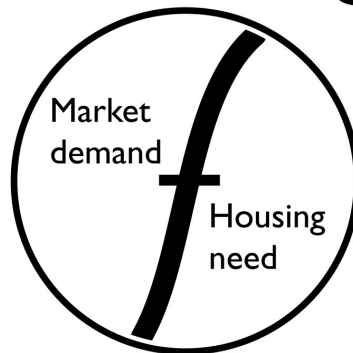




LONDON BOROUGH OF MERTON

Housing



Study

EXECUTIVE SUMMARY

JULY 2005



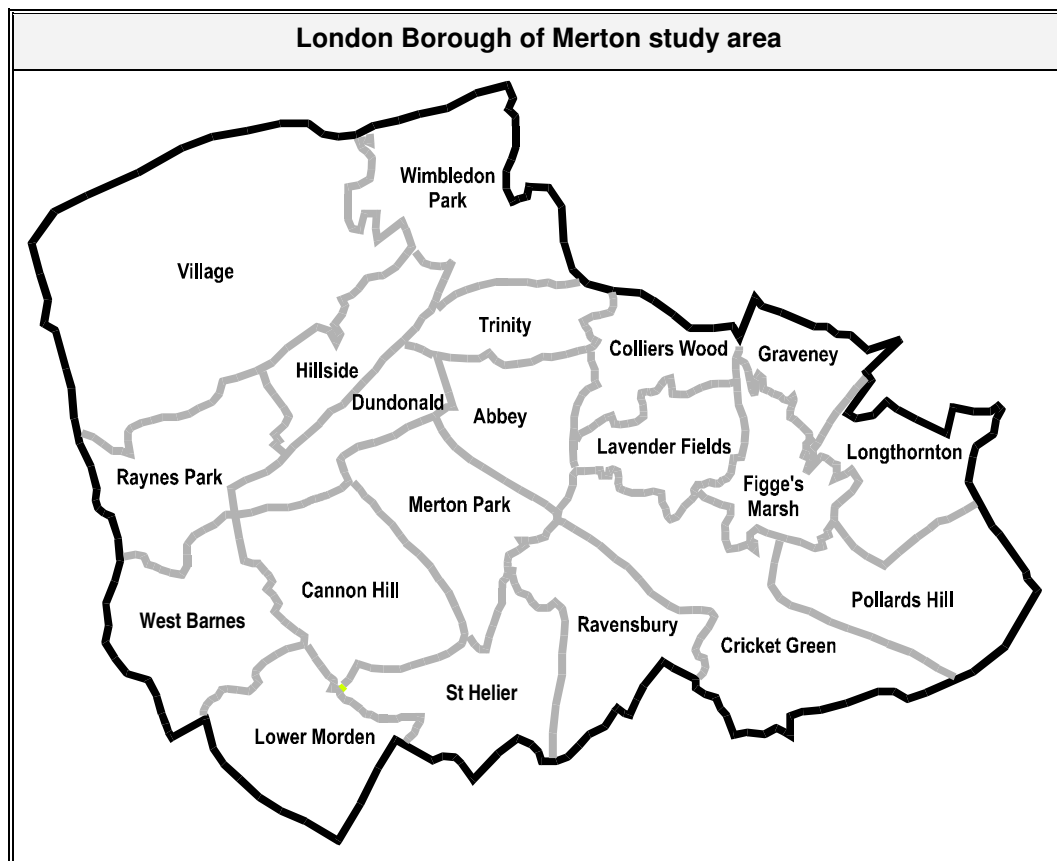
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Executive summary

Context of the Study

Fordham Research were commissioned to carry out a joint Housing Needs and Private Sector Stock Condition Survey for the London Borough of Merton. The Needs study was designed to assess the future requirements for both affordable and market housing. To do this the study drew on a number of sources of information. These included:

- i) A postal survey of 2,337 local households
- ii) A personal interview survey of a further 1,226 households
- iii) Interviews with local estate and letting agents
- iv) Review of secondary data (including Land Registry, Census and H.I.P. data)



Survey and initial data

A major part of the study process was an interview survey of local households. In total 3,563 households took part in the survey. Student-only households were excluded from analysis, leaving 3,548 valid responses. The questionnaire covered a wide range of issues including:

- Current housing circumstances
- Past moves
- Future housing intentions
- The requirements of newly forming households
- Income and savings levels

Information from the questionnaire survey was used throughout the report (along with secondary information) to make estimates about the future housing requirements in the Borough.

Overall the survey estimated that around 72% of households are currently owner-occupiers with around 14% living in the social rented sector.

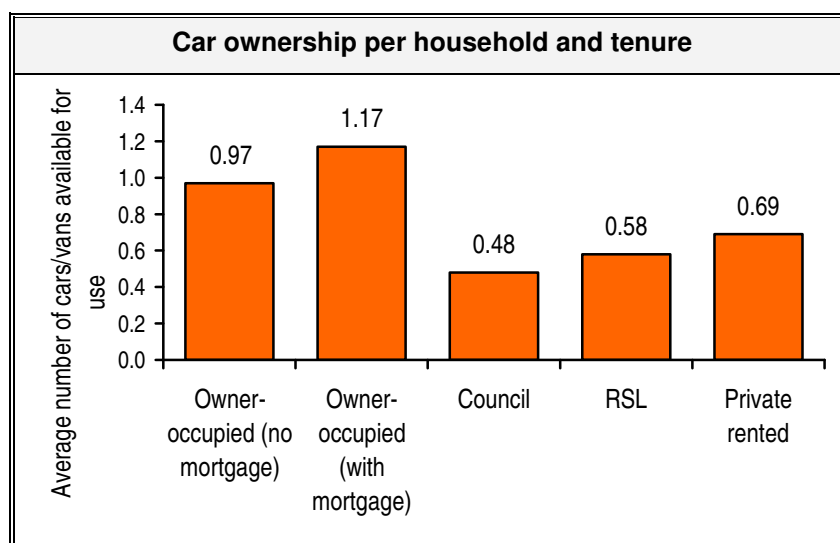
Number of households in each tenure group				
Tenure	Total number of households	% of households	Number of returns	% of returns
Owner-occupied (no mortgage)	22,946	28.5%	973	27.4%
Owner-occupied (with mortgage)	35,142	43.6%	1,511	42.6%
Council	6,548	8.1%	400	11.3%
RSL	4,394	5.5%	185	5.2%
Private rented	11,490	14.3%	479	13.5%
Total	80,520	100.0%	3,548	100.0%

The survey reported on a number of general characteristics of households in Merton. The study estimated that around a third of households lived in a flat or maisonette and that around 19% of all households were solely comprised of pensioners. The study also looked at car ownership (which is often used as an indication of wealth).

The figure below shows car ownership in the Borough by tenure. It is clear that there are large differences between the different tenure groups with owner-occupiers (with mortgage) having a significantly greater level of car ownership than households in the social rented sector.

Over half of all households in social rented accommodation do not own a car or van. Some 53.4% of households in RSL accommodation, and 61.3% in Council accommodation do not own a car or

van. This compares to 43.9% of households in the private rented sector, 28.4% of owner-occupiers without a mortgage and 17.8% of owner-occupied (with mortgage) households.

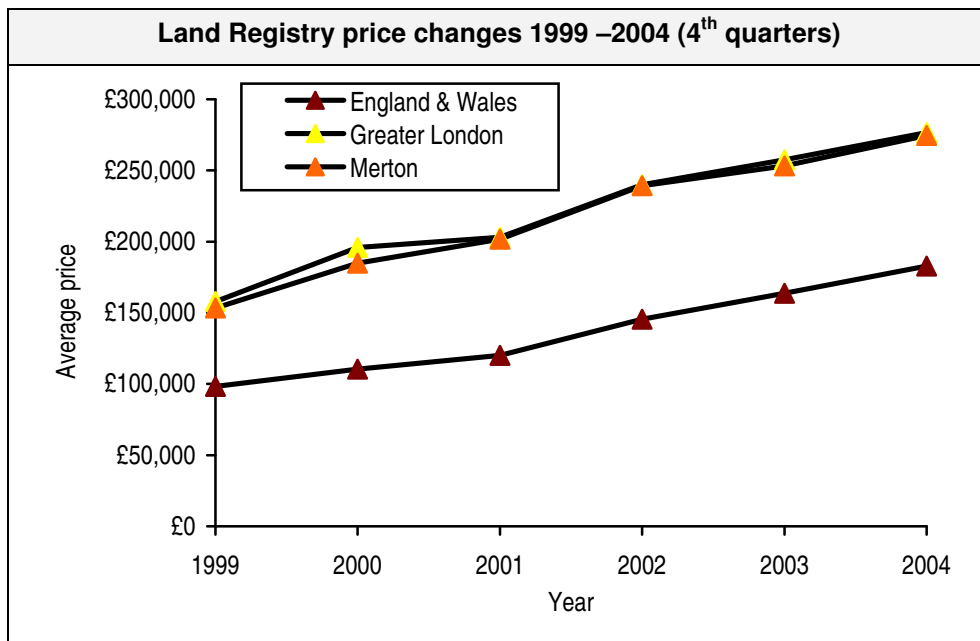


The study also looked at past trends in household movement and future expectations. The broad findings were:

- An estimated 21.8% of households have lived in their current home for less than two years, just under half of previous moves having occurred within the Borough
- In terms of future household moves the survey estimated that 20,990 existing and 6,369 potential households need or expect to move within the next two years
- In both cases a higher proportion would like to move to owner-occupation than would expect to do so

The survey indicated differences in housing costs between different tenures with the highest costs in the private rented sector and the lowest in the social rented sector. Differences were more marked when housing benefit was removed, with owner-occupiers showing the highest costs.

One of the main sources of secondary information was the Land Registry. This data source suggested that property prices in the Borough are almost 50% higher than the average for England & Wales only marginally less than the Greater London average. Price rises in Merton have also matched national and regional equivalents over the past five years.



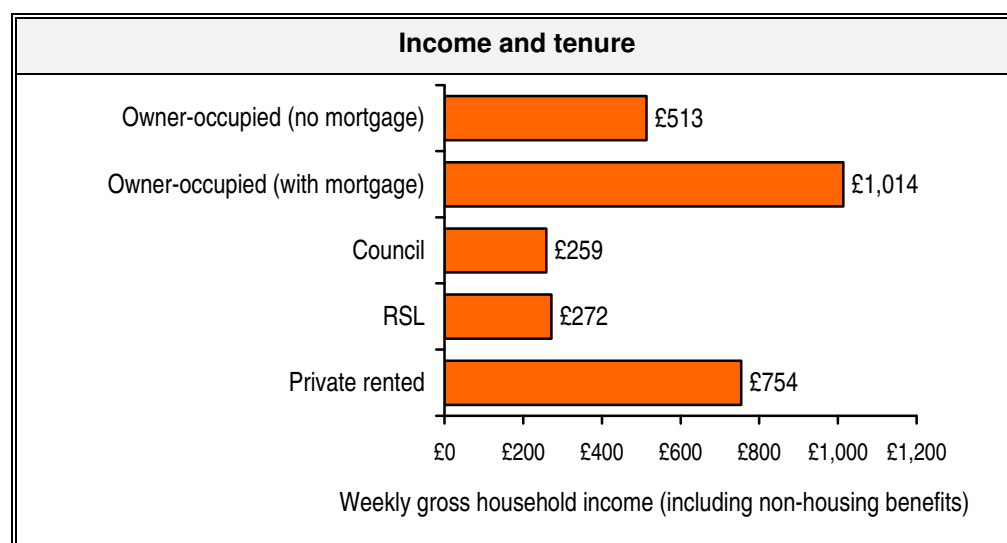
A survey of local estate and letting agents identified estimates of the minimum costs of housing to both buy and rent in the Borough. Results indicated that there are local variations; areas on the North West side of the Borough (including the central area and Wimbledon) are noticeably more expensive than on the South Eastern (including the South and Mitcham areas).

Affordability for all households in the Borough was tested against the lower prices (those for the South & Mitcham area); it was assumed that the Borough is sufficiently compact that it would not be unreasonable to expect of household to move from Central & Wimbledon area in order to obtain affordable housing. Overall, the survey suggested that prices started at around £123,500 for a one bedroom flat with private rental costs starting from around £580 per month.

Minimum property prices/rent in Merton (South & Mitcham area)		
Property size	Minimum market price	Minimum monthly rents
1 bedroom	£123,500	£580
2 bedrooms	£148,500	£690
3 bedrooms	£191,500	£855
4 bedrooms	£245,000	£1,050

The information about minimum prices and rents was used along with financial information collected in the survey to make estimates of households' ability to afford market housing (without the need for subsidy).

The survey estimated average gross weekly household income (including non-housing benefits) to be £732. There were, however, wide variations by tenure; with households living in social rented housing having particularly low income levels.

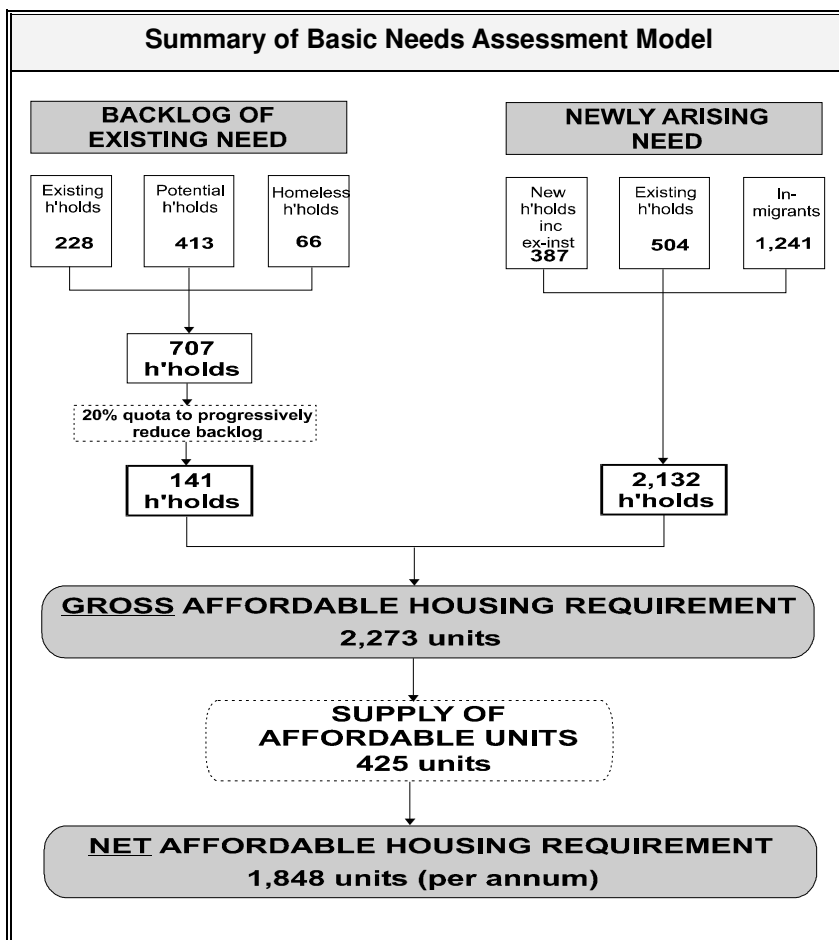


The Guide model

As part of the study, an estimate of the need for affordable housing was made based on the 'Basic Needs Assessment Model' (BNAM). The BNAM is the main method for calculating affordable housing requirements suggested in Government guidance '*Local Housing Needs Assessment: A Guide to Good Practice*' (ODPM 2000).

The BNAM sets out 18 stages of analysis to produce an estimate of the annual requirement for additional affordable housing. The model can be summarised as three main analytical stages with a fourth stage producing the final requirement figure. The stages are:

- Backlog of existing need
- Newly arising need
- Supply of affordable units
- Overall affordable housing requirement



Overall, using the BNAM it was estimated that there is currently a shortfall of affordable housing in the Borough of around 1,848 units per annum. The data suggested that this shortfall is most acute for smaller (one and two bedroom) properties. Additionally, data suggests shortfalls across the Borough although Lavender Fields shows the greatest shortfall.

The analysis suggests that any target of affordable housing would be perfectly justified (in terms of the needs) and that site size thresholds below the current Circular 6/98 level of 15 dwellings should be considered.

Further analysis suggests that over half of this need could theoretically be met by ‘intermediate’ housing, available at outgoings between social rents and the minimum cost of (second hand) market housing. However, the majority of households able to afford ‘intermediate’ housing could only afford the cheapest ‘intermediate’ housing (i.e. prices close to social rents) and so traditional options such as shared ownership may be of little benefit in meeting large quantities of housing need.

Broader Housing Market & Future Changes

In addition to concentrating on the need for affordable housing in isolation the study looked at housing requirements in the private sector market. The analysis began by looking at the differences between three broad housing sectors (owner-occupation, private rented and social rented). The survey data revealed large differences between the three main tenure groups in terms of stock profile (size of accommodation), turnover and receipt of housing benefit (or income support towards mortgage interest payments in the case of owner-occupiers).

Profile and turnover of stock and housing benefit claims by tenure			
Tenure	% of properties with less than three bedrooms	Annual turnover of stock (% of households)	% claiming housing benefit (income support for owners)
Owner-occupied	80.0%	7.2%	0.8%
Private rented	92.1%	31.3%	17.0%
Social rented	97.1%	8.9%	59.4%
All Households	84.1%	10.9%	11.1%

In terms of estimating market requirements a ‘Balancing Housing Markets’ (BHM) assessment was undertaken looking at the whole local housing market, considering the extent to which supply and demand are ‘balanced’ across tenure and property size. The notion has been brought into prominence by the work of the Audit Commission in assessing councils’ performance (Comprehensive Performance Assessment (CPA) of local authorities).

The BHM differs from the BNAM in that it looks at households’ future aspirations and affordability – the BNAM is mainly a trend-based analysis. The table below shows the overall results of the BHM analysis.

Total shortfall or (surplus)					
Tenure	Size requirement				Total
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	(5)	256	(414)	(6)	(169)
Affordable housing	294	397	236	148	1,075
Private rented	(140)	(116)	(191)	(28)	(476)
Total	149	537	(370)	114	430

Of the future increase in dwellings in Merton – 430 per annum, if every household’s needs and aspirations were met, there would be a shortfall of 1,075 affordable homes and a surplus of 169 owner-occupied homes and 476 homes in the private rented sector.

A number of conclusions can be drawn from this analysis:

- In terms of the demand for affordable housing in the Borough it is clear that this is on-going. The BHM methodology suggests a significant shortfall of affordable housing of all sizes of accommodation, most notably two bedroom homes
- Overall, the data also shows a large surplus in the private rented sector. In terms of size requirements, the information suggests that in the owner-occupied sector the main shortfalls are for two bedroom homes, whilst there is a surplus of all sizes in the private rented sector

Therefore both the BHM and BNAM analyses suggest that there will be a shortage of affordable housing in the future.

The Needs of Particular groups

The study moved on from a consideration of future needs for additional housing to look at the needs of particular groups. The survey concentrated on the characteristics and requirements of households with disabilities (households with support needs), older person households, key workers, Black and Minority Ethnic (BME) households and overcrowded households.

Supporting people

Information from the survey on special needs groups can be of assistance to authorities drawing up their detailed Supporting People Strategies. Some 11.7% of all the Borough’s households (9,453) contain special needs members. 'Physically disabled' is the largest category with special needs.

Special needs categories			
Category	Number of households	% of all households	% of special needs households
Frail elderly	2,468	3.1%	26.1%
Physical disability	5,395	6.7%	57.1%
Learning disability	1,276	1.6%	13.5%
Mental health problem	1,948	2.4%	20.6%
Vulnerable young people & children leaving care	55	0.1%	0.6%
Severe sensory disability	908	1.1%	9.6%
Other	865	1.1%	9.2%

Special needs households in Merton are generally smaller than the average for the Borough and are disproportionately made up of older persons only. Special needs households have lower than average incomes and are more likely than households overall to be in unsuitable housing.

Special needs households in general stated a requirement for a wide range of adaptations and improvements to the home. The most commonly-sought improvements needed were:

- Shower Unit (2,082 households – 22.0% of all special needs households)
- Downstairs WC (1,868 households – 19.8% of all special needs households)
- Single level accommodation (1,642 households – 17.4% of all special needs households)

The survey also suggested considerable scope for 'care & repair' and 'staying put' schemes. A large proportion of special needs households stated problems with maintaining their homes, the majority of these are currently living in the owner-occupied sector.

Older person households

Older persons are defined as those of a pensionable age i.e. men aged 65 or older and women aged 60 or over. Some 19.2% of households in Merton contain older persons only, and a further 8.4% contain a mix of both older and non-older persons. Older person-only households are much more likely to be comprised of only one person compared to all households, providing implications for future caring patterns. Although the majority of older person-only households live in the private sector, it is interesting to note that a relatively high proportion of social rented accommodation houses older people-only (25.0% of all Council accommodation is occupied by older persons only).

Older person households do not contribute significantly to the overall need for additional affordable housing, but may well have a significant impact on the future of Council housing and the future need for sheltered housing and adaptations.

Key worker households

The term intermediate housing is often used with reference to specific groups of households such as key workers. The survey therefore analysed such households - the definition being based on categories of employment and notably including public sector workers. The categories of employment chosen by the Council for the purposes of this survey were based on the government-led initiative 'Key Worker Living'. Analysis of survey data indicates that there are an estimated 16,663 people in key worker occupations.

Key worker categories		
Category	Number of persons	% of key workers
NHS and Private sector health care	7,128	42.8%
Teachers	3,716	22.3%
Teachers in higher education	1,121	6.7%
Local Authority staff	1,679	10.1%
Prison and Probation staff	254	1.5%
Metropolitan Police employees	706	4.2%
Emergency services	284	1.7%
Public Transport	1,775	10.7%
Total	16,663	100.0%

The survey also estimated that 10,157 households are headed by a key worker and were subject to additional analysis. The main findings from further analysis of this group of households can be summarised as follows:

- Key worker households are more likely to be owner-occupiers and less likely to live in the social rented sector
- Key worker households are more likely to have moved in the last two years than non-key workers and are more likely to have moved from elsewhere in London
- Key worker households are also more likely to move within the next two years but are less likely to want to remain in the Borough
- Key worker households have slightly lower incomes and lower savings levels than non-key worker households (in employment)
- The majority (84.8%) of key worker households can afford market housing in the Borough; of those that can't afford, intermediate housing options are only affordable for 54.0%.

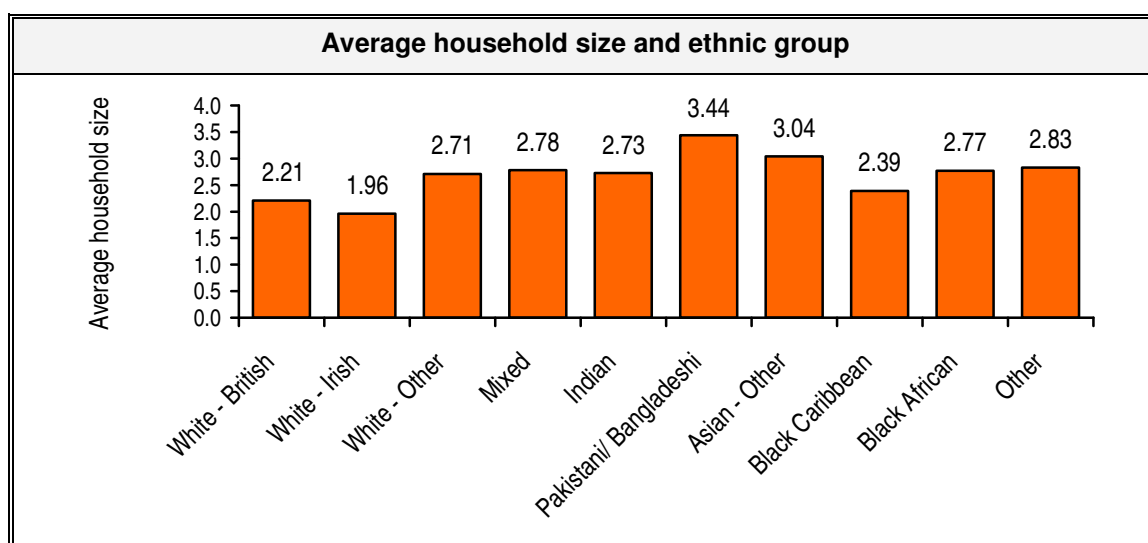
Looking only at those key worker households who need or are likely to move in the next two years, a lower proportion are able to afford entry-level prices

- Of the key worker households in housing need (as assessed by the Basic Needs Assessment Model) a high proportion can afford intermediate housing options, and at all ranges of prices

Black and Minority Ethnic households

The survey revealed that 80.1% of Merton households were White, with 8.3% Asian & Asian British, 7.1% Black & Black British and 4.5% in Mixed & other ethnic groups.

Survey results show that White British and Indian households were disproportionately living in owner-occupied accommodation whilst Black African and Caribbean households were particularly likely to live in the social rented sector. All BME households are more likely to contain children. The survey also showed that Pakistani/Bangladeshi households have a larger average household size than other households.



Finally, the survey results suggest that White households are particularly likely to be made up of only older people and that Indian and Pakistani/Bangladeshi households are generally more likely to contain someone with a special need. The survey also showed considerable differences in both income and savings levels between the different groups.

Overcrowding and under-occupation

Finally, the survey looked briefly at overcrowding and under-occupation, overcrowding having been shown as the second most important reason for households to be living in unsuitable housing. The study suggested that 5.0% of all households are overcrowded and 30.7% under-occupy their dwelling. The owner-occupied (no mortgage) sector shows the highest levels of under-occupation; the Council and RSL rented sectors the highest overcrowding.

Overcrowding and under-occupation					
Number of bedrooms required	Number of bedrooms in home				TOTAL
	1	2	3	4+	
1 bedroom	11,636	14,194	15,537	3,960	45,327
2 bedrooms	1,279	5,527	10,032	4,153	20,991
3 bedrooms	95	1,054	7,002	3,429	11,580
4+ bedrooms	50	87	1,185	1,304	2,626
Total	13,060	20,862	33,756	12,846	80,520

KEY: Overcrowded households Under-occupied households

Note: The bottom two cells of the 4+ bedroom column contain some households that are either overcrowded or under-occupied – for example they may require three bedrooms but live in a five bedroom property or may require five bedroom property but currently be occupying four bedroom property.

Overcrowded households tend to have low incomes (measured per person) and are far more likely than other households to state that they need or expect to move.

Conclusions

The housing study in Merton provides a detailed analysis of housing requirement issues across the whole housing market in the Borough. The study began by following the Basic Needs Assessment Model, which estimated a requirement to provide an additional 1,848 affordable dwellings per annum if all housing needs are to be met (for the next five years).

The study continued by looking at requirements in the housing market overall using a 'Balancing Housing Markets' methodology. This again suggested a significant requirement for additional affordable housing to be provided.

Overall, the need for additional affordable housing represents over 400% of the estimated newbuild in the Borough (430 units per annum). It would be sensible to suggest that in the light of the affordable housing requirement shown, the Council will need to maximise the availability of affordable housing from all available sources (including newbuild, acquisitions, conversions etc). Attention should also be paid to the cost (to occupants) of any additional housing to make sure that it can actually meet the needs identified in the survey