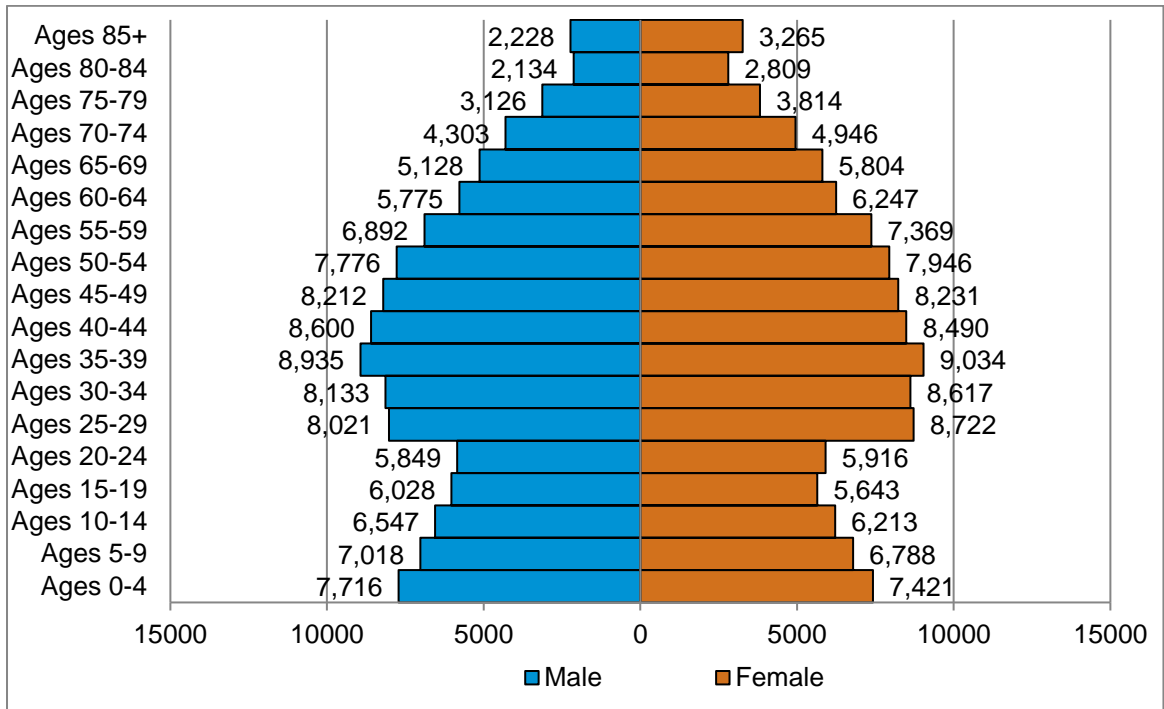
Figure 18: 2017 – population pyramid



Source: Demographic projections

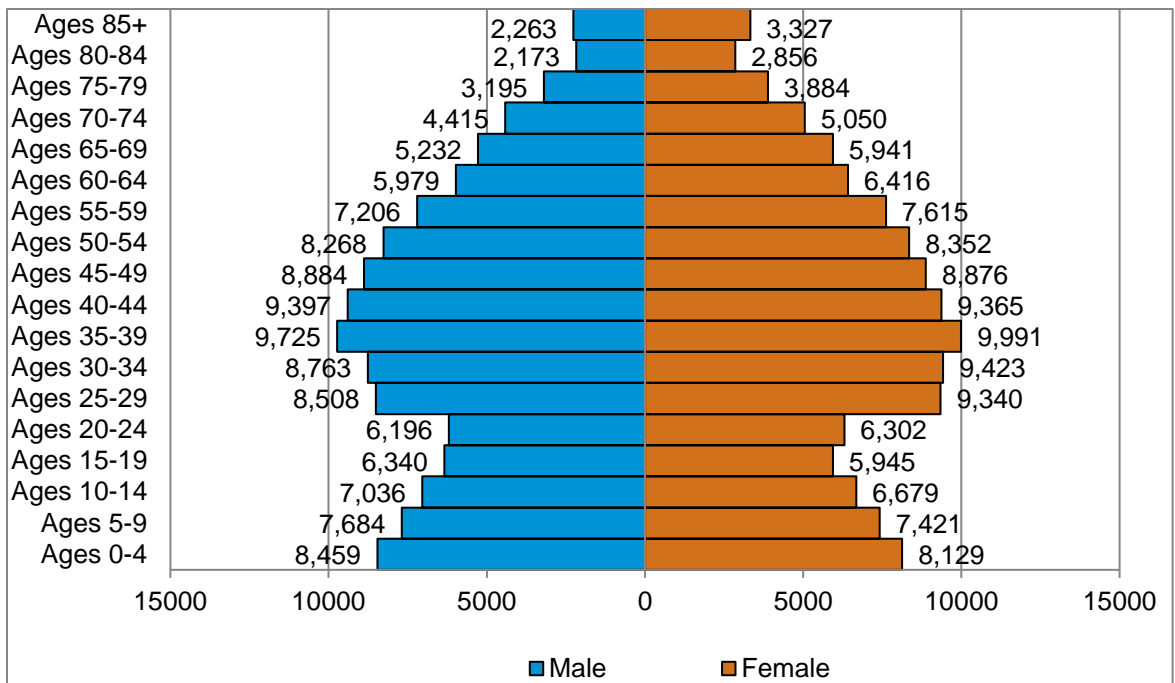
- 3.67 Due to the profile of migrant workers the higher the scenario looked at the greater the shift there is towards a more equitable male: female split. However, by 2035, the percentage of females falls to 51.1% for both scenarios.

Figure 19: 2035 – population pyramid linked to 823 dpa



Source: Demographic projections

Figure 20: 2035 – Population pyramid linked to 1,328 dpa



Source: Demographic projections

Key Points: Demographic Growth and Housing Needs

- The London Borough of Merton's population totals 206,052 persons as of mid-2017.
- Natural Change and Net International migration has been a key driver of historic population change. Natural change has remained broadly consistent although net international migration has fallen significantly since 2009.
- The starting point of the assessment is the 2014-based projections which show an average household growth of about 1,120 household per annum for the period 2017-27 period and 1,096 for the 2019-29 period. – This would be around a 6% growth increase.
- Using the standard methodology uplifts the household growth by 40%. This results in a housing need of 1,568 household per annum for the period 2017-27 period and 1,534 for the 2019-29 period.
- However the need for housing in London and the known capacity in Merton would dictate the likely delivery. Both the GLA and the London Borough of Merton have assessed capacity in the borough determining that 1,328 and 823 dpa could be built respectively.
- However the latter of these is based on a more robust and locally sensitive assessment and thus should be treated as the starting point for the Boroughs housing requirement.
- The remainder of this report examines housing mix based on both these capacity scenarios.

4 MARKET SIGNALS

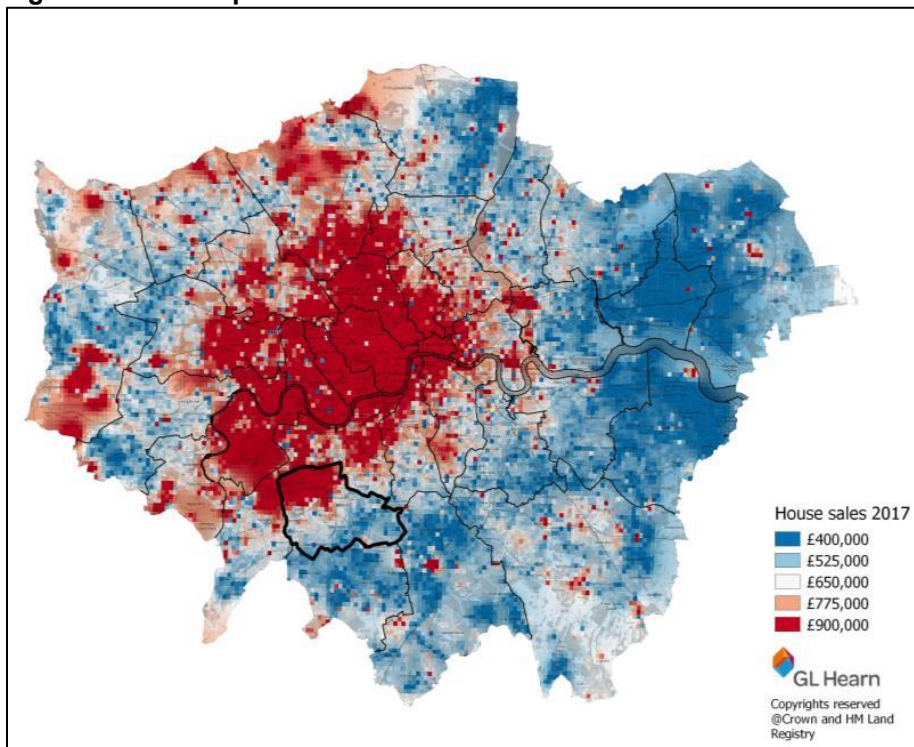
4.1 This chapter presents the key housing market signals recorded in Merton and the different sub-markets for the last 15 years (subject to data availability). Where possible we have looked to benchmark these against neighbouring borough's, south west London and Greater London and nationally.

London House Prices

4.2 With the exception of central London, the general national geography of house prices is of higher housing costs in rural areas with lower housing costs within the principal urban areas. This largely reflects the mix of housing within these respective areas (i.e. detached homes in the countryside versus flats and terrace homes in urban areas). Other considerations such as the quality of place and accessibility also factor in.

4.3 We used Land Registry sales data for the full year of 2017 to map house prices across London. As presented in the figure below, central and west London show the greatest concentration of high prices with smaller concentrations in the more scattered suburbs in North and West London. It is clear that East-West geographic disparities occur across the Capital as illustrated in the sales map below.

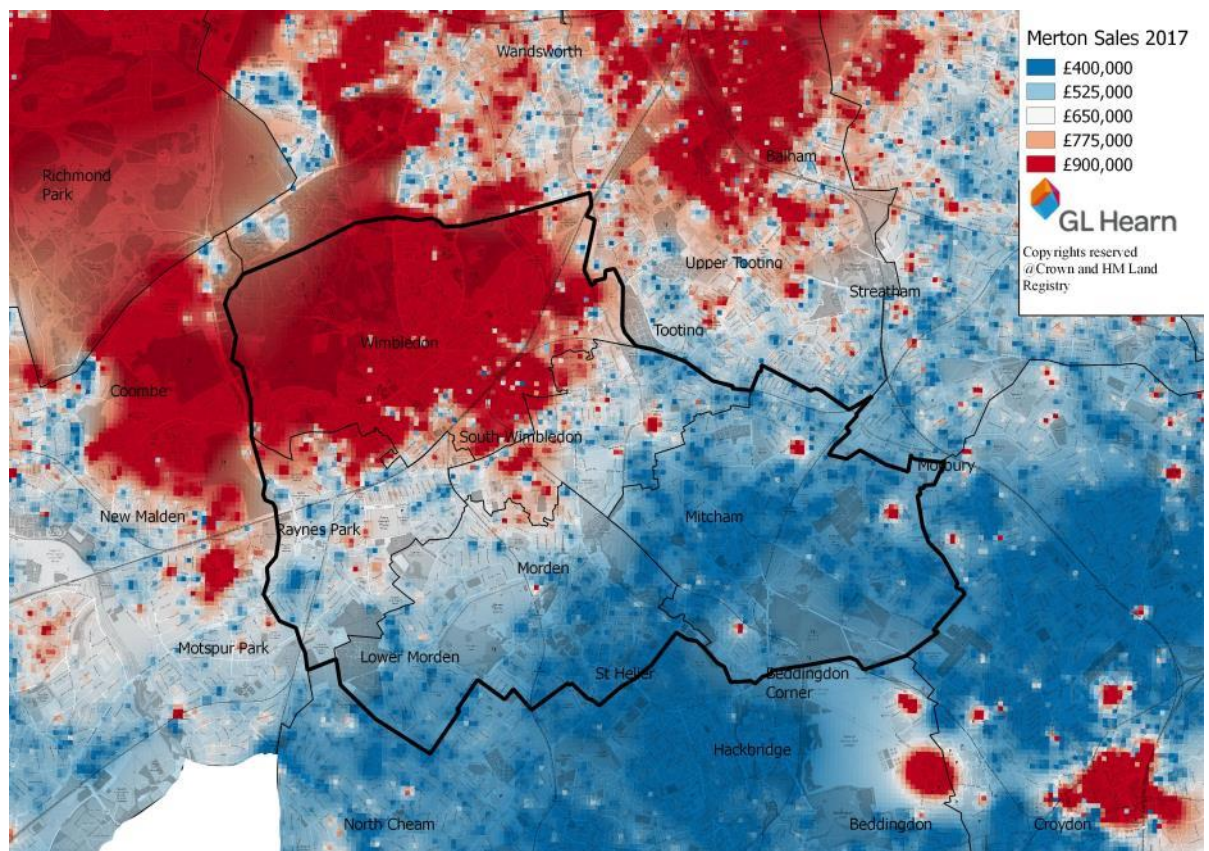
Figure 21: House price sales 2017



Source: Land Registry – edited by GL Hearn

- 4.4 Merton’s median housing value reached £460,000 in 2017. This is above both the national (£222,000) and the regional (£450,000) equivalents. It is also higher than the Outer London equivalent of £397,500.
- 4.5 We have also analysed sales prices across Merton with the figure below illustrating the diversity of housing costs in the Borough. The Wimbledon sub-area is distinctive in terms of housing values. This is the most expensive area across the Borough.
- 4.6 The median house price in the Wimbledon sub-area is £850,000 with the mean equivalent being at over £1.3 million. Even the lower quartile/entry price of £510,000 is above London’s median price (£450,000). Wimbledon is an affluent area with primarily large properties including some of the most expensive detached houses in London.

Figure 22: Housing sales 2017, Merton



Source: Land Registry 2017-edited by GL Hearn

- 4.7 However, it is not only the size of the properties that make Wimbledon so expensive to live in. A combination of factors, including its excellent accessibility, the quality of the environment, the high rate of green space provision and services and facilities.

- 4.8 Raynes Park's housing values follow at £570,000 (median) and £380,000 on entry level. Colliers Wood and South Wimbledon have a similar median price to the Borough as a whole (£460,000). However, South Wimbledon/Colliers Wood's average price exceeds Raynes Park's equivalent because some streets in South Wimbledon are affected by Wimbledon's market and its dynamics.

Table 11: House Price by sub area 2017

	Median	Mean	Lower Quartile
Colliers Wood/South Wimbledon	£457,250	£663,247	£346,075
Mitcham	£372,750	£391,311	£275,000
Morden	£417,950	£438,649	£345,000
Raynes Park	£570,000	£589,258	£381,250
Wimbledon	£853,750	£1,310,754	£508,750
Merton	£460,000	£680,757	£350,000

Source: Land Registry – edited by GL Hearn

- 4.9 Morden follows with a median house price of £420,000, falling slightly below the Borough's equivalent. Finally, Mitcham has a median housing value of £380,000 making this area the most affordable across the Borough and one of the most affordable across south west London as a whole.

House Price Trends

- 4.10 The table overleaf presents the house price change analysis looking at the changes over 5, 10 and 15 year periods to 2017. Since 2002 Merton has had substantially increased housing prices (177%), however, this change is middling compared to surrounding authorities.

Table 12: House Price Change since 2002

	2017 Q3	15 years		10 years		5 years	
		Change %	Annual Change %	Change%	Annual Change %	Change %	Annual Change %
Merton	£460,000	177%	7.0%	70%	5.5%	53%	8.9%
Croydon	£375,000	178%	7.1%	63%	5.0%	58%	9.5%
Kingston	£510,000	185%	7.2%	67%	5.3%	50%	8.4%
Lambeth	£507,500	199%	7.6%	72%	5.6%	54%	9.1%
Richmond	£674,530	184%	7.2%	69%	5.4%	59%	9.7%
Sutton	£370,000	169%	6.8%	54%	4.4%	54%	9.0%
Wandsworth	£633,879	212%	7.9%	67%	5.3%	57%	9.4%
Wider Comparators							
Greater London	£460,000	185%	7.2%	67%	5.3%	46%	7.9%
SW London (Av)	£504,416	188%	7.3%	67%	5.2%	55%	9.2%
Outer London	£400,000	167%	6.8%	60%	4.8%	46%	7.8%
England & Wales	£229,950	142%	6.1%	28%	2.5%	28%	5.0%

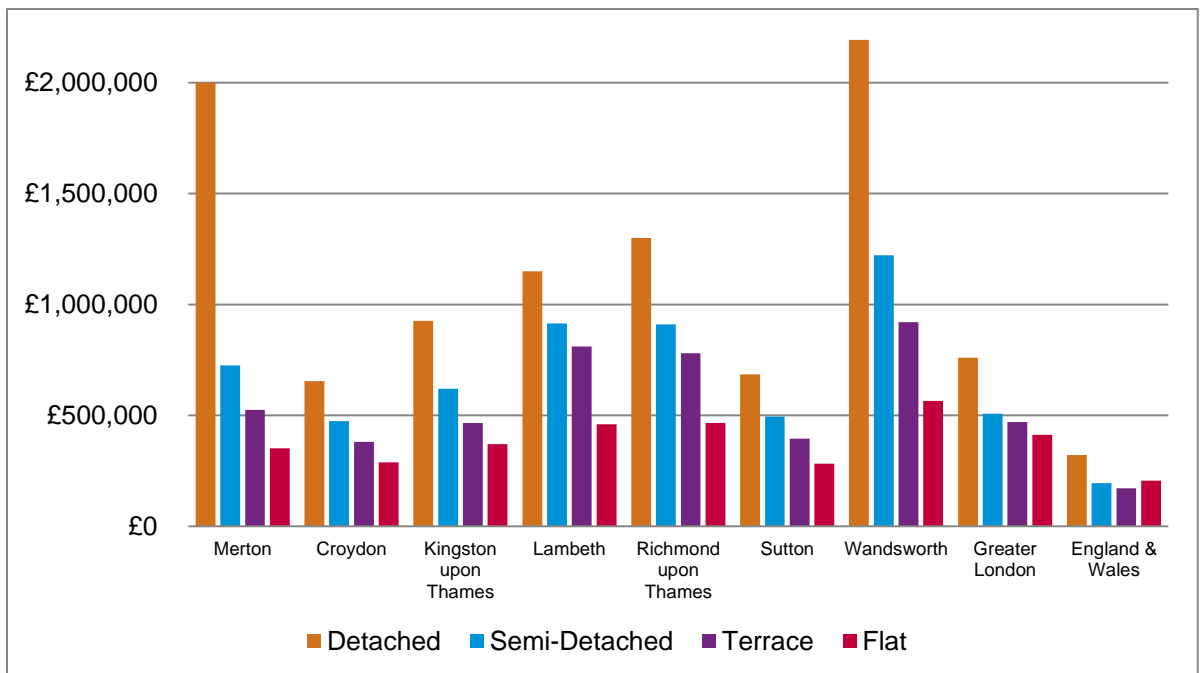
Source: Land Registry, ONS - edited by GL Hearn

- 4.11 Over the 2007 to 2017 period, median house prices in Merton have increased by 70% with an annual rate of 5.5%. This is the second highest growth across all the comparators. The lower rate of growth over this period reflects the period including the recession.
- 4.12 Between 2012 and 2017, which reflects the post-recessionary period, the prices continued to increase with an annual rate of 8.9% per annum. However, this rate is constrained compared to the other comparable local authorities.
- 4.13 Across all periods, Merton’s housing values have changed at a more dramatic pace compared to both England and the Outer London region. In contrast, Greater London and south west London (average) have seen more significant changes compared to Merton for the same periods.

Housing by Type

- 4.14 The figure below summarises house values in 2017 by type of property. Merton saw the second highest prices for detached properties (following Wandsworth) in 2017. Concerning the other typologies, Merton is relatively more affordable than the Boroughs to the north and less affordable compared to Sutton and Croydon in the south. Kingston and Merton’s housing values are on a similar level.

Figure 23: Median House Price by type 2017



Source: Land Registry 2017

4.15 The table below presents the house price distribution by type of property for the different sub-areas. As expected prices vary by type and by sub-area with the most expensive being in Wimbledon and the most affordable in Mitcham.

Table 13: Median House Price by type of property 2017

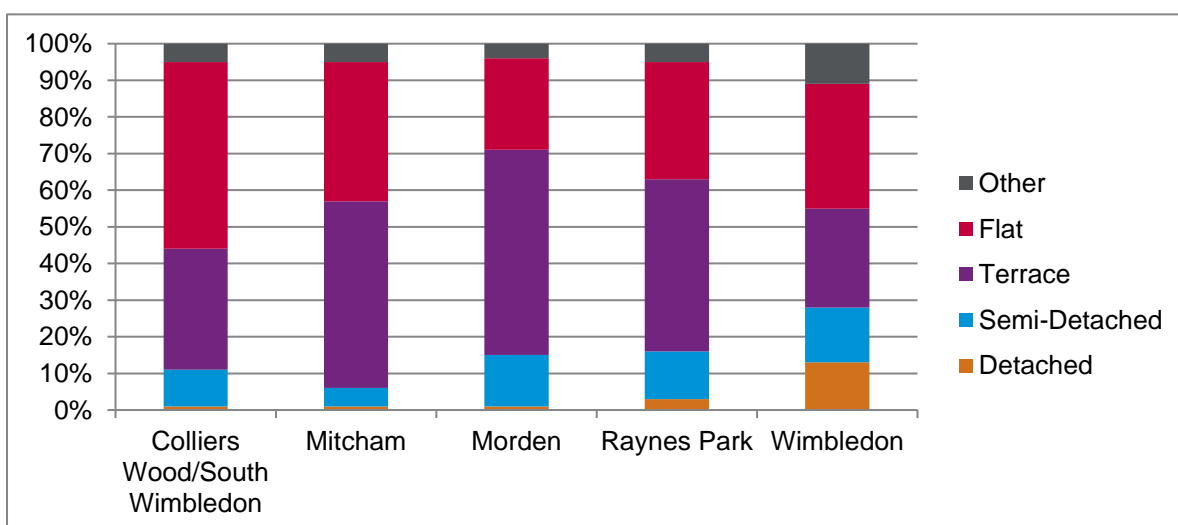
	Detached	Semi-Detached	Terrace	Flat
Colliers Wood/South Wimbledon	£816,500	£835,000	£702,500	£401,000
Mitcham	£617,000	£442,500	£414,415	£270,500
Morden	£512,500	£520,000	£445,000	£310,000
Raynes Park	£1,525,000	£705,375	£650,000	£358,000
Wimbledon	£2,364,500	£1,217,500	£941,111	£495,000
Merton	£2,000,000	£725,000	£525,000	£351,750

Source: Land Registry, 2018 – edited by GL Hearn

4.16 The Colliers Wood/South Wimbledon sub-area is one of the most urbanised locations across the borough and as such, it concentrates a high percentage of flatted properties. In 2017, 51% of sales related to flats, followed by 33% in terraced properties.

4.17 In 2011, Mitcham and Morden mainly have a stock of terraced and semi-detached properties though some of these might have been converted to flats more recently. In 2017, the majority of sales in these areas related to terraced properties (over 50%), followed by flats (25-38%) and semi-detached homes (5-14%).

Table 14: Sales by property type 2017



Source: Land Registry – edited by GL Hearn

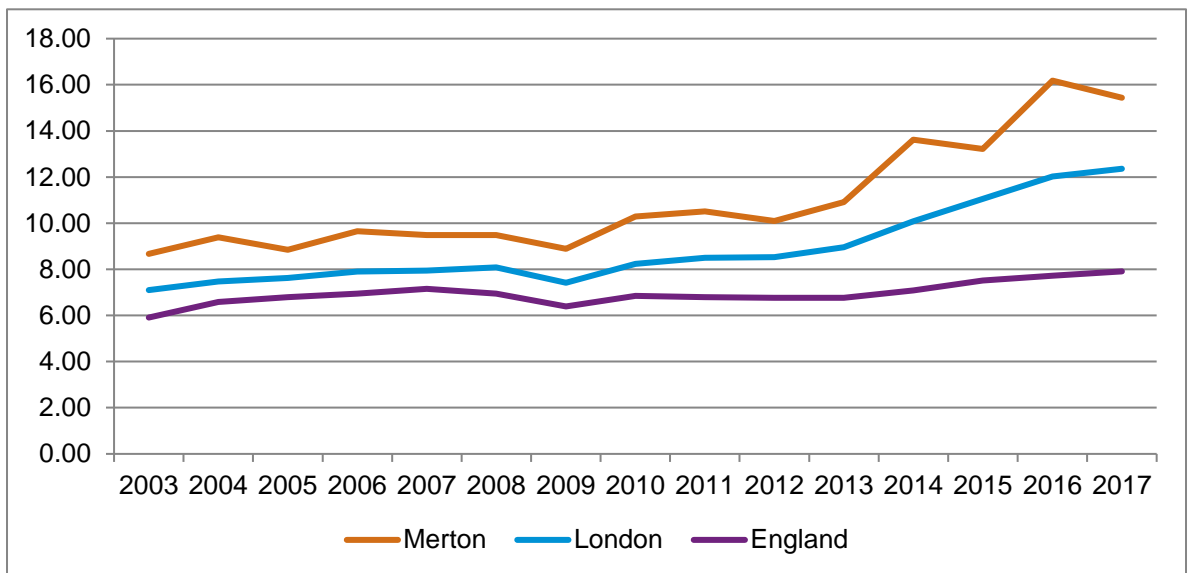
4.18 Raynes Park has mainly a terraced stock with 47% of sales relating to terraced properties followed by flats (32%). Finally, Wimbledon has a fairly even split of terraced and flatted properties followed by an almost even split of detached and semi-detached houses. In absolute figures, at least 7 times more detached properties were sold in Wimbledon compared to any other sub-area across Merton.

Affordability

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

4.20 The figure below shows that workplace-based affordability has worsened since 2009 and particularly since 2012 in Merton. However, there was a small improvement over the last year (2016-17). Overall, this follows the national and regional trends post-2009, albeit at a higher level.

Figure 24: Workplace-based median affordability ratio over the last 15 years



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

4.21 Similarly, lower quartile affordability has worsened since 2013. This follows the regional trends. In contrast, the national trend has been almost flat since 2009. The table below presents the most recent median workplace-based affordability ratios. This includes the median ratio that according to

the proposed methodology is the key market signal for consideration when calculating the Local Authority's OAN.

- 4.22 As of 2017, the median ratio was 15.44 in Merton, which is about average. The LQ ratio is even higher at 17.34 which is one of the highest (together with Wandsworth's and Richmond's equivalents) across all the comparators.

Table 15: Workplace-based affordability ratio 2017

	Median	LQ	Difference
Merton	15.44	17.34	1.90
Croydon	19.95	12.18	-7.77
Kingston upon Thames	15.46	16.45	0.99
Lambeth	14.65	15.25	0.60
Richmond upon Thames	19.91	19.59	-0.32
Sutton	12.92	14.01	1.09
Wandsworth	19.73	20.21	0.48
London	12.36	13.23	0.87
England	7.91	7.26	-0.65

Source: ONS Ratio of house price to workplace-based earnings (lower quartile and median), 1997 to 2017

- 4.23 We have also considered and compared affordability ratios based on residents' earnings. As presented below, Merton has an average ratio in median terms against the comparators and one of the highest in lower quartile terms. This is similar to the workplace-based affordability ratio.

Table 16: Residence-based affordability ratio 2017

	Median	LQ	Difference
Merton	12.86	14.74	1.88
Croydon	10.70	12.07	1.37
Kingston upon Thames	12.86	13.45	0.59
Lambeth	14.98	16.00	1.02
Richmond upon Thames	15.69	15.70	0.01
Sutton	11.11	7.26	-3.85
Wandsworth	16.20	16.33	0.13
London	13.24	13.90	0.66
England	7.91	7.26	-0.65

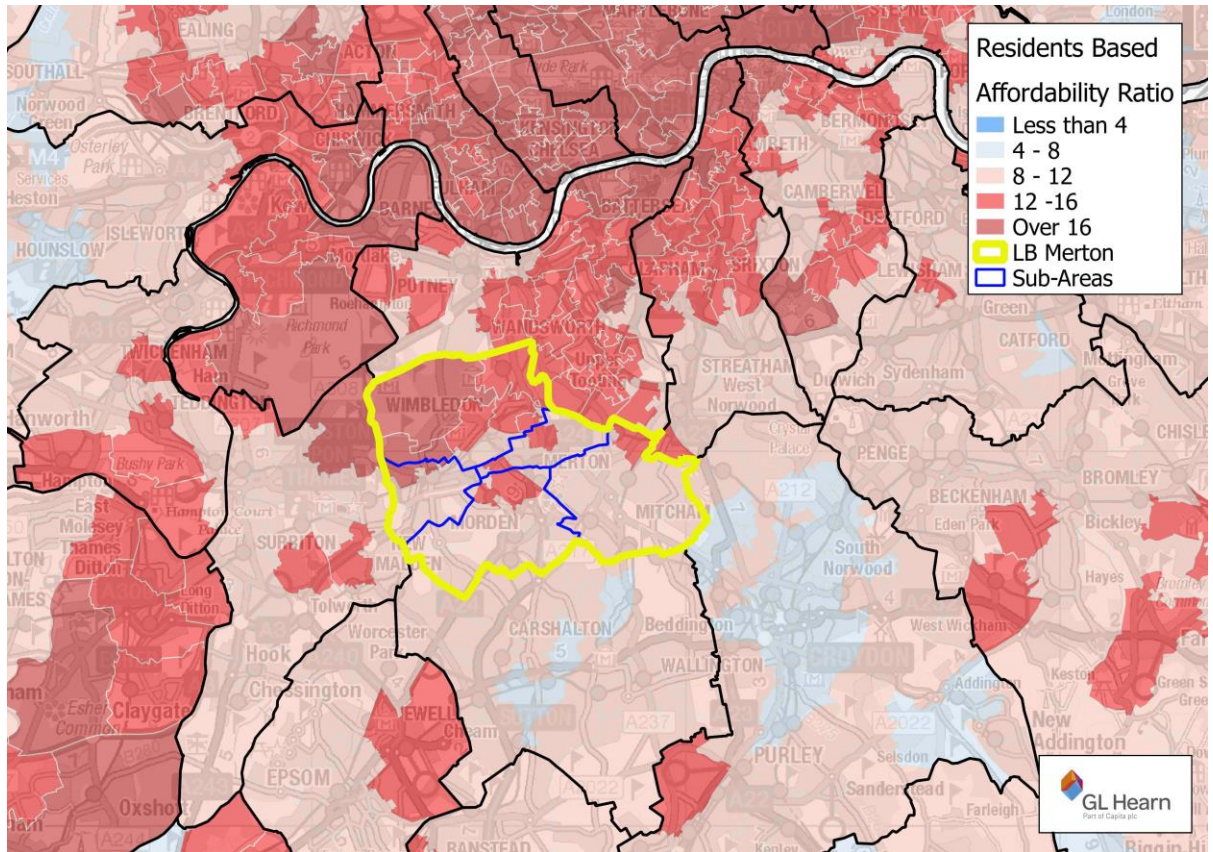
Source: ONS Ratio of house price to workplace-based earnings (lower quartile and median), 1997 to 2017

- 4.24 This illustrates that affordability is particularly an issue for first-time buyers and for local workers to access the housing ladder.

- 4.25 The ONS also produced experimental affordability data at a sub-local authority area, although this has not been updated since 2011. As the map shows there is a clear North: South split in the Borough

with those areas closest to and best connected to Central London having significantly higher affordability ratios.

Figure 25: Residents Based Affordability Ratio at Mid Super Output Area Level (2011)



Source: ONS, 2011

- 4.26 Almost all of the Wimbledon sub-area has a high affordability ratio with this also being the case in small parts of Raynes Park, South Wimbledon and Colliers Wood and Morden. No MSOA within the Mitcham sub-area has an affordability ratio of over 12 although neither does it have any areas with a ratio of less than 8.

Rental Market

- 4.27 Mean average private rents in Merton (£1,551 per calendar month (pcm)) are slightly lower than the London average (£1,685 pcm) but notably higher the national average (£831 pcm) according to the Valuation Office Agency (VOA). Median rents in the Borough (£1,400 pcm) are again slightly lower than London's equivalent of £1,433 and higher than the national figure (£675 pcm).

Table 17: Average and Median rental costs (September 2017)

	Average rent pcm	Median rent pcm
Merton	£1,551	£1,400
Croydon	£1,127	£1,100
Kingston upon Thames	£1,407	£1,300
Lambeth	£1,661	£1,550
Richmond upon Thames	£1,671	£1,430
Sutton	£1,139	£1,100
Wandsworth	£1,887	£1,668
London	£1,685	£1,433
England	£831	£675

Source: VOA 2017

- 4.28 At a local level rental costs have been taken from Rightmove and have been adjusted using the VOA data to take into account that Rightmove only reflects part of the market and a snapshot in time.

Table 18: Local Lower Quartile Rental Values by number of bedrooms (2018)

LQ Adjusted	1	2	3	4
Colliers Wood/South Wimbledon	£1,050	£1,196	£1,637	£1,966
Mitcham	£907	£1,054	£1,368	£1,609
Morden	£907	£1,071	£1,368	£1,609
Raynes Park	£1,122	£1,157	£1,596	£2,323
Wimbledon	£1,193	£1,329	£1,846	£2,904
Merton	£1,050	£1,200	£1,550	£2,100

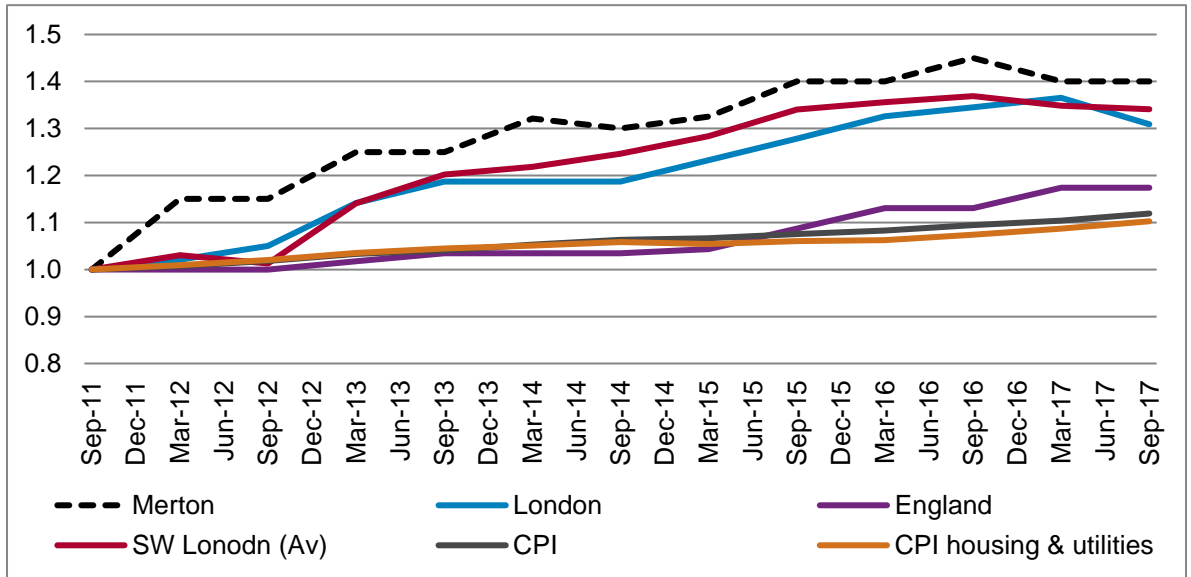
Source: Rightmove and VOA, 2018

- 4.29 For all size of properties, the Wimbledon sub-area has the highest rental costs with Mitcham having the lowest. Although for some property sizes there is little difference between Mitcham and Morden. Raynes Park typically achieves higher rents than Colliers Wood and South Wimbledon.

Rental Growth

- 4.30 The figure overleaf shows the trend rental costs recorded by the VOA, indexed against the 2011 figure. This illustrates that rents have increased in the Borough in line with trends across the region and the average of south west London, albeit on higher terms.
- 4.31 Compared to the wider comparators and the Consumer Price Index (both overall and the one relevant to housing & utilities), Merton's rents have been increased significantly over the last 7 years.

Figure 26: Trend in private rental transactions, September 2011 to September 2017



Source: VOA 2017

4.32 It should be noted that Brexit has slowed rental price growth across Merton and south west London. It has also reduced growth in Central London but only more recently. This explains the slight decrease in London’s trend over the last year.

Delivery Rates

4.33 Past completions data was presented in detail in Chapter 2 above. Cumulatively, over the last 16 years, the council has delivered a total of over 9,000 new homes (net increase) against a target of 6,115 homes. In other words, there has been an oversupply of around 2,900 homes. However, the new London Plan targets that will come into implementation in Autumn 2019 proposed a 223% increase in the target from 411 to 1,328 dpa.

Land Price

4.34 To estimate land values we have drawn from the MHCLG “Land value estimates for policy appraisal” spreadsheet¹⁰. According to the accompanying report “The valuations have been undertaken using a truncated residual valuation model. This involves valuing the proposed development and deducting the development costs, including allowances for base build cost, developer’s profit, marketing costs, fees, and finance to leave a “residual” for the site value”.

¹⁰<https://www.gov.uk/government/publications/land-value-estimates-for-policy-appraisal-2017>

- 4.35 As the Table below demonstrates residential land values in Merton exceed £19 million pounds per hectare. This is again higher than boroughs to the south (Croydon and Sutton) but lower than boroughs to the north (particularly Wandsworth).

Table 19: Residential Land Values (May 2017)

Area	Price per Hectare
Merton	£19,100,000
Croydon	£18,300,000
Kingston upon Thames	£18,500,000
Lambeth	£24,600,000
Richmond upon Thames	£28,000,000
Sutton	£10,000,000
Wandsworth	£42,500,000
London (Average)	£36,825,758
London (Median)	£24,600,000
England	£6,220,086

Source: MHCLG, 2018

- 4.36 Both average and median residential land values across London exceed that in Merton. However, Merton land values are still approximately three times the national average.

Occupancy Rating

- 4.37 According to census data in 2011 approximately 58% of properties in Merton were under-occupied i.e. had one or more spare bedrooms than their household required. This was significantly higher than the London Average (49%) but below the National average (69%).

Table 20: Occupancy Rating (2011)

	Under-Occupied	% Under Occupied	Over-Occupied	% Over Occupied
Merton	45,807	58%	7,215	9.2%
Croydon	80,277	55%	13,975	9.6%
Kingston upon Thames	39,786	63%	3,681	5.8%
Lambeth	53,405	41%	17,207	13.2%
Richmond upon Thames	53,242	67%	3,016	3.8%
Sutton	48,092	62%	4,130	5.3%
Wandsworth	64,137	49%	11,440	8.8%
London	1,612,759	49%	370,531	11.3%
England	15,152,944	69%	1,024,473	4.6%

Source: ONS, Census, 2011

- 4.38 Broadly the areas to the north had fewer under-occupied properties with the areas to the south and particularly the west having a higher percentage. Over two-thirds of homes in Richmond upon Thames are under-occupied by comparison.
- 4.39 In contrast, 9.2% of households in Merton are over-crowded. This compares to 11.3% across London and 4.6% nationally. It also sits towards the higher ends of the comparable borough with only Lambeth and Croydon showing a higher rate.
- 4.40 As the table below shows over-occupied properties are most common in Mitcham (21.6%). The sub-area has almost double the next nearest, Colliers Wood and South Wimbledon in numerical terms. In contrast, the lowest level of over-occupancy is in Raynes Park (11.1%).

Table 21: Occupancy Rating by sub-area (2011)

	Under Occupied	Right Sized	Over-Occupied
Colliers Wood/South Wimbledon	53.0%	28.7%	18.3%
Mitcham	52.6%	25.8%	21.6%
Morden	68.3%	19.9%	11.8%
Raynes Park	69.4%	19.5%	11.1%
Wimbledon	65.9%	21.0%	13.1%
Merton	60.5%	23.4%	16.1%

Source: Census 2011

- 4.41 Raynes Park also has the highest number of under-occupied properties (69.4%) with Morden and Wimbledon also having above the Borough-wide percentage. Colliers Wood and South Wimbledon has the highest percentage of right-sized properties at 28% within Mitcham the next highest at 25%.

Qualitative Commentary

- 4.42 A primary research exercise was carried out in October 2018 by way of engaging local estate and lettings agents with a view to providing qualitative commentary on housing demand in the borough and each of the sub-area.
- 4.43 Ten local estate agents provided their views on the local housing market dynamics. We interviewed two agents in each sub-market of Raynes Park, Morden and Mitcham were able to provide their inputs for their respective markets.
- 4.44 Three of the agents were located in the Wimbledon area and were able to provide insight into the Wimbledon and Colliers Wood and South Wimbledon sub-markets. A further agent was also

consulted who specialised in the Colliers Wood and South Wimbledon sub-market. As such, some of the responses cover both areas.

4.45 In particular, the following agents were contacted:

- Eddisonwhite – Central Wimbledon and Wimbledon Village (85 The Broadway)
- SW19 Estate Agents Ltd – Wimbledon Central/Village and South Wimbledon/Colliers Wood (119 Merton Road) (also specialist knowledge in Colliers Wood)
- Haart Estate Agents – Wimbledon (28 Wimbledon Hill Rd)
- Sharpes Estates – Colliers Wood (8 Merton High Street)
- Fuller Gilbert & Co Ltd – Raynes Park (316 Worple Road)
- Hawes & Co Estate Agents – Raynes Park (66 Coombe Lane)
- Turners Property – Morden (105 London Road)
- Moss & Co Morden Sales and Lettings Agency – Morden (London Road)
- Toomey Estate Agents – Mitcham (333a London Road)
- Goodfellows Estate Agents – Mitcham (7-8 Fairgreen Parade)

Overview

4.46 There was a consensus that there was a current level of uncertainty in the borough's housing market. Most agents felt that the market had slowed and prices had peaked, with a notable reduction in asking prices in comparison to four years ago.

4.47 There was agreement that buyers are unwilling to pay the advertised prices and that demanded by vendors causing the market to become slow. This was the case for all sub-markets.

4.48 In the Wimbledon sub-market, estate agents felt that although they had remained busy over the past year; reporting a similar volume of properties, sales values were significantly down from four years previous and slightly down on equivalent values a year ago. This was as a result of buyers demanding more for their money due to the uncertainty of the market.

4.49 Agents felt that this uncertainty stemmed from the unstable political situation i.e. Brexit which had led to people only engaging with the market on a 'needs must' basis. They noted that properties at the lower end of the market, around £400,000, were selling much more quickly than those at the higher end (around £3,000,000).

4.50 The estate agents felt that there was still a high demand for properties in Central Wimbledon and Wimbledon Village, due to its desirable location within London and its excellent transport links.

- 4.51 Estate agents in Wimbledon felt that young people were attracted to the area because they wanted to be close to the vibrant town areas and the lifestyle that the area can support. They also noted the importance of green areas, bars and restaurants for drawing young people into the area.
- 4.52 Agents reported a dominant preference for central areas, especially amongst younger buyers whilst older buyers with a higher budget often gravitated towards South Park Gardens and areas in and around South Wimbledon.
- 4.53 There was reported interest in a diverse range of property types from 1-bed flats to 4-bed houses depending on buyer's circumstances in Wimbledon. They stated that younger buyers were typically interested in the smaller 2-bed properties – either flats or houses in Wimbledon.
- 4.54 This was also reflected in the submarket of South Wimbledon and Colliers Wood where agents reported interest in a diverse range of properties, but usually 1 to 2-bed houses or flats for those in the 25-35 age bracket due to affordability.
- 4.55 In the sub-market of Wimbledon, estate agents noted the most popular age bracket for buyers is between 25 and 40 years old; with the majority of agents refining this bracket further to 30-40 years old.
- 4.56 One agent noted that the 30-40 years old end of the age bracket were also frequently interested in properties in Colliers Wood and South Wimbledon.
- 4.57 In Wimbledon and the South Wimbledon/Colliers Wood sub-market areas, agents felt that the market was likely to stay the same over the following 12 months, with perhaps a slight decrease in market values due to the uncertainty surrounding the Brexit negotiations.
- 4.58 The market is also struggling in Mitcham; agents there reported an extremely high number of enquiries for each property but a disproportionately low number of sales compared with four years ago. This is due to a lack of committed buyers due to uncertainty in the market as well as a general slowdown in available properties.
- 4.59 In Mitcham, the estate agents noted an unwillingness from younger households to commit to buying due to the uncertainty of the market, noting that market prices had been falling. They felt that there was still a diverse profile of buyers, who usually favoured the areas closest to the tramline stations in Mitcham, for an easy commute into the city. This usually equated to a 10-15 minutes walking distance from the station.

- 4.60 They noted that those with a smaller budget were often forced towards the Mitcham High Street area where deprivation was higher and this was reflected in the property prices.
- 4.61 In Mitcham estate agents also referred to the common theme of the uncertainty of the market due to Brexit which they felt may cause property prices to decrease further over the next year. The main reasons identified from agents include the decreased demand from investors and the decrease in international migration in-flows into London due to uncertainty over potential restrictions on immigration.
- 4.62 In Morden, agents noted that market conditions are poor, with sales down by around a third in comparison with last year and significantly down from 4 years ago. They felt that Brexit is causing potential buyers to be cautious before engaging with the market.
- 4.63 In Morden, buyers were noted as often being interest in areas nearer the tube and train stations, especially in properties that are competitively priced.
- 4.64 In Raynes Park, this trend continued as agents noted that the market is considerably slower than a year ago, although there is still some level of activity. They noted that potential buyers are interested in a range of properties, owing to their diverse profile.
- 4.65 Agents stated that buyers in the Raynes Park sub-market usually favour the town centre or within proximity to train stations and schools. There was also a desire to access to parks and green space.

Supply

- 4.66 Estate agents in Wimbledon and the South Wimbledon/Colliers Wood sub-market areas all reported a general poor supply of properties. In the Colliers Wood and South Wimbledon sub-market, in particular, one agent felt that this short supply was particularly profound in the 2-3 bed market, especially mid terrace options due to their popularity with first-time buyers.
- 4.67 Conversely, in Mitcham estate agents reported an over-supply of end terrace/ semi-detached properties and an over-supply of 1930-50's properties. They felt there was a corresponding under-supply of help-to-buy new builds in Mitcham.
- 4.68 In Morden, agents noted an adequate supply of properties due to the limited buy to let market at the moment, alongside first-time buyers being unwilling to commit to properties. Although they noted there is a slight under-supply of flats. This has caused property prices to fall slightly over the past 12 months; estate agents felt this trend is likely to continue over the next 12 months.

4.69 Agents in Raynes Park noted that there was not a short supply of properties due to the slow market conditions and that consequently, property prices had been falling over the past 12 months in the area.

Investors

4.70 All agents noted there was very little new interest from investors in the market, with interest usually originating from historic landlords, if at all.

4.71 All estate agents in Wimbledon reported very little interest from investors due to the high taxation introduced on second homes, which was also reflected in the experiences of estate agents in South Wimbledon and Colliers Wood who noted that they were only seeing interest from a very small number of investors. They noted that this is also usually small investors who are looking for the 3-bed properties in the area that they are able to convert into flats.

4.72 Demand from investors in Raynes Park is poor, with no new investors coming into the market. Similarly, Interest from investors in Morden is minimal, with only smaller investors active who are typically interested in smaller, cheaper houses or properties where they can add value.

4.73 There is limited interest in Mitcham from investors, agents reported that the typical investor recently usually has a much smaller portfolio and is usually only interested in the lower end of the market; flats between £200,000 - £300,000.

Asking Prices

4.74 We asked the agents to provide a view on current asking prices for different size and type properties. We have summarised their responses below.

4.75 The SW19 (Wimbledon, South Wimbledon and Colliers Wood) sub-market reported average current property values typically around:

- £450,000 for 1-bed houses
- £600,000 for 2-bed houses
- £870,000 for 3-bed houses
- £1,300,000 for 4-bed houses
- £2,070,000 for 5-bed houses
- £360,000 for 1-bed flats
- £540,000 for 2-bed flats
- £790,000 for 3-bed flats
- £1,300,000 for 4-bed flats

4.76 The agents in CR4 – Mitcham, generally reported the asking prices of approximately:

- £290,000 for 1-bed houses
- £360,000 for 2-bed houses
- £440,000 for 3-bed houses
- £520,000 for 4-bed houses
- £630,000 for 5-bed houses
- 290,000 for 1-bed flats
- £300,000 for 2-bed flats
- £320,000 for 3-bed flats
- £675,000 for 4-bed flats

4.77 Similar asking prices were reported by agents in SM4 - Morden:

- £375,000 for 1-bed houses
- £380,000 for 2-bed houses
- £490,000 for 3-bed houses
- £620,000 for 4-bed houses
- £650,000 for 5-bed houses
- £260,000 for 1-bed flats
- £325,000 for 2-bed flats
- £360,000 for 3-bed flats

4.78 In SW20 – Raynes Park, agents reported the average asking prices of:

- £300,000 for 1-bed houses
- £640,000 for 2-bed houses
- £780,000 for 3-bed houses
- £1,150,000 for 4-bed houses
- £1,700,000 for 5-bed houses
- £350,000 for 1-bed flats
- £480,000 for 2-bed flats
- £790,000 for 3-bed flats
- £1,500,000 for 4-bed flats

Lettings

4.79 In general, the majority of lettings agents in Merton reported that the lettings market is experiencing a less pronounced effect of Brexit, with higher interest in the market. Although some agents reported slight decreases in rents in the past 12 months across most sub-market areas.

- 4.80 In the Wimbledon sub- area, agents described the market as steady. They felt that the lettings market is not as good as it had been in previous years, although there is still some demand. The agents reported that the dominant profile of those seeking to rent is young professionals aged 25-35, looking for 1-2 bed flats/houses. They noted that Central Wimbledon is very popular with the high earning clients such as those in the banking and marketing sector.
- 4.81 In Mitcham, estate agents described the market as static. They noted a resistance to relocate from those already renting in the area due to the fear of having to pay higher rents/relocation fees. They reported a diverse profile of interest in the lettings market ranging from young, single professionals to couples and families. This largely stemmed from the range of property sizes and styles.
- 4.82 In Mitcham rental demand is particularly strong in areas close to the tramline. For families, areas with good schools and preferably access to green space are most sought after.
- 4.83 In Morden estate agents described the market as buoyant and that the lettings market is much busier than sales. They noted a high number of young professionals and commuters seeking to rent in the area, with a preference for properties close to the train/tube stations with good value for money.
- 4.84 One agent noted that those seeking to rent in Morden are becoming more demanding in terms of the property specifications that they will accept.
- 4.85 Agents in Wimbledon noted that there was strong demand in all areas but reported a lack of stock post-Brexit referendum. They felt that the market might stabilise depending on the agreement reached.
- 4.86 One agent reported a 1% decrease in rents per year whilst another felt that prices had stayed the same, or in some areas such as around Wimbledon Town Centre, one agent reported they had increased by up to 5%. They felt that this increase was due to a lack of new builds in the area and the continued demand for properties in central Wimbledon close to public transport.
- 4.87 In Raynes Park, agents also noted a more buoyant rental market compared to sales. Although they also reported that rents had softened and prices had come down in recent weeks/months. They noted a diverse profile of those looking to rent, with a many in their 20s and 30s, interested in a range of properties from 1-2 beds to 4-bed houses.
- 4.88 They also noted that 1-bed houses in the area have been popular due to the scarcity of 1-bed houses on the market, and these quickly gained interest. One agent also reported a decrease in interest from sharers in the area.

- 4.89 The letting agents in South Wimbledon/Colliers Wood noted that the market was stable and that prices had been going up, but only marginally over the past 12 months. Agents reported that the majority of interest comes from the 25-35 age group; predominantly seeking 1-2 bed houses and flats across the entirety sub-area.
- 4.90 In Mitcham, lettings agents noted that although rents had increased from four years ago they had remained relatively static over the past year, with one agent reporting a small increase of 2% per year. They expected that this trend was likely to continue and is likely to be hugely dependent on the outcome of Brexit.
- 4.91 Similarly in the sub-market of Morden agents reported increases of 2-3% over the last 12 months, although they did state that the rental market appeared to be re-establishing itself in the area, causing there to be an under-supply of studios and smaller properties available to let.
- 4.92 In Raynes Park, agents reported stable rental prices, with some areas experiencing a slight decrease. However, one agent reported that properties closer to the train station and transport links were not experiencing a decrease in rents and were able to hold, and in some cases even increase their monthly rents, as people are willing to pay more for the right property.

Rental Prices

- 4.93 We asked the agents to provide a view on current rental prices for different size and type properties. We have summarised their responses below.
- 4.94 The agents in SW19 (Wimbledon, South Wimbledon and Colliers Wood) generally reported the typical rents of approximately:]
- 1,000 per month for 1-bed houses
 - £1,900 per month for 2-bed houses
 - £3,200 per month for 3-bed houses
 - £3,500 per month for 4-bed houses
 - £7,150 per month for 5-bed houses
 - £1,400 per month for 1-bed flats
 - £2,000 per month for 2-bed flats
 - £2,400 per month for 3-bed flats
 - £3,200 per month for 4-bed flats
- 4.95 The CR4 (Mitcham) area reported lower rents at typically around:
- £570 per month for 1-bed houses
 - £1,300 per month for 2-bed houses

- £1,700 per month for 3-bed houses
- £2,100 per month for 4-bed houses
- £1,950 per month for 5-bed houses
- £760 per month for 1-bed flats
- £1,300 per month for 2-bed flats
- £1,700 per month for 3-bed flats
- £1,800 per month for 4-bed flats

4.96 Similar rental asking prices were reported in SM4 (Morden):

- £650 per month for 1-bed houses
- £1,400 per month for 2-bed houses
- £1,630 per month for 3-bed houses
- £1,950 per month for 4-bed houses
- £1,100 per month for 1-bed flats
- £1,240 per month for 2-bed flats
- £1,730 per month for 3-bed flats
- £1,750 per month for 4-bed flats

4.97 Agents reported considerably higher rents in SW20 (Raynes Park):

- £1,110 per month for 1-bed houses
- £2,000 per month for 2-bed houses
- £2,650 per month for 3-bed houses
- £3,400 per month for 4-bed houses
- £5,860 per month for 3-bed houses
- £1,370 per month for 1-bed flats
- £1,790 per month for 2-bed flats
- £2,330 per month for 3-bed flats
- £1,380 per month for 4-bed flats

Summary Points

4.97 The key findings from the analysis herein include:

- **House price:** Merton's median housing value reached £460,000. This is above both the national (£222,000) and the regional (£450,000) equivalents. It is also higher than the Outer London equivalent of £397,500. Merton is one of the most diverse Boroughs in terms of house prices as it has both very affluent (i.e. Wimbledon) and respectively more affordable (i.e. Mitcham) locations within its administrative area.
- Based on property typologies, Merton has seen the second highest prices for detached properties (following Wandsworth). For the other typologies, Merton is relatively more affordable than the surrounding Boroughs at its northern boundary and less affordable compared to Sutton and Croydon.

- Over the last 5, 10 and 15 years Merton's house prices have increased quicker than England and the Outer London region but at a slower rate to Greater London and the south west London (as average).
- **Affordability:** The median workplace-based affordability ratio in 2017 was 15.44 in Merton, which sits in the average of all the comparable ratios. The LQ ratio is even higher at 17.34 which is one of the highest (together with Wandsworth's and Richmond's equivalents) across all the comparators.
- Workplace-based affordability has worsened since 2009 and particularly since 2012. However, there was a small improvement over the last two years (2016-17). Overall, this follows the national and regional trends post-2009, albeit at a higher level. Similarly lower quartile workplace-based affordability has worsened since 2013.
- The median residence based affordability ratio in 2017 was 12.86, which is average against all the comparators. In terms of LQ, the ratio was 14.74 in 2017 which was one of the highest against its comparators.
- Affordability analysis illustrates that affordability is particularly an issue for the lower end of the market and influences the ability of local workers and younger people to access the housing ladder.
- **Rental market areas:** Rents have been increased in Merton in line with trends across the region and the average of south west London albeit on higher terms. Compared to all the wider comparators and the Consumer Price Index Merton's rents have increased significantly over the last 7 years.
- **Delivery Rates:** Over the last 16 years the council has delivered a total of over 9,000 new homes (net increase) against a target of 6,115 homes. An oversupply of around 2,900 homes.
- **Land Values:** Land Values in Merton are generally below those across London but higher than the national picture. Values tend to decrease the further away from Central London they are.
- **Over-Occupation:** There appears to be some over-crowding although in comparison to greater London the level across the Borough is moderate. Although in Mitcham over-occupation levels are almost double the London figure. Raynes Park has the highest number of under-occupied properties (69.4%) with Morden and Wimbledon also having above the Borough-wide percentage.
- **Qualitative Commentary – sales:**
 - Agents reported that overall the market has slowed down and it is expected to continue this trend over the next year. This is predominantly caused by the uncertainty surrounding Brexit negotiations.
 - Sale prices have decreased over the last 4 years ago and they are either similar to last year or have slightly decreased.
 - Although there is some activity in terms of viewings the sales volumes are constant or have slightly been decreased as buyers do not wish to match vendor's asking prices.
 - First-time buyers and young couples or professionals, predominantly aged 30-40, are the most common group of potential buyers across the Borough.
 - Different sizes of properties are popular in different submarkets however 2-bedroom flats in proximity to transport hubs, good schools and green spaces are extremely sought after.
 - There is limited investor activity currently in the market.
- **Qualitative commentary – lettings**
 - Agents reported that the lettings market is experiencing a less pronounced effect of Brexit, with higher interest in the market.
 - There has been recorded a slight decrease or constant rental prices in the past 12 months across most sub-market areas.

- Young professionals between 25 and 35 years old are seeking to rent across the Wimbledon and Colliers Wood/South Wimbledon sub-markets while a wider range, up to 45-year-olds, are seeking to rent across the Borough as a whole.
- Smaller properties of 1-2 beds are mainly on demand across all the submarkets.

Market Signals: Key Points

House Price: Merton's median housing value reached £460,000. This is above both the national (£222,000) and the regional (£450,000) equivalents. It is also higher than the Outer London equivalent of £397,500.

House price change: Over the last 5, 10 and 15 years Merton's house prices have grown quicker than England and the Outer London Region.

Affordability: The median workplace-based affordability ratio in 2017 was 15.44 in Merton. The LQ ratio is even higher at 17.34 which is one of the highest across all the comparators. Affordability is particularly an issue for the lower end of the market and impacts the ability for local workers to access the housing ladder.

Rental market areas: Rents have been increased in Merton in line with trends across the region and the average of south west London. Compared to the wider comparators and the CPI Merton's rents have increased significantly over the last 7 years.

Delivery rates: Over the last 16 years the Council has delivered a total of over 9,000 new homes (net increase) against a target of 6115 homes. An oversupply of around 2,900 homes.

Qualitative Commentary – sales:

- Agents reported that overall the market has slowed down and it is expected to continue this trend over the next year. This is predominantly caused by the uncertainty surrounding Brexit negotiations;
- Sale prices have been decreased compared to 4 years ago and they are similar to last year's or have been slightly decreased;
- There is limited investor activity currently in the market.

Qualitative commentary - lettings

- Agents reported that the lettings market is experiencing a less pronounced effect of Brexit, with higher interest in the market;
- There has been recorded a slight decrease or constant rental price in the past 12 months across most sub-market areas

5 AFFORDABLE HOUSING NEED

Introduction

- 5.1 Affordable housing is defined in Annex 2 of the National Planning Policy Framework (NPPF2). The NPPF2 definition is slightly wider than the previous NPPF definition; in particular, a series of 'affordable home ownership' options are considered to be affordable housing.
- 5.2 A methodology is set out in Planning Practice Guidance (PPG) to look at affordable need (within the Housing need assessment guide), this is largely the same as the previous PPG method and does not really address the additional (affordable home ownership) definition. The analysis below splits between the current definition of affordable need and the additional definition, providing distinct analysis for each.

Affordable Housing Need (established definition)

- 5.3 The method for studying the need for affordable housing has been enshrined in Strategic Housing Market Assessment (SHMA) guidance for many years, with an established approach to look at the number of households who are unable to afford market housing (to either rent or buy). The analysis below follows the methodology and key data sources in guidance and can be summarised as:
- Current need (an estimate of the number of households who have a need now and based on information from the Council's Housing Register);
 - Projected newly forming households in need (based on projections developed for this project along with an affordability test to estimate numbers unable to afford the market);
 - Existing households falling into need (based on studying the types of households who have needed to access social/affordable rented housing and based on studying past lettings data);
 - These three bullet points added together provide an indication of the gross need (the current need is divided by 18 so as to meet the need over the 2017-35 period);
 - Supply of affordable housing (an estimate of the likely number of letting that will become available from the existing social housing stock – drawing on data from CoRe¹¹ and the Council); and
 - Subtracting the supply from the gross need provided an estimate of the overall (annual) need for affordable housing
- 5.4 Each of these stages is described below. In addition, much of the analysis requires a view about affordability to be developed. This includes looking at house prices and private rents along with estimates of local household incomes. The following sections, therefore, look at different aspects of the analysis.

¹¹The Continuous recording of lettings and sales in Social Housing in England (referred to as CoRe) is a national information source that records information on the characteristics of both private registered providers and local authority new social housing tenants and the homes they rent.

Local Prices & Rents

- 5.5 An important part of the affordable needs model is to establish the entry-level costs of housing to buy and rent. The affordable housing needs assessment compares prices and rents with the incomes of households to establish what proportion of households can meet their needs in the market, and what proportion require support and are thus defined as having an ‘affordable housing need’.
- 5.6 For the purposes of establishing affordable housing need, the analysis focuses on overall housing costs (for all dwelling types and sizes). The following section expands on this information in more detail to present a consideration of the types of affordable housing that might meet local needs. This section focuses on establishing, in numerical terms, the overall need for affordable housing.
- 5.7 The analysis below considers the entry-level costs of housing to both buy and rent across the Borough. The approach has been to analyse Land Registry and Valuation Office Agency (VOA) data to establish lower quartile prices and rents – using a lower quartile figure is consistent with the Planning Policy Guidance and reflects the entry-level point into the market.
- 5.8 Data from the Land Registry for the year to March 2018 (i.e. Q2-Q4 of 2017 and Q1 of 2018) shows estimated lower quartile property prices in the Borough by dwelling type. The data shows that entry-level costs to buy are estimated to start from about £291,000 for a flat and rising to over £1,000,000 for a detached home. Looking at the lower quartile price across all dwelling types the analysis shows a lower quartile ‘average’ price of £363,000.

Table 22: Lower quartile cost of housing to buy – year to March 2018 – Merton

	Lower quartile price
Flat/maisonette	£291,300
Terraced	£409,900
Semi-detached	£492,500
Detached	£1,189,500
All dwellings	£363,000

Source: Land Registry

- 5.9 A similar analysis has been carried out for private rents using Valuation Office Agency (VOA) data – this covers a 12-month period to March 2018. For the rental data, information about dwelling sizes is provided (rather than types); the analysis shows an average lower quartile cost (across all dwelling sizes) of £1,200 per month.

Table 23: Lower Quartile Market Rents, year to March 2018 – Merton

	Lower Quartile rent, pcm
Room only	£500
Studio	£750
1-bedroom	£1,050
2-bedrooms	£1,300
3-bedrooms	£1,550
4-bedrooms	£2,100
All properties	£1,200

Source: Valuation Office Agency

- 5.10 The rental figures above have been taken from VOA data, it is however of interest for this study to see how these vary by location. The table below shows an estimate of the overall lower quartile private rent in each of the five sub-areas; this is based on analysis of Rightmove data on available lettings which has then been adjusted to be consistent with the data from VOA.
- 5.11 The overall lower quartile purchase price has also been shown (drawn directly from the Land Registry source). The analysis shows higher rent levels in Wimbledon, this area also has a higher lower quartile price than other locations.

Table 24: Lower Quartile Market Rents, by sub-area

	Lower quartile price	Lower Quartile rent, pcm
Mitcham	£283,800	£1,050
Morden	£355,200	£1,050
Raynes Park	£404,600	£1,200
South Wimbledon/Colliers Wood	£381,500	£1,200
Wimbledon	£512,500	£1,350
All properties	£363,000	£1,200

Source: Internet private rental cost search

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

- 5.14 The threshold of income to be spent on housing costs should be set by asking the question 'what level of income is expected to be required for a household to be able to access market housing without the need for a subsidy (e.g. through Housing Benefit)?'
- 5.15 That said the choice of an appropriate threshold will, to some degree, be arbitrary and will be linked to the cost of housing rather than income. Income levels are only relevant in determining the number (or proportion) of households who fail to meet the threshold.
- 5.16 It would be feasible to find an area with very low incomes and therefore conclude that no households can afford housing, alternatively, an area with very high incomes might show the opposite output. The key here is that local income levels are not setting the threshold, but are simply being used to assess how many households can or cannot afford market housing.
- 5.17 At £1,200 per calendar month, lower quartile rent levels in Merton are relatively high in comparison to those seen nationally (a lower quartile rent of £520 per month across England). This would suggest that a proportion of income to be spent on housing could be higher than the bottom end of the range.
- 5.18 Across England, the lowest lower quartile rents are around £400 per month, and if these areas are considered to be at the bottom end of the range (i.e. 25% of income to be spent on housing) then this would leave a residual income of £1,200 per month. With the same residual income applied to Merton as a whole, the income required to afford a £1,200 rent would be £2,400 and so the percentage spent on housing would be 50%.
- 5.19 However, it needs to be considered that the cost of living in Merton is likely to be higher than in cheaper parts of England and so a pragmatic approach to determining a reasonable proportion of income has been to take a midpoint between the bottom (25%) and the equivalent residual income figure (50%). It has therefore been estimated that a threshold of 37.5% would be appropriate.
- 5.20 On the basis of a rent of £1,200 per month, this would leave a residual income of £2,000 and a total household income of £38,400 per annum. Therefore, for the purposes of this assessment it is estimated that any household with an income below £38,400 would not be able to afford a lower quartile rent without some degree of subsidy. The use of 37.5% is to some degree arbitrary but is considered to be a reasonable position to take given the range of evidence available.
- 5.21 The 37.5% affordability threshold is specific to the analysis of access to private rented housing and to rent levels in the Borough. If rent levels were lower, then a lower threshold would be recommended so as to retain a reasonable balance between housing costs and residual income. Therefore, the

same threshold should not be applied in a blanket manner for all types of affordable housing (for example a lower threshold is probably appropriate when looking at social renting).

- 5.22 The figure of 37.5% can however be used as a guide as to the proportion of income spent on housing considered to be reasonable, the figure can be adjusted based on the actual cost of any particular type of housing.
- 5.23 The table below provides an indication of the affordability thresholds and income levels considered appropriate. This shows for example that a housing cost of £800 per month might be expected to take up no more than 32.5% of a household income, and that the income would need to be in excess of around £29,500 per annum for this to be affordable.
- 5.24 The table below does not provide information for thresholds above 40% and it is considered that this should be the maximum proportion of income on housing that can be considered affordable. Therefore any housing cost above £1,467 per month should be judged against 40% (and the equivalent income) when considering affordability.

Table 25: Suggested income thresholds for different levels of housing cost

Housing cost (£ per month)	% of income	Income threshold (pa)
£400	25.0%	£19,200
£600	29.2%	£24,686
£800	32.5%	£29,538
£1,000	35.2%	£34,065
£1,200	37.5%	£38,400
£1,400	39.4%	£42,615
£1,467	40.0%	£44,010

Source: GL Hearn

- 5.25 Drawing this information we have set out below the required incomes to rent and purchase property across the London Borough of Merton. As shown there are significant differences across the Borough with income requirements in Wimbledon almost double those for Mitcham.

Table 26: Income to afford different tenures in different location

	Lower quartile price	Lower Quartile rent, pcm
Mitcham	£63,900	£33,600
Morden	£79,900	£33,600
Raynes Park	£91,000	£38,400
South Wimbledon/Colliers Wood	£85,800	£38,400
Wimbledon	£115,300	£43,200
Merton	£81,700	£38,400

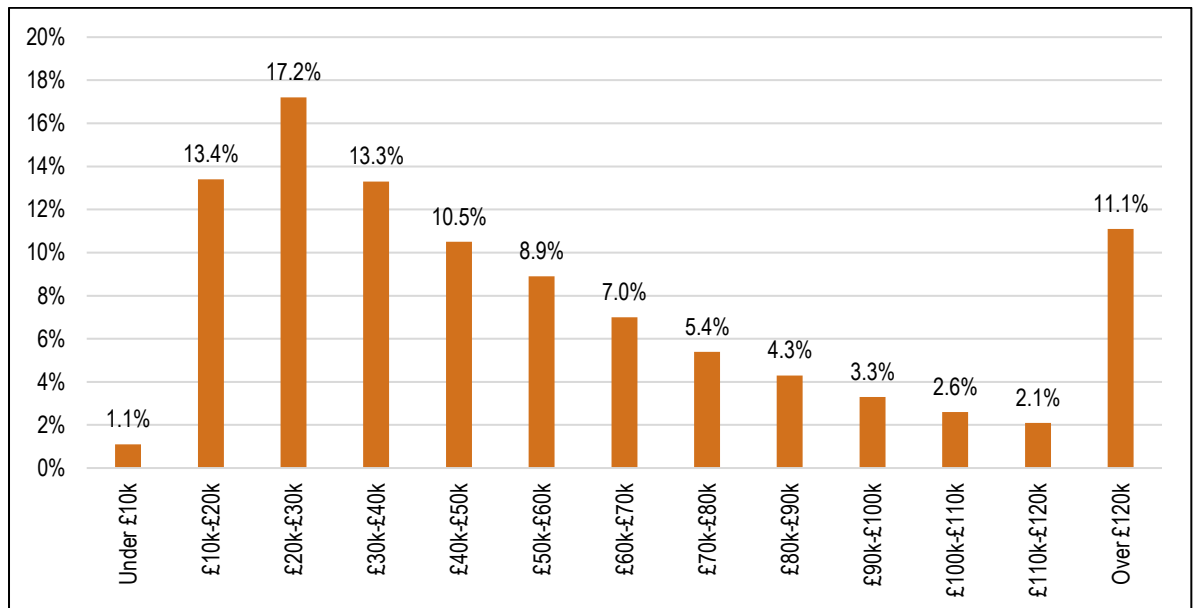
Source: GL Hearn Analysis based on VOA and Land Registry Data.

- 5.26 Generally, the income required to access owner-occupied housing is higher than that required to rent and so the analysis to follow is based solely on the ability to afford to access private rented housing. However, the local house prices are important when looking at the extended definition of affordable housing in NPPF2 and are returned to when looking at this new definition.

Income Levels and Affordability

- 5.27 Following on from the assessment of local prices and rents it is important to understand local income levels as these (along with the price/rent data) will determine levels of affordability (i.e. the ability of a household to afford to buy or rent housing in the market without the need for some sort of subsidy).
- 5.28 Data about total household income has been based on ONS modelled income estimates, with additional data from the English Housing Survey (EHS) being used to provide information about the distribution of incomes.
- 5.29 Drawing all of this data together we have therefore been able to construct an income distribution for the whole Council area for 2017. The figure below shows that around a sixth (15%) of households have incomes below £20,000 with a further third in the range of £20,000 to £40,000. Overall the average (mean) income is estimated to be around £59,700, with a median income of £44,500; the lower quartile income of all households is estimated to be £25,800.

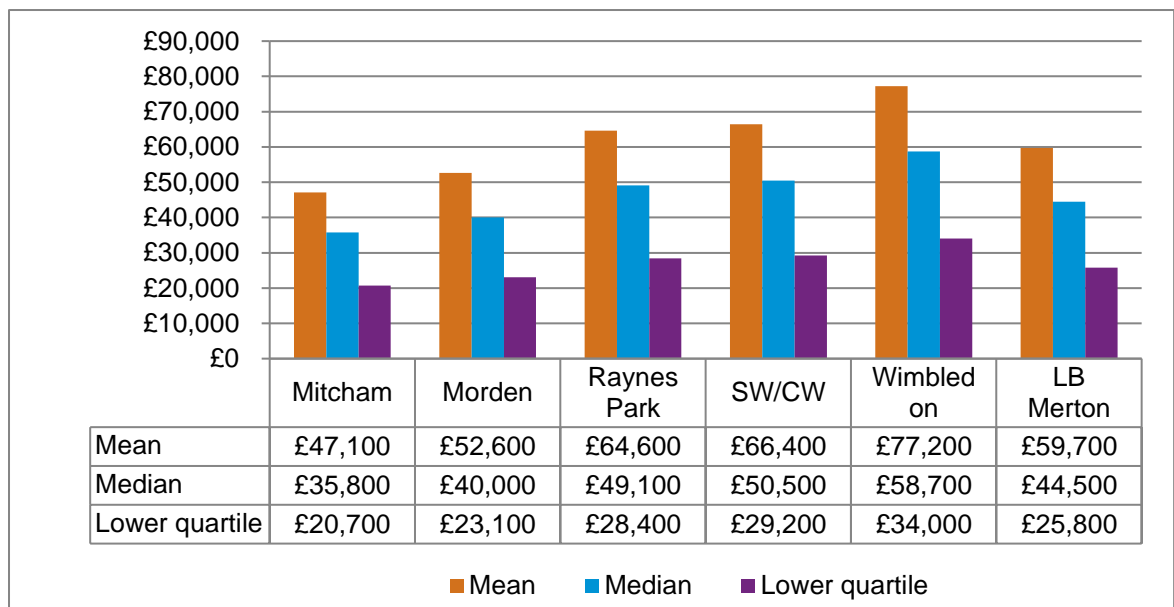
Figure 27: Distribution of Household Income in Merton (mid-2017 estimate)



Source: Derived from EHS and ONS data

5.30 Analysis has also been undertaken to estimate how incomes vary by sub-area, with the table below showing mean, median and lower quartile incomes in each area. The analysis shows the highest incomes to be in Wimbledon, with lower incomes in Mitcham.

Table 27: Estimated household income by sub-area (mid-2017 estimate)



Source: Derived from EHS and ONS data

- 5.31 To assess affordability, the analysis has looked at households' ability to afford private rented housing. This is because the income threshold for such housing is lower than for buying a home. The distribution of household incomes is then used to estimate the likely proportion of households who are unable to afford to meet their needs in the private sector without support, on the basis of existing incomes. This analysis brings together the data on household incomes with the estimated incomes required to access private rented housing.
- 5.32 Different affordability tests are applied to different parts of the analysis depending on the group being studied, e.g. recognising that newly forming households are likely on average to have lower incomes than existing households (this has consistently been shown to be the case in the English Housing Survey and the Survey of English Housing). Assumptions about income levels for specific elements of the modelling are discussed where relevant in the analysis that follows.

Current Affordable Housing Need

- 5.33 In line with the PPG, the current need for affordable housing is assessed through analysis of Housing Register information. As part of this project, an anonymised download of the register was provided (as of 1st April 2018) which has been interrogated to estimate the number of households with an affordable housing need.
- 5.34 At that time there were some 9,801 households on the register, of which 4,376 were in a reasonable preference category (RPC), and therefore can be considered to have a need for housing/alternative housing.
- 5.35 As well as looking at the level of need of households on the register, it is important to understand the living circumstances of those households. In particular, this focusses on current tenure, recognising that households already living in affordable housing would release a home for use by another household if they were to move and hence there is no additional need for housing to be provided (although there may be a mismatch between the homes needed and those released, both in terms of size and location).
- 5.36 Analysis of the register identified that around 30% of households (in an RPC) were already living in affordable housing and therefore excluded from the analysis. This leaves just over 3,000 households within private sector housing or without accommodation (many of these households are living in private rented accommodation).

- 5.37 Finally, the analysis considers that some of these households might be able to afford market housing (based on a lower quartile private rent for their specific sub-area) – analysis here is based on estimates of typical incomes currently within the social rented sector. Less than a fifth of households are estimated to have sufficient income to privately rent and the overall current need is estimated to be around 2,500 households.
- 5.38 The table below shows the locations of the households treated as in need for the purposes of this assessment. The information is taken from the correspondence postcode entered on the Housing Register. In a number of cases (about 5%-6%) the postcode was incomplete or outside of the area, and these cases have been included on a pro rata basis. The analysis shows that of the 2,516 households in need, the highest proportion is found in the Mitcham area, making up over half of all current needs in the Borough.

Table 28: Estimated number of households on Housing Register and in need – by sub-area

	Total in need	% of need
Mitcham	1,447	57.5%
Morden	449	17.9%
Raynes Park	164	6.5%
SW/CW	298	11.9%
Wimbledon	157	6.2%
Total	2,516	100.0%

Source: Merton Housing Register and affordability analysis

- 5.39 The analysis shows a particularly high current need in Mitcham when compared with other areas; it should, however, be noted that this will (at least in part) be due to this area having a high proportion of households living in temporary accommodation.
- 5.40 The assessment of affordability has also been presented and calculated on a sub-area basis. This does mean that there will be some households who are unable to afford in their current area but could afford elsewhere in the Borough.
- 5.41 The most notable example will be in the case of households in Wimbledon where housing costs are highest may be able to afford housing in Mitcham. Although this point should be noted it will not have any significant impact on the overall findings.

Newly-Forming Households

- 5.42 The number of newly-forming households has been estimated through demographic modelling with an affordability test also being applied. This has been undertaken by considering the changes in households in specific 5-year age bands relative to numbers in the age band below, 5 years previously, to provide an estimate of gross household formation. Two different estimates have been provided; one using the projections linked to the delivery of 823 dwellings per annum and the other with a higher level of delivery (1,328 homes each year).
- 5.43 The numbers of newly-forming households are limited to households forming who are aged under 45 – this is consistent with CLG guidance (from 2007) which notes after age 45 that headship (household formation) rates ‘plateau’. There may be a small number of household formations beyond age 45 (e.g. due to relationship breakdown) although the number is expected to be fairly small when compared with formation of younger households.
- 5.44 In looking at the likely affordability of newly-forming households, data has been drawn from previous surveys. This establishes that the average income of newly-forming households is around 84% of the figure for all households. This figure is remarkably consistent across areas (and is also consistent with analysis of English Housing Survey data at a national level).
- 5.45 The analysis has therefore adjusted the overall household income data to reflect the lower average income for newly-forming households. The adjustments have been made by changing the distribution of income by bands such that average income level is 84% of the all household average. In doing this it is possible to calculate the proportion of households unable to afford market housing without any form of subsidy (such as LHA/HB). The assessment suggests that overall around half of newly-forming households will be unable to afford market housing (to rent) and that a total of 969-1,175 new households will have a need on average in each year to 2035.

Table 29: Estimated Level of Affordable Housing Need from Newly Forming Households (per annum) – Merton – linked to delivery of 823 dwellings per annum

	No. of new households	% unable to afford	Total in need
Mitcham	589	55.6%	327
Morden	349	50.1%	175
Raynes Park	258	46.3%	119
SW/CW	392	45.0%	177
Wimbledon	394	43.5%	171
Total	1,981	48.9%	969

Source: Projection Modelling/affordability analysis

Table 30: Estimated Level of Affordable Housing Need from Newly Forming Households (per annum) – Merton – linked to delivery of 1,328 dwellings per annum

	No. of new households	% unable to afford	Total in need
Mitcham	716	55.6%	398
Morden	416	50.1%	208
Raynes Park	310	46.3%	144
SW/CW	486	45.0%	219
Wimbledon	475	43.5%	207
Total	2,403	48.9%	1,175

Source: Projection Modelling/affordability analysis

Existing Households falling into Affordable Housing Need

- 5.46 The second element of newly arising need is existing households falling into need. To assess this, information from CoRe has been used. This looked at households who have been housed over the past three years – this group will represent the flow of households onto the Housing Register over this period.
- 5.47 From this newly forming households (e.g. those currently living with family) have been discounted as well as households who have transferred from another social/affordable rented property. An affordability test has also been applied.
- 5.48 The numbers over this period or indeed in future could be influenced by changes to government policy or if there is a substantial increase in unemployment resulting from the closure of a major employer.
- 5.49 This method for assessing existing households falling into need is consistent with the 2007 SHMA guide which says on page 46 that '*Partnerships should estimate the number of existing households*

falling into need each year by looking at recent trends. This should include households who have entered the housing register and been housed within the year as well as households housed outside of the register (such as priority homeless household applicants)'.

- 5.50 Following the analysis through suggests a need arising from 224 existing households each year from 2017 to 2035.

Table 31: Estimated Level of Affordable Housing Need from Existing Households falling into need (per annum) – Merton

	Total additional need	% of total
Mitcham	107	47.8%
Morden	46	20.6%
Raynes Park	15	6.6%
SW/CW	34	15.1%
Wimbledon	22	10.0%
Total	224	100.0%

Source: CoRe/affordability analysis

Supply of Affordable Housing

- 5.51 The future supply of affordable housing is the flow of affordable housing arising from the existing stock that is available to meet future need. This focuses on the annual supply of social/affordable rent relets.
- 5.52 The Practice Guidance suggests that the estimate of likely future relets from the social rented stock should be based on past trend data which can be taken as a prediction for the future. Information from the CoRe system has been used to establish past patterns of social housing turnover, along with data from the Council about past lettings within social rented stock. The figures include general needs and supported lettings, but exclude lettings of new properties and also exclude an estimate of the number of transfers from other social rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing stock.
- 5.53 On the basis of past trend data it has been estimated that 455 units of social/affordable rented housing are likely to become available each year moving forward.

Table 32: Analysis of past social/affordable rented housing re-let supply (per annum – based on data for 2014-17 period)

	General needs	Supported housing	Total
Total lettings	325	337	662
% as non-new build	94.1%	91.2%	92.6%
Lettings in existing stock	306	307	613
% non-transfers	72.5%	75.8%	74.2%
Total lettings to new tenants	222	233	455

Source: CoRe/Merton Council

- 5.54 The table below shows the estimated supply of affordable housing from relets in each sub-area. The sub-area figures have been based on the size of the stock in each sub-area as of 2011 (Census data) and information from the Council about past lettings – the analysis shows that about half of all relets are expected to arise in Mitcham.

Table 33: Estimated supply of affordable housing from relets of existing stock by sub-area (per annum)

	Annual supply	% of supply
Mitcham	224	49.3%
Morden	91	20.0%
Raynes Park	29	6.3%
SW/CW	69	15.1%
Wimbledon	42	9.3%
Total	455	100.0%

Source: CoRe/Merton Council/Census (2011)

- 5.55 The PPG model also includes the bringing back of vacant homes into use and the pipeline of affordable housing as part of the supply calculation. These have however not been included within the modelling in this report. Firstly, there is no evidence of any substantial stock of vacant homes (over and above a level that might be expected to allow movement in the stock) – as of 2017, CLG data shows just 53 vacant general needs homes in the Borough. Secondly, with the pipeline supply, it is not considered appropriate to include this as to net off new housing would be to fail to show the full extent of the need, although in monitoring it will be important to net off these dwellings as they are completed.

Net Affordable Housing Need

- 5.56 The tables below show the overall calculation of affordable housing need – the first is linked to dwelling provision of 823 per annum and the second based on 1,328. The analysis shows that there

is a need for between 878 and 1,084 dwellings per annum to be provided – a total of 15,800-19,500 over the 18-year period (2017-35). The net need is calculated as follows:

$$\text{Net Need} = \text{Current Need} + \text{Need from Newly-Forming Households} + \text{Existing Households falling into Need} - \text{Supply of Affordable Housing}$$

Table 34: Estimated Need for Affordable Housing – Merton – linked to delivery of 823 dwellings per annum

	Per annum	2017-35
Current need	140	2,516
Newly forming households	969	17,447
Existing households falling into need	224	4,024
Total Gross Need	1,333	23,987
Re-let Supply	455	8,190
Net Need	878	15,797

Source: Range of sources as previously described

Table 35: Estimated Need for Affordable Housing – Merton – linked to delivery of 1,328 dwellings per annum

	Per annum	2017-35
Current need	140	2,516
Newly forming households	1,175	21,155
Existing households falling into need	224	4,024
Total Gross Need	1,539	27,695
Re-let Supply	455	8,190
Net Need	1,084	19,505

Source: Range of sources as previously described

- 5.57 The tables below show the estimated need for affordable housing by sub-area. This shows a need in all parts of the Borough, with the highest figures being seen in Mitcham.

Table 36: Estimated Need for Affordable Housing by sub-area (per annum) – linked to delivery of 823 dwellings per annum

	Current need	Newly forming households	Existing households falling into need	Total Gross Need	Re-let Supply	Net Need
Mitcham	80	327	107	515	224	290
Morden	25	175	46	246	91	155
Raynes Park	9	119	15	143	29	114
SW/CW	17	177	34	227	69	158
Wimbledon	9	171	22	202	42	160
Total	140	969	224	1,333	455	878

Source: Range of sources as previously described

Table 37: Estimated Need for Affordable Housing by sub-area (per annum) – linked to delivery of 1,328 dwellings per annum

	Current need	Newly forming households	Existing households falling into need	Total Gross Need	Re-let Supply	Net Need
Mitcham	80	398	107	585	224	361
Morden	25	208	46	279	91	188
Raynes Park	9	144	15	167	29	139
SW/CW	17	219	34	269	69	200
Wimbledon	9	207	22	238	42	195
Total	140	1,175	224	1,539	455	1,084

Source: Range of sources as previously described

How Much Should Affordable (rented) Housing Cost?

5.58 The analysis above has studied the overall need for affordable housing using a well-established model. This model focusses on households who cannot afford anything in the market (i.e. cannot rent or buy). These households are most likely to have a need for rented housing and below is an analysis that sets out what might be an affordable rent for different sizes of accommodation (in different locations) based on local incomes and housing costs.

5.59 The analysis essentially considers what might be a 'Living Rent'. These calculations are based on research by JRF/Savills¹² and use the following methodology:

- Annual Survey of Hours and Earnings (ASHE) lower quartile earnings;
- Adjustment for property size by recognised equivalence model; and

¹² <http://πδφ.σαπιλλσ.χου/δοχουμεντς/Λιτινγ%20Ρεντς%20Φιναλ%20Ρεπορτ%209ουε%202015%20-%20ωιτη%20λινκς%20-%2019%2006%202015.πδφ>

- Starting rent set at 28% of net earnings
- Rent set at Local Housing Allowance (LHA) limits where calculations show a higher figure

5.60 The analysis shows rents starting at about £400 for a 1-bedroom home (in Mitcham) and rising to over £800 for homes with 3-bedrooms (the Living Rent method only goes up to 3-bedrooms). None of these figures have been capped by LHA as the maximum LHA is higher than the Living Rent for all sizes and locations.

Table 38: Living rents (per month) – 2017

	1-bedroom	2-bedroom	3-bedrooms
Mitcham	£401	£522	£642
Morden	£422	£548	£675
Raynes Park	£467	£607	£747
SW/CW	£474	£616	£758
Wimbledon	£514	£669	£823
Total	£449	£583	£718

Source: ASHE and Living Rents methodology

Affordable Housing – Expanded NPPF Definition

- 5.61 Using the previously established method to look at affordable need, it was estimated that there is a need for around 878-1,084 units per annum – this is for subsidised housing at a cost below that to access the private rented sector (i.e. for households unable to access any form of market housing without some form of subsidy). It would be expected that this housing would be delivered primarily as social/affordable rented housing.
- 5.62 The new NPPF introduces a new category of household in affordable housing need and widens the definition of affordable housing (as found in the NPPF – Annex 2). It is considered that households falling into the definition would be suitable for Starter Homes or Discounted market sales housing, although other forms of affordable home ownership (such as shared ownership) might also be appropriate.
- 5.63 This section considers the level of need for these types of dwellings in Merton. The NPPF states *“Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership, unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups.”* (NPPF2, para 64).

- 5.64 The Planning Policy Guidance of September 2018 confirms a widening definition of those to be considered as in affordable need; now including *'households which can afford to rent in the private rental market, but cannot afford to buy despite a preference for owning their own home'*. However, at the time of writing, there is no guidance about how the number of such households should be measured.
- 5.65 The methodology used in this report, therefore, draws on the current method and includes an assessment of current needs, projected need (newly forming and existing households) and an estimate of the supply of housing. The key difference is that in looking at affordability an estimate of the number of households in the 'gap' between buying and renting is used. For the supply of affordable home ownership, analysis of Land Registry has been undertaken with the supply figure taken to be an estimate of the number of homes sold at a price below the equivalent cost of private renting (see below).
- 5.66 Just by looking at the relative costs of housing to buy and to rent, it is clear that there will be households in Merton who can currently rent but who may be unable to buy. In the year to March 2018, the 'average' lower quartile private rent is shown by VOA to cost around £1,200 a month, assuming a household spends no more than 37.5% of income on housing, this would equate to an income requirement of about £38,400. For the same period, Land Registry data records a lower quartile price in the study area of £363,000 which (assuming a 10% deposit and 4 times mortgage multiple) would equate to an income requirement of around £81,700.
- 5.67 If the rental figure is worked backwards into an equivalent purchase price then this gives an affordable price to buy of about £170,000 (calculated as $(38,400 \times 4) \div 0.9$). Any home sold at a price at or below this is considered able to contribute towards meeting the need for affordable home ownership (it should be noted that this is shown as an example with local data being used for each area).
- 5.68 The tables below show that following the stages of analysis there is an estimated need for around 786-933 units of affordable home ownership per annum. This figure should be seen as indicating the potential demand for such accommodation, as it should be remembered that all of the households picked up in this analysis would be able to afford market housing in the private rented sector without subsidy.

Table 39: Estimated Annual Level of Need for Affordable Home Ownership products (per annum) – linked to delivery of 823 dwellings per annum

	Current need	Newly forming households	Existing households falling into need	Total Gross Need	Re-let Supply	Net Need
Mitcham	27	165	16	208	8	200
Morden	12	128	10	149	1	148
Raynes Park	5	99	4	107	0	107
SW/CW	8	146	8	162	1	161
Wimbledon	5	169	6	180	10	170
Total	56	706	44	806	20	786

Source: CoRe/Census (2011) (figures may not sum due to rounding)

Table 40: Estimated Annual Level of Need for Affordable Home Ownership products (per annum) – linked to delivery of 1,328 dwellings per annum

	Current need	Newly forming households	Existing households falling into need	Total Gross Need	Re-let Supply	Net Need
Mitcham	27	201	16	244	8	236
Morden	12	152	10	174	1	173
Raynes Park	5	119	4	127	0	127
SW/CW	8	180	8	196	1	195
Wimbledon	5	203	6	215	10	205
Total	56	853	44	953	20	933

Source: CoRe/Census (2011) (figures may not sum due to rounding)

- 5.69 Based on this analysis it seems reasonable to suggest that the Council could consider seeking 10% of all housing (on larger sites) to be affordable home ownership (as set out in the NPPF2). However, given that the main analysis of affordable need also showed a notable level of need, and one involving households who cannot afford anything in the market without subsidy, it is not considered that there is any basis to increase the provision of affordable home ownership above the 10% figure. As exceeding this figure would impact the delivery of affordable housing of those in a more acute need.
- 5.70 It should also be noted that the finding of a 'need' for affordable home ownership does not have any impact on the overall need for housing. As is clear from both the NPPF2 and draft PPG, the additional group of households in need is simply a case of seeking to move households from one tenure to another (in this case from private renting to owner-occupation); there is, therefore, no net change in the total number of households or the number of homes required.

- 5.71 If the Council do seek for some additional housing to be in the affordable home ownership sector (e.g. intermediate low-cost home ownership or shared ownership), it is additionally recommended that they set up a register of people interested in these products (in a similar way to the current Housing Register). This will enable any properties to be 'allocated' to households whose circumstances best meet the property on offer.
- 5.72 It is understood that at present the Council do not have nomination agreements in place for this type of housing and therefore is not in a position to ensure that such homes are used to meet local needs. If it is not possible to secure nomination agreements, then the Council should seek additional rented units where possible (on the assumption that these could be allocated to local households with a demonstrable need).
- 5.73 Finally, it is worth discussing what sort of costs affordable home ownership should be. The Annex 2 definitions suggest that such housing should be made available at a discount of at least 20% from Open Market Value (OMV). The problem with having a percentage discount is that it is possible in some locations or types of property that such a discount still means housing is more expensive than that typically available in the open market.
- 5.74 The preferred approach in this report is to set out a series of affordable purchase costs for different sizes of accommodation. These are based on equivalising the private rent figures into a house price so that the sale price will meet the needs of all households in the gap between buying and renting. Setting higher prices would mean that such housing would not be available to many households for whom the Government is seeking to provide an 'affordable' option.
- 5.75 The table below, therefore, sets out a suggested purchase price for affordable home ownership in the Borough. As noted, the figures are based on trying to roughly equate a sale price with an equivalent access point to the private rental market. This shows across the Borough a one-bedroom 'affordable' price of about £149,000 rising to almost £300,000 for homes with four or more bedrooms. These figures can be monitored and updated every six months by reference to VOA data¹³.

¹³ <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/indexofprivatehousingrentalprices/march2018/relateddata>.

Table 41: Affordable home ownership prices (aligned with the cost of accessing private rented sector) – data for the year to March 2018

	1-bedroom	2-bedroom	3-bedroom	4+-bedroom
Mitcham	£129,000	£162,000	£195,000	£229,000
Morden	£129,000	£165,000	£195,000	£229,000
Raynes Park	£160,000	£178,000	£227,000	£330,000
SW/CW	£149,000	£184,000	£233,000	£280,000
Wimbledon	£170,000	£204,700	£263,000	£413,000
Borough-wide	£149,000	£184,900	£220,000	£299,000

Source: Derived from Valuation Office Agency data

5.76 The same can also be done for shared ownership scheme although by their nature this is a slightly more complex approach. For example, the cost would be dependent on the percentage purchased or rent being charged. For the purposes of the modelling, the following have been assumed:

- 25% equity share
- 10% deposit (on the 25%)
- Assume a service charge of £100 per month
- Rent at 2.75% pa on unsold equity (GLA recommended level)
- Rental element not to exceed a third of income (income after mortgage taken into account)

Table 42: Maximum OMV of shared ownership to be affordable by size and location (25% equity share)

	1-bedroom	2-bedroom	3-bedroom	4+-bedroom
Mitcham	£215,000	£278,000	£340,000	£405,000
Morden	£215,000	£283,000	£340,000	£405,000
Raynes Park	£273,000	£308,000	£401,000	£598,000
SW/CW	£253,000	£320,000	£412,000	£502,000
Wimbledon	£292,000	£359,000	£469,000	£756,000
Borough-wide	£253,000	£321,000	£389,000	£538,000

Source: GL Hearn modelling based on VOA and Land Registry Data

5.77 We have also undertaken some sensitivity analysis relating to different equity share (50% and 75%). These demonstrated that as the equity share gets higher, so the OMV would need to be lower so that households can access the shared ownership sector with a similar income to that needed to access the private rented sector.

Table 43: Maximum OMV of shared ownership to be affordable by size and location (50% equity share)

	1-bedroom	2-bedroom	3-bedroom	4+-bedroom
Mitcham	£165,000	£213,000	£261,000	£311,000
Morden	£165,000	£218,000	£261,000	£311,000
Raynes Park	£210,000	£237,000	£308,000	£460,000
SW/CW	£195,000	£245,000	£317,000	£385,000
Wimbledon	£224,000	£276,000	£360,000	£580,000
Borough-wide	£195,000	£247,000	£299,000	£413,000

Source: GL Hearn modelling based on VOA and Land Registry Data

- 5.78 These tables demonstrate that with a higher equity share, a household will need a higher income to be able to afford the mortgage part of the tenure (assuming the same OMV). Furthermore the likelihood of being able to access such housing will also be a barrier and not just in relation to the actual cost of housing, as many of the examples shown below will be lower than the equivalent PRS costs.

Table 44: Maximum OMV of shared ownership to be affordable by size and location (75% equity share)

	1-bedroom	2-bedroom	3-bedroom	4+-bedroom
Mitcham	£134,000	£173,000	£212,000	£252,000
Morden	£134,000	£177,000	£212,000	£252,000
Raynes Park	£170,000	£192,000	£250,000	£373,000
SW/CW	£158,000	£199,000	£257,000	£313,000
Wimbledon	£182,000	£224,000	£292,000	£471,000
Borough-wide	£158,000	£200,000	£242,000	£335,000

Source: GL Hearn modelling based on VOA and Land Registry Data

- 5.79 Further sensitivities relating to the GLA London Shared Ownership product are set out below. This is based on households with an income of up to £56,200. This also suggests an outgoing of £1,311 per month.
- 5.80 The Council could seek to engage with registered providers to ensure shared ownership products are made available to those households earning more than the affordable housing income threshold (see table 26 - £38,400) but below the maximum shared ownership thresholds set out by the GLA above (£56,200).

5.81 In moving towards Local Plan eligibility criteria, the Borough-wide thresholds should be used. If locally based criteria are preferred then the local income figures above should be used as a guide to eligibility taking into account the size of household and location of residence.

5.82 However, it should be noted that the £92,900 threshold for larger homes in Wimbledon exceeds the Draft London Plan cap of £90,000 for London. The Council may wish to maintain that London-wide Policy.

Other forms of affordable Tenures

5.83 The GLA (including in the draft London Plan) sets out a range of seven different affordable tenures and the eligibility for different types of home (often based on a maximum household income). Three tenures are a 'Mayor's preferred affordable product' and these are discussed below. The three tenures are:

- London Affordable Rent
- London Living Rent
- London Shared Ownership.

5.84 **London Affordable Rent** is rent for households on a low income with the rent level effectively being equivalent to a social rent. This is a different definition to the NPPF which defines affordable rent as up to 80 per cent of market rent. The Mayor recognises that to make sure rents in London are 'genuinely affordable' the benchmarks need to be set substantially below this level.

5.85 **London Living Rent** (LLR) offers households on average incomes a lower rent with the aim of enabling them to save for a deposit. LLR levels are set at a ward level with figures published by the GLA on an annual basis. Where funded by the GLA, LLR is intended to be a Rent to Buy product, with sub-market rents on time-limited tenancies. It is suggested that as LLR can be a step to homeownership, it can be considered as an affordable homeownership product. LLR is available to households with an income of up to £60,000.

5.86 **London Shared Ownership** is an intermediate ownership product which allows London households who would struggle to buy on the open market, to purchase a share in a new home and pay a low rent on the remaining, unsold, share. London Shared Ownership is available to households with an income of up to £90,000.

5.87 The emerging London Plan also allows for other affordable housing products as long as they meet a broad definition of affordable housing and are 'genuinely affordable'. For dwellings to be considered as affordable, annual housing costs should be no more than 40% of a household's net income. However, for different areas with different incomes the threshold will be different.

- 5.88 In the context of the needs analysis in this report, it is suggested that both London Affordable Rent and London Living Rent would meet the needs identified in the core analysis; the affordable rent product (due to lower rents) would, however, be potentially available to a greater number of households. London Shared Ownership is considered to be within the new NPPF affordable housing definition (affordable home ownership) and to some extent the LLR overlaps between the two categories of need.
- 5.89 In terms of developing an affordable housing policy, Policy H7 of the draft London Plan says the following:
- The Mayor is committed to delivering genuinely affordable housing. The following split of affordable products should be applied to development:*
- a. a minimum of 30 per cent low cost rented homes, allocated according to need and for Londoners on low incomes (Social Rent/ London Affordable Rent)
 - b. a minimum of 30 per cent intermediate products which meet the definition of affordable housing, including London Living Rent and London Shared ownership
 - c. 40 per cent to be determined by the relevant borough based on identified need, provided they are consistent with the definition of affordable housing.
- 5.90 Based on this, it will be necessary for the Council to consider what form of housing the final 40% should take. Given the high level of need shown using the core analysis (i.e. based on households unable to buy or rent in the market) it is suggested that the Council investigates including all of the additional 40% as Social Rent/London Affordable Rent). However, it may be that viability issues mean that some housing would need to be at a cost higher than this; in such cases, it is suggested that the Council considers London Living Rents (which can provide a route into home ownership) ahead of shared ownership as a preferred tenure.
- 5.91 Whilst London Shared Ownership is an affordable tenure (in line with both the draft London Plan and the NPPF), it is likely to be the tenure that is available to the fewest number of households with a need (due to having a higher housing cost). The Council should, therefore, seek to provide other forms of affordable housing in preference to this tenure, although it does need to be recognised that some shared ownership may be necessary to support viability in some cases. Regardless, it is not considered that shared ownership should make up more than 10% of homes on any individual site (the 10% figure being drawn from the NPPF).
- 5.92 The 2016 AMR stated that average housing costs, including service charges for Shared Ownership and Discounted Market Sale, should be affordable by households on annual gross incomes of £56,200 pa. On this basis, average housing costs for Shared Ownership and Discounted Market Sale,

including service charges, should be £1,311 a month or £303 a week (housing costs at 40% of net income, net income being assumed to be 70% of gross income).

5.93 The potential problem here is that discounted market sale on the basis of a £56,200 income (again 10% deposit and 4 times mortgage multiple) would imply a purchase price of £250,000, which would be rare across London. With shared ownership having a subsidised rent it is possible to achieve the £1,311 monthly cost and the table below provides some examples, these are based on:

- 10% deposit
- Rent at 2.75% pa on unsold equity
- Repayment mortgage over 25-years at 4%
- Service charge of £100 per month

Table 45: Cost of Housing Based on London Shared Ownership at Different Equity Level

Equity share	25%	50%	75%
Price	£416,000	£343,000	£292,000
Purchase	£104,000	£171,500	£219,000
Mortgage	£93,600	£154,350	£197,100
Annual mortgage cost	£5,930	£9,780	£12,488
Retained equity	£312,000	£171,500	£73,000
Annual rent	£8,580	£4,716	£2,008
Service charge	£1,200	£1,200	£1,200
Total cost	£15,710	£15,696	£15,696
Per month	£1,309	£1,308	£1,308

Source: Modelled data, 2018

5.94 The NPPF also sets out other forms of affordable housing that do not feature in the GLA definitions, one, in particular, would be Starter Homes. The analysis in this report does not really support any need for Starter Homes, a tenure which (due to a lack of perpetuity) is not as attractive an option as other affordable tenures. However, it is possible in some cases that a proportion of such homes could be used to support viability. This being the case, it is suggested that the price (after any discount) should be in-line with those previously discussed for affordable home ownership prices.

5.95 Additionally, Help-to-Buy is an incentive that is potentially available to households. Homes sold with Help-to-Buy should be encouraged where possible, but this should not be counted as part of any affordable provision.

Affordable Housing Need: Key Messages

- Analysis has been undertaken to estimate the need for affordable housing in the 2017-35 period. The analysis is split between a 'traditional' need (which is mainly for social/affordable rented accommodation) and is based on households unable to buy or rent in the market and the 'additional' category of need introduced by the revised NPPF/PPG (which includes housing for those who can afford to rent privately but cannot afford to buy a home).
- The analysis has taken account of local housing costs (to both buy and rent) along with estimates of household income. Additionally, when looking at traditional needs consideration is given to the Council's Housing Register and estimates of the supply of social/affordable rented housing. For the additional definition, consideration is given to the potential supply (from Land Registry data) of cheaper accommodation to buy.
- Using the traditional method, the analysis suggests a need for 878-1,084 affordable homes per annum and therefore the Council is justified in seeking to secure additional affordable housing. There is also a need shown in all parts of the Borough.
- It is also suggested that the cost of housing to rent within this group is fixed by reference to local incomes (and the Living Rent methodology) although rents above Local Housing Allowance limits should be avoided (to ensure housing affordable to those needing to claim Housing Benefit).
- Using the additional definition, a similar level of 'need' is shown (for 786-933 dwellings per annum). However, it should be noted that all of these households in need can actually afford market housing (to rent). On this basis, the analysis suggests that a 10% target for affordable home ownership may be appropriate (the 10% figure coming from the NPPF) but a higher figure may not be (as this would lead to less provision for those with more acute needs).
- In terms of setting housing costs in the affordable home ownership sector, it is recommended that the Council considers setting prices at a level which (in income terms) are equivalent to the levels needed to access private rented housing. This would ensure that all households in need under the new definition could potentially afford housing – this might mean greater than 20% discounts from Open Market Value in some instances.
- Overall, the analysis identifies a notable need for affordable housing, and it is clear that the provision of new affordable housing is an important and pressing issue in the Borough. It does, however, need to be stressed that this report does not provide an affordable housing target; the amount of affordable housing delivered will be limited to the amount that can viably be provided. The evidence does however suggest that affordable housing delivery should be maximised where opportunities arise.

6 PRIVATE RENTED SECTOR

Introduction

- 6.1 Planning Practice Guidance on housing need assessment highlights the Private Rented Sector (PRS) as one of the specific groups that should be analysed, although there is little advice on the analysis expected and the outputs. Specifically, the PPG says: *'tenure data from the Office for National Statistics can be used to understand the future need for private rented sector housing'* and *'market signals reflecting the demand for private rented sector housing could be indicated from the level of changes in rents'*.
- 6.2 This section therefore looks at a range of statistics in relation to the PRS in Merton. Where reasonable, comparisons are made with other tenures (i.e. owner-occupied and social rented) as well as contrasting data with other areas. The aim is to bring together a range of information to inform the need for additional private rented housing in the study area.

Size of the Private Rented Sector

- 6.3 The table below shows the tenure split of housing in 2011 in Merton and a range of other areas. This shows a total of 19,500 households living in private rented housing in the Borough – 25% of all households. This proportion is higher than the national average and virtually the same as the London equivalent.
- 6.4 The vast majority of households in the PRS are living in housing rented from a landlord or through a letting agency, although around 1,000 (1.3% of all households) are recorded as living in 'other' PRS accommodation, this is mainly households living in housing owned by a relative or friend.

Table 46: Tenure (2011)

	Merton	London	England
Owns outright	20,160	689,898	6,745,584
Owns with mortgage/loan	27,200	928,417	7,403,200
Social rented	11,102	785,993	3,903,550
Private rented	19,503	819,085	3,715,924
Living rent free	792	42,780	295,110
Total	78,757	3,266,173	22,063,368
% private rented	24.8%	25.1%	16.8%

Source: Census (2011)

- 6.5 The table below shows the same information for the sub-areas of Merton. There are clear differences in the proportion of households living in the PRS; ranging from 14.6% in Morden and up to 33.7% in the South Wimbledon/Colliers Wood area.

Table 47: Tenure by sub-area (2011)

	Mitcham	Morden	Raynes Park	SW/CW	Wimbledon	Merton
Owns outright	4,899	4,769	2,922	2,829	4,741	20,160
Owns with mortgage/loan	8,212	5,863	3,695	4,669	4,761	27,200
Social rented	5,119	2,290	753	1,755	1,185	11,102
Private rented	5,217	2,228	2,304	4,770	4,984	19,503
Living rent free	233	121	88	118	232	792
Total	23,680	15,271	9,762	14,141	15,903	78,757
% private rented	22.0%	14.6%	23.6%	33.7%	31.3%	24.8%

Source: Census (2011)

- 6.6 As well as looking at the current tenure profile, it is of interest to consider how this has changed over time; the table below shows (for the whole of the study area) data from the 2001 and 2011 Census. From this, it is clear that there has been significant growth in the number of households living in privately rented accommodation as well as a decline in the number of owners, particularly those with a mortgage. The increase in the number of households in the PRS of 7,300 is against a backdrop where there was no notable change in the overall number of households in the Borough.

Table 48: Change in tenure (2001-11) – Merton

	2001 households	2011 households	Change	% change
Owns outright	21,390	20,160	-1,230	-5.8%
Owns with mortgage/loan	32,923	27,200	-5,723	-17.4%
Social rented	11,219	11,102	-117	-1.0%
Private rented	12,202	19,503	7,301	59.8%
Living rent free	1,150	792	-358	-31.1%
Total	78,884	78,757	-127	-0.2%

Source: 2001 and 2011 Census

- 6.7 The tenure changes in Merton follow a similar pattern seen in other areas (as shown in the table below) although the proportionate increase in the number of households in the PRS is less notable in the Borough than other locations – this will in part be influenced by a relatively large PRS to start with (i.e. as in 2001). A reduction in the number of outright owners in Merton is also noteworthy and is a different pattern to that seen in other locations.

Table 49: Change in tenure (2001-11) – Merton and other areas

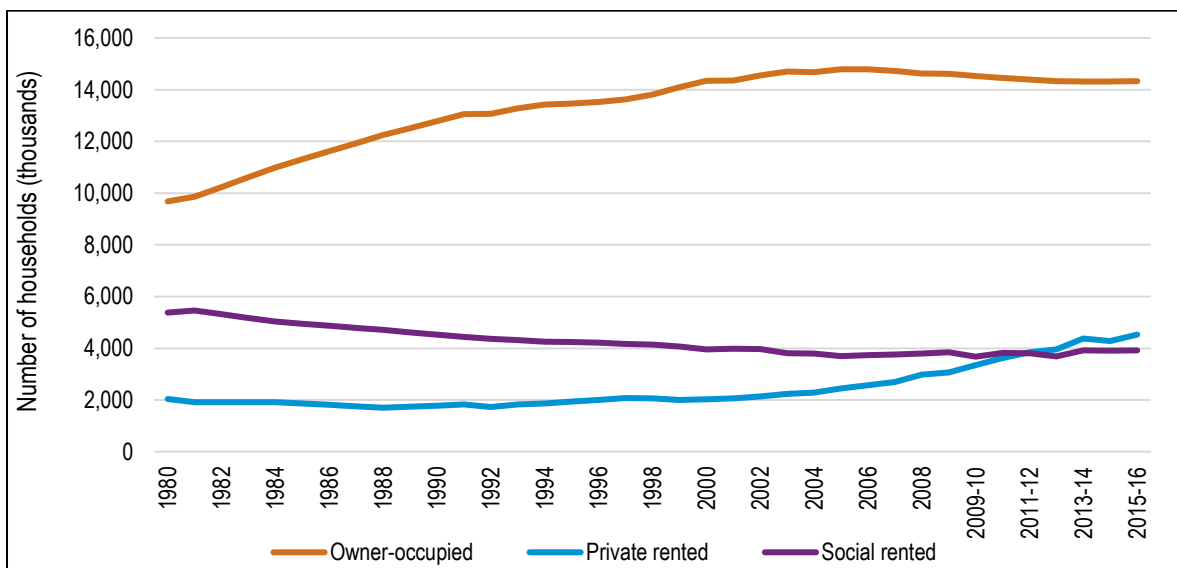
	Merton	London	England
Owns outright	-5.8%	3.7%	13.0%
Owns with mortgage/loan	-17.4%	-10.7%	-8.4%
Social rented	-1.0%	-0.6%	-0.9%
Private rented	59.8%	75.4%	82.4%
Other	-31.1%	-20.5%	-29.6%
Total	-0.2%	8.3%	7.9%

Source: 2001 and 2011 Census

6.8 The PRS has clearly been growing rapidly over time, in Merton and other locations; it is also worth considering what further changes may have occurred since 2011. Unfortunately, robust local data on this topic is not available, however, a national perspective can be drawn from the English Housing Survey (EHS) which has data up to 2016.

6.9 The figure below shows changes in three main tenures back to 1980. This clearly shows the increase in the number of households living in private rented accommodation from about 2001 and also a slight decrease in the number of owners. Since 2011, the EHS data shows that that PRS has risen by a further 25% and if Merton has seen a similar level of increase then this would imply about 4,900 additional households in the sector.

Figure 28: Trends in tenure, 1980 to 2015-16 – England



Source: English Housing Survey

- 6.10 The data above shows information for all households and it is of interest to study this information for younger households. Interrogating changes for a full range of age groups is difficult as the two Census (2001 and 2011) use different age bandings. It is, however, possible to provide an indication of the change in tenure by looking at households aged under 35 and this is shown in the table below.

Table 50: Change in tenure those aged under 35 (2001-2011)

	2001	2011	Change	% change
Owned	10,237	5,400	-4,837	-47.3%
Social rented	2,423	2,311	-112	-4.6%
Private rented	7,147	10,154	3,007	42.1%
Total	19,807	17,865	-1,942	-9.8%

Source: ONS, Census 2001 and 2011

Security of Tenure

- 6.11 While a shift to PRS from owner-occupation is not necessarily a bad thing it does have some pitfalls including issues with the security of tenure. As demonstrated elsewhere in this report there has been a noticeable increase in homelessness in the Borough as a result of assured tenancies coming to an end.
- 6.12 In consultation with local letting agents we have identified contract lengths of 6 months and 3 years but typically only for a single year. Lease lengths are dependent on the landlord's circumstances and whether they are looking for a long-term investment or not.
- 6.13 Very few agencies offer shorter-term leases and few tenants seek these due to the fees involved. Shorter-term rents are available on a less formal basis i.e. through gumtree or spareroom.com.
- 6.14 The letting agents report that between 75% and 90% of tenants renew their lease, with a typical stay of around 2 to 3 years. Once leases expire around 50% of leaseholders seek rental accommodation elsewhere with the other 50% seeking to buy.
- 6.15 The agents did not report any significant differences between the sub-area. Those renting in areas with high levels of HMOs (Mitcham, South Wimbledon and Colliers Wood and Wimbledon) tend to move on to other rental accommodation whereas those renting the whole property tend to move on to purchase property (Raynes Park).

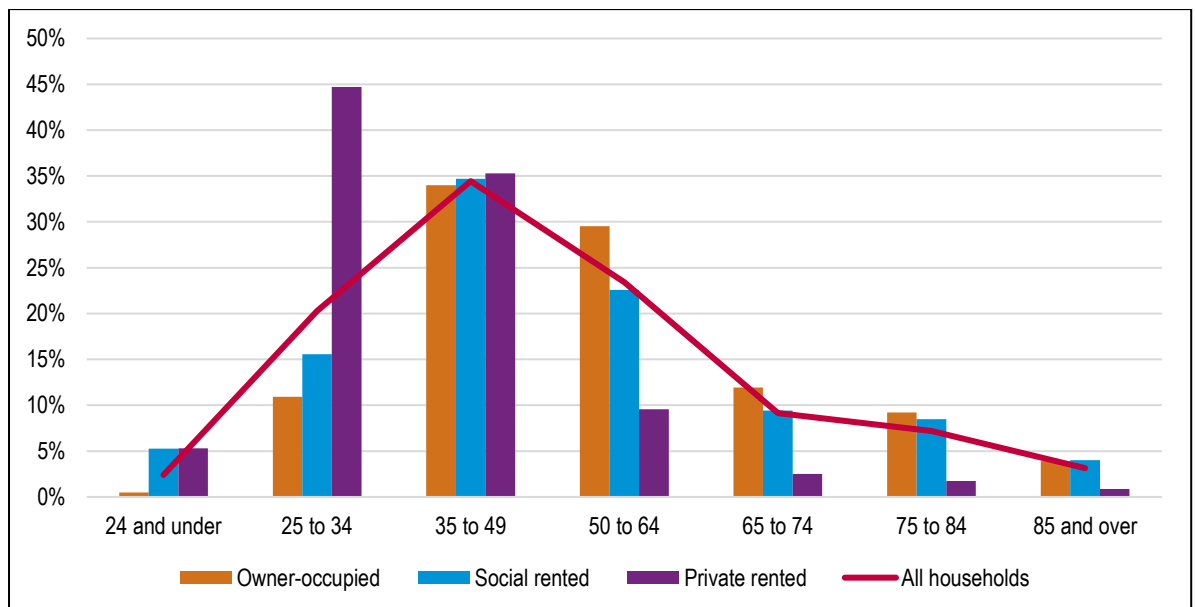
Profile of Private Renters

6.16 This section presents a profile of people/households living in the private rented sector. Whenever possible, comparisons are made with those living in other tenures.

Age

6.17 Private renters are younger than social renters and owner-occupiers. In 2011, the average age of household reference persons (HRPs) in the private rented sector was 39 years (compared with 50 years for social renters and 54 years for owner-occupiers). The vast majority (85%) of private rented sector HRPs were aged under 50 compared with 56% of social renters and 45% of owner-occupiers.

Figure 29: Age of household reference person by tenure (2011) – Merton



Source: Census (2011)

6.18 At a national level, the EHS notes that the proportion of younger people in the PRS has increased over time. It notes that the proportion of those aged 25 to 34 who lived in the private rented sector increased from 24% in 2005-6 to 46% in 2015-16. Over the same period, there was a corresponding decrease in the proportion of people in this age group in both the owner-occupied (from 56% in 2005-6 to 38% in 2015-16) and social rented (from 20% in 2005-6 to 16% in 2015-16) sectors.

Household type

6.19 The table below shows the composition of households living in the private rented sector (and compared with other tenures). This shows a particularly high proportion of households in the 'other' category. Many of these households are likely to be multi-adult households living in shared accommodation (i.e. houses in multiple occupation (HMOs)).

Table 51: Household composition by tenure (2011) – Merton

	Owner-occupied		Social rented		Private rented		Total	
	Hhs	% of ηησ	Hhs	% of hhs	Hhs	% of hhs	Hhs	% of hhs
Single person aged 65+	5,461	11.5%	1,618	14.6%	616	3.0%	7,695	9.8%
Single person aged <65	8,163	17.2%	2,453	22.1%	3,983	19.6%	14,599	18.5%
Couple aged 65+	3,130	6.6%	338	3.0%	158	0.8%	3,626	4.6%
Couple, no children	7,869	16.6%	576	5.2%	4,446	21.9%	12,891	16.4%
Couple, dep children	10,697	22.6%	1,760	15.9%	3,860	19.0%	16,317	20.7%
Couple, all children non-dep	3,683	7.8%	430	3.9%	254	1.3%	4,367	5.5%
Lone parent, dep children	1,462	3.1%	2,338	21.1%	1,293	6.4%	5,093	6.5%
Lone parent, all children non-dep	1,980	4.2%	755	6.8%	294	1.4%	3,029	3.8%
Other HH with dep children	1,938	4.1%	480	4.3%	1,060	5.2%	3,478	4.4%
Other HH	2,977	6.3%	354	3.2%	4,331	21.3%	7,662	9.7%
Total	47,360	100.0%	11,102	100.0%	20,295	100.0%	78,757	100.0%
Total dep children	14,097	29.8%	4,578	41.2%	6,213	30.6%	24,888	31.6%
Dep children (excl'd other)	-	31.8%	-	42.6%	-	38.9%	-	35.0%

Source: Census (2011)

6.20 If these households are excluded the data also shows a relatively high proportion of households with dependent children, making up 39% of the rest of the PRS. The proportion of childless couples is also notably higher in the PRS than in other sectors.

- 6.21 Between 2001 and 2011, Census data shows that the number of households with dependent children in the PRS rose from 2,500 to 6,200 – a 146% increase – the EHS also shows a similar pattern nationally. In Merton, the proportion of the sector made up of households with dependent children has increased from 19% to 31%).

Size and type of accommodation

- 6.22 The tables below show the size and type of accommodation in the PRS compared with other sectors. From this, it can be seen that the profile of the PRS is arguably quite close to that of the social rented sector, and somewhat different to owner-occupied housing. For example, 61% of PRS homes are flats, compared with 59% in the social rented sector and just 22% of owner-occupied homes. Additionally, just 18% of PRS homes are detached or semi-detached (16% of the social rented sector and 29% of owners).
- 6.23 When looking at the size of accommodation, the data suggests that the PRS has a slightly larger profile than the social rented sector, but one, which is notably smaller than seen in owner-occupied housing – 65% of PRS homes have 1- or 2-bedrooms, compared with 66% in the social rented sector and 31% of owners. The PRS sector does, however, have a notably higher proportion of 4+-bedroom homes than the social rented sector (but somewhat lower than seen for owner-occupiers).

Table 52: Accommodation type by tenure (households) – Merton

	Owner-occupied	Social rented	Private rented	Total
Detached	6.5%	3.2%	5.4%	5.8%
Semi-detached	22.1%	13.1%	12.7%	18.4%
Terraced	49.0%	24.9%	21.0%	38.4%
Flat/other	22.4%	58.8%	60.9%	37.5%
Total	100.0%	100.0%	100.0%	100.0%
	47,360	11,102	20,295	78,757

Source: Census (2011)

Table 53: Accommodation size by tenure (households) – Merton

	Owner-occupied	Social rented	Private rented	Total
1-bedroom	7.6%	32.3%	27.8%	16.3%
2-bedrooms	23.6%	33.8%	37.6%	28.7%
3-bedrooms	45.4%	30.2%	23.1%	37.5%
4+-bedrooms	23.4%	3.7%	11.5%	17.5%
Total	100.0%	100.0%	100.0%	100.0%
	47,360	11,102	20,295	78,757

Source: Census (2011)

Overcrowding and under-occupation

- 6.24 The analysis below studies levels of overcrowding and under-occupation – this is based on the bedroom standard with data taken from the 2011 Census. The box below shows how the standard is calculated and this is then compared with the number of bedrooms available to the household (with a negative number representing overcrowding and a positive number being under-occupation). Households with an occupancy rating of +2 or more have at least two spare bedrooms.

For the purposes of the bedroom standard, a separate bedroom shall be allocated to the following persons –

- (a) A person living together with another as husband and wife (whether that other person is of the same sex or the opposite sex)
- (b) A person aged 21 years or more
- (c) Two persons of the same sex aged 10 years to 20 years
- (d) Two persons (whether of the same sex or not) aged less than 10 years
- (e) Two persons of the same sex where one person is aged between 10 years and 20 years and the other is aged less than 10 years
- (f) Any person aged under 21 years in any case where he or she cannot be paired with another occupier of the dwelling so as to fall within (c), (d) or (e) above.

- 6.25 The analysis shows that levels of overcrowding in the PRS are notably higher than seen in owner-occupied housing, but below the equivalent figure in the social rented sector – 14.8% of households being overcrowded in 2011. Levels of under-occupation are generally quite low in the PRS, with around 36% of households having at least one spare bedroom; this compares with around three-quarters of all owners.

Table 54: Overcrowding and under-occupation by tenure (households) – Merton

	Owner-occupied	Social rented	Private rented	Total
+2 or more	39.5%	8.3%	9.4%	27.3%
+1 or more	35.0%	20.7%	26.6%	30.8%
Correct Number	20.8%	53.1%	49.2%	32.7%
-1 or less	4.7%	17.8%	14.8%	9.2%
Total	100.0%	100.0%	100.0%	100.0%
	47,360	11,102	20,295	78,757

Source: Census (2011)

Economic activity

6.26 Data from the 2011 Census shows that 86% of private renters in Merton were working, this is higher than the proportion of owner-occupiers (73%) and somewhat higher than the proportion of social renters in work (48%). Smaller proportions of private renters were retired (5%) compared with over 20% in each of the owner-occupied and social rented sectors.

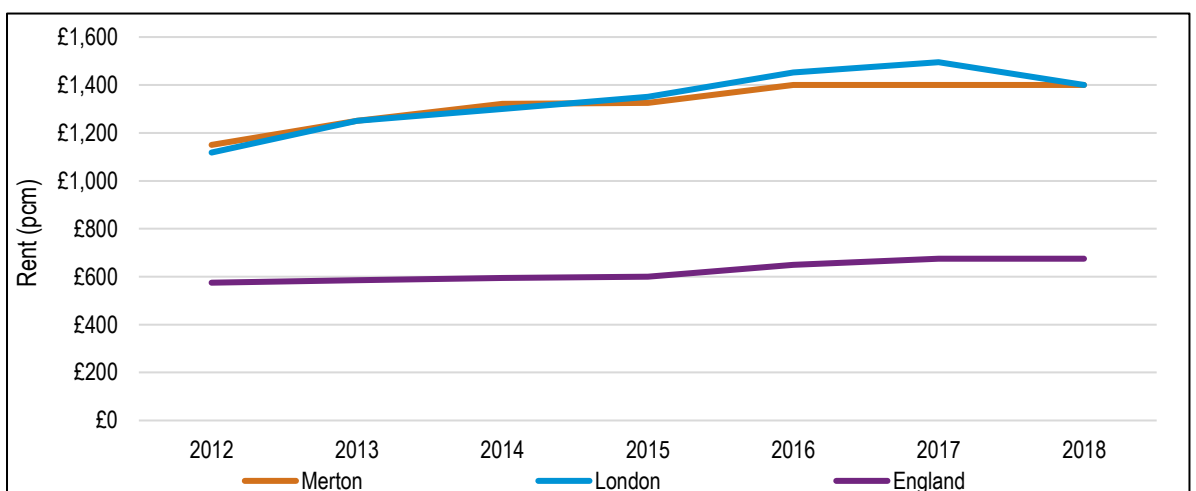
Housing Costs

6.27 Section 4 of this report describes the current cost of housing in the PRS in Merton. Below, the analysis is carried out to look at how costs have changed over time. This draws on data from the Valuation Office Agency (VOA) using a time series back to 2011/12 – the data provided in this section looks at the year to the end of March (for any given year).

6.28 The figure below shows a time-series of average (median) rents from 2012 to 2018; this shows across the Borough that rents have risen over time, although there has been no noticeable change over the past two years.

6.29 The analysis also shows that rents in Merton are broadly in line with those across London, and are at a level that is some way above national average rents – typically at least double the national rent. The table below shows changes in rents by dwelling size; the overall average rent in Merton increased by £250 per month (a 22% increase). In comparison, rents increased by 25% across London and 17% nationally.

Figure 30: Average (median) private sector rent (per month) 2012-18



Source: Valuation Office Agency

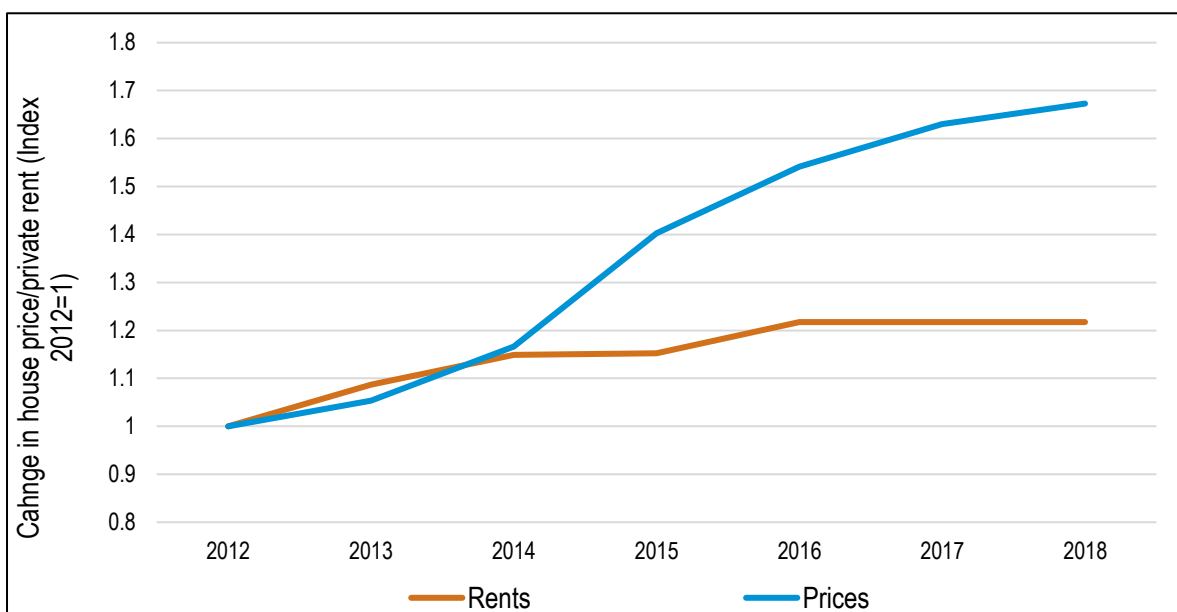
Table 55: Average (median) private sector rent (per month) 2012 and 2018 – Merton

	2012	2018	Change	% change
1-bedroom	£950	£1,200	£250	26%
2-bedrooms	£1,248	£1,410	£162	13%
3-bedrooms	£1,500	£1,750	£250	17%
4+-bedrooms	£2,250	£2,550	£300	13%
All dwellings	£1,150	£1,400	£250	22%

Source: Valuation Office Agency

6.30 The figure below shows a comparison between changes to private sector rents and changes to the average house price in the 2012-18 period. This shows that house prices have increased by around 67% in Merton, compared with a 22% change in rents respectively. For context, the equivalent change in prices across England and Wales was 36%.

Figure 31: Change in house prices and private rents (2012-18)



Source: Valuation Office Agency and Land Registry

Housing Benefit Claimants

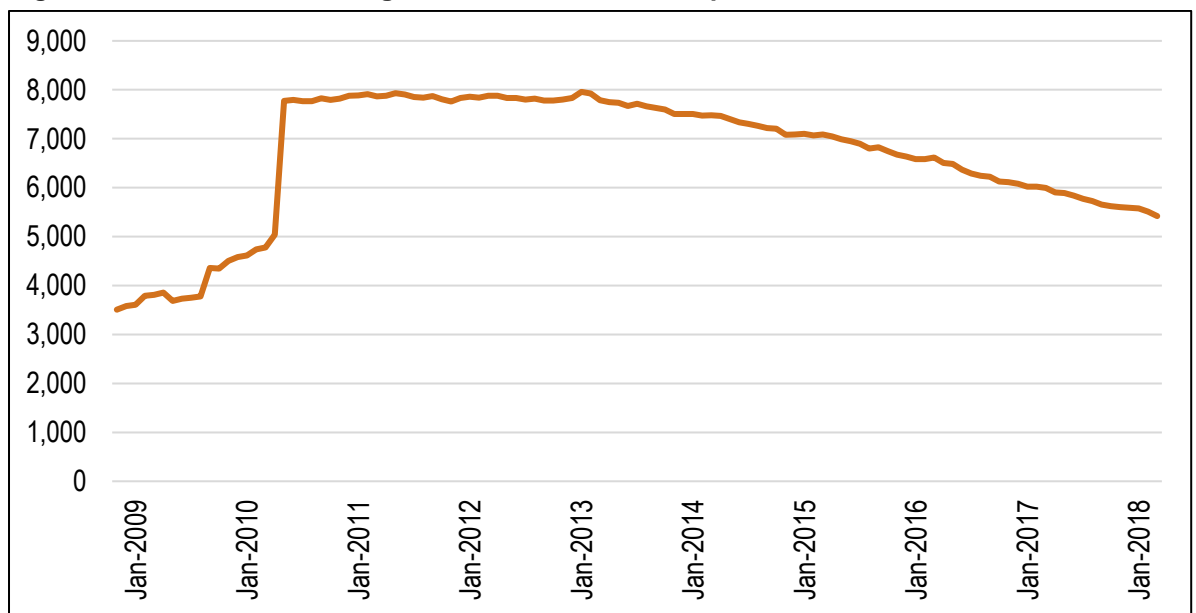
6.31 Further analysis has been carried out to look at the number of housing benefit claimants in the sector. This provides an indication of the number of people who are using the sector as a form of affordable housing, and in many cases will be living in private rented accommodation due to a lack to affordable

housing (e.g. in the social rented sector). It should, however, be noted that some of these households may also be in the sector through choice.

6.32 The analysis shows that from 2008, the number of claimants in the PRS rose to peak at around 8,000 in 2013 (there is a clear jump in the data in mid-2010, which may be due to the quality of data prior to this date).

6.33 Since then the number of claimants has fallen, with the number currently standing at about 5,400. It is clear that the PRS still has a significant role in proving accommodation for those who cannot afford the market, but that this is reducing over time. The change is likely to be mainly due to economic improvements (e.g. reducing unemployment), although the relative unaffordability of the sector may also be playing a role – with some households seeking to move into the social rented sector. A reluctance of some landlords to let to benefit tenants may also be having an impact on the number of claimants in the sector

Figure 32: Number of Housing Benefit claimants in the private rented sector



Source: Department of Work and Pensions

Build-to-Rent

6.34 As noted, the size of the PRS has grown substantially since 2011 and this has been the main growth sector in the market. Nationally and regionally, there has also been a substantial increase in the size of the PRS.

- 6.35 Linked in part to this, there is an increased (national) interest from developers in “Build to Rent” housing, which is specifically built not for open market sale but for the Private Rented Sector. Arguably, the sector provides the opportunity for good quality, well-managed rental accommodation that is purpose-built. Additionally, the sector provides the opportunity to boost overall housing delivery, as it does not compete directly with traditional housing development schemes which are built for sale.
- 6.36 The Government has been promoting Build-to-Rent housing. It has set up a Private Rented Sector Taskforce and supported delivery through other measures – including a Build to Rent Fund which provides Government-backed loans to support new development. The sector is currently relatively small but is one with growth potential.
- 6.37 The Housing White Paper (HWP) notes that local authorities ‘*should plan proactively for Build to Rent where there is a need, and to make it easier for Build to Rent developers to offer affordable private rental homes instead of other types of affordable housing*’. Following this, the revised NPPF now includes Build to Rent housing in the Glossary and specific advice about affordable housing on Build to Rent schemes. Build to Rent guidance was published by MHCLG on the 13th September 2018.
- 6.38 The British Property Federation (BPF) hosts an online mapping tool plots build to rent schemes across the UK aimed at the institutional investment market. This shows that 51% of units in the build to rent pipeline are located in London.
- 6.39 The activity in Merton includes sites which are at the pre-application stage to those that have already been completed. In total, these five sites have a total capacity of 953 units. It is notable that many of these sites are former commercial or industrial locations. To this, we have added phase 1 of Britannia Point bringing the total to 1135 dwellings.

Table 56: Build – to –Rent Activity in Merton

Site	Developer	Units	Status
Connect House Clock House Mitcham	Tarrytown Estates	78	Complete
Vantage House	Buildvantage	71	Complete
Britannia Point (Phase 1)	Criterion	182	Complete
Southdown Works	Access Self-Storage	72	Application
High Path Estate	Clarion	378	Application
Britannia Point (Phase 2)	Criterion	354	Pre-Application

Source: British Property Federation (BPF)

- 6.40 This clearly demonstrates that there are local developers and institutions keen to pursue this type of accommodation in Merton. However, there is concern about the quality of this type locally with Connect house being singled out for criticism. Furthermore, both Connect House and Vantage

House appear to be built not as PRS schemes but for bedsits and homeless emergency accommodation.

- 6.41 In contrast, the Britannia Point adjacent to Colliers Wood underground station has been built and is now almost fully let. The agent in charge of marketing the 182 units (all 1 and 2 beds) suggested that interest was strong and the interest was from both locals and those new to the area. The development had attracted a wide range of occupants from students to families.
- 6.42 A one-bedroom flat on the site is being advertised for £1,450 while across the borough the median for a one-bedroom flat is £1,050. There is, therefore, a premium attached to well managed and well-located sites.
- 6.43 We would, therefore, suggest that if managed properly the Build-to-Rent market will serve a purpose in delivering more homes in Merton.

The Private Rented Sector: Key Messages

- The private rented sector (PRS) accounts for around 25% of all households in Merton (as of 2011), the same as the London average, and notably higher than national figures (17%). The number of households in this sector has grown substantially (increasing by 60% in the 2001-11 period).
- The PRS has some distinct characteristics, including a much younger demographic profile and a high proportion of multi-adult households (likely in most cases to be Houses in Multiple Occupation (HMOs)) – levels of overcrowding are also relatively high. In terms of the built-form and size of dwellings in the sector, it can be noted that the PRS is closer to the social rented sector than owner-occupied housing. The analysis suggests that the sector provides housing for a range of groups, including those claiming Housing Benefit and others who might be described as ‘would be owners’ and who may be prevented from becoming owner-occupiers due to affordability issues.
- Additional analysis suggests that rent levels have increased notably over time (by about 22% when looking at the 2012-18 period) – this would suggest that there may be a lack of supply of private rented homes. However, house prices (to buy) have increased by a far more substantial amount – increasing by 67% over the same period. The increase in the size of the sector could be having a knock-on effect to the cost of owner-occupation, if, for example, buy-to-let homes reduce the supply available for owner occupation, and this could drive-up prices.
- There has been some evidence of built to let locally and given the current Government push for such schemes, the Council should consider any proposals on their merit, including taking account of any affordable housing offer (such as rent levels and the security of tenure) and the quality of the management and stock.
- This study has not attempted to estimate the need for additional private rented housing. It is likely that the decision of households as to whether to buy or rent a home in the open market is dependent on a number of factors which mean that demand can fluctuate over time; this would include mortgage lending practices and the availability of Housing Benefit. A general (national and local) shortage of housing is likely to have driven some of the growth in the private rented sector, including increases in the number of younger people in the sector, and increases in shared accommodation. If the supply of housing increases, then this potentially means that more households would be able to buy, but who would otherwise be renting.

7 HOUSING MIX

Introduction

- 7.1 This section assesses the need for different sizes of homes in the future, modelling the implications of demographic drivers on need/demand for different sizes of homes in different tenures. The analysis in this section seeks to use the information available about the size and structure of the population and household composition, and consider what impact this may have on the sizes of housing units required in the future.
- 7.2 Essentially the model starts with the current profile of housing in terms of size (bedrooms) and tenure. Within the data, information is available about the age of households and the typical sizes of homes they occupy (in each tenure group).
- 7.3 By using demographic projections, it is possible to see which age groups are expected to change in number, and by how much. On the assumption that occupancy patterns for each age group (within each tenure) remain the same, it is, therefore, possible to work out what the profile of housing should be at a point in time in the future. By subtracting the current profile of housing from the projected profile, it is possible to calculate the net change in housing needed (by size) in each tenure group.
- 7.4 Two sets of figures are provided, one being linked to dwelling delivery of 823 per annum in the 2017-35 period and the second links to the higher level of dwelling growth (1,328 dwellings per annum). Given the different population and household structures of these two projections, it is possible that the outputs will be slightly different.

Understanding how Households Occupy Homes

- 7.5 Whilst the demographic projections provide a good indication of how the population and household structure will develop, it is not a simple task to convert the net increase in the number of households into a suggested profile for additional housing to be provided. The main reason for this is that in the market sector, households are able to buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided.
- 7.6 The size of housing which households occupy relates more to their wealth and age than the number of people they contain. For example, there is no reason why a single person cannot buy (or choose

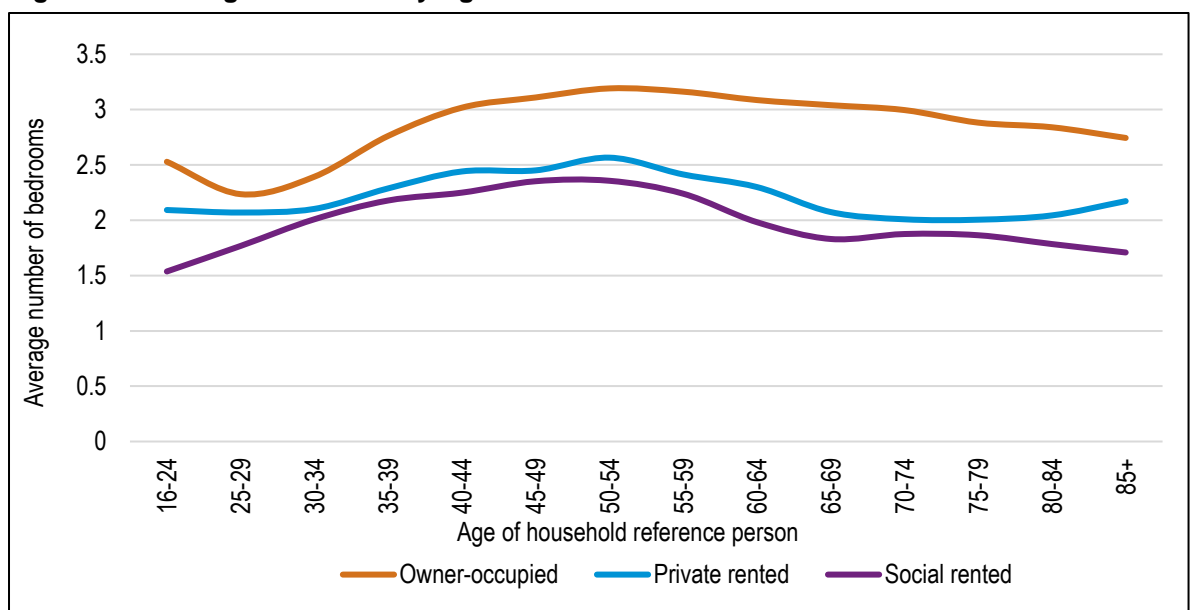
to live in) a four-bedroom home as long as they can afford it, and hence projecting an increase in single person households does not automatically translate into a need for smaller units.

7.7 That said, issues of supply can also influence occupancy patterns, for example, it may be that a supply of additional smaller bungalows (say 2-bedrooms) would encourage older people to downsize but in the absence of such accommodation, these households remain living in their larger accommodation. The issue of choice is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) although there will still be some level of under-occupation moving forward with regard to older person and working households.

7.8 The approach used is to interrogate information derived in the projections about the number of household reference persons (HRPs) in each age group and apply this to the profile of housing within these groups. The data for this analysis has been formed from a commissioned table by ONS (Table CT0621 which provides relevant data for all local authorities in England and Wales from the 2011 Census).

7.9 The figure below shows an estimate of how the average number of bedrooms varies by different ages of HRP and broad tenure group. In the owner-occupied sector, the average size of accommodation rises over time to typically reach a peak around the age of 50; a similar pattern (but with smaller dwelling sizes) is seen in the social and private rented sector. After peaking, the average dwelling size decreases – as typically some households downsize as they get older.

Figure 33: Average Bedrooms by Age and Tenure – Merton



Source: Derived from ONS Commissioned Table CT0621

- 7.10 In terms of the analysis to follow, the outputs have been segmented into three broad categories. These are market housing (which includes Private Rental), which is taken to follow the current occupancy profiles by age in the owner-occupied sector (i.e. excludes Private Rental) but reflecting the changing age structure within the demographic projections; affordable home ownership, which as a proxy is taken to follow the occupancy profile in the private rented sector (this is seen as reasonable as the Government's desired growth in home ownership looks to be largely driven by a wish to see households move out of private renting) and affordable (rented) housing, which is taken to follow the occupancy profile in the social rented sector. The affordable sector in the analysis to follow would include affordable rented housing.

Current Stock of Housing by Size and Tenure

- 7.11 It should be noted that the current stock of housing (by size) can have a notable impact on the outputs of the modelling and the table below shows a comparison of the size profile of accommodation in a range of areas in three broad tenure groups. This shows that Merton has a broadly similar profile of housing as is seen in other locations. The second table below shows the same information for sub-areas – this does highlight some notable differences; key findings include:
- A high proportion of 4+-bedroom homes in Wimbledon compared with other areas (particularly Mitcham);
 - A high proportion of 1-bedroom homes in the social rented sector in Wimbledon (and lower proportions in Morden); and
 - Larger dwelling sizes in the private rented sector in Mitcham and Morden, along with typically smaller accommodation in South Wimbledon/Colliers Wood and Wimbledon
- 7.12 Additionally, the role and function of different areas are considered; for example, the high proportion of larger owner-occupied homes in Wimbledon will in part reflect the attractiveness of this location to larger (and wealthier) families – these are differences are reflected in the modelling and in drawing conclusions.

Table 57: Number of bedrooms by tenure and a range of areas

		Merton	London	England
Owner-occupied	1-bedroom	8%	10%	4%
	2-bedrooms	24%	27%	23%
	3-bedrooms	45%	41%	48%
	4+-bedrooms	23%	23%	25%
	Total	100%	100%	100%
Social rented	1-bedroom	32%	35%	31%
	2-bedrooms	34%	36%	34%
	3-bedrooms	30%	24%	31%
	4+-bedrooms	4%	5%	4%
	Total	100%	100%	100%
Private rented	1-bedroom	28%	33%	23%
	2-bedrooms	38%	37%	39%
	3-bedrooms	23%	20%	28%
	4+-bedrooms	12%	10%	10%
	Total	100%	100%	100%

Source: Census 2011

Table 58: Number of bedrooms by tenure and a range of areas – Merton sub-areas

		Mitcham	Morden	Raynes Park	SW/CW	Wimble- don	Merton
Owner-occupied	1-bedroom	8%	3%	7%	13%	8%	8%
	2-bedrooms	20%	21%	22%	36%	24%	24%
	3-bedrooms	59%	57%	46%	32%	24%	45%
	4+-bedrooms	13%	18%	25%	19%	45%	23%
	Total	100%	100%	100%	100%	100%	100%
Social rented	1-bedroom	30%	23%	33%	38%	54%	32%
	2-bedrooms	29%	42%	33%	41%	29%	34%
	3-bedrooms	37%	32%	29%	19%	15%	30%
	4+-bedrooms	4%	4%	6%	2%	3%	4%
	Total	100%	100%	100%	100%	100%	100%
Private rented	1-bedroom	25%	14%	27%	36%	30%	28%
	2-bedrooms	30%	39%	39%	41%	41%	38%
	3-bedrooms	34%	34%	23%	14%	15%	23%
	4+-bedrooms	12%	13%	11%	8%	13%	12%
	Total	100%	100%	100%	100%	100%	100%

Source: Census 2011

Tenure Assumptions

- 7.13 The housing market model has been used to estimate the future need for different sizes of property over the 18-year period from 2017 to 2035. The model works by looking at the types and sizes of accommodation occupied by different ages of residents and attaching projected changes in the population to this to project need and demand for different sizes of homes. However, the way households of different ages occupy homes differs between the market and affordable sectors (as shown earlier).
- 7.14 It is therefore necessary on this basis to make some judgement for modelling purposes on what proportion of net completions might be of market and affordable housing. For modelling purposes, the analysis assumes that 50% of net completions are either affordable housing (rented) or affordable home ownership and therefore that 50% are market housing (designed to be sold for owner-occupation). There is no assumption about private rented housing, although it is possible that some of the market (owner-occupied) housing will end up in this sector.
- 7.15 Within the 50% affordable/affordable home ownership a split of 80:20 has been used; this means an estimated total of 40% of completions as affordable housing (rented) and 10% as affordable home ownership. **It should be stressed that these figures are not policy targets and have been applied simply for the purposes of providing outputs from the modelling process.** Policy targets for affordable housing on new development schemes may be different to this, but not all sites deliver policy-compliant affordable housing provision, whilst some delivery is on sites below affordable housing policy thresholds. Equally some housing development is brought forward by Registered Providers and local authorities and may deliver higher proportions of affordable housing than in current policy.
- 7.16 Although these figures have been used for the purposes of data modelling, they are consistent with both the emerging London Plan (in terms of 50% affordable housing delivery) and the NPPF (10% of all housing as affordable home ownership). A discussion of the different types of affordable housing within these broad categories has been discussed earlier in this report. To confirm, it has been assumed that the following proportions of different tenures will be provided moving forward:
- Market housing – 50%;
 - Affordable home ownership – 10%; and
 - Social/affordable rent – 40%

Projected Changes by Age of Household Representative Person (HRP)

- 7.17 The table below shows projected changes by age of HRP for the two main projections used in this report (linked to 823 and 1,328 dwellings per annum respectively). In both cases it can be seen that the vast majority of changes are projected to occur in older age groups; notably within groups who typically occupy larger homes – this finding is important as this will influence the sizes of homes needed in the future.
- 7.18 The availability of larger homes will be dependent of the level of turnover of such properties which in turn is estimated from the occupancy profile of different age groups. As previously shown, there is some evidence of older households downsizing as they get older and this will release some larger homes back into the market.
- 7.19 However, it does look as if downsizing is less noticeable in Merton than seen by similar analysis in other parts of the Country, and it may be the case that some further provision of smaller homes could allow more older person households to downsize, where that is their aspiration. In general, a projected increase in older persons will result in a need for smaller homes not larger – albeit this is less clear-cut in Merton. This is because of the occupancy profile of this particular group.

Table 59: Projected change in households by age of household reference person – Merton

	Linked to 823 dpa				Linked to 1,328 dpa			
	Hhs 2017	Hhs 2035	Change in hhs	% change	Hhs 2017	Hhs 2035	Change in hhs	% change
16-24	1,468	1,465	-3	-0.2%	1,468	1,557	89	6.0%
25-29	4,312	5,109	797	18.5%	4,312	6,406	2,094	48.6%
30-34	7,847	7,388	-459	-5.9%	7,847	9,116	1,269	16.2%
35-39	10,153	9,657	-496	-4.9%	10,153	11,426	1,273	12.5%
40-44	9,231	9,991	760	8.2%	9,231	11,400	2,169	23.5%
45-49	8,712	9,879	1,166	13.4%	8,712	10,676	1,963	22.5%
50-54	8,457	9,734	1,278	15.1%	8,457	10,304	1,847	21.8%
55-59	6,873	8,897	2,025	29.5%	6,873	9,259	2,386	34.7%
60-64	5,388	7,162	1,774	32.9%	5,388	7,391	2,003	37.2%
65-69	4,440	6,009	1,569	35.3%	4,440	6,174	1,735	39.1%
70-74	3,725	5,652	1,927	51.7%	3,725	5,789	2,064	55.4%
75-79	3,257	4,654	1,397	42.9%	3,257	4,748	1,492	45.8%
80-84	2,642	3,745	1,103	41.7%	2,642	3,811	1,169	44.2%
85 & over	2,710	4,195	1,485	54.8%	2,710	4,269	1,559	57.5%
Total	79,215	93,538	14,322	18.1%	79,215	102,326	23,111	29.2%

Source: Demographic projections

- 7.20 In addition, it is possible to use the 2016-based household projections to look at changes by broad household group. This is shown in the table below which shows that the greatest increase is projected to be of households with 2 or more adults (54% of the total increase). Again, this can be borne in mind when interpreting modelling outputs.

Table 60: Change in household types 2018-30 (2016-based ONS household projections) – Merton

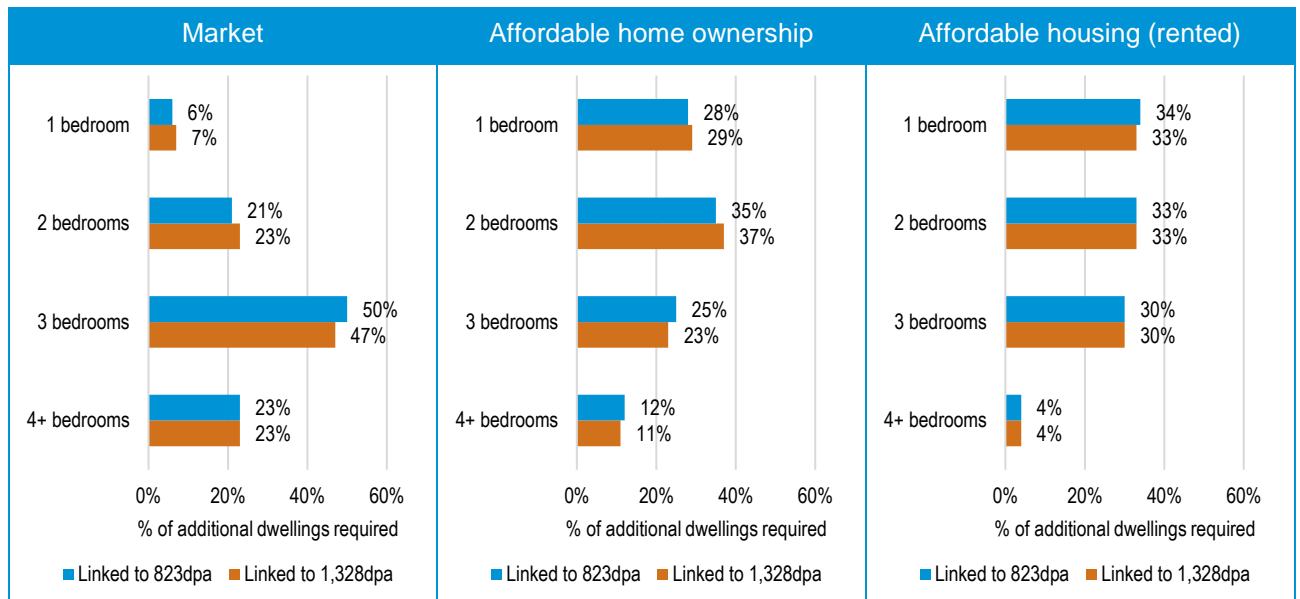
	2017	2035	Change	% change
One-person household (aged 65 and over)	13,838	14,244	406	2.9%
One-person household (aged under 65)	7,926	10,919	2,993	37.8%
Households with 1 dependent child	11,783	12,394	611	5.2%
Households with 2 dependent children	10,037	10,230	193	1.9%
Households with 3 or more dependent children	4,243	4,172	-71	-1.7%
Other households with 2 or more adults	31,999	36,944	4,945	15.5%
TOTAL	79,827	88,903	9,075	11.4%

Source: 2016-based ONS household projections

Estimates of Housing Need by Size and Tenure

- 7.21 The figure below summarises the analysis as described for each of the sectors under the modelling exercise. The analysis clearly shows the different profiles in the three broad tenures with affordable housing being more heavily skewed towards smaller dwellings, and affordable home ownership sitting somewhere in between the market and affordable (rented) housing (but closer to the affordable (rented) sector). The analysis also shows that there is not much difference in the modelling under each of the two scenarios developed.

Figure 34: Size of housing required 2017 to 2035 – Merton



Source: Housing Market Model

- 7.22 The same analysis has been carried out for each of the five sub-areas, with data presented in the tables below – given that there is little difference between the scenarios the tables are based on a single figure (the average of the outputs from the two different scenarios).
- 7.23 When looking at market housing there are some differences between areas, with Mitcham showing a notably lower need for 4+-bedroom homes than Wimbledon. However, it is notable that in Mitcham the suggested need for 4+-bedroom homes is actually higher than the current stock provides (a need of 18% compared with a current stock of 13%); the opposite is true in Wimbledon (need of 34%, current stock of 45%).
- 7.24 These findings occur due to the model in part reflecting local occupancy profiles, but at the same time recognising sizes of homes that have a potential current deficiency in numbers. Whilst there are differences between locations it is not necessarily the case that the Council should seek a different mix in different parts of the Borough.

Table 61: Size of Housing Required by sub-area – Market Housing

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Mitcham	7%	20%	55%	18%
Morden	5%	21%	55%	20%
Raynes Park	6%	21%	49%	24%
SW/CW	10%	28%	41%	21%
Wimbledon	7%	22%	38%	34%
Borough-wide	7%	22%	49%	23%

Source: Housing Market Model

- 7.25 When looking at affordable home ownership (which is linked to profiles in the private rented sector) there are arguably more modest differences between areas, although a potential need for more smaller homes in South Wimbledon/Colliers Wood and Wimbledon is evident – partly reflecting the demographic profile of these locations. Again, despite the differences from the overall Borough-wide position there is not necessarily any reason to seek to provide different mix different locations.

Table 62: Size of Housing Required by sub-area – Affordable Home Ownership

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Mitcham	27%	32%	29%	12%
Morden	21%	37%	30%	12%
Raynes Park	28%	37%	24%	11%
SW/CW	33%	38%	19%	10%
Wimbledon	30%	38%	20%	12%
Borough-wide	28%	36%	24%	12%

Source: Housing Market Model

- 7.26 The table below shows sub-area information for social/affordable rented housing. This again shows some differences between areas, the most notable being the higher proportion of 1-bedroom homes in Wimbledon and more 3+-bedroom homes in Mitcham. As with other sectors, the analysis considers both the current and changing demographic profile of locations as well as currently occupancy patterns (which are linked to the current stock profile). As with other tenures, whilst there are different outputs in different areas, it is not necessarily the case that a different approach is taken in each location.

Table 63: Size of Housing Required by sub-area – Affordable Housing (rented)

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Mitcham	32%	31%	34%	4%
Morden	29%	36%	31%	4%
Raynes Park	34%	32%	29%	5%
SW/CW	36%	37%	24%	3%
Wimbledon	44%	30%	22%	3%
Borough-wide	33%	33%	30%	4%

Source: Housing Market Model

- 7.27 These local mix analysis should be treated with caution. Because the modelling to a certain extent rolls forward the current profile of homes in an area, there are cases where a high current stock (of a particular size) drives a high need for such stock in the future.
- 7.28 To some extent, this is counter-intuitive, although there is some logic to such a finding. For example, the modelling suggests a relatively high need for 3-bedroom market homes in Morden (which already has a high stock) although it needs to be borne in mind that this area has traditionally been an area where households would seek that size of accommodation.
- 7.29 A similar finding can be seen for 4-bedroom homes in Wimbledon, a location that is attractive to some of the wealthiest home-buyers in the Borough. On this basis, the modelling should be treated as indicative, and it is for these reasons that differences across areas are not suggested as being a reason to seek a different mix in different areas.
- 7.30 In addition, the analysis shows a low need for 1-bedroom market homes, and again to some extent, this is driven by the low current stock. In addition, part of the larger (3+-bedroom) needs will be from HMOs and the potential growth in HMOs.

Studio Flats

- 7.31 We have not identified a need for studio flats although the provision of smaller units (including studio apartments) might help some people to move from an HMO into their own self-contained accommodation.
- 7.32 For this reason, any planning applications for studios (and 1-bedroom flats) could be assessed on its merits, recognising that this may well have a knock-on effect at the other (larger) end of the housing market. Although the wider monitoring targets should take primacy.

Indicative Targets by Tenure

- 7.33 Whilst the output of the modelling provides estimates of the proportion of homes of different sizes that are needed, there are a range of factors that should be taken into account in setting policies for provision.
- 7.34 This is particularly the case in the affordable sector where there are typically issues around the demand for and turnover of one-bedroom homes (as well as allocations to older person households) – e.g. one bedroom homes provide limited flexibility for households (e.g. a couple household expecting to start a family) and as a result can see relatively high levels of turnover – therefore, it may not be appropriate to provide as much one-bedroom stock as is suggested by the modelling exercise.
- 7.35 At the other end of the scale, conclusions also need to consider that the stock of 4-bedroom affordable housing is very limited and tends to have a very low turnover. As a result, whilst the number of households coming forward for 4+-bedroom homes is typically quite small, the ability for these needs to be met is even more limited. To inform the conclusions additional analysis has been undertaken from Housing Register data.
- 7.36 The Housing Register data provided by the Council suggested that as of 1st April 2018, there was the following need (this only includes those households highlighted as being in a reasonable preference category: (1-bed: 25%, 2-bed: 39%, 3-bed: 29%, 4+-bed: 8%).
- 7.37 There are thus a range of factors that are relevant in considering policies for the mix of affordable housing (rented) sought through development schemes. At a Borough-wide level, the analysis would support policies for the mix of social/affordable rented of:
- 1-bed properties: 25-30%
 - 2-bed properties: 35-40%
 - 3-bed properties: 25-30%
 - 4-bed properties: 5-10%
- 7.38 The strategic conclusions recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.
- 7.39 The need for affordable housing of different sizes will vary by area (at a more localised level) and over time. In considering the mix of homes to be provided within specific development schemes, the

information herein should be brought together with details of households currently on the Housing Register in the local area and the stock and turnover of existing properties.

- 7.40 In the affordable home ownership sector, a profile of housing that more closely matches the outputs of the modelling is suggested. It is considered that the provision of affordable home ownership should be more explicitly focused on delivering smaller family housing for younger households. On this basis the following mix of affordable home ownership is suggested:
- 1-bed properties: 25-30%
 - 2-bed properties: 30-35%
 - 3-bed properties: 25-30%
 - 4-bed properties: 10-15%
- 7.41 Finally, in the market sector, a balance of dwellings is suggested that takes account of both the demand for homes and the changing demographic profile, this sees a slightly larger recommended profile compared with other tenure groups. In concluding, some consideration of the current stock profile is also relevant (particularly noting that the proportion of 1- and 2-bedroom homes is currently slightly lower than the London average). Overall, the following mix of market housing is suggested:
- 1-bed properties: 5-10%
 - 2-bed properties: 20-25%
 - 3-bed properties: 45-50%
 - 4-bed properties: 20-25%
- 7.42 Although the analysis has quantified this based on the market modelling and an understanding of the current housing market. The 'market' is to some degree a better judge of what is the most appropriate profile of homes to deliver at any point in time, and demand can change over time linked to macro-economic factors and local supply.
- 7.43 However, this has to be balanced with other evidence base material to inform plan making and policy formulation. The Council should also have the autonomy to determine the extent to which the findings above and market forces should have on the plan and policy making process.
- 7.44 Ultimately the plan making process must include appropriate monitoring to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by the demographic change in the area.
- 7.45 The analysis does not suggest any strong reason to seek a substantially different mix of housing in different locations – although there are clear differences between the areas. This conclusion is drawn

in part because the modelling to some extent reinforces the mix around the existing profile and therefore the different outputs partly reflect housing delivery in the past.

- 7.46 However, at any point in time, and for any specific scheme, there may be good reasons for seeking a different mix. Factors might include issues around the management of homes (e.g. for 1-bedroom affordable (rented) units on smaller schemes or where there is a clear predominance of a particular type/size of housing). However, any decisions would need to balance the consideration that a new-build home may well have different characteristics to a similar sized existing property.

Comparison with London SHMA

- 7.47 The analysis in this section follows a similar (but not identical) methodology to that used in the London SHMA of 2017 (see Section 7 of the SHMA). The London SHMA starts out by projecting future requirements based on the current mix and moves on to carry out a similar analysis based on household growth and current occupancy (a similar method as above). The London SHMA then adjusts these figures based on calculating affordability and including a backlog of need. This is a different approach to this SHMA, which models against potential delivery in terms of the different tenures of homes.
- 7.48 By modelling with affordability, the London SHMA suggests that only 35% of additional homes should be in the market, with 18% as intermediate products and 47% as some form of low-cost rent. One other consequence looks to be outputs that are heavily focussed on smaller (particularly 1-bedroom) homes. Whilst in affordability terms there may be some merit in the London SHMA analysis, it is considered that suggesting very high proportions of 1-bedroom homes may not properly reflect what the market might need and demand.
- 7.49 Overall, the core conclusions of the London SHMA are that 46% of all additional market homes should have 1-bedroom, along with 37% of intermediate housing and 69% in the low-cost rent sector. When specifically looking at Merton, it can be noted that only 25% of the Housing Register (in a reasonable preference category) have a 1-bedroom need.
- 7.50 Chapter 9 of the London SHMA does set out some variant modelling which shows that a very wide range of different outputs can be achieved through relatively small changes to assumptions. For example, Tables 15 and 16 (which look at assumptions about under-occupancy) show a market 1-bedroom need potentially varying between 19% and 225% (i.e. more than double the total need).

- 7.51 Overall, it is clear that robustly showing housing requirements by size within different tenures is difficult and quite variable based on the assumptions used. It is however considered that the core conclusions of the London SHMA for very high proportions of 1-bedroom homes may not be appropriate in Merton. This is because Merton does typically provide a more 'family-sized' housing offer and it is the case that much of the projected future household growth is within groups who might be expected to live in larger homes.
- 7.52 That said, the modelling in this section, particularly with regard to market needs should be treated as indicative. Developers of market schemes are likely to undertake their own research into requirements, and this may point towards a different mix being required. The mix may also be influenced by site characteristics, with sites more suitable for flatted development likely to also be more suited to smaller (1- and 2-bedroom) units.

Housing Mix (Size of Homes Needed): Key Messages

- There are a range of factors that will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability. The analysis linked to the demographic change in the period to 2035 concludes that the following represents an appropriate mix of affordable and market homes:

	1-bed	2-bed	3-bed	4+ bed
Market	5-10%	20-25%	45-50%	20-25%
Affordable home ownership	25-30%	30-35%	25-30%	10-15%
Affordable housing (rented)	25-30%	35-40%	25-30%	5-10%

- The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.
- The mix identified above could inform strategic policies. In applying these to individual development sites regard should be had to the nature of the development site and character of the area, and to up-to-date evidence of need, such as from the housing register, as well as the existing mix and turnover of properties at the local level.
- Based on the evidence, it is expected that the focus of new market housing provision will be on two- and three-bed properties. Continued demand for family housing can be expected from newly forming households. There may also be some demand for medium-sized properties (2- and 3-beds) from older households downsizing and looking to release equity in existing homes, but still, retain flexibility for friends and family to come and stay.
- The analysis of an appropriate mix of dwellings could inform the 'portfolio' of sites which are considered by the local authority through its local plan process. Equally, it will be of relevance to affordable housing negotiations.
- The analysis also looked at the housing mix in each of the five sub-areas. Whilst there were differences between locations, it is not considered that this necessarily points towards a different profile of new housing being needed when compared to Borough level findings.

8 OLDER PEOPLE, PEOPLE WITH DISABILITIES AND OTHER SPECIFIC GROUPS

Introduction

- 8.1 Planning Practice Guidance section 56 (Housing: optional technical standards) sets out how local authorities can gather evidence to set requirements on a range of issues (including accessibility and wheelchair housing standards, water efficiency standards and internal space standards). This section looks at the first two of these (i.e. accessibility and wheelchair housing) as well as considering the specific needs of older people (paragraph 2a-020 of the PPG).
- 8.2 The PPG sets out that the reason for the approach to setting standards is designed to '*rationalise the many differing existing standards into a simpler, streamlined system which will reduce burdens and help bring forward much needed new homes*' (56-001) and that '*local planning authorities will need to gather evidence to determine whether there is a need for additional standards in their area*' (56-002).
- 8.3 The PPG sets out that local authorities should be using their assessment of housing need (and other sources) to consider the need for M4(2) (accessible and adaptable dwellings), and/or M4(3) (wheelchair user dwellings), of the Building Regulations. It sets out that there are a range of published statistics which can be considered, including:
- the likely future need for housing for older and disabled people (including wheelchair user dwellings);
 - size, location, type and quality of dwellings needed to meet specifically evidenced needs (for example retirement homes, sheltered homes or care homes);
 - the accessibility and adaptability of existing housing stock;
 - how needs vary across different housing tenures; and
 - the overall impact on viability.
- 8.4 This section of the report draws on a range of statistics, including those suggested in the PPG (for which the Government has provided a summary data sheet 'Guide to available disability data') – termed the Guide in the analysis to follow. The discussion below begins by looking at older persons' needs.

Current Population of Older People

- 8.5 The table below provides baseline population data about older persons and compares this with other areas. The data for has been taken from the published ONS mid-year population estimates and is provided for age groups from 65 and upwards; the data is for 2017 to reflect the latest published data

for local authority areas and above. The data shows, when compared with the national position that the Borough has a lower proportion of older persons, the proportion is however very slightly higher than for London. In 2017, it was estimated that 12% of the population of the Borough was aged 65 or over.

Table 64: Older Person Population (2017)

	Merton		London	England
	Popn	% of popn	% of popn	% of popn
Under 65	180,413	87.6%	88.2%	82.0%
65-74	13,767	6.7%	6.4%	9.9%
75-84	8,279	4.0%	3.8%	5.7%
85+	3,593	1.7%	1.6%	2.4%
Total	206,052	100.0%	100.0%	100.0%
Total 65+	25,639	12.4%	11.8%	18.0%

Source: ONS 2017 mid-year population estimates

8.6 The table below shows how the proportion of older people varies across the five sub-areas of the Borough. This data is for mid-2016 (the latest date for which smaller-area data was available at the time of writing) and is based on MYE prior to some adjustments made by ONS. This analysis shows some difference between locations with the highest proportion of older people being seen in Morden and the lowest in South Wimbledon/Colliers Wood.

Table 65: Older Person Population (2016) – Merton sub-areas

	Mitcham	Morden	Raynes Park	SW/CW	Wimbledon	Merton
Under 65	60,820	34,633	21,548	30,277	32,389	179,667
65-74	3,923	3,210	1,841	1,744	2,780	13,498
75-84	2,421	2,130	1,089	1,065	1,610	8,315
85+	934	822	484	420	889	3,549
Total	68,098	40,795	24,962	33,506	37,668	205,029
Total 65+	7,278	6,162	3,414	3,229	5,279	25,362
% 65+	10.7%	15.1%	13.7%	9.6%	14.0%	12.4%

Source: ONS 2016 mid-year population estimates

Future Change in the Population of Older People

8.7 As well as providing a baseline position for the proportion of older persons in the Borough, population projections can be used to provide an indication of how the numbers might change in the future compared with other areas. The data presented below uses the 2016-based SNPP for consistency across areas and runs from 2017 to 2035 to be consistent with other analysis developed in this report.

- 8.8 The data shows that the Borough is expected to see a notable increase in the older person population with the total number of people aged 65 and over expected to increase by 45% over the 18-years from 2017; this compares with overall population growth of 8% and an increase in the Under 65 population of 3%.

Table 66: Projected Change in Population of Older Persons (2018 to 2028) – 2016-based SNPP

	Merton	London	England
Under 65	3.1%	7.6%	2.1%
65-74	44.0%	52.2%	27.0%
75-84	42.7%	54.1%	46.9%
85+	52.1%	69.0%	82.5%
Total	8.3%	13.2%	9.1%
Total 65+	44.7%	55.1%	40.7%

Source: ONS subnational population projections (2016-based)

- 8.9 In total population terms, the projections show an increase in the population aged 65 and over of 11,500 people, this is against a backdrop of an overall increase of 17,200 – population growth of people aged 65 and over therefore accounts for about two-thirds of all population growth.

Table 67: Projected Change in Population of Older Persons (2017 to 2035) – Merton (2016-based SNPP)

	2017	2035	Change in population	% change
Under 65	182,255	187,984	5,729	3.1%
65-74	13,791	19,861	6,070	44.0%
75-84	8,259	11,782	3,523	42.7%
85+	3,592	5,462	1,870	52.1%
Total	207,897	225,089	17,192	8.3%
Total 65+	25,642	37,105	11,463	44.7%

Source: ONS subnational population projections (2016-based)

- 8.10 The figures above are all based on the latest (2016-based) SNPP. It is possible to also show how the outputs would be expected to change under different scenarios. The tables below show a similar analysis when linked to the delivery of 823 and 1,328 dwellings per annum respectively.
- 8.11 In this case, there is still a significant ageing of the population but the increase in the population aged under 65 is more notable. The change in the under 65 age-group relative to older groups reflects the migration assumptions, migration being largely concentrated in typical working-age groups (and their associated children).

- 8.12 With 823 dwellings per annum, the increase in the number of older persons is about half of all population growth, this reduces to about a third with the higher projection (1,328 dwellings per annum).

Table 68: Projected Change in Population of Older Persons (2017 to 2035) – Merton (linked to the delivery of 823 dwellings per annum)

	2017	2035	Change in population	% change
Under 65	180,413	192,139	11,726	6.5%
65-74	13,767	20,182	6,415	46.6%
75-84	8,279	11,883	3,604	43.5%
85+	3,593	5,493	1,900	52.9%
Total	206,052	229,696	23,644	11.5%
Total 65+	25,639	37,557	11,918	46.5%

Source: Demographic Projections

Table 69: Projected Change in Population of Older Persons (2017 to 2035) – Merton (linked to the delivery of 1,328 dwellings per annum)

	2017	2035	Change in population	% change
Under 65	180,413	206,301	25,888	14.3%
65-74	13,767	20,689	6,922	50.3%
75-84	8,279	12,108	3,829	46.2%
85+	3,593	5,591	1,998	55.6%
Total	206,052	244,688	38,636	18.8%
Total 65+	25,639	38,388	12,749	49.7%

Source: Demographic Projections

People with Disabilities

- 8.13 The CLG Disability data guide provides data about households with a long-term illness or disability from the English Housing Survey. This is given at a national level and does not provide more localised data. Hence, the analysis below has drawn on the 2011 Census (which has a definition of long-term health problem or disability (LTHPD)).
- 8.14 The table below shows the proportion of people with LTHPD, and the proportion of households where at least one person has a LTHPD. The data suggests that across the Borough, some 25% of households contain someone with a LTHPD; this figure is lower than seen in other areas.
- 8.15 The figures for the population with a LTHPD again show a similar pattern in comparison with other areas (an estimated 13% of the population of the Borough have a LTHPD). When looking at smaller

sub-areas, the analysis shows a notably higher proportion of people/households in the Mitcham and Morden areas as having a LTHPD.

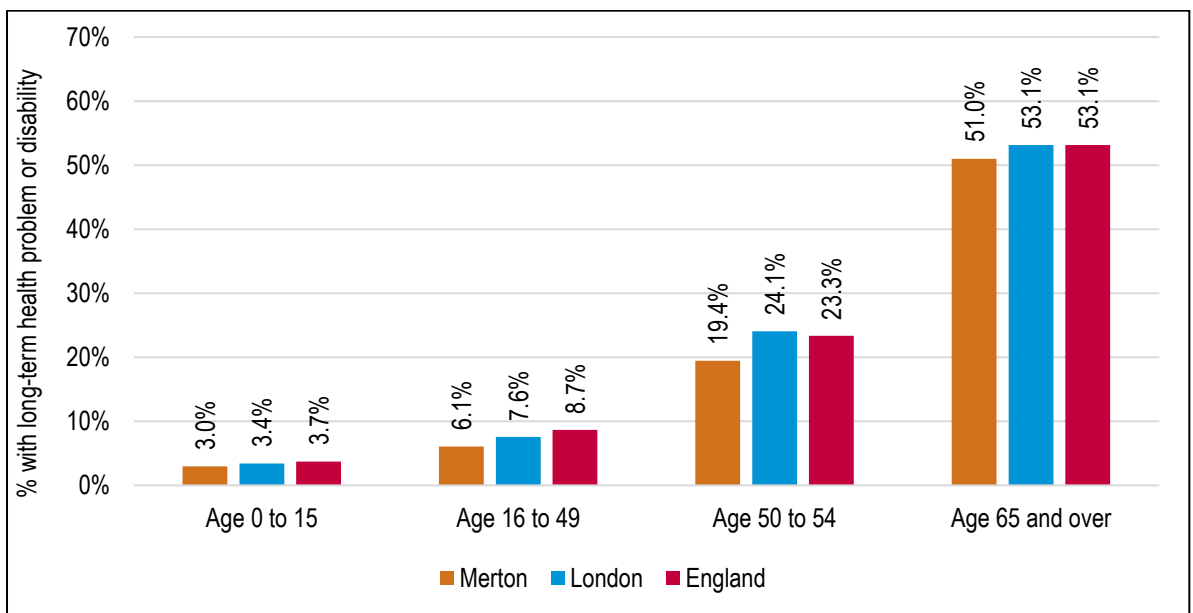
Table 70: Households and people with a Long-Term Health Problem or Disability (2011)

	Households containing someone with a health problem		Population with a health problem	
	Number	%	Number	%
Mitcham	7,104	30.0%	9,187	14.2%
Morden	4,718	30.9%	6,042	15.0%
Raynes Park	2,225	22.8%	2,810	11.7%
SW/CW	2,816	19.9%	3,459	10.6%
Wimbledon	2,867	18.0%	3,734	9.9%
Merton	19,730	25.1%	25,232	12.6%
London	910,432	27.9%	1,157,165	14.2%
England	7,217,905	32.7%	9,352,586	17.6%

Source: 2011 Census

8.16 It is likely that the age profile will impact upon the numbers of people with a LTHPD, as older people tend to be more likely to have a LTHPD. Therefore, the figure below shows the age bands of people with a LTHPD. It is clear from this analysis that those people in the oldest age bands are more likely to have a LTHPD. The analysis also shows that the population of Merton is less likely to have a LTHPD than in other areas for all four of the broad age groups studied.

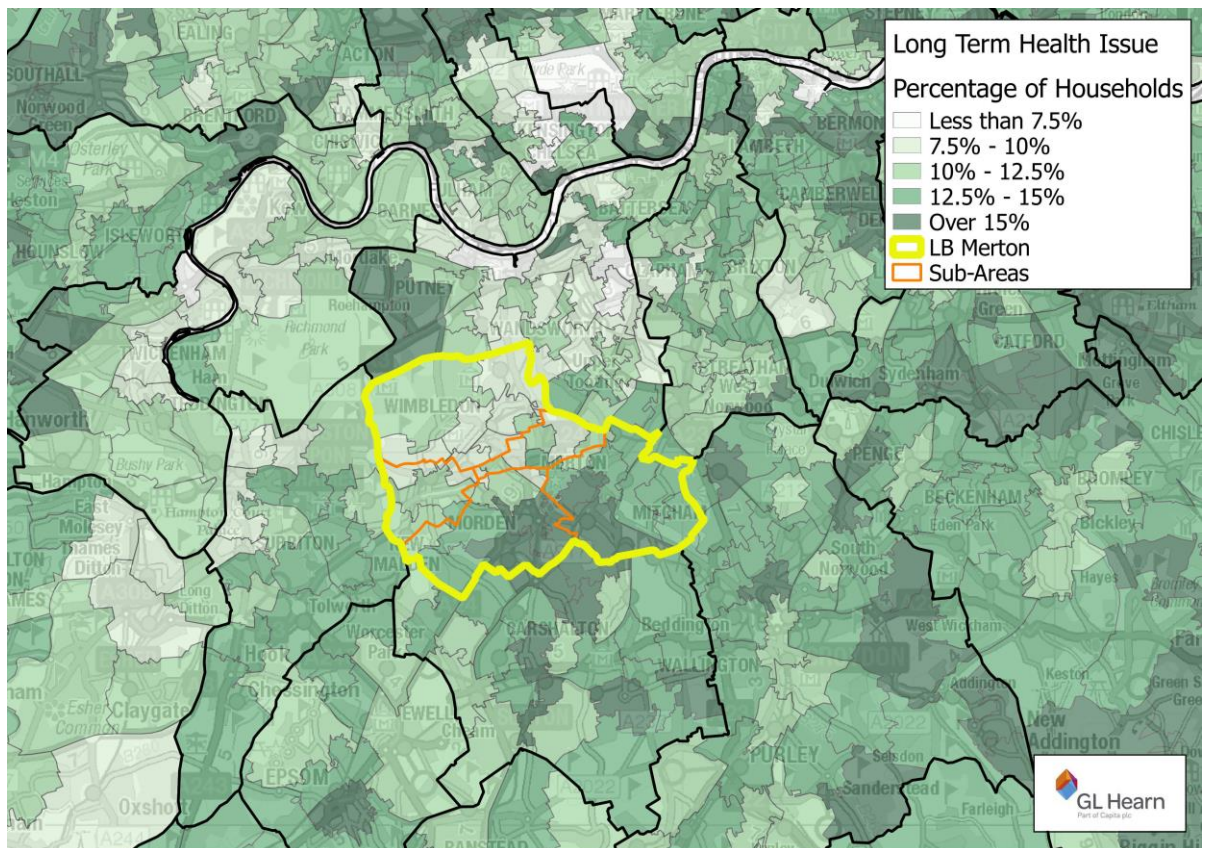
Figure 35: Population with Long-Term Health Problem or Disability in each Age Band



Source: 2011 Census

8.17 We have also mapped this information to allow for localised policy intervention. As the map illustrates the largest percentage of households with someone with a long-term health condition which limits day-to-day activities a little or a lot reside in the south of the Borough.

Figure 36: Households with Long-Term Health Conditions which limit Day-to-Day Activities



Source: ONS, Census 2011

8.18 However, households in the northern part of the Borough generally have low numbers of people with LTHPD. This illustrates the link between wealth and health. It also provides a guide for where the Council should seek to provide additional specialist housing need.

Older Persons' Housing Needs

8.19 Given the ageing population and higher levels of disability and health problems amongst older people, there is likely to be an increased requirement for specialist housing options moving forward. The analysis in this section draws on data from the Housing Learning and Information Network (Housing

LIN) along with demographic projections to provide an indication of the potential level of additional specialist housing that might be required for older people in the future.

- 8.20 The data for need is calculated by applying prevalence rates to the population aged 75+ and as projected forward. The prevalence rates have been taken from a toolkit developed by Housing LIN, in association with the Elderly Accommodation Council (EAC) and endorsed by the Department of Health. This includes the following categories (discussed in more detail below): sheltered housing, enhanced sheltered housing, extra care, residential care and nursing care. Additionally, the analysis draws on current supply estimates from HOPSR (Housing for Older People Supply Recommendations) – a database developed by Sheffield Hallam University along with data from the EAC which provides an indication of the current tenure mix of such accommodation.

Definitions of Different Types of Older Persons' Accommodation

Retirement/sheltered housing:

A group of self-contained flats or bungalows typically reserved for people over the age of 55 or 60; some shared facilities lounge, garden, guest suite, laundry; plus on-site supportive management. A regularly visiting scheme manager as long as s/he is available to all residents when on site. An on-call-only service does not qualify a scheme to retirement/sheltered housing. Developments usually built for either owner occupation or renting on secure tenancies.

Enhanced sheltered housing:

Sheltered housing with additional services to enable older people to retain their independence in their own home possible. Typically, there may be 24/7 (non-registered) staffing cover, at least one daily meal will be provided additional shared facilities. Also called assisted living and very sheltered housing.

Extra care housing:

Schemes where a service registered to provide personal or nursing care is available on site 24/7. Typically at will be provided and there will be additional shared facilities. Some schemes specialise in dementia care.

Care beds:

Care homes: Residential settings where a number of older people live, usually in single rooms, and have access to personal care services (such as help with washing and eating).

Care homes with nursing: These homes are similar to those without nursing care but they also have to be registered to provide care for more complex health needs.

Source: HOPSR

- 8.21 As well as setting out overall prevalence rates for different types of housing, the Housing LIN provides some suggestions for the tenure split between rented and leasehold accommodation, this varies depending on an area's level of deprivation.
- 8.22 In Merton data from the 2015 Index of Multiple Deprivation has been used and it is suggested that around 40% of supply should be rented accommodation and 60% leasehold (there is no tenure split

for care beds). Consideration has also been given to overall levels of disability in the older person population; given that these are slightly lower in Merton, a small downward adjustment has been made to the base prevalence rates.

- 8.23 In the table below two categories of accommodation are used (in addition to care beds). These are a) Housing with Support (which covers retirement/sheltered housing) and b) Housing with Care (which includes the enhanced sheltered and extra-care housing). The analysis suggests that there may currently be an oversupply of rented sheltered/retirement housing but this will become a shortfall moving through to 2035.
- 8.24 Additionally, there is both a current and future shortfall in the leasehold sector of sheltered/retirement housing and for both tenures under the housing with care banner (enhanced sheltered and extra-care housing). Finally, using these prevalence rates the analysis identifies a potential need for an additional 1,000 or so care beds over the 18-years to 2035.

Table 71: Older Persons' Dwelling Requirements 2017 to 2035 – Merton – linked to 823 dwellings per annum

		Housing demand per 1,000 75+	Current supply	2017 demand	2035 demand	Change to 2035 (demand-supply)
Housing with support	Rented	48	671	570	834	163
	Leasehold	72	248	855	1,251	1,003
Housing with care	Rented	17	202	205	300	98
	Leasehold	26	71	308	450	379
Care beds	-	106	848	1,254	1,835	987

Source: Derived from demographic projections and Housing LIN/HOPSR/EAC

Table 72: Older Persons' Dwelling Requirements 2017 to 2035 – Merton – linked to 1,328 dwellings per annum

		Housing demand per 1,000 75+	Current supply	2017 demand	2035 demand	Change to 2035 (demand-supply)
Housing with support	Rented	48	671	570	850	179
	Leasehold	72	248	855	1,274	1,026
Housing with care	Rented	17	202	205	306	104
	Leasehold	26	71	308	459	388
Care beds	-	106	848	1,254	1,869	1,021

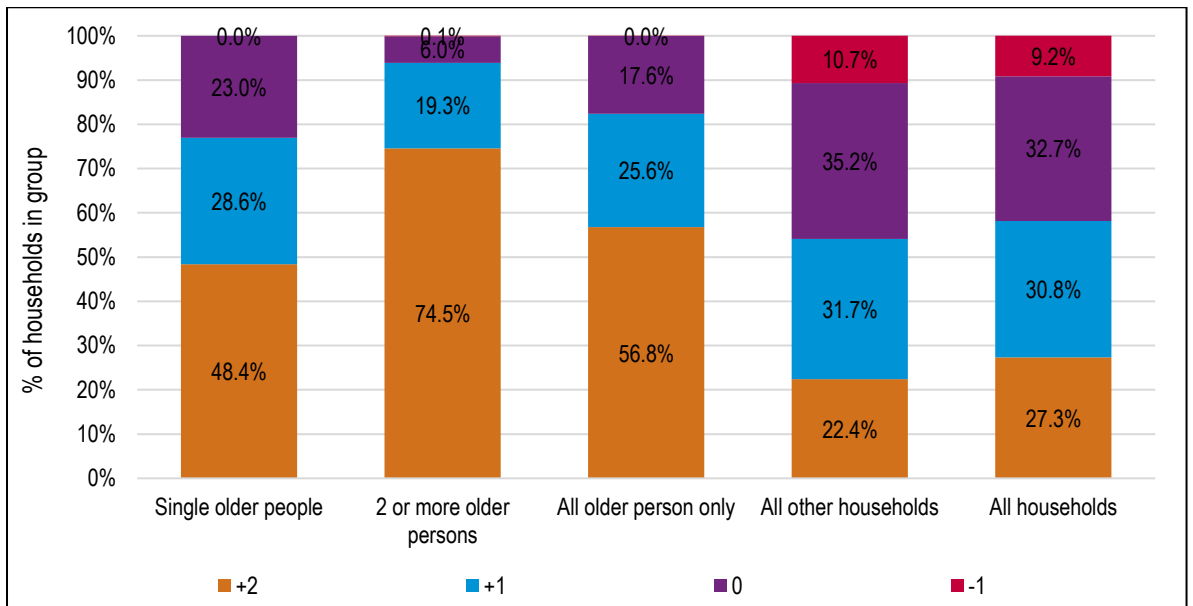
Source: Derived from demographic projections and Housing LIN/HOPSR/EAC

- 8.25 The estimated need for care bedspaces is based on national prevalence rates and it should be noted that in reality the proportion of people (aged 75 and over) in care home accommodation will also be influenced by government policy and the potential promotion of health and social care services interventions to prevent people needing to move into such accommodation. On this basis, the figures should be treated as indicative.

- 8.26 In addition, it should be noted that the need/demand for specialist older persons housing is part of the overall housing need (not additional to it). In meeting the need/demand there could be some changes to the mix of housing required across the Borough. In particular, if smaller units suitable for older people are provided, this may release larger homes into the market (including affordable homes) which in turn could reduce the proportion of larger homes needed.

- 8.27 On this basis, the provision of specialist housing should be monitored, including seeking to understand the types of accommodation that people move from when accessing this type of home. Data from the Census is clear that many older person households currently under-occupy their dwelling (see below).

Figure 37: Occupancy rating of older person households – Merton



Source: 2011 Census

Older Persons' Housing and Planning Use Classes

- 8.28 It is worth briefly discussing the Use Classes that Older Persons housing would fall into as there is some lack of clarity (particularly when it comes to Extra-care housing). The Use Classes Order sets out different categories of residential use and makes a distinction between residential institutions (Class C2) and dwelling houses (Class C3) – the C2/C3 distinction is important as it can impact on the ability of a local authority to seek an affordable housing contribution from a development.
- 8.29 There is considerable case law (at planning appeals and in the courts) on the definitions of both. There is no government guidance on which use class 'extra care housing' falls in to. It is for the decision maker to decide, depending on the individual circumstances of each case. In deciding which the appropriate use-class is, much will depend on the extent to which the accommodation is self-contained and the discussion below sets out in more detail the definitions used in this report.
- 8.30 Planning Practice Guidance does not appear to give a definitive definition of C2 and C3. However, there are a number of places where C2 housing is referenced. This includes:
- [on housing needs assessment] *'The assessment can also set out the level of need for residential institutions (Use Class C2)'* [paragraph 2a-020]
- [on Housing and economic land availability assessment] *'Local planning authorities will need to count housing provided for older people, including residential institutions in Use Class C2, against their housing requirement. For residential institutions, to establish the amount of accommodation released in the housing market, authorities should base calculations on the average number of adults living in households, using the published census data'* [paragraph 3-043]
- 8.31 This latter quote would suggest that it is necessary to understand the Census definition if we are to separate out institutional (i.e. C2) accommodation from dwellings (i.e. C3). The 2011 Census definitions include:
- '... units in an establishment where 50 per cent or more have their own kitchens should be defined as households (irrespective of whether there are other communal facilities)'*
- 8.32 Hence, any development should be included as C3 (not institutional) where at least half of all units have their own kitchens. In developments where fewer than half of units have their own kitchen, a C2 use class is relevant.
- 8.33 To be clear, the PPG defines C2 use class by reference to 'residential institutions' and draws from the 2011 Census to define this. The Census definition is related to self-containment (based on kitchen facilities). On this basis, it would be expected that most Extra-care schemes would fall into a C3 use class.

- 8.34 The analysis has not attempted to provide estimates of the need for specialist accommodation in each sub-area. However, data earlier in this section has highlighted a higher proportion of older people as living in the Morden and Wimbledon sub-areas.
- 8.35 These areas may, therefore, have a greater need/demand for such accommodation, although consideration would also need to be given to the current location of older persons housing (and the types/tenure of such homes).

Wheelchair User Housing

- 8.36 Information about the need for housing for wheelchair users is difficult to obtain (particularly at a local level) and so some brief analysis has been carried out based on national data within a research report by Habinteg Housing Association and London South Bank University (Supported by the Homes and Communities Agency) – *Mind the Step: An estimation of housing need among wheelchair users in England*. This report provides information at a national and regional level although there are some doubts about the validity even of the regional figures; hence the focus is on national data.
- 8.37 The report identifies that around 84% of homes in England do not allow someone using a wheelchair to get to and through the front door without difficulty and that once inside, it gets even more restrictive. Furthermore, it is estimated (based on English House Condition Survey data) that just 0.5% of homes meet criteria for ‘accessible and adaptable’, while 3.4% are ‘visitable’ by someone with mobility problems (data from the CLG Guide to available disability (taken from the English Housing Survey)) puts the proportion of ‘visitable’ properties at a slightly higher 5.3%.
- 8.38 Overall, the report estimates that there is an unmet need for wheelchair user dwellings equivalent to 3.5 per 1,000 households (this is described in the Habinteg report as the *number of wheelchair user households with unmet housing need*). In Merton, as of 2018, this would represent a current need for about 280 wheelchair user dwellings. Moving forward, the report estimates a wheelchair user need from around 3% of households. If 3% is applied to the household growth in the demographic projections (2017-35) then there would be an additional need for around 430-690 adapted homes. If these figures are brought together with the estimated current need then the total wheelchair user need would be for around 700-970 homes (over 18-years).

Table 73: Estimated need for wheelchair user homes (2017-2035) – Merton

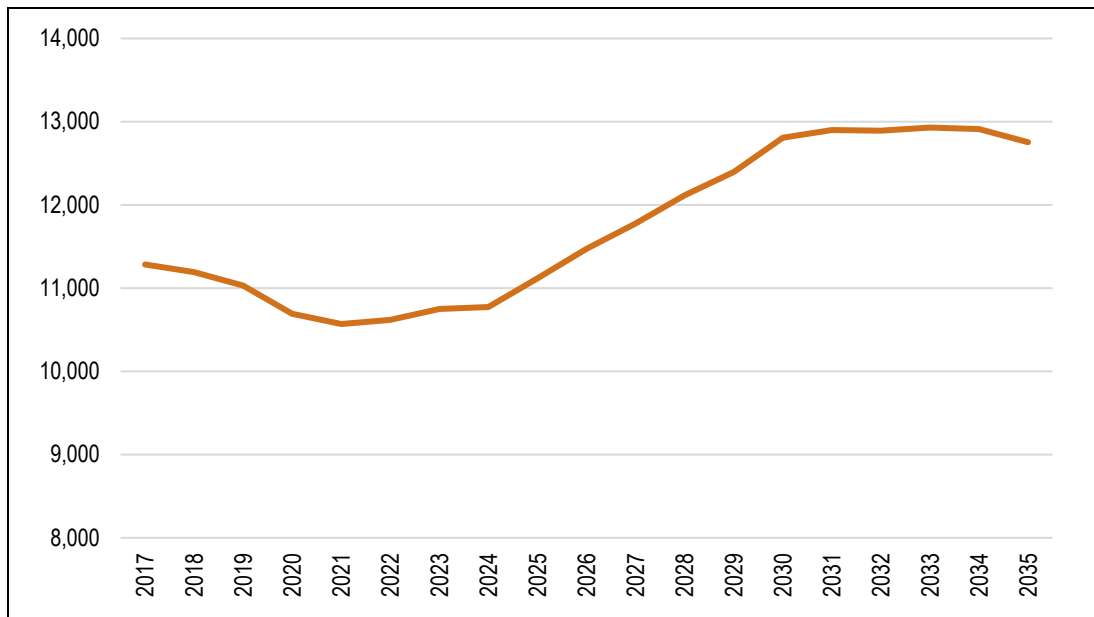
	Current need	Projected need (2017-35)	Total
Linked to 823 dpa	277	430	707
Linked to 1,328 dpa	277	693	971

Source: Derived from demographic projections and Habinteg prevalence rates

- 8.39 Information in the CLG Guide to available disability data also provides some historical national data about wheelchair users by tenure (data from the 2007/8 English Housing Survey). This showed around 7.1% of social tenants to be wheelchair users, compared with 2.3% of owner-occupiers (there was insufficient data for private renting, suggesting that the number is low). This may impact on the proportion of different tenures that should be developed to be for wheelchair users (although it should be noted that the PPG (56-009) states that *'Local Plan policies for wheelchair accessible homes should be applied only to those dwellings where the local authority is responsible for allocating or nominating a person to live in that dwelling'*).
- 8.40 The analysis has not attempted to provide estimates of the need for wheelchair accommodation in each sub-area. However, data earlier in this section has highlighted a higher proportion of people with long-term health problems and disabilities as living in the Mitcham and Morden sub-areas. It may be the case that these locations would also see a higher proportion of people with a need for wheelchair adapted/adaptable accommodation.

Students

- 8.41 As set out earlier in this report it is projected that the number of people aged 18-23 will increase from 11,300 in 2017 up to 12,800 by 2035, an increase for around 1,500, or 13%. Given the nature of higher education in the Borough (one campus of the University of the Arts). This is likely to include a significant number of people who are in the sixth form.

Figure 38: Projected change in population aged 18-23 – Merton

Source: Demographic projections

- 8.42 While there is no clear or growing demand in the Borough for purpose-built student accommodation the situation should be monitored but no specific policy is required in relation to this group at this moment in time.
- 8.43 The Council should, however, be responsive to any application and judge it on its merits. With that in mind, any application should have regard to the emerging London Plan Policy which suggests that at least 35% of the units within purpose built student accommodation is secured as affordable as defined through the London Plan and associated guidance

Self-Build and Custom Build Housing

- 8.44 There are currently 217 people registered on the Council's self and custom build register (part 1) and only one person demonstrating a local link and thus accessing the part 2 register. Although there are a further 26 people from Merton on the Part 1 register. A further 19 people claim to have a family link to the borough and 34 more work but do not live in the Borough. In total, 95 people on the register claim to have friends in the Borough.
- 8.45 Of those on the register, 43 are interested in an individual self-build, five are interested in a custom build and five are interested in a group self-build. Nine people on the register have indicated that they require a site for a single self-build plot. The remainder are undecided.

- 8.46 Those on the register have indicated that only 31 would consider building their home on a development with more than 40 homes. The preference was for single dwelling development with 73 stating this as a requirement. Of those that selected a preference 63 said they would consider building on a 2-15 home development while 47 would consider a development of between 15 and 49 units.
- 8.47 Average earning of those on the register is over £70,000. On average those on the register can bring around £166,000 worth of funding to the project while on average they hope to receive a mortgage to the value of £278,000.
- 8.48 The lack of policy or register on custom and self-build has not deterred delivery of smaller sites many of which would be classed as custom or self-build. Between 2004 and 2016 approximately 2,400 units have been delivered on schemes of less than five units. This equates to over 38% of the total supply at this time.
- 8.49 While there is a requirement to continue to support custom and self-build property there is no need for a specific policy.

Homelessness

- 8.50 LB Merton is currently undertaking a homelessness strategy to 2022. The Strategy provides an overview of Homelessness in Merton. This shows that while homelessness is comparatively low in Merton compared to the rest of London it is on the increase.
- 8.51 The main reason for this increase was through the terminations of assured shorthold tenancies which have been increasing since 2009-10. On examination of the profile of homeless applications, it was apparent that around two-thirds of all homeless applications are from BME groups. A similar proportion is aged 25-44.
- 8.52 An examination of the supply of housing for homeless households reveals a severe shortage of social housing. There are nearly 170 units of supported housing in Merton available for young single homeless people, young people at risk, care leavers, and for vulnerable young mothers. There are also 100 units of supported housing and semi-independent accommodation for homeless persons with other support needs such as mental health problems and learning disabilities, those fleeing from domestic violence and offenders / ex-offenders.
- 8.53 The Council along with its stakeholders have identified the following priorities:
- Priority 1 – Preventing Homelessness – This includes housing and legal advice, crisis intervention and meditation, mortgage and rent and providing alternative solutions.

- Priority 2 – Access to Suitable Housing Options for Homeless Households – This includes providing temporary solutions while applications are assessed such as B&B accommodation. Once accepted as homeless and in priority need the council then re-home these through the allocations policy and through the PRS.
- Priority 3 – Pathway for Young Single Homeless – Although homelessness in the young is decreasing the council still assists by placing them on the housing register and being accommodated through social care legislation.
- Priority 4 – Sustainable Solutions for Rough Sleepers – The Council provides day-to-day shelter as well as long-term solutions not just for housing but also health and employment.
- Priority 5 – Assistance for Other Vulnerable Clients - The council assesses homeless applicants' vulnerability to determine if an applicant is in priority need. This includes young people and those fleeing domestic violence.

Gypsies and Travelers

8.54 A separate report is being prepared to read alongside the SHMA.

Armed Forces

8.55 The Allocation of Housing (Qualification Criteria for Armed Forces) (England) Regulations ensure that Service personnel (including bereaved spouses or civil partners) are allowed to establish a 'local connection' with the area in which they are serving or have served.

8.56 This prevents means that ex-service personnel would not suffer disadvantage from any 'residence' criteria chosen by the Local Authority in their allocations policy. However, the Ministry of Defence data reveals that there are no civilian or military personnel stationed in Merton.

8.57 That said any ex-armed forces personnel with mental health issues who present themselves to the Council as homeless would be assisted as a vulnerable group and will be given priority need for housing.

Houses in Multiple Occupation

8.58 In 2001, there were 78,884 households in Merton of which 8% (6,219) were houses in multiple occupations (HMOs). This was defined by the Census as "Other Household Group: Other" which is effectively unrelated households living together.

8.59 In the following ten years, total households in Merton experienced slight negative growth (-0.2%), however, the volume of HMO houses increased by 988 16% reaching 7,207 HMO households at 2011 making up 9% of total households in Merton.

Table 74: Houses in Multiple Occupation in the Borough of Merton (2001 and 2011)

	Total Households	HMO	% of HMO
2001	78,884	6,219	8%
2011	78,757	7,207	9%
Change	-127	988	16%

8.60 The UK Government recently made changes to HMO licensing requiring which meant from the 1st of October 2018, landlords who let a property to 5 or more people from 2 or more separate households are required to be licensed by their local housing authority. Landlords with 3 or more and less than 5 tenants are not required to be licensed.

8.61 LB Merton does not operate any additional or selective licensing schemes, nor does it have a private rented property licensing scheme that would require all private landlords to have a license, regardless whether they own a HMO. Therefore, the number of HMOs in Merton as presented in the table below captures the landlords operating with a license. There are 173 registered properties and 111 applications in progress, totalling 284.

Table 75: Registered and future HMOs in Merton

Location	Registered	Application in progress	Total
Mitcham	65	39	104
Morden	11	19	30
Raynes Park	10	16	26
SW/CW	41	15	56
Wimbledon	46	22	68
Total	173	111	284

Source: LB Merton, 2019

8.62 Currently, there are a high number of HMOs in Mitcham with 65 registered properties and 39 applications in progress. This is four times as many as those in Raynes Park.

- 8.63 Engagement with local agents has suggested that the rental market in Merton has surged in the last 12 months, with increasing demand for rental properties placing pressure on availabilities in HMOs. They have highlighted that HMOs are appealing to the rental market in Merton as they offer flexibility and particularly with changing household structures and the growth of smaller households.
- 8.64 They report that HMOs are appealing to landowners as they provide greater rental yields and steady income with less exposure to rental arrears. Local agents have highlighted that there is a very small number of properties selling in Merton that are HMOs which mostly reflects the satisfaction of landlords with the economic performance of HMO properties.
- 8.65 It was suggested that the demand for HMOs is driven by a changing rental culture in Merton with more people choosing to rent so they can live close to work, save for a house deposit and then locate to a more affordable area where they can afford to buy, often outside of London. Merton is considered a more affordable area to rent in for working professionals than other neighbouring authorities such as Wandsworth.
- 8.66 In anticipation of the tenant fee ban coming into effect in June 2019, local agents forecast an increase in rental values in the short term in Merton. However, agents suggest that the potential increase in rental values will not impact the demand for HMOs.

Live Work Units

- 8.67 Live work units are defined as property that is specifically designed for dual use, combining both residential and employment space. It is regarded as Sui Generis rather than having a specific Use Class as defined in the Town and Country Planning (Use Classes) Order 2005.
- 8.68 Tomorrow's Property Today reported that across the UK, 12% of home-based workers make up the workforce. Further, 41% of businesses are now run from home and increasing to 55% in rural areas. Driving factors influencing live-work units include advances in technology, aversion to commuting and the appeal of lower costs through combining workspace and home costs.
- 8.69 At 2011, there were 9,609 usual residents that mainly worked from home in Merton. This volume accounts for 5% of Merton's usual resident population. This is compared to the South East region that has a slightly higher proportion with 6% of the usual population mainly working from home and on par with the national proportion (5%).

- 8.70 Urbanspaces is a company letting live/work spaces in London. It outlined that the types of people seeking live-work space (rather than working from home) are mostly self-employed in creative industries where the nature of work is freelance with no attachment to an office.
- 8.71 The market is generally attracted to industrial stock that has been regenerated for live-work purposes. This trend is evident in South London around Peckham and more noticeably in the Hackney area where a distinct live-work unit culture has been established.
- 8.72 Local agents suggest there is limited demand for this type of product in Merton. However, it was identified that there is growing interest from business professionals seeking modern live-work space in London that may present some merit for Merton to explore.

Micro-housing

- 8.73 Micro-housing is defined by the British Property Federation as living spaces between 20 and 40 square metres in the form of either self-contained dwellings or dwellings with shared amenities. Micro houses are typically marketed to young, middle-earning, first home buyers who live and work locally in the area of the particular development.
- 8.74 Pocket Living is a provider of micro-housing in London. They claim to sell micro-apartments at a discount of approximately 20% to other one-bedroom apartments in the area although in some cases these properties are as small as 51 sqm but built high levels of design and finish so this is not necessarily a fair comparison.
- 8.75 Buyers own 100% of the apartment from day one of the sale. Prices vary depending on the area; however, one-bedroom apartments reach approximately £297,000 and £495,000 for two bedroom apartments.
- 8.76 Two micro-housing schemes recently complete in London include Mapleton Crescent in Wandsworth and Bollo Lane in Ealing. These developments still have micro apartments remaining for sale and have advised that the type of people buying into these developments have been working professionals aged between 25 and 40 on middle incomes.
- 8.77 There is also a micro-housing development in the pipeline at Addiscombe Grove in Croydon. It was identified that there is demand for this type of housing across London and site selection is based on land opportunities and the local profile of residents including the number of working professionals in the middle-income bracket.

- 8.78 The community offering was also outlined as an important aspect in the delivery of micro-housing. Given that micro-apartments are smaller than 40 square metres, proximity to local amenities and community facilities is important to buyers. This is something that providers will assess in determining the suitability of micro-housing in Merton.
- 8.79 The location of these developments and the profile of buyers would indicate that micro-housing is a housing option worth considering in Merton. Although the cost of typical properties would mean that it is not an affordable tenure given indicative costs from developments outside the borough would likely exceed PRS costs.
- 8.80 In addition, the demand for rental properties is high as people prefer to let whilst working in London. This type of housing product provides a different type of product that is not available in the local market.

Vulnerable Groups

Domestic violence

- 8.81 Domestic violence rates in the borough and wider London are growing. There is currently one women's refuge in the Borough, which has 18 beds. In light of the safety requirements of refuges, victims housed tend to come from surrounding boroughs, not just Merton. This means that planning for future housing for this group requires the consideration of what is happening sub-regionally in terms of refuge supply in other boroughs.
- 8.82 The Council does not own housing stock to accommodate the demand for domestic violence victims and rely on private landlords and housing associations to provide appropriate housing that responds to the needs of this group.
- 8.83 There are a number of issues associated with a lack of housing for domestic violence issues in Merton. Housing this group is challenging as it requires two stages; finding short term accommodation for victims (often women's refuges) and then finding housing for women after they leave the refuge. The latter is a significant issue in Merton.
- 8.84 Victims often stay in the refuge between 6 and 9 months but can stay up to 12 months if appropriate housing is not available after. Historically, victims in women's refuges were put at the top of social housing priority lists. However today, victims are considered against the general needs criteria for social housing that means it takes a longer time for victims leaving the refuge to be housed. This is creating social issues as well as well-being risks.

- 8.85 Apart from the short supply of social housing stock in Merton, a lot of the issues associated with housing women after they leave the refuge are driven by the process of social housing providers. For instance, management transfers between housing associations and moving tenants between housing stock is timely and sometimes victims are granted housing in another location, displacing them from their community.
- 8.86 Some victims are going into PRS housing with benefit support, however, the issue here is that private landlords do not offer the level of support housing associations may provide.
- 8.87 The Housing Green Paper is also proposing changes which ensure that where an existing secure/assured tenant needs to move as a result of domestic abuse, they are always able to retain their lifetime tenancy.

Children in care

- 8.88 The need for children in care housing in Merton is growing. Currently, there are 15 allocated houses in the local authority, however, the housing is owned by housing associations, not by the Council.
- 8.89 The number of children in care in Merton changes each year given different factors such as young adults turning 18 and leaving care housing and any growth in migration such as child asylum seekers seeking housing.
- 8.90 Besides issues in the supply of housing to support the growing number of children in care, there are prevalent issues with a lack of supply and pathways for young adults (recently turned 18) leaving children in care housing. Engagement with Merton Council identified that in the next 12 months, there are 18 people in care housing turning 18 that will need to be housed in the general housing stock.
- 8.91 It was suggested that the state of the saturated housing market and in particular high rental costs is having an effect on housing this group of people leaving children in care housing. An issue associated with young adults who leave care housing and placed in private housing is that they are automatically removed from the bidding list for Council housing.
- 8.92 It was identified that there is a need for a care leaver's strategy. This will firstly identify the projected volume of young people leaving children in care housing and set out a plan to accommodate future demand. Secondly, it was identified that the strategy would help provide a pathway for people leaving children in care housing. Merton may also seek to appoint a commissioner that finds housing for young people leaving care housing as other local authorities are.

Ex-Offenders

- 8.93 The need for housing that accommodates ex-offenders varies annually and is primarily driven by the number of people released from prison in any given period.
- 8.94 The Probation Office has indicated that it is difficult finding accommodation for people leaving prison as they all have different priorities of need. There is no single housing solution that can accommodate all with a need as they often have restrictions on where they can reside. For instance, an ex-offender with history related to child abuse cannot be housed within proximity to schools.
- 8.95 Ex-offenders need to claim housing benefits in order to fund private housing options. The process for those leaving prison and seeking Council housing is timely and reliant on the Council undertaking an assessment of the individual before they are housed. Improving the efficiency of this process is difficult as there is no government funding to support the system.
- 8.96 It was identified that there is no supply of stable accommodation within Merton with around 9 out of 10 people leaving prison being initially housed in hostels (or sometimes referred to B&B's). Often those people housed in hostel accommodation can stay there for up to two years.
- 8.97 One challenge of ex-offenders being housed in Merton is that people with similar history and profiles (e.g. ex-drug offenders) living in the same environment (such as a hostel) often mean social issues emerge.
- 8.98 It is difficult to forecast the supply of housing needed to accommodate ex-offenders leaving prison as the volume is constantly changing, however, there is a clear need to ensure that the housing options available are appropriately located and do not stimulate social issues.

Respite care

- 8.99 The current provision of respite care in Merton is a six-bed accommodation centre in Wimbledon which caters for a range of age groups. The centre is set up to accommodate those in care, their families and carers. Access to the accommodation is based on care needs and availability.
- 8.100 Physical and learning needs are supported through a range of resources in the respite care centre. The challenge is accommodating the population with challenging behaviours and those with complex health needs in the same location.
- 8.101 There is a lack of housing supply for the population with challenging behaviours in Merton. It has been identified that there are around 12 to 14 people that are considered to have challenge behaviour.

Despite this number being low, the Learning Disabilities department at Merton have identified that their impact is high.

- 8.102 It was identified that a high proportion of the population with challenging behaviours are under the age of 30 and mostly live with their families. This age group have the greatest need for respite care and support as their behaviour tends to be more challenging than those in need of respite care above the age of 30.
- 8.103 This is primarily due to the natural stage in life with physical and mental changes occurring and the behaviours associated with this change. This can place a lot of pressure on families supporting these people at home.
- 8.104 The NHS Clinical Commissioning Group is currently developing a crisis house to support the growing needs in Merton and six other surrounding Council areas. The purpose of the crisis house is to respite care need access to health and other resource support without entering a hospital.

Discussion with Registered Providers

- 8.105 As part of this work, we have also held discussions with registered and specialist housing providers operating in Merton. These are reported anonymously and should be treated as the view of individuals rather than the company that employ them or the industry more widely.
- 8.106 One operator specialising in homeless noted a considerable increase in demand for their services. This was linked to increasing rents and subsequent evictions. In South London, demand is increasing from young people trying to get away from gangs or being asked to leave by their family
- 8.107 The Council has a good fast track system to accommodate young homeless people, but this is not seen as quick enough. Those that are accommodated tend to be placed in a studio or one-bedroom accommodation.
- 8.108 However, there is a growing number being placed in HMOs in the private sector as demand is so high with very little supply. Those that do go into the private sector tend to be supported by the local housing allowance if eligible.
- 8.109 A number of specialist accommodation for older person were also spoken to. They are seeing demand increase not just because of need but because the rent in such accommodation can be more affordable than in the private stock. Particularly if the accommodation is provided by the third sector (Charity).

- 8.110 As such, they are getting an increasing number of younger elderly (+55) seeking accommodation in the Borough. Although the average age of people moving to their accommodation is still between 60 and 70 and generally in good health.
- 8.111 Demand for elderly accommodation is from people both residing in the borough and also those with family in the borough. As such, one provider is getting enquiries from places such as Scotland or the Isle of Wight.
- 8.112 One operator suggested that there is a waiting list for most elderly properties but there is more demand than opportunities. Most people are on the waiting list for a year to 18 months depending on the facilities and level of care they require.
- 8.113 There is also increasing demand in the affordable sector with particular demand for properties with a protected or assured tenancy. This is due to an increase in evictions due to rent arrears. There is a particular demand for 3- and 4-bedroom family accommodation.
- 8.114 One provider suggested that it would no longer build five-bedroom homes. They would rather provide smaller homes and meet these needs by allocating adjoining property. This gives them greater flexibility in future.
- 8.115 One major provider suggested they had 3,000 households on their transfer list (this includes households outside of Merton) but only moved 17 families on in the last year. This was due to a lack of available stock.
- 8.116 Land values in London are also causing them to reconsider their strategy by looking outside of London. They are also more likely to retain more of their new-build properties for sale or private rent.

Other groups: Key Messages

- Planning Practice Guidance section 56 (Housing: optional technical standards) sets out how local authorities can gather evidence to set requirements on a range of issues (including accessibility and wheelchair housing standards, water efficiency standards and internal space standards). This study considered the first two of these (i.e. accessibility and wheelchair housing) as well as considering the specific needs of older people. A range of data sources are considered, as suggested by CLG and also some more traditionally used in assessments such as this (e.g. from Housing LIN and HOPSR). This is to consider the need for Building Regulations M4(2) (accessible and adaptable dwellings), and M4(3) (wheelchair user dwellings).
- The data shows that in general, Merton has slightly lower levels of disability compared with other areas and that an ageing population means that the number of people with disabilities is likely to increase substantially in the future. Key findings include:
 - 45% increase in the population aged 65+ over 2017-2035 (potentially accounting for at least a third of total population growth);
 - A need for additional sheltered/retirement housing (currently in the leasehold sector but also for rent in the future);
 - A current and future need for housing with care (enhanced sheltered and extra-care housing) in both the rented and leasehold sectors;
 - A need for additional care bedspaces; and
 - a need for up to 970 dwellings to be for wheelchair users (meeting technical standard M4(3))
- This would suggest that there is a clear need to increase the supply of accessible and adaptable dwellings and wheelchair user dwellings as well as providing specific provision of older persons. The exact proportion of homes in categories M4(2) and M4(3) is for the Council to consider based on this evidence and also any other relevant information (e.g. about viability). In seeking M4(2) compliant homes the Council should also be mindful that such homes could be considered as 'homes for life' and would be suitable for any occupant, regardless of whether or not they have a disability at the time of initial occupation.
- The Council should also consider if a different approach is prudent for market housing and affordable homes, recognising that Registered Providers may already build to higher standards and that households in the affordable sector are more likely to have some form of disability.
- In seeking M4(2) compliant homes, the Council should also be mindful that such homes could be considered as 'homes for life' and would be suitable for any occupant, regardless of whether or not they have a disability at the time of initial occupation.
- There is not a notable demand for student accommodation in the Borough but the Council should be reactive to opportunities as they arise and seek to apply the emerging London Plan targets.
- There are currently just over 200 people on the self and custom build register however there remains a steady flow of developments from single dwellings which suggests that these needs are being met without the need for a specific policy.

9 CONCLUSIONS AND RECOMMENDATIONS

- 9.1 The London Borough of Merton Strategic Housing Market Assessment follows the approach to housing need using the standard methodology as set out by the Government in the NPPF (July 2018). We have sought to consider growth over the 2017-35 period.
- 9.2 While we have applied the standard methodology this should be viewed as the minimum housing need to be planned for with local authorities encouraged to exceed this figure. We have therefore also examined potential housing requirement figures based on capacity assessments.
- 9.3 Furthermore, the Ministry for Housing, Communities and Local Government has signalled their intention to “consider adjusting the method to ensure that the starting point in the plan-making process is consistent in aggregate with the proposals in “Planning for the right homes in the right places” consultation and continues to be consistent with ensuring that 300,000 homes are built per year by the mid-2020s.”

Standard Methodology

- 9.4 The new methodology seeks to simplify the approach to housing need and has three components:
- Baseline;
 - Affordability Adjustment; and
 - Capping the increase.
- 9.5 The start point household projections show over the period 2017-27 a household growth of 11,203 (1,120 households per annum). This equates to a 13.2% increase in households over the same period. The methodology also suggests that the calculations should be based on the 10-year period starting with the current year.
- 9.6 We have therefore examined growth over the 2019-29 period. The start point household projections show over that period a household growth of 10,960 (1,096 households per annum). This equates to a 12.5% increase in households over the same period.
- 9.7 The methodology seeks to adjust the demographic baseline on the basis of market signals. The adjustment increases the housing need where house prices are high relative to workplace incomes. Specifically, the adjustment increases the housing need derived from the household projections by 0.25% for every percentage point the workplace based median affordability ratio is above four (4.0).

9.8 This is justified on the basis that four is the typical multiple used by mortgage providers to gauge affordability. The equation is as follows:

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

9.9 In 2017, the workplace affordability ratio in Merton was 15.44; i.e. median house prices were 15.44 times the median earnings of those working in the Borough. This means that the adjustment factor for Merton is 0.715 or 71.5%. This is calculated as follows: $(15.44 - 4) / 4 \times 0.25$.

9.10 To this point, the housing need in Merton would be 71.5% above the demographic baseline of 1,120 and 1,096 households per annum. This uplifted figure would therefore be 1,921 dwellings per annum and 1,880 dwellings per annum.

9.11 The final step in the standard method is to possibly cap the market signals uplift; in the PPG it is noted that *'the market adjustment could lead to a significant increase in the local housing need in some parts of the country. To help ensure the method is deliverable, a cap on the local housing need may be applied'*.

9.12 There are two situations where a cap is applied. The first is where an authority has reviewed their plan (including developing an assessment of housing need) or adopted a plan within the last five years. In this instance, the need may be capped at 40% above the requirement figure set out in the plan.

9.13 The second situation is where plans and evidence are more than five years old. In such circumstances, a cap may be applied at 40% of the higher of the projected household growth or the housing requirement in the most recent plan (where this exists).

9.14 In Merton, the capping means that the housing need would be set at 40% above the household projections (i.e. 1,120 or 1,096 \times 1.4) and would lead to a figure of 1,568 dwellings per annum for the 2017-27 period and 1,534 dpa over the 2019-29 period. This figure would be classed as the objectively assessed need for the Borough under the standard methodology.

9.15 While this figure constitutes the OAN, it is not the housing target or housing requirement given the likely capacity of the Borough.

9.16 **Recommendation: The Council should consider its objectively assessed need for housing to be 1,534 dwellings per annum and seek to meet this as much as possible.**

Housing Requirement

- 9.17 We have tested alternative numbers to the OAN, recognising that Merton has a capacity far less than the identified housing need. We have therefore examined the impact of the capacity-led figure on the mix of future housing in the Borough.
- 9.18 Two such capacity led figures exist, one produced by the GLA (1,328 dpa) and another produced by the Council (823 dpa). We believe the latter of these figures is the most robust given it is based on local trends and knowledge. However, as a contingency, we have also provided an analysis using the GLA based figure.
- 9.19 **Recommendation: The Council should plan for meeting a minimum of 823 dwellings per annum but should have contingency plans for a number up to 1,328 dwellings per annum if there is an additional capacity to do so.**

Need for Different Types of Homes

- 9.20 The SHMA identifies a range of factors which influence the need for different types of homes. This includes demographic trends and in particular a growing older population; market dynamics and affordability; the Government's ambitions and initiatives to boost home-ownership and self/custom-build development; as well as growth in student numbers and accommodation.

Affordable Housing Need

- 9.21 The report has considered the need for affordable housing; using the Basic Needs Assessment Model recommended in the PPG. Using the available information, it identifies a need for 878 affordable homes per annum across the Borough for the 2017-35 period based on delivery of 823 dpa. This increases to 1,084 affordable homes per annum based on the GLA capacity of 1,328 dpa.
- 9.22 **Recommendation: Given the analysis above, it would be reasonable to conclude that there a considerable need to provide as much affordable housing as viably possible.**
- 9.23 It is also apparent that there many households in Merton who are being excluded from the owner-occupied sector. Our assessment identified a further 786 and 933 per annum requirement for low-cost home-ownership products (based on 823 dpa and 1,328 dpa respectively).

- 9.24 It seems likely in Merton that access to owner-occupation is being restricted by access to capital (e.g. for deposits, stamp duty, legal costs) as well as potentially some mortgage restrictions (e.g. where employment is temporary) rather than being due to the actual cost of housing.
- 9.25 It may, therefore, be the case that providing some 'affordable home ownership' properties would assist in getting some households out of the private rented sector. This could also be achieved by signposting potential purchasers to schemes such as Help-to-Buy, or by encouraging developers to provide some form of equity support.
- 9.26 If this could be achieved then it may be reasonable for up to 10% of homes to fall into the affordable home-ownership category (10% being the Government expectation moving forward).
- 9.27 **Recommendation: The Borough should seek to achieve 10% of housing within the affordable home-ownership tenures.**
- 9.28 It will also be important to set these at a price point where there is a likelihood that a reasonable number of households will be able to afford (subject to issues around access to capital for example).
- 9.29 We have set out a suggested purchase price for affordable home ownership in the Borough. The figures are based on trying to roughly equate a sale price with an equivalent access point to the private rental market. This shows a one bedroom home 'affordable' price of £149,000, rising to £299,000 for homes with 4 or more bedrooms.

Housing Mix

- 9.30 In analysing the need for housing of different tenures it needs to be recognised that there are a series of choices to be made with regard to the provision of new affordable housing; essentially a trade-off between the affordability of accommodation and the number of homes that can viably be provided. Hence the analysis in this report can only provide a guide to the types of affordable housing that should be provided.
- 9.31 However, this comes with a series of caveats including the viability of providing different types of affordable housing. Furthermore, the cost of low-cost home ownership properties can sometimes exceed those of lower cost market homes and thus cannot be truly considered as "affordable", albeit they might be recognised as such by the government.

Need for Different Types and Sizes of Homes

- 9.32 The modelling outputs provide an estimate of the proportion of homes of different sizes that are needed, there is a range of factors which should be taken into account in setting policies for provision. The mix of affordable rented housing sought through development at a borough-wide level should be as follows:
- 1-bed properties: 25-30%
 - 2-bed properties: 35-40%
 - 3-bed properties: 25-30%
 - 4-bed properties: 5-10%
- 9.33 The strategic conclusions recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues and the issue of single people under 35 years old only being eligible to claim benefits for a room in a shared house.
- 9.34 The need for affordable housing of different sizes will vary by area (at a more localised level) and over time. In considering the mix of homes to be provided within specific development schemes, the information herein should be brought together with details of households currently on the Housing Register in the local area and the stock and turnover of existing properties.
- 9.35 The provision of affordable home ownership should be more explicitly focused on delivering smaller family housing for younger households. On this basis the following mix of low-cost home ownership housing is suggested:
- 1-bed properties: 25-30%
 - 2-bed properties: 30-35%
 - 3-bed properties: 25-30%
 - 4-bed properties: 10-15%
- 9.36 In the market sector, a balance of dwellings is suggested that takes account of both the demand for homes and the changing demographic profile. The following mix of market housing is suggested:
- 1-bed properties: 5-10%
 - 2-bed properties: 20-25%
 - 3-bed properties: 45-50%
 - 4-bed properties: 20-25%

- 9.37 The figures can, however, be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by the demographic change in the area or linked to macro-economic factors and local supply.
- 9.38 The need for affordable housing of different sizes will vary by area (at a more localised level) and over time. In considering the mix of homes to be provided within specific development schemes, the information herein should be brought together with details of households currently on the Housing Register in the local area and the stock and turnover of existing properties. Within Chapter 7 we have set out localised mix conclusions.
- 9.39 The mix identified above should inform strategic planning and housing policies. In applying recommended housing mix to individual development sites, regard should be had to the nature of the development site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.
- 9.40 Recommendations – Any plan or policy making based upon the above mix at strategic level over the plan period term and site-specific negotiations, should include appropriate monitoring mechanisms to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by the demographic change in the area.

Future Housing Mix

- 9.41 Drawing the need and mix analysis in the report together we can provide an indicative mix of housing for the Borough, although it should be stressed this is only indicative and other decisions may be taken to move away from this mix e.g. to change the mix of affordable housing.
- 9.42 The Study has looked at Merton providing either 823 or 1,328 dwellings per annum in the 2017-35 period (across all tenures). Analysis of affordable housing need has suggested that the Council should seek to maximise affordable delivery and that (subject to viability) there should be a particular focus on rented housing, particularly the London Affordable Rent which is similar in cost to a social rent.
- 9.43 Overall it is suggested that the Council should be seeking to provide around 50% of all homes as affordable housing, with a split of 80:20 in favour of low cost rented housing versus intermediate. The table below, therefore, shows what this would mean in terms of delivery under each of the overall provision figures.

Table 76: Summary of overall units required by broad tenure

	823 dwellings per annum		1,328 dwellings per annum	
	Dwellings	% of dwellings	Dwellings	% of dwellings
Market	412	50%	664	50%
Intermediate	82	10%	133	10%
Low Cost Rent	329	40%	531	40%
Total	823	100%	1,328	100%

Source: GL Hearn, 2091

- 9.44 Within these broad tenures, it is not suggested that the Council has any specific target for private rented homes, whereas other tenures such as Starter Homes may be appropriate where these help to support viability.
- 9.45 Within the intermediate tenure, it is recommended that the majority of homes are provided as a London Living Rent, with London Shared Ownership as an option where needed to support viability.
- 9.46 Additionally, schemes such as Help-to-Buy should continue to be supported within the market sector but should not impact on overall targets for affordable housing.

Older Persons Housing Need

- 9.47 The Housing Needs Assessment indicates that the number of residents aged over 65 across Borough is projected to increase by 46% over the period to 2035 based on 823 dpa and 49.7% based on 1,328 dpa.
- 9.48 Based principally on the expected growth in the population of older persons (over 75), the report estimates a need for additional specialist C3 dwellings for older persons in Merton over the 2017-35 period of around 92 dpa. This forms part of the SHMA's conclusions on the objectively assessed housing need (OAN).

Table 77: Need for Specialist Housing for Older People, 2017 - 35 – Merton

Scenario	Change in population aged 75+	Housing with support - Rental	Housing with support - Leasehold	Housing with Care - Rental	Housing with Care - Leasehold
823 dpa	5,504	163	1,003	98	379
1,328 dpa	5,827	179	1,026	104	388

- 9.49 In addition, the analysis identified a total need for 987 and 1021 care beds over the plan period based on a growth of 823 dpa and 1,328 dpa respectively.

- 9.50 A need is identified for around 707 wheelchair adapted homes (2017-35), equivalent to 4.7% of new housing provision based on 823 dpa. Linking this to 1,328 dpa scenario increases the need to 971 dpa which is 4.0% of the delivery.
- 9.51 Decisions about the appropriate mix of specialist housing should take account of the current stock, other local needs evidence as appropriate, and policies regarding accommodation and care for older persons.
- 9.52 **Recommendation: The Council should give consideration to how best to deliver the identified specialist housing need, including, for instance, the potential to identify sites in accessible locations for specialist housing (transport hubs and near town centres) or to require provision of specialist housing for older people as part of larger strategic development schemes or master-planning sites.**

Students

- 9.53 There is no identified local demand for student housing. However, as there is a London wider demand and Merton is an accessible location outside of the core zone there may be some opportunity to meet the wider demand.
- 9.54 **Recommendation: If and when a scheme proposing student housing presents itself it should be judged on its merits. In-line with emerging London Plan policy the Council should seek a contribution of affordable accommodation of at least 35%.**

Custom and Self Build

- 9.55 There are currently 217 people registered on the Council's self and custom build register (part 1) and only 1 person demonstrating a local link and thus accessing the part 2 register. Between 2004 and 2016 approximately 2,400 units have been delivered on schemes of less than 5 units. This equates to over 38% of the total supply in this time.
- 9.56 **Recommendation: There is a requirement to continue to support custom and self-build property but there is no need for a specific policy.**

Key Recommendations: At a Glance

The Council should consider its objectively assessed need for housing to be 1,534 dwellings per annum and seek to meet this as much as possible. It is more realistic that the Council should plan for meeting a minimum of 823 dwellings per annum based on their capacity but should have contingency plans for a number up to 1,328 dwellings per annum if there is an additional capacity to do so.

The high level of housing need makes it reasonable to conclude that there a considerable need to provide as much affordable housing as viably possible. Within this the Borough should seek to achieve 10% of housing within the affordable home-ownership tenures.

This Mix results in the following levels of delivery based in the identified capacity.

	823 dwellings per annum		1,328 dwellings per annum	
	Dwellings	% of dwellings	Dwellings	% of dwellings
Market	412	50%	664	50%
Intermediate	82	10%	133	10%
Low Cost Rent	329	40%	531	40%
Total	823	100%	1,328	100%

	Affordable- Rented	Affordable - LCHO	Market
1-bed properties	25-30%	25-30%	5-10%
2-bed properties	35-40%	30-35%	20-25%
3-bed properties	25-30%	25-30%	45-50%
4-bed properties	5-10%	10-15%	20-25%

The Council should give consideration to how best to deliver the identified specialist housing need, including, the potential to identify sites in accessible locations for specialist housing (transport hubs and near town centres).

The Council should also seek provision of specialist housing for older people as part of larger strategic development schemes or master-planning sites.

If and when a scheme proposing student housing presents itself it should be judged on its merits. In-line with emerging London Plan policy the Council should seek a contribution of affordable accommodation of at least 35%.

There is a requirement to continue to support custom and self-build property but there is no need for a specific policy.

10 APPENDIX A – HOUSEHOLD AND POPULATION PROJECTION BY SUB-AREA

Table 78: Household Projections By Sub-Area – 823 dpa

	Households 2017	Households 2035	Change in households	Per annum	Dwellings per annum
Mitcham	24,431	28,251	3,820	212	219
Morden	15,155	18,304	3,148	175	181
Raynes Park	9,947	11,726	1,779	99	102
SWCW	14,108	16,950	2,842	158	163
Wimbledon	15,573	18,307	2,733	152	157
Total	79,215	93,537	14,322	796	823

Source: GL Hearn based on ONS and LB Merton Data

Table 79: Household Projections By Sub-Area – 1,328 dpa

	Households 2017	Households 2035	Change in households	Per annum	Dwellings per annum
Mitcham	24,431	30,812	6,381	354	367
Morden	15,155	20,264	5,108	284	294
Raynes Park	9,947	13,115	3,167	176	182
SWCW	14,108	18,187	4,079	227	234
Wimbledon	15,573	19,950	4,377	243	252
Total	79,215	102,327	23,112	1,284	1,328

Source: GL Hearn based on ONS and LB Merton Data

Table 80: Population Projections By Sub Area – 823 dpa

Year	Mitcham	Morden	Raynes Park	SWCW	Wimbledon	Total
2017	68,429	41,058	25,098	33,576	37,890	206,052
2018	68,881	41,438	25,274	33,835	38,181	207,609
2019	69,319	41,796	25,470	34,111	38,452	209,148
2020	69,755	42,153	25,647	34,385	38,724	210,664
2021	70,198	42,509	25,829	34,648	38,961	212,146
2022	70,605	42,868	25,993	34,897	39,196	213,559
2023	70,988	43,196	26,139	35,135	39,402	214,860
2024	71,321	43,526	26,296	35,357	39,603	216,103
2025	71,653	43,850	26,428	35,595	39,798	217,326
2026	71,988	44,178	26,563	35,799	39,973	218,501
2027	72,283	44,500	26,704	36,027	40,151	219,664
2028	72,587	44,793	26,850	36,271	40,341	220,843
2029	72,886	45,106	26,987	36,514	40,522	222,015
2030	73,161	45,394	27,140	36,775	40,723	223,193
2031	73,430	45,686	27,266	37,044	40,929	224,356
2032	73,711	45,970	27,418	37,321	41,141	225,561
2033	73,986	46,267	27,565	37,616	41,382	226,817
2034	74,285	46,553	27,725	37,910	41,629	228,102
2035	74,584	46,856	27,877	38,226	41,854	229,396
Change	6,154	5,798	2,779	4,650	3,963	23,344

Table 81: Population Projections By Sub Area – 1,328 dpa

	Mitcham	Morden	Raynes Park	SWCW	Wimbledon	Total
2017	68,429	41,058	25,098	33,576	37,890	206,052
2018	69,099	41,624	25,392	33,890	38,302	208,308
2019	69,759	42,172	25,711	34,223	38,698	210,563
2020	70,421	42,724	26,015	34,555	39,098	212,812
2021	71,094	43,279	26,326	34,877	39,467	215,044
2022	71,735	43,843	26,624	35,185	39,836	217,222
2023	72,359	44,380	26,907	35,482	40,179	219,307
2024	72,937	44,927	27,205	35,764	40,521	221,354
2025	73,521	45,474	27,482	36,063	40,860	223,400
2026	74,114	46,033	27,763	36,327	41,181	225,418
2027	74,673	46,593	28,055	36,615	41,508	227,444
2028	75,247	47,131	28,354	36,921	41,850	229,502
2029	75,821	47,695	28,645	37,224	42,186	231,572
2030	76,376	48,241	28,955	37,547	42,543	233,662
2031	76,930	48,798	29,240	37,876	42,909	235,753
2032	77,500	49,350	29,551	38,216	43,282	237,899
2033	78,069	49,922	29,858	38,571	43,686	240,107
2034	78,665	50,487	30,180	38,927	44,097	242,355
2035	79,265	51,074	30,494	39,304	44,487	244,623
Change	10,836	10,016	5,395	5,728	6,597	38,571

11 APPENDIX B - HOUSING MARKET GEOGRAPHIES

11.1 This section aims to identify the London housing sub-markets relevant to London Borough of Merton and sub-markets within it.

Strategic Geographies

11.2 It is recognised and accepted through the London Plan (FALP) Examination that London is a unique Housing Market Area (HMA). However, there are more localised markets that should be identified.

11.3 We have sought to analyse in this section the Borough's geographic relationships to the surrounding Boroughs and south west London overall. Our approach examines the following parameters in order to assess the interrelationships across different areas and establish different sub-markets. These include:

- Migration patterns;
- Commuting flows;
- House price geography;
- Broad rental market areas;
- Affordability;
- Housing mix (local data only).

Migration patterns

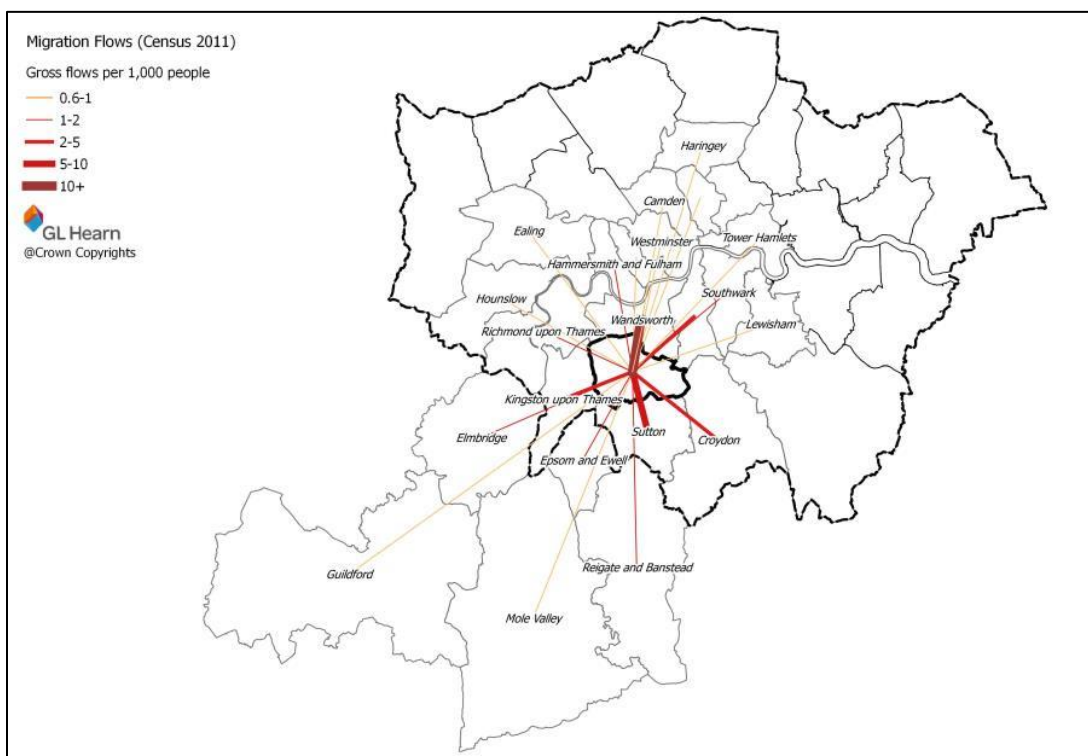
11.4 We have sought to analyse the migration flows as a key parameter of the housing market dynamics. In absolute terms, all the largest gross migration flows between Merton and other local authorities involve the surrounding Boroughs.

11.5 Typically, this data shows larger flows between authorities which are close to or border one another and between cities and student towns around the country. The scale of flows is partly influenced by the population of the authorities, with for instance the expectation that two large urban authorities would support stronger flows than two smaller ones.

11.6 Taking this into account, we have sought to standardise the analysis of gross flows to take account of the combined population of the different authorities. The figure below shows gross migration flows in numeric terms and expressed per combined 1,000 people. In other words, the map below illustrates the interrelationships between the study area and its surroundings based on Census 2011 and weighted to reflect the size of the combined population.

11.7 In other words, the figure shows where the majority of Merton’s residents preferred to move in between 2010 and 2011 (outflows) and vice versa (inflows). It should be noted that the figures overleaf exclude those staying within Merton for the same period (migration self-contained figure).

Figure 39: Weighted Migration flows – gross flows per 1,000 people



Source: Census 2011

11.8 The strongest gross migration flows (above 1,000 flows) are with all the surrounding boroughs as illustrated in both the figures and the table below. Apart from the surrounding boroughs, it is evident that strong interrelationships exist with the London boroughs within the wider area together with local authorities at the south-west edge of London, namely Elmbridge, Epsom and Ewell, Reigate and Banstead and Mole Valley.

Table 82: Top migration flows across local authorities

	Out To	In From	Gross flows	Combined Population	Gross Per '000 Head	Net flows
Merton (self-contained flows)	9,140	9,140	9,140	399,386	22.89	-
Wandsworth	2,133	3,126	5,259	506,688	10.38	993
Sutton	1,635	719	2,354	389,839	6.04	- 916
Lambeth	872	1,142	2,014	502,779	4.01	270
Croydon	1,217	714	1,931	563,071	3.43	- 503
Kingston upon Thames	966	750	1,716	359,753	4.77	- 216

Source: Census 2011

11.9 Wandsworth has the strongest migration flows with a net gain of around 1,000 people. In other words, more people move to Merton from Wandsworth than the vice versa. Sutton on the other hand, which has the second strongest interrelationships, seems to attract Merton's residents as there is a net flow of over 900 people moving into Sutton from Merton.

11.10 Finally, we have sought to assess the annual mid-year data on internal migration moves into and out of Merton for 2017 to run sensitivity test if the origin or the destination of the key flows (above 1,000) have changed since 2011.

11.11 The table below shows the gross flows above 1,000 moves as recorded in 2017.

Table 83: Top Annual mid-2017 Internal Migration gross flows, Merton

	Outflows	Inflows	Gross
Wandsworth	1,947	3,170	5,117
Sutton	2,404	774	3,179
Croydon	1,518	923	2,441
Lambeth	889	1,294	2,183
Kingston upon Thames	945	681	1,626

Source: ONS - Internal migration: detailed estimates by origin and destination local authorities, age and sex – edited by GL Hearn

11.12 Compared to Census 2011 there has been no significant change in the top gross migration flows. The only change relates to increased gross flows from and to Croydon compared to Lambeth.

Age Structure of migrants

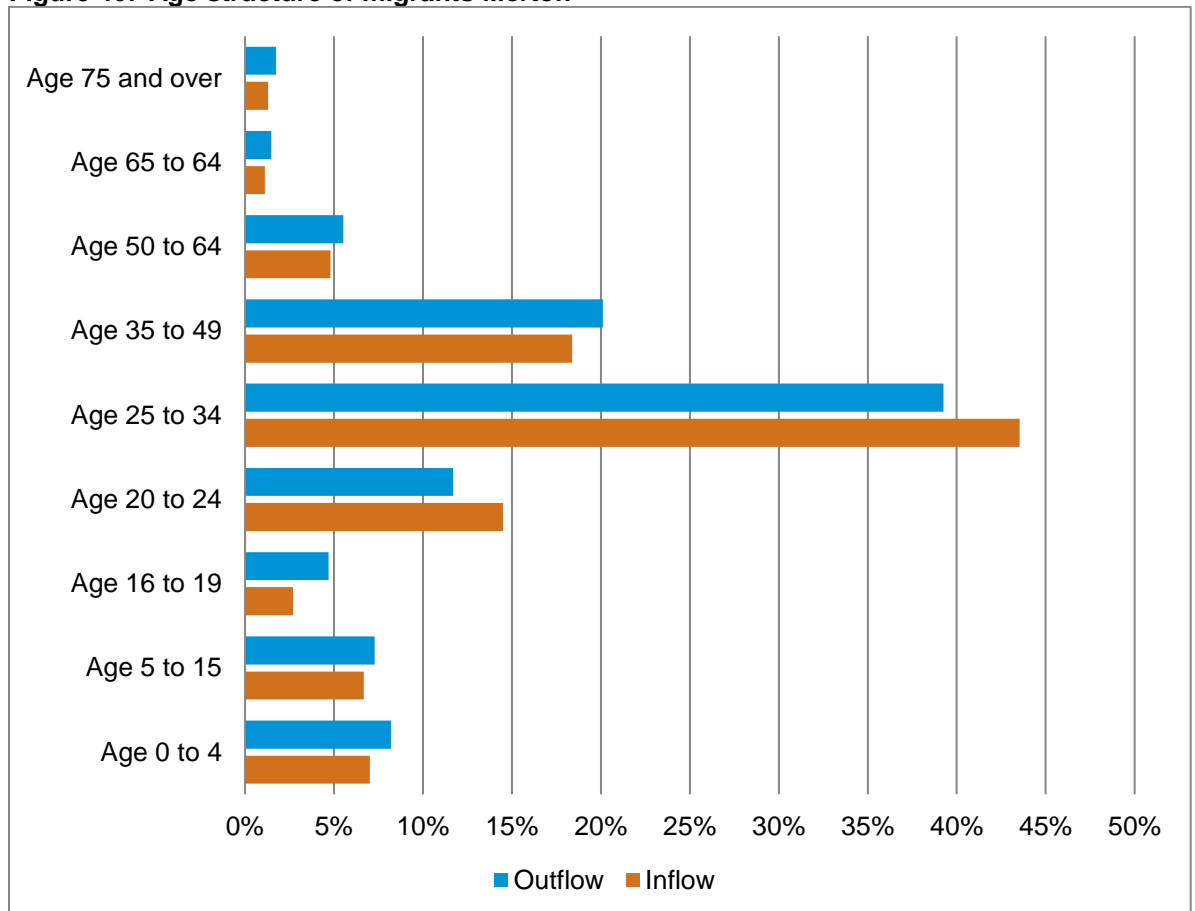
11.13 The analysis of the age structure of migrants will help us understand the age groups who are attracted into the area and those who prefer to move away.

11.14 As the figure below shows, there is a high percentage of young professionals and couples moving in the Borough particularly those aged between 25 and 34 years old. This is higher compared to those of the same age moving out of the Borough. This indicates that Merton is a destination for young professionals and couples who choose to reside in probably the most urban locations of the Borough.

11.15 In addition, there is a high percentage of students and young people aged 20-24 years old who also prefer to move to Merton. This may relate, in general, to young people moving for studies and employment into London and seeking to find comparatively affordable places for their first years of living in the Capital.

11.16 On the other hand, it is evident that families with older children prefer to move out of the Borough probably towards Outer London or the countryside.

Figure 40: Age structure of migrants Merton



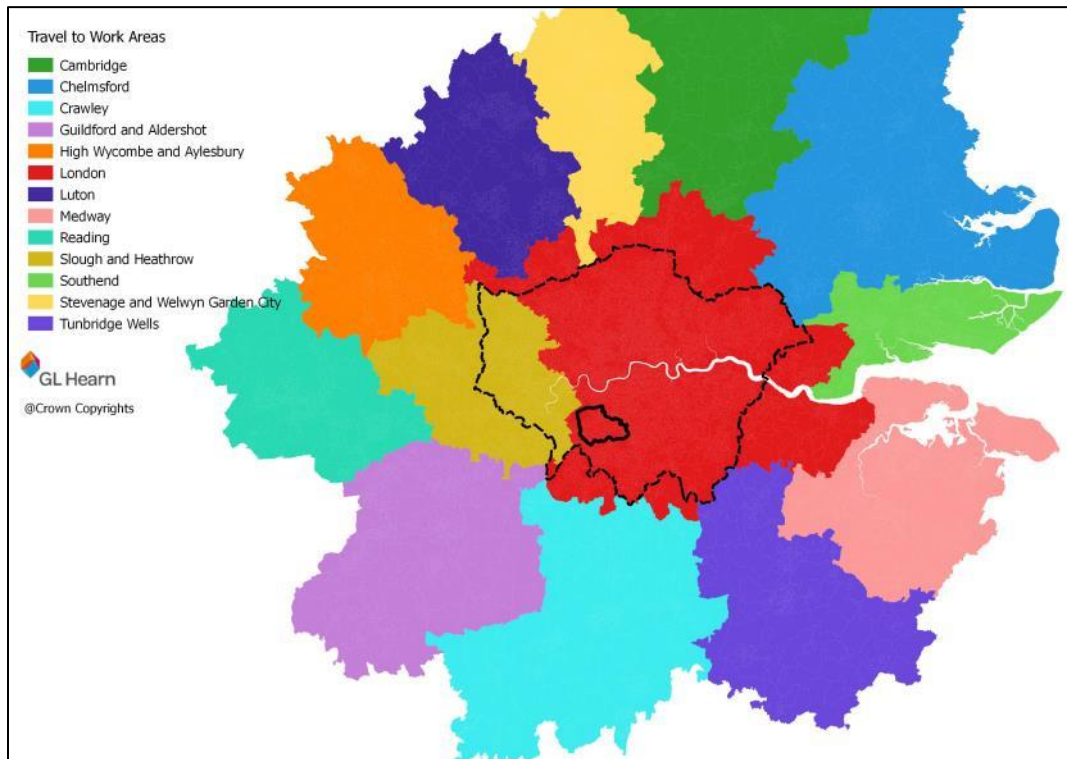
Source: Census 2011

11.17 Comparing these findings with the migration analysis presented in the above section we can conclude that families moving out of Merton reside mainly in Sutton and Croydon, while younger families and couples mainly from Wandsworth, Lambeth, Kingston, Sutton and Croydon move in the Borough.

Commuting patterns

11.18 The commuting flows show the daily travel patterns of Merton’s residents and workforce. We have sought to consider commuting dynamics taking account of the Office for National Statistics definition of Travel to Work Areas (TTWAs), together with more detailed interrogation of commuting dynamics locally.

- 11.19 The TTWAs aim to identify self-contained labour market areas in which the majority of commuting occurs within the boundary of the area. It should, however, be recognised that in practice, it is not possible to divide the UK into entirely separate labour market areas as commuting patterns are too diffuse.
- 11.20 The TTWAs have been developed as approximations to self-contained labour markets, i.e. areas where most people both live and work. As such they are based on statistical analysis rather than administrative boundaries. There are two types of self-containment that are analysed: the residents self-containment which is the percentage (%) of employed residents who work locally and; jobs self-containment which is the percentage (%) of local jobs taken by local residents.
- 11.21 The criteria for defining TTWAs were that at least 75% of the area's resident workforce works in the area and at least 75% of people who work in the area also live in the area in most instances. The area must also have had a working population of at least 3,500 people. However, for areas where the working population is in excess of 25,000 people, self-containment rates as low as 66.66% were accepted.
- 11.22 Merton falls entirely within London TTWA and it is in close proximity to Slough and Heathrow Travel to Work Area as illustrated in the figure overleaf. The supply-side self-containment, in other words, the % of employed residents who work locally across the London TTWA is 91.9%. In addition, the demand-side self-containment (or the % of local jobs taken by local residents) is also very high to 82.3%. As expected the London market is a well-contained one. The Slough and Heathrow TTWA is less self-contained with 67% supply-side and 68.7% demand-side rates.

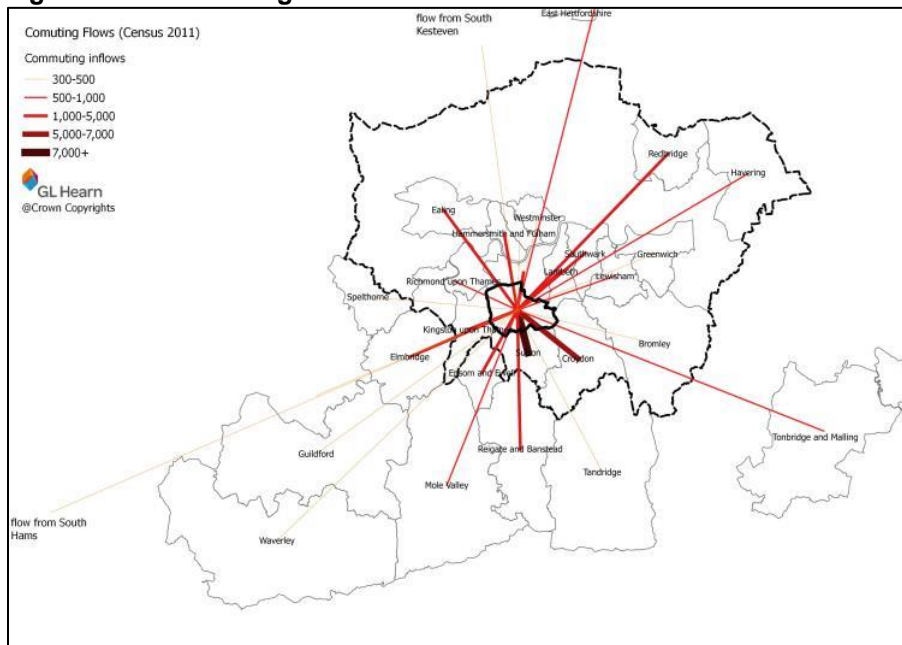
Figure 41: Travel to work areas

Source: ONS 2015

- 11.23 We have next sought to undertake further analysis considering 2011 Census commuting patterns derived by the location of usual residence and place of work, initially in local authority and then in middle super output areas levels, in order to understand the local dynamics across the London submarkets and on a borough level. The figures overleaf summarise the commuting patterns across different local authorities.
- 11.24 A total of 71,000 people were recorded as the workforce of Merton (Census 2011). Almost 40% of them live within the Borough. Over 10% commute in from Sutton and around 10% from Croydon. These two Boroughs have the strongest in commuting flows followed by Wandsworth (5%); Kingston (3%); Lambeth (3%) and Southwark (2%). Interestingly enough Redbridge has also a high inflow rate (3%).
- 11.25 In terms of outflows, out of a total of 113,000 working population in Merton (Census 2011), 25% works within Merton. The highest outflow is to the City of London (12%), followed by Southwark (10%), Westminster (8%) and Wandsworth (7%). Kingston (4%) together with Lambeth, Camden (3%) and Hounslow (3%) also see large numbers of out-commuting flows from Merton.

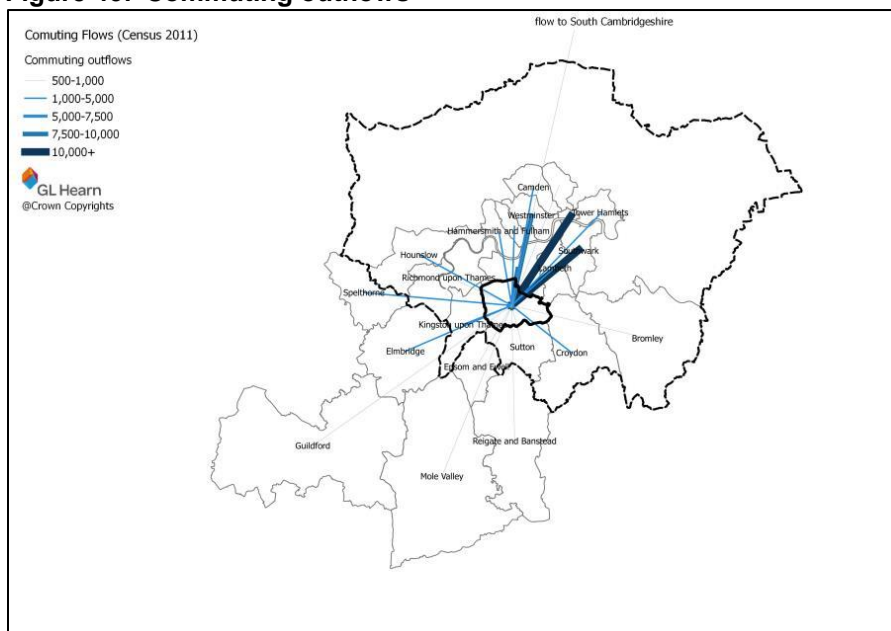
11.26 The analysis highlights the primacy of the central boroughs, particularly those in proximity to Merton, in attracting out commuters. In addition, Merton has a significant inward flow from the surrounding boroughs particularly those lying in the outer edge of the Capital, namely Sutton and Croydon.

Figure 42: Commuting inflows



Source: Census 2011

Figure 43: Commuting outflows



Source: Census 2011

House price geography

- 11.27 The house price analysis is set out in the market signals chapter of this report and the conclusions on housing market geography draw in these. Our summary is set out below alongside the other factors of migration and commuting.

Strategic Geography Summary Points

- 11.28 The key findings from the analysis herein include:

- **Migration patterns:** the evidence shows that families moving out of Merton reside mainly in Sutton and Croydon, while younger families and couples moving in Merton mainly from Wandsworth, Lambeth, Kingston, Sutton and Croydon. As a result strong relationship exists with the surrounding local authorities of south west London.
- **Commuting flows:** Merton lies entirely within the London Travel to Work Area (TTWA). However, it is located in the borders to Slough and Heathrow TTWA. The analysis of more localised commuting flows showed that the central boroughs and particularly those in proximity to Merton attract out commuters, while inward flows come from the surrounding boroughs particularly those lying in the outer edge of London such as Sutton and Croydon.
- **House price geography:** Merton's median housing value reached £460,000. This is above both the national (£222,000) and the regional (£450,000) equivalents. It is also higher than the Outer London equivalent of £397,500. Merton is one of the most diverse Boroughs in terms of house prices as it has both very affluent (i.e. Wimbledon) and respectively more affordable (i.e. Mitcham) locations within its administrative area.

Based on property typologies, Merton has seen the second highest prices for detached properties (following Wandsworth). For the rest typologies, Merton seems more affordable compared to the surrounding Boroughs at its northern boundary and less compared to Sutton and Croydon. Kingston and Merton's housing values for the rest typologies are on a similar level.

Over the last 15, 10 and 5 years, Merton's housing values have changed in a more dramatic pace compared to both England and the Outer London region. In contrast, Greater London and south west London (as average) have seen more significant changes compared to Merton for the same periods.

- **Affordability:** The median workplace-based affordability ratio in 2017 was 15.44 in Merton which sits in the average of all the comparable ratios. The LQ ratio is even higher at 17.34 which is one of the highest (together with Wandsworth's and Richmond's equivalents) across all the comparators.

Workplace-based affordability has worsened since 2009 and particularly since 2012 in Merton. However, there was a small improvement over the last two years (2016-17). Overall, this follows the national and regional trends post-2009, albeit at a higher level. Similarly lower quartile workplace-based affordability has worsened since 2013.

The median residence based affordability ratio in 2017 was 12.86, which is average against all the comparators. In terms of LQ the ratio was 14.74 in 2017 which was one of the highest against its comparators.

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

- **Rental market areas:** Rents have been increased in Merton in line with trends across the region and the average of south west London albeit on higher terms. Compared to all the wider comparators and the Consumer Price Index Merton's rents have been increased significantly over the last 7 years.

11.29 The analysis shows strong interrelationships with the south west London Authorities and particularly the surrounding ones including Wandsworth, Croydon, Sutton and Kingston upon Thames. There are also interrelationships with Lambeth and Richmond upon Thames. These are the main local authorities that the Council should engage with through the Duty to Co-operate for any matter relating to Housing.

11.30 As mentioned in the introduction, the Borough falls within London's market. This has been established through the FALP EiP. However, the evidence shows that south west London authorities, namely Croydon, Kingston upon Thames, Lambeth, Merton, Richmond upon Thames, Sutton and Wandsworth, occurs as a London Submarket. The evidence highlight, in particular, the relationships between these Boroughs and Merton.

Local Housing Market Geographies

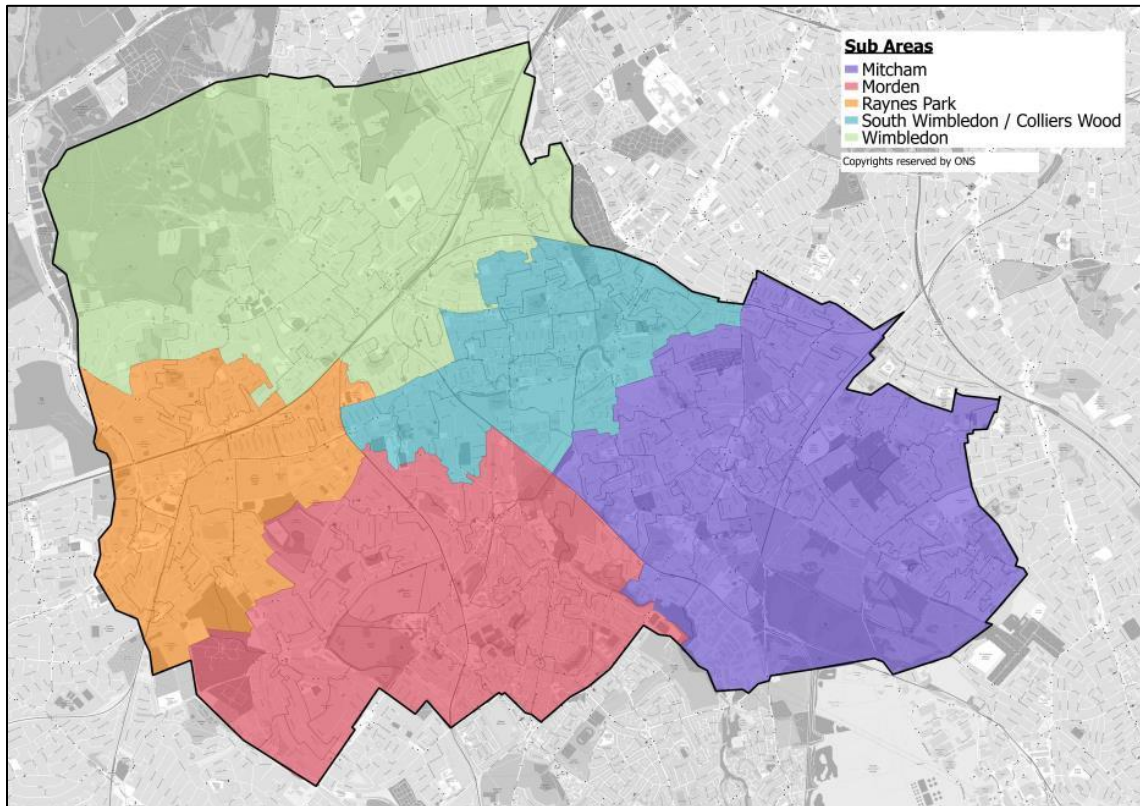
11.31 This section aims to establish the different submarkets that exist across the Borough. We draw our analysis based initially on Merton's Core Strategy 2011 and particular the sub-area context plan (p37-38) that identifies 5 distinct submarkets, namely Wimbledon, Colliers Wood and South Wimbledon, Raynes Park, Morden and Mitcham.

11.32 We complement the analysis by examining the different dynamics presented in each sub-area. These relate to:

- Local Migration
- Housing value geography
- Housing value change
- Housing mix
- Tenure
- Commuting patterns

11.33 It should be noted that for the purposes of the SHMA report we use statistically friendly geographies such as those used in Census. Therefore we have aggregated lower super output areas to draw the sub-areas' boundaries. The datasets analysed herein are available at output area, lower super output area, middle super output area and postcode level. Then data has been aggregated to submarket level.

11.34 The map below shows the five sub-areas where the analysis below is based on.

Figure 44: Merton Sub-areas

Source: LB Merton & GL Hearn 2018

- 11.35 **Wimbledon** submarket extends from Wimbledon Common at Northwest, to Coombe Lane and Worple Road at Southwest and to Wimbledon Town Centre at Southeast up to Earlsfield at Northwest.
- 11.36 The Wimbledon sub-market falls within the upper end of the Borough's housing market. The area's housing stock comprises mainly big detached and semi-detached properties. The town centre and its wider area comprise terrace apartments and houses, however, its high PTAL (i.e. 6b and 6a) together with the high quality and green environment drive the prices high even in smaller properties.
- 11.37 Finally, it should be noted that Crossrail 2 is proposed to come into Wimbledon by 2031 and the Council has started masterplanning the expected changes in the town centre and the wider area.
- 11.38 On the other hand, **Mitcham** together with Lower Morden at the south of the Borough are the most affordable locations across Merton. Mitcham is less connected with an average PTAL of 2-3. The area is mainly served by buses together with tram and two train stations, namely Mitcham Eastfields and Mitcham Junction.

- 11.39 Mitcham's housing stock reflects its suburban character with semi-detached homes dominating the stock. However, Mitcham also concentrates an important percentage of housing estates compared to the rest of the Borough. It should be noted that both Eastfields Estate and Pollards Hill Estate (lying at the South East of the Borough) are included within the regeneration and refurbishment programme of the Council¹⁴.
- 11.40 In addition, the council has recently completed the public realm regeneration of Mitcham Town Centre. All these initiatives are triggered to improve the environment of this sub-area which is the most deprived across the Borough. For all these reasons, Mitcham is considered a distinctive housing submarket on its own.
- 11.41 **Morden** is also a distinctive market. With a PTAL varying from 1 in the south end of Morden to 6 in the Morden Town Centre, the area is a common suburban market. The stock is dominated by semi-detached properties and more terrace houses towards the town centre. Its low density together with the green environment and significant park provision provide a distinct suburban character.
- 11.42 A key project for the council and Transport for London (TfL) is the Morden town centre regeneration, which will provide a substantial increase in the number of residential units within the town centre and will boost further the wider housing market in Morden.
- 11.43 **South Wimbledon/Colliers Wood** is another distinctive market. This is a more urban area with a stock predominantly comprising of terraced properties that have been converted into flats. The area has concentrated recently some purpose-built flatted development including Colliers Wood Library; Merton Abbey Mills and Britannia Point.
- 11.44 The area is well connected with a PTAL between 4 and 6. Northern line stations in South Wimbledon and Colliers Wood together with a variety of buses serve the area which extends across Merton High Street and A24 (extension of Clapham High Street up to Colliers Wood). Also, the extension of the tram from Morden Road to South Wimbledon as part of the proposed Tramlink extension from Wimbledon to Sutton would further enhance the accessibility of the area.
- 11.45 The house prices in the area are high compared to Morden and Mitcham but more affordable compared to Wimbledon. The area has been designated as a new opportunity area in the New London Plan and this will create opportunities to further enhance the area's housing offer. High Path

¹⁴ Eastfields is part of the Estates Local Plan, the statutory planning document that informs the regeneration of three estates across the Borough namely, High Path, Ravensbury and Eastfields. Pollards Hill Regeneration and refurbishment programme from Moat started in 2016 with the planning application for 90 new homes together with the refurbishment of c. 250 approved in November 2017.

Estate, which is the largest estate that will be regenerated according to the Estate's Plan 2017, falls also within this opportunity area.

- 11.46 Finally, **Raynes Park** is the fifth distinct submarket lying at the west of the borough in the boundary Kingston. This is a suburban location extending from Wimbledon to New Malden and Morden. In terms of affordability, the area is less affordable than the majority of Merton's sub-areas apart from Wimbledon.
- 11.47 The area is well-connected with a PTAL varying from 3 to 5. Raynes Park train station is the key transport hub of the area. In addition, Wimbledon Chase train station also serves the area.
- 11.48 The largest stock type terrace homes with back gardens, although there are also a large number of semi-detached and detached homes. The area has a very nice public realm and overall has a very good provision of green spaces.
- 11.49 Raynes Park is intended to be a Crossrail 2 station if this is given the go ahead. This will double the current service towards central London by 2030. As a result, there will be a great opportunity for the area to be further improved and increase its housing offer.
- 11.50 In addition, Rainbow industrial estate which extends at the southwest of the Station has an adopted SPD and planning permission for its redevelopment to a housing-led mix use scheme that will create at least 200 new homes near Raynes Park town centre.

Migration

- 11.51 For the purposes of this analysis, we have aggregated output area flow data to sub-area level. At this level, data is only available as flow figures rather than detailed information of destination and origin. Therefore we have analysed the flows and net migration of each sub-area as presented in the table below.
- 11.52 The table below summarises the movements from and to each submarket. Morden and Mitcham both have high rates of either self-contained flows or people that chose to not move from the area. In contrast, Colliers Wood and South Wimbledon has seen the lowest rate of these flows.
- 11.53 This reflects that both Mitcham and Morden are more family-friendly areas where people choose to settle down attracted by the green, suburban environment. On the other hand, Colliers Wood and South Wimbledon is the most urban area of the Borough attracting mainly young professionals and couples who move homes more easily in general. Wimbledon and Raynes Park sit somewhere in the middle compared to the above areas.

Table 84: Migration flows by sub-area

	Lived at same address one year ago	Self-contained flows	Inflow	Outflow	Gross flows
Colliers Wood/South Wimbledon	20,578	349	5,193	4,255	9,448
Mitcham	64,700	576	7,971	7,993	15,964
Morden	35,844	335	3,704	3,674	7,378
Raynes Park	20,188	228	3,301	2,771	6,072
Wimbledon	30,238	477	6,011	5,038	11,049
Merton	171,548	1,965	26,180	23,731	49,911

Source: Census 2011, Table UKMIG001 – edited by GL Hearn

Housing Price Dynamics

11.54 This is presented in Chapter 4 of this report but is summarised below

- Merton's median housing value reached £460,000. This is above both the national (£222,000) and the regional (£450,000) equivalents. It is also higher than the Outer London equivalent of £397,500. Merton is one of the most diverse Boroughs in terms of house prices as it has both very affluent (i.e. Wimbledon) and respectively more affordable (i.e. Mitcham) locations within its administrative area.
- Based on property typologies, Merton has seen the second highest prices for detached properties (following Wandsworth). For the other typologies, Merton is relatively more affordable than the surrounding Boroughs at its northern boundary and less affordable compared to Sutton and Croydon.
- Over the last 5, 10 and 15 years Merton's house prices have increased quicker than England and the Outer London region but at a slower rate to Greater London and the south west London (as average).

Localised commuting dynamics

11.55 We have sought to analyse commuting flows in middle super output area level (MSOA) to understand better the localised commuting patterns.

11.56 In terms of in-commuting, it is clear that there are strong interrelationships across the areas within Merton. In particular, the MSOAs that contain the key Strategic Industrial Locations and employment hubs, such as South Wimbledon Business Park, Willow Lane in Mitcham, Bushey Road Retail Park in Raines Park, Colliers Wood Retail parks, together with Morden and Wimbledon town centres are the most self-contained MSOAs.

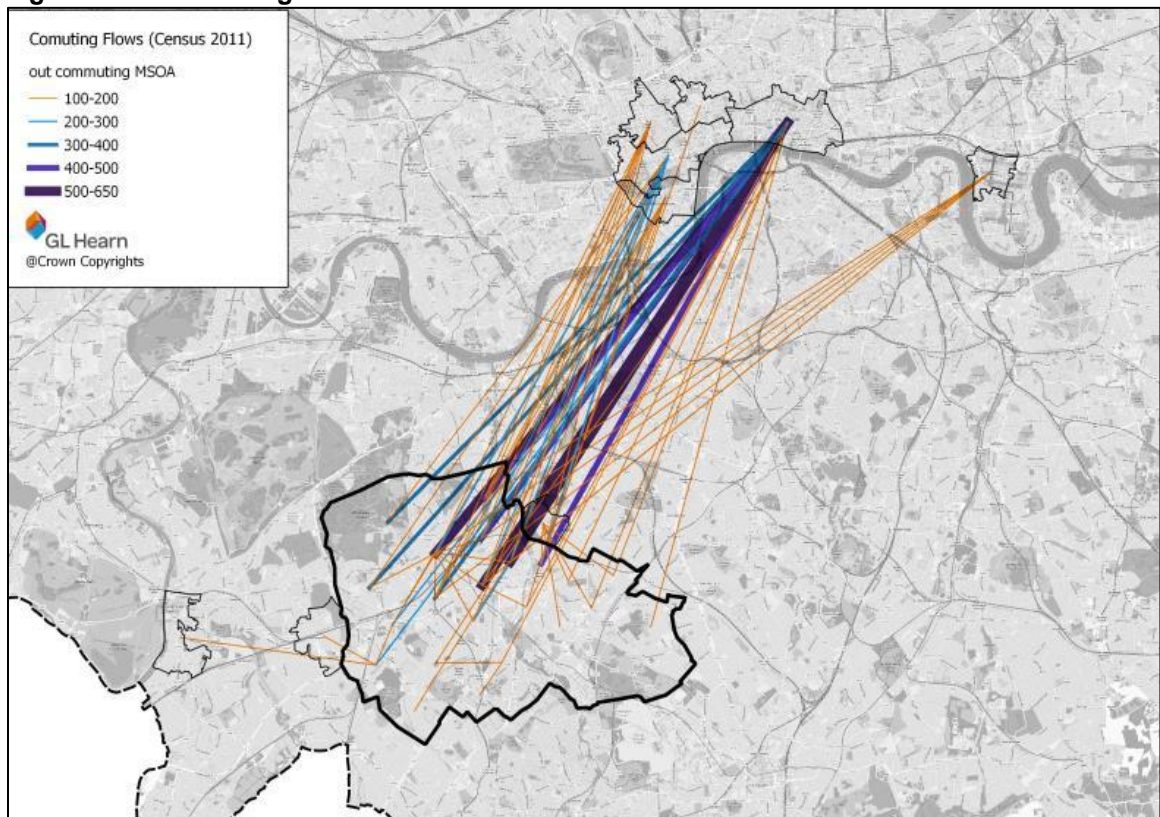
- 11.57 Morden town centre (MSOA Merton 023) is the most contained area in terms of inflows. This is predominantly due to the fact that the Civic Centre, which is the base of over 1,000 employees (BRES 2016), lies within its boundaries.
- 11.58 The figure below shows all the rest (excluding self-contained) inflows. Wimbledon town centre concentrates the majority of flows across the Borough, followed by Morden Town Centre and South Wimbledon. In addition, Mitcham and particular Willow Lane concentrates flows mainly from the southeast part of the borough together with the north MSOAs of Sutton.

Figure 45: Commuting inflows MSOA



Source: Census 2011

- 11.59 In terms of outflows, we cannot draw localised conclusions as it is clear that London's central employment hubs including the City, Soho, Mayfair, St James, Oxford Street and Canary Warf concentrate the majority of outflows from Merton's MSOAs. This is expected as the weight of these locations over-exceeds the localised interrelationships.

Figure 46: Commuting outflows MSOA

Source: Census 2011

Summary Points

11.60 The key findings from the analysis herein include:

- **Local Migration:** the evidence shows that people who choose to settle down in Morden and Mitcham do not tend to move out of the area compared to the rest of the areas and particularly Colliers Wood and South Wimbledon. This is due to the urban and suburban character of each area and the household type that these attract.
- **Housing value geography:** Merton's median housing value reached £460,000. Merton is one of the most diverse Boroughs in terms of house prices with the median prices of its sub-areas varying between £418,000 (Mitcham) and £854,000 (Wimbledon). The range is even bigger with regards to mean prices which vary between £391,000 and £1.3million, albeit LQ equivalents vary from £275,000 to £509,000 for the same areas.

Colliers Wood/South Wimbledon housing values match the Borough's overall prices, while Morden is slightly below. Finally, Raynes Park housing values tend to reach the upper end compared to Merton's overall figures, however, they still sit well below Wimbledon's equivalents.

Reflecting the above house price distribution, the prices by type vary based on the location and the size of the property. The analysis has also revealed that the stock of each sub-area differs based on the centrality and urbanity of each location together with its environment. A high proportion of flats are concentrated in Colliers Wood/South Wimbledon, followed by Wimbledon. Raynes Park,

Mitcham and Morden have mainly a stock of terraced properties followed by flats and semi-detached properties.

- **Commuting patterns:** Wimbledon town centre concentrates the majority of flows across the Borough, followed by Morden and South Wimbledon. In addition, Willow Lane concentrates flows mainly from the southeast part of the borough together with the northern areas of Sutton. In terms of outflows, London's central employment hubs concentrate the majority of flows from Merton's areas. Central London over-exceeds in terms of weight the localised interrelationships across Merton.

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