

7 HOUSE PRICES AND AFFORDABILITY

7.1 This section analyses the evidence on house prices, affordability and comments on the overall level of housing need within Lewes. The conceptual framework provided in Section 3 of this report demonstrates that in order to understand housing need it is important to examine the way in which the whole housing system operates. House prices, affordability and housing need are therefore the products of the interaction between the drivers of demand and supply, presented in the three previous sections.

House Prices

7.2 The latest data on house prices has been obtained from the Land Registry and is shown in Figures 7.1 and 7.2. Overall house prices in Lewes (£270,200) are marginally lower than the average for Brighton and Hove £271,600. They are, however, considerably higher than those in East Sussex as a whole (£237,600) and marginally higher than the South East as a whole (£286,300).

7.3 Considerable variability exists in average house prices across East Sussex and the Sussex coastal area. Lewes, for example, has notably lower prices than those in Mid Sussex (£292,300) and, to a lesser extent, Brighton & Hove (£271,600). The data suggests that other parts of East Sussex (i.e. Hastings and Eastbourne) have lower prices that reduce the county average.

7.4 The pattern of prices by housing type is similar across the benchmark areas, with detached houses being far the most expensive. Typically, semi-detached houses are the next highest priced type, except in Brighton & Hove, where terraced houses are the second most expensive type. Flats/Maisonettes are the least expensive houses across all the areas.

Figure 7.1: Current House Prices - 2007 Weighted Average of Q2 and Q3

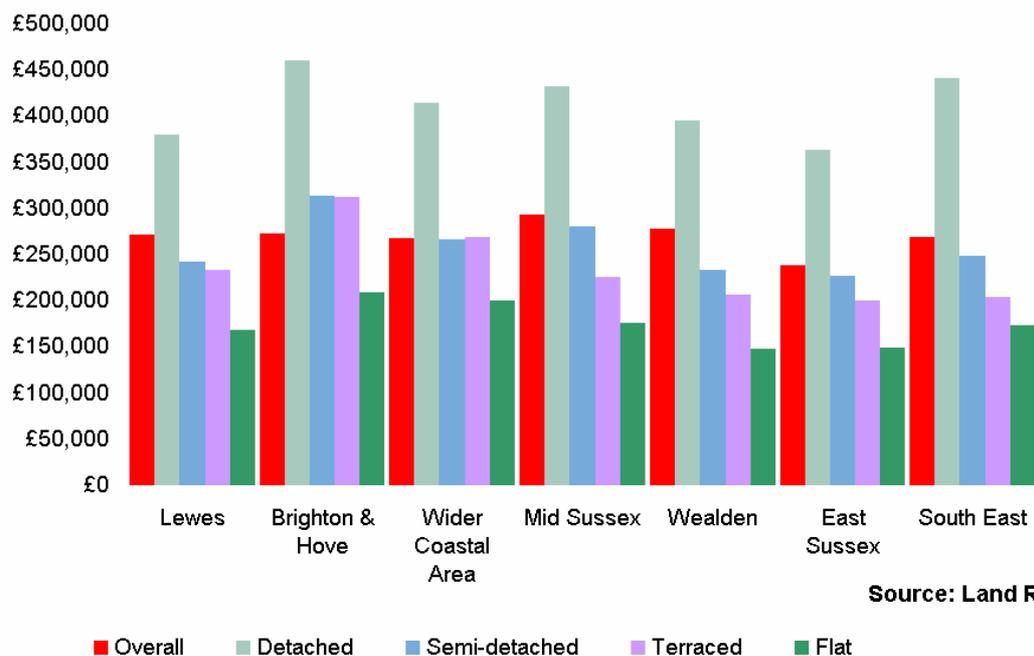


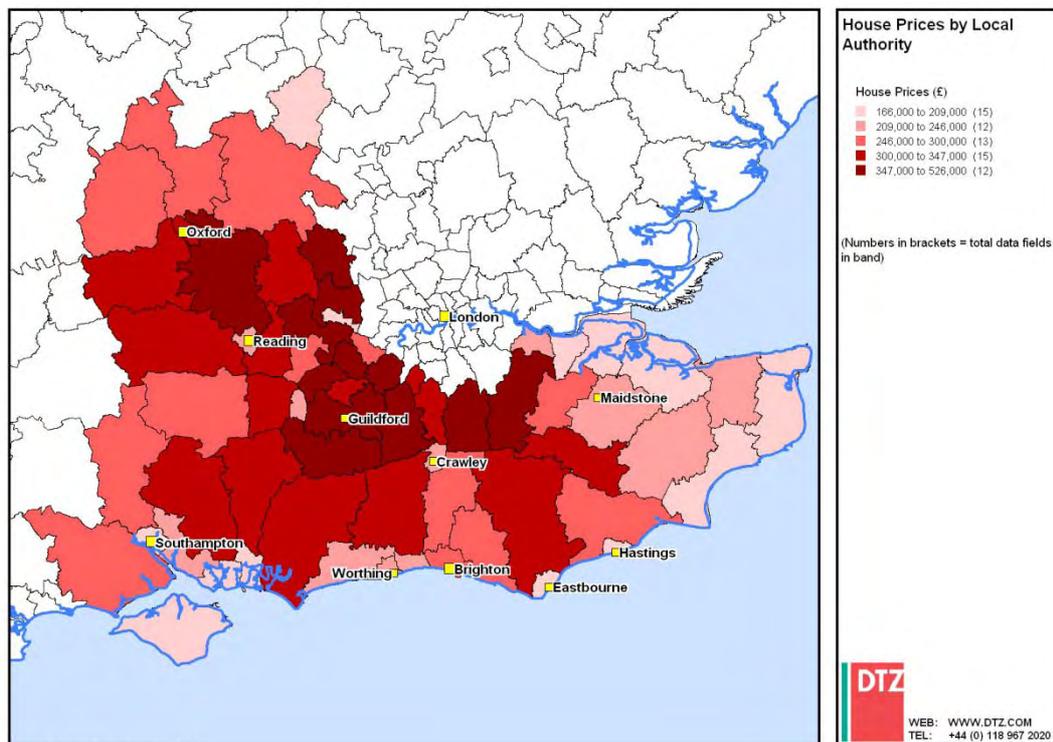
Figure 7.2: Current House Prices – 2007 Q2 and Q3 Weighted Average (£)

	Detached	Semi-Detached	Terraced	Flat/Maisonette	Overall
Lewes	£379,100	£241,100	£232,600	£167,400	£270,200
Brighton & Hove	£458,700	£312,00	£311,100	£207,800	£271,600
Wider Coastal Area	£413,500	£265,100	£267,500	£198,400	£266,400
Mid Sussex	£431,700	£279,400	£224,200	£175,400	£292,300
Wealden	£394,100	£232,200	£205,300	£147,300	£266,000
East Sussex	£361,800	£226,300	£198,600	£147,500	£237,300
South East	£440,500	£247,600	£202,800	£172,400	£268,300

Source: Land Registry

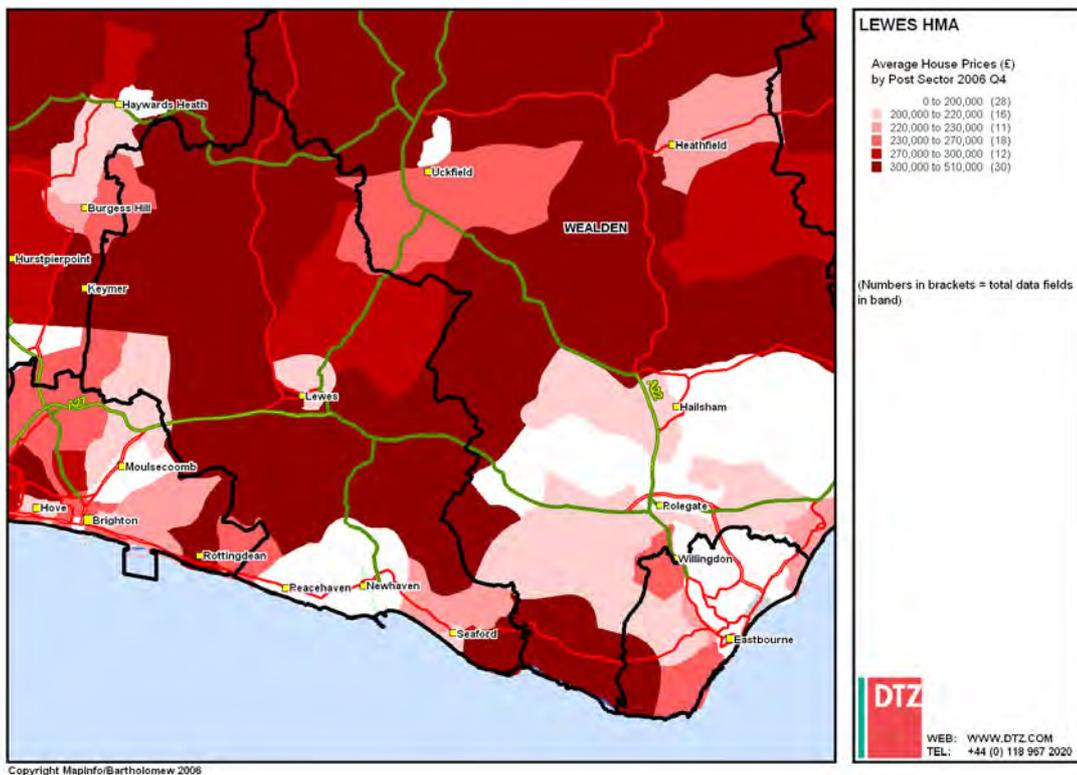
- 7.5 Figure 7.3 shows average house prices by Local Authority across the South East. There is a general price gradient that rises as one moves closer towards London. Urban coastal areas tend to have the lowest house prices in the South East, particularly those in Kent.
- 7.6 This pattern is evident when house prices in Lewes are compared with areas closer to London. However, house prices in Lewes are not low as those in eastern Kent, south Hampshire or other parts of East Sussex such as Hastings and Eastbourne. Compared to many of the districts located on the South Coast Lewes remains a relatively high priced location.

Figure 7.3: Average House Prices (£) by Local Authority in the South East – 2007 Q4



- 7.7 House price information is also available for post-code sectors, which allows for a more detailed analysis to be undertaken at the local level. Note that Figure 7.4 uses prices at Q4 2006 so the precise figures are likely to be out of date; however, Figure 7.4 shows the variation in prices within Lewes, with the lowest priced property located in the coastal towns of Newhaven and Peacehaven. Slightly higher prices are evident in Seaford and within Lewes town centre.
- 7.8 The most expensive areas of Lewes are the rural northern parts of the district that surround Lewes town. Prices in nearby Eastbourne and south Wealden are also relatively low and are at similar levels to those in Newhaven and Peacehaven. North Wealden's prices are broadly comparable with the rural parts of Lewes. There is therefore a marked price differential in Lewes between the less expensive coastal belt to the south and the rural areas to the north.

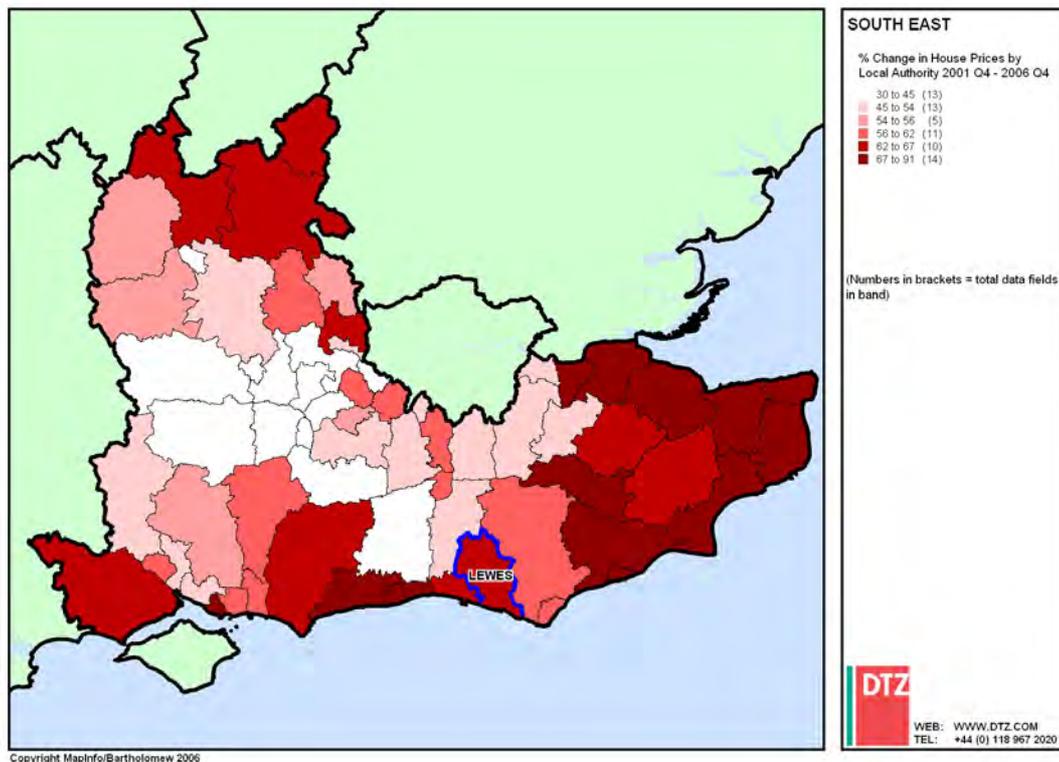
Figure 7.4: Average House Prices (£) by Post Sector in Lewes – 2006 Q4



- 7.9 Data from the Land Registry also allows the change in house prices to be analysed over time. Figure 7.5 shows the increases house prices between 2001 and 2006 across the South East region. Significant increases in house prices have been experienced across the whole of the South East. However, a comparison between Figures 7.3 and 7.5 shows that prices in the region's less expensive areas have generally risen more quickly than in its more expensive locations.
- 7.10 This would suggest that there is some levelling of the regional market, with the less expensive areas effectively 'catching up' in price terms with the more expensive areas. This is likely to have occurred as a result of buyers moving to cheaper areas, but in the process stimulating demand so leading to more rapid house price inflation.

- 7.11 This is very probably a key factor underpinning the 64% increase in house prices in Lewes District over the past five-year period (Figure 7.5). Elsewhere in the South East, Kent has experienced particularly steep increases in prices whilst the rate of increase in areas such as Berkshire has been more modest, though still not inconsiderable at between 30% and 45%.
- 7.12 Areas such as Lewes, where house prices have increased rapidly, are likely to face more acute affordability issues than areas where price inflation has been more moderate, since incomes will not have increased at the same rate.

Figure 7.5: % Change in House Prices by Local Authority in the South East – 2001 Q4 – 2006 Q4



- 7.13 Figure 7.6 shows house price change in Lewes compared to the benchmark areas over the last 10 years. In absolute terms the change in house prices over the period has been broadly similar across the areas (between £157,600 and £200,600).

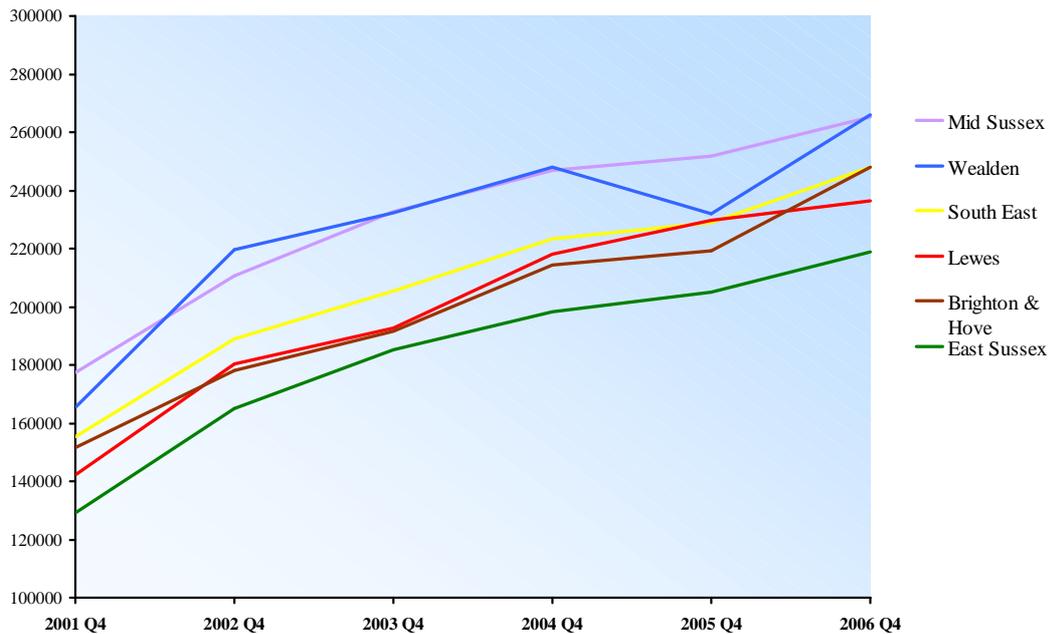
Figure 7.6: Average Overall Prices (£) 1997 - 2007

	Lewes	Brighton & Hove	Wider Coastal Area	Mid Sussex	Wealden	East Sussex	South East
1997	83,900	71,000	71,800	98,100	98,900	79,700	92,400
2007	270,200	271,600	266,400	292,300	276,600	237,300	268,300
Change	199,100	200,600	194,600	194,300	177,700	157,600	175,900
% Change	237%	282%	271%	198%	180%	198%	190%

Source: Land Registry

7.14 The most significant increases to note are those in the lowest priced areas. Brighton and Hove, Lewes and the Wider Coastal Area had lower prices than any of the benchmarks. Consequently prices in Lewes have more than doubled over the last 10 years and Brighton and Hove’s prices have almost tripled in the period – a rate of growth that is higher than the South East as a whole and the County average.

Figure 7.6: Average Overall Prices (£) 2001 - 2006

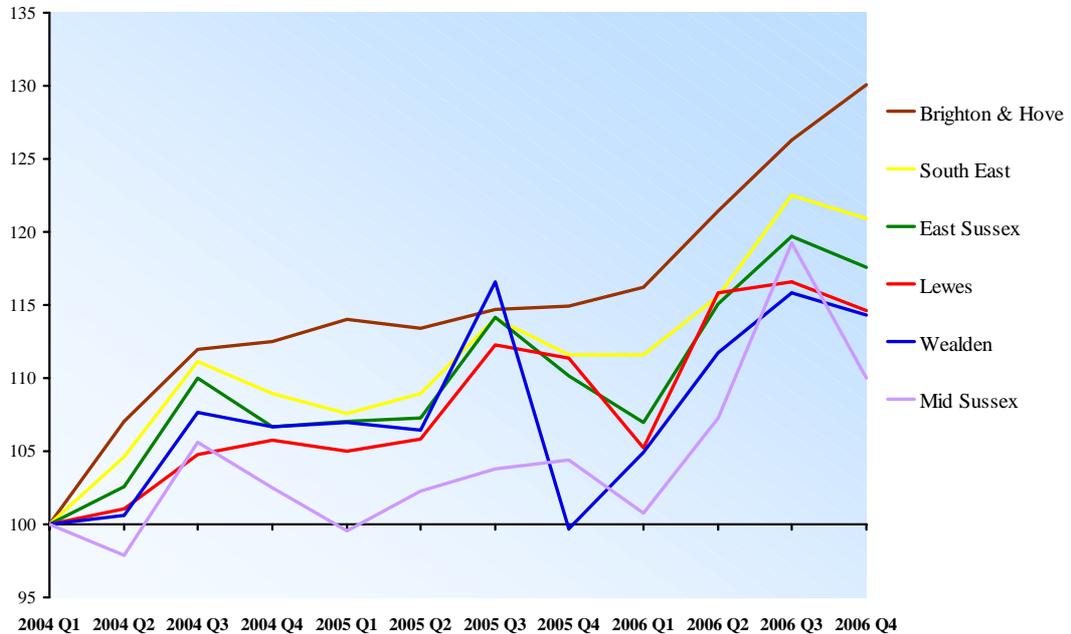


Source: Land Registry

7.15 Data from the Land Registry illustrates the seasonal fluctuations in house prices. House price volatility has been particularly pronounced in Lewes, with strong house price growth at the beginning of 2005 being offset by a large contraction in prices at the end of 2005. Prices then recovered and were on an upward path throughout most of 2006, although Q4 data for 2006 shows that prices in Lewes levelled off, in keeping with the pattern in the wider South East. Most recent house price data for 2007 confirms the slowing of house price growth and the beginnings of house price falls across the South East.

7.16 Typically Q3 is a peak period for house prices, with the prices in Q4 and Q1 often in decline. Figure 7.8 shows that this was especially true in 2005 Q4 – 2006 Q1 where there were declining prices in all the areas and benchmarks except Brighton & Hove. Wealden has shown the highest level of variability in its pattern of house price growth, with prices in Q4 2005 returning to the same level as they were in Q1 2004. However, as in Lewes, prices recovered strongly over 2006, with overall price growth in Lewes and Wealden between Q1 2004 and Q4 2006 both equating to 15%.

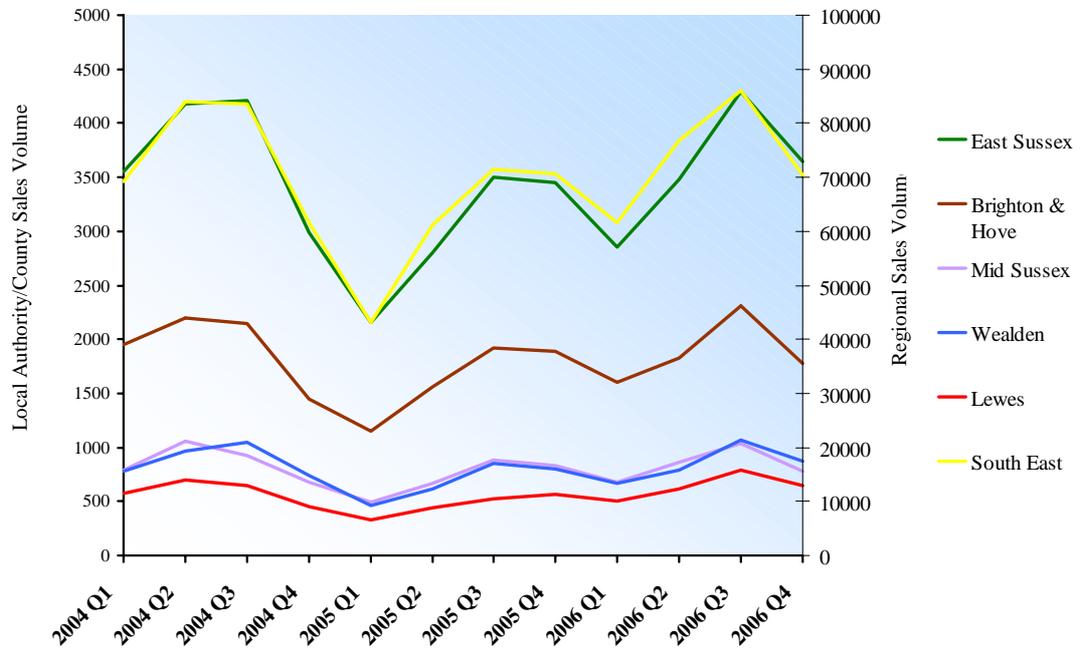
Figure 7.8: Indexed House Price Change 2004 – 2006 (2004 Q1 = 100)



Source: Land Registry

- 7.17 Figure 7.9 shows that the volume of sales is also highly cyclical, with the number of sales tending to accelerate in Qs 1 and 2 before slowing down in Qs 3 and 4. Over the last 3 years the 2005 Q1 period had a particularly low volume of sales across all areas whilst 2006 Q3 was the period of the most notable peak. The overall volume of sales has risen marginally in Lewes since 2004, with fluctuations in the District's sales volumes generally being less pronounced than the other benchmark areas.
- 7.18 However, a new situation has emerged following the credit crunch which began in August 2007. The number of transactions has fallen, partly because as house prices have dipped from their peak people decide to stay put rather than sell and have to accept a lower value for their home than they expected. However, the fall in the volume of transactions has also been forced by a reduction in the availability of mortgages for prospective buyers and lenders have re-priced risk – leading to a contraction of house sales in 2007 and 2008.
- 7.19 Short term fluctuations in the volume of transactions and prices are likely to occur over the plan period to 2026; though DTZ would suggest that long run prices within the South East and Lewes District will grow due to the underlying mismatch between the demand and supply of housing. Short term changes in demand which impact on prices do, however, present a challenge for those involved in housing delivery – house builders, RSLs and local authorities. Changes in the market are likely to require that those involved in delivery adapt their plans in order to continue to ensure that developments remain viable.

Figure 7.9: Quarterly Sales Volumes 2004 –2006



Source: Land Registry

7.20 Figure 7.10 shows the average weekly rents for properties rented from Registered Social Landlords (RSLs). Rents have increased over time across all areas. In 2002 the government introduced a new system for rent calculation, which is related to property size, value and local earnings to calculate rent levels. The system is designed to encourage consistency across different landlords and keep rents at affordable levels. Recent RSL rents in Lewes are notably lower than the benchmark areas. In 2007, RSL rents in Lewes (£) were 10% lower than in the South East (£) and 7% lower than the average for East Sussex (£).

Figure 7.10: Average Weekly RSL Rents

	2001	2002	2003	2004	2005	2006	2007
Lewes	58	60	61	62	66	67	69
Brighton & Hove	60	62	63	65	67	70	72
Wider Coastal Area	58	60	61	62	66	68	71
Wealden	64	65	67	67	71	73	75
Mid Sussex	70	68	69	71	76	79	83
East Sussex	59	61	62	64	68	71	74
South East	61	64	65	66	71	74	77

Source: CLG

7.21 Figure 7.11 shows that private sector rents however are considerably higher than those in the RSL sector. In Lewes the most recent figures available show that PRS rents are approximately £126 per week. Unlike the RSL rents, private rents in Lewes are particularly high compared to the benchmark areas (apart from Mid-Sussex). Consequently, the divergence between rents in the private rented sector (PRS) and the RSL sector in Lewes is, at £59 (Figure 7.11), considerable and wider than in each of the benchmarks.

- 7.22 The high private rents in Lewes are likely to reflect its more restricted supply of private rented properties. It is also likely to be influenced by differences in the housing stock between urban and rural areas, with more urban areas (such as Brighton & Hove) having larger amounts of private rented dwellings that are also smaller in size. The average rent in East Sussex (£108) is likely to have been heavily influenced by low rents in Eastbourne and Hastings. Many commentators expect private rents to increase in the short term. As the sales market slows down and in a context where house prices are expected to fall many households will decide to rent and delay purchasing a home, pushing up demand for rental properties which is likely to force rental growth.

Figure 7.11: Weekly Private Sector Rents (£)

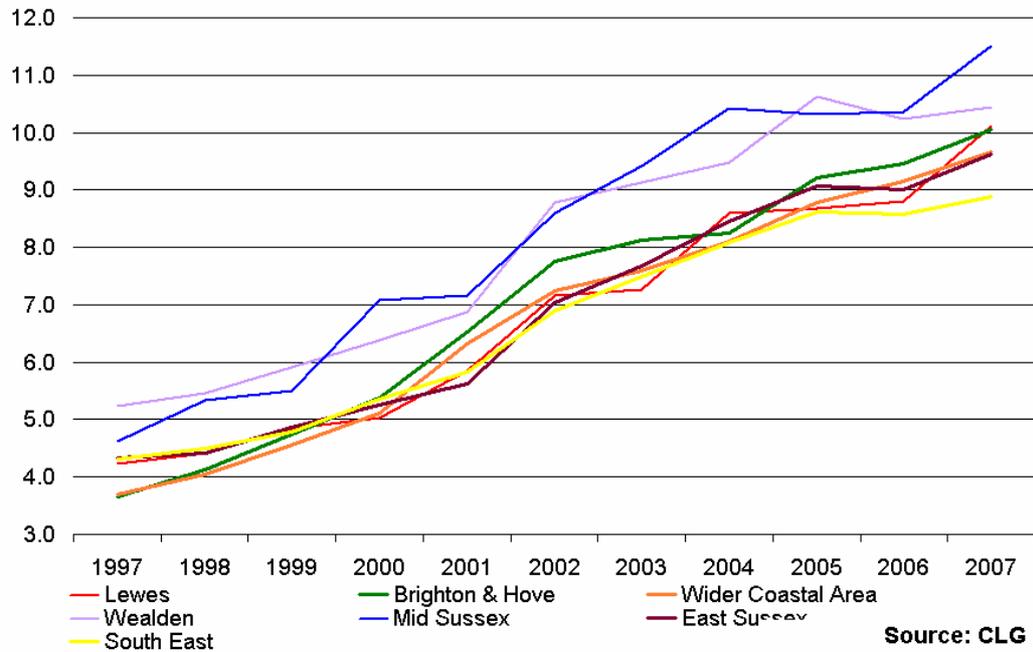
	PRS Rent 2-Bed	PRS Rent All	Difference Between PRS and RSL Rent
Lewes	141.90	125.87	59
Brighton & Hove	156.23	118.18	45
Wealden	124.85	122.41	48
Mid Sussex	146.98	131.24	52
East Sussex	124.68	108.93	37
South East	131.08	113.87	39

Source: Dataspring 2007

Affordability

- 7.23 The government's preferred measure of affordability is the ratio between average lower quartile (LQ) house prices and the average lower quartile (LQ) of individual earnings. These have been calculated for Lewes and the benchmark areas and are presented in Figure 7.12.
- 7.24 Affordability in Lewes has worsened between 1997 and 2007, in line with the South East as a whole, though it continued to decline in Lewes 2006-7 despite stabilising in the South East. In 1997 average LQ house prices in Lewes were around 4 times the level of average LQ earnings. By 2007 affordability of LQ house prices stands at 10 times the level of average LQ earnings. As a consequence many households looking to access entry level housing will have been priced out of the housing market in Lewes in recent years.
- 7.25 Over the past year affordability issues have eased in Lewes, though the District remains more unaffordable on this measure than Brighton and Hove, the South East and East Sussex, with LQ house prices currently 8.7 times the level of LQ incomes.
- 7.26 It is likely that affordability on this measure will improve in the short term as house prices moderate, assuming incomes continue to grow. However, this measure does not take into account the availability and affordability of mortgages which has changed (perhaps permanently) following the onset of the credit crunch in August 2007. Most banks have now withdrawn mortgages which allow loan to value ratios of more than 90% and other mortgages perceived as high risk. Relatively relaxed lending policies pre August 2007 allowed many households to access owner occupation despite historically high ratios of house prices to earnings. Although these ratios are expected to improve in the short term this may not lead to real affordability improvements for households because the cost of borrowing has increased.

Figure 7.12: Lower Quartile House Prices to Lower Quartile Income Ratios



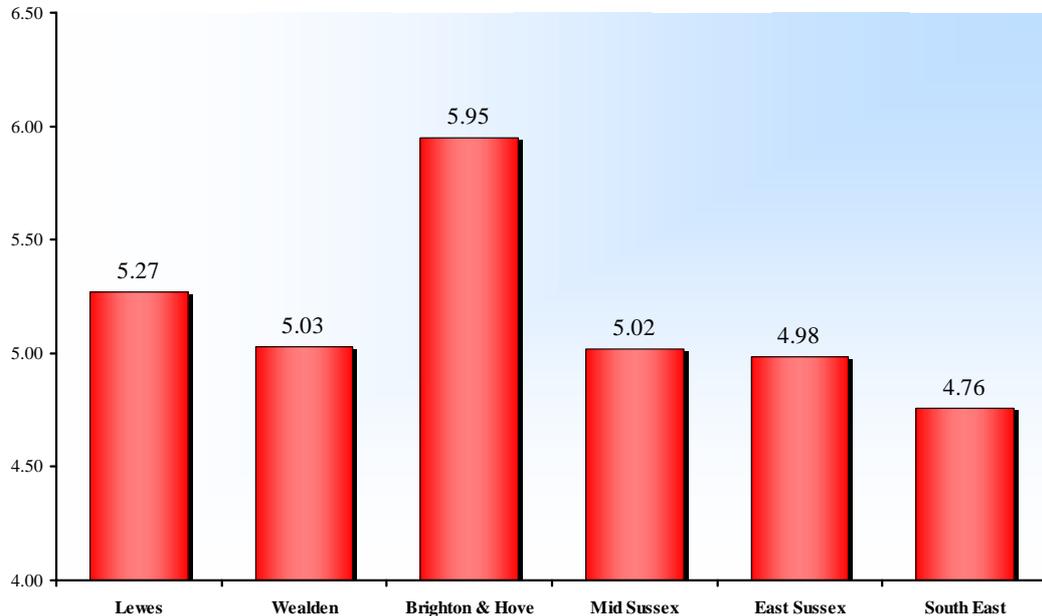
- 7.27 The Joseph Rowntree Foundation (JRF) uses an alternative measure of affordability by relating the average price of a 2/3 bedroom dwelling to the average household income of those aged 20-39 (those most likely to be purchasing a first home). As this measure is based upon household income (rather than individual earnings) the JRF ratios tend to be lower than those produced by the LQ method shown in Figure 7.12.
- 7.28 The affordability data from the JRF is presented in Figures 7.13 and 7.14. On this measure housing in Lewes is less affordable than in Wealden, Mid Sussex and East Sussex and the South East. Under the JRF measure, only Brighton & Hove is less affordable than Lewes. This will be the consequence of the much lower average incomes of these younger households in Brighton and Hove.

Figure 7.13: Average Household Income and Affordability 2005

	Annual Earnings (£)	Affordability Ratio
Lewes	37,800	5.27
Wealden	41,200	5.03
Brighton & Hove	38,100	5.95
Mid Sussex	43,600	5.02
East Sussex	36,100	4.98
South East	41,300	4.76

Source: Joseph Rowntree Foundation (2006) 'The geography of affordable and unaffordable housing'

Figure 7.14: Affordability Ratios 2006



Source: Joseph Rowntree Foundation (2006) 'The geography of affordable and unaffordable housing'

Key Worker Affordability

- 7.29 An earlier study by the Joseph Rowntree Foundation, 'Can Work Can't Buy' (2003) produced data on key worker affordability. Key workers are defined as teachers, nurses, social workers, policeman and other essential staff. Figure 7.15 shows the key worker income as a percentage of the income required to purchase an entry-level dwelling.
- 7.30 In Lewes the average key worker income is 59% of that required to purchase, which is comparable with Brighton & Hove and suggesting that key workers struggle to access the market across the Wider Coastal Area. In Mid Sussex, however, the average key worker income makes up only 50% of the amount required to purchase. Mid-Sussex is therefore the area compared with each of the benchmarks where key workers will have the greatest difficulties in purchasing property.
- 7.31 In 2002, East Sussex as a whole was the most affordable area for key workers, with key worker incomes covering 68% of the income required to purchase. Key worker incomes are likely to be relatively consistent across the areas, so the variation is largely due to the different house prices (examined at the beginning of this section). Affordability for key workers in East Sussex as a whole is likely to be improved by the relatively low house prices in Hastings and, to a lesser extent, Eastbourne.
- 7.32 The affordability of housing for key workers remains an ongoing issue – particularly for those who live in London and the South East. As well as encouraging an increase in supply of affordable housing in general, the government has introduced a variety of initiatives targeted at key workers. These have now been incorporated into the Homebuy suite of products funded by the Housing Corporation and English Partnerships (soon to be Communities England).

Figure 7.15: Key-Worker Affordability (2002)

	House Price	Required Income	Income as % of amount required to purchase
Lewes	116,000	36,700	59
Wealden	117,900	37,300	58
Brighton & Hove	119,200	37,700	58
Mid Sussex	138,000	43,700	50
East Sussex	103,500	32,800	68
South East	124,100	39,300	56

Source: Joseph Rowntree Foundation (2003) 'Can Work Can't Buy'

Intermediate Housing Market

7.33 In assessing the scale of the intermediate housing market (IMH) two distinct definitions are used, namely:

- the broad definition, being the proportion of working households unable to purchase at lower quartile house prices, for two or three bedroom dwellings
- the narrow definition, being the proportion of working households that can afford to pay a social rent without recourse to housing benefit, but cannot purchase at lowest decile (10%) house prices for two and three bedroom dwellings.

7.34 Figure 7.16 shows that under the broad definition, Lewes has a relatively large potential intermediate housing market (IHM) relative to all the benchmarks, except Brighton & Hove. In terms of the narrow definition, Lewes' IHM is 42% which is again higher than the county and regional benchmark as well as Mid Sussex, but lower than in Brighton & Hove and Wealden.

Figure 7.16: Intermediate Housing Market 2006

	Broad Definition % Households	Narrow Definition	Broad Definition Household Numbers	Narrow Definition
Lewes	61	42	4,545	3,094
Brighton & Hove	71	51	22,921	16,325
Wealden	59	44	5,827	4,312
Mid Sussex	59	38	7,706	4,950
East Sussex	59	40	24,071	16,158
South East	56	36	454,482	293,429

Source: Joseph Rowntree Foundation (2006) 'The geography of affordable and unaffordable housing'

7.35 The data therefore suggests there is considerable potential to introduce intermediate housing products in Lewes District for those that find themselves priced out of entry level housing but can afford to pay more than a social rent. Based upon the current structure of household incomes in Lewes the JRF estimates that on the narrow definition, some 3,100 households could access intermediate housing. However, it should be recognised that this is based upon affordability estimates (and therefore potential eligibility) rather than actual demand for such housing products.

Housing Need

- 7.36 The local authorities in East Sussex and Brighton & Hove City Council commissioned David Couttie Associates (DCA) to carry out a sub-regional housing needs survey in 2005. The study contains a breakdown of the annual household income needed to buy in different areas within Lewes. This information is presented in table 7.17 below. The data shows that the coastal areas and towns require the lowest incomes in order to buy.
- 7.37 Considerable variation exists across Lewes in the level of household income required to buy, which is partly a consequence of the District's urban and rural price differentials. There is also a significant difference in the level of household incomes required to buy in the different towns in Lewes. For example, a 2 bed flat in Lewes town (£46,700) requires around 50% more household income to in order to buy than an equivalent property in Peacehaven (£29,000).

Figure 7.17: Annual Household Income Required to Buy

	1 bed Flat	2 bed Flat	2 bed Terraced
Lewes Town	37,500	46,700	54,600
Newhaven	27,600	35,600	45,200
Peacehaven	29,000	29,000	46,400
Seaford	26,100	40,900	45,600
Telscombe	24,700	43,500	51,000
Chailey & surrounding rural areas	-	-	46,600
Ringmer & surrounding rural areas	30,100	44,300	54,600

Source: DCA Housing Needs Survey 2005

- 7.38 The Housing Needs Survey also contains information on concealed households (those people living within a household wanting to move to their own accommodation to form separate households). This data is shown in Figure 7.18.

Figure 7.18: Concealed Households

	Lowest entry level Price	Highest entry level Price	Lowest income needed to Purchase	Highest income needed to Purchase	% of concealed Unable to Buy	% of Existing Households Unable to buy
Brighton & Hove	92,075	183,475	29,200	58,200	80	60
Eastbourne	69,950	128,283	22,150	40,600	75	60
Hastings	49,000	108,000	15,500	34,200	62	43
Lewes	87,000	147,475	27,550	46,700	84	63
Rother	79,125	177,500	25,050	56,200	83	63
Wealden	76,232	139,725	24,150	44,250	91	52

Source: DCA Housing Needs Survey 2005

- 7.39 The Survey also quantifies the level of housing need. Table 7.19 shows that Lewes has an annual requirement for affordable housing after allowance is made for relets of some 230 units pa. This suggests that there is shortfall of around 570 affordable homes each year.

- 7.40 This level of need is equivalent to double the District’s current Structure Plan provision and the level of provision proposed in the Draft South East Plan and approximately 7 times the supply achieved in terms of new development in recent years in terms of affordable housing.

Figure 7.19: Annual Affordable Housing Need

	Total Affordable Need	Annual Affordable Housing Shortfall after re-lets	New Unit Delivery	Scale of Need / Supply Level
Brighton & Hove	2,520	1,202	254	4.73
Eastbourne	849	369	64	5.77
Hastings	1,049	569	41	14.53
Lewes	566	230	32	7.19
Rother	593	197	59	3.33
Wealden	1,256	874	52	16.80
East Sussex	4,313	4,313	248	17.4

Source: DCA Housing Needs Survey 2005



**Housing Market Assessment for Lewes
Lewes District Council
2008**

8 REVIEW OF LEWES DISTRICT'S HOUSING REQUIREMENTS

- 8.1 PPS3 and the new SHMA guidance has arrived at a point in time where local and regional plans are in a period of transition. Therefore, there are some elements for which the SHMA was designed, specifically, to inform overall housing numbers based on the evidence on market demand and housing need, that have been considered to an advanced stage through the Draft South East Plan. The objective of this HMA therefore is not to put forward proposals for overall housing provision.
- 8.2 However, consultation with stakeholders revealed criticism of this approach, particularly from the development industry, many who feel that issues such as the level of affordable housing and dwelling mix cannot be considered in isolation of the overall level of housing provision within Lewes District, and DTZ would argue, overall provision within the wider housing market area since Lewes District is not a self contained market.
- 8.3 This section reviews the proposed housing targets set out in the Draft South East Plan and subsequent Panel Report but does not seek to undertake new work (eg, on economic or demographic projections) to establish the quantity of demand in the market area. Instead this report explains the factors that have driven the proposed allocation and comments on implications of this level of housing and on higher or lower levels of housing provision where appropriate.

The Process in Determining Housing Requirements

- 8.4 PPS3 sets out the Government's housing policy objectives which provide the context for planning for housing:
- High quality housing that is well-designed and built to a high standard
 - A **mix of housing, both market and affordable**, particularly in terms of tenure and price, to support a wide variety of households in all areas, urban and rural
 - A **sufficient quantity of housing taking into account need and demand and seeking to improve choice**
 - Housing development in suitable locations, which offer good range of community facilities with access to jobs, key services and infrastructure
 - A flexible, responsive supply of land – managed in a way that makes efficient and effective use of land, including re-use of previously developed land, where appropriate.
- 8.5 SHMAs are intended to provide evidence to inform both the mix of housing and the quantity and providing estimates of the need and demand for homes from different households are set out as key outputs for SHMAs.
- 8.6 PPS3 states that the level of housing provision should be set out in Regional Spatial Strategies. However, the local, sub-regional and regional housing requirements should be determined through taking into account:
- Evidence of current and future levels of need and demand and affordability within Strategic Housing Market Assessments, advice from the NHPAU on the impact of proposals on affordability and the Government's latest household projections and the needs of the regional economy

- Evidence on the availability of suitable land for housing using Strategic Housing Land Availability Assessments and other evidence (eg NLUD and register of surplus public sector land)
- The Government’s ambitions to improve affordability and increase housing supply
- Sustainability Appraisal of the environmental, social and economic implications including costs, benefits and risks of development. As well as an assessment of the impact of development on existing or planned infrastructure.

8.7 Clearly the evidence provided in SHMAs is one, albeit important, consideration in the determination of housing requirements at the local and sub-regional level. Furthermore, given the stage of the Draft South East Plan, it is not a case of considering these issues from scratch and indeed, the SHMA would not in any case consider issues of land supply and sustainability.

8.8 In this section we instead set out the considerations that *have* been made in determining Lewes’s proposed housing requirements and the justification of the proposed targets. We also consider what the implications might be for the proposed targets.

Lewes District’s Current Housing Requirements

8.9 The latest housing targets Lewes District as proposed in the Draft South East Plan Panel Report (August 2007) are set out in Figure 8.1. Lewes is therefore expected to deliver around 220 homes per annum to 2026. These figures imply that the Wider Coastal Area, (including Brighton and Hove, Adur and coastal Lewes and Lewes town) collectively will deliver 910 under the Panel Report’s recommendation.

Figure 8.1: Proposed Housing Requirements (Per Annum) 2006-2026

	Draft South East Plan Target	Panel Report Proposed Increase	Draft South East Plan and Panel Report Target
Lewes District	220	0	220
Brighton and Hove	550	20	570
<i>Wider Coastal Area (Brighton & Hove, Adur*, coastal Lewes and Lewes town)**</i>	850	60	910
Sussex Coast Sub-Region	2,700	270	2,970
Wealden	400	80	480
Mid Sussex District	710	50	760
South East	28,900	3,100	32,000

*Though the Panel Report makes specific mention of the potential for additional development at Shoreham Harbour this is not quantified **Figures for Lewes town and coastal Lewes assumed to be approx 170 homes per annum.

- 8.10 It is important to state that these requirements are not the total demand and need for housing in Lewes, or indeed Brighton and Hove, the Wider Coastal Area or the South East as a whole. These requirements are essentially a ‘trade off’ between what might be required to address market demand, housing need and the needs of the economy and what can realistically be achieved in the context of available land supply and wider environmental and social objectives. The debate about housing numbers in the South East and particularly those Districts with high housing pressures is largely therefore around whether the right balance has been struck between these different objectives.
- 8.11 The Draft South East Plan considered that the best way of reconciling these factors was a regional housing level of 28,900 per annum. In increasing the level of housing requirements, the Draft South East Plan’s Panel Report states that an appropriate balance has not been reached in the Draft South East Plan, with too much weight being given to ‘consultation with existing residents’ giving ‘no voice to those of the next generation who will be seeking homes within the plan period, and no voice to those who may need or wish to move to this region to take up job opportunities’.
- 8.12 In justifying a higher level of housing growth (32,000 per annum – an increase of 3,100 per annum) the Panel Report sets out the following:
- The importance of the South East to the national economy, its relationship with London, together with the scale of its own housing needs
 - Over parts of the South East Region, the Draft Plan proposes housing levels below RPG9 (Lewes fall into this category) and, with increasing affordable housing targets, the level of market housing implied is therefore likely to be lower than in the past
 - The Draft Plan gives insufficient weight to demographic and economic factors and SEEDA has concerns about the level of housing supply in some parts of the region would not support the labour supply required to meet the needs of the economy
 - Even a target of 32,000 homes per annum is below the Government’s latest household projections and below the rate of house building achieved in recent years in the region
 - The Panel has not recommended a higher requirement because it accepts the background research and arguments put forward by the Assembly on infrastructure needs and environmental constraints.
- 8.13 The factors considered by the Draft South East Plan and Panel Report of the Examination in Public (EiP) are considered in this section in more detail both in relation to the South East as a whole and specifically for Brighton and Hove.

Demographic and Household Considerations

- 8.14 The official CLG households projections (1996 based, 2002-based, 2003-based and the latest 2004-base) estimate the formation of an additional 32,900 to 34,500 per annum in the South East to 2026. Professor King (on behalf of CLG) estimates that this household growth overall (ie, excluding migration) is comprised:
- 60-65% from an increase in the adult population
 - 25% from the ageing effect
 - 10-15% due to household formation (including single people living alone).

- 8.15 Developer representatives at the EiP into the Draft South East Plan argued that this implied the need for at least 40,000 new homes per annum, once an allowance for vacancies and sharing had been taken into account.
- 8.16 The Draft South East Plan argued for a lower level of provision partly on the basis that divorce rates were declining and other factors mean that a case for a smaller increase in single households can be made. However, the Panel Report suggests that these differences ‘pale into insignificance’ in relation to the effect of migration assumptions.
- 8.17 Out-migration from London to the South East has been significant in the past and increased since the mid 1990s. The South East has been a net recipient of international migration since the late 1990s (with recent increases as a result of the EU Accession Countries). The Panel point out that the Draft Plan’s housing levels are set below the long-term net migration (and significantly below the short term levels which are currently higher). The Panel therefore suggest that a continuation of long-term migration trends should be used as a starting point, equating to a level of housing at around 32,000 per annum (and even this level still implies a deficit).

Economic and Employment Considerations

- 8.18 The Draft South East Plan assumes an average growth in GVA of 3% per annum to 2016. Although the South East Plan and RES GVA targets are measured in different ways (with the latter being more equivalent to 3.5% per annum) the Panel Report does not find these inconsistent. However, the Panel find that the Draft Plan’s provisions are insufficient to achieve these growth expectations. The labour supply consistent with the Draft Plan’s proposal of 28,900 dwellings per annum would produce a reduced employment level and GVA growth of 2.5-2.9% per annum (according to estimates by Experian and Cambridge Econometrics).
- 8.19 Employment projections for the South East region all expect lower growth than experienced over the recent past. However, there are differences between different projections on the extent to which employment *demand* (ie, job growth) is constrained by labour supply and productivity.
- 8.20 The Draft South East Plan used Experian projections, which take account of short term demand trends but over time reflect the available labour supply derived from housing numbers (ie, constrained by the target of 28,900 dwellings). The Panel considered alternative projections and concluded that employment demand should not be constrained to the extent that it had been by the Assembly’s preferred housing provision levels (and also artificially deflated by assumptions of high levels of productivity growth). The Panel suggested a trend based approach to estimating employment demand (job growth) would have been a better baseline, although the Panel supported job targets for the less buoyant sub-regions, including the Sussex Coast.
- 8.21 The Panel also considered projections of labour *supply* to 2026, with all projections estimating a fall off in the growth of labour supply in the latter 10 years of the plan period because of the ageing population. In the South East region as a whole there is a surplus of around 100,000 jobs over the workforce in the region to 2026 based on the projections of labour demand and supply, implying the need for more houses in the South East. Although in the Sussex Coast as a whole there is currently a surplus of labour supply over demand, implying the need for more jobs in the sub-region.

- 8.22 It is generally accepted that it is good practice to plan for a broadly equal balance between new homes and numbers of new jobs within housing/labour market areas, notwithstanding adjustments that are likely to happen in the labour market eg double jobbing, increased economic activity rates and in-commuting. In the South East as a whole this implies the need to increase dwelling provision to support a greater labour supply. The Panel Report's overall recommendation is to make the highest increases (in housing provision) where labour shortages appear to be the greatest.
- 8.23 However, the Sussex Coast area as a whole currently has an imbalance between jobs and homes, with excess labour supply and significant out-commuting, including for Lewes District and Brighton and Hove. Brighton and Hove, however, is identified in the RES as a Diamond for Growth recognising its importance as a hub within the Sussex Coast sub-region, and critical to the wider regeneration of the adjacent coastal areas. Over 7,000 workers commuted from Lewes to Brighton in 2001 and this is likely to have increased since following more buoyant job growth within the City.
- 8.24 The Panel Report therefore proposes modest increases in the dwelling provision in the Sussex Coast sub-region, stating that it would 'not be unbalanced' if housing levels were increased by a modest amount but the increase is limited because of the need to promote economic regeneration and avoid additional out-commuting. The Panel attached caveats to the distribution of increases in housing targets to individual Districts since it is difficult to do so at the strategic level.

Capacity and Land Supply Considerations

- 8.25 Work undertaken across the South East Region suggests that 330,600 additional dwellings could be accommodated through urban potential (with an additional 30,000 from Previously Developed Land (PDL) outside urban areas), implying the ability to deliver around 18,000 homes per annum in the South East. This would meet around 62% of the Draft South East Plan's proposed housing target, with the implication that the rest would be accommodated on greenfield sites.
- 8.26 The Panel Report emphasises that urban potential estimates do not imply a maximum housing level that areas could accommodate, even though some authorities have reservations about the extent to which continued capacity could be found within urban areas.
- 8.27 In proposing an increase in the Sussex Coast's housing numbers the Panel Report points out that the proposed level may have been overly constrained to a level than could be met through urban potential, and in Brighton's case, recent completion levels have exceeded the level proposed, although the increase proposed is relatively modest reflecting the uncertainty about future land supply. Lewes District is not singled out by the Panel Report for an increase in housing provision on the proposed level of 220 pa, however its strong relationship with Brighton and Hove would suggest that housing provision overall and in terms of tenure, type and size should not be considered in isolation.
- 8.28 The Panel Report considers its proposals for the Sussex Coast taking into account the importance of the proposed South Downs National Park (and other environmental designations) and the challenges involved in avoiding development in flood risk areas (including those at risk of coastal flooding). The Report also suggests that adequate weight has been given to infrastructure considerations and the capacity in particular of the A27.

House Prices and Affordability Considerations

- 8.29 Whilst PPS3 and considerations about house prices and affordability that are included within it was not published at the time that the Draft South East Plan was developed, the EiP and Panel Report consider affordability levels and the Government's ambitions for affordability.
- 8.30 The Panel concluded that it was 'not realistic to hold up this RSS until strategic housing market assessment work has been undertaken' and that such work would inform the next review, together with advice from the National Housing and Planning Advice Unit. However, the Panel do comment on whether the South East regional housing requirement should be increased in an attempt to stabilise or improve affordability levels.
- 8.31 The Government's national target (200,000 homes per annum in England by 2016 announced in 2005, since increased to 240,000 per annum in the Housing Green Paper announced in 2007) was informed by research into the relationship between housing supply and house prices (and therefore affordability) and the sustainability implications of increasing housing supply.
- 8.32 This research¹³ concluded that large scale increases in housing supply across the South East would improve affordability in the longer term. The Panel acknowledged that this evidence should not be applied uncritically since a range of demand side factors also influence affordability including interest rates, availability of credit and taxation. However, the Panel Report concludes that the proposed Draft South East Plan target of 28,900 dwellings per annum, while at the same time increasing the proportion of affordable housing would mean a reduction in the amount of market housing in the region – stating that 'a constraint on market housing of this magnitude would suggest, on common sense grounds if nothing else, that affordability would worsen'.
- 8.33 The Panel's recommended increase in the regional housing requirement (to 32,000 per annum) therefore would allow levels of market housing to be delivered at similar levels to the present. This is unlikely to have a significant effect on affordability though it is likely that the situation would be better than that under the scenario of a lower growth rate.

Conclusion on Housing Requirements for the Sussex Coast and Lewes

- 8.34 In the Draft South East Plan, Lewes is considered as part of the Sussex Coast sub-region, although at the EiP the Panel acknowledged that there are significant differences within this sub-region. Nevertheless, the housing characteristics of Lewes District need to be considered within the context of Brighton and Hove's housing market as well as the Sussex Coastal Sub-region. The sub-region as a whole is characterised by structural economic weaknesses and poor economic performance. The most difficult economic problems are found in the east of the sub-region (Hastings-Bexhill) and with regeneration also a priority at Shoreham Harbour. In contrast, Brighton and Hove has a key role to play as a catalyst for economic activity, reflected in its status as a regional hub and RES Diamond.
- 8.35 The South East Plan Panel Report recommends adopting a target for the sub-region, of creating an additional 30,000 jobs for the 2006-2016 period, just above trend based employment projections produced by Experian in 2006. This target level of job growth would imply a higher rate of job growth than labour supply. The Panel Report suggests that this is a reasonable objective since the sub-region is currently a net exporter of labour and most coastal towns experience net out-commuting. At the local level however, the balance between jobs and labour supply varies, with Brighton experiencing net-in-commuting from the adjacent

¹³ CLG (2005) Affordability Targets: Implications for Housing Supply

Districts including Lewes (though net out-commuting overall mainly due to the number of Brighton residents who work in London).

- 8.36 In preparing for the South East Plan the Sussex Coastal authorities considered three options on the scale of housing growth:
- Maintain RPG9 levels (initial preference of the principal authorities)
 - 20% below RPG9
 - 20% above RPG9.
- 8.37 The Panel Report concludes that local demographics do not provide a strong justification for increasing the housing requirements in the Sussex Coast. East Sussex County Council projections demonstrate that the sub-regional population would decline over time without continued net in-migration. However, there is locally generated need in Brighton and Hove, which has a younger population, on top of significant net in-migration to the area.
- 8.38 The proposed housing requirements for the Sussex Coast in the Draft South East Plan are around 10% less than RPG9 levels which, according to the Panel, appears to have been justified on the basis that lower housing growth is necessary to allow employment development to catch up. The Panel Report suggests however that if a jobs target of 30,000 is adopted for the sub-region this would imply the need for a higher increase in labour supply (of around an additional 9,000 workers needed on top of the Assembly's dwelling based projections) and thus the need for additional housing.
- 8.39 Urban capacity across the sub-region was estimated by the Sussex Coast authorities to provide for around 90% of the proposed housing requirements in the Draft South East Plan and the Panel suggest that the distribution of future housing provision between the Districts has been strongly influenced by potential land supply. Developers argued at the EiP that higher provision was required in the sub-region to support the growth objectives (and new housing provision can contribute to regeneration and infrastructure) and deliver Government's ambition for a step-change in housing supply.
- 8.40 Given these factors, the Panel Report recommended a modest increase in housing provision in the sub-region (of an additional 270 homes per annum) because of the desire to redress the balance between jobs and homes but at the same time the need to deliver more housing across the South East region. This includes an increase of 20 dwellings per annum in Brighton and Hove, which the Panel Report states should accommodate more housing to take advantage of its employment potential and accessibility. The key constraint in delivering higher housing numbers than this in Brighton, although not explicitly stated, would be the capacity to allocate land for housing development.
- 8.41 The Panel Report also recognises the potential for development at Shoreham Harbour in Adur, which could contribute to housing delivery for both Brighton and Adur given the position of the site – with the potential for 1,000-6,000 dwellings depending on infrastructure improvements and the removal of other significant constraints. SEEDA is seeking Growth Point Status for the Shoreham Harbour development.

8.42 The Panel did not recommend an increase in Lewes District's proposed housing provision because the boundaries of the proposed South Downs National Park mean that the District is more tightly constrained in terms of allocating sites and other areas are affected by flood risk. However, the Panel's recommendations to individual districts were intended to be suggestions for the distribution of the overall increase rather than prescriptive.

Implications for Housing Market Outcomes in Lewes

8.43 The evidence included in the South East Plan and Panel Report and the evidence in this report have the following implications for Lewes:

- Brighton and Hove is growing more strongly than the rest of the Sussex Coast, with implications for housing demand, in-commuting to the City from adjacent Districts and out-migration of Brighton households to adjacent Districts including Lewes
- However, there is a need to create jobs in adjacent coastal areas where there is currently an excess of labour supply and therefore the case for additional housing across the sub-region is constrained to reflect this need to strike a better balance between jobs and homes
- Proposed housing requirements for the Sussex Coast as a whole, which includes much of Lewes District, largely reflect the need to strike a better balance between jobs and homes in the sub-region, although constraints in terms of urban capacity, environmental designations and flood risk limit what can be delivered in some areas, including Lewes District.

8.44 In Lewes, the conclusion of the Examination in Public is that housing requirements are limited by capacity to accommodate more housing rather than for any constraints implied by the performance of the wider Sussex Coast sub-region.

8.45 DTZ suggest that it is important therefore to continue to monitor capacity and land supply in Lewes, and adjacent areas of Brighton and Hove (and particularly Shoreham Harbour in Adur where there may be potential to deliver more homes). Since capacity is the key constraint on delivering more housing within Lewes, if circumstances change, there would be a case for delivering more homes i.e. housing requirements should not be regarded as a ceiling in the District if more housing could be developed sustainably, in the context of the housing pressures that are evident.

8.46 It is also worth considering some of the implications for housing outcomes of the constraint imposed on housing supply (although it is also worth bearing in mind that in Lewes District and in the South East generally demand for housing, at least in recent years, is far beyond what could be delivered under even more ambitious targets).

8.47 The following implications are likely to arise given the level of constraint on housing supply in relation to demand and consequent rises in house prices. These outcomes are also closely tied to those in Brighton and Hove, given the relationship between the two authority areas in terms of the labour and housing market:

- Continued selective migration to and from Lewes as higher income households are able to move in, either from London or Brighton and Hove and many remain connected to higher paid jobs elsewhere which means they are able to outbid other households who may choose to move to cheaper areas to access housing - a process which works against mixed income communities and is likely also to affect the ability of key workers to live and work within the District

- Many households who move out of Lewes may continue to work in the District but will commute in, resulting in less sustainable travel to work patterns
- In the context of rising house prices and declining affordability a proportion of households will be unable to meet their needs within the market. This is likely to have two main consequences. Housing waiting lists are likely to increase in size and more households apply to the Council for assistance, putting pressure on the social rented stock or private rented sector (assisted by Housing Benefit). Other lower income (and intermediate) households may decide to move out of Lewes and in order to access subsidised housing where there is perceived to be a better prospect of being housing (eg Brighton and Hove or other large urban areas).



**Housing Market Assessment for Lewes
Lewes District Council
2008**