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Part of Capita Real Estate

Reviewing Potential Rates of Housing Delivery

Partnership for Urban South Hampshire

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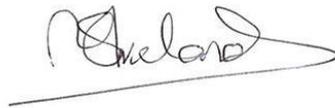
DATE

April 2016

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A handwritten signature in black ink, appearing to read 'Nick Ireland', is written over a horizontal line. The signature is cursive and stylized.

Limitations

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1 INTRODUCTION

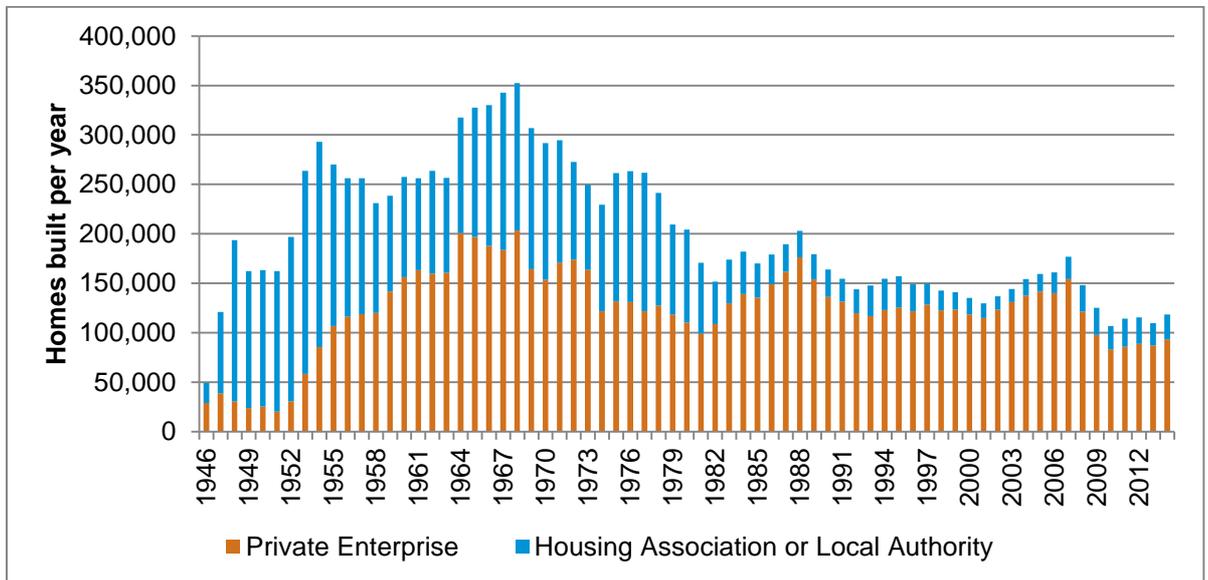
- 1.1 GL Hearn has prepared this short report for PUSH to consider the feasibility of delivering housing at the rate which is currently being considered – overall and by area – in the emerging PUSH Spatial Strategy.
- 1.2 Site specific issues – including issues regarding landownership, current land use, viability and infrastructure inter-relationships - clearly influence the pace at which development could be delivered on individual development sites. For major development schemes such as Strategic Development Areas, there is also time associated with putting in place an appropriate policy framework and coordinating investment in support infrastructure before planning applications can be progressed and development commences.
- 1.3 The focus of this report is on considering in the aggregate the scale of development which could take place across the PUSH area as well as within individual local authority areas.
- 1.4 The report includes a review of housing delivery performance historically at a national level, explores potential benchmarks in terms of the pace at which housing development can come forwards, and considers past performance within the PUSH area itself.

2 NATIONAL INFLUENCES ON HOUSING DELIVERY

- 2.1 Increasing housing delivery is a national challenge. At a national level across England the latest household projections indicate annual housing need for 222,000 homes a year across England. Recent housing delivery has been around half of this level, falling well short of what is required. Higher housing delivery still would be needed were the backlog in delivery was to be met and affordability for younger households to be improved¹.
- 2.2 Figure 1 plots gross completions across in a long-term historical context. A significant housebuilding programme by local authorities and housing associations clearly supported high overall housing delivery through the 1960s and 1970s – in part replacing stock demolished through regeneration programmes. Private sector delivery was higher (relative to the early 2000s) but less notably so.
- 2.3 Over the 1960s and 70s housing associations and local authorities delivered 43% of completions; with the private sector delivering 57%. In the most recent decade from 2005 to 2014 these figures were 18% and 82% respectively. Since 1980, delivery of new homes by housing associations and local authorities has been notably more limited – evidently public funding available to support housebuilding is a potential influence on housing delivery.

¹ McDonald and Whitehead (2015) *New estimates of housing requirements in England 2012-37*, TCPA.

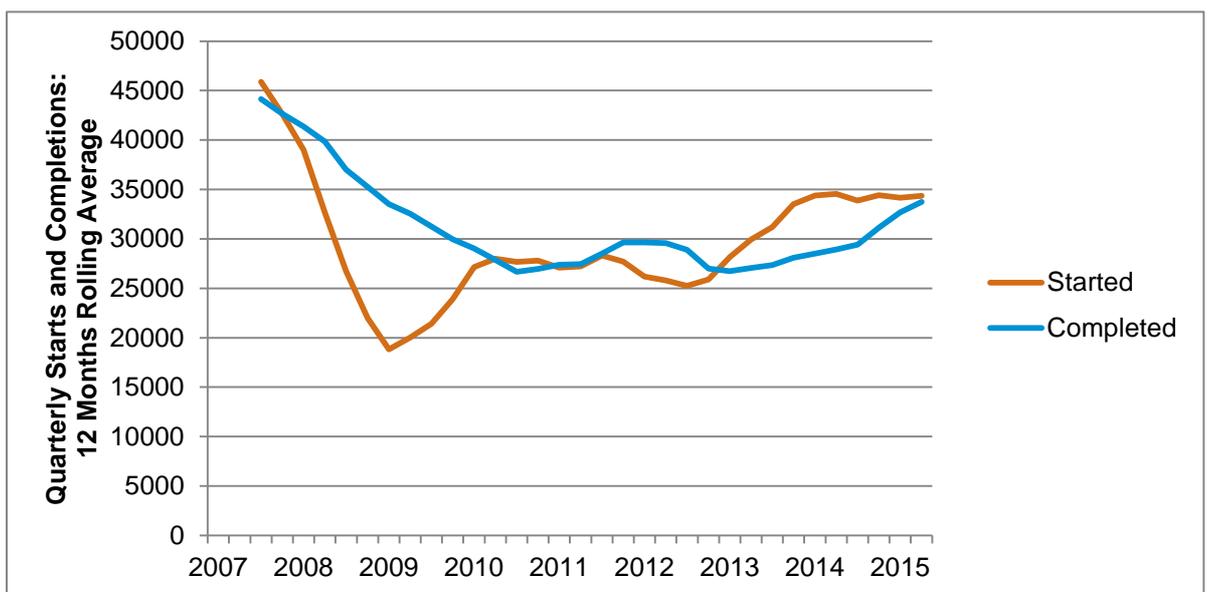
Figure 1: Trends in Housebuilding in England, 1946-2014



Source: CLG Table 244

2.4 Looking at more recent trends in starts and completions across England since 2007, it is clear that the recession had a notable impact on housing delivery. Completions dropped nationally by about 40% from the peak of the market to the trough in 2010. This was a substantial fall. Furthermore, it was into 2013 before delivery began to pick up again.

Figure 2: Starts and Completions of Homes, England



Source: CLG Live Table 213

- 2.5 However in a two year period since 2013, completions have increased by around 25% (albeit from a pretty low base) in part supported by Government initiatives such as Help-to-Buy Scheme. Of greater concern however, starts have however plateaued over the last 18 months suggesting that the pace of recovery moving forwards may well be more modest.
- 2.6 There are a number of issues affecting recovery. On the demand-side, housing remains expensive for many younger would-be buyers; whilst transactions costs for moving home are high (particularly influenced by Stamp Duty) which influences liquidity. Government reforms to Stamp Duty in 2015 have sought to address this.
- 2.7 Low interest rates have supported a recovery in demand; but moving forwards it seems likely that rates will rise from their current historic low. Whilst the risk of this in the immediate term is subsiding (given low inflation and weakening global growth), it is clear that this when it happens has the potential to influence (i.e. temporarily slow) recovery in housing demand and housebuilding. What currently seems likely is that interest rates will rise gradually from the end of 2016 or early 2017.
- 2.8 Demand from investors had been recovering from the recession, however in 2015 the Government announced changes to both Stamp Duty and Mortgage Interest Relief affecting the Buy-to-Let market. In the short-term this appears to be driving activity as investors seek to complete purchases before the changes are introduced in April 2016. Beyond this there is clear prospect that demand from investors will be more subdued. It could impact on sales volumes if a decline in investment purchases is not replaced by a similar increase in First-Time Buyer numbers. Ultimately in the medium-term the change in policy may help to improve younger households' ability to access housing – but it may not contribute to a recovery in sales volumes.
- 2.9 On the supply-side, the recession resulted in a notable reduction in capacity in the housebuilding industry – particularly affecting smaller housebuilders.
- 2.10 The Government has however implemented a number of initiatives to support the housing market. Those of relevance to this Study are those which will support effective demand for market housing; or contribute to enhancing delivery of affordable housing. We have not sought to consider specifically measures to increase land supply.
- 2.11 In 2013 the Government introduced the Buy-to-Let Programme. Elements of this include:
- Help-to-Buy Equity Loan – allows households to buy a home with a 5% deposit. A Government loan is provided for 20% of the property value; with the householder needing a deposit of 75%. It is available for new-build properties priced up to £600,000. It runs to 2020.

- Help-to-Buy Mortgage Guarantee – allows householders to buy a home (including existing properties) with a 5% deposit. The Government guarantees 30% of the loan. This is available through 13 lenders, including the major banks. It runs to 31st December 2016.
- Help to Buy ISA – this supports households to save towards their first home. Households can save up to £200 per month. Government commits to top up what has been saved through this scheme by 25% when they put it towards purchase of a first home.

2.12 Help-to-Buy has had a clear impact on the housing market, and was an important contributory factor to the upturn in effective demand/ sales in 2013. The evidence suggests that these schemes are important in continuing to support demand for homes for sale in the short-term, and in particular to new-build development rates. Over the April 2013 – March 2015 period, equity loans supported almost a third of all new-build sales across England. Nationally 2.9% of all sales have been supported by the Help-to-Buy Equity Loan; and around 4.5% by the Mortgage Guarantee since it was introduced in late 2013.

2.13 More recent initiatives, being taken forward through the Housing and Planning Bill, include plans for delivery of 200,000 “Starter Homes” over the five year period to 2020, delivered at a 20% discount to market values, for first-time buyers under 40; as well as initiatives to promote the self-build sector through a ‘right-to-build’ encouraging Councils to identify and release “shovel ready” plots with planning permission for this sector on development sites. The former, together with changes to eligibility criteria for shared ownership homes, may help to provide further support to younger buyers by helping to address affordability issues. In regards to the latter, the self/ custom-build sector currently makes a relatively small contribution to overall housing delivery but is one where there is growth potential. We would expect the impact of this to be modest, but it could help to contribute to diversifying the range of parties who are building homes.

2.14 What is perhaps evident from its absence in the list of current support measures for the housing market are new initiatives, particularly new funding / delivery models, which seek to contribute to an increased delivery of affordable housing (particularly for rent). Indeed in 2015 the Government introduced reforms requiring housing associations to reduce rents to 2020; and this is impacting on their business plans and potential development outputs. The impact of this is expected to be temporary. With restrictions on effective demand for market housing, linked for instance to households’ savings or lending criteria, these sectors do however provide some of the greatest potential for growth in output.

2.15 The Government is providing support for the Build to Rent sector, including through a Debt Guarantee Scheme which aims to reduce development risks. This in effect provides Government support for loans for up to 30 years. It is currently available to December 2018. Institutional investment in the new-build development for private rent represents a potential growth area, which could contribute to increasing overall housing supply. However it is a sector which is currently

relatively embryonic (particularly outside of London). In South Hampshire the greatest potential is likely to be in the two cities. It is a sector that the Government is keen to support; but the Housing and Planning Bill does not include further initiatives to support investment in this area.

Potential for Growth in Supply

- 2.16 We turn next to consider the prospects for increasing housing supply, and factors which may influence this.
- 2.17 Knight Frank's Housebuilding Report 2015 has sought to consider the potential to boost housing supply in the UK. Knight Frank, like other commentators, is clear that housing supply continues to fall well short of demand.
- 2.18 The report takes account of Knight Frank's Annual Housebuilder Survey. This survey of more than 160 housebuilders and developers of varying size and from across the country found that:
- Nearly 60% of respondents expected housing completions to rise over the past year². However around half of all respondents expected no change in the delivery of affordable homes. By inference, private sector delivery is expected to drive increased housing delivery.
 - Under current market conditions (last Spring), 67% of respondents considered a sustainable level of housebuilding to be less than 180,000 homes across England. Whilst over 200,000 homes a year have been identified as needed, just 9% of respondents thought that this rate of delivery was achievable.
 - The evidence suggests that development costs are increasing. More than 90% of respondents expected construction costs to rise over the last year; and two-thirds expect development land prices to rise. This could have an impact on viability.
 - Capacity within local planning departments was identified as a constraint; with developers urging more recruitment to help support. The Survey did identify that the NPPF had contributed to a rise in development volumes.
 - Over 40% of respondents identified that labour shortages are having an impact on housebuilding. This varied from 44% amongst those in the trades, to 49% for quantity surveyors.
- 2.19 Evidently there are a complex set of influenced on housebuilding activity relating to demand, land supply and construction capacity. The latter is a potential short-term influence on the pace of recovery, but we would consider to be less relevant over the medium and longer-term.
- 2.20 Looking forwards, Savills "*Spotlight Residential Development 2015 – Who will build the homes we need?*" has assessed the potential to increase housing development over the next five years. This report is useful at providing an independent national assessment of the potential role of different sectors of the housing market in supporting an increase in output.
- 2.21 Savills affirm that we have in effect seen one new-build private sale for every 10 sales transactions historically. If this persists, private housebuilders are unlikely to build more than 121,000 homes in

² 33% expected no change in completions volumes; with 7% expecting a fall

2020 (as against 115,000 now). However if this ratio were to shift to 1:7, then private sector sales could reach 150,000. Their argument is that to achieve this at a national level would require in particular the release of additional land in areas of high housing demand.

- 2.22 Savills analysis is however clear that other segments of the housing market will also need to increase delivery considerably if over 200,000 homes are to be delivered by 2020.

Private Sector Delivery

- 2.23 Savills suggest that the private sector could potentially build 150,000 homes across England by 2020 if barriers to volume expansion were removed.

- 2.24 Their analysis indicates that the majority of new homes (54%) nationally are built by the 11 largest housebuilders. For those developers housing starts have recovered to 20% below their 2007 peak. (by mid 2015). These housebuilders have capacity to increase output through measured and planned expansion (to maintain or expand margins) at a rate of 6% per annum over the next five years. By 2020 they could be delivering an additional 23,000 homes, representing an increase in output of a third.

- 2.25 Medium-sized builders (those delivering 100 to 2,000 homes a year) are back to the levels of building achieved in 2007. This group is benefiting from better finance conditions, and Savills suggest has the capacity to increase starts by 30% by 2020. Delivery could increase by almost 12,000 to 2020.

- 2.26 Savills analysis indicates that there has been a 10% decline in registered housebuilders between 2013-14, and an overall loss of capacity in respect of small firms since 2007. Output from smaller housebuilders is therefore not expected to recover to former levels, although there will be opportunities to expand including through delivering custom and self-build homes. Issues with availability of labour and capacity to train new people are expected to restrict growth in output in the short-term, which Savills forecast has the potential to grow by a more modest 17% to 2020 representing an increase of 2,300 homes across England. This captures growth in self/ custom build. Evidently small housebuilders over the longer-term could make a more substantive contribution to increasing output – and there is a need to diversify the number of companies delivering homes.

- 2.27 Help-to-Buy is expected to support this increase in private sector delivery to the tune of 30,000 new homes sales per year and the forecasts are based on its continuation post 2020. A downside risk is therefore that the current stop date is maintained, in which case sales volumes might tail off two years before the anticipated end of the scheme, depending on the degree to which other schemes/

initiatives replace this. There is a degree to which new schemes such as Starter Homes will compete with this.

Other Market Segments

- 2.28 Savills Paper clearly outlines that other market segments will need to boost delivery if over 200,000 homes across England are to be delivered. It identifies that housing associations and local authorities have the potential to deliver 45,000 homes a year by 2020.
- 2.29 Housing associations would need to boost delivery, particularly through bringing forward increased mixed-tenure schemes themselves, delivering market housing to help cross-fund affordable housing delivery. Savills estimate the potential for this sector to increase delivery by 50%, with annual delivery of an additional 11,700 homes by 2020. This seems to us optimistic, particularly set against the 2015 Budget announcement that housing associations will be expected to reduce rents by 1% per annum over the next four years from April 2016. In the short-term this can be expected to impact on development economics, and the ability of Registered Providers to finance new development.
- 2.30 Savills indicate the potential for local authorities to be starting 10,000 new homes a year by 2020, such as through using their own assets or initiatives such as local housing companies. Since the Savills report was produced, national Government itself has set out that it will directly commission housing delivery – including at Daedalus, Gosport.
- 2.31 In addition there is scope to increase development for rent. Savills estimate that institutionally-funded PRS has the potential to deliver 10,000 new homes a year by 2020, if the sector is given support by local authorities and not required to compete directly for land. We would see the greatest potential here in the Cities which have a higher younger population.
- 2.32 The report identifies that construction firms could also potentially play an increasing role in housebuilding, potentially with lower margins than expected by housebuilders. It identifies potential for joint ventures such as from firms such as Kier, Bouygues and Willmot Dixon, with other parties including local authorities, housing associations and PRS investors.
- 2.33 Table 1 summarises the potential contribution of the different sectors growth in housebuilding over the next five years, based on Savills' analysis. They model a scenario in which housing delivery nationally increases by 46% between 2015-20. Within this private sector housebuilding is expected to support 55% of the increase in delivery (growing by 45%) and public sector bodies are expected to drive 45% of the increase in delivery (growing by a potentially more challenging 79%, albeit from a lower base).

Table 1: Savills analysis of potential Housing Delivery Growth, 2015 to 2020

	Year to Q1 2015	2020 Potential	Change	% Change
Additional build to rent		10,000	10,000	
Local authorities	1,830	10,000	8,170	446%
Housing associations	23,300	35,000	11,700	50%
Small housebuilders (1-100 homes)	14,900	17,500	2,600	17%
Medium housebuilders (101 - 2000 homes)	38,800	50,500	11,700	30%
Large housebuilders (2000+ homes)	61,700	82,000	20,300	33%
Total	140,530	205,000	64,470	46%

2.34 Clearly this Savills report takes a potentially optimistic view regarding potential market recovery, and there are risks to this. However it is useful in considering how housebuilding output might recover.

Impacts of Recent Policy Changes

2.35 One of the key recent policy changes is the proposals announced in the Autumn Statement for 400,000 affordable new homes to be delivered to 2020, half of which are envisaged to be Starter Homes.

2.36 A report by Savills³ expresses serious concerns that this initiative and the associated changes proposed to the NPPF could distort the new homes sales market without increasing new build delivery, given the notable overlap between parts of the market likely to be served by Help to Buy, Starter Homes and shared ownership. Savills foresee the Starter Homes policy potentially reducing the delivery of other forms of affordable housing, such as social/ affordable rented provision; and indicate that it may also accommodate households who might otherwise have used Help-to-Buy or considered shared ownership schemes.

2.37 Evidently there are however some benefits from the direct commissioning of housing delivery by Government, including at Daedalus, and from reforms affecting the rental market – which may help to support the growth of the Build to Rent sector.

³ Savills (Feb 2016) *The impact of new housing measures on development*

3 POTENTIAL HOUSING DELIVERY IN SOUTH HAMPSHIRE

3.1 In this section we turn to consider the potential pace of housing delivery in South Hampshire.

Potential Levels of Housing Provision

3.2 An appropriate starting point for considering potential housing delivery is the scale of housing need. Based on expected population growth, the PUSH OAN Report points to the following levels of Objectively-Assessed Housing Need (OAN).

Table 2: Objectively-Assessed Housing Need

	OAN 2011-36	OAN 2011-34	OAN 2011-36
	Dwellings per Annum	Total	Total
East Hampshire (Part)	70	1,610	1,750
Fareham	305	7,015	7,625
Gosport	335	7,705	8,375
Havant	450	10,350	11,250
Portsmouth	740	17,020	18,500
Winchester (Part)	60	1,380	1,500
Portsmouth HMA	1,980	45,540	49,500
Eastleigh	580	13,340	14,500
Fareham	115	2,645	2,875
New Forest (Part)	210	4,830	5,250
Southampton	1,115	25,645	27,875
Test Valley	185	4,255	4,625
Winchester	75	1,725	1,875
Southampton HMA	2,270	52,210	56,750
Isle of Wight	600	13,800	15,000
Mainland Total	4,250	97,750	106,250
PUSH Total	4,850	111,550	121,250

3.3 Taking account of land availability and development constraints, the potential scale of delivery being considered is for 105,000 dwellings across PUSH to 2034. This is 6% short of the OAN figures. The distribution of housing development proposed is set out in Table 3.

3.4 Table 3 provides an assessment of the residual requirement over the period to 2034. This is for 1,982 dwellings per annum in the Portsmouth HMA; 2,412 dpa in the Southampton HMA and 575 dpa on the Isle of Wight. On the mainland it equates to 4,393 dwellings per annum.

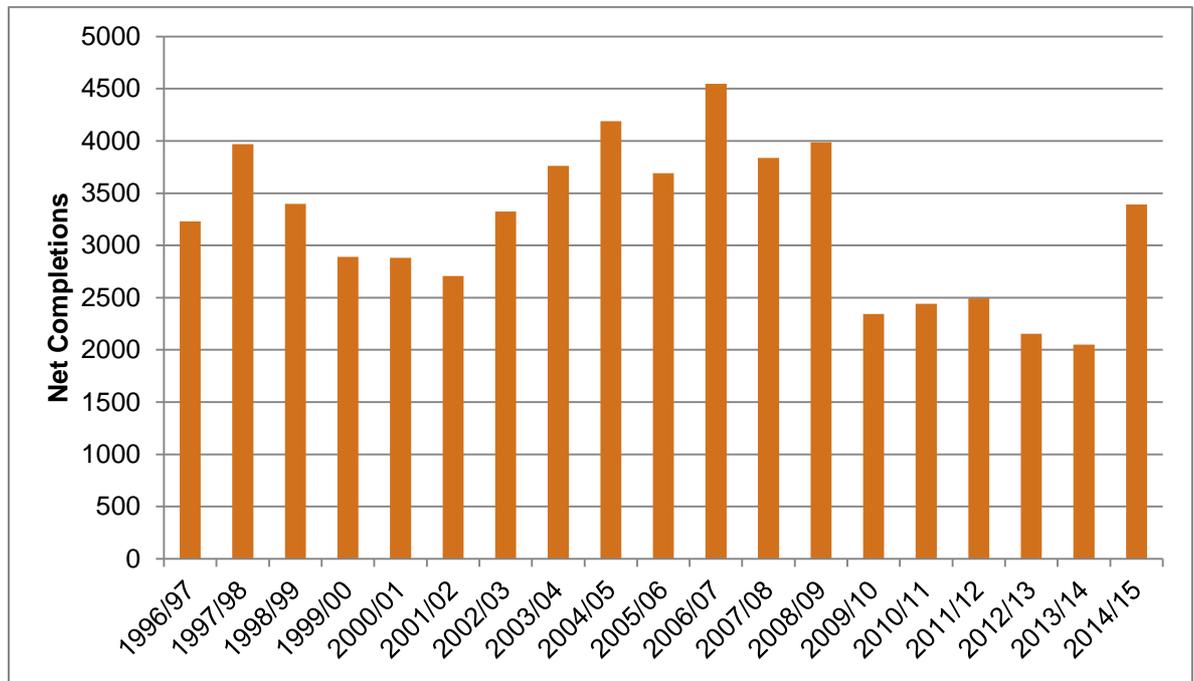
Table 3: Potential Housing Delivery Targets

	Potential Requirement, 2011-34	Completions 2011-15	Residual Requirement 2015-34	Residual Requirement PA
Portsmouth	14558	1162	13396	705
Fareham East	8413	199	8214	432
Winchester East	3741	369	3372	177
Gosport	3350	413	2937	155
Havant	8710	1109	7601	400
East Hampshire (part)	2123	491	1632	86
Portsmouth HMA	40895	3743	37152	1955
Southampton	19445	2646	16799	884
New Forest (part)	3603	495	3108	164
Test Valley (part)	4637	680	3957	208
Eastleigh	16089	1216	14873	783
Fareham West	2047	748	1299	68
Winchester West	5366	154	5212	274
Southampton HMA	51187	5939	45248	2381
Isle of Wight	12945	1817	11128	586
PUSH Mainland	92082	9682	82400	4337
PUSH Total	105027	11499	93528	4923

Past Housing Delivery in the PUSH Area

- 3.5 Over the last 19 years, net completions across the mainland PUSH area have averaged 3,225 dwellings per annum. A peak of 3,968 dwellings was achieved in 1997/8, with completions falling over the subsequent period to 2001/2. Completions then grew year-on-year to 4,547 at the peak of the last market cycle in 2006/7 prior to the recession.
- 3.6 As has been seen nationally, the recession impacted significantly on housing delivery with completion levels falling by a substantial 48% between 2006/7 and 2009/10. The latest year's data does however point to a substantive recovery – with completions levels increasing by a significant 66% on the previous year to 3392 dwellings. This is above the long-term average.
- 3.7 Average housing delivery over the 2003-9 period towards the top of the last market cycle was 4,000 dwellings per annum.

Table 4: Past Housing Delivery on the Mainland, 1996 – 2015



Source: GLH based on HCC Data

- 3.8 Future housing delivery on the mainland would thus need to be 34% above the long-term average, but a more modest level, just over 8%, above levels achieved in the pre-recession period (2003-9). This does not seem inconceivable – albeit challenging.
- 3.9 If the five years of particularly low completions linked to a deep recession and market downturn (2009-14) are excluded, delivery of 3,557 homes per annum were achieved. Delivery proposed over the next 19 years is 22% above this.
- 3.10 However looking at the average over the proposed plan period 2011-34, the proposed delivery rate of 4,000 homes per annum on the mainland is consistent with that achieved in the period immediately prior to the recession, and an increase of 12% on the longer-term average between 1996-2009.
- 3.11 It is important to recognise that past housing delivery has been influenced by previous housing policies. Given the impact of the economic recession it is not really appropriate to benchmark performance against South East Plan targets (adopted 2008) or those in the 2012 South Hampshire Strategy – not least as in both cases these ran to 2026, and we are only part of the way through the envisaged plan period.
- 3.12 Historical performance can however be benchmarked against the Hampshire Structure Plan 1996-2011. Table 5 evaluates delivery performance against Policy H2 in the Structure Plan. It considers

performance in those authorities for which a housing target was defined specific to the PUSH area, and thus excludes those parts of East Hampshire, Winchester and New Forest which fall in the PUSH area.

- 3.13 Across the authorities shown, housing delivery exceeded the Structure Plan targets in Policy H2 by 23.6%. At an individual authority level, delivery significantly exceeded targets in Southampton and Gosport, with Fareham also exceeding the target by more than 20%. Each of the seven authorities shown exceeded the planned level of housing provision.

Table 5: Performance against Structure Plan Targets

	Net Completions 1996-2011	Structure Plan H2 Requirement 1996-2011	Over/ Under- Delivery	% Over/ Under Delivery
Portsmouth	9147	9000	147	1.6%
Southampton	11985	7330	4655	63.5%
Eastleigh	6885	6295	590	9.4%
Fareham	5704	4740	964	20.3%
Gosport	4377	2980	1397	46.9%
Havant	3553	2990	563	18.8%
Test Valley (part)	2920	2730	190	7.0%
Total	44571	36065	8506	23.6%

Source: GLH Analysis of HCC Data

- 3.14 This was the level of growth that was being planned for. **The evidence points to the area having a track record of delivering against housing targets.** As higher housing targets feed through into local plans, there is thus a reasonable potential that housing delivery can be increased relative to the past.
- 3.15 Policy H2 in the Structure Plan included provision for “reserve sites” within local plans which in the PUSH mainland area totalled a further 6,500 dwellings. Including this within a requirement, total completions of 44,571 over the 1996-2011 period exceed the requirement of 42,565 by 4.7%.

Benchmarking Rates of Housing Delivery

- 3.16 We next move on to consider potential rates of housing delivery. To consider the feasibility of these, we have sought to benchmark rates of housing delivery against other areas. The rate of housing delivery will be influenced by the size of an area, and its population. To address differences in the relative size of areas, we have considered rates of housing delivery in terms of the “annual growth rate in housing stock” which a given level of development would represent.

- 3.17 Table 6 sets out what the proposed levels of housing development shown in Table 3 would represent in terms of a growth rate in the housing stock per annum (a Compound Annual Growth Rate (CAGR)).
- 3.18 The highest rates of growth envisaged are in East Hampshire and Winchester, but this simply reflects that the parts of these authorities are more rural and have a lower current population/housing stock. The feasibility of the growth rates in these areas need to be interpreted in this context.
- 3.19 On the mainland, the level of growth envisaged would see housing stock increase by 0.9% pa over the 2011-34 period as a whole; or 1.0% pa over the 2015-34 period.

Table 6: Proposed Stock Growth Rates

	CAGR 2011-34	CAGR 2015-34
Portsmouth	0.7%	0.7%
Southampton	0.8%	0.8%
Fareham	0.9%	0.9%
Gosport	0.4%	0.4%
Havant	0.7%	0.7%
Eastleigh	1.2%	1.3%
Test Valley- Part	1.0%	1.0%
Winchester- Part	2.0%	2.2%
East Hampshire - Part	4.7%	5.2%
New Forest- Part	0.5%	0.5%
Isle of Wight	0.8%	0.8%
PUSH Mainland	0.9%	1.0%
PUSH Total	0.9%	1.0%

- 3.20 It seems appropriate to benchmark housing delivery rates over an economic cycle, recognising that historically there are periods of higher and lower housing delivery (as Figure 1 showed). Taking account of the timing of recessions, we have therefore considered performance over the last two economic cycles – from 1981-1991; and from 1991-2009.
- 3.21 We have drawn data on stock growth from Census data, and from CLG Housing Statistics. Past stock growth figures shown are for the entire local authority.

Table 7: Benchmarking Expected Delivery with Past Stock Growth, PUSH Authorities - % Annual Growth in Housing Stock

CAGR	1981-91	1991-2009	2011-34
Portsmouth	0.6%	0.7%	0.7%
Southampton	0.7%	0.9%	0.8%
Fareham	2.2%	1.0%	0.9%
Gosport	0.7%	0.9%	0.4%
Havant	1.2%	0.5%	0.7%
Eastleigh	2.1%	1.2%	1.2%
Test Valley- Part	1.7%	1.1%	1.0%
Winchester- Part	1.4%	1.2%	2.0%
East Hampshire - Part	2.0%	1.0%	4.7%
New Forest- Part	1.8%	0.8%	0.5%
Isle of Wight	1.3%	1.0%	0.8%
PUSH Core Authorities⁴	1.1%	0.9%	0.8%
PUSH Mainland⁵	1.3%	0.9%	0.9%
PUSH Total	1.3%	0.9%	0.9%

3.22 The table shows the following:

- Portsmouth: growth envisaged in the housing stock over the plan period at 0.7% pa is consistent to that achieved over the last economic cycle, and marginally higher than seen over the 1981-91 period.
- Southampton: a slightly higher rate of growth in stock at 0.8% pa is envisaged in Southampton. This sits between the 0.7% pa growth achieved 1981-91 and the 0.9% pa seen between 1991-2009.
- Fareham: the 0.9% pa growth in stock envisaged in Fareham represents a reduction in rates of development achieved historically. It compares to an average growth rate of 1.0% pa between 1991-2009, and a substantial 2.2% pa achieved between 1981-91.
- Gosport: The 0.4% pa growth in stock envisaged in Gosport represents a reduction in the rate of stock growth seen over either of the past economic cycles, at 0.7% (1981-91) and 0.9% pa (1991-2009).
- Eastleigh: a 1.2% pa growth rate is envisaged, which is higher than for the above areas. However this is consistent with the rate of housing growth achieved over the 1991-2009 period; and below the 2.1% pa growth achieved between 1981-91. 1.3% pa growth is envisaged if the 2015-34 period is used.
- Test Valley: a 1.0% pa growth rate in housing stock is envisaged. This compares to (at a district wide level) historical growth of 1.1% pa between 1991-2009 and 1.7% pa between 1981-91.
- Winchester: this part of PUSH sees a high growth rate of 2.0% pa envisaged over the period to 2034. This is above the 1.2 – 1.4% pa seen over the past two economic cycles at a District level

⁴ Excludes part authorities within PUSH

⁵ For past provision is based on local authorities fully or partly within PUSH. Future figures are for PUSH area

- but it should be recognised that this is only part of the District, and has currently a modest population base. The growth rate would be 2.2% if the 2015-34 period is used.
 - East Hampshire: this part of PUSH sees a high growth rate of 4.7% pa. This is a particular reflection of the low current population within the PUSH part of the District. Compared to historical district performance, this is high and compares to 1.0% growth between 1991-2009, and 2.0% pa over the previous economic cycle (1981-91). A 5.2% growth rate is shown if the 2015-34 period is used.
 - New Forest: this part of the PUSH area is expected to see a relatively modest 0.5% pa growth. This is below that seen historically in the District, at a district-wide level, of 0.8% pa over the 1991-2009 period and 1.8% pa over the previous economic cycle.
 - Isle of Wight: 0.8% per annum growth is envisaged, which is below the rates of growth seen over the previous two economic cycles (1.0% and 1.3% respectively).
- 3.23 This simple benchmarking exercise suggests that the level of housing provision proposed across PUSH, and in individual districts, should be achievable. For the districts wholly included within PUSH, Eastleigh sees the highest growth rates (1.2 – 1.3%). There are significant examples of other areas across the South East region and further afield which have delivered higher rates of stock growth than this.
- 3.24 For the ‘part-authorities’ within PUSH, a higher growth rate in Winchester and East Hampshire is envisaged. However this is not a reflection of a significant scale of growth in these areas on its own: it is a reflection of the low current population/ housing stock in these areas in comparative terms. It is important to interpret the stock growth rates in this context. We would not consider that the analysis does not suggest that housing growth at the rates envisaged in these areas is unachievable.
- 3.25 To further test the ability to deliver housing at the rates of growth envisaged we have undertaken some further work to benchmark delivery rates against “similar areas” – using ONS analysis of comparable authorities which are similar to those in the PUSH area (as shown below).

Table 8: Comparable Authorities

PUSH Authority	Comparable Authorities
Portsmouth	Plymouth; Bristol
Southampton	Bristol; Portsmouth
Eastleigh	South Gloucestershire; Fareham; Central Bedfordshire
Fareham	Eastleigh; Test Valley; East Hampshire
Gosport	Havant; Plymouth
Havant	Erewash; Sedgemoor; East Staffordshire
East Hampshire	Uttlesford; Vale of White Horse
New Forest	Wealden; Suffolk Coastal
Winchester	Waverley; Rutland
Test Valley	East Hampshire; West Oxfordshire

3.26 The growth rates envisaged in the Cities (0.7 – 0.8% pa) are comparable with those achieved historically in similar areas.

3.27 For Eastleigh, East Hampshire and Fareham, the strongest growth rate envisaged is in Eastleigh (1.2 – 1.3% pa, depending on the time period used). Set against growth rates achieved between 1981-1991, this is relatively modest. It is towards the higher end relative to the more recent 1991-2009 period. Relatively modest growth rates are envisaged in Havant and Gosport moving forwards.

Table 9: Benchmarking Housing Stock Growth Rates against Comparable Authorities – Annual Growth in Housing Stock

	1981-91	1991-2009
Portsmouth	0.6%	0.7%
Southampton	0.7%	0.9%
Gosport	0.7%	0.9%
Plymouth	1.0%	0.6%
Bristol, City of	0.4%	0.8%
East Hampshire	2.0%	1.0%
Eastleigh	2.1%	1.2%
Fareham	2.2%	1.0%
Test Valley	1.7%	1.1%
Central Bedfordshire	1.3%	1.3%
West Oxfordshire	1.9%	1.2%
Havant	1.2%	0.5%
Erewash	1.0%	0.7%
Sedgemoor	1.8%	1.2%
East Staffordshire	1.0%	1.1%
Winchester	1.4%	1.2%
Waverley	1.2%	0.5%
Rutland	1.1%	0.7%
East Hampshire	2.0%	1.0%
Vale of White Horse	1.5%	0.9%
Uttlesford	1.1%	1.1%
New Forest	1.8%	0.8%
Wealden	1.4%	0.8%
Suffolk Coastal	1.9%	0.8%

- 3.28 To provide a further indication of the scale of potential growth rates which might be achievable, GL Hearn has sought to identify a number of areas which have historically seen higher rates of housing growth as appropriate benchmarks as to what in theory could be achievable.
- 3.29 Milton Keynes has seen arguably the strongest rates of housing growth achieved nationally. It achieved growth of 4.3% pa between 1981-91; and 1.9% pa between 1991-2009. During the earlier decade, Swindon, Basingstoke and Deane and Bracknell Forest all saw growth rates of over 2.0% pa. All of these areas include a new or expanded town.
- 3.30 Over the more recent 1991-2009 period, over 1.5% pa growth has been achieved in Milton Keynes, Swindon and South Derbyshire. A number of other authorities in the South East region have achieved over 1.5% pa growth in parts of this period (including Ashford and Winchester).

Table 10: Benchmarking Growth Rates in Stronger Performing Authorities

	1981-91	1991-2009
Milton Keynes	4.3%	1.9%
Slough	1.9%	1.1%
Swindon	2.1%	1.5%
South Cambridgeshire	1.7%	1.4%
South Derbyshire	1.3%	1.6%
Basingstoke and Deane	2.1%	1.2%
Bracknell Forest	2.3%	1.3%

- 3.31 Overall, the benchmarking analysis does suggest that the housing numbers envisaged in the emerging PUSH Spatial Strategy work would be achievable.

4 ACCELERATING HOUSING DELIVERY

- 4.1 In this final section of the report, we move on to consider what might be necessary to support accelerating delivery of housing within the PUSH Area.
- 4.2 The analysis above highlights that future housing delivery on the mainland needs to increase by 8% on that achieved in the immediate pre-recession period (2003-9), and exceed long-term averages. However the evidence points to the area having a track record of delivering against housing targets. As higher housing targets feed through into local plans, there is thus a reasonable potential that housing delivery can be increased relative to the past.
- 4.3 The growth rate in stock envisaged, 0.9 – 1.0% pa, is marginally above the 0.9% pa growth seen over the last economic cycle (1991-2009) and below that seen over the economic cycle previous to this (1.3% pa, 1981-91). The evidence (at an aggregate and individual authority level) however suggests that the anticipated rates of housing delivery should be achievable.

4.4 There is however a clear need to boost housing delivery in South Hampshire as is the case nationally. To do this, the following will be important:

A. Planning Certainty

4.5 Planning certainty reduces development risk and helps to support housing delivery. Moving swiftly from agreeing a sub-regional spatial strategy to progressing local plans which put allocations in place to support planning applications and housing development will be important.

B. Mix of Sites

4.6 Planning for a portfolio of sites – large and small, in larger as well as smaller settlements - within local plans will help to support delivery. This caters for different sizes of housebuilders, and different market segments. Moreover there can be longer lead-in times for strategic development, whilst smaller sites can “move quicker” and contribute to supply in the short-term.

4.7 Larger strategic sites are however important – once they are on-site, they typically support development at a pace, and have contributed to higher housing delivery in all the locations which have seen strong growth rates in the above analysis. They are also less prone to recessionary influences, and can support delivery through periods of market downturn.

4.8 Providing a mix of sites will support delivery of housing by a range of bodies – including large and small housebuilders, and registered providers.

C. Public Sector Enabling Role

4.9 The public sector has an important role to play in supporting delivery. The scope of this varies, from putting in place the policy framework, involvement in land assembly (for larger/ complex schemes), through a brokering role (bringing parties together), or through supporting delivery of key infrastructure.

4.10 It is almost inevitable that public funding will play an important role in supporting housing delivery through helping deliver key infrastructure to open up sites and/or stimulate demand. Funding is available through a number of national programmes, including the Local Growth Fund (via the LEP).

D. Mix of Delivery Agents

4.11 As set out above, to boost housing delivery, a wider range of bodies need to be delivering new homes. This includes housebuilding which caters for different markets.

- 4.12 A significant proportion of houses are build by the national volume housebuilders. These can be expected to boost their output, but will likely do so in a managed way in order to maintain profit margins.
- 4.13 PUSH should seek to encourage a wider range of bodies to deliver homes. This includes support for:
- Custom-build Development;
 - Building for Rent – particularly in the Cities;
 - Development by Registered Providers – including on public sector land;
 - Direct commissioning by Government/ Public Bodies – as is planned at Daedalus.

E. Local Demand Drivers

- 4.14 Investment in delivering new infrastructure, in local regeneration programmes, and in economic development helps to sell houses. People move to an area to access jobs. Improving accessibility through transport investment; and improving quality of place through regeneration programmes, can both help to accelerate delivery rates on individual development sites.
- 4.15 We would see issues relating to construction industry capacity – including in respect of housebuilding firms; builders and tradespersons, and materials – as potential influenced on delivery rates; but factors which are more likely to bear out in the short, rather than medium/ longer-term.
- 4.16 Coordinated action which addresses the above will help to boost housing delivery. At a national level, there are a range of Government initiatives which aim in particular to support young people into home ownership – including schemes such as Starter Homes, Help-to-Buy and Shared Ownership which specifically support new-build housing sales. Against a context whereby the ability of younger households to move into home ownership fell quite notably over the 2001-11 decade, these schemes will be important in supporting housebuilding.
- 4.17 It is notable from the historic analysis that public sector delivery of housing is notably lower currently than has been seen historically. It will be important that funding for affordable housing provision is maintained and ideally enhanced (as far as possible within the national policy framework) to provide for those who cannot afford home ownership. Funding here can directly help to stimulate housing outputs.