

**Merton**  
**Strategic Housing Market Assessment 2008**

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Draft Main Report of Study Findings  
March 2010



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# Chapter 1: Introducing the Study

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- 1.1 Opinion Research Services (ORS) was commissioned by London Borough of Merton, to undertake a comprehensive and integrated Strategic Housing Market Assessment. The research was based on the analysis of secondary data from the UK Census, Housing Corporation, HM Land Registry, Office for National Statistics and a range of other sources (which primarily underwrote the housing needs and requirement modelling). The study area is that of the Borough of Merton alone, but the data presented will be set in the context of South West London, the Greater London region and England/England and Wales.

## What Is A Strategic Housing Market Assessment?

- 1.2 Strategic Housing Market Assessments (SHMAs) are a crucial part of the evidence base that informs policy and helps shape strategic thinking in housing and planning. They were introduced as the required evidence base to support policies within the framework introduced by Planning Policy Statement 3 (PPS3) in November 2006.

*Strategic Housing Market Assessments and Strategic Land Availability Assessments are an important part of the policy process. They provide information on the level of need and demand for housing and the opportunities that exist to meet it*

- 1.3 SHMAs contribute to three levels of planning:

### **Regional**

- developing an evidence base for regional housing policy
- informing Regional Housing Strategy reviews
- assisting with reviews of Regional Spatial Strategy

### **Sub regional**

- deepening understanding of housing markets at the strategic (usually sub regional) level
- developing an evidence base for sub regional housing strategy

### **Local**

- developing an evidence base for local development documents
- assisting with production of Core Strategies at local level

- 1.4 When considering SHMAs in the context of developing Local Development Documents, PPS3 sets out the following expectations:

*Based upon the findings of the Strategic Housing Market Assessment and other local evidence, Local Planning Authorities should set out in Local Development Documents:*

- *The likely overall proportions of households that require market or affordable housing, for example, x% market housing and y% affordable housing.*

- *The likely profile of household types requiring market housing e.g. multi-person, including families and children (x%), single persons (y%), couples (z%).*
- *The size and type of affordable housing required.*

1.5 Alongside PPS3, Practice Guidance for undertaking Strategic Housing Market Assessments was published by the Department for Communities and Local Government (CLG) in March 2007 and subsequently updated with a minor revision in August 2007.

1.6 The Guidance gives advice regarding the SHMA process and sets out key process checklist items for SHMA Partnerships to achieve. These checklist items are important, especially in the context of supporting the soundness of any Development Plan Document:

*In line with PPS12, for the purposes of the independent examination into the soundness of a Development Plan Document, **a strategic housing market assessment should be considered robust and credible if, as a minimum, it provides all of the core outputs and meets the requirements of all of the process criteria in figures 1.1 and 1.2.***

1.7 The core outputs and process checklist required to demonstrate robustness are detailed below.

Figure 1  
CLG SHMA Practice Guidance Figure 1.1 – Core Outputs

Core Outputs	
1	Estimates of current dwellings in terms of size, type, condition, tenure
2	Analysis of past and current housing market trends, including balance between supply and demand in different housing sectors and price/affordability. Description of key drivers underpinning the housing market
3	Estimate of total future number of households, broken down by age and type where possible
4	Estimate of current number of households in housing need
5	Estimate of future households that will require affordable housing
6	Estimate of future households requiring market housing
7	Estimate of the size of affordable housing required
8	Estimate of household groups who have particular housing requirements e.g. families, older people, key workers, black and minority ethnic groups, disabled people, young people

Figure 2  
CLG SHMA Practice Guidance Figure 1.2 – Process Checklist

Process Checklist	
1	Approach to identifying housing market area(s) is consistent with other approaches to identifying housing market areas within the region
2	Housing market conditions are assessed within the context of the housing market area
3	Involves key stakeholders, including house builders
4	Contains a full technical explanation of the methods employed, with any limitations noted
5	Assumptions, judgements and findings are fully justified and presented in an open and transparent manner
6	Uses and reports upon effective quality control mechanisms
7	Explains how the assessment findings have been monitored and updated (where appropriate) since it was originally undertaken



- 1.8 The following sections describe the process undertaken in delivering the Merton study and identify where the required core outputs are provided within the study report.

### Satisfying the Process Checklist

1. Approach to identifying housing market area(s) is consistent with other approaches to identifying housing market

- 1.9 Merton's Strategic Housing Market Assessment, undertaken by ORS, is consistent with the regional approach in identifying housing market areas as ORS has adopted the same methodology as the London wide study which they had completed. In addition, ORS has also completed Croydon's SHMA. The remaining authorities in South West London, Kingston upon Thames, Lambeth, Richmond upon Thames, Sutton and Wandsworth, are either conducting separate studies of their own, or are yet to commence work on any assessment.
- 1.10 A single sub-regional SHMA has recently been commissioned. The potential value of such a study has been recognised in South West London, particularly in regards to maintaining a consistent approach across the area.
- 1.11 The Merton SHMA was commissioned with reference to the administrative boundaries of the local authorities within it – but through the use of a range of secondary sources, provided an appropriate context for the local data in relation to the surrounding area. It will therefore provide an effective basis for building a sub-regional assessment.

2. Housing market conditions are assessed within the context of the housing market area.

- 1.12 The contextual information about housing market conditions presented in this report focus on the administrative boundaries for Merton, but is generally considered within the context of the national, regional and sub-regional position, and contains information on local housing markets within Greater London across borough boundaries.
- 1.13 Given that it is possible to define the housing market area at different levels – from very localised housing markets that operate within the local authorities' administrative boundary ranging up to the London Housing Market– it is appropriate for this SHMA to assess the housing market context in this way.

3. Involves key stakeholders, including house builders.

- 1.14 The Merton SHMA forms the basis for a wider housing and planning consultation in Merton. A Stakeholders consultation event has taken place in February 2009 to engage our partners from both the public and private sector.

4. Contains a full technical explanation of the methods employed, with any limitations noted.

5. Assumptions, judgements and findings are fully justified and presented in an open and transparent manner.

- 1.15 Many aspects of the SHMA simply collate the range of available evidence in order for it to be considered within the local context – and a detailed technical explanation of such stages is therefore not normally necessary, and no assumptions or judgements have been taken. Nevertheless, some of

the outputs from the study are dependent on more analytical work that does require a more technical explanation and are based on a series of assumptions.

- 1.16 Assessing the suitability of housing occupied by established households across the borough is one of those critical stages, and the comprehensive analysis that is undertaken to determine the suitability of existing housing is detailed in the report in chapter 5 (5.7 -5.14), together with the associated assumptions for this stage of the analysis.
- 1.17 The assessment of household affordability is another critical stage of the analysis that fundamentally underwrites the assessment of housing need – insofar as it determines the financial resources required to be able to access market housing. The methodology employed for this analysis is clearly set out in Chapter 7 under the heading “Profiling Affordability”. Once again, a number of assumptions have been taken – but these are consistent with the standard assumptions promoted by the CLG Practice Guidance.
- 1.18 The other key analytical stage of the process relates to the modelling of housing requirements. An overview with further details on the derivation of each of the model inputs is set out in Chapter 8 (under the heading “Housing Market Dynamics”)

#### 6. Uses and reports upon effective quality control mechanisms.

- 1.19 The quality of the SHMA outputs are underwritten by the robustness of the analysis methodology employed coupled with the quality of the data that underwrites that analysis process. The primary source for many of the Core Outputs for Merton is the modelling framework outlined in Chapter 7 of this report. This model has been developed and tested over a number of years. The development process was aided by being able to run the model alongside the evidence from many previous primary data studies conducted by ORS. This allows us to be confident that the outputs from the model will be in line with those which would have been generated by a primary data survey.
- 1.20 Key partners of the London Borough of Merton were consulted on the detailed aspects of the project, including the methodology, data sources and reporting, and further discussion has taken place at the Stakeholders Event in for February 2009. Following comments from stakeholders, key aspects of the work have been adapted and the most relevant and up to date information that might otherwise not have been taken into account are included in the final report.

#### 7. Explains how the assessment findings have been monitored and updated (where appropriate) since it was originally undertaken.

- 1.21 As this report provides the findings from the baseline SHMA, the results are yet to be monitored and updated. However, a modelling tool has been developed as part of this study for Merton. The tool will enable regular updates of the assessment findings.

### Providing the Core Outputs

- 1.22 Figure 3 (below) provides the relevant references for each of the Core Outputs required by the SHMA Practice Guidance in the context of this report.

Figure 3  
Referencing the SHMA Core Outputs

Core Outputs	References within the Report
<p><b>1</b> Estimates of current dwellings in terms of size, type, condition, tenure</p>	<p><i>Chapter 4 profiles the Existing Housing Stock</i></p> <p><i>More specifically:</i></p> <ul style="list-style-type: none"> <li>– <i>Figure 48 provides detail on the size of dwellings;</i></li> <li>– <i>Figure 43 gives a breakdown of property type;</i></li> <li>– <i>Figure 58 provides detail on unsuitably housed households</i></li> <li>– <i>Figure 45 gives a breakdown of tenure</i></li> </ul>
<p><b>2</b> Analysis of past and current housing market trends, including balance between supply and demand in different housing sectors and price/affordability. Description of key drivers underpinning the housing market</p>	<p><i>The study provides a wide range of information about trends within the housing market, with references throughout chapters 3, 4 and 5.</i></p> <p><i>More specifically:</i></p> <ul style="list-style-type: none"> <li>– <i>Figure 11 provides details on the overall population;</i></li> <li>– <i>Figure 15 and Figure 16 show the changing age profile of the area;</i></li> <li>– <i>Figure 17 and Figure 23 detail UK migration rates year-on-year;</i></li> <li>– <i>Figure 28 shows details on asylum seekers;</i></li> <li>– <i>Figure 59 shows the level of homeless presentations and the number of homeless households housed in temporary accommodation;</i></li> <li>– <i>Figure 31 provides information on unemployment rates;</i></li> <li>– <i>Figure 33 shows annual VAT registrations and de-registrations;</i></li> </ul>
	<ul style="list-style-type: none"> <li>– <i>Figure 37 and Figure 38 detail local earnings;</i></li> <li>– <i>Figure 61, Figure 62 and Figure 63 and Figure 65 provide detail on the changing cost of local housing;</i></li> <li>– <i>Figure 66 shows the volume of sales;</i></li> <li>–</li> </ul>

Core Outputs		References within the Report
3	Estimate of total future number of households, broken down by age and type where possible	<i>The ORS Housing Mix Model identifies formation and dissolution of households, and Figure 80 to Figure 88 show the projected number of additional households up to 2026</i>
4	Estimate of current number of households in housing need	<i>Chapter 5 documents households who are unsuitably housed and in need</i>
5	Estimate of future households that will require affordable housing	<i>The gross housing requirement for Social Rented and Intermediate Affordable Housing is detailed in Figure 95 of the report</i>
6	Estimate of future households requiring market housing	<i>The gross housing requirement for Market Housing is also detailed in Figure 95 of the report</i>
7	Estimate of the size of affordable housing required	<i>The size mix of housing required by all households seeking housing (broken down by household type) is detailed in Figure 101, Figure 103 and Figure 104 shows the distribution in the context of net housing requirement (after taking account of vacancies arising within the existing stock)</i>
8	Estimate of household groups who have particular housing requirements e.g. families, older people, key workers, black and minority ethnic groups, disabled people, young people	<i>Chapter 7 of the report considers the needs of various sub-groups of the population, including:</i> <ul style="list-style-type: none"> <li>– <i>Black and Minority Ethnic Population;</i></li> <li>– <i>Housing Needs of Older People; and</i></li> <li>– <i>Supported Housing and Health Needs</i></li> </ul>

## Data Sources

<sup>1.23</sup> In considering these questions, we have integrated a range of research methods in order to better understand the relevant issues. Through combing the information from the range of data sources, we are able to build a detailed profile of Merton and how it is evolving and changing over time – and integrating the different data sources enables information to be extracted that otherwise may not have been found.

<sup>1.24</sup> The secondary data sources used included:

- 2001 Census of Population;
- ONS population projections;
- Greater London Authority population projections
- Database of all property sales maintained by HM Land Registry;
- Information on existing stock maintained by Valuation Office Agency;
- Mid-year Population estimates;
- Annual Population Survey;
- Annual Survey of Hours and Earnings;
- VAT registrations

- Pension claimants;
- Incapacity benefit claimants;
- Unemployment claimants count;
- HSSA submissions from local authorities;
- CACI Paycheck data for household income;
- Supporting People records;
- Home Office asylum seeker statistics;
- DCLG Right to Buy records
- DCLG data based on P1E homelessness submissions;
- NHS customer record (NHSCR) data from the ONS migration statistics unit.
- Housing Corporation publications from Registered Social Landlord CORE logs (Continuous Recording) and other statistical returns; and
- Local authority housing and planning administrative records.



## Chapter 2: The Strategic Context

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### The National Policy Context

- <sup>2.1</sup> Planning Policy Statement 1 (PPS1) sets out the overarching planning policies on the delivery of sustainable development through the planning system. The policies set out in PPS1 need to be taken into account in the preparation of both regional and local planning documents. It is emphasised that sustainable development (ensuring that there is a better quality of life for everyone, now and for future generations) is the core principle underpinning planning and is therefore a vital part of the process.
- <sup>2.2</sup> In its 1999 Strategy for Sustainable Development for the UK – ‘A Better Quality of Life’, the government set out four aims which are:
- social progress which recognises the need of everyone;
  - effective protection of the environment;
  - the prudent use of natural resources; and,
  - the maintenance of high and stable levels of economic growth and employment.
- <sup>2.3</sup> PPS1 also states that to facilitate and promote sustainable and inclusive patterns of urban and rural development planning should ensure, among other things, that new developments are of high quality and well designed, making the most efficient use of resources, and that they support existing communities whilst creating safe, sustainable, liveable and mixed communities with good access to jobs and key services. These principles are also included in the Government’s vision for sustainable communities, set out in Sustainable Communities – building for the future (ODPM, 2003).
- <sup>2.4</sup> The policies set out in the current housing policy document PPS3 are based, among others, upon the principle of sustainable development. In particular housing policies in PPS3 seek to minimise environmental impact including climate change and flood risk.
- <sup>2.5</sup> PPS3 was developed in response to recommendations in the Barker Review of Housing Supply (March 2004) and reflects the need to improve the affordability and supply of housing in all communities.
- <sup>2.6</sup> In addition to the giving everyone the opportunity of living in a decent home, which they can afford, PPS3 also sets out the requirement that people should also live in a community where they want to live. The government have set out the following aims in order to achieve this:
- *To achieve a wide choice of high quality homes, both affordable and market housing, to address the requirements of the community;*
  - *To widen opportunities for home ownership and ensure high quality housing for those who cannot afford market housing, to address the requirements of the community;*
  - *To improve affordability across the housing market, including by increasing the supply of housing; and*
  - *To create sustainable, inclusive, mixed communities in all areas, both urban and rural.*

2.7 An important series of definitions are also presented in PPS3, of which several are detailed below.

**Housing definitions presented in PPS3**

**Housing Need:** The quantity of housing required for households who are unable to access suitable housing without financial assistance.

**Housing Demand:** The quantity of housing that households are willing and able to buy or rent.

**Affordable Housing:** Social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should:

- Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices.
- Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision.

**Housing Market Areas:** Geographical areas defined by household demand and preferences for housing. They reflect the key functional linkages between places where people live and work.

Note: These definitions are adopted throughout the SHMA.

2.8 Notably one of the six principles of PPS3 is that an evidence-based policy approach to housing provision is taken:

*Local Development Documents and Regional Spatial Strategies policies should be informed by a robust, shared evidence base, in particular, of housing need and demand, through a Strategic Housing Market Assessment.*

2.9 The Criminal Justice and Public Order Act 1994 (Sections 61, 62) is particularly important with regard to the issue of planning for Gypsy and Traveller site provision. This repealed the duty of local authorities to provide appropriate accommodation for Gypsies and Travellers. However, Circular 1/94 did support maintaining existing sites and stated that appropriate future site provision should be considered.

2.10 The accommodation need of Gypsies and Travellers has since been mainstreamed within the wider housing and planning systems. Section 225 of the Housing Act 2004 introduced a statutory duty for local authorities to carry out an accommodation needs assessment of Gypsies and Travellers residing in or resorting to their district. Local authorities are also required to prepare a strategy in respect of meeting such needs under section 87 of the Local Government Act 2003.

2.11 The Planning Circular 01/2006 Planning for Gypsy and Traveller Sites also sets out guidance stating that local planning authorities need to identify appropriate land for Gypsy and Traveller sites through the Development Plan Documents (DPDs) in line with need in their area. The Regional Planning Bodies and Planning Inspectors will require local authorities to produce Needs Assessment reports for Gypsies and Travellers. In London, borough-level targets for pitch provision have been included in the Draft Replacement to the London Plan, which will come into force in 2010.

**The London Plan 2004, 2008 and the Mayors Draft Consultation Plan October 2009**

2.12 To deliver the Communities Plan the Government tasked the nine English regions with setting up a regional housing body or board. The London Housing Body takes responsibility for delivery in London. The emerging London policy is contained within the London Plan published by the Mayor of London.



- <sup>2.13</sup> Since 1989 the population of London has been growing and was estimated to contain 7.3 million people in 2003 with an expected increase to 8.1 million by 2016, with the population expected to become more youthful and culturally diverse

### **Background**

- <sup>2.14</sup> The London Plan, the Mayor's Spatial Development Strategy, was first published in February 2004. The Plan's integrated and strategic policies inform delivery in a range of areas including housing, transport, and supporting economic growth. The Mayor is legally required to keep the London Plan under review.
- <sup>2.15</sup> An updated plan containing alterations made since 2004 was published in February 2008. The election of a new London Mayor in May 2008 led to proposals for a new London Plan being published in April 2009 leading to formal publication of a replacement plan towards the end of 2011.
- <sup>2.16</sup> A Replacement Draft Consultation Plan was published in October 2009. However, the February 2008 version of the London Plan retains legal precedence until the replacement London Plan is published.

### **Key Themes**

- <sup>2.17</sup> The London Plan recognises that London's economic growth depends heavily on an efficient labour market and this in turn requires adequate housing provision to sustain it. Lack of housing, especially affordable housing, is already one of the key issues facing London employers.
- <sup>2.18</sup> Reflecting the key national policy themes of sustainable communities and social cohesion, the London Plan acknowledges that a strategy for housing is not simply a matter of providing adequate accommodation, but also about ensuring access to key public services and local amenities. It emphasises that new housing should also help support economic growth and offer a range of choices for new households, including affordable housing – both homes for social renting and intermediate housing.

### **Key Objectives**

- <sup>2.19</sup> In response to the above, the London Plan's main objectives are to:
- accommodate London's growth within its boundaries without encroaching on open spaces;
  - make London a better city for people to live in;
  - make London a more prosperous city with strong and diverse economic growth;
  - promote social inclusion and tackle deprivation and discrimination;
  - improve London's accessibility;
  - make London a more attractive, well-designed and green city

### **Future Housing Provision**

- <sup>2.20</sup> The Plan has a strong focus on increasing London's supply of housing. It sets out the policy framework for distributing housing capacity among the boroughs and for realising and monitoring that development. Policy 3A.1 of the London Plan (2008) sets a minimum target for housing provision 30,500. This is slightly below the target of 33,000 new homes per annum identified by the draft Strategic Housing Market Assessment (ORS, November 2008).

2.21 The Consultation Draft Replacement Plan (October 2009) suggests an even (albeit slightly) higher annual target of 33,380 new dwellings per annum between 2011 and 2021. However, as targets should be over a 15, rather than 10 year period, the Mayor is committed to reviewing targets by 2015/16.

2.22 Note that the Draft Plan proposes a different view of London’s Planning sub-regions to the 2008 Plan and proposes a different spatial framework for policy (map 2.2 below);

- Central London including a Central Activities Zone
- Inner London
- Outer London

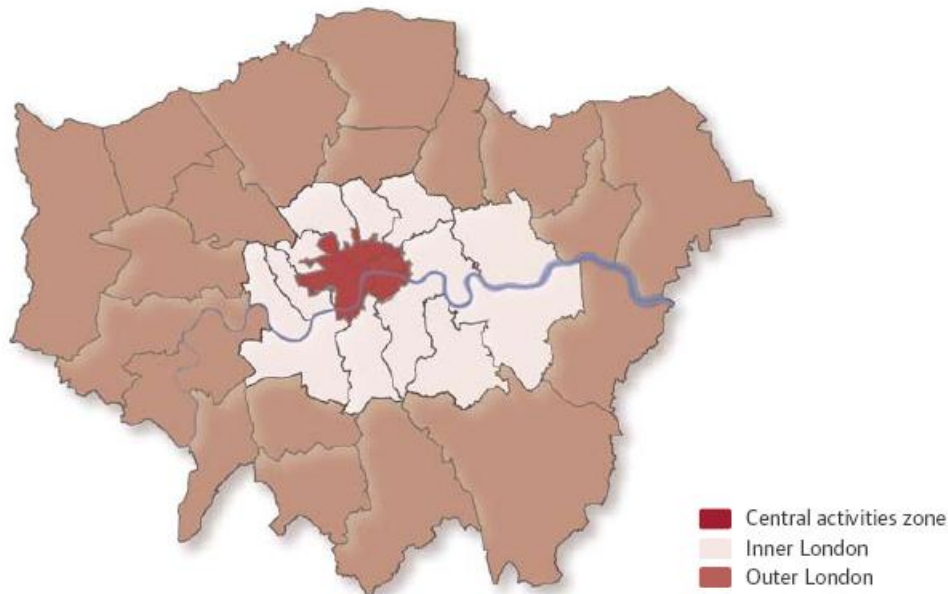
2.23 The housing sub-regions are unaltered.

2.24 Minimum targets for the London Planning sub-regions are shown below.

Figure 4  
 London Housing Provisional Annual Monitoring Targets by New Planning Sub-region (Source: Draft Consultation London Plan (October 2009) Table 3.1

London Housing Provision Targets 2011 to 2021		
Area	Total Target	Annual Monitoring Target
East London	148,450	14,850
North London	36,350	3,635
South London	43,250	4,325
West London	40,150	4,015
Central	65,600	6,560
<b>Total</b>	<b>333,800</b>	<b>33,380</b>

Map 2.2 Outer London, Inner London and Central Activities Zone



Source: GLA 2009 © Crown copyright. All rights reserved. Greater London Authority 100032379 (2009)

- <sup>2.25</sup> The Mayor published 'Planning for a Better London' in July 2008, setting out the key areas he wishes to address in revising the London Plan, other related strategies and guidance. It paved the way for the Mayor's Draft London Plan October 2009. It outlined the key challenges in respect of providing the homes Londoners need and the key policy responses. These include supporting the delivery of affordable homes while removing prescriptive and counter-productive targets; enabling a higher proportion of shared ownership and other 'intermediate' housing; providing the planning framework for Mayoral housing initiatives; improving standards for the quality and design of housing; and promoting good quality, liveable and sustainable neighbourhoods.

### Affordable Housing

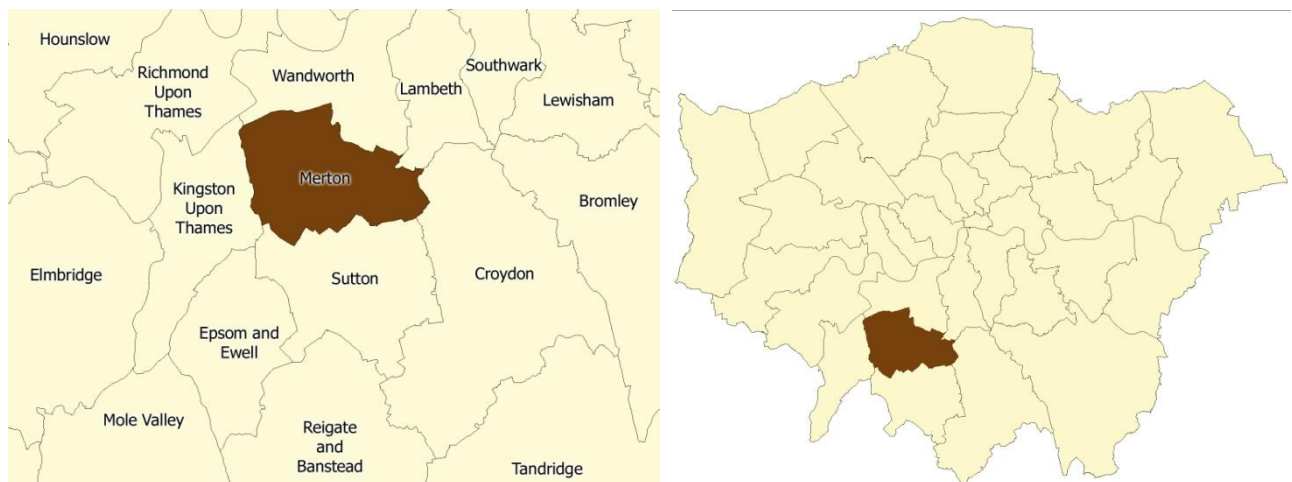
- <sup>2.26</sup> The 2008 Plan places a strong emphasis upon affordable housing. It is seen as being important to meet the needs of households who cannot afford decent and appropriate housing in their borough and also to promote mixed and balanced communities. A shortage of affordable housing has led to increasing numbers of households in priority need being forced to live for long periods in temporary housing, overcrowded conditions and in bed and breakfast accommodation. Many others have moved out of London and are either travelling long distances to work or are leaving the capital altogether.
- <sup>2.27</sup> The result can be that those with lower incomes find it very difficult to access the housing they need, with many having no option but to seek social housing. This in turn can lead to social housing and deprivation being closely linked, with people finding it increasingly difficult to move on from social into other forms of housing.
- <sup>2.28</sup> The consultation draft replacement plan (October 2009) emphasises the link between health deprivation and housing. London is a very expensive place to live, a problem exacerbated by the income trends which suggest that Income poverty rates for children, working age adults and pensioners are higher in London than elsewhere in the UK. However the Draft Plan also includes an evidence based approach to the identification of areas for intensification and regeneration designed to improve the local economy and reduce such inequalities.

- 2.29 The delivery of additional affordable housing has featured significantly in the development of the London Plan. The first London Plan (2004) adopted a strategic target that half of all additional housing should be affordable. However, in 2008, the new mayor decided that this target has proved unachievable and unresponsive to local circumstances. In the Draft Plan he intends to propose a numeric rather than a rigid percentage based regional target, informed by the SHLAA and SHMA, working with boroughs in the light of their sub-regional and local housing market assessments to ensure their own affordable housing targets fully and realistically contribute to local and strategic need and conform to the London Plan.
- 2.30 The Draft Consultation Plan (October 2009) suggests that, based on the funding that was available and the record of delivery of affordable homes over recent years, an average of 13,200 additional affordable homes per annum is a more appropriate strategic target. This equates to an annual affordable housing target of 40% of all new dwellings. However, the Mayor will engage with boroughs individually to enable them to set local affordable housing targets which are in general conformity with the London Plan's strategic targets.
- 2.31 Although the original London Plan (2004) suggested that future affordable homes consist of 70 per cent social housing and 30 per cent intermediate housing, the London Housing Strategy indicates that a target of 60 per cent social housing and 40 per cent intermediate housing may be more appropriate. These targets are retained in the Mayors Draft Consultation Plan (October 2009).
- 2.32 Finally, in terms of affordable housing thresholds, the Draft Consultation Plan (October 2009) suggests that Boroughs should normally require affordable housing provision on a site which has capacity to provide 10 or more homes (compared with the PPS3 threshold of 15 dwellings). It encourages Boroughs to seek a lower threshold through the UDP process where this can be justified. They are encouraged to ensure that the affordable housing requirement applies to any site which has the capacity taking into account other policies of the plan to provide the minimum number of dwellings set in their threshold.

## Introducing the London Borough of Merton

- 2.33 Merton is one of 33 local authorities which make up the Greater London administrative area. It is part of South West London which is an area that extends from Kingston Upon Thames and Richmond Upon Thames in the west and Croydon in the east, with Sutton in Surrey to the south and Lambeth and Wandsworth forming the boundary to the north.

Figure 5  
Identifying the Study Area



- 2.34 Merton's population is set to increase to 213,240 by 2011, an 11% increase from 2001, and a further 4% increase to 222,100 by 2016. The number of older people aged 85 and over is projected to increase by 16% to 3,750 between 2001 and 2010, with a further increase of 13% by 2015. It is estimated that by 2010 20% of older people aged 60 and over will be ethnic minorities, rising to 27% by 2020 and 30% by 2025. Although the number of people aged 65 or over is expected to decrease by 6% to 2010, population projection shows a steady increase from then on. There will be an estimated increase of 9.8% of this age group to 2020, and a 16.6% increase between 2010 and 2015.
- 2.35 There are three main town centres in Merton – Wimbledon, Mitcham and Morden; with high levels of commuter flows in and out of central London. The West of the borough has good public transport, particularly Wimbledon. Most of the East of the borough is less well served although this is improving with the recent opening of the Eastfield Station. The borough is not amongst the most deprived boroughs in London, but this masks the widespread disadvantage and pockets of deprivation within the borough, and the polarization between the more deprived wards in the East and the more affluent wards in the West.
- 2.36 Merton has a vibrant housing market with the private housing sector making up 85% of all housing stock. 68% of all Merton households are owner-occupiers and 14% are renting privately. Housing affordability is an issue that affects many households in Merton. There are nearly 4,420 (5.6%) households currently on Merton's Housing Register waiting for social housing, but only around 500 homes becoming available each year. More homes are needed in all tenures, especially family-sized affordable homes and intermediate housing. The private rented sector also plays an increasingly important role in meeting the housing needs of many.
- 2.37 There was a significant rise in the number of new houses built in Merton between 2003 and 2006. A total of 2,127 new homes, both affordable and market housing, were completed during this period.

This showed a 142% increase when compared to the previous 3 years (2000-2002), and makes up 42% of all housing units built between 1992 and 2006. More than three quarters of homes built were smaller homes with 1 or 2 bedrooms. Just over one in five homes built were family homes with 3 or 4 bedrooms. It is anticipated that the number of completions in Merton will be at least an average of 370 dwellings per annum between 2007 and 2012, of which 352 will be new – build homes.

### **Development and Housing Strategies**

2.38 Merton's new Housing Strategy 2008-2011 builds on the five priorities set out in the 2004-07 Strategy, with a new focus on 'Empowering People and Shaping Places', as Government policies are increasingly people focused. One of the key concepts introduced by in the Local Government White Paper "Strong and Prosperous Communities" is that local authorities should act as a strategic leader and place-shaper for their local communities, and that the strategic housing role is at the heart of this place-shaper agenda. We have therefore set 'place-shaping' as another key objective in our Housing Strategy 2008-2011, as the provision of housing in terms of type, size and mix, and actions to improve existing communities, play a key role in this area. The Strategy has two key objectives:

#### A. Meeting the Housing Needs of Local People

2.39 Under this objective, the needs of the client groups set out below are addressed:

- Households on Low and Middle Income
- Homeless Households
- Older People
- Ethnic Minorities
- Children and Young People
- Other Vulnerable People

#### B. Building Sustainable Communities and Shaping Places

2.40 The topics outlined below are covered under this objective:

- Balancing Housing Market
- Affordable Housing
- Decent Homes & Quality Services
- Affordable Warmth, Energy Efficiency & Climate Change
- Healthier, Safer & Cohesive Communities

### **Development of Planning Policies**

2.41 The emerging Core Strategy of the Local Development Framework (LDF) for Merton seeks to support the Mayor's objectives for London and its strategic priorities for South West London. These priorities relate to strengthening economic ties with Central London and promoting the sub-region's contribution to London's world city role. Particular priorities of relevance to Merton are:

- Optimising the development of the Area for Intensification around South Wimbledon and Colliers Wood which seeks to provide a minimum of 1,300 homes between 2001 and 2016 alongside 2,000 jobs;
- Encouraging sensitive restructuring of some town centre to reflect changes in the office market and the need for a range of economic activities and housing;
- Managing the reuse of surplus industrial land taking into account waste management requirements;
- Creating a new regional park that integrates and contributes to the regeneration of the Wandle Valley Development Corridor;
- Improving orbital movement by public transport, including Croydon Tramlink extensions, and improved access to Heathrow.

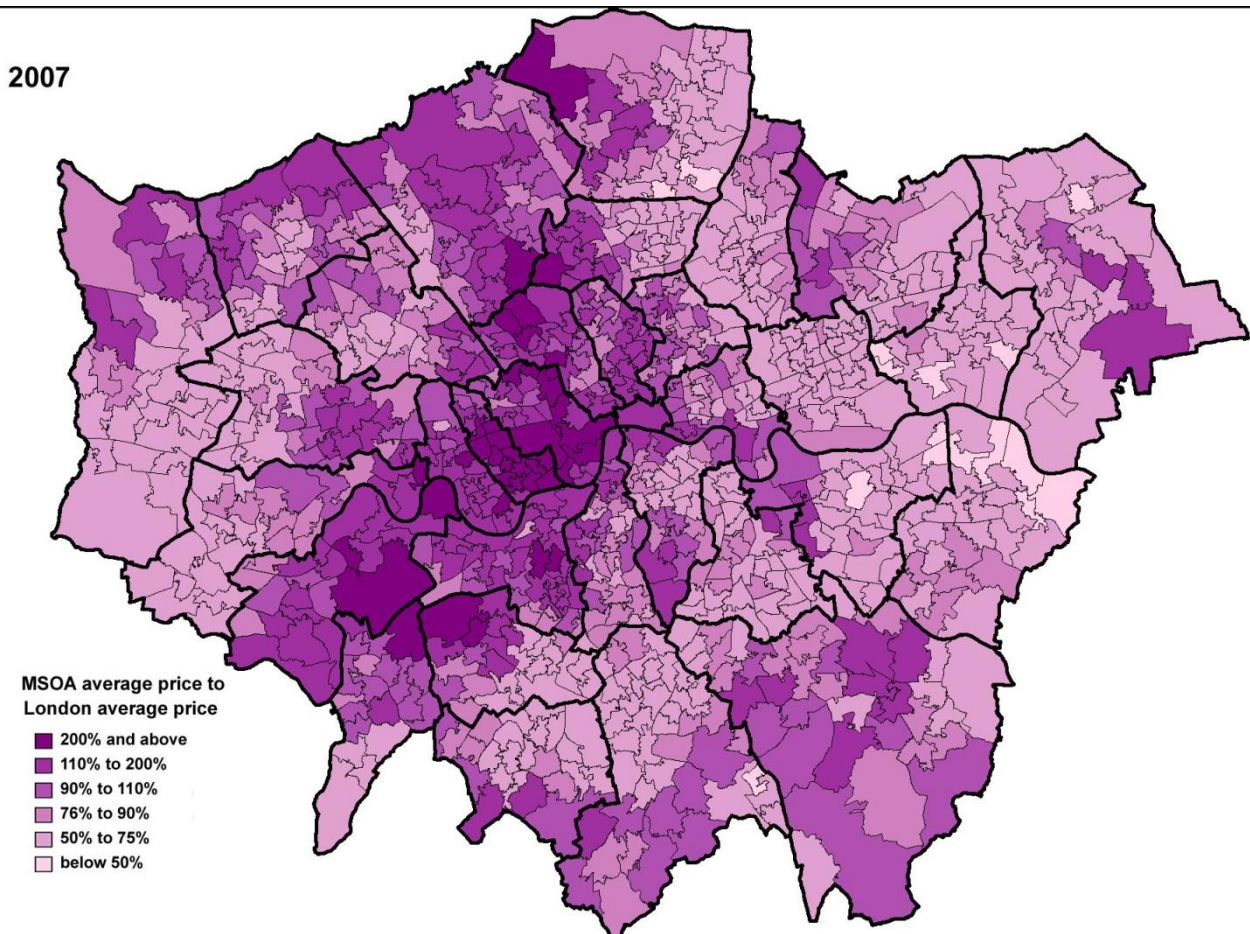
<sup>2.42</sup> The Vision for the Core Strategy is translated into 7 overarching aim that influence and guide the strategic policies:

- To accommodate Merton's population change within its centres and residential areas, without encroaching on other spaces.
- To make Merton a healthier and better place for people to live and work in.
- To make Merton more prosperous with strong, and diverse long-term economic growth.
- To tackle deprivation and promote social cohesion by bridging the gap between the eastern and western parts of the borough.
- To make Merton a well connected place where walking, cycling and public transport are modes of choice when planning all journeys.
- To make Merton an exemplary borough in mitigating and adapting to climate change and to make it a more attractive and green place.
- To make Merton a well designed Borough with an attractive urban and suburban environment.

### Identifying Sub-Areas in Merton

<sup>2.43</sup> One method for identifying housing markets is through an analysis of house prices. Neighbouring areas which contain similar house prices are also likely to share many other similar characteristics, which could lead to them being viewed as being a housing market.

Figure 6  
Relative House Prices Across Greater London (Source: UK Land Registry)

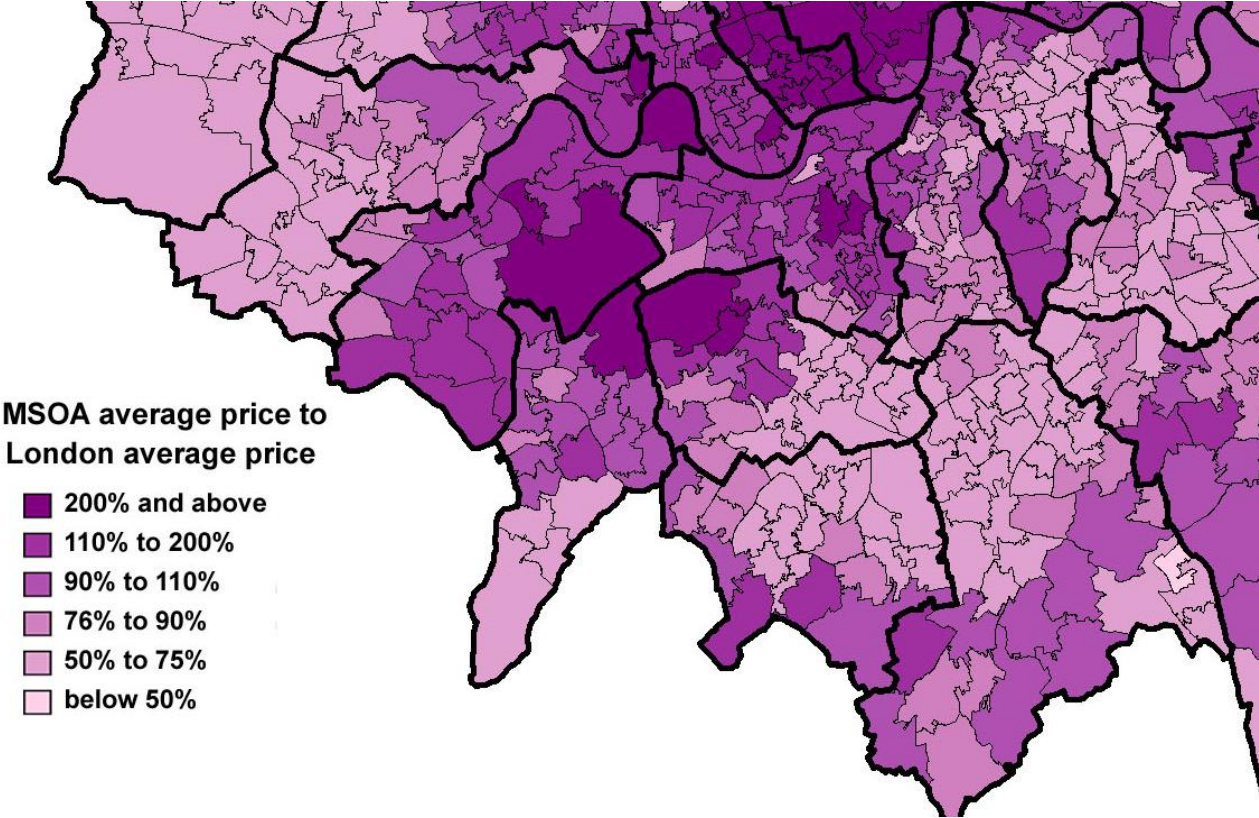


2.44 Figure 6 shows the variation of house prices from the mean across Greater London from January 2007 to December 2007 by Middle Super Output Areas (MSOA). Areas in the darkest shade contain house prices which are over 200% of the Greater London average and those in the lightest shade are less than 50% of the average. Therefore, much of inner London is more expensive than outer London.

2.45 Figure 7 shows a closer view of relative house prices across the South West London. This identifies that house prices in the north west of the borough are above the Greater London average, while those in the East of the borough are below the Greater London average.



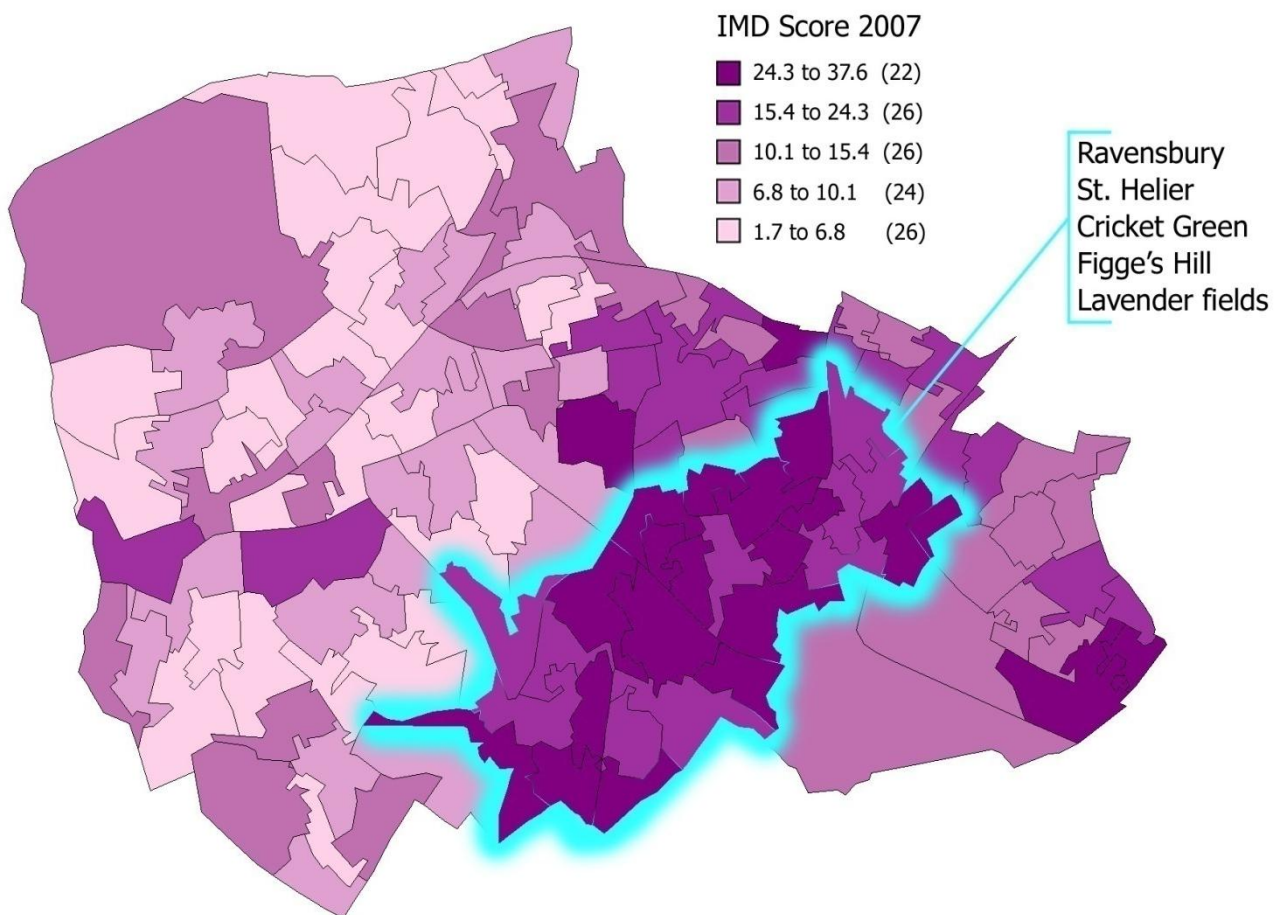
Figure 7  
House Prices Across South West London Compared to the Greater London Average (Source: UK Land Registry)



### Index of Multiple Deprivation

- 2.46 Many of the characteristics of an area can also be aggregated to generate an overall picture of the relative wellbeing of the area. This is the Index of Multiple Deprivation (IMD) and the 2007-based figures shown overleaf in Figure 8. Darker colours on the map are associated with higher levels of deprivation and the boundaries are lower super output areas.
- 2.47 The map shows the areas with the highest levels of deprivation in Merton are to be found in the South and East of the borough. The North and West of the borough have lower levels of deprivation. The areas of lower property prices are also the areas with higher levels of identified deprivation. It should also be borne in mind that there are large areas of green spaces in the borough, such as Wimbledon Common in the north-west and Mitcham common in the south-east.

Figure 8  
Index of Multiple Deprivation 2007 for Merton (Source: CLG. Note: Data shown at lower-level Super COA. Higher levels of deprivation shown in darker shading)



- 2.48 The evidence of house price and IMD variations across Merton is consistent with the borough containing a number of distinct areas with their own characteristics.

## Chapter 3: Housing Market Drivers

3.1 This section of the report considers the local population across Merton, concentrating in particular on how local circumstances have changed over recent years and how they are projected to change in future. Further information is also provided on the characteristics of local households, and how local employment compares to that elsewhere.

### National Level Household Changes

3.2 Recent figures show that the number of households in the UK has increased more rapidly than housing supply. There are several key reasons for the increase in household numbers. According to the Office for National Statistics (ONS), until the mid-1990s, natural change was the main driver for population growth. However, more recent population growth has been predominantly based upon international migration.

3.3 Figure 9 shows that there is a natural increase in the UK population. The natural population increase between 2004/05 and 2005/06 was 170,100 people. This increase is commonly attributed to improvements in health care, which reduces child mortality rates and allows people to live for longer.

3.4 Figure 10 demonstrates that there has been fairly rapid growth in net UK migration, with particularly high growth in 2004/05. The ONS reports that this increase was mainly due to the rise in the number of citizens coming from the ten accession countries (A10) that joined the European Union (EU) in May 2004. The figures for 2005/06 indicate that net international migration declined, due to a combination of lower in-migrant and higher out-migrant numbers.

Figure 9  
Births and Deaths in the UK, 2001-2005 (Source: ONS, General Register Office for Scotland, NI Statistics & Research Agency)

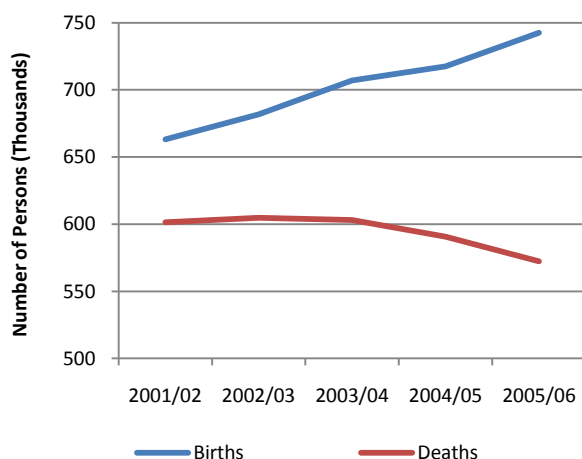
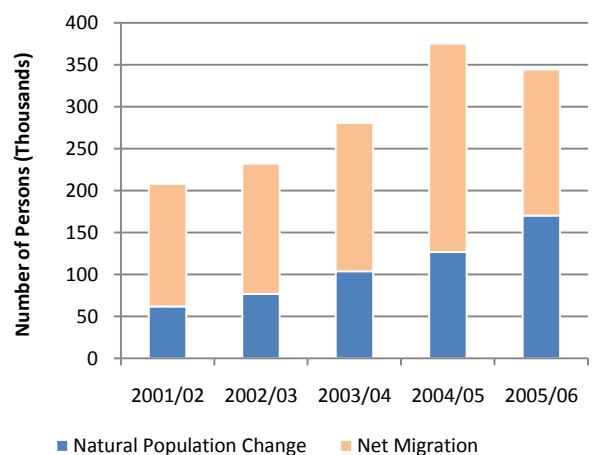


Figure 10  
Population Change in the UK, 2001-2005 (Source: ONS, General Register Office for Scotland, NI Statistics & Research Agency)



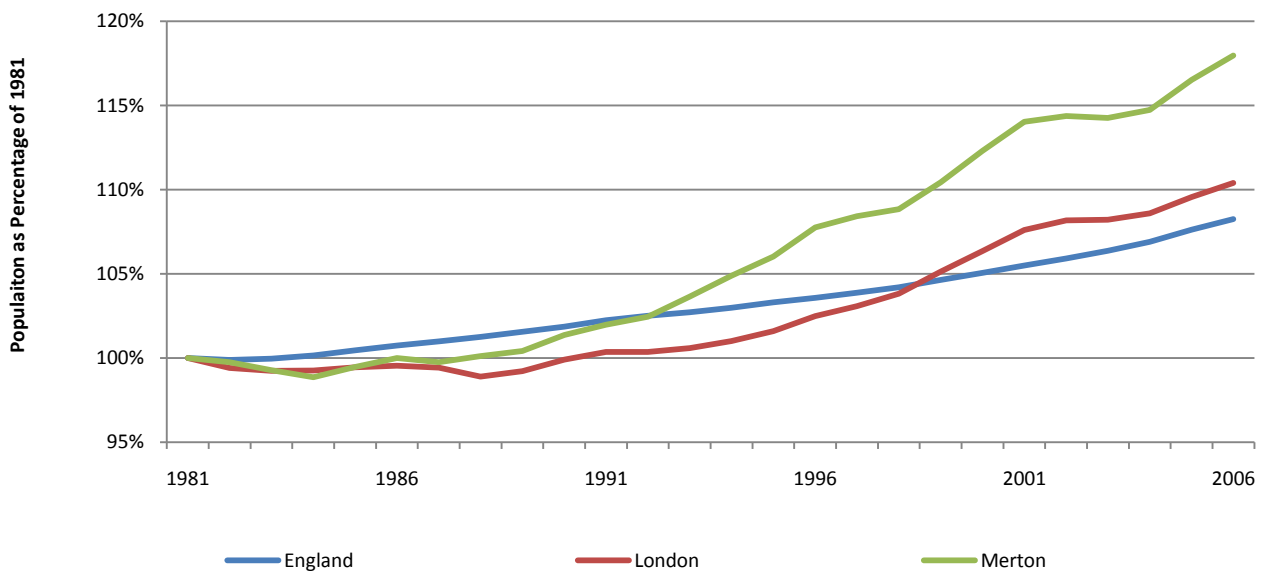
3.5 In addition to a growing population, the size of households has been reducing over recent years, hence housing requirements have increased. The average household size in England was 2.67 in 1981 and is predicted to be 2.15 in 2021.

3.6 This significant reduction in household size has several possible causes. These include, young adults moving out of the parent home, increases in relationship breakdown and divorce, people choosing to have fewer children and many older people who outlive their partners are continuing to live alone for significantly longer than older people lived in the past.

**Local Population Trends**

3.7 In 2006 Merton had a population of over 197,700 people and the 2001 Census showed that they were contained 78,885 households. Merton saw a steady but slight fall in its population until the early 1980’s, and the population since 1988 has shown a rising tendency (Figure 11). Taking the 1981 population as a base, the population of Merton rose by 18% in the period up to 2006. This compares with a rise in population of over 8.4% for the whole of England and 10.4% for London.

Figure 11  
Population of Merton, London and England: 1981-2006 (Source: ONS Mid-Year Population Estimates)



3.8 The age structure of the population of Merton from the ONS mid-year population estimates for 2006 (Figure 12) shows that there are proportionally fewer people aged 15-29 years in the area than in Greater London as a whole. Merton also has proportionally more older persons compared with Greater London.

**ONS Projections**

3.9 Figure 13 shows that this rise in population of Merton is expected to continue in the future. Based on revised population estimates from 2004, the Office of National Statistics estimates that the population of Merton will rise to 224,500 by 2029. This would represent a 16.7% rise in the period 2004-2029. It should be noted that this population growth is based entirely upon demographic trends and does not include any considerations of planned housing completions.

3.10 The Greater London Authority has also produced its own estimates for each borough. These forecasts are based upon the 2004 based ONS Households Projections combined with information on recent completions and housing trajectories. Therefore, they consider not only demographic trends, but also recent and planned dwelling completions.

3.11 Figure 14 shows two estimates for the future population of Merton. The low estimate is based only on recent and planned completions in Merton. The high estimates additionally consider the impact on Merton of the likely migration trends which will affect London. The low estimates show that the population of Merton will only rise slowly because of the impact of declining household sizes outweighing the impact of more dwellings in the borough. The high figure shows a much lower rate of population growth than the ONS projections (Figure 13) which implies that the population of Merton may not grow as quickly as the ONS demographic projections show.

Figure 12  
Age Profile for Merton Compared with Greater London: 2006  
(Source: ONS Mid-Year Population Estimates)

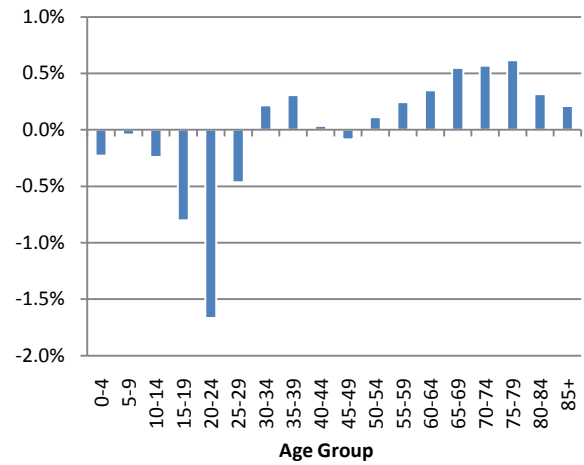


Figure 13  
ONS Population Projections for Merton 2004-2029 (Source: ONS Sub-national Population Projections: 2004 based data)

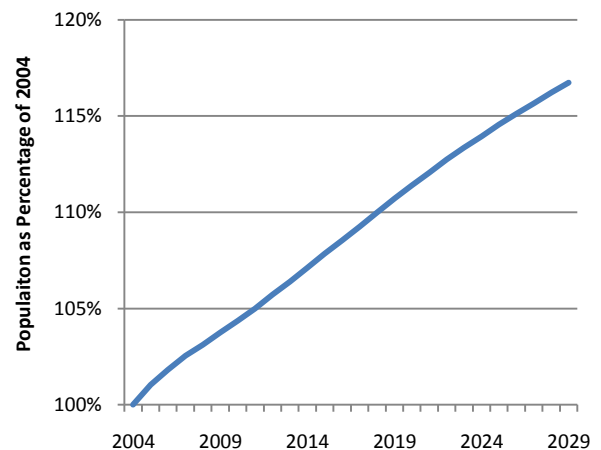
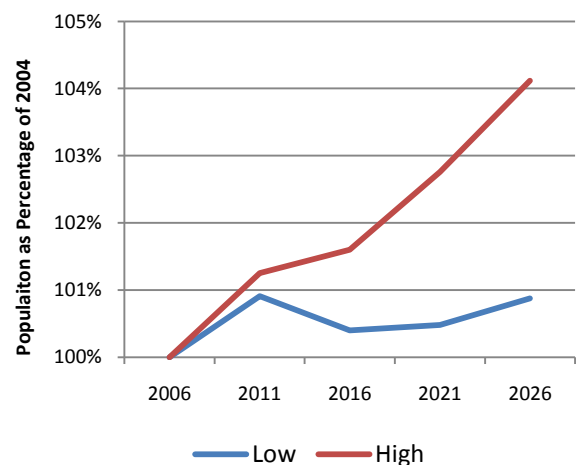


Figure 14  
GLA Population Projections for Merton 2006-2026 (Source: Greater London Authority Population Projections 2007)



3.12 The ONS projections show that the population of Merton is likely to become older in the period up to 2029. In particular, the number of people aged 40 years and above is expected to grow considerably (Figure 15).

3.13 The high GLA projections also show that the population of Merton aged 45 years and above is expected to rise considerably. However, it also shows that the younger population of the borough will decline (Figure 16).

Figure 15  
**Projected Change in Age Profile of Merton 2004-2029** (Source: ONS Sub-national Population Projections: 2004 based data)

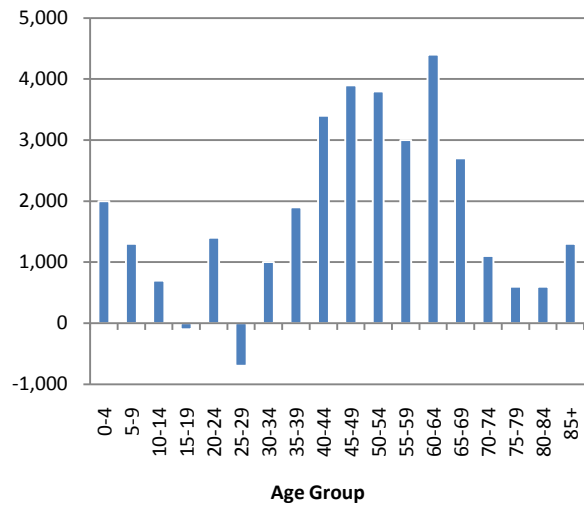
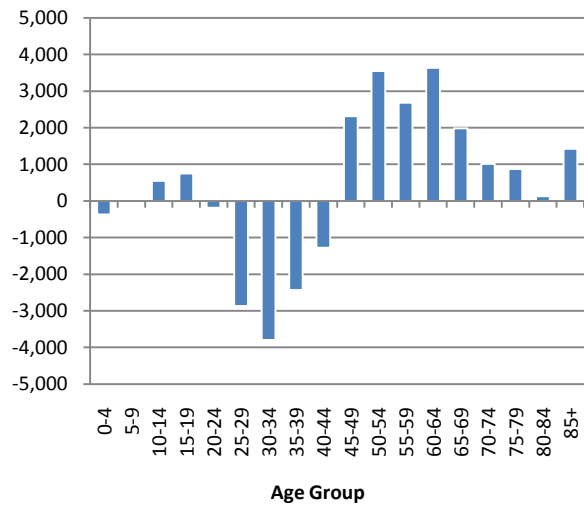


Figure 16  
**Projected Change in Age Profile of Merton 2006-2026 Using High Rate of Growth** (Source: Greater London Authority Population Projections 2007)



## Migration

<sup>3.14</sup> Data from the 2001 Census showed that of the Merton's 186,859 residents in households, 23,792 (12.7%) had moved within the last 12-months. Of those that had moved, 7,701 moved within Merton, 12,488 moved from elsewhere in the UK and 3,603 moved to the area from overseas. It is also worth noting that Merton lost 598 people to the rest of the UK in 2000-2001. A further 2,350 people resident in Merton were recorded as having "No usual address" 12-months before the Census.

### Migration Trends

<sup>3.15</sup> Since 1996-97, the ONS has published relatively localised migration data using information from the NHS Central Register (NHSCR) which records the movement of individuals who change GP. The NHSCR data provides an effective way of monitoring changes in migration over time, but it is important to recognise the limitations of the data – for not everyone who moves will register with a doctor, so some migration will not be counted. Nevertheless, as the data provides the best available basis for analysis, the following information details migration patterns for Merton over the period 2001-2006.

Figure 17

**Net Migration to Merton by England and Wales Region 2001-2006** (Source: ONS Migration Statistics Unit: Movements between local authorities in England and Wales based on patient register data and patient re-registration recorded in the NHSCR. Note: Figures may not sum due to rounding)

UK Region	2002	2003	2004	2005	2006	Total
London	750	670	920	1,000	870	<b>4,210</b>
North East	10	(20)	(40)	(10)	(10)	<b>(70)</b>
North West	(20)	10	(80)	(20)	0	<b>(110)</b>
Yorkshire & Humberside	(30)	(120)	(80)	(60)	(20)	<b>(310)</b>
East Midlands	(150)	(80)	(100)	(40)	(150)	<b>(520)</b>
West Midlands	(80)	(50)	(50)	(90)	(10)	<b>(280)</b>
Eastern	(340)	(240)	(210)	(200)	(280)	<b>(1,270)</b>
South East	(2,290)	(2,160)	(2,490)	(1,820)	(1,860)	<b>(10,620)</b>
South West	(270)	(410)	(370)	(340)	(220)	<b>(1,610)</b>
Wales	(60)	(60)	(50)	(20)	(40)	<b>(1,310)</b>
<b>Total</b>	<b>(2,480)</b>	<b>(2,460)</b>	<b>(2,550)</b>	<b>(1,600)</b>	<b>(1,720)</b>	<b>(10,810)</b>

3.16 Figure 18 shows the net migration to Merton by region of England and Wales in the past 5 years. Overall, migration accounted for a fall in the authority’s population of 10,810 people from 2001 to 2006 to the rest of England and Wales. This represents around 6% of the current population of the area. The South East region received the highest number of migrants from Merton.

3.17 However, Merton experienced net in-migration from the rest of London with a net 4,200 people moving into the borough over five years. This along with the impact of international migration and indigenous population growth in the authority has led to an increase in Merton’s population during this period.

3.18 Figure 19 shows the individual local authorities which have had the highest net migration to Merton. The neighbouring authority of Wandsworth has by far the largest net migration to the area (7,100) and all 10 authorities are in London.

3.19 Figure 20 shows the local authorities to which Merton lost population through migration. The neighbouring authorities of Sutton, Kingston-upon-Thames and Croydon were the largest recipients of migrants from Merton. Therefore, boroughs in south west London form an important part of the migration pattern for Merton. This encourages the need to understand the housing market of Merton in the context of the wider housing market of south west London.

Figure 18  
**Net Migration to Merton by the Government Office Regions of England and Wales 2001-2006** (Source: ONS Migration Statistics Unit)

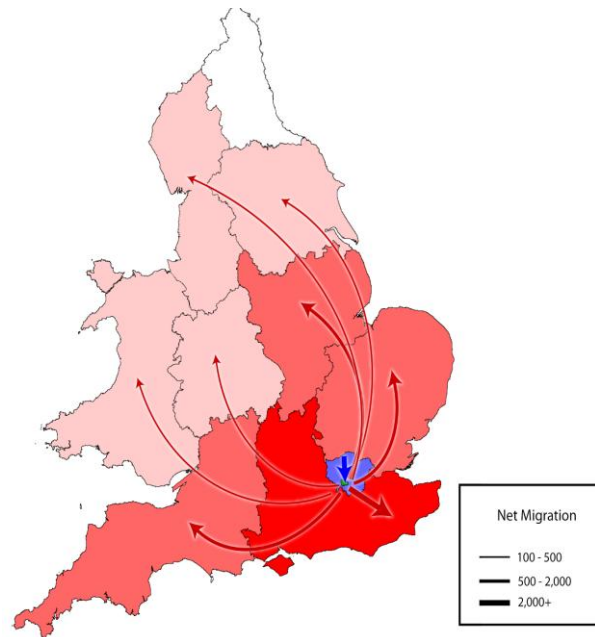


Figure 19  
**Top 10 Local Authorities with the Highest Net Migration to Merton 2001-2006** (Source: ONS Migration Statistics Unit)

Local Authority	In-migrants	Out-migrants	Net
Wandsworth	14,790	7,690	7,100
Lambeth	5,400	2,950	2,450
Hammersmith and Fulham	1,860	800	1,060
Kensington and Chelsea	970	470	500
Westminster	1,170	700	470
Southwark	1,410	990	420
Brent	820	440	380
Ealing	1,020	670	350
Camden	800	470	330
Haringey	680	400	280

Figure 20  
**Top 10 Local Authorities with the Highest Net Migration from Merton 2001-2006** (Source: ONS Migration Statistics Unit)

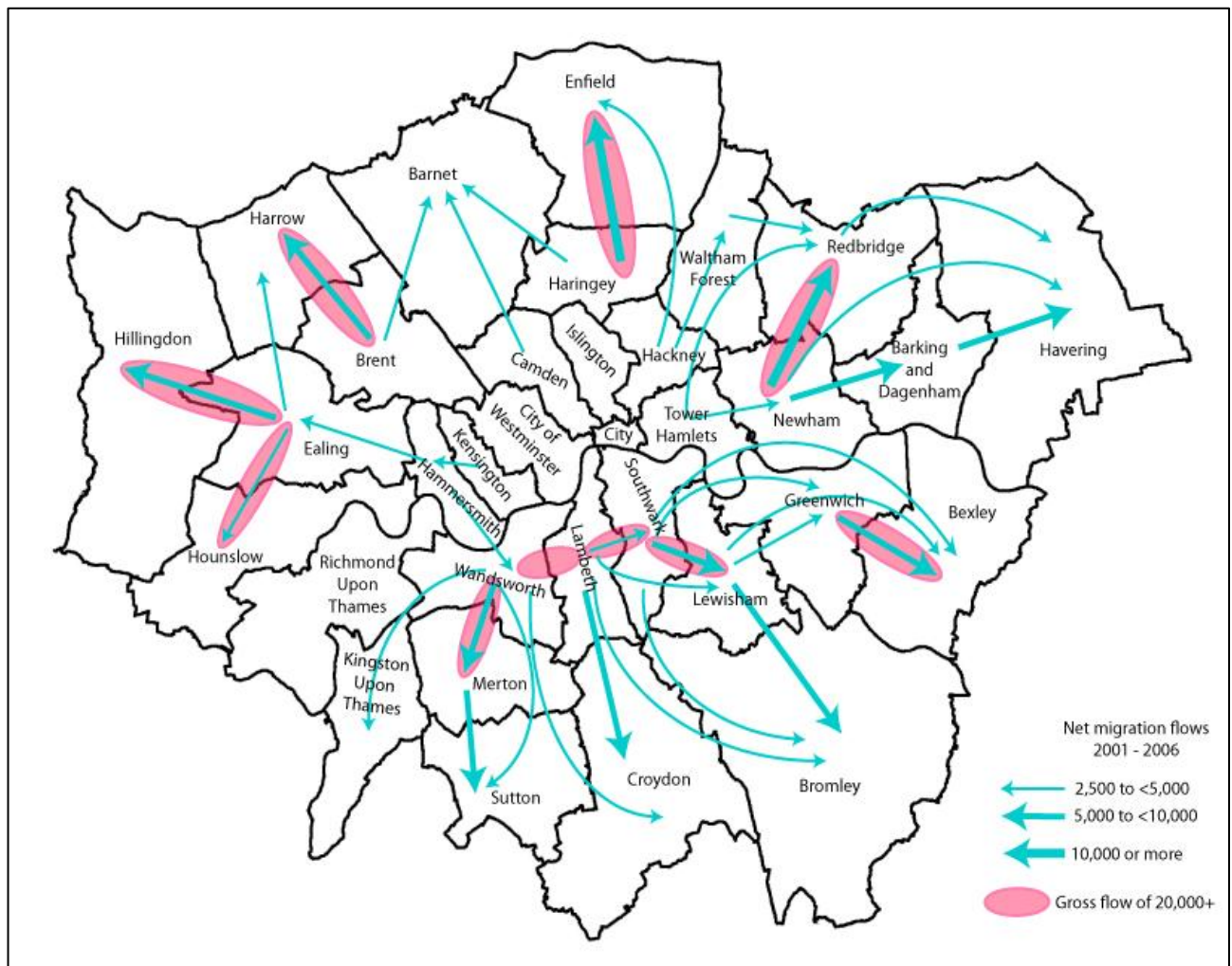
Local Authority	In-migrants	Out-migrants	Net
Sutton	3,050	8,900	(5,850)
Kingston upon Thames	2,440	4,610	(2,170)
Croydon	3,140	4,920	(1,780)
Epsom and Ewell	480	1,680	(1,200)
Reigate and Banstead	380	1,500	(1,120)
Elmbridge	520	1,580	(1,060)
Arun	90	590	(500)
Mole Valley	190	640	(450)
Tandridge	140	510	(370)
Bromley	460	820	(360)



- 3.20 Figure 21 shows the migration patterns between London boroughs. This shows a clear split between north and south London, with population leaving the Northern central area of London moving to other Northern boroughs and those leaving Southern central boroughs moving to other Southern boroughs. The River Thames appears to act as a natural barrier to separate the north and south London housing markets.

Figure 21

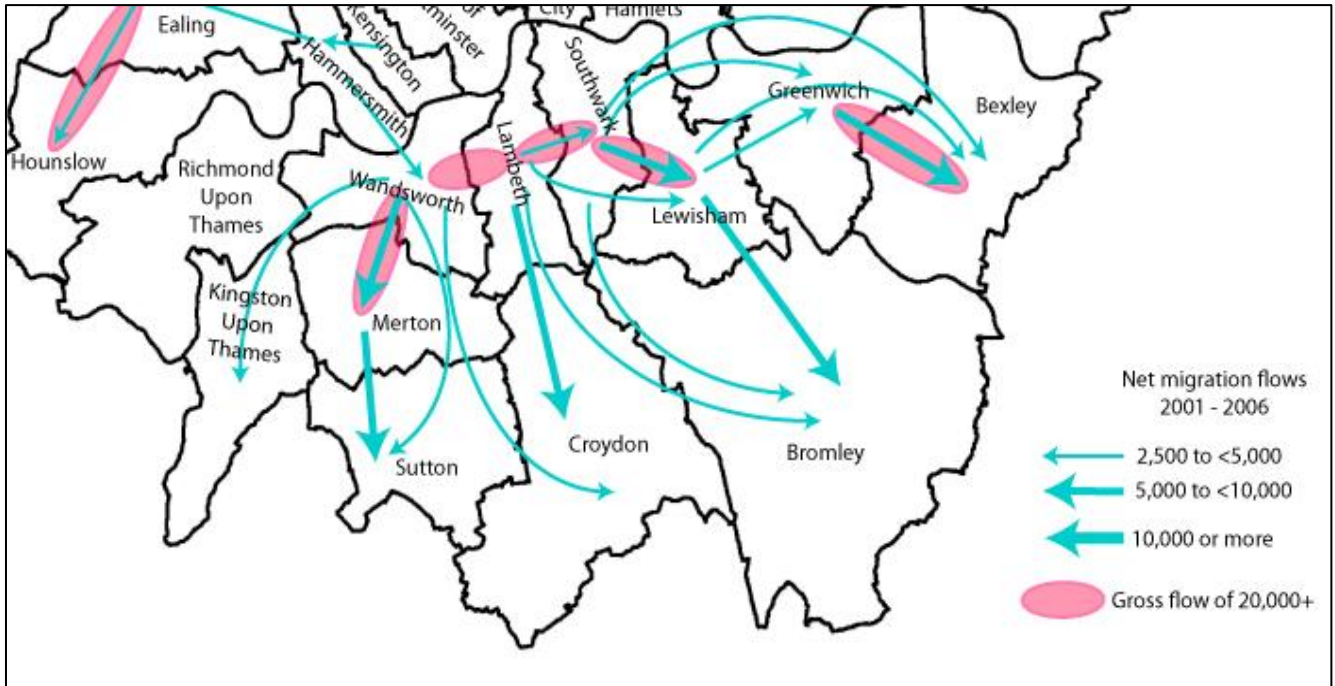
**Migration Between London Boroughs 2001-2006** (Source: ONS Migration Statistics Unit: Movements between local authorities in England and Wales based on patient register data and patient re-registration recorded in the NHSCR)



- 3.21 Figure 22 shows a more detailed picture of the migration flows for Merton and the rest of South West London. The figure shows that Merton receives population from Wandsworth, but loses population to Sutton.
- 3.22 The figure shows that there are extremely strong migration links between the south London boroughs of Wandsworth, Merton, Lambeth, Southwark and Lewisham. However, the migration flows involving Southwark and Lewisham tend to predominantly head South East, while those involving Wandsworth and Merton tend to head South and South West. Therefore, these two groups of authorities appear to naturally belong in different sub-regions.
- 3.23 The most difficult borough to allocate to a sub-region is Lambeth which strongly connects to boroughs in both South East and South West London. However, the strongest connection for Lambeth is with Croydon which in turn also receives population from Wandsworth. Therefore, it is reasonable to allocate Lambeth and Croydon to the South West London sub-region.

Figure 22

Migration Between London Boroughs in South West London 2001-2006 (Source: ONS Migration Statistics Unit: Movements between local authorities in England and Wales based on patient register data and patient re-registration recorded in the NHSCR)



## Age of Migrant Persons

3.24 The age structure of the net migrants to Merton is shown in Figure 23. The area has experienced a net loss across all age groups to the rest of England and Wales except for those aged 16-24 years. In particular, there is a net loss of almost 6,000 adults between the ages of 25-64 years between 2001 and 2006, representing 3% of the total population of Merton.

Figure 23

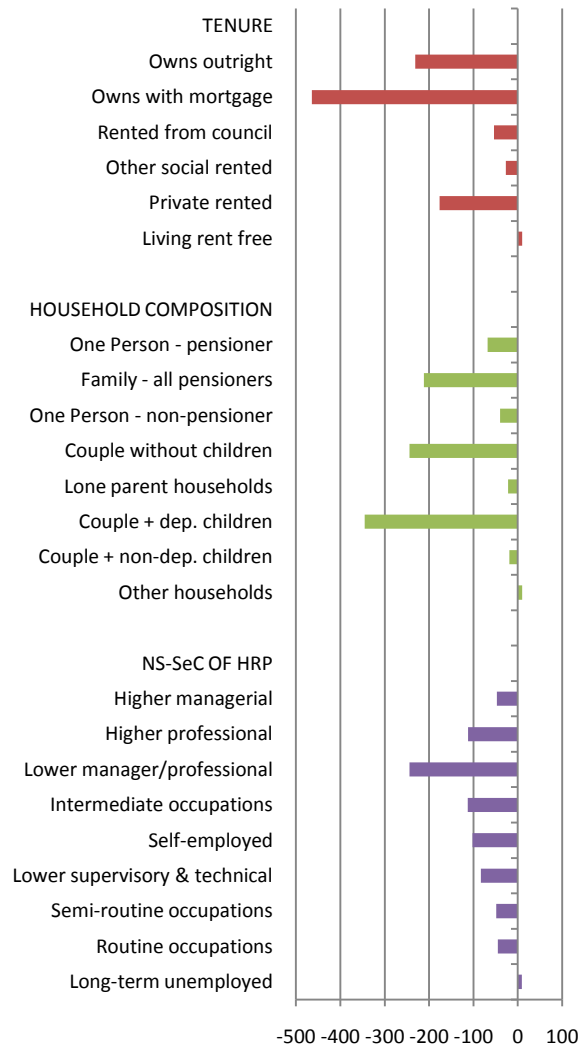
Migration to and from Merton by Age Group 2001-2006 by Year (Source: ONS Migration Statistics Unit. Note: Totals may not sum due to Rounding)

Age Group	2002	2003	2004	2005	2006	Total
<b>In Migrants</b>						
0-15 years	1,620	1,670	1,660	1,740	1,940	<b>8,630</b>
16-24 years	2,290	2,140	2,130	2,220	2,130	<b>10,910</b>
25-44 years	6,940	7,310	7,280	7,510	7,780	<b>36,820</b>
45-64 years	960	940	1,100	1,030	1,110	<b>5,140</b>
65+ years	410	350	370	360	380	<b>1,870</b>
<b>Total</b>	<b>12,240</b>	<b>12,410</b>	<b>12,540</b>	<b>12,860</b>	<b>13,340</b>	<b>63,370</b>
<b>Out Migrants</b>						
0-15 years	2,670	2,650	2,710	2,370	2,600	<b>13,000</b>
16-24 years	1,940	1,960	1,950	1,960	2,030	<b>9,840</b>
25-44 years	7,830	7,860	8,000	7,890	8,180	<b>39,760</b>
45-64 years	1,590	1,710	1,740	1,540	1,610	<b>8,190</b>
65+ years	720	680	690	720	630	<b>3,440</b>
<b>Total</b>	<b>14,750</b>	<b>14,860</b>	<b>15,090</b>	<b>14,480</b>	<b>15,050</b>	<b>74,230</b>
<b>Net Migrants</b>						
0-15 years	(1,050)	(980)	(1,050)	(630)	(660)	<b>(4,370)</b>
16-24 years	350	180	180	260	100	<b>1,070</b>
25-44 years	(890)	(550)	(720)	(380)	(400)	<b>(2,940)</b>
45-64 years	(630)	(770)	(640)	(510)	(500)	<b>(3,050)</b>
65+ years	(310)	(330)	(320)	(360)	(250)	<b>(1,570)</b>
<b>Total</b>	<b>(2,480)</b>	<b>(2,460)</b>	<b>(2,550)</b>	<b>(1,600)</b>	<b>(1,720)</b>	<b>(10,810)</b>

### Migrant Household Characteristics

- 3.25 No data is available on the split between wholly moving and partly moving households within the time-series data from the ONS Migration Statistics Unit. Nevertheless, information on household migration is presented from the 2001 Census
- 3.26 When considering moves within the UK in the year prior to the Census (April 2000-April 2001), there was a net flow of 945 wholly moving households leaving Merton. However, there were 739 moves to Merton from overseas.
- 3.27 When considering the characteristics of migrant households, those who own outright or with a mortgage are more likely to leave the area.
- 3.28 Couple with or without children and pensioner couples are the most likely household types to have left Merton.
- 3.29 The Socio-economic Classification (NS-SeC) of household representatives, shows that those in lower manager/professional category are the most likely to have left Merton during the year before the 2001 Census.

Figure 24  
 Characteristics of Wholly Moving Households within the UK – Net Moves for Sub-Group Relative to Whole Population  
 (Source: Census 2001)



### Migration in the RSL Sector

- 3.30 The COntinuous REcording (CORE) system operated by St Andrews University on behalf of the Housing Corporation, now part of the Homes and Communities Agency (HCA) records details on all new lettings and re-lettings of RSL properties, including information on the previous postcode of all new tenants.
- 3.31 Between April 2005 and March 2008 there were 865 new RSL lettings recorded within Merton, of which 153 (18%) were to households outside the local authority. Of the 153 lettings to households from outside of Merton, only 30 of these were from outside of London (approximately 10 households per year). Therefore the majority of movement within the social rented sector occurs within London’s boundaries.

### International Migration

- 3.32 Records for international migration for local authorities have recently begun being published by the Office for National Statistics. The records are drawn from the International Passenger Survey which interviews approximately 1 in 500 people who travel to and from the UK. Therefore, the figures for any local authority are drawn from relatively small samples. Figure 25 shows that between 2001 and 2006, a net 10,700 international migrants moved to Merton from overseas.

Figure 25

International Migration for Merton (Source: ONS Migration Statistics)

Local Authority	International in-migration	International out-migration	Net international migration
2001/02	5,100	3,200	1,900
2002/03	4,500	3,400	1,100
2003/04	5,500	3,400	2,100
2004/05	5,900	2,900	3,000
2005/06	5,600	3,100	2,500
<b>Total</b>	<b>26,600</b>	<b>16,000</b>	<b>10,600</b>

3.33 In recent years the UK has experienced a noticeable increase in the number of migrant workers arriving from overseas. Records of the location of these workers are imperfect, but one measure of where they moved to is the number of new National Insurance numbers issued to workers in particular locations.

3.34 In 2006/07 a total of 6,680 new National Insurance numbers to non-UK nationals were issued in Merton. This group of workers represent around 3.5% of all people residing in the local authority. It should be noted that this figure relates only to employees who have received new National Insurance numbers and does not include any of their dependents.

3.35 Figure 26 shows that around 24% of all new national insurance registrations in Merton were issued to Polish nationals and 14% to South African nationals. These groups together represent over 1% of the total population of the authority.

3.36 To place the results for new national insurance numbers for non-UK nationals into context, Figure 27 overleaf shows the numbers for each London borough. This shows that the figures for Merton are relatively low when compared with many central London boroughs. However, the number of migrant workers is still likely to have had a major impact upon the housing market of Merton. In particular, migrant workers tend to occupy private rented dwellings and houses in multiple occupation.

Figure 26

New National Insurance Registrations of Non-UK Nationals in Merton 2006/07 by Country of Origin (Source: DWP)

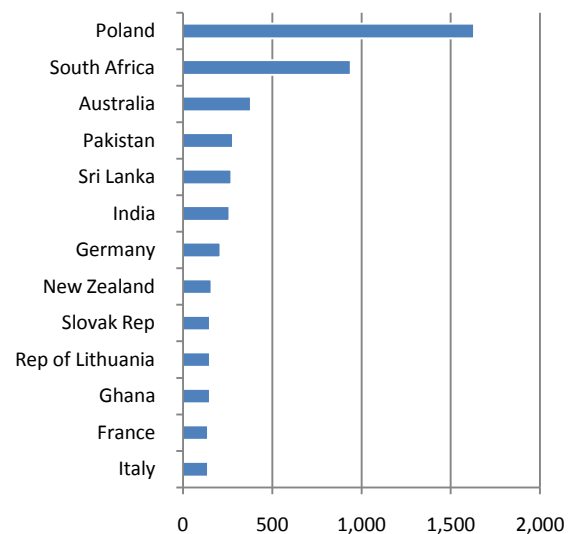
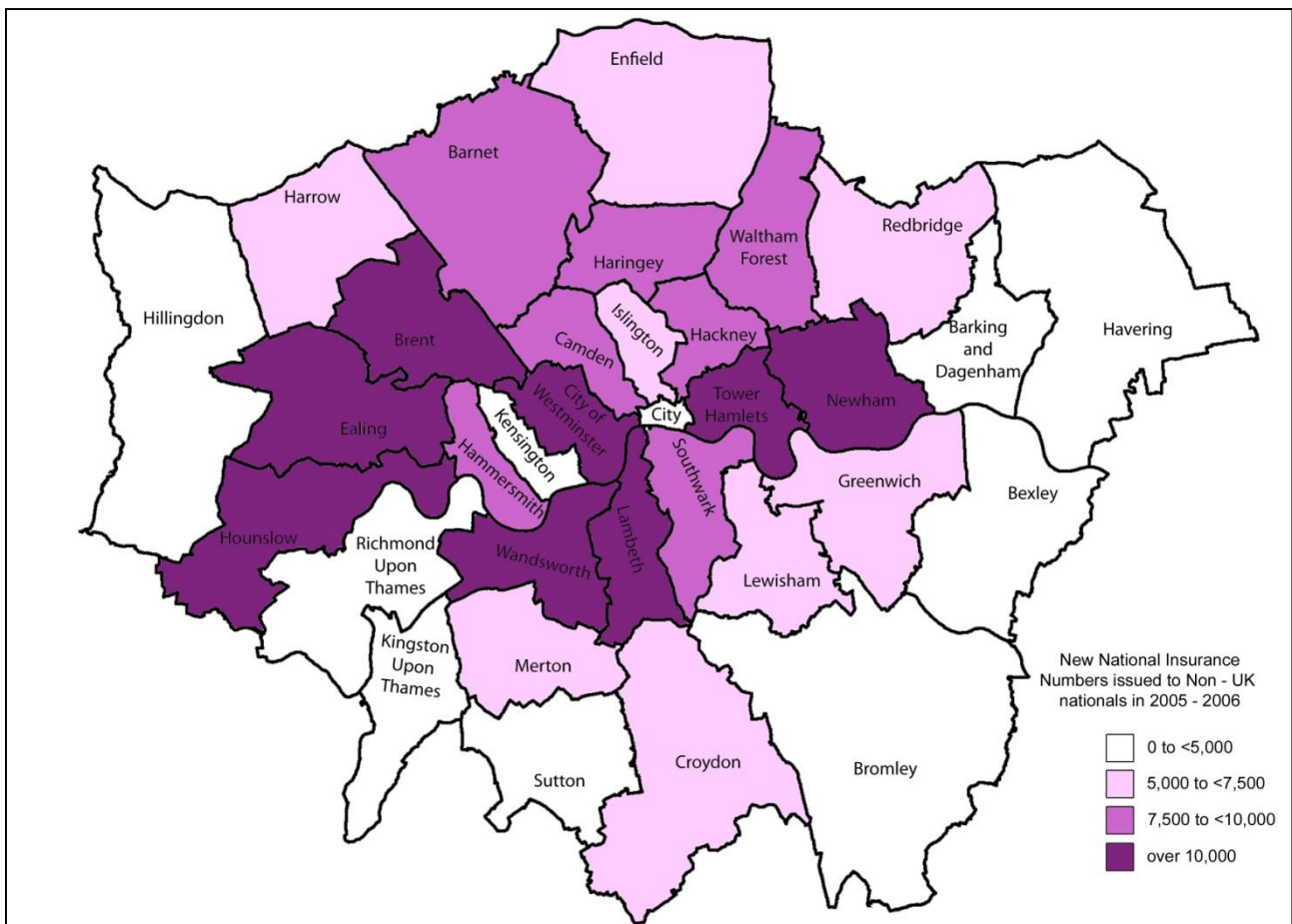


Figure 27  
 New National Insurance Registrations of Non-UK Nationals by London Borough 2006/07 (Source: DWP)

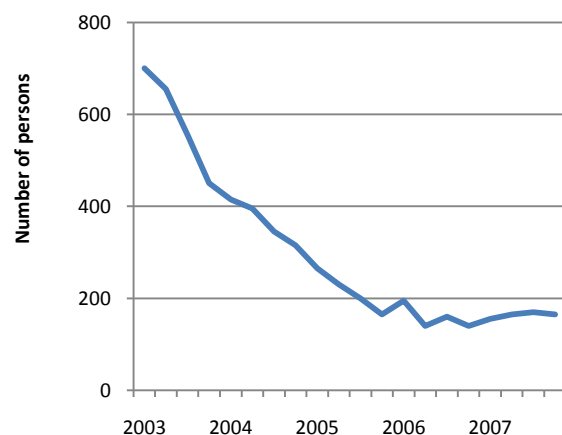


3.37 A group who are not identified in the 2001 Census are asylum seekers. However, the Home Office publishes separate asylum seeker statistics on a quarterly basis. Since the end of 2002 these have included figures for the number of asylum seekers in each local authority who either claim support from the National Asylum Support Service (NASS) or live in accommodation provided by NASS.

3.38 Asylum seekers are very important for housing studies such as this one. Asylum seeker populations may become refugee populations and experience elsewhere has shown that refugee populations are often struggle to find jobs and adequate housing.

3.39 Figure 28 shows that the number of asylum seekers in Merton who receive either accommodation or financial support from the National Asylum Seeker Service (NASS) is currently around 200, but has been as higher than 700.

Figure 28  
 Asylum Seekers in NASS Accommodation or Receiving Subsistence Only Support from NASS in Merton 2003-2007 (Source: Home Office Asylum Statistics)



## Travel to Work

- 3.40 We can identify travel to work behaviour through analysis of the 2001 Census data.
- 3.41 The data identifies that 31,262 people both live and work in Merton. This represents around 33% of all those living in the area who have a job, and 47% of all those who work in Merton. Of this group 8,052 work mainly at or from home, which represents 8.5% of all those residents of Merton who have jobs.
- 3.42 Unsurprisingly the vast majority of people who travel to work in and out of Merton do so to and from other parts of London.
- 3.43 Figure 30 shows the travel to work patterns for Merton to and from each London borough. This shows that Merton receives a small positive flow of workers from Croydon and a larger number from Sutton. The population of Merton travels to a wide range of London boroughs, most notably Westminster and the City. Any borough with a small (less than 1,000 employees either way) travel to work link has been amalgamated into the rest of London.

Figure 29  
Travel to Work Patterns for Residents in Merton in 2001 (Source: Census 2001)

UK Region	Travel to Work		
	To Merton	From Merton	Net
Merton	31,262	31,262	0
Rest of London	25,965	56,839	(30,874)
North East	71	16	55
North West	111	45	66
Yorkshire & Humberside	96	50	46
East Midlands	149	97	52
West Midlands	125	87	38
Eastern	622	385	237
South East	7,261	5,595	1,666
South West	169	103	66
Wales	46	19	27
Scotland	26	21	5
Northern Ireland	3	0	3
<b>Total</b>	<b>65,906</b>	<b>94,519</b>	<b>(28,613)</b>

Figure 30  
Travel to Work Patterns for Residents in Merton within London in 2001 (Source: Census 2001)

London Borough	Travel to Work		
	To Merton	From Merton	Net
Camden	135	2,937	(2,802)
City of London	6	6,044	(6,038)
Croydon	3,517	3,191	326
Hammersmith and Fulham	461	2,305	(1,844)
Islington	129	1,418	(1,289)
Kensington and Chelsea	219	2,215	(1,996)
Kingston upon Thames	3,042	3,515	(473)
Lambeth	1,831	3,391	(1,560)
Richmond upon Thames	842	1,348	(506)
Southwark	557	2,292	(1,735)
Sutton	6,723	3,739	2984
Tower Hamlets	111	1,710	(1,599)
Wandsworth	4,333	8,413	(4,080)
Westminster	188	10,152	(9,964)
Rest of London	3,871	4,169	(298)
<b>Total</b>	<b>25,965</b>	<b>56,839</b>	<b>(30,874)</b>

## The Local Economy

### Economic Activity

- 3.44 Figure 31 shows a long-term decline of the unemployment rate in Merton and that the unemployment claimant count rate is lower in Merton than it is in England & Wales or London. However, it should be remembered that many working age persons not in jobs are not eligible for, or do not claim, unemployment benefit.
- 3.45 Figure 32 shows that the number of working age residents claiming incapacity benefit rose slightly up until 2006, but has since fallen to slightly over the 2000 level.

Figure 31  
**Unemployment Rate for Working Age Population for Merton, London and England & Wales: 1992-2008** (Source: Claimant Count. Note: Data relates to March each year)

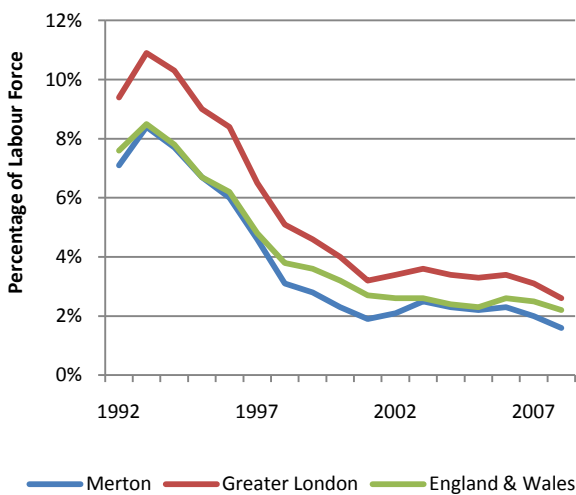
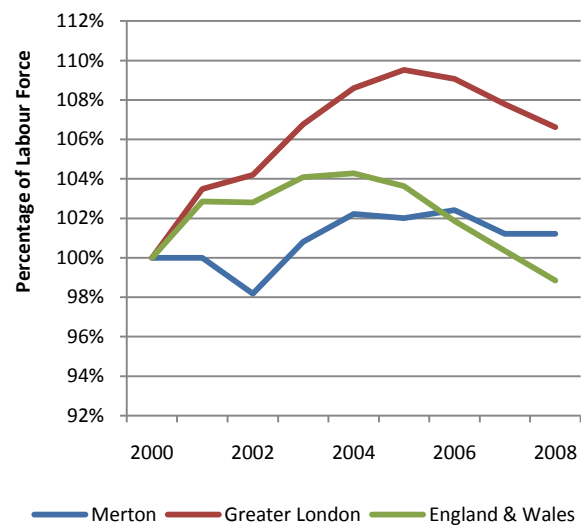


Figure 32  
**Incapacity Benefit Claims by Working Age Persons for Merton, London and England & Wales: 2000-2008** (Source: DWP. Note: Data relates to February of each year)

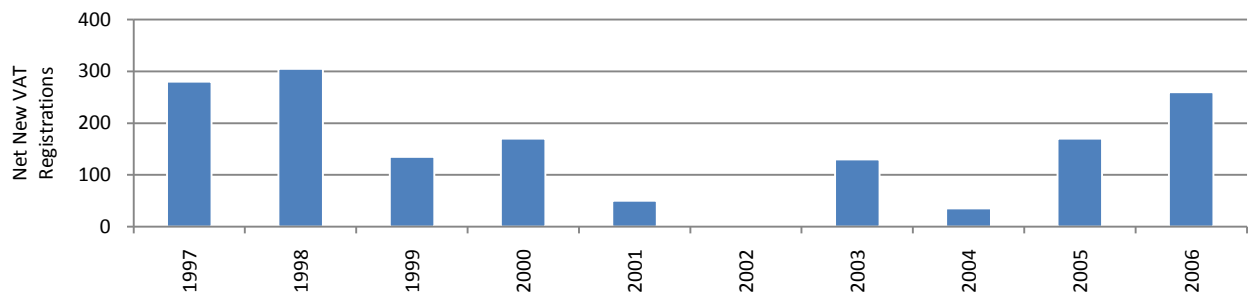


### New VAT Registrations

- 3.46 A measure of innovation and entrepreneurship is the number of new VAT registered businesses in a year. A business must register for VAT if its turnover exceeds £67,000 per year. It can de-register if its turnover falls below £65,000. In practice most de-registration is likely to be due to the business being acquired, merged or liquidated.
- 3.47 Figure 33 shows the net new VAT registrations in Merton per annum. In total, since 1997 the number of VAT registered businesses in the Merton has grown by 1,535. This represents an increase in registered businesses of around 32% since 1997, which is above the average across England as a whole and the London region where the number of businesses has grown by 18% and 23% respectively.



Figure 33  
 Net New VAT Registered Businesses in Merton: 1997-2006 (Source: VAT Registrations)



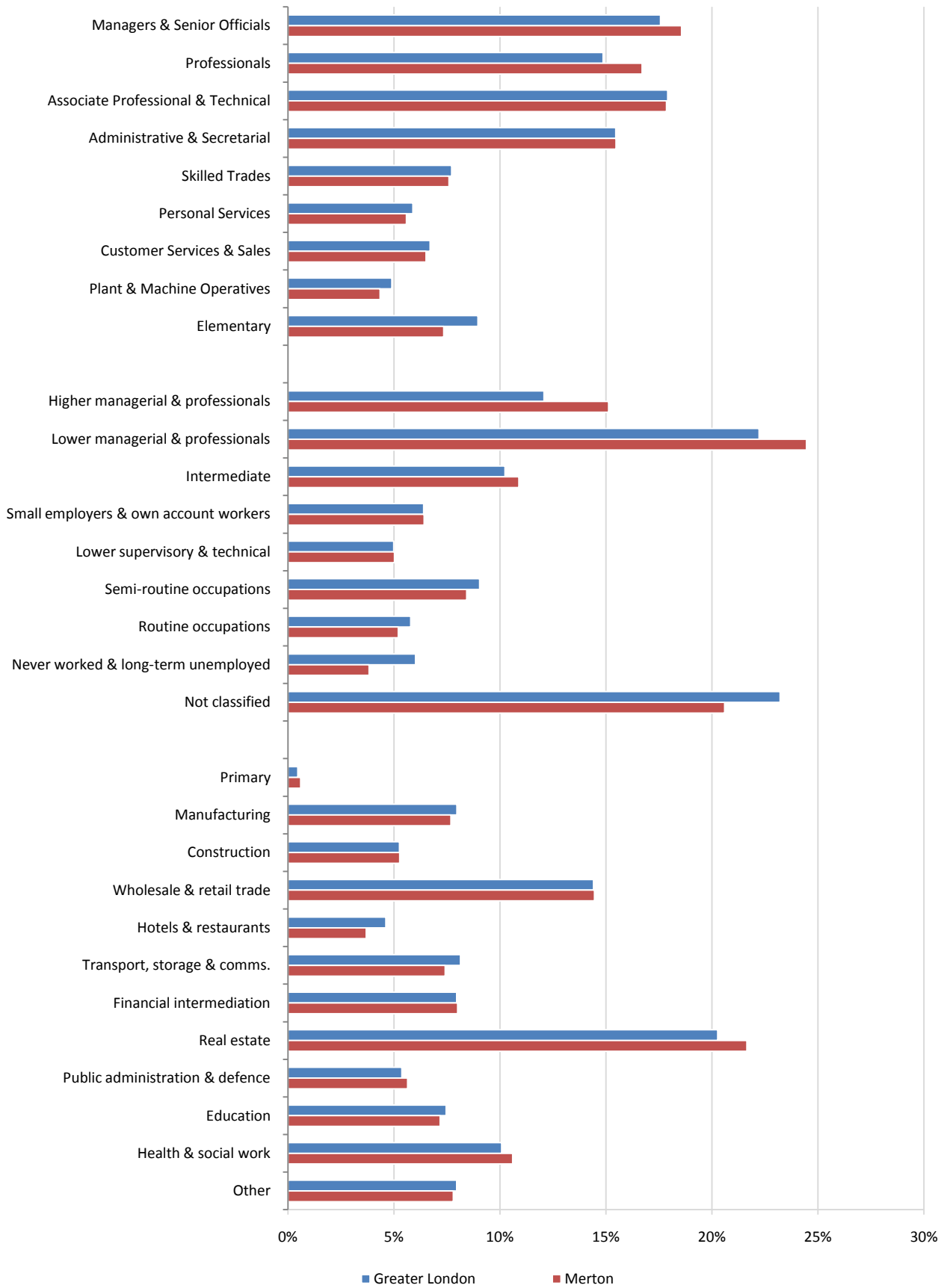
- 3.48 The 2001 Census highlights that the range of occupations of Merton residents differs slightly from those of the overall population of London, with more people employed in managerial and professional occupations. Therefore, residents of Merton are disproportionately to be found in higher paying occupations, compared to the rest of London.
- 3.49 When considering the industry of employment of residents, it is apparent that real estate is relatively important to the Merton economy. Hotels and restaurants form a much smaller share of employment than they do in London as a whole.
- 3.50 Another measure of the economic characteristics of residents in an area is the National Statistics Socio-economic Classifications (NS-SeC). This classification was introduced by the Office for National Statistics in 2001 to replace the traditional Social Class based on Occupation (SC) and Socio-economic Groups (SEG) with a new system for classifying the socio-economic circumstances of individuals and households.
- 3.51 The system is based on the following eight classes.

Figure 34  
Description of NS-SeC Classes (Source: Office of National Statistics)

NS-SeC Class	Description
<b>Higher managerial and professional</b>	Persons who employ others in enterprises employing 25 or more persons, and who delegate some part of their managerial and entrepreneurial functions on to salaried staff. Positions involving general planning and supervision of operations on behalf of the employer. Positions covering all types of higher professional work.
<b>Lower managerial and professional</b>	Positions in which those employed generally plan and supervise operations on behalf of the employer under the direction of senior managers. Positions which involve formal and immediate supervision of others engaged in intermediate occupations.
<b>Intermediate</b>	Positions not involving general planning or supervisory powers, in clerical, sales, service and intermediate technical occupations. Positions in this group are 'mixed' in terms of employment regulation, i.e. are intermediate with respect to the service relationship and the labour contract. This group normally have little authority and are bureaucratically regulated.
<b>Small employers and own account workers</b>	Persons (other than higher or lower professionals) who carry out all or most of the entrepreneurial and managerial functions of the enterprise but employ less than 25 employees. Self-employed positions in which the persons involved have no employees other than family workers.
<b>Lower supervisory and technical</b>	Positions having a modified form of 'labour contract' and involve formal and immediate supervision of others engaged in such occupations often including a job title such as foreman or supervisor.
<b>Semi-routine occupations</b>	Positions in which employees are engaged in semi-routine occupations which have a slightly modified labour contract and have at least some need for employee discretion.
<b>Routine occupations</b>	Positions where employees are engaged in routine occupations which have a basic labour contract and little need for employee discretion.
<b>Never worked and long-term unemployed</b>	Those who are over 16 years of age who have left full-time education, but have never been in paid employment, or have been unemployed for more than a year.

<sup>3.52</sup> Again, using this classification, the population of Merton contains proportionally more people in managerial and professional categories. This again indicates that many employees in Merton are in relatively well paid occupations and therefore will be in a better position to afford market housing.

Figure 35  
**Occupation, NS-SeC and Industry of Employment for Merton Compared to Greater London** (Source: UK Census of Population 2001)



## Incomes and Earnings

3.53 Alongside economic activity the other key component of the economy of an area is the wages earned by workers. There are two separate ways to analyse average earnings in a local authority. One is to examine the income of only those who are **employed** within the authority. The other is to examine the earnings of the **residents** of the authority.

3.54 Since 2002 the New Earnings Survey (NES) and subsequently the Annual Survey of Hours and Earnings (ASHE) has recorded both measures for all local authorities. There are some concerns about the sample sizes within ASHE at district level – nevertheless, it is worth emphasising that this data is shown for information only, in order to understand how relative incomes have changed over time.

3.55 Figure 36 shows the comparisons for median gross annual earnings for 2007. The results show that residents in Merton typically earn more than those employed in the area.

3.56 Figure 36 compares the earnings of those in full-time jobs with the median earnings of employees in Merton including those in part-time and seasonal work. This shows that the median employed person resident in Merton earns around £2,000 less than the average full-time employee.

3.57 The evidence from Figure 37 shows that median salaries have risen by around £6,550 (35%) for those employed in Merton since 1999. Throughout this time, the incomes of those employed in Merton have on average been below those employed in the whole of South West London. Figure 38 shows that employed residents of Merton typically earn less than those employees resident in South West London as a whole.

3.58 Figure 39 shows the average gross household income levels found in Merton. This measure of income is more important than individual earnings for housing purposes because household income gives a greater guide as to how much a household can afford to spend on housing. The map shows that the lowest

Figure 36  
Median Gross Annual Earnings for Merton in 2007 for All and Full-time Employees (Source: ASHE 2007)

Employment Status	Employed in Merton	Resident in Merton
All Employees	£21,117	£26,817
Full-time Earnings	£25,509	£28,935

Figure 37  
Median Gross Annual Earnings for Employed in Merton and South West London 1999-2007 for Full-time Employees (Source: ASHE 1999-2007)

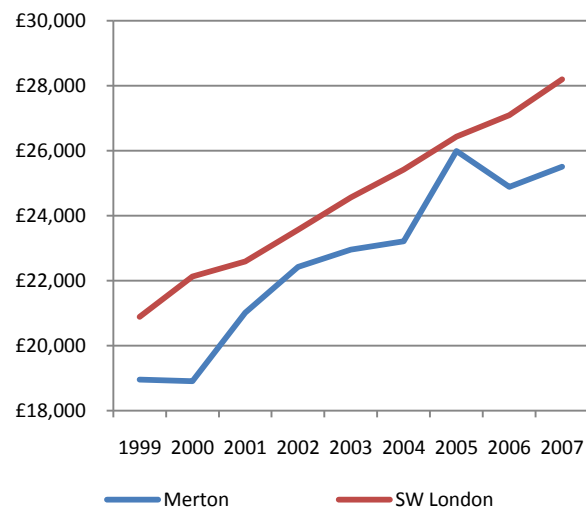
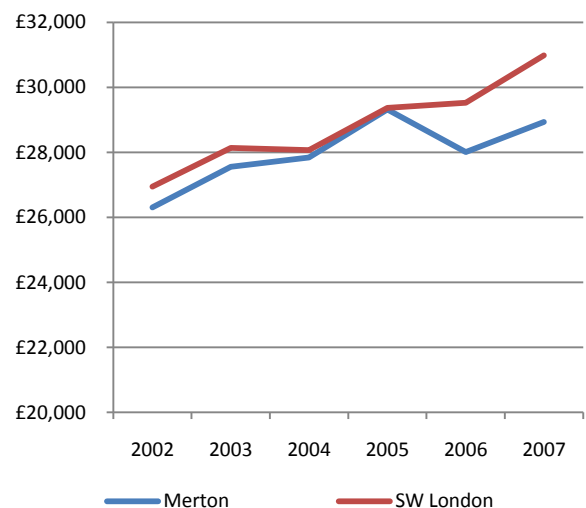


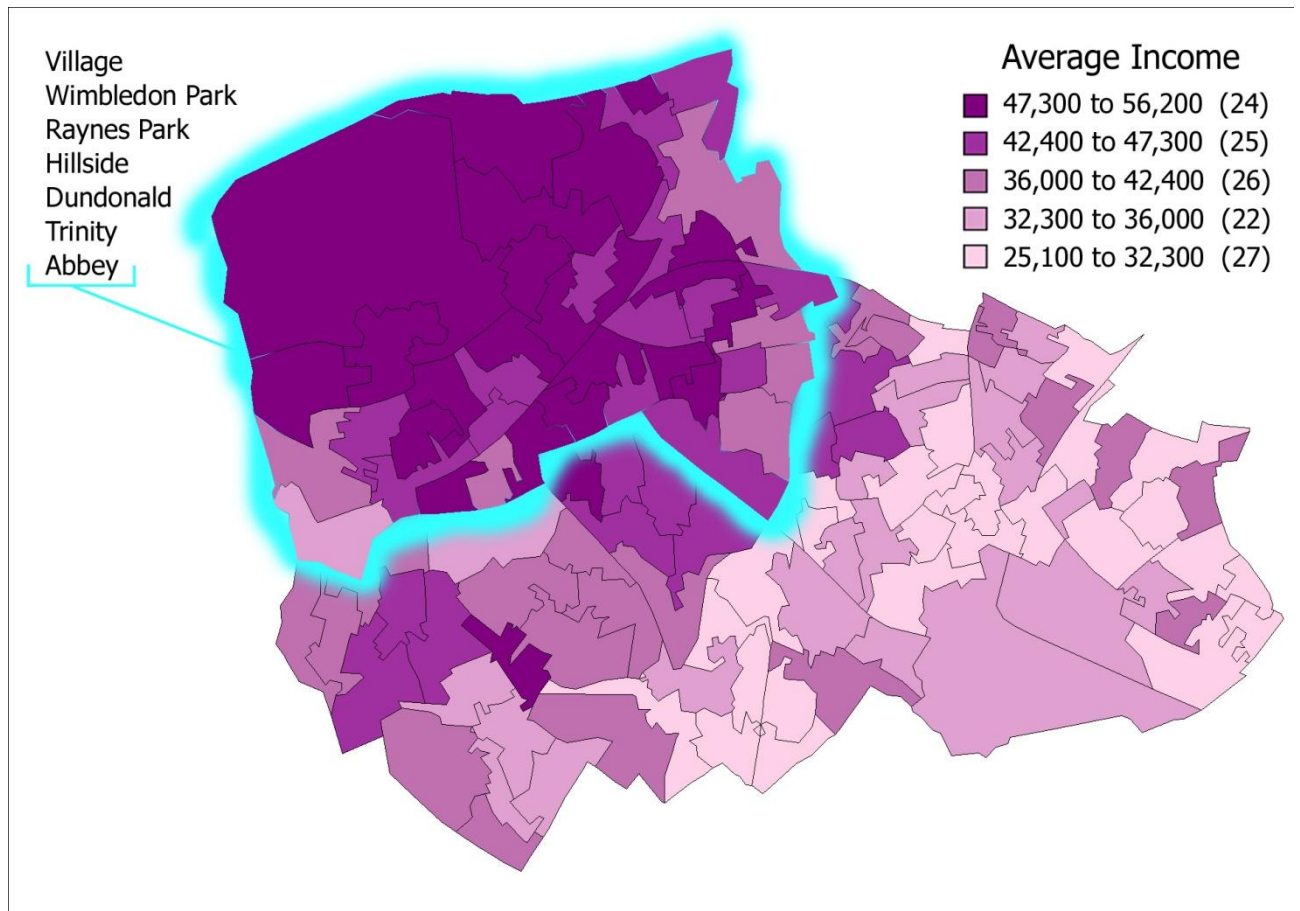
Figure 38  
Median Gross Annual Earnings for Resident in Merton and South West London 2002-2007 for Full-time Employees (Source: ASHE 2002-2007)



average household incomes in Merton are to be found in the south and east of the borough, with the north and west of the borough typically having higher incomes.

Figure 39

Average Household Earnings by middle-level Super COA (Source: CACI Paycheck Data)



## Skills and Education

3.59 Figure 40 shows the proportion of the population over 16 years who are educated to NVQ4 or higher level, and those with no formal qualifications. Information on education level is based on the highest educational qualification obtained, grouped as follows.

Figure 40  
Description of Education Levels (Source: Office of National Statistics)

Education Level	Description
<b>Level 0 / No qualifications</b>	No academic, vocational or professional qualifications.
<b>Level 1</b>	1+ 'O' levels/CSE/GCSE (any grade) NVQ level 1 Foundation GNVQ
<b>Level 2</b>	5+ 'O' levels 5+ CSEs (grade 1) 5+ GCSEs (grade A - C) School Certificate 1+ A levels/AS levels NVQ level 2 Intermediate GNVQ or equivalents
<b>Level 3</b>	2+ 'A' levels 4+ AS levels Higher School Certificate NVQ level 3 Advanced GNVQ or equivalents
<b>Level 4 / 5</b>	First degree Higher Degree NVQ levels 4 – 5 HNC HND Qualified Teacher Status Qualified Medical Doctor Qualified Dentist Qualified Nurse, Midwife, Health Visitor or equivalents
<b>Other qualifications / Level unknown</b>	Other qualifications (e.g. City and Guilds; RSA/OCR; BTEC/Edexcel) Other professional qualifications.

<sup>3.60</sup> Compared with London as a whole, the population of Merton has slightly fewer people with no qualifications and more people with a degree or above.

Figure 41

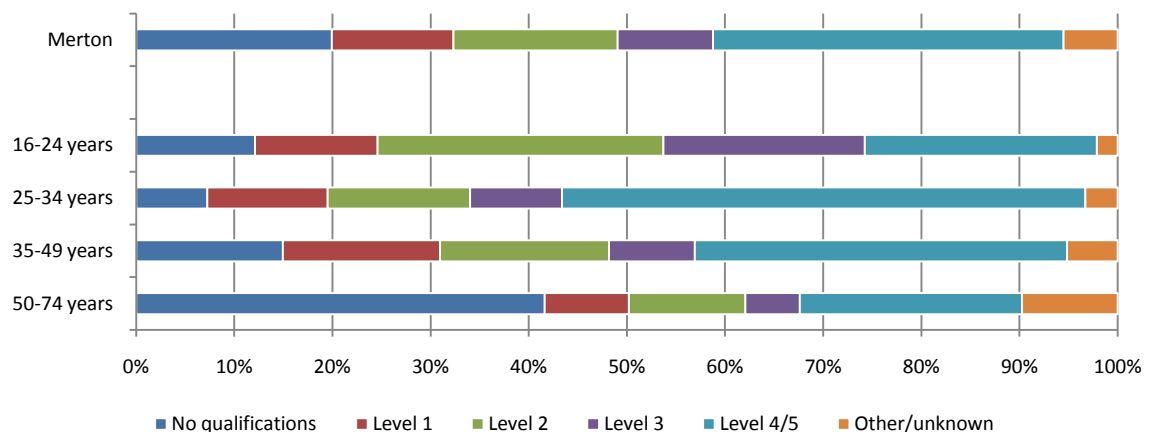
Qualification Levels for Merton, London and England (Source: UK Census of Population 2001)

Education Level	England	London	Merton
Level 0	28.9%	23.7%	19.9%
Level 1	16.6%	13.0%	12.4%
Level 2	19.4%	17.1%	16.7%
Level 3	8.3%	9.8%	9.7%
Level 4 / 5	19.9%	31.0%	35.7%
Other / unknown	6.9%	5.4%	5.5%

<sup>3.61</sup> Figure 42 shows that over 40% of the population of Merton aged over 50 years possess no formal qualifications. This compares with around 7% of the 25-34 year age category. Over 45% of everyone aged 25-49 years has the equivalent to a degree or higher.

Figure 42

Qualification Levels for Merton by Age (Source: UK Census of Population 2001)



## Chapter 3: Key points

### Introduction

- This section of the report considers the local population across Merton, concentrating in particular on how local circumstances have changed over recent years and how they are projected to change in future. Further information is also provided on the characteristics of local households, and how local employment compares to that elsewhere.

### Population

- Taking the 1981 population as a base, the population of Merton rose by 18% in the period up to 2006. This compares with a rise in population of over 8.4% for the whole of England and 10.4% for London.
- The Office of National Statistics estimates that the population of Merton will rise to 224,500 by 2029. This would represent a 16.7% rise in the period 2004-2029. The Greater London Authority has also produced its own estimates for each borough. These forecasts are based upon the 2004 based ONS Households Projections combined with information on recent completions and housing trajectories. The GLA projects low and high estimates. The Low estimate is based only on recent and planned completions in Merton. The High estimates additionally consider the impact on Merton of the likely migration trends which will affect London.
- The Low estimates show that the population of Merton will only rise slowly because of the impact of declining household sizes outweighing the impact of more dwellings in the borough. The High figure shows a much lower rate of population growth than the ONS projection which implies that the population of Merton may not grow as quickly as the ONS demographic projection shows.
- The ONS projections show that the population of Merton is likely to become older in the period up to 2029. In particular, the number of people aged 40 years and above is expected to grow considerably. The high GLA projections also show that the population of Merton aged 45 years and above is expected to rise considerably. However, it also shows that the younger population of the borough will decline.

### Migration

- Data from the 2001 Census showed that of the Merton's 186,859 residents in households, 23,792 (12.7%) had moved within the last 12-months. Of those that had moved, 7,701 moved within Merton, 12,488 moved from elsewhere in the UK and 3,603 moved to the area from overseas. It is also worth noting that Merton lost 598 people from across the UK in 2000-2001. A further 2,350 people resident in Merton were recorded as having "No usual address" 12-months before the Census.
- Migration accounted for a fall in the authority's population of 11,890 people from 2001 to 2006 to the rest of England and Wales. This represents around 6% of the current population of the area. The South East region received the highest number of migrants from Merton. However, Merton experienced net in-migration from the rest of London with a net 4,200 people moving into the borough over five years. This along with the impact of international migration and indigenous population growth in the authority has led to an increase in Merton's population during this period.
- There are extremely strong migration links between the central London boroughs of Wandsworth, Merton, Lambeth, Southwark and Lewisham.
- The area has experienced a net loss across all age groups to the rest of England and Wales except for those aged 16-24 years. In particular, there is a net loss of almost 6,000 adults between the ages of 25-64 years between 2001 and 2006, representing 3% of the total population of Merton.
- When considering the characteristics of migrant households, those who own outright or with a mortgage are more likely to leave the area. Couples with or without children and pensioner couples are the most likely household types to have left Merton. The Socio-economic Classification (NS-SeC) of household representatives, shows that those in lower manager/professional category are the most likely to have left Merton during the year before the 2001 Census.



- Between April 2005 and March 2008 there were 865 new RSL lettings recorded within Merton, of which 153 (18%) were to households outside the local authority. Of the 153 lettings to households from outside of Merton, only 30 of these were from outside of London (approximately 10 households per year). Between 2001 and 2006, a net 10,700 international migrants moved to Merton from overseas. In 2006/07 a total of 6,680 new National Insurance numbers to non-UK nationals were issued in Merton. This group of workers represent around 3.5% of all people residing in the local authority. Around 24% of all new national insurance registrations in Merton were issued to Polish nationals and 14% to South African nationals. These groups together represent over 1% of the total population of the authority.

#### Travel to work

- 2001 Census data identifies that 31,262 people both live and work in Merton. This represents around 33% of all those living in the area who have a job, and 47% of all those who work in Merton. Of this group 8,052 work mainly at or from home, which represents 8.5% of all those residents of Merton who have jobs.
- Unsurprisingly the vast majority of people who travel to work in and out of Merton do so to and from other parts of London.
- Merton receives a small positive flow of workers from Croydon and a larger number from Sutton. The population of Merton travels to a wide range of London boroughs, most notably Westminster and the City.

#### The economy

- There has been a long-term decline of the unemployment rate in Merton which is lower than it is in England & Wales or London.
- Since 1997 the number of VAT registered businesses in the Merton has grown by 1,535. This represents an increase in registered businesses of around 32%. which is above the average across England as a whole and the London region where the number of businesses has grown by 18% and 23% respectively.
- The 2001 Census indicates that the range of occupations of Merton residents differs slightly from those of the overall population of London, with more people employed in higher paid managerial and professional occupations. Real estate is relatively important to the Merton economy. Hotels and restaurants form a much smaller share of employment than they do in London as a whole.
- Comparisons for median gross annual earnings for 2007 show that residents in Merton typically earn more than those employed in the area.
- The measure of household income is more important than individual earnings for the purposes of this study as household income gives a greater guide as to how much a household can afford to spend on housing. The lowest average household incomes in Merton are to be found in the south and east of the borough, with the north and west of the borough typically having higher incomes.
- Compared with London as a whole, the population of Merton has slightly fewer people with no qualifications and more people with a degree or above. Over 40% of the population aged over 50 years possess no formal qualifications. This compares with around 7% of the 25-34 year age category. Over 45% of everyone aged 25-49 years has the equivalent to a degree or higher.



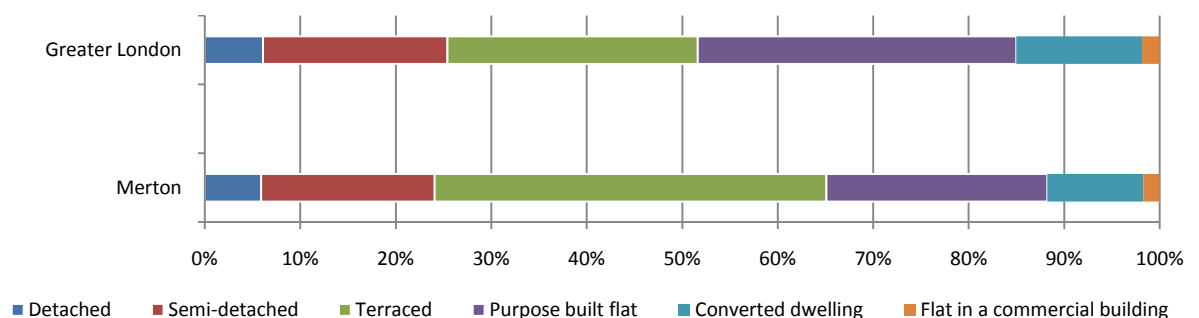
## Chapter 4: Existing Dwelling Stock

- 4.1 The general character of a dwelling stock is important in understanding the type of housing available to residents of an area and the relationship that dwelling type, age and location has on dwelling condition. The mix of property type available will have a bearing on home-owners' choices in terms of accommodation and the type of investment properties available to landlords.
- 4.2 The age of a dwelling will also have an effect, for example older, pre-1919, terraced houses tend to be large in comparison to a typical modern detached house. The age of a dwelling will also tend to determine its internal layout, the provision of amenities, its level of energy efficiency and its condition.
- 4.3 Dwelling location is also important, findings from the English House Condition Survey (EHCS) from 1996, 2001 and 2003 all indicate that urban dwellings are less prone to poor physical condition and problems with energy efficiency.
- 4.4 The following analysis examines a number of general physical characteristics of the stock before exploring the relationship between dwelling characteristics and the condition of housing across the local authority and housing market areas.

### Property Type

- 4.5 Figure 43 shows the mix of existing properties in Merton in terms of property type. As illustrated, detached properties comprise only around 5% of the stock, semi-detached properties around 18% of the stock, terraced housing comprises around 41% of the total with flats accounting for the remaining 35%. It is also noteworthy that around 10% of the stock is formed from a converted dwelling, rather than being purpose built. Compared with Greater London averages, there is more terraced housing in Merton and less purpose built and converted dwellings.

Figure 43  
Property Type, (Source: UK Census of Population 2001)



## Housing Tenure

4.6 Figure 44 shows the proportion of dwellings in each of the local authorities in London that were classified as social rented housing in 2007. It is apparent that the overall proportion of social rented housing in Merton is lower than both the English and London averages.

4.7 Figure 45 shows the overall tenure of housing stock in Merton, showing that owner occupation forms a majority of the housing stock in the borough. 68.3% of all properties across the area are owned (including 0.6% shared ownership dwellings) a higher proportion than in London as a whole (Figure 46) with the remaining 16.9% in the private rented sector.

Figure 44  
**Proportions of Social Rented Housing in London by Borough 2007**  
 (Source: Housing Strategy Statistical Appendix, DCLG)

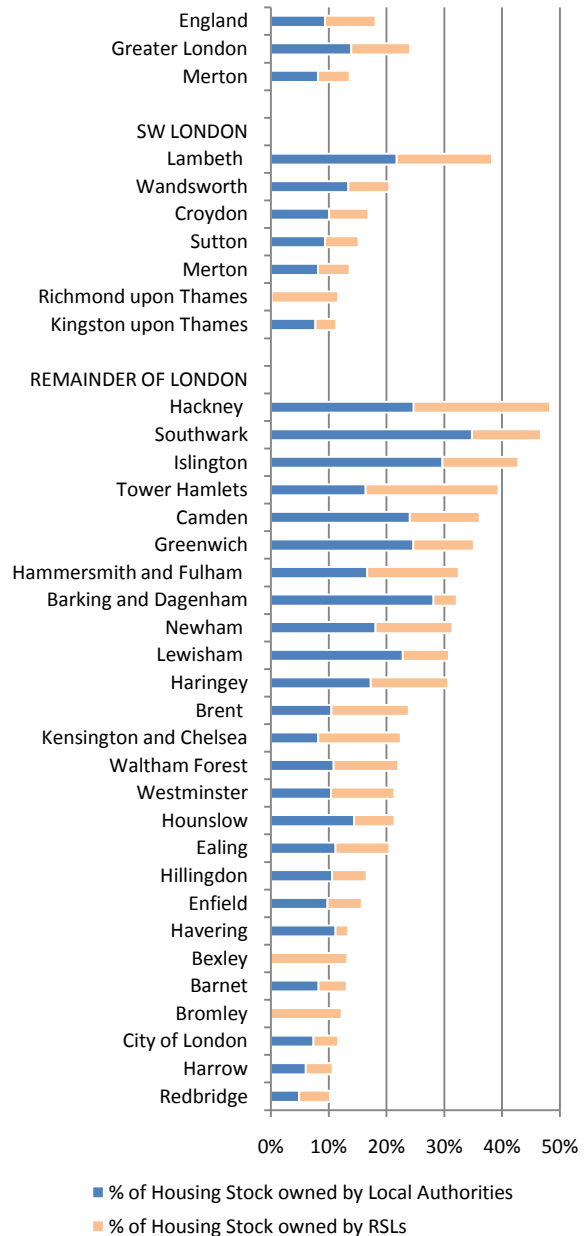


Figure 45  
**Housing Tenure in Merton** (Source: UK Census of Population 2001)

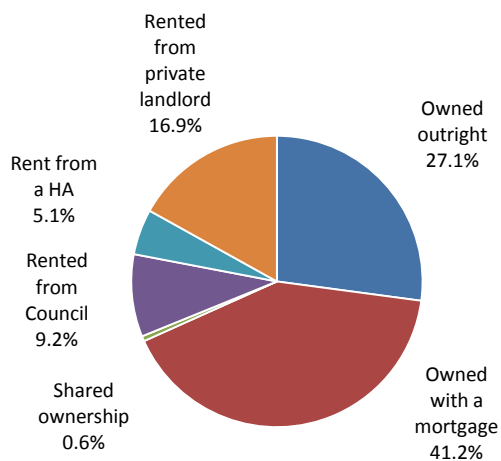
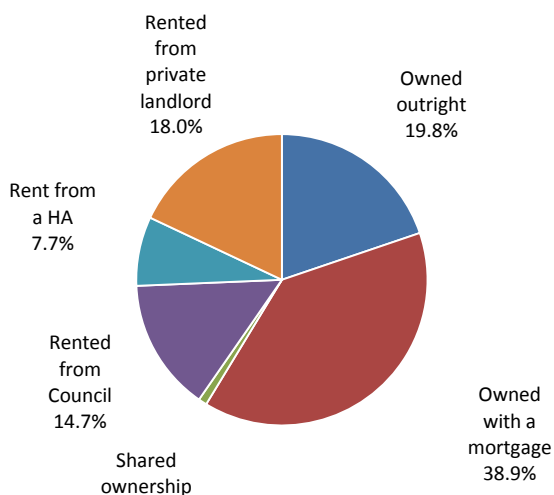
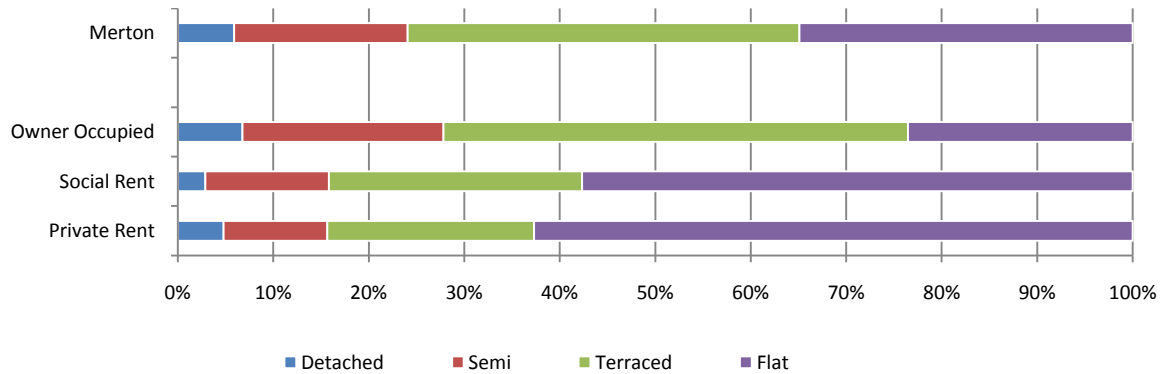


Figure 46  
**Housing Tenure in London** (Source: UK Census of Population 2001)



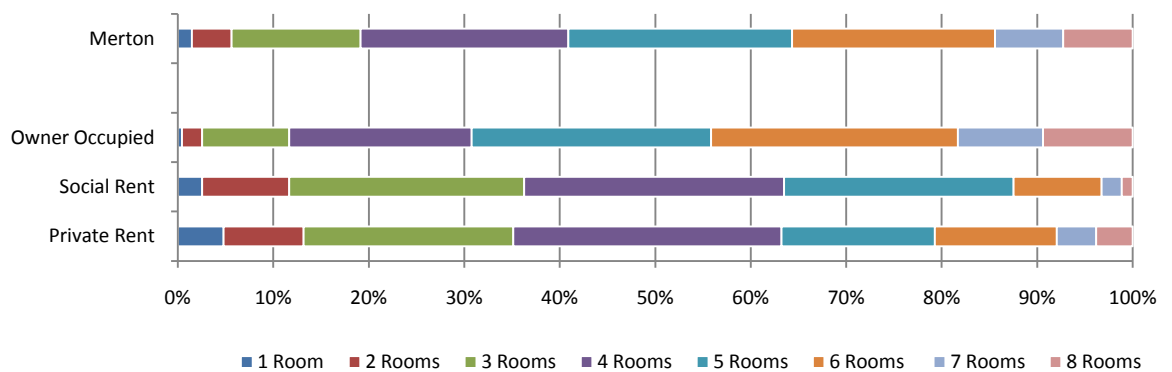
- 4.8 Figure 47 shows the difference in property type which exists between owner-occupied and social housing in Merton. Only 24% of market housing is flats while in contrast, 58% of all social housing and 63% of all private rent dwellings are flats.

Figure 47  
Property Type by Tenure (Source: UK Census of Population 2001)



- 4.9 Figure 48 shows both private rented and social rented dwellings typically contain fewer rooms than those which are owner occupied. This still implies that around 15% of social rented dwellings contain six or more rooms and over 35% contain five or more. It should be noted that the 2001 Census did not include bathrooms, toilets, storage cupboards, hallways or landings as separate rooms.

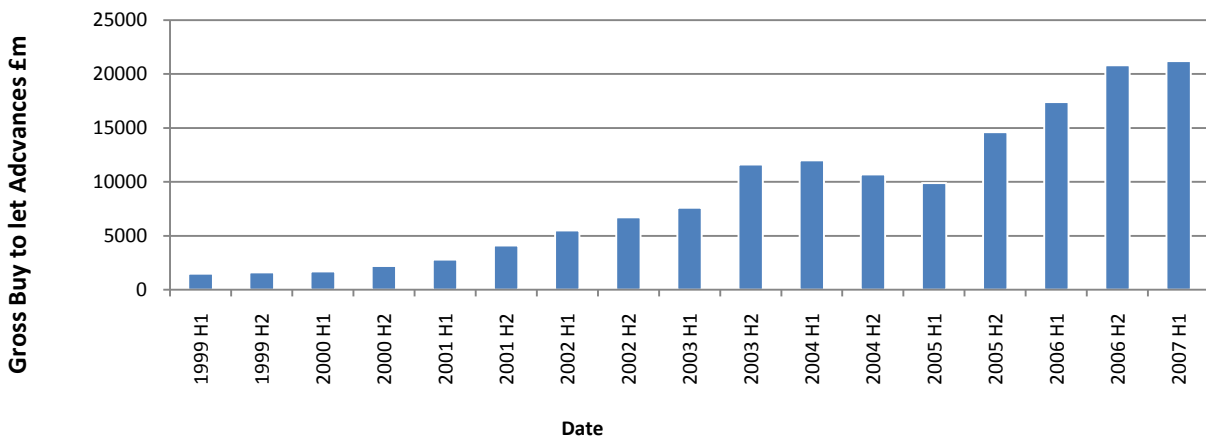
Figure 48  
Number of Rooms by Tenure (Source: UK Census of Population 2001)



**Private Rented Sector**

4.10 The private rented sector has experienced an increase in importance in the housing market over recent years. The impact of low interest rates and concerns about the rate of returns on long-term investments and pensions led to many people investing in the buy-to-let housing market. Figure 49 shows how the number of specific buy to let mortgage advance has grown since the first quarter of 1999. It highlights the enormous growth in this form of investment and demonstrates that there is no evidence, nationwide, of buy-to-let advances declining in the first half of 2007. However, more recently lending of all forms for house purchases has declined and it is likely that buy-to-let mortgages will have been similarly affected.

Figure 49  
**Buy to let Mortgage Advance 1999-2007** (Source: Council of Mortgage Lenders 'Buy-to-let Mortgage Lending and the Impact on UK House Prices', February 2008)



4.11 The private rented sector is also important because of its role in housing particular household groups. Many households who cannot afford to move into owner occupied accommodation form in the private rented sector. As previously mentioned, at the time of the 2001 Census around 17% of the housing stock was in the private rented sector.

4.12 Evidence from national surveys such as the English House Condition Survey shows that the private rented sector has been expanding in recent years across the whole of England. This data is not available at local authority level, but it is likely that the private rented sector will have expanded in Merton since the time of the 2001 Census.

### Social Housing

4.13 Figure 50 shows households in the social rented sector did not follow the age profile of the rest of the population of Merton. This shows that it is disproportionately aged 0-15 years and 75+ years when compared to the whole population of the borough.

4.14 Figure 51 and Figure 52 shows that compared to all households in Merton the social rent sector contains proportionately many more lone parents and pensioners and fewer couples with or without children.

Figure 50  
Age Profile for Social Rented Sector Compared with Whole Population of Merton (Source: UK Census of Population 2001)

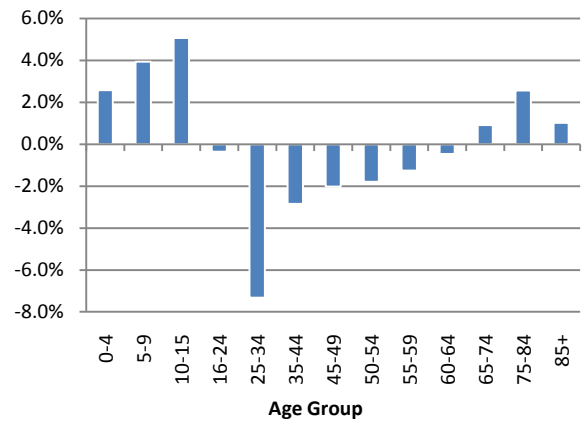


Figure 51  
Household Type for All Households (Source: UK Census of Population 2001)

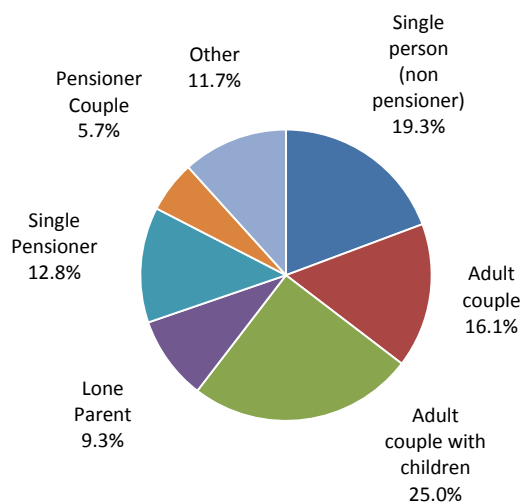
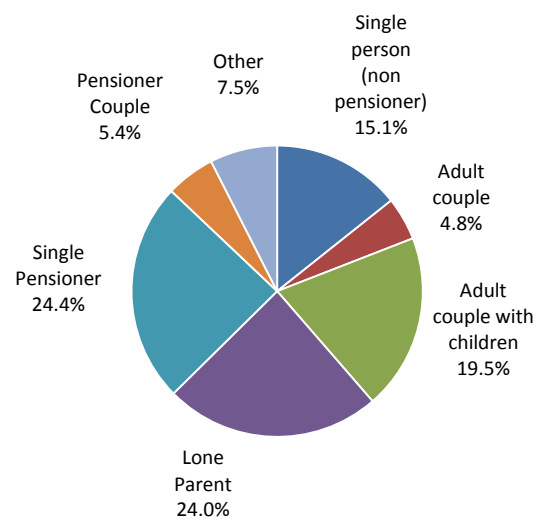
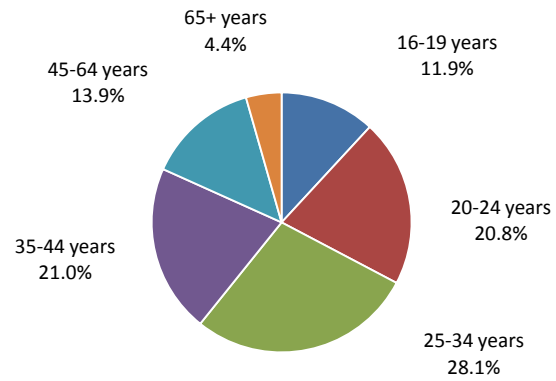


Figure 52  
Household Type for Social Rent Households (Source: UK Census of Population 2001)



4.15 Detailed individual records of all Registered Social Landlord (RSL) lets are available from the Continuous Recording (CORE) system maintained by the University of St Andrews. All figures relate to general lets made between April 2005 and March 2008 and exclude those who transferred from one socially rented property to another.

Figure 53  
Age of Recent Tenants (Source: University of St Andrews CORE Records 2005-2008)



4.16 The age of the new tenants (Figure 53) shows that a third of all new tenants were aged under 25 years and 60% were aged under 35 years.

### Houses of Multiple Occupation and Communal Establishments

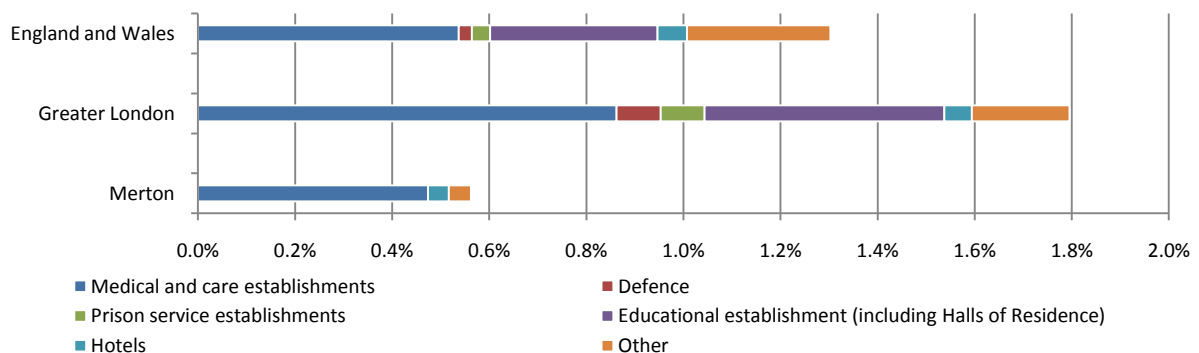
4.17 When looking at housing needs it must be remembered that not all people live in standard households. Many households occupy houses of multiple occupation (HMOs). The precise definition of an HMO is complex, but includes the following groups:

- A bedsit where you share the bathroom with tenants of other bedsits
- A flat in a house whether you share the bathroom facilities with other tenants or not
- A room in a shared house where you share the bathroom and kitchen facilities with the tenants of the other rooms but do not live with the other tenants as part of a 'household', for example you don't cook for one another and eat together like a family would
- You are a lodger renting a room from a resident landlord (as long as there are at least 3 other lodgers in the house)
- You live in a bed and breakfast hostel
- You live permanently in a hotel or guest house

4.18 Across Merton HMOs form a significant part of the private rented housing stock. The Housing Strategy Statistical Appendix (HSSA) 2007 for Merton estimated that there were 5,062 Houses in multiple Occupation (HMOs) in the borough.

4.19 It is also important to note that not all people live in traditional household units. Figure 54 shows that 0.55% of the population of Merton live in communal residences, which is around a third of the average for the whole of London of 1.8%.

Figure 54  
Proportion of People in Communal Housing by Type of Establishment in Merton (Source: UK Census of Population 2001)





## Chapter 4: Key points

### Introduction

- The general character of a dwelling stock is important in understanding the type of housing available to residents of an area and the relationship that dwelling type, age and location has on dwelling condition. The mix of property type available will have a bearing on home-owners' choices in terms of accommodation and the type of investment properties available to landlords.

### Type

- Detached properties comprise only around 5% of the stock, semi-detached properties around 18% of the stock, terraced housing comprises around 41% of the total with flats accounting for the remaining 35%. Around 10% of the stock is formed from a converted dwelling, rather than being purpose built.

### Tenure

- 68.3% of all properties across the area are owned outright or owned with a mortgage. Around 14.9% of the stock is rented from social landlords including 0.6% shared ownership dwellings. The remaining 16.9% of the stock is in the private rented sector.
- Only 24% of market housing is flats while in contrast, 58% of all social housing and 63% of all private rent dwellings are flats.
- Private rented and social rented dwellings typically contain fewer rooms than those which are owner occupied.

### The Private Rented Sector

- The private rented sector has increased in importance in the housing market over recent years. The impact of low interest rates and concerns about the rate of returns on long-term investments and pensions led to enormous growth in buy-to-let investment. There is no evidence, nationwide, of buy-to-let advances declining in the first half of 2007. However, more recently lending of all forms for house purchases has declined and it is likely that buy-to-let mortgages will have been similarly affected.
- The private rented sector is important because of its role in housing particular household groups. Many households who cannot afford to move into owner occupied accommodation form in the private rented sector.
- At the time of the 2001 Census around 17% of the housing stock was in the private rented sector. Evidence from national surveys such as the English House Condition Survey do not provide data at Local authority level so it is not possible to estimate the growth of the sector in Merton since 2001.

### Social Housing

- Households in the social rented sector do not follow the age profile of the rest of the population of Merton. Social housing has more people aged 0-15 years and 75+ years when compared to the whole population of the borough. The social rent sector contains proportionately many more lone parents and pensioners and fewer couples with or without children.
- However recent CORE data shows that a third of all new tenants were aged under 25 years and 60% were aged under 35 years.

### Houses in Multiple Occupation (HMO)

- Across Merton, HMOs form a significant part of the private rented housing stock. It is estimated that there were 5,062 rooms within HMOs in the borough.



# Chapter 5: Existing Households in Housing Need

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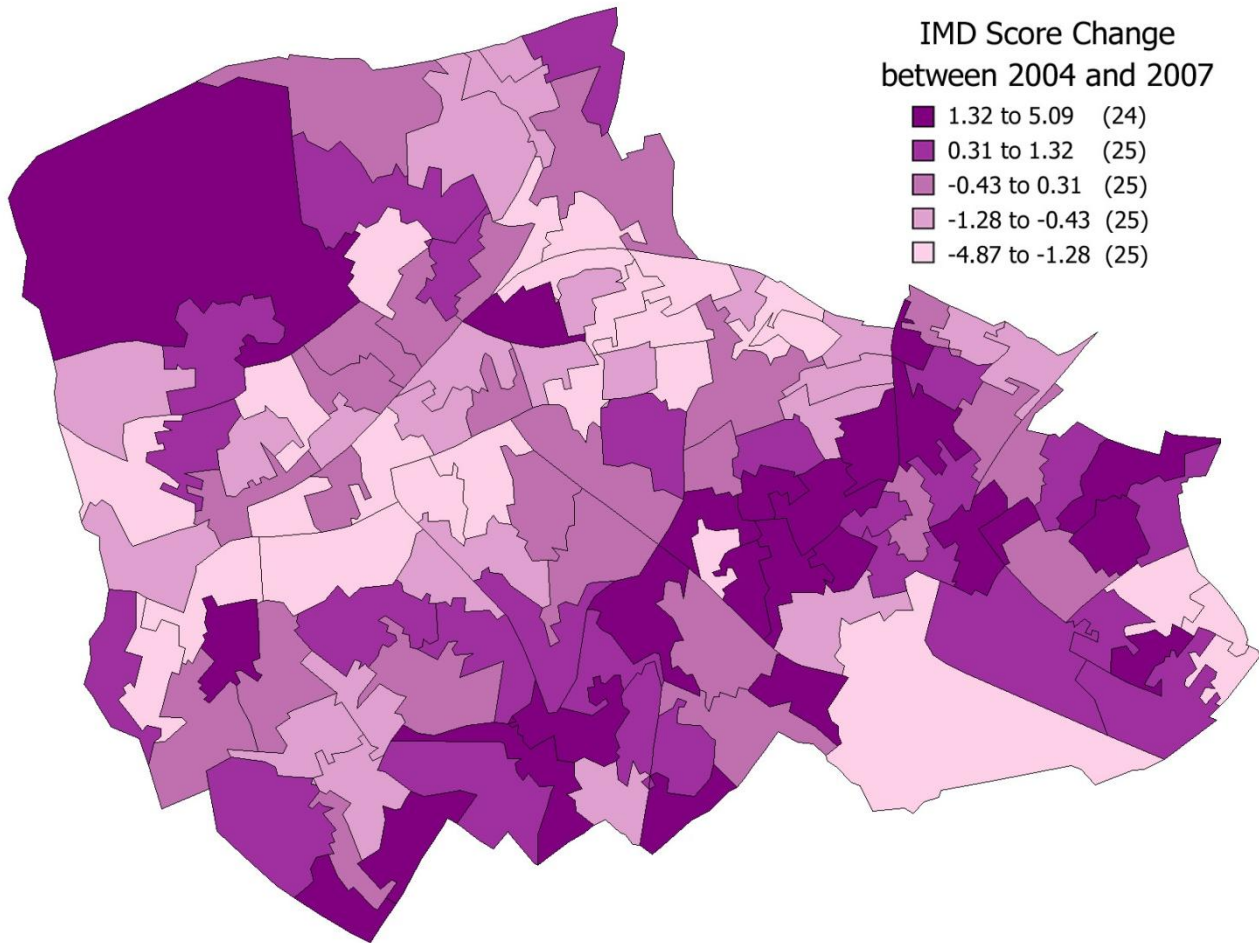
## Indicators of Housing Need

- <sup>5.1</sup> Housing need is defined in the government guidance PPS3 as ‘the quantity of housing required for households who are unable to access suitable housing without financial assistance. This chapter examines data that develops and understanding of what constitutes unsuitable housing. Chapter 6 examines affordability as a further step in order to assess the quantity of housing required to meet future need which is arrived at in Chapter 7.
- <sup>5.2</sup> The chapter begins by looking at the change in the index of multiple deprivation, then looks at the acute indicators of need (overcrowding and homelessness). We then estimate the proportion of households in unsuitable housing and the nature of unsuitability by applying an ORS model to Merton’s profile.

### Index of Multiple Deprivation

- <sup>5.3</sup> As was shown in Figure 8 (Page 22), the 2007 Index of Multiple Deprivation scores for Merton demonstrated that higher levels of deprivation were identified in the South and East of the borough.
- <sup>5.4</sup> Index of Multiple Deprivation results were also produced in 2004 for all areas of England and Wales. Figure 55 shows how the scores for each lower super output area in Merton changed between 2004 and 2007. This shows that as many lower super output areas in Merton saw a reduction in their scores as saw an increase in their scores. The areas more likely to see a rise in their score, and therefore to see an increase in deprivation, were to be found in the east of the borough which already contained the areas with the highest levels of deprivation.

Figure 55  
**Change in Score for Index of Multiple Deprivation for 2007 Compared to 2004** (Source: CLG and ODPM. Note: Data shown at lower-level Super COA. Higher levels of deprivation shown in darker shading)



### Overcrowding

5.5 A total of 12.4% of households in Merton lived in overcrowded conditions at the time of the 2001 Census. Although this is lower than the average for the whole of London, it is almost double the proportion for England and Wales as a whole. The room occupancy rating featured in Figure 56 uses a complicated formula to assess whether a household is overcrowded. This method assumes that every household requires at least two common rooms excluding bathrooms. The number of bedrooms required is assumed to depend on the composition of the household, with for example the age and gender mixed of any children playing a large role in deciding how many rooms the house should have so as not to be overcrowded.

Figure 56  
**Proportion of Households Overcrowded by Area, and Tenure**  
 (Source: UK Census of Population 2001)



- 5.6 Figure 56 also illustrates how the proportion varies by tenure, where it is apparent that only 7% of owner occupied dwellings were overcrowded. However, 25% of social rented and 23% of private rented dwellings in Merton were overcrowded.

### Identifying Unsuitably Housed Households

- 5.7 Housing need is defined in the government guidance PPS3 as ‘the quantity of housing required for households who are unable to access suitable housing without financial assistance. Housing demand as ‘the quantity of housing that households are willing and able to buy or rent. Therefore, to identify existing housing need we must first consider the adequacy and suitability of households’ current housing circumstances.
- 5.8 A classification of unsuitable housing is set out below, taken from CLG’s SHMA Practice Guidance Table 5.1.

Figure 57

Classification of Unsuitable Housing (Source: CLG Housing Market Assessments Practice Guidance: Version 2 August 2007)

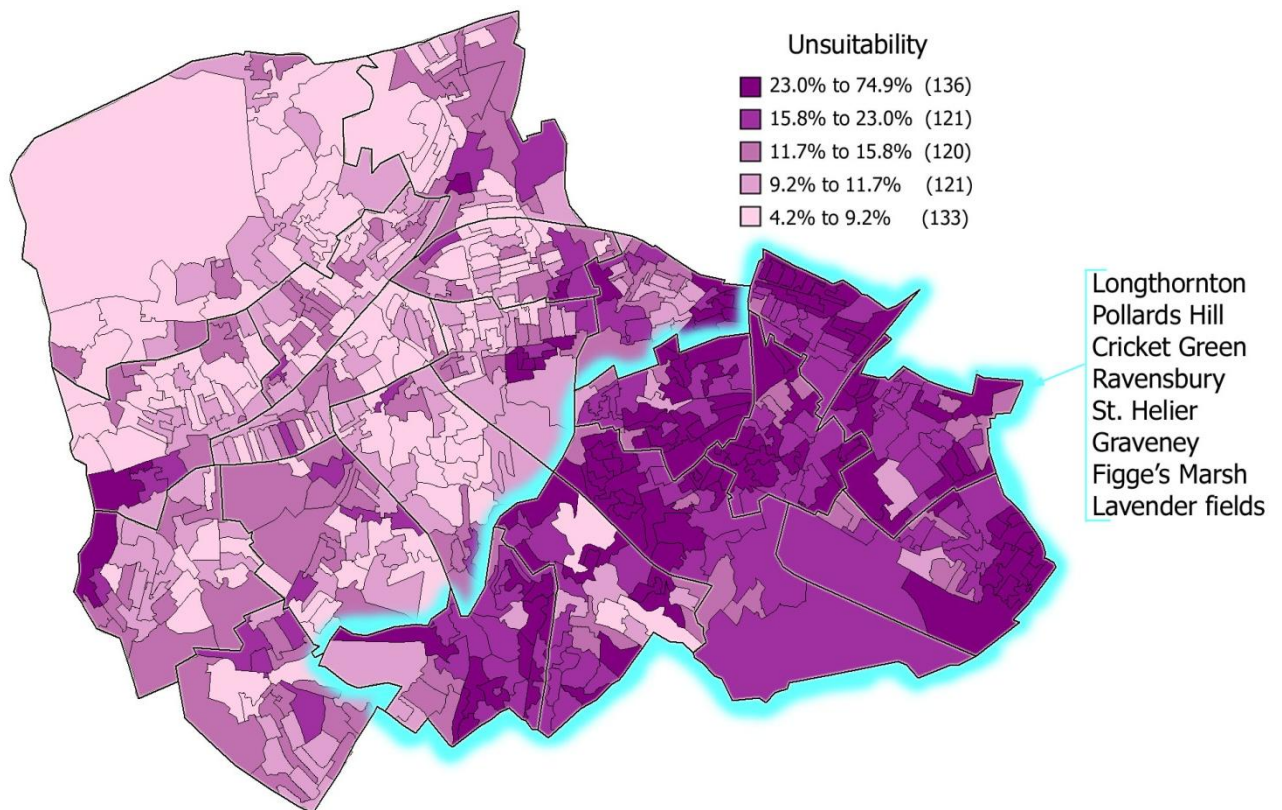
Main Category	Sub-divisions
<b>Homeless or with insecure tenure</b>	i. Homeless households
	ii. Households with tenure under notice, real threat of notice or lease coming to an end; housing that is too expensive for households in receipt of housing benefit or in arrears due to expense
<b>Mismatch of household and dwelling</b>	iii. Overcrowded according to the ‘bedroom standard’
	iv. Too difficult to maintain (eg too large) even with equity release
	v. Couples, people with children and single adults over 25 sharing a kitchen, bathroom or WC with another household
	vi. Households containing people with mobility impairment or other specific needs living in unsuitable dwelling (eg accessed via steps), which cannot be made suitable in-situ
<b>Dwelling amenities and condition</b>	vii. Lacks a bathroom, kitchen or inside WC and household does not have the resources to make fit (eg through equity release or grants)
	viii. Subject to major disrepair or unfitness and household does not have the resources to make fit (eg through equity release or grants)
<b>Social needs</b>	ix. Harassment from others living in the vicinity which cannot be resolved except through a move

- 5.9 Most of the identified issues concern established rather than newly forming households. The nature of unsuitability will mean that some households need to move home but others could continue to live in the same home if appropriate changes were made. Even where a move is necessary, facilitating households to relocate from one property to another does not necessarily imply additional homes are needed. The characteristics of the newly occupied dwellings may differ, but the overall number of homes remains the same.
- 5.10 Nevertheless, to satisfy the needs of all households, it may be necessary to provide some additional housing with particular characteristics leaving an equivalent number of dwellings (with different characteristics) available to meet housing needs and demands from elsewhere in the market.

### Assessing Established Households in Unsuitable Housing

- 5.11 Households are classified as being unsuitably housed if one or more of the above factors are found to apply. However, secondary data sources do not contain sufficient information on the characteristics of households to allow a direct measure of how many households are unsuitably housed in any given area.
- 5.12 Therefore, ORS have developed a model which forecasts unsuitably housed households at Census Output Area level. The model is based upon the evidence of 20,000 primary data surveys conducted over the last three years in England. The model uses logit estimation to analyse cases of both unsuitably and suitably housed households to identify characteristics in secondary data sources which are associated with unsuitably housed households. The same secondary data sources are then used to forecast the level of unsuitably housed in the area under consideration.
- 5.13 The variables which are used to predict the level of households who are unsuitably housed are;
- Income – drawn from CACI paycheck;
  - Average house prices from Land Registry;
  - Relative house prices – output area average relative to borough average;
  - Index of Multiple Deprivation scores 2007;
  - DEFRA geography category – Urban, Town & Fringe, Village or Hamlet;
  - Household types – from UK Census of population 2001;
  - Overcrowding – from UK Census of Population 2001;
  - Household type – from UK Census of Population 2001;
  - Ethnic composition - from UK Census of Population 2001;
  - Tenure – from UK Census of Population 2001;
  - Population density – persons per hectare from UK Census of Population 2001.
- 5.14 Figure 58 shows the modelled results for Merton. This shows a similar pattern to that observed for IMD 2007 with much of the predicted areas of unsuitable housing being in the eastern side of the borough. Across the whole of Merton, 17.2% of households are predicted to be unsuitably housed.

Figure 58  
 Modelled Unsuitably Housed by Output Area (Source: ORS Unsuitably Housed Model)



## Homelessness

5.15 Local Authorities have a duty to provide a service for people who are homeless or are threatened with homelessness. The Housing Act 1996 states that if the authority is satisfied that the applicant is not intentionally homeless has a priority need (defined below), they shall:

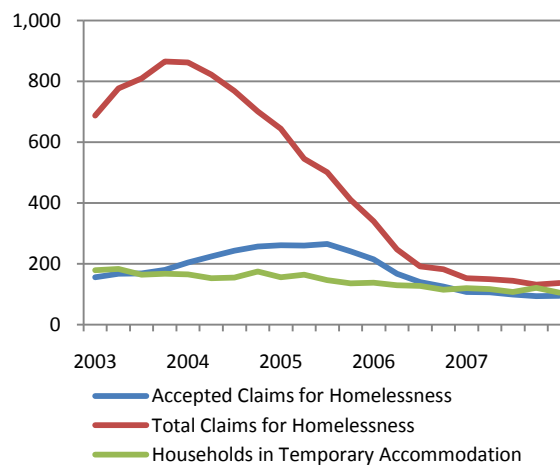
- secure that accommodation is available for their occupation for such period as they consider will give them a reasonable opportunity of securing accommodation for his occupation, and
- provide them with advice and assistance as they consider appropriate in the circumstances in any attempts he may make to secure that accommodation becomes available for their occupation.

5.16 Cases may be found to be not homeless and in priority need because they may have made themselves intentionally homeless. Examples of people who have made themselves intentionally homeless might be those who:

- Made themselves homeless by leaving home knowing they could reasonably have stayed; or
- Caused a serious nuisance or withheld rent or mortgage payments.

5.17 Figure 59 indicates that the total number of claims for homelessness rose from late 2003 until 2006. The number of households accepted as being homeless and in priority need continued to rise until 2005 when it too began to fall. The number of households housed in temporary accommodation has also been in decline since 2004.

Figure 59  
Unintentionally Homeless and in Priority Need Applications and Households in Temporary Accommodation for Merton 2003 Q1-2008 Q1 (Source: Local Authority P1E Homelessness Data. Note: Number of cases based on 12-months to end of quarter)



#### Households Defined as being in Priority Need

The following groups of households were originally defined as being in priority need under the 1996 Housing Act:

- pregnant women;
- persons with whom a pregnant woman resides, or might reasonably be expected to reside;
- persons with dependent children, or with whom dependent children might reasonably be expected to reside;
- persons who are vulnerable – because of old age, mental or physical disability, or other special reason;
- persons who are homeless in emergency.

The following categories were added to this list by the Priority Needs Order 2002 (England):

- 16 to 17-year-olds (not *relevant children* under the Children's Act 1989 and Children Leaving Care Act 2000);
- young persons under 21 who are looked after/accommodated between 16 and 18;
- young persons under the age of 21 who are vulnerable as result of being looked after/accommodated/fostered;
- those who are vulnerable as result of being in HM forces;
- those who are vulnerable as a result of custodial sentence/remand to custody/contempt of court/kindred offence;
- those who are vulnerable as result of leaving accommodation because of threats of violence.



## Chapter 5: Key points

### Introduction

- Housing need is defined in the government guidance PPS3 as 'the quantity of housing required for households who are unable to access suitable housing without financial assistance. This chapter examines data that develops and understanding of what constitutes unsuitable housing. Chapter 6 examines affordability as a further step in order to assess the quantity of housing required to meet future need which is arrived at in chapter 7.

### The Index of Multiple Deprivation

- The 2007 Index of Multiple Deprivation scores for Merton demonstrated that higher levels of deprivation were identified in the South and East of the borough.
- Index of Multiple Deprivation results were also produced in 2004 for all areas of England and Wales. Comparison between 2004 and 2007 shows that nearly as many local super output areas in Merton saw a reduction in their scores as saw an increase in their scores. The areas more likely to see a rise in their score, and therefore to see an increase in deprivation, were to be found in the east of the borough which already contained the areas with the highest levels of deprivation.

### Overcrowding

- A total of 12.4% of households in Merton lived in overcrowded conditions at the time of the 2001 Census. Although this is lower than the average for the whole of London, it is almost double the proportion for England and Wales as a whole. The proportion varies by tenure, where it is apparent that only 7% of owner occupied dwellings were overcrowded. However, 25% of social rented and 23% of private rented dwellings in Merton were overcrowded.

### Homelessness

- The total number of claims for homelessness rose rapidly from late 2003 until 2006. The number of households accepted as being homeless and in priority need continued to rise until 2005 when it too began to fall. The number of households housed in temporary accommodation has also been in decline since 2004.

### The scale and nature of unsuitable housing

- The modelled results for Merton show a similar pattern to that observed for IMD 2007. Many of the predicted areas of unsuitable housing being in the Eastern side of the borough.
- Across the whole of Merton, 17.2% of households are predicted to be unsuitably housed only a small fraction of whom will require re-housing.

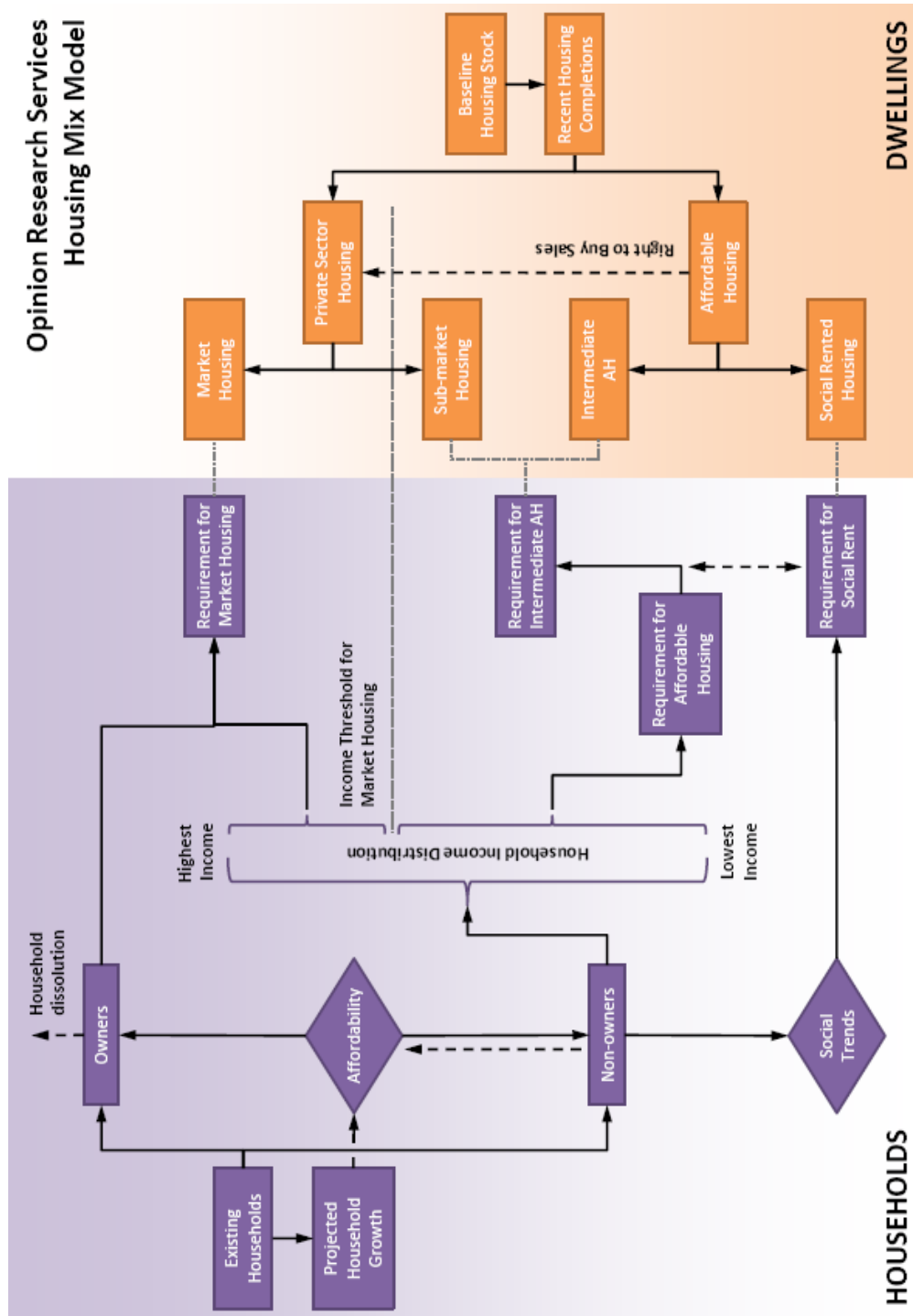


## Chapter 6: The ORS Housing Mix Model

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- 6.1 This section summarises the ORS Housing Mix Model. A fuller technical report of the methodology employed is appended.
- 6.2 The Model is based exclusively on secondary data from a wide range of sources. It has been designed to help understand the key issues and provide insight into how different assumptions will impact on the required mix of housing over future planning periods.
- 6.3 It builds on existing household projections to effectively profile how the housing stock will need to change in order to accommodate the projected future population. Assumptions on changes in affordability and the projected relationship between future housing costs and household income are readily updateable and are easily fed into the model to enable effective sensitivity testing to be undertaken.
- 6.4 The Model considers both housing need and overall housing requirements on a longer-term basis, providing robust and credible evidence about the required mix of housing over the planning period and understanding how key housing market drivers (such as affordability) will impact on the appropriate housing mix.

Figure 60  
Flowchart of the ORS housing mix model (©ORS)



6.5 Figure 60 provides a detailed overview of the structure of the Housing Mix Model and the way in which the different stages of the model interact.

- The left hand section of the diagram considers households in terms of the baseline population and projected household growth, and their associated affordability and housing requirements.
- The right hand section of the diagram considers the dwelling stock in terms of the tenure and housing costs for both the existing stock and the recent housing completions.

- 6.6 The Model considers the projected household population alongside the existing dwelling stock in order to establish the necessary balance between market housing and affordable housing in relation to the additional dwellings to be provided. For affordable housing the balance between intermediate affordable housing and social rented housing is estimated.
- 6.7 The first stage of the model starts by separating households into two groups, owners and non owners on the basis of baseline information about existing households from the 2001 Census.
- 6.8 Household projections do not typically provide information about changing tenure patterns so the model estimates the number of households likely to become owners and non-owners on the basis of an affordability assessment. The affordability assessment considers both the likely affordability of newly forming households and the changing affordability patterns of existing households.
- 6.9 The model also takes account of the dissolution of households that are existing owner occupiers that is projected to occur over the household projection period. This is based on Government Actuaries Department survival rates and 2001 Census data on the tenure mix for older households. This enables the loss of owner occupiers to be offset against any new owners identified through the affordability analysis.
- 6.10 The outcome of the stage is to establish the number of households who are owners and non-owners at each phase of stage of the household projection.
- 6.11 In developing the Housing Mix Model, ORS recognised the need for local level data about household incomes and secured a licence to use the CACI Paycheck data within the model. This dataset provides information at postcode level, detailing the mean and median income for the area and also the number of households in each £5,000 income band. ORS has compared this distribution to that obtained using ORS collected household survey data and has found that the results from the CACI model tend to under-estimate the proportion of households in the lower income bands. ORS has developed and applied a tool that improves the accuracy of the distribution of local household incomes.
- 6.12 ORS has developed an Income Model to identify the income distribution of owners and non-owners to directly inform the Housing Mix Model affordability profiling.
- 6.13 By taking information from the Land Registry transaction database, it is possible to profile the distribution of purchase prices for transactions over time across a given area. Combining the Land Registry data with information from the 2001 Census on the balance between owner occupiers and private renters (specific to the location and property type of each sale) the model establishes the likelihood of the transaction being a property that will be occupied by the purchaser or let privately.
- 6.14 The Housing Mix Model considers housing cost distribution profiles for both owned and privately rented housing in order to establish the distribution of incomes required to access all market housing. This profile is considered alongside the income distribution profile for non-owners. The household income threshold for market housing is set at the lowest level where there is sufficient market housing available. If there is less market housing available than households can afford, 'affordable' housing will be required to address the shortfall and therefore the threshold price for market housing must be set above this level.
- 6.15 Once the income threshold for market housing has been established, the Housing Mix Model estimates the number of households who are non-owners that can afford market housing. Combining this with

the projected number of owner occupiers estimates the total number of households requiring market housing within the area.

- 6.16 The requirement for affordable housing is estimated by subtracting the total number of households requiring market housing from the overall household projections.
- 6.17 The Housing Mix Model considers the need for social rented housing on the basis of social trends. The social trends for each household type (for example single person or single parent households) are then applied to the household projection data to establish the level of social rented requirement for future years for each type of household. The model establishes a total requirement for social rented housing.
- 6.18 The requirement for intermediate affordable housing is estimated by offsetting the total number of households requiring social rented housing from the projected number of households requiring affordable housing overall.
- 6.19 To establish the current housing stock profile, the Model considers the baseline housing stock from the 2001 Census broken down by tenure. It supplements this information with data on housing completions broken down by tenure reported in local authority annual monitoring reports. The Housing Mix Model also considers data on losses from the affordable housing stock based on right-to-buy sales, and projects the likely future losses from stock on the basis of trends in sales since the recent change in legislation.
- 6.20 The Housing Mix Model considers the future requirement for market housing alongside the current stock of market housing and establishes the net additional dwellings that are required as market housing.
- 6.21 The future requirement for intermediate affordable housing is considered alongside the stock of existing intermediate affordable housing and the stock of sub-market housing (which is affordable to households on incomes below the income threshold for market housing) to establish the net additional dwellings that are required to be provided as intermediate affordable housing.
- 6.22 The future requirement for social rented housing is considered alongside the stock of existing social rented housing to establish the net additional dwellings that are required to be provided as social rented housing.
- 6.23 The Housing Mix Model considers the size and tenure of housing that was occupied by different household types recorded by the 2001 Census. The Model recognises that many households under-occupy their homes (choosing to live in larger properties than they need on the basis of the bedroom standard set out in the Housing Act), although housing allocation policies mean that new social tenants are less likely to under-occupy their homes.
- 6.24 A trend-based occupancy profile is applied to the projected household mix of households in each housing tenure to establish an overall size mix of future housing requirements. This is then set alongside information about the existing housing stock to establish the net additional dwellings that are required by size and tenure.

## Chapter 7: Profiling Affordability

### Local House Price Trends

7.1 Figure 61 shows the average property prices in Merton for each quarter from the second quarter of 2000 until the first quarter of 2008. It should also be noted that discounted local authority properties bought under 'right-to-buy' are not included in the statistics.

7.2 During this time period the average property price in Merton rose by 114%. Much of the increase in property prices occurred between 2001 and 2004, with average prices in 2005 remaining more stable before starting to rise again in 2006.

7.3 Figure 62 shows how property prices in Merton have changed since 2000 compared to London as a whole. In 2000, the average house price in Merton was close to the Greater London average. In 2007 relative prices in Merton rose sharply compared to the Greater London average.

7.4 The average property price for an area provides only a limited amount of information about the conditions in a local housing market. The overall picture of the housing market is much more dependent upon the spread of property prices which are to be found in it, and how these relate to incomes in the area. The housing market of any area is also dependent upon other key national and global factors such as interest rates, inflation, tax changes, and the credit crunch.

Figure 61  
Average Price of Properties Sold in Merton: Q2 2000-Q1 2008  
(Source: HM Land Registry)

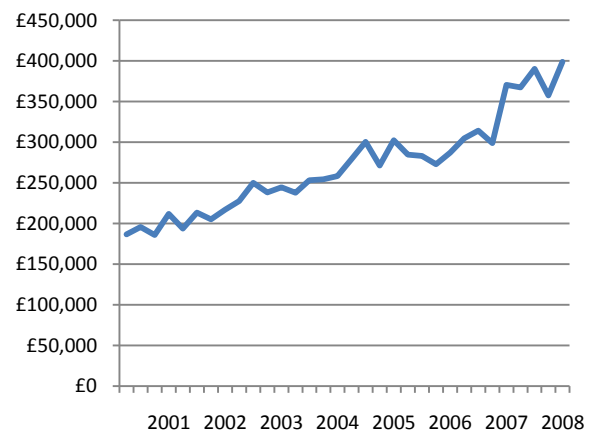


Figure 62  
House Prices in Merton as a Percentage of the Greater London Average: Q2 2000-Q1 2008 (Source: HM Land Registry)

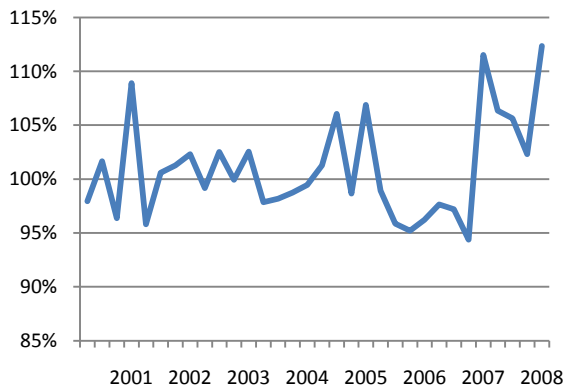
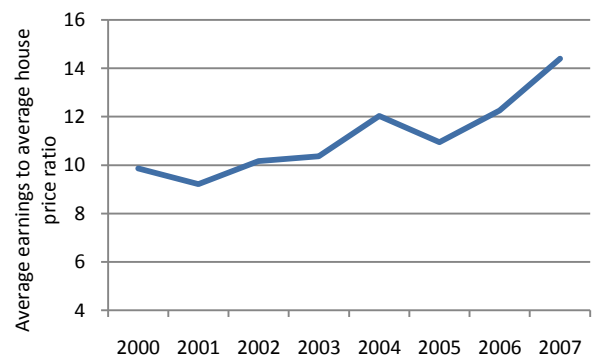
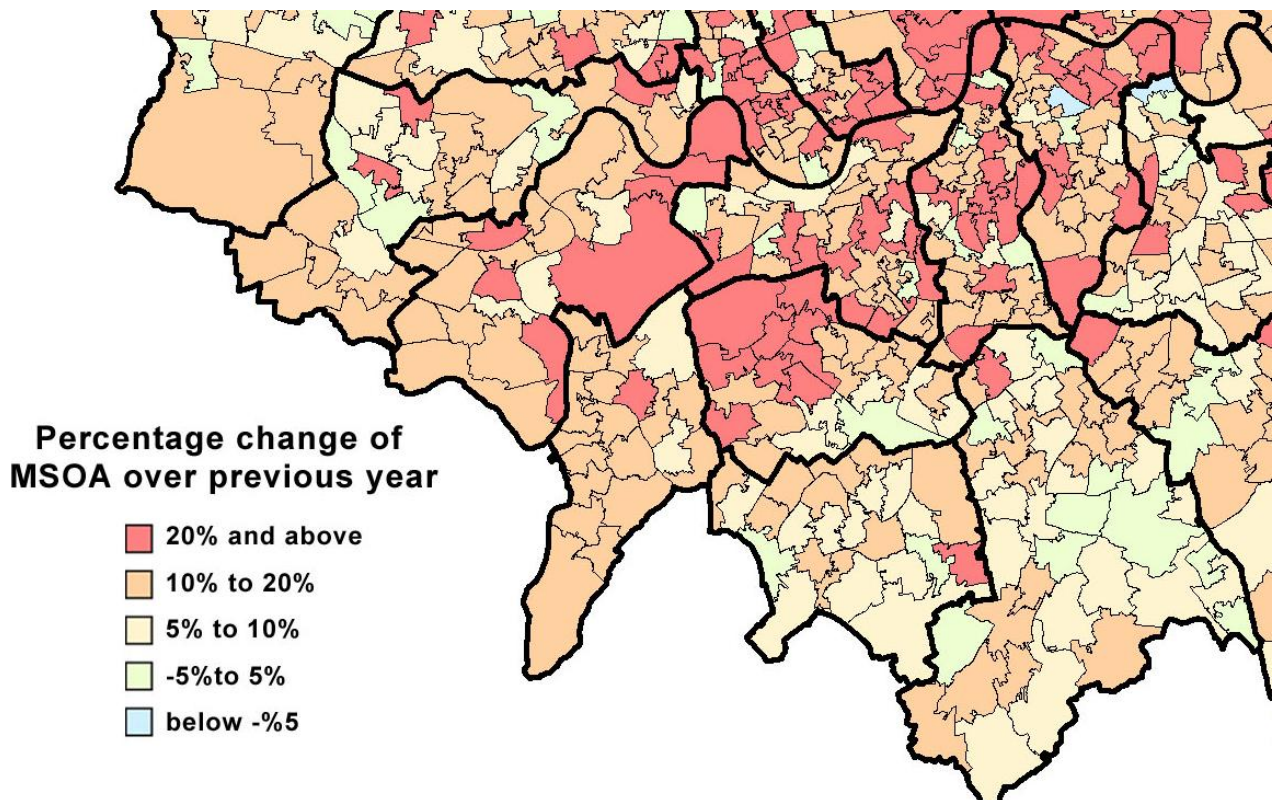


Figure 63  
Median Full-time Earnings to Average House Price Ratio for Properties Sold in Merton (Source: ASHE and HM Land Registry)



- 7.5 Figure 63 shows how relative property prices in Merton compare to average incomes earned in the area. In 2000, the price of an average property in Merton was around 10 times the median earnings of someone working full-time in the area. By 2007 this had risen to over 14 times the median full-time earnings.
- 7.6 Although such price to income ratios can be considered simplistic they are widely used. Their weakness is that they do not necessarily represent a real world picture as there will often be more than one earner in each household. Also the household's capacity to borrow is only one of the elements that determine affordability other main factors are equity savings and debt.
- 7.7 However the relationship between local purchase prices and local incomes is clearly most relevant for single person households without existing equity. This is an important aspect of the rationale point for much of the modelling in subsequent chapters.
- 7.8 Figure 64 shows how property prices changed in 2007 in South West London. It is clear that in 2007, property prices grew more rapidly in the Western part of Merton than in many other parts of South West London. However, the South East of the borough experienced much lower rates of growth.

Figure 64  
House Price Changes in South West London in 2007 (Source: Land Registry)





7.9 Figure 65 illustrates how property prices have changed in Merton over a longer period of time across the key price bands. In the second quarter of 2000, around 20% of all completed property sales were priced at less than £100,000. Only 1% of all sales were in this band from 2003 onwards. Conversely, the proportion of dwellings selling for over £200,000 has risen from just over 25% of all sales to almost 85% of the total.

7.10 £100,000 is a key price band because it is around the maximum mortgage which is likely to be available to single first-time buyers and from key worker groups such as teachers, nurses and police officers. Therefore, affordability for this group of workers has declined sharply.

7.11 The stabilising of house prices in 2005 is reflected in the number of properties selling for under any particular price band also remaining stable. However, the renewed rise in house prices in 2006 is reflected in even fewer properties selling for any less than any price band and the vast majority of properties in Merton are currently beyond the reach of most first time buyers.

7.12 It is also necessary to understand the volume and composition of sales, for this can tell us more about the dynamics of the housing market.

7.13 Figure 66 shows the volume of annual property sales since 2001. It is apparent that the number of completed sales peaked at over 4,500 sales in late 2002 before falling slightly, dipping to 3,500 sales in 2005. By 2007, however, the volume of sales again rose to around 4,500 sales, but fell into sharp decline in late 2007 and early 2008.

7.14 Figure 67 (below) shows the distribution of all 4,343 property transactions in Merton with the Land Registry for the period January 2007 to December 2007 broken down by price band. The large number of sales in the £225,000-249,999 band (16.6%) is unsurprising due to properties selling for more than £250,000 attracting a higher rate of stamp duty. It is also the case that 13.4% of all dwellings sell for over £500,000.

Figure 65  
Percentage of Houses Sold for Less Than Key Price Bands in Merton  
Q2 2000-Q1 2008 (Source: HM Land Registry)

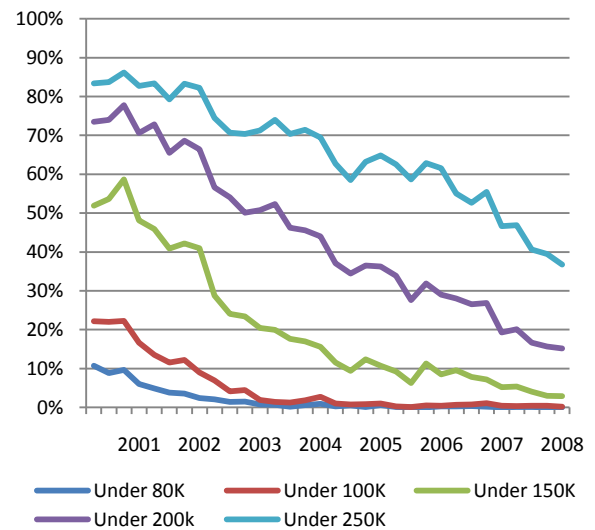


Figure 66  
Volume of Properties Sold Annually in Merton: Q2 2000-Q1 2008  
(Source: HM Land Registry. Note: Figures show rolling annual total based on quarterly data)

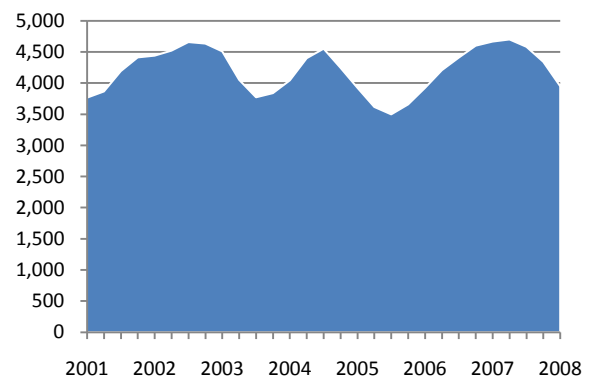
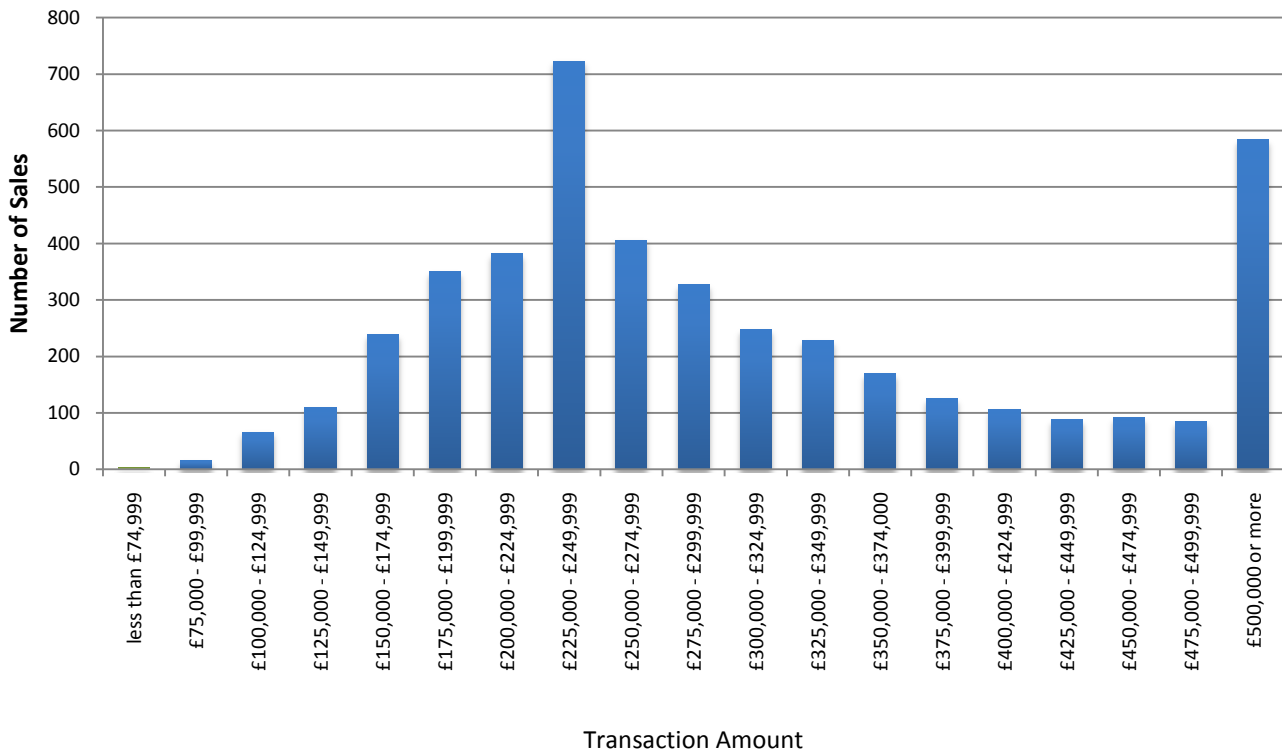


Figure 67  
 Property Sale Transactions for Merton 2007 (HM Land Registry, All Transactions from January 2007 to December 2007)



- 7.15 It is apparent that there were very few transactions for less than £125,000 which is the upper limit of the zero rated stamp duty band. 9.9% of properties were selling for less than £175,000.
- 7.16 The range of prices observed will also be dependent upon the type of stock that is sold in any one period, so if for example, one year sees a large number of smaller flats coming to the market, the transaction amount would reflect this. It has to be borne in mind that at least some of these properties at the cheapest end of the scale may be in severe disrepair, and may require a significant amount of investment to bring them up to an appropriate standard.

**Affordability – home ownership**

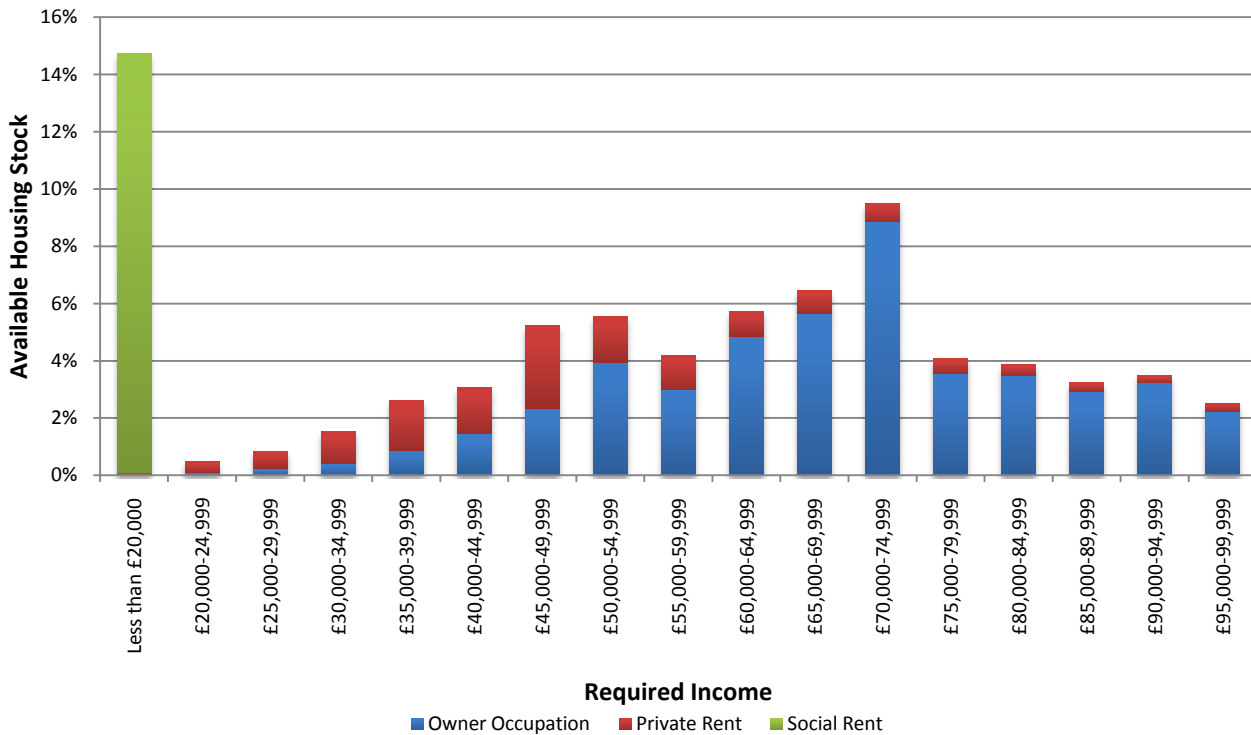
- 7.17 In determining mortgage borrowing, CLG Practice Guidance from August 2007 ‘Strategic Housing Market Assessments Practice Guidance’ states that it should be assumed that a single earner will borrow up to 3.5x his/her gross earnings, with two income households borrowing no more than 2.9x the joint income. Full details of the modelling approach adopted in this section can be found in the technical appendix.
- 7.18 On this basis in Merton, virtually no owner occupied housing is affordable to households earning less than £30,000 p.a., and only 5.0% of properties sold would be affordable to individual earners with incomes of less than £44,999 borrowing at the maximum 3.5x ratio, assuming little or no equity. For households to be able to consider the cheapest quarter of properties on the market, individual earners would need to earn at least £60,000-£64,999 with joint borrowers needing incomes of £70,000-£74,999 or more. This equates to a property price of around £215,000.

## Affordability – renting

- 7.19 The Practice Guidance states that households should pay no more than 25% of their gross income toward rent payments. By considering the mix of rented housing (in terms of dwelling type), the cost of purchasing rented stock and the current Central London average 4.7% yield from buy-to-let properties (Source: [www.thisismoney.co.uk](http://www.thisismoney.co.uk)), we can also understand the income required to pay the rent that a household can reasonably afford in the private rented sector.
- 7.20 Evidence for how rental yields for owner occupied dwellings is a good proxy for private rents is shown in 'Cambridge Centre for Housing and Planning Research, August 2008 Private rents and rental rates of return, 1996/97 to 2006/07 which shows a strong positive correlation between private rents and lower quartile house prices. More details on the model for private renting can be found in the technical appendix.
- 7.21 This shows that the private rented market is only slightly more affordable to households than home ownership – with 11.9% of all properties in the sector affordable to households earning less than £44,999, and those with household incomes of £64,999 or more able to access more than half of the available property.
- 7.22 To complete the analysis of the rented stock, we should also consider the cost of renting in the social sector. Unlike market housing, rents in the social sector are controlled and set in line with the Target Rents. This is a formula for setting rent levels in relation to a number of local factors.
- 7.23 On the basis of households spending no more than 25% of their gross income on housing cost, households would require incomes of £14,500 to service the rent on a 1 bedroom social rented home; £17,400 for 2 bedrooms; £19,900 for 3 bedrooms and £22,400 for 4 bedrooms.
- 7.24 Insofar as households with incomes any lower than these amounts would typically qualify for Housing Benefit Support to assist with their rent, all social rented properties should be affordable to all households.
- 7.25 Figure 68 (below) shows the required annual income to service the cost of all housing becoming available in Merton during the year to December 2007. It identifies the proportion of dwellings that would be considered affordable to households on a range of incomes.
- 7.26 We assume that households earning £20,000 or less, with or without benefit support, would require social rented housing in Merton as that is all they could afford. This equates to 14.5% of available local housing being affordable which is almost entirely in the social sector.
- 7.27 When we consider only those properties that become affordable within the identified band, the limited supply of housing available for those households earning £20,000-£34,999 and to a lesser extent £35,000-£45,999 becomes quite apparent in Figure 68. It should be noted that the remaining 25% of the stock (not shown on the chart) is only available to those earning £100,000 or more.

Figure 68

Available Housing Stock by Required Income in Merton 2007 (Modelled based on HM Land Registry, All Transactions from January 2007 to December 2007)



7.28 Now we consider this available stock in the context of household incomes to determine the availability of local housing that is affordable to households with incomes in each band.

7.29 As previously noted, the above distribution takes no account of the impact on affordability of any equity that a household may have. We have therefore taken the step of modelling local incomes to determine the distribution of the number of households without existing equity within the above income bands. This does not imply that current home owners do not form part of the demand for housing in Merton. Instead, households with existing equity will typically move within the owner occupied sector, and it is those households without equity who form the potential additional demand for owner occupied stock.

7.30 The outcome of this modelling process has been overlaid on the distribution of available housing stock to identify any apparent shortfalls (Figure 69). It should be noted that the columns refer to the percentage of the total stock which falls in each affordability band, while the income line shows the percentage of existing households who are non-owners who are in that income band. Therefore, the numbers are comparable because the number of households is similar to the number of dwellings with only vacant properties preventing a direct comparison.

7.31 The income distribution demonstrates that:

- the proportion of housing affordable to households earning less than £20,000 is higher than the proportion of existing households in this category,
- 4% of the required housing for existing households earning £20,000-£24,999 is available within the existing stock.
- 11% of the housing required is available for existing households earning £25,000-£29,999

- 31% of the required housing stock is available to those earning £30,000-£34,999
- 58% is available to those earning £35,000-£39,999.

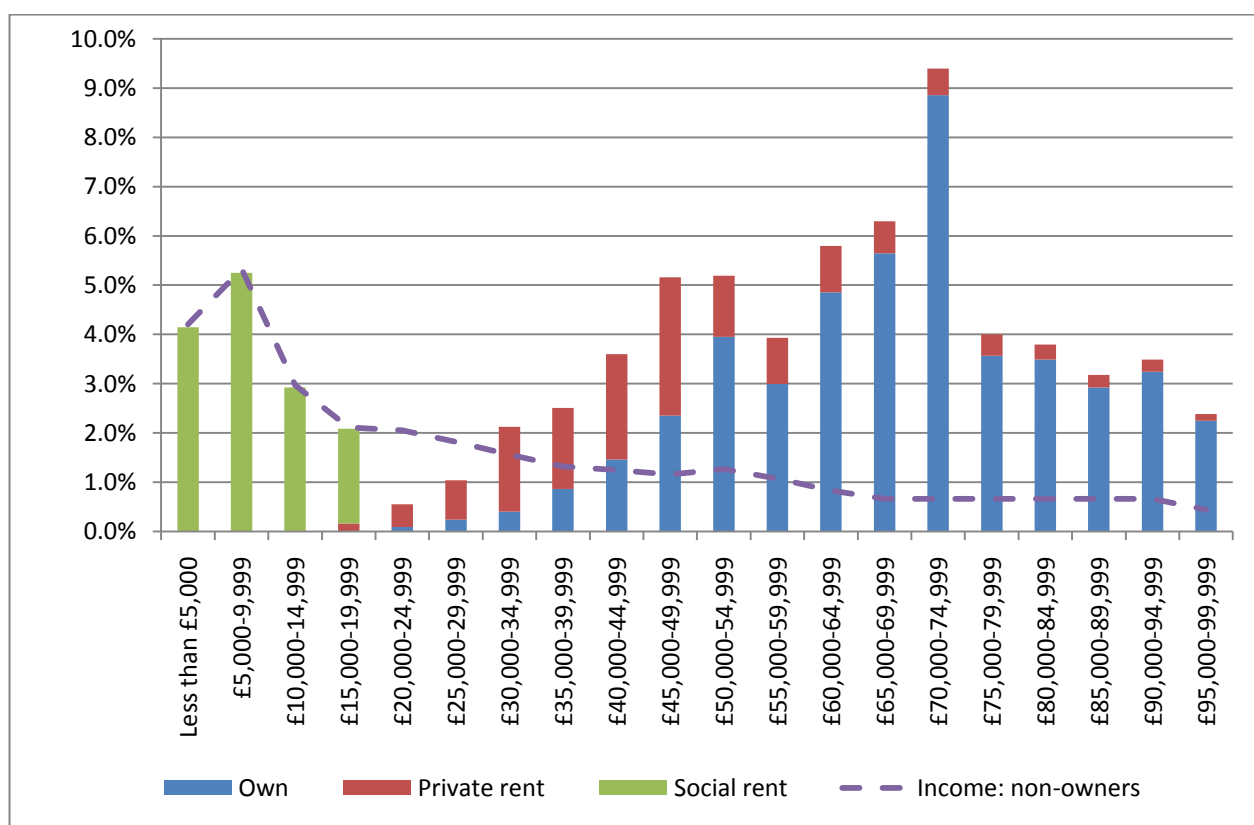
7.32 The model implies that there is technically enough housing available for those earning £40,000 and above. However, there is not sufficient housing available for owner-occupation for those earning £40,000-£44,999 with much of the housing available to this group being in the private rented sector. It should also be remembered that only 3% of housing for owner-occupation is available to those earning less than £40,000. These properties are likely to include many in a poor state of repair and in need of considerable investment.

7.33 Therefore, there is likely to be a lack of good quality owner-occupied housing for any first time buyer with a household income of less than £50,000. This would create a natural market for intermediate housing for those earning £40,000-£49,999 as well as those earning £20,000-£39,999.

7.34 It should also be remembered that the above figures in paragraph 7.31 could be lower as some of the cheaper properties may be occupied by households with higher earnings than are technically required to service the housing costs on those homes on the basis of the proposed CLG affordability tests.

Figure 69

Affordability for Housing Stock for Non-owners in Merton (Modelled based on HM Land Registry, All Transactions from January 2007 to December 2007 and Merton Household Survey 2005)



7.35 The model implies that it is likely that some of the social housing stock of Merton is being occupied by households who could afford to move into another tenure, principally intermediate housing. Evidence from CORE for RSL lets in 2007/08 indicates that around 9% of all general lets were to households earning £20,000 or more with 4% going to households with incomes of over £30,000.

7.36 Therefore, potentially an increased provision of intermediate housing could allow households to leave social rented accommodation which would free more of the social housing stock for those who cannot afford to move elsewhere. This assumes that the cost, quality and concept of the intermediate properties is attractive to current social rent tenants – and, critically, that these households would want to move from their current home.

7.37 It should also be remembered that the model outlined above only relates to existing households in Merton as at December 2007. There is an issue regarding potential newly forming households failing to form due to them being unable to access suitable social rented housing. Therefore, if more social rented housing were to be provided or to otherwise become available there are likely to be households who would come forward to fill these properties.

### Shared Ownership Recent Sales

7.38 Shared ownership is a potential solution for households that cannot afford decent entry level market housing. CORE records indicate that around 80% of the recent sales of shared ownership dwellings in Merton have gone to people aged less than 35 years. In terms of gross household incomes, in line with the findings above, the majority of the sales of existing shared ownership dwellings have been made to households with incomes of £20,000-£34,999, however over 35% of households had gross incomes of £35,000 plus.

Figure 70  
Age for Shared Ownership Sales 2005-2008 for Merton (Source: University of St Andrews CORE Records)

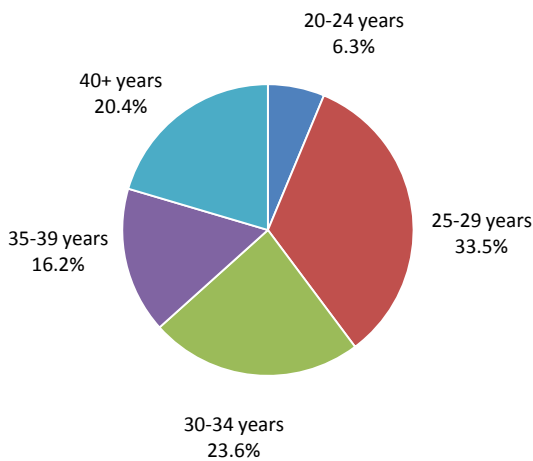
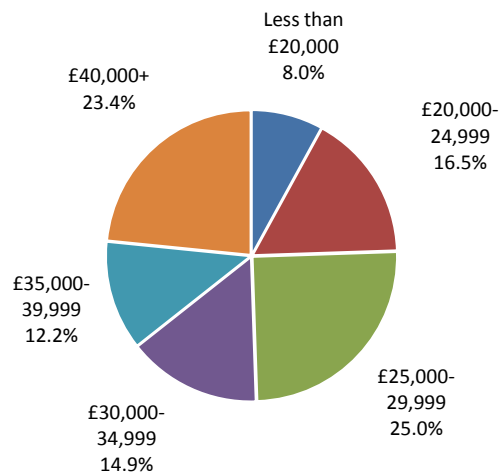


Figure 71  
Gross Household Income for Shared Ownership Sales 2005-2008 for Merton (Source: University of St Andrews CORE Records)



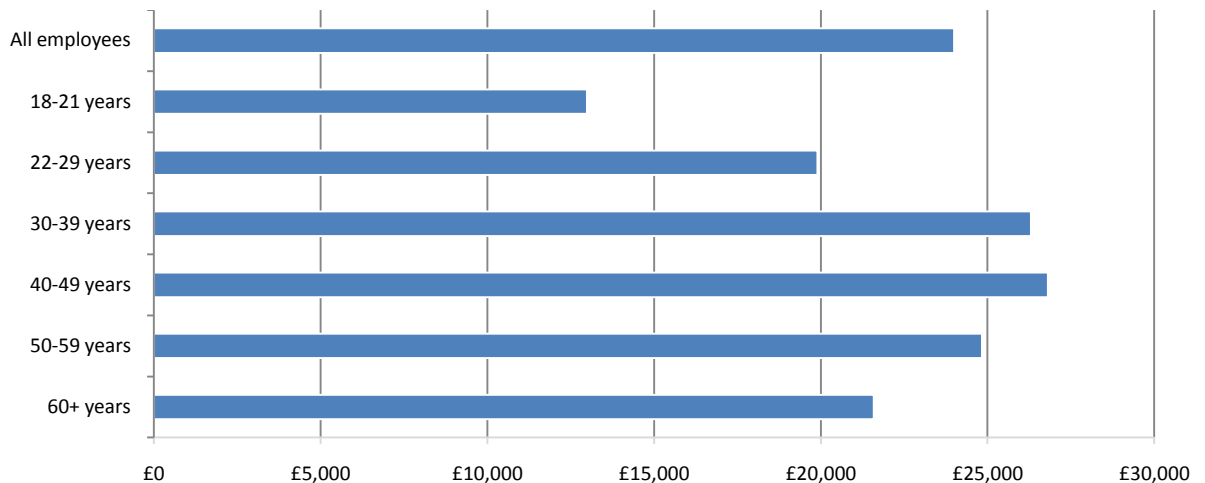
### Income Growth over Time

7.39 Given that many of the existing shared ownership dwellings in Merton are let to people in the 22-39 years age range it is interesting to explore the income profile of this group. Figure 72 shows median earnings for different age groups across the UK. This age group split is only available for the whole of the UK and therefore there is no direct evidence for how income varies across age groups in Merton. However, it is noteworthy that median earnings for full time employees across the UK are around £24,000 which is about 21% less than that for Merton residents. Therefore it has been assumed that

variations in income in Merton will be similar to those across the whole of the UK, except that they will be 21% higher at each point.

7.40 Figure 72 shows that across the UK the median earnings for those aged 30-39 years is £6,400 higher than for those aged 22-29 years. Therefore, this would represent a gain of approximately £640 per year. Beyond the 30-39 years age group, income peaks slightly higher for the 40-49 years age group before declining among older workers.

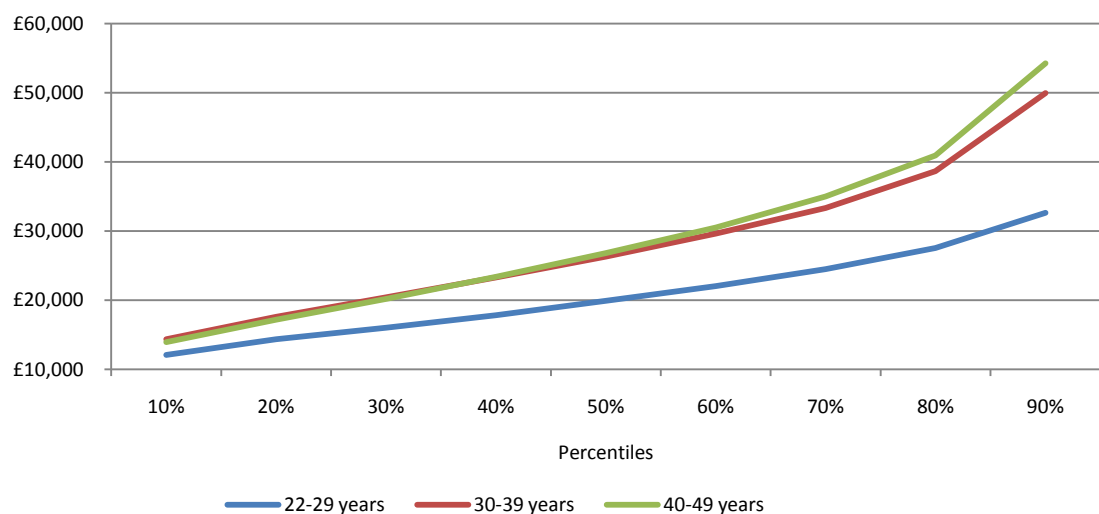
Figure 72  
Median Earnings of Employees in UK in 2007 for Full-time Workers by Age Group (Source: ASHE 2007)



7.41 ASHE contains information not only on median income, but also in each decile of income. Therefore, it includes information at a UK wide level on how large an income is required to be in each decile. This is shown in Figure 73 below.

7.42 As an example Figure 73 shows that 50% of all full-time employees aged 22-29 years earn more than £20,000 per annum. Similarly, 50% of those aged 30-39 years earn more than £26,300.

Figure 73  
Percentile Earnings of Employees and Residents for UK in 2007 for Full-time Workers by Age Group (Source: ASHE 2007)



7.43 The level at which the deciles occur allow us to forecast how many people are likely to be in particular income bands in particular age groups in Merton.

- 7.44 At the time of the 2001 Census there were 27,697 people aged 22-29 years living in Merton. Of this group 69% were employed full-time which represents 19,100 employees. This number is likely to have grown since this time, but it represents a useful benchmark to start the calculations.
- 7.45 ASHE data indicates that 50% of full-time employees aged 22-29 years in the UK earn more than £20,000. Applying this result to Merton with a 21% upward adjustment implies that 9,600 full-time employees aged 22-29 years earn more than £24,100. Given this is spread over an eight year age group this would imply that approximately 1,200 new individuals in the 22-29 years age band achieve this level of income for the first time each year. Similarly, 950 employees achieve an income of over £26,700, 700 employees an income of over £29,700, 500 employees an income of over £33,300 and 250 employees an income of over £39,500 each year (Figure 74).

Figure 74

Income Profile for those Aged 22-29 in Merton (Source: UK Census of Population 2001 and ASHE 2007)

	Residents of Merton	New each year
Number aged 22-29 during 2001 Census	27,697	3,500
% employed full-time	69%	-
Number of full-time employed	19,100	2,400
Earning above £24,100 (50%)	9,600	1,200
Earning above £26,700 (40%)	7,600	950
Earning above £29,700 (30%)	5,700	700
Earning above £33,300 (20%)	3,800	500
Earning above £39,500(10%)	1,900	250

- 7.46 Figure 75 shows the same calculation for those aged 30-39 years. At the time of the 2001 Census there were 36,141 people aged 30-39 years living in Merton. Of this group 59% were employed full-time which represents 21,323 employees. ASHE data indicates that 50% of full-time employees aged 30-39 years in the UK earn more than £27,000 per annum. Applying this result to Merton with a 21% uplift implies that 10,700 full-time employees aged 30-39 years earn more than £31,800 per annum. Given this is spread over a ten year age group this would imply that approximately 1,100 new individuals in the 30-39 years age band achieve this level of income for the first time each year.

Figure 75

Income Profile for those Aged 30-39 in Merton (Source: UK Census of Population 2001 and ASHE 2007)

	Residents of Merton	New each year
Number aged 30-39 during 2001 Census	36,141	3,600
% employed full-time	59%	-
Number of full-time employed	21,323	2,100
Earning above £31,800 (50%)	10,700	1,100
Earning above £35,900 (40%)	8,500	850
Earning above £40,300 (30%)	6,400	650
Earning above £46,800 (20%)	4,300	450
Earning above £60,500(10%)	2,100	200

- 7.47 These calculations are very approximate, but do indicate that a significant number of people in the 22-29 years age band could potentially afford to access a housing product with a starting threshold of around £24,000. It is also the case that these results refer only to individuals living in Merton. Therefore, there are likely to be even more households who could afford this threshold when joint



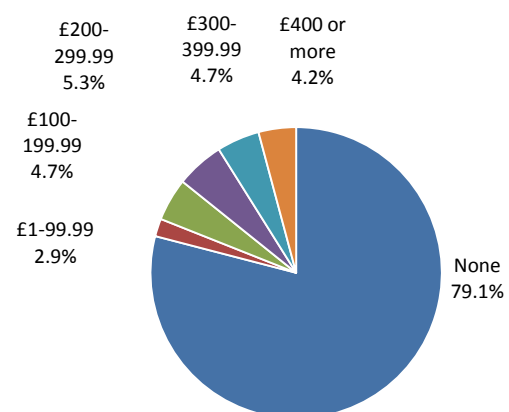
incomes and demand from those who currently live outside of Merton is included. These results help to indicate how many households can potentially afford to access affordable home ownership products in Merton.

- 7.48 The results also show that a typical individual's income grows considerably between the ages of 22 and 39. Therefore someone who buys into an affordable home ownership product in their twenties may well be able to progress and staircase to full home ownership in their thirties.

### Housing Benefit

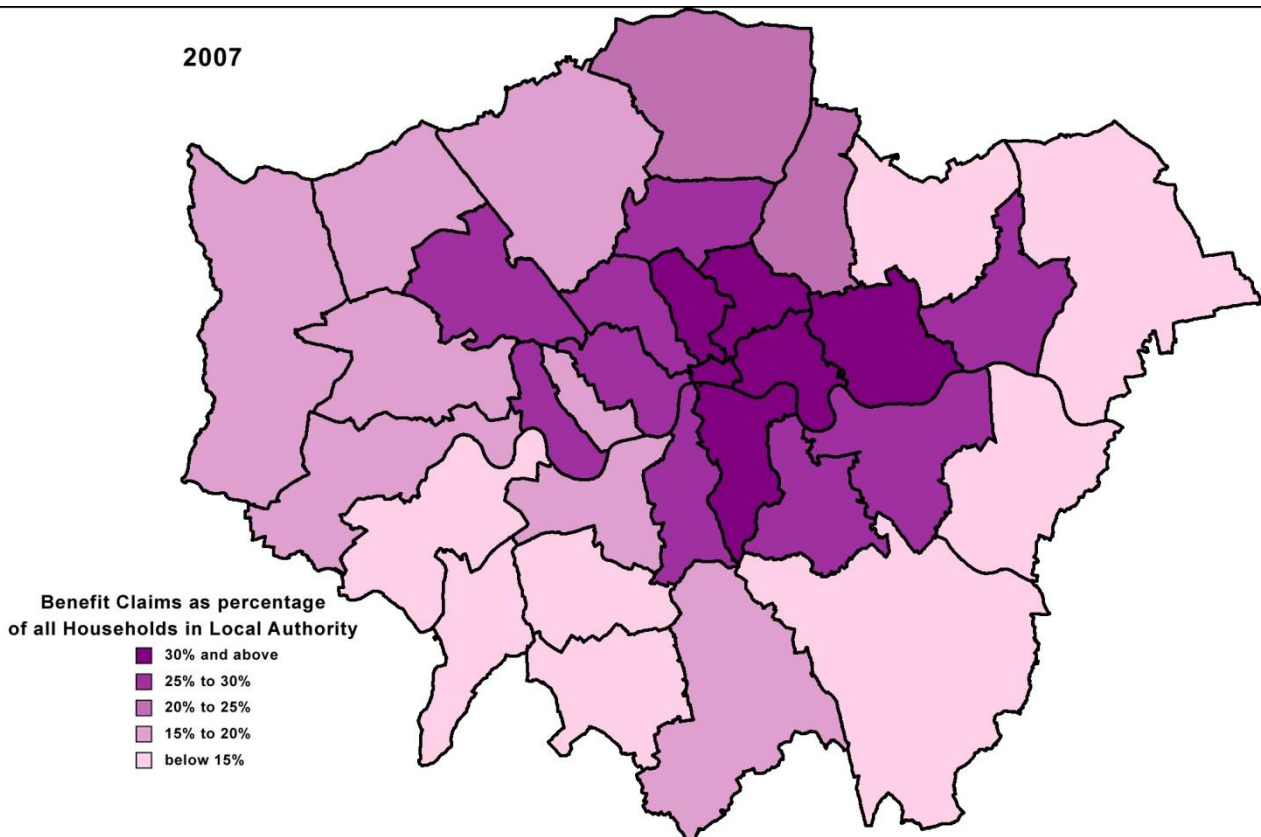
- 7.49 Figure 76 shows that around 80% of all new tenants in Merton had no earnings from employment. This group includes those who are of pensionable age. Many of the new lettings are to households which are entirely benefit dependent. However 9% of new lettings were to households with net take-home earnings from work of over £300 per week. This is equivalent to a salary of around £20,000 per annum.

Figure 76  
Weekly Take-home Earnings of Recent Tenants (Source: University of St Andrews CORE Records 2005-2008)



- 7.50 Households in both the social and private rented sectors are able to claim support with the rent costs in the form of housing benefit. The Department of Work and Pensions (DWP) publish quarterly statistics for housing benefit recipients.
- 7.51 Figure 77 shows that compare with much of London, Merton has a relatively low share of its households who claim housing benefit. It should be remembered that only households who rent can potentially claim housing benefit, and Merton has a large owner occupied sector.

Figure 77  
Housing Benefit Claims for London Boroughs in 2007 (Source: DWP)



- 7.52 Housing benefit statistics distinguish between local authority tenants and other tenants but not between tenants of registered social landlord properties or tenants in the private rented sector. There are no precise figures for the number of housing benefit claimants in the private rented sector, but only broad indications of how housing benefit claimant numbers in the private rented sector have been changing.
- 7.53 Merton has seen a rise in the number of Non Local Authority claimants since 2003. In total, the number of claimants has risen from 4,500 in the first quarter of 2003 to 6,300 in the second quarter of 2007 which represents a rise of 40%.

Figure 78  
**Number of Non Local Authority Tenant Housing Benefit Recipients:**  
**Q1 2003-Q2 2007** (Source: DWP)

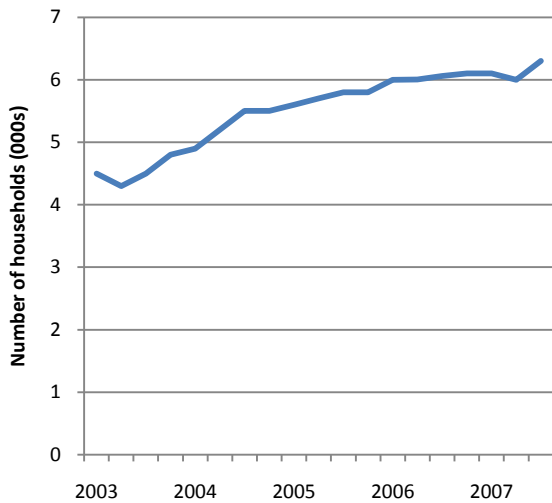
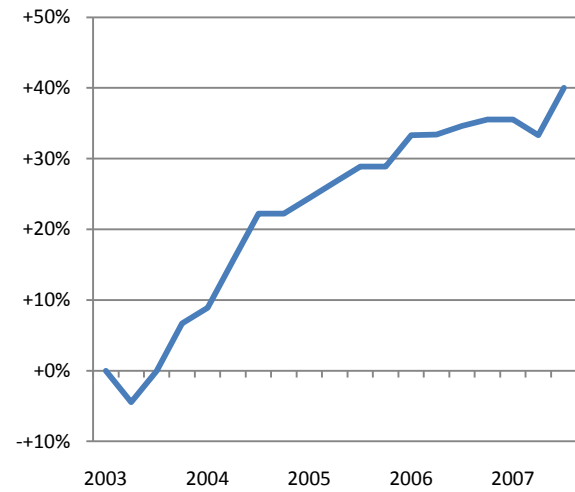


Figure 79  
**Index of Non Local Authority Tenant Housing Benefit Recipients**  
**relative to Q1 2003 base: Q1 2003-Q2 2007** (Source: DWP)



<sup>7.54</sup> This data appears to suggest that the private rented sector is playing an increasing role in housing people unable to access home ownership or the social rented sector. However it should be noted that the DWP (non Local Authority) housing benefit data includes both RSL and private rented tenants (and doesn't differentiate between the two). In 2009 DWP published data which showed that 4,350 private rent tenants claimed housing benefit in October 2009, and whilst this is a relatively small number when compared with other London boroughs it still shows there is currently a significant number of housing benefit recipients in the private rented sector.

### Affordability of the current supply of housing to existing households with no equity

- We assume that households earning £20,000 or less, with or without benefit support, would require social rented housing in Merton as that is all they could afford. This equates to 14.5% of available local housing being affordable which is almost entirely in the social sector.
- When we consider only those properties that become affordable within the identified band, the limited supply of housing available for those households earning £20,000-£39,999 and to a lesser extent £35,000-£45,999 becomes apparent.
- We have modelled local incomes to determine the distribution of the number of households without existing equity within the above income bands. The outcome of this modelling process has been overlaid on the distribution of available housing stock to identify any apparent shortfalls.
- The model implies that there is technically enough housing available for those earning £40,000 and above. However, there is not sufficient housing available for owner-occupation for those earning £40,000-£44,999 with much of the housing available to this group being in the private rented sector.
- There is likely to be a lack of good quality owner-occupied housing for any first time buyer with a household income of less than £50,000, creating a natural market for intermediate housing for those earning £40,000-£49,999 as well as those earning £20,000-£39,999.
- The model implies that it is likely that some of the social housing stock of Merton is being occupied by households who could afford to move into another tenure, principally intermediate housing. Evidence from CORE for RSL lettings in 2007/08 indicates that around 9% of all general lettings were to households earning £20,000 or more with 4% going to households with incomes of over £30,000.
- Potential newly forming households may be unable to form due to them being unable to access suitable social rented housing. Therefore, if more social rented housing were to be provided or to otherwise become available there are likely to be households who would come forward to fill these properties.
- Around 80% of all new tenants in Merton had no earnings from employment. This group includes those who are of pensionable age. Many of the new lettings are to households which are entirely benefit dependent. However 9% of new lettings were to households with net take-home earnings from work of over £300 per week. This is equivalent to a salary of around £20,000 per annum.
- Many of the existing shared ownership dwellings in Merton are let to people in the 22-39 years age range and the potential for people in this group to staircase up to full ownership has been examined. We conclude that this will be possible for many households.

### Growth of the Private rented sector

- Merton has seen a rise in the number of Non Local Authority Housing Benefit claimants since 2003. In total, the number of claimants has risen from 4,500 in the first quarter of 2003 to 6,300 in the second quarter of 2007 which represents a rise of 40%. This suggests that the private rented sector is likely to be playing an increasing role in housing people unable to access home ownership or the private rented sector, although it is not possible to differentiate between private rent and RSL tenants. Figures from 2009 show 4,350 private rent tenants claiming housing benefit.

# Chapter 8: Housing Market Dynamics

## Mix of Housing Requirements

### Housing Tenure

8.1 As previously shown in Figure 45 (chapter 4) 69% of the housing stock is owner occupied. Around 14% of the stock is rented from social landlords with the remaining 17% rented from the private rented-sector.

### Household Projections

8.2 This section uses the GLA household projections as the starting point for estimating the future housing mix which will be required in Merton. The estimates presented in this section use both the Low and High estimates. The Low estimate is based only on recent and planned completions in Merton, while the High estimate also considers the impact on Merton of the likely migration trends which will affect London.

8.3 Over the 25 year period 2001-2026, the Low estimates for population growth project there to be an additional 9,100 households living within the study area (Figure 80). Meanwhile, the High household estimates project the growth in household numbers to be 13,300 (Figure 81).

Figure 80  
Low Household Projections to 2026 by Household Type: Cumulative Totals (Source: Greater London Authority Household Projections 2007)

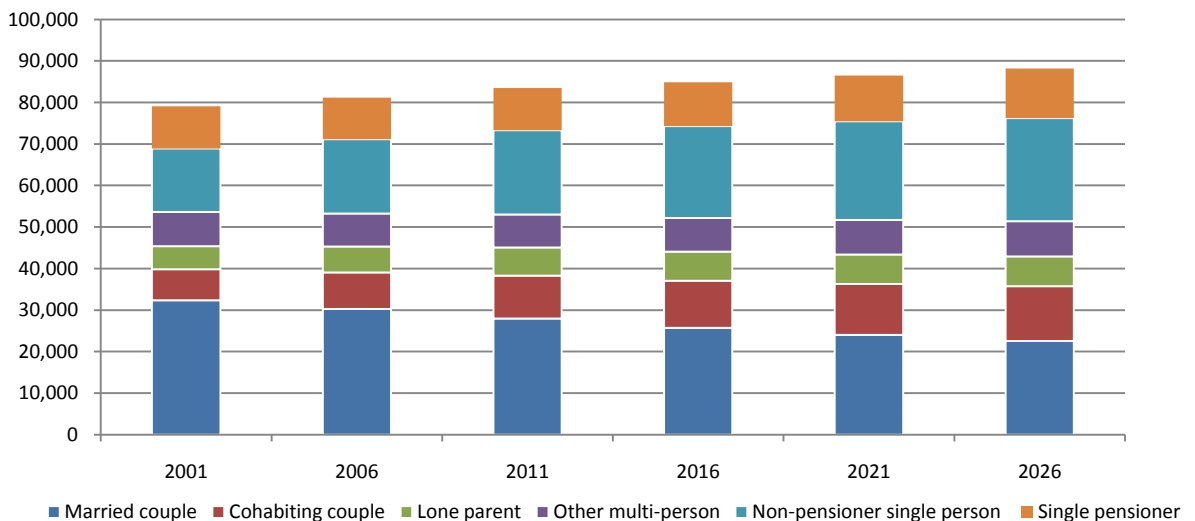


Figure 81  
**High Household Projections to 2026 by Household Type: Cumulative Totals** (Source: Greater London Authority Household Projections 2007)

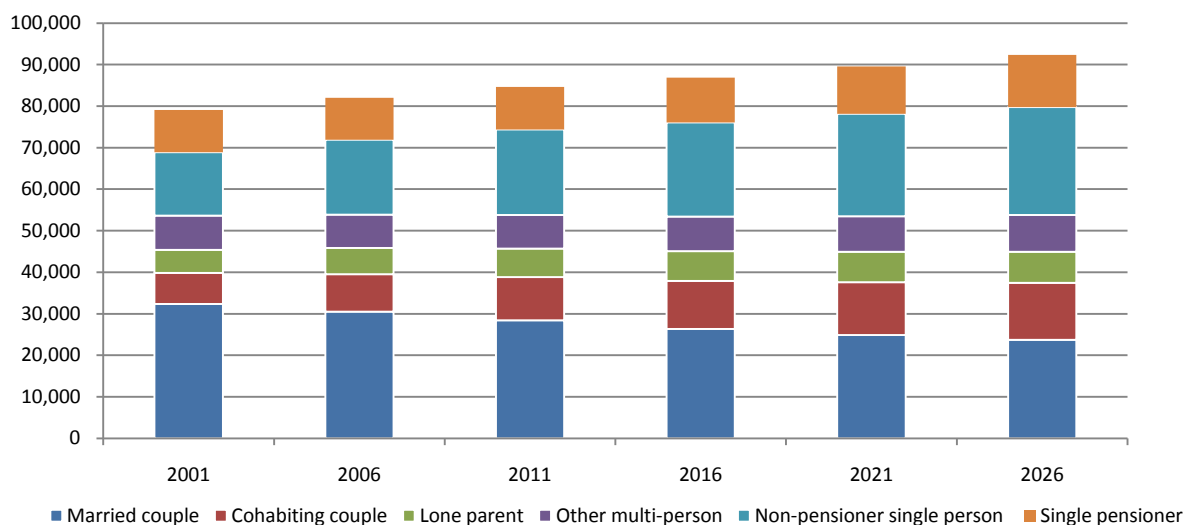


Figure 82  
**Household Projections to 2026 by Household Type** (Source: Greater London Authority Household Projections 2007)

Household Type	Year					
	2001	2006	2011	2016	2021	2026
<b>Low</b>						
Married couple	32,400	30,300	28,000	25,800	24,000	22,600
Cohabiting couple	7,500	8,800	10,300	11,300	12,300	13,200
Lone parent	5,600	6,200	6,800	7,000	7,100	7,200
Other multi-person	8,200	8,000	8,000	8,100	8,300	8,400
Non-pensioner single person	15,300	17,900	20,200	22,200	23,800	24,800
Single pensioner	10,100	10,000	10,200	10,500	11,000	11,900
<b>All household groups</b>	<b>79,000</b>	<b>81,100</b>	<b>83,500</b>	<b>84,900</b>	<b>86,500</b>	<b>88,100</b>
<b>High</b>						
Married couple	32,400	30,500	28,400	26,400	24,900	23,700
Cohabiting couple	7,500	9,000	10,400	11,600	12,700	13,700
Lone parent	5,600	6,300	6,900	7,100	7,400	7,500
Other multi-person	8,200	8,000	8,100	8,300	8,600	8,800
Non-pensioner single person	15,300	18,100	20,500	22,700	24,600	26,000
Single pensioner	10,100	10,000	10,300	10,800	11,400	12,600
<b>All household groups</b>	<b>79,000</b>	<b>82,000</b>	<b>84,700</b>	<b>86,800</b>	<b>89,600</b>	<b>92,400</b>

8.4 Figure 83 through to Figure 88 show that much of the growth of extra households in both the Low and High estimates is expected to be of single person households. For the Low estimates there is projected to be a rise of 9,500 in the number of non-pensioner single person households and 1,800 single pensioners in the period 2001-2026. The High estimates project there to be a rise of 10,800 non-pensioner single person households and 2,500 single pensioners.

Figure 83  
**Low Household Projections to 2026 by Household Type: Totals by Type**  
 (Source: Greater London Authority Household Projections 2007)

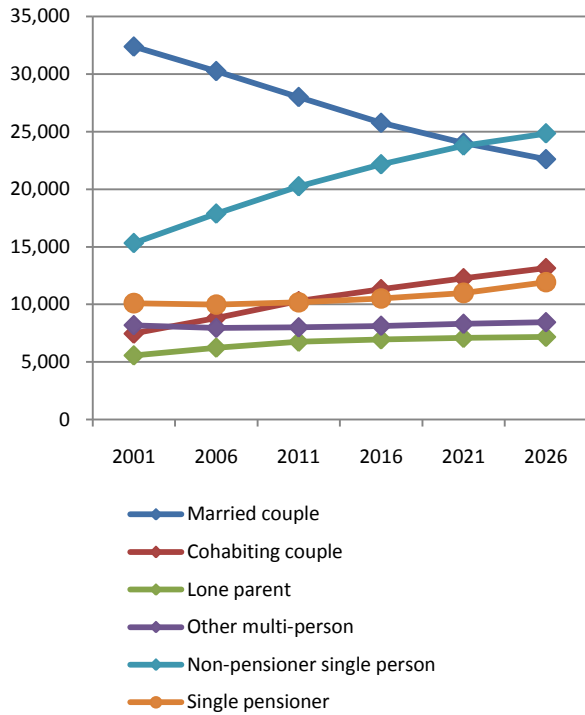


Figure 84  
**Low Household Projections to 2026 by Household Type: Absolute Change in Totals by Type**  
 (Source: Greater London Authority Household Projections 2007)

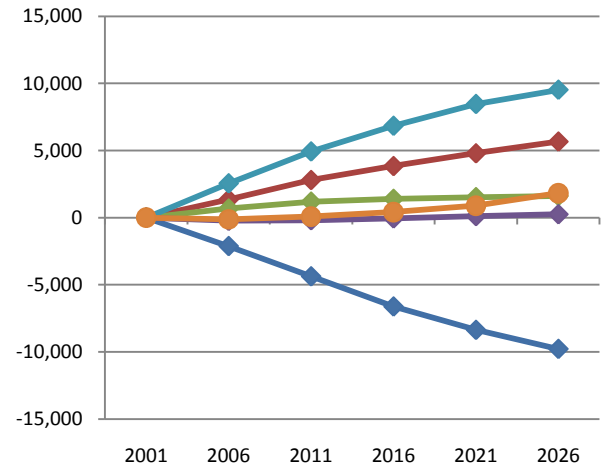


Figure 85  
**Low Household Projections to 2026 by Household Type: % Change in Totals by Type**  
 (Source: Greater London Authority Household Projections 2007)

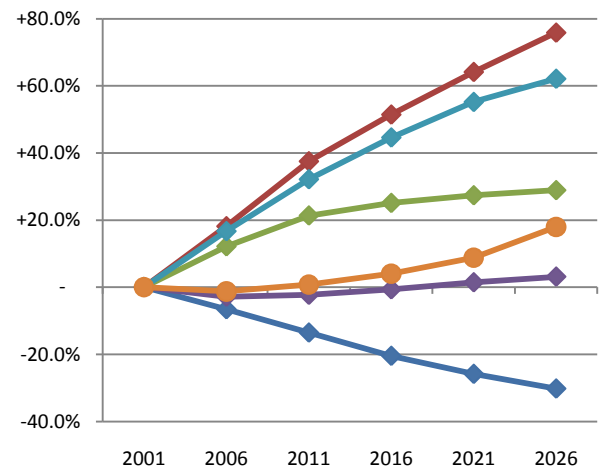


Figure 86  
**High Household Projections to 2026 by Household Type: Totals by Type**  
 (Source: Greater London Authority Household Projections 2007)

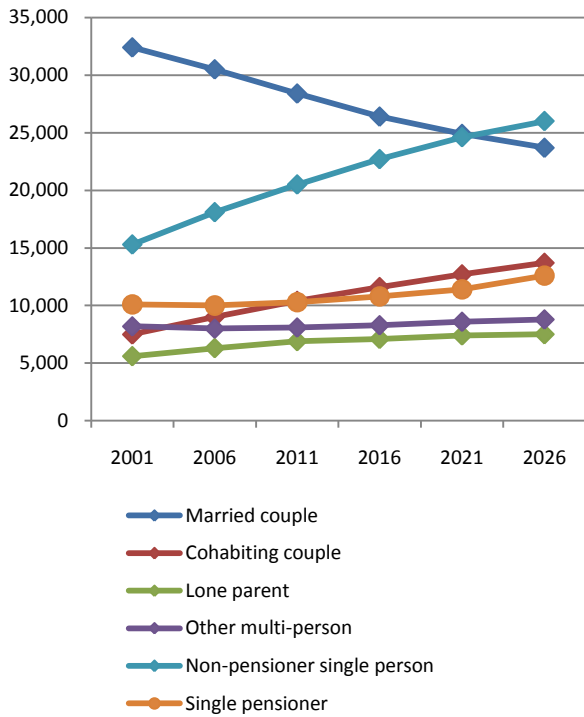


Figure 87  
**High Household Projections to 2026 by Household Type: Absolute Change in Totals by Type**  
 (Source: Greater London Authority Household Projections 2007)

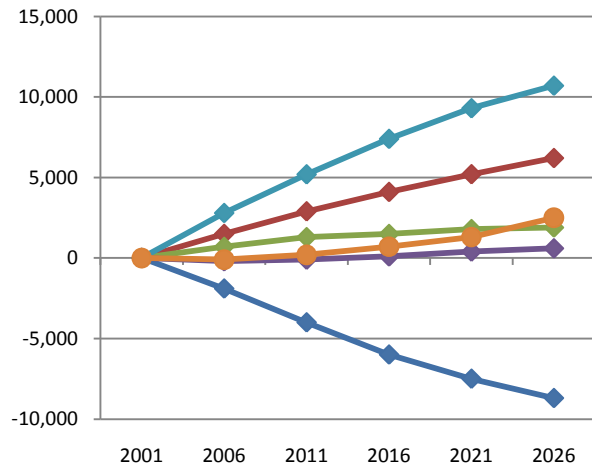
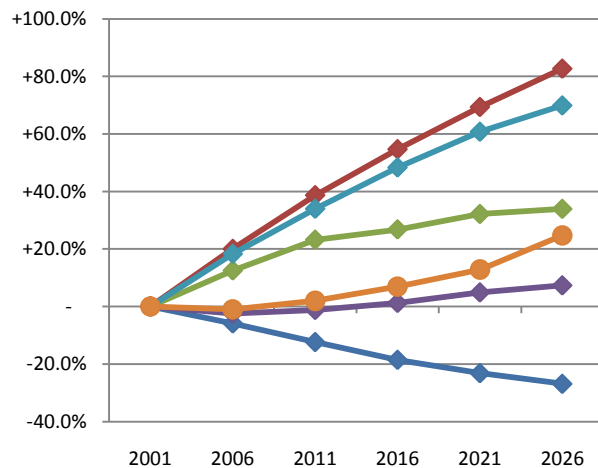


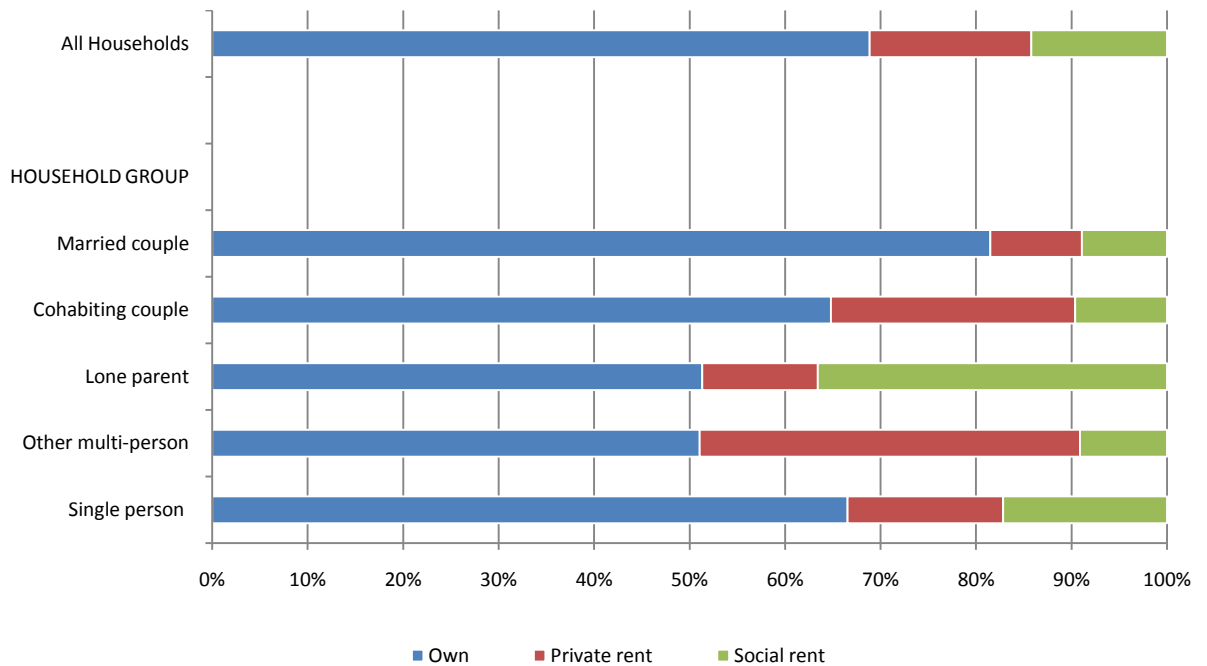
Figure 88  
**High Household Projections to 2026 by Household Type: % Change in Totals by Type**  
 (Source: Greater London Authority Household Projections 2007)



8.5 Figure 89 shows the tenure occupied by different household groups at the time of the 2001 Census. This shows that lone parents were disproportionately likely to be found in social housing while married couples were concentrated in the owner occupied sector.



Figure 89  
Housing Tenure Mix by Household Type (Source: UK Census of Population 2001)



- 8.6 It is clear that the tenure mix differs quite markedly for each household type – so as the proportion of households of each type changes in line with the “low” household projections in Figure 88 this will influence the mix of tenure required.
- 8.7 Figure 90 and Figure 91 illustrates the projected change in size of each household group according to the Greater London Authority low household projections, and the implied tenure mix on the basis of maintaining the proportions constant.

Figure 90

Household Projections to 2026 by Household Type and Tenure (Source: Modelled based on Greater London Authority low Household Projections 2007 and UK Census of Population 2001)

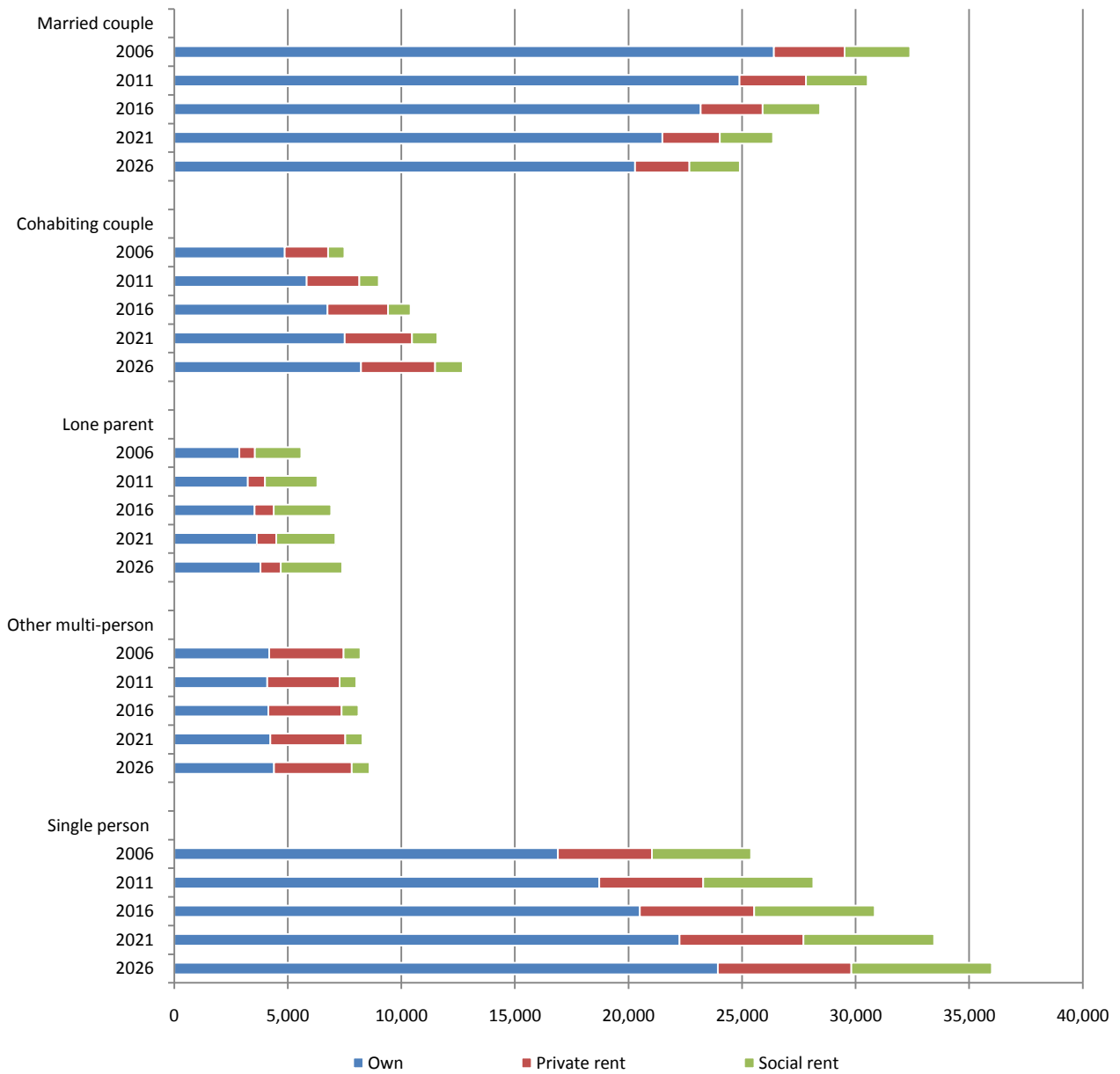


Figure 91

**Household Projections to 2021 by Household Type and Tenure for Low Household Projections** (Source: Modelled based on Greater London low Authority Household Projections 2007 and UK Census of Population 2001)

Household Type	Year			
	2006	2011	2016	2021
<b>Market (Own &amp; Private Rent)</b>				
Married couple	27,600	25,500	23,500	21,900
Cohabiting couple	7,900	9,300	10,200	11,100
Lone parent	3,900	4,300	4,400	4,500
Other multi-person	7,300	7,300	7,400	7,500
Single person	25,300	27,600	29,700	31,600
<b>All household groups</b>	<b>72,000</b>	<b>74,000</b>	<b>75,200</b>	<b>76,700</b>
<b>Social Rented</b>				
Married couple	2,700	2,500	2,300	2,100
Cohabiting couple	800	1,000	1,100	1,200
Lone parent	2,300	2,500	2,600	2,600
Other multi-person	700	700	700	800
Single persona	2,500	2,800	3,000	3,200
<b>All household groups</b>	<b>9,100</b>	<b>9,500</b>	<b>9,700</b>	<b>9,800</b>

**Current Affordability**

- 8.8 As was shown in Chapter 6, we can model the available housing stock in the context of local incomes, and this is reflected in Figure 92.
- 8.9 It should also be remembered that the above figures in paragraph 7.31 could be lower as some of the cheaper properties may be occupied by households with higher earnings than are technically required to service the housing costs on those homes on the basis of the proposed CLG affordability tests.

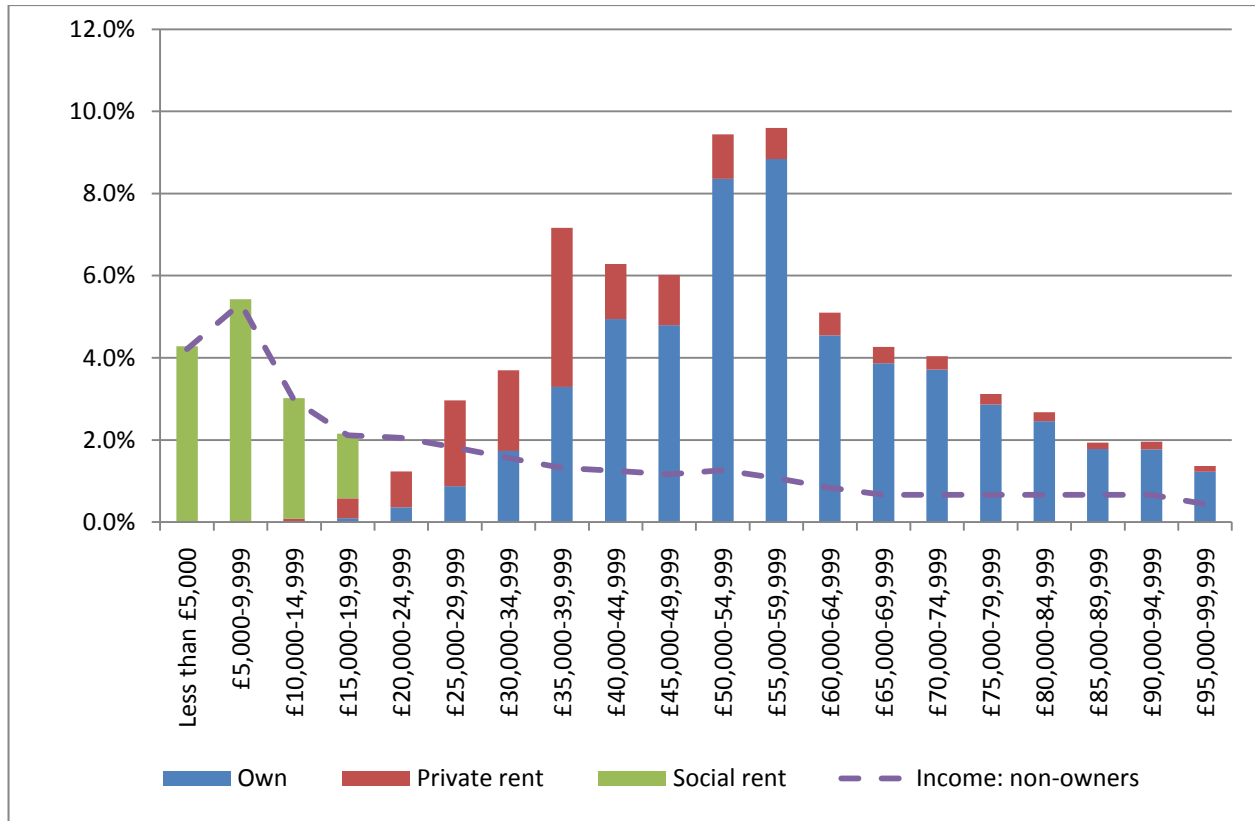
Figure 92  
**Affordability for Housing Stock for Non-owners in Merton** (Modelled based on HM Land Registry, All Transactions from January 2007 to December 2007 and Merton Household Survey 2005)



- 8.10 The significant gap which exists between the amount of housing which is available for existing households with incomes of £20,000-£30,000 and the number of such households raises questions as to their current housing status.
- 8.11 Figure 93 shows that if instead of households assumed to be able to borrow 3.5 times their gross annual incomes or spend 25% of their income on rent, they are assumed to be able to borrow 4.5 times their gross incomes or spend 30% on rent, much of the apparent gap disappears. Therefore, it would appear that many households in Merton have stretched their incomes beyond the point guidance recommends to be able to afford market housing in Merton. However, this position is not likely to be sustainable into the future, with lenders now unwilling to fund mortgages which are of this magnitude.

Figure 93

**Affordability for Housing Stock for Non-owners in Merton 4.5 times Income Mortgage and 30% of Income for Rent** (Modelled based on HM Land Registry, All Transactions from January 2007 to December 2007 and 2005 Merton Household Survey)



8.12 The lack of affordability of owner occupied housing for many non-owners is likely to see owner occupation rates fall over the period to 2021. Using the GLA Low Household Projections, applying standardised mortality rates it is likely that 11,700 owner-occupier households will dissolve due to the death of all occupants in the period 2001-2021. Applying the current income distribution for non-owners, it is projected that 10,200 current non-owners will be able to afford to become home owners at 2007 house prices by 2021. This will see the total number of home owners fall by 1,500. This excludes any impact of non-owners inheriting and occupying properties which may see further current non-owners become owner occupiers.

Figure 94  
Change in Home Ownership 2001-2021 (Note: Figures may not sum due to rounding)

Housing Type	Owned	Rented (Social and private)	Overall Total
<b>Projected Impact of Death</b>			
Proportion of pensioner households (as at 2001)	66.7%	33.3%	100.0%
Household dissolution following death 2001-2021	11,700	5,900	17,600
<b>Projected Impact of New Households</b>			
Proportion of non-owners able to afford home ownership (as at 2007)	31.9%	68.1%	100.0%
New household formation 2001-2021	10,200	15,000	25,200
<b>Net change 2001-21 based on affordability modelling</b>	<b>(1,500)</b>	<b>9,100</b>	<b>7,600</b>
<b>Projected Households</b>			
<b>Projected by 2021 based on affordability modelling</b>	52,800	33,700	86,500
<b>% of households</b>	61.0%	39.0%	100.0%

- 8.13 The overall housing mix required can be summarised as follows. Full details of the model can be found in the technical appendix. However, for clarity, the total dwelling target of 3,900 is based upon the GLA Low household projection growth for Merton between 2001 and 2021 (7,600 households) minus any dwellings which have been delivered up to 2007 (3,700 dwellings). The social rented requirement is based upon demographic trends and the impact of right to buy sales while the split between market and intermediate housing is based upon affordability. It should also be remembered that these figures are based on the peak of the housing market and if house prices fall, more households will be able to afford owner occupation.
- 8.14 For clarity, it should be noted that the requirement intermediate affordable housing is exclusively for specialised housing products as outlined in PPS3. While cheaper private rented dwellings help to meet the needs of households who would otherwise require affordable housing, any additional provision of affordable housing should be in the form of specialised products and will not be met in the private rented sector.

Figure 95  
Overall Housing Requirement, 2007-2021 (Note: Figures may not sum due to rounding)

Housing Type	Requirement 2007-2021	
	Number of Units	%
<b>Market</b>	(2,700)	(68.8%)
<b>Intermediate Affordable Housing</b>	4,200	109.8%
<b>Social Rented Housing</b>	2,300	58.8%
<b>Overall Housing Requirement</b>	<b>3,900</b>	<b>100.0%</b>

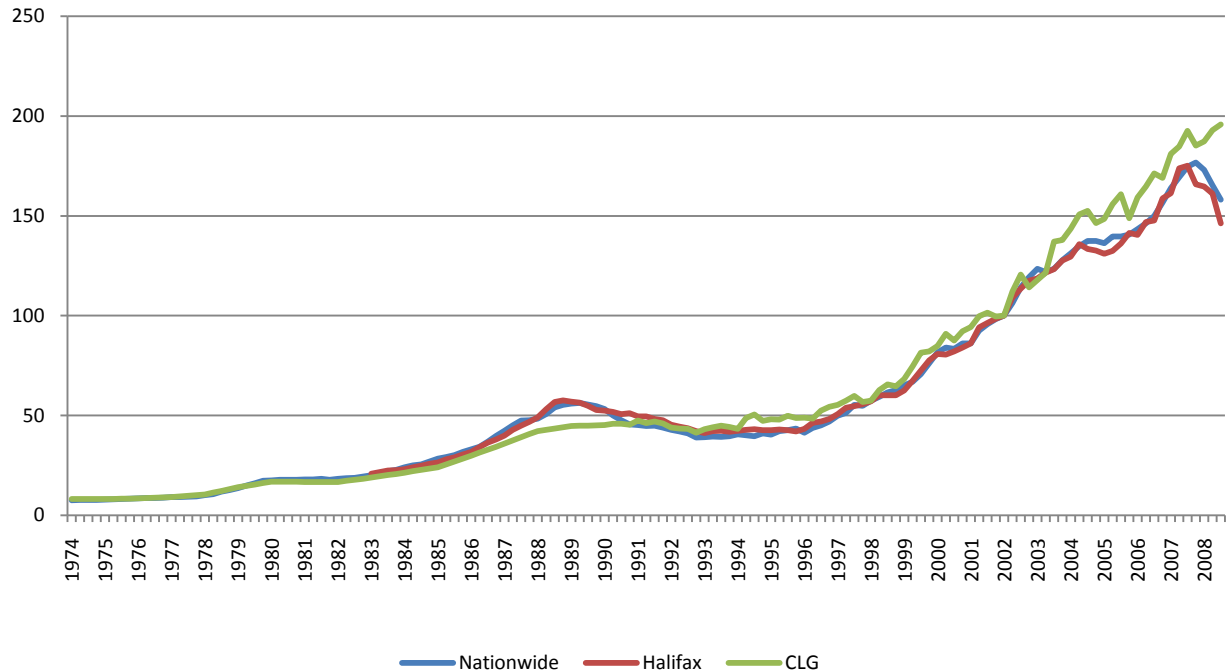
### Short and long term trends in house prices

- 8.15 The results outlined above are an extreme conclusion. They show that the existing stock of market housing is large enough to satisfy the majority of the identified demand. The results shows that the need for both social rented housing and intermediate affordable housing cannot be satisfied by the existing stock, hence the identified requirement for additional provision.
- 8.16 Figure 96 overleaf shows that house prices are very volatile. Any analysis of future housing requirements across all of the tenures is likely to be inaccurate if current market prices are used.

- 8.17 As noted above the results were derived from 2007 house prices. House prices have already started to fall from their peak at this time.

Figure 96

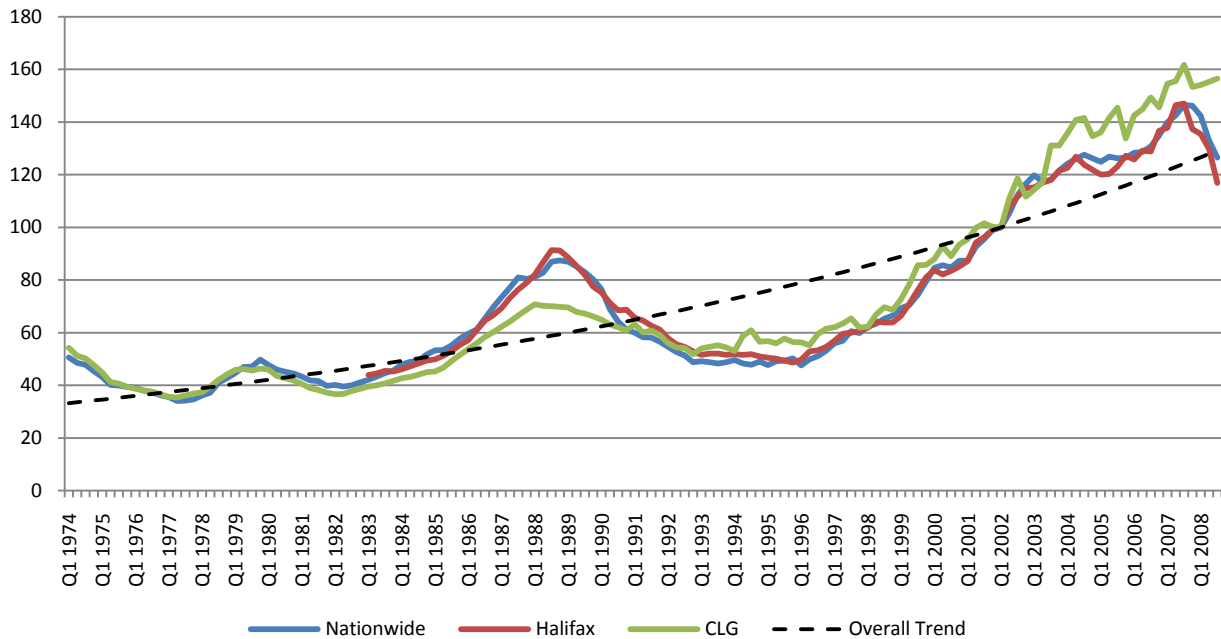
**Average House Prices in Greater London** (Note: April 2002 = 100. Source: Nationwide House Price Index, Seasonally Adjusted; Halifax House Price Index, Seasonally Adjusted; CLG Live Tables)



- 8.18 ORS has developed a projection of long term trends. The result is shown overleaf for the whole of Greater London and shows the real trends in house prices adjusted to take account of inflation. Also shown is the long-term trend of growth in house-prices.
- 8.19 Across the whole of 2007 the chart shows that the long-term trend was on average 16.5% lower than the actual house price indices for the period. Put another way, house prices in London were 16.5% above long-term trend levels across the whole of 2007.
- 8.20 Since the start of 2008, house prices across Greater London have been falling and when looked at from the point of view of either the Halifax or Nationwide indices they were close to their long-term trend levels when approaching the end of 2008.
- 8.21 However, it should be noted that house prices falls are unlikely to stop when prices reach long-term trend levels. For the house prices falls of the late 1980s and early 1990s it should be noted that prices remained below their long-term trends for nearly 10 years. Much of this was due to the impact on the market of negative equity which restricted existing owner occupiers ability to move. Therefore, if the current trends follow past trends it will be the case that house prices will remain below the long-term trends for much of the period under consideration until 2021.

Figure 97

Real House Price Trends in Greater London after inflation (Note: April 2002 = 100. Source: Nationwide House Price Index, Seasonally Adjusted; Halifax House Price Index, Seasonally Adjusted; CLG Live Tables; Retail Price Index, ONS)



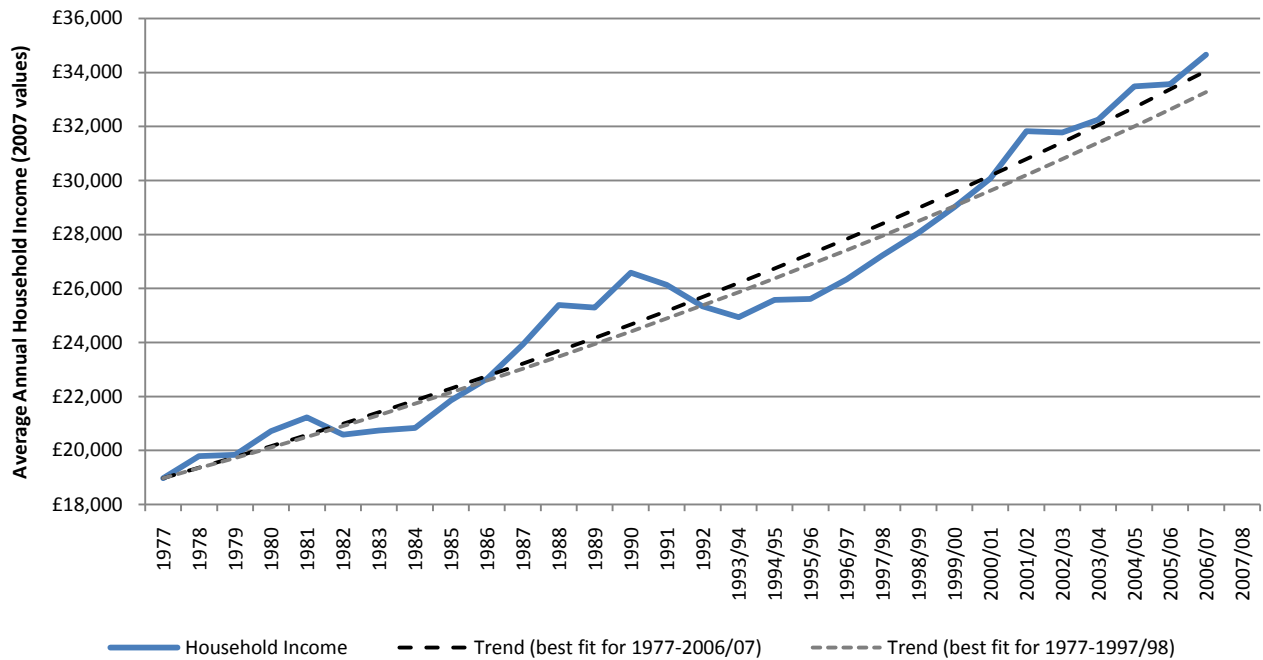
8.22 In calculating affordability, we are not only interested in the cost of housing but we are interested in the relationship between house prices and incomes. If house prices and incomes are expected to change at the same rate over the period to 2021, then it appropriate to consider the current relationship between the two when considering the requirements over the full period. Nevertheless, where house prices and incomes are anticipated to change at different rates, it is important to also consider the relative differences between the two.

8.23 Figure 98 (overleaf) shows that average household incomes across the UK have increased from just below £19,000 in 1977 to £34,700 in 2006/07. The chart also shows the two possible trends in income growth, calculated on the following basis:

- The first trend (with results shown as a dashed black line on the chart) considers the trend based on the observed data for the whole period from 1977 to 2006/07. This shows that actual incomes are currently only slightly above the long-term trend;
- The second (with results shown as a dotted grey line on the chart) considers the trend based on the observed data for the first twenty years of the period from 1977 to 1997/98. This shows a more conservative trend, suggesting that current incomes are higher than the expected long-term (though this difference is less marked than observed at the time of the last peak in 1991) – but it would still be expected that average household incomes will “correct” themselves with a slow-down in growth or possible reduction over the next few years.



Figure 98  
Average UK Household Income Trends 1977-2007 (Source: ONS)



- 8.24 Given the current slow-down in the economy and the prospect of recession, it seems likely that average household incomes are currently higher than long-term trends will show – therefore, in comparing long-term income growth with long-term house price growth we have considered the second approach outlined above as the most realistic. However, the consequences of a potential slowdown in the growth of household income are relative minor within the model because household income is typically more stable than house prices which are the principal factor affecting affordability. Therefore, while unemployment may be rising at the time of writing, over the period of the study up to 2021, household incomes are likely to be more stable than house prices.

### Sensitivity Testing: House Price Changes

- 8.25 As noted above the model to date has used the assumption that house prices remain at the level they were at in 2007. The table below shows the consequences of house prices falling by different amounts across Merton.
- 8.26 If we apply a 15% drop in house prices, much of the net intermediate housing requirement disappears and instead the improved affordability position allows for 20% of the new housing provision to be in the form of market housing. This does not completely remove the need for future intermediate housing provision because the house stock available for those with incomes of £20,000-£30,000 is still limited, but if house prices are to remain at their lower current levels into the future then the volume of intermediate housing required will be much lower.
- 8.27 If the house price fall is as much as 20% from its 2007 peak, the entire gap in the housing market which intermediate housing was assumed to be required to fill disappears. This again does not necessarily negate the role of some intermediate housing products because much of the identified housing requirement is for private rented accommodation and these households may prefer to access housing through dedicated intermediate products.

- 8.28 As noted above in our discussion of long-term trends in house prices and incomes we estimate that house prices in 2007 were 16.5% above long-term trend, but are likely to fall below trend for much of the period until 2021. However, household incomes are also to drop below their long-term trend which will affect household affordability. When this two effects are combined they would indicate that house prices relative to household incomes are likely to fall by 15-20% from the 2007 levels in Merton for the remainder of the study period.
- 8.29 If we apply the more conservative of these figures and estimate that house prices will fall by around 15% relative to incomes then there remains a requirement for intermediate housing in the borough. It should also be noted that any change in affordability has no impact on the social housing requirement which remains at 59% of all housing to be delivered. As noted in the technical appendix this is because the social rented requirement is based upon demographic trends and right to buy sales. Even a drop of 30% in house prices will not bring afford in Merton to such a level that properties will become affordable for households who can currently only afford social rents.
- 8.30 A 59% social rent requirements is unlikely to be deliverable from a viability point of view and therefore the model identifies that the affordable housing need for Merton is unlikely to be met given current target deliver levels.

Figure 99

Scenario Testing of Overall Housing Requirement 2007-2021 (Note: Figures may not sum due to rounding)

Housing Type	Requirement 2007-2021				Total
	Owner Occupied Housing	Private Rent Housing	Intermediate Housing	Social Rented Housing	
<b>House prices at 2007 levels</b>					
Number of units required	(1,500)	(1,200)	4,800	2,300	3,900
Proportion of total requirement	(38.5%)	(30.3%)	109.8%	58.8%	100.0%
<b>House prices fall by 5%</b>					
Number of units required	(1,500)	(100)	3,200	2,300	3,900
Proportion of total requirement	(38.5%)	(2.6%)	83.2%	58.8%	100.0%
<b>House prices fall by 10%</b>					
Number of units required	(1,500)	1,000	2,100	2,300	3,900
Proportion of total requirement	13.3%	26.6%	54.5%	58.8%	100.0%
<b>House prices fall by 15%</b>					
Number of units required	500	300	800	2,300	3,900
Proportion of total requirement	13.3%	6.3%	21.6%	58.8%	100.0%
<b>House prices fall by 20%</b>					
Number of units required	500	1,100	-	2,300	3,900
Proportion of total requirement	13.3%	27.9%	0%	58.8%	100.0%
<b>House prices fall by 25%</b>					
Number of units required	2,800	(1,200)	-	2,300	3,900
Proportion of total requirement	71.8%	(30.6%)	0%	58.8%	100.0%
<b>House prices fall by 30%</b>					
Number of units required	2,800	(1,200)	-	2,300	3,900
Proportion of total requirement	71.8%	(30.6%)	0%	58.8%	100.0%

### Sensitivity Testing: Increased Completion Levels

- 8.31 Councils have control and influence over the issuing of planning permissions but not the implementation of those permissions and the completions. The chart below shows the outcome of

moving to the High household growth figures from the GLA which would require an increase in the provision of dwellings equal to 3,100 units in the period until 2021.

- 8.32 The major consequence of an increase provision of dwellings would be to lower the social housing requirement to 39% of the total from its original figure of 59%. Many of the other conclusions outlined above still remain intact with a drop of 15%-20% in house prices relative to household income eliminating much of the requirement to provide intermediate housing, but would still leave a potential for dedicated intermediate housing products to meet the requirements of some households.

Figure 100

Scenario Testing of Overall Housing Requirement 2007-2021 (Note: Figures may not sum due to rounding)

Housing Type	Requirement 2007-2021				Total
	Owner Occupied Housing	Private Rent Housing	Intermediate Housing	Social Rented Housing	
<b>House prices at 2007 levels</b>					
Number of units required	(300)	(300)	4,800	2,700	7,000
Proportion of total requirement	(4.3%)	(4.3%)	69.3%	39.3%	100.0%
<b>House prices fall by 5%</b>					
Number of units required	(300)	800	3,800	2,700	7,000
Proportion of total requirement	(4.3%)	11.0%	54.0%	39.3%	100.0%
<b>House prices fall by 10%</b>					
Number of units required	2,000	(200)	2,500	2,700	7,000
Proportion of total requirement	28.1%	(2.9%)	35.5%	39.3%	100.0%
<b>House prices fall by 15%</b>					
Number of units required	2,000	1,100	1,200	2,700	7,000
Proportion of total requirement	28.1%	16.0%	16.6%	39.3%	100.0%
<b>House prices fall by 20%</b>					
Number of units required	2,000	2,200	-	2,700	7,000
Proportion of total requirement	28.1%	32.6%	0%	39.3%	100.0%
<b>House prices fall by 25%</b>					
Number of units required	4,600	(400)	-	2,700	7,000
Proportion of total requirement	65.3%	(5.4%)	0%	39.3%	100.0%
<b>House prices fall by 30%</b>					
Number of units required	4,600	(400)	-	2,700	7,000
Proportion of total requirement	65.3%	(5.4%)	0%	39.3%	100.0%

## The Implications of House Price Changes on Housing Requirements

- 8.33 This section focuses upon the dynamic relationship which exists between market and intermediate housing. As house prices fall, market housing becomes more affordable and therefore the potential market for intermediate housing shrinks.
- 8.34 The same may be thought to apply to social housing. However, in practice it would require enormous drops in house prices before households who currently can only afford social housing will be able to afford any other tenure. Therefore, changes in house prices have little impact upon the requirement for social housing. Therefore, we will concentrate upon the requirement for intermediate housing.
- 8.35 The importance of intermediate housing as a policy and investment issue needs to be recognised. Indeed PPS3 describes its value in policy terms:

### **Intermediate Affordable Housing and PPS3**

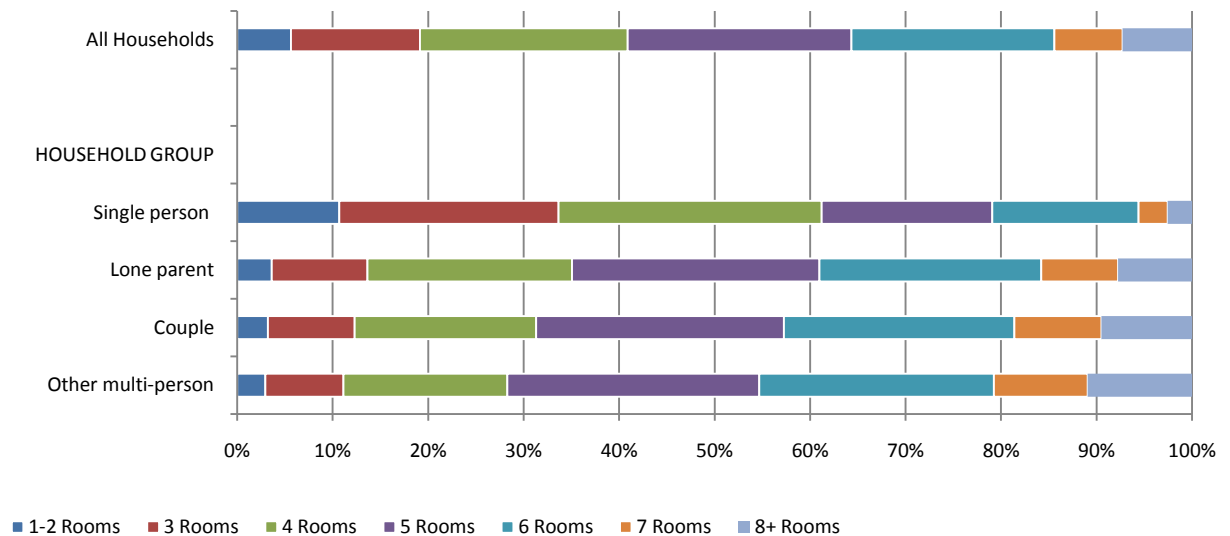
A sufficient supply of intermediate affordable housing can help address the needs of key workers and those seeking to gain a first step on the housing ladder, reduce the call on social-rented housing, free up existing social-rented homes, provide wider choice for households and ensure that sites have a mix of tenures

- 8.36 PPS3 however is careful to point out that that the full term is intermediate affordable housing and distinguishes between the terms affordable housing and affordability.
- 8.37 So great care must be taken to ensure that intermediate affordable housing products are not confused with low cost home ownership products that are charged at low market prices.
- 8.38 It is clear from the evidence in this report that the intermediate affordable housing requirement is potentially important. However its importance in the medium term is understated because of the credit crunch.
- 8.39 Whilst it is widely agreed that affordability ratios are improving and will continue to improve for the next year or so, the benefit is not uniform and it will affect household groups differently.
- 8.40 Firstly price weaknesses will occur mostly in cheaper lower quality housing. If a 15-20% price drop is expected on average over the peak prices of 2007, some properties will drop considerably further – others hardly at all.
- 8.41 Secondly there are a group of people for whom shared ownership or cheaper home ownership would be affordable but who would not be able to access mortgage finance. They are regarded as sub-prime borrowers. Examples would be those with a history of debt or possibly no credit history. It is likely that people seeking housing following a relationship breakdown would be in this group.
- 8.42 Therefore, over the entire study period it is likely that a full range of intermediate housing products can help to meet the affordable housing requirements of Merton. However, in the near future the impact of the credit crunch is likely to severely limit access to mortgages for shared ownership products. This would leave intermediate rent as a viable alternative in the short-term to help meet the needs of households who are unlikely to be a high priority for social housing allocation, but who would struggle to afford market rents.

### Size Mix of Future Housing Requirements

8.43 Figure 101 shows the size of properties occupied by different household groups at the time of the 2001 Census. This shows that single person households in particular were disproportionately likely to be found in smaller housing. Over a third having three rooms or fewer, and a further 28% occupying dwellings with four rooms. Multi-person households tended to occupy larger properties and lone parents tended to occupy smaller properties, the differences between these groups are less marked than for single person households.

Figure 101  
Housing Size Mix by Household Type (Source: UK Census of Population 2001)



8.44 It is clear that the tenure mix differs quite markedly for each household type – so as the proportion of households of each type changes in line with the earlier projections, this will influence the mix of tenure required.

8.45 Figure 102 shows the household type broken down by number of rooms as at the time of the 2001 Census.

8.46 For the GLA Low Household Projections, when the requirements of each household type are combined, the overall size mix can be summarised as follows.

Figure 102  
Housing Size Mix as at 2001 compared to Projected Housing Size Mix 2021

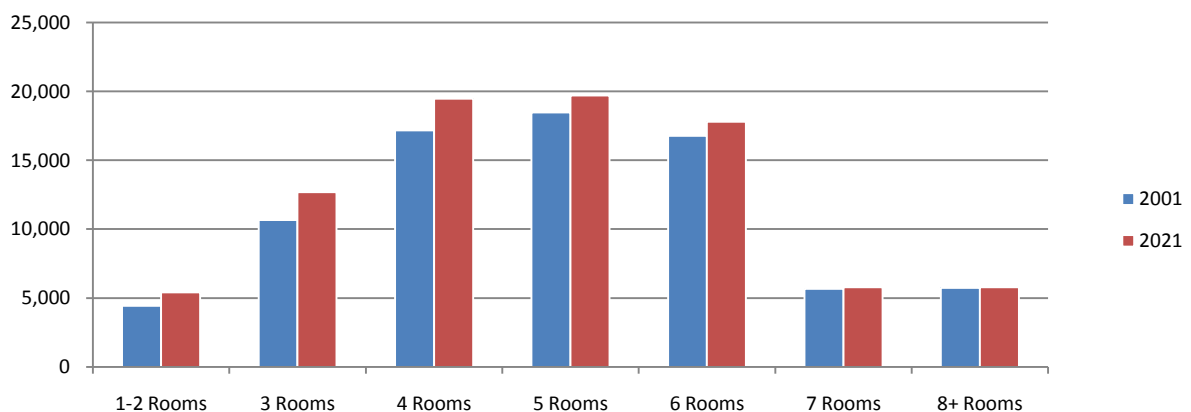
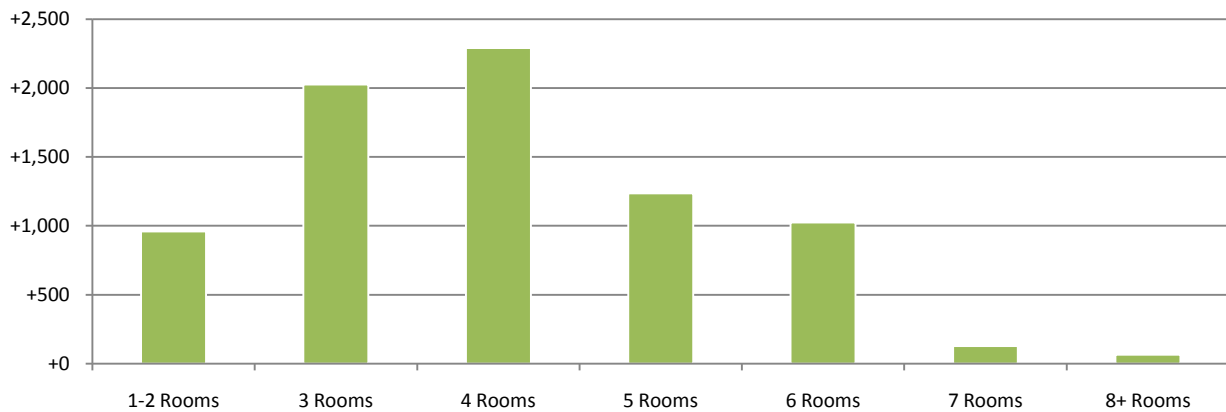
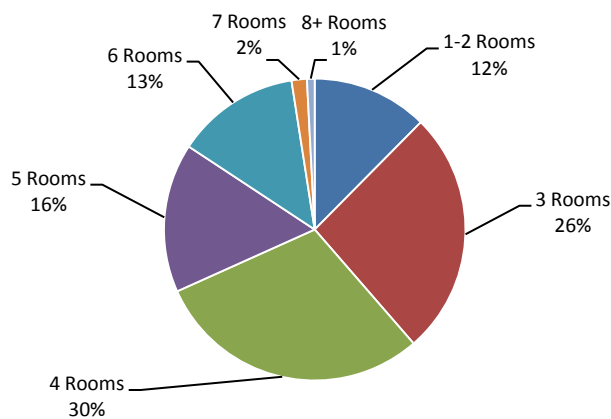


Figure 103  
Net Change in Required Housing Size Mix 2001- 2021



8.47 When we consider this mix proportionately, the size-mix requirement for additional housing can be summarised as being more than a third (38%) having 1-3 rooms, a further 30% with four rooms, 16% with 5 rooms, 16% with 6 rooms and 2% with 7 rooms and 1% of properties with 8+ rooms. .

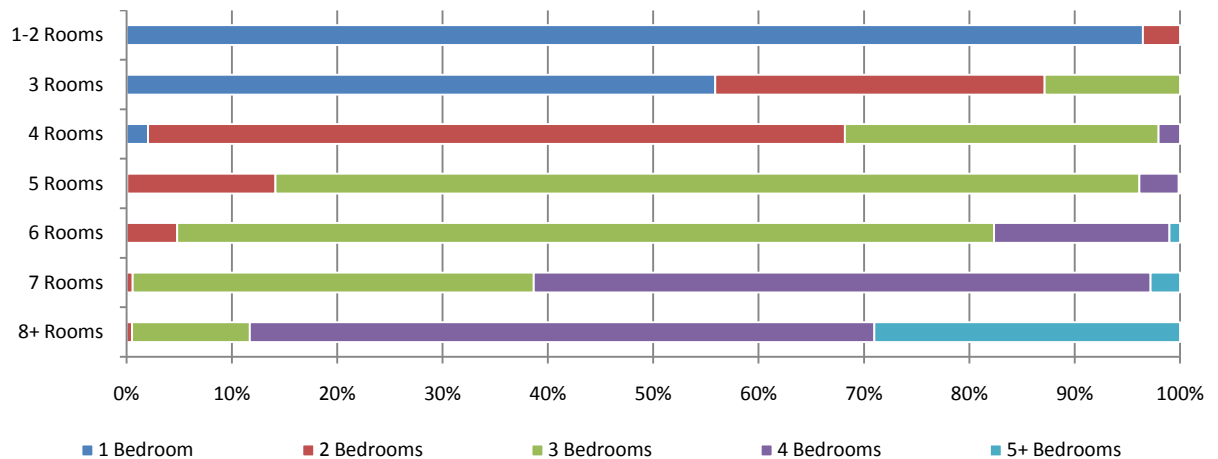
Figure 104  
Net Change in Required Housing Size Mix 2001- 2021



8.48 Of course, when considering dwelling mix it is often the case that the number of bedrooms is considered in favour of the overall number of rooms in a property – despite data sources such as the Census and Survey of English Housing typically reporting on the total number of rooms.

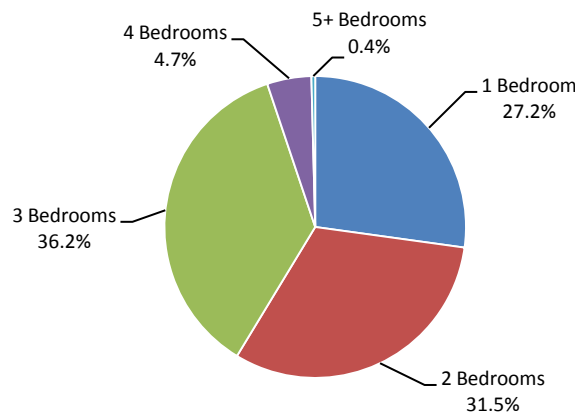
8.49 The following chart summarises the relationship between property size and number of bedrooms from an amalgamated dataset from household interviews completed by ORS. Whilst the data does not relate directly to the Merton area, it provides a reasonable mechanism for translating between the number of rooms and the number of bedrooms in a property.

Figure 105  
Number of Bedrooms by Number of Rooms (Source: ORS Household Surveys)



8.50 Using the above information, it is possible to consider the additional housing requirement in terms of the number of bedrooms required. It is apparent that around 59% of the additional housing should be provided as 1 or 2-bed homes (27% and 32% respectively) with 36% being 3-bed properties, 5% being 4-bed homes and less than 1% of properties requiring 5 or more bedrooms.

Figure 106  
Net Change in Required Housing Size Mix by Number of Bedrooms 2001- 2021



8.51 However, these figures must be offset against housing delivery which has occurred in the period 2001-2007. Figure 107 shows completions for the last 4 years by bedroom size (the figures were not recorded for 2001/02-2003/04), while Figure 108 shows the total level of completions in the period 2001-2007. On the assumption that the bedroom mix delivered in the period 2001/02 to 2003/04 was the same as that for later years, Merton has disproportionately delivered smaller housing units, leaving much of the larger housing stock requirement still to be delivered.

Figure 107  
Size Mix of New Dwellings 2004-07 (Source: Merton Annual Monitoring Report 2006-07. Note: Figures for 2004/05 and 2005/06 are only partial)

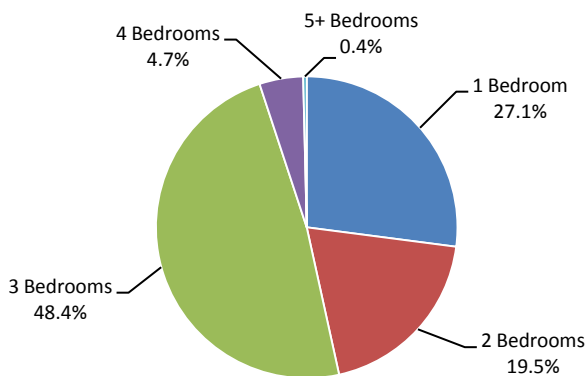
Year	Number of bedrooms			
	1 bed	2 bed	3 bed	4+ bed
2004-05	192	379	115	53
2005-06	280	398	85	32
2006-07	174	245	62	37
<b>Total</b>	<b>646</b> <b>(31.5)</b>	<b>1,022</b> <b>(49.8%)</b>	<b>262</b> <b>(12.8%)</b>	<b>122</b> <b>(5.9%)</b>

Figure 108  
**Total Completions 2001-07** (Source: Merton Annual Monitoring Report 2006-07)

Year	Total Completions
2001-02	625
2002-03	482
2003-04	353
2004-05	983
2005-06	791
2006-07	514
<b>Total</b>	<b>3,748</b>

8.52 The consequences for future housing deliver requirements by bedroom size given the delivery which has already occurred are set out in Figure 109. This shows that ideally nearly 50% of future housing delivery should take the form of 3 bedroom units with 47% being either one or two bed units.

Figure 109  
**Net Change in Required Housing Size Mix by Number of Bedrooms 2007- 2021**



8.53 ORS’ experience in the course of undertaking studies for the GLA and for a number of individual London boroughs is that there is a significant requirement for social units with four or more bedrooms. The GLA SHMA identifies that 17.6% of all new dwellings in London should ideally be 4+ bedroom social rent. Much of this housing requirement is to enable overcrowded households currently living in 3-bedroom housing already within the social rented sector to move to housing that is large enough to accommodate them. By providing larger social units the Council may be able to solve a number of the housing problems by allowing a chain of overcrowded households to each move up one bedsize.

**Size Mix Requirement b**

8.54 The size mix is detailed below in Figure 110. The size mix will vary as affordability and trajectory assumptions, as set out in Figure 99 and Figure 100, vary. The results below are based upon the GLA Low Household projections and prices sitting 15% below the levels observed at the time of the study. Using alternative household projections or house price assumption would lead to a different mix of dwellings being required.



Figure 110  
Size Mix of Housing Requirement to 2026 by LA (Note: Figures may not sum due to rounding)

Housing Type	Requirement
<b>Market Housing</b>	
1 bedroom	200
2 bedrooms	250
3 bedrooms	300
4+ bedrooms	50
<b>Sub-total</b>	<b>800</b>
<b>Intermediate Affordable Housing</b>	
1 bedroom	200
2 bedrooms	250
3 bedrooms	300
4+ bedrooms	50
<b>Sub-total</b>	<b>800</b>
<b>Social Rented Housing</b>	
1 bedroom	600
2 bedrooms	700
3 bedrooms	800
4+ bedrooms	200
<b>Sub-total</b>	<b>2,300</b>
<b>All Housing</b>	
1 bedroom	1,000
2 bedrooms	1,200
3 bedrooms	1,400
4 bedrooms	300
<b>Total</b>	<b>3,900</b>

## Understanding Housing Supply

### Allocations and Housing Trajectory

<sup>8.55</sup> Figure 111 shows how recent housing completions in Merton compare with the targets which are set out set within the London Plan. The recent completion rate in Merton has been higher than that required for 2006 revised London Plan allocations.

Figure 111  
Allocations and Completions (Source: Merton Annual Monitoring Report 2007/08. Note: Completions include vacancies brought back into use. Planned completions are for Newbuild only)

Allocation/Completions	Annual Average
<b>2006 Revised London Plan target</b>	370
<b>Completions 2002-2007</b>	625

## Affordable Housing

8.56 Figure 112 shows the number of new RSL rented properties which were completed in each year from 2001/02 to 2006/07. This shows that Merton has on average succeeded in having 20% of its new housing delivery in the form of affordable housing.

Figure 112

Actual New RSL Dwellings 2002/03 – 2006/07 (Source: Local Authority Housing Strategy Statistical Appendix (HIP) Data)

Tenure	Actual Completions					Annual Average
	2002/03	2003/04	2004/05	2005/06	2006/07	
Rented Dwellings	74	114	153	95	88	105
Shared Ownership	5	25	12	32	30	21
<b>Affordable Housing Total</b>	<b>79</b>	<b>139</b>	<b>165</b>	<b>127</b>	<b>118</b>	<b>126</b>
<b>Total Housing Delivery</b>	<b>482</b>	<b>353</b>	<b>983</b>	<b>791</b>	<b>514</b>	<b>625</b>
<b>Affordable Housing %</b>	<b>16%</b>	<b>39%</b>	<b>17%</b>	<b>16%</b>	<b>23%</b>	<b>20%</b>

## Chapter 9: Niche Group Analysis

### Introduction

- 9.1 Whilst we have established an understanding of the housing needs and housing requirements of the overall population of Merton, the following section considers the needs of certain sub-groups of the population – in particular where their needs may differ from the needs of the general household population.
- 9.2 The sub-groups considered by the study included:
- Housing Needs of Older People;
  - Supported Housing and Health Needs; and
  - Housing needs of the Black and Minority Ethnic Population;

### Needs of Older People and Other Supported Housing Issues

#### Older Population

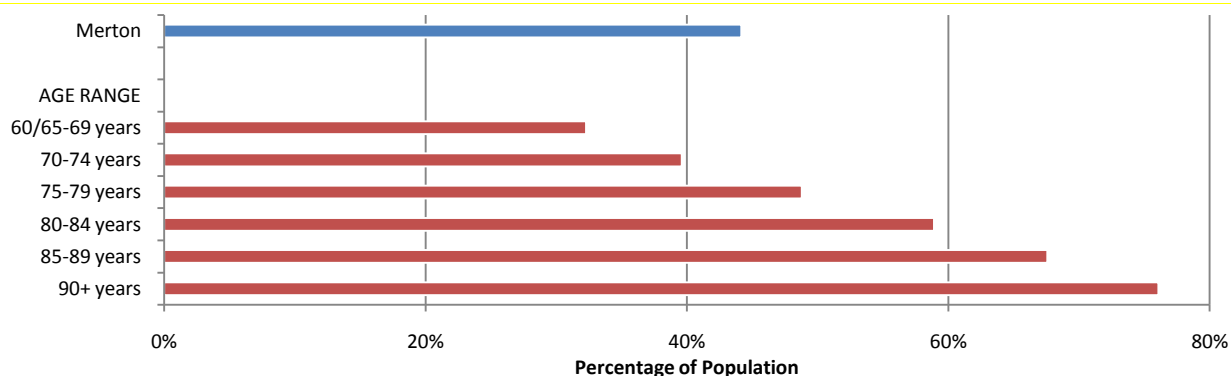
- 9.3 As shown previously in Figure 12 there is a higher proportion of older persons in Merton compared to the population of Greater London as a whole. The GLA population projections indicate that between 2006 and 2026 the population of Merton aged 60 years and over is projected to rise by 9,000. Much of this growth is concentrated on persons aged 60-69 years, but there is also projected to be growth in those in older age ranges.

#### Health

- 9.4 Data from the 2001 Census indicates that over 40% of people of pensionable age suffer from a limiting long-term illness. This figure is 32.2% for those aged up to 70 years, but rises rapidly to over two-thirds for those aged 85 years and above. Therefore, the forecasted growth in the older population of the Merton is likely to see more people with support needs in the future.

Figure 113

Limiting Long-term Illness of Older People by Age Group (Source: UK Census of Population 2001. Note: Data is for females aged 60 years and over and males aged 65 years and over)



### Access to a Car or Van

9.5 Access to services is a crucial issue for older people. Figure 114 and Figure 115 show that pensioner households are much less likely to have access to a car or van than the population of the Merton as a whole which, if services are located at distance further than a short walking distance, is likely to limit access to services. 58.3% of pensioner households do not have access to a car or van and therefore are far more dependent upon public transport than the rest of the population. However with free bus passes for the over 60s this is often the mode of choice.

Figure 114  
**Number of Cars or Vans: All Households** (Source: UK Census of Population 2001)

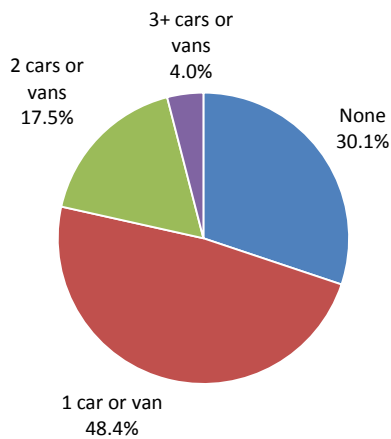
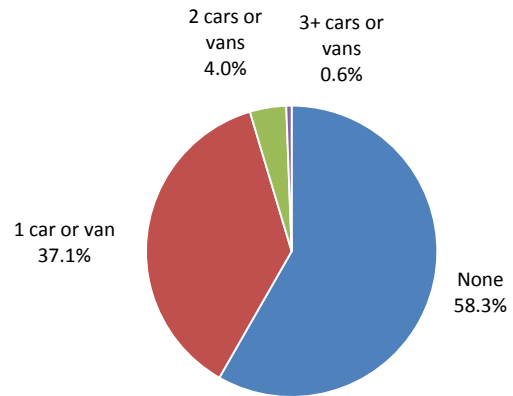


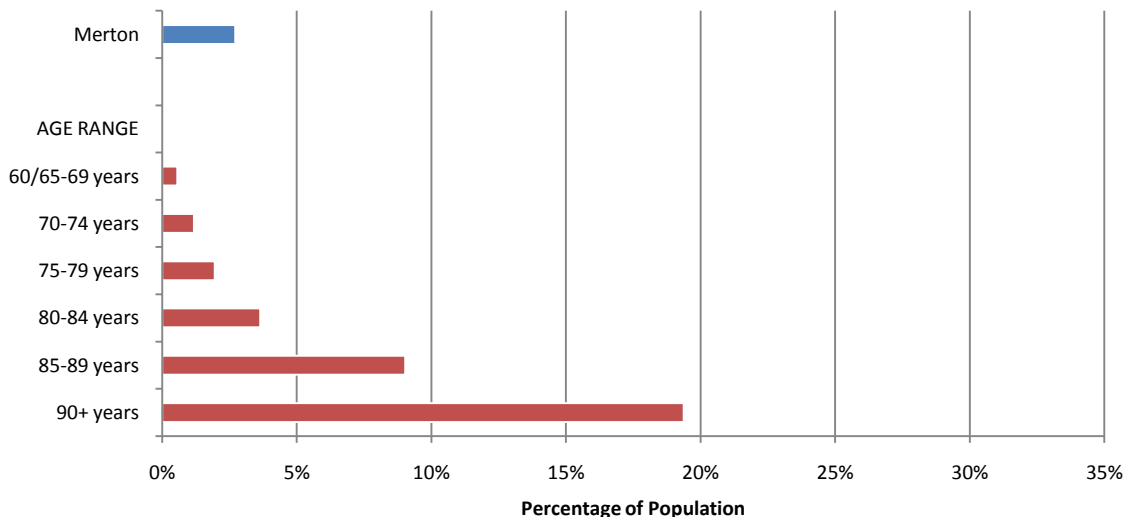
Figure 115  
**Number of Cars or Vans: Pensioner Households** (Source: UK Census of Population 2001))



### Tenure

9.6 Figure 116 shows that in Merton 2.7% of older persons live in communal establishments, mainly medical and care establishments. This is as high as 9.0% for those aged 85-89 years and nearly a 20% for those aged 90 years or more. Given the projected growth of the older population it is likely that there will be an increased requirement for care and medical provision for them.

Figure 116  
**Proportion of Older People in Communal Housing by Type of Establishment by Age Group** (Source: UK Census of Population 2001. Note: Data is for females aged 60 years and over and males aged 65 years and over)



- 9.7 For those pensioner households in private housing, proportionally more are to be found in the social rent sector with fewer in private rented.

Figure 117  
Tenure for all Households (Source: UK Census of Population 2001)

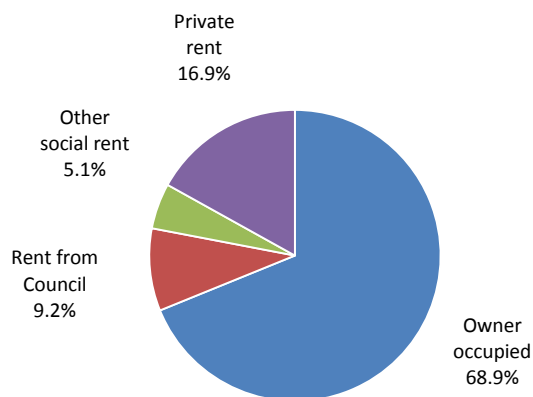
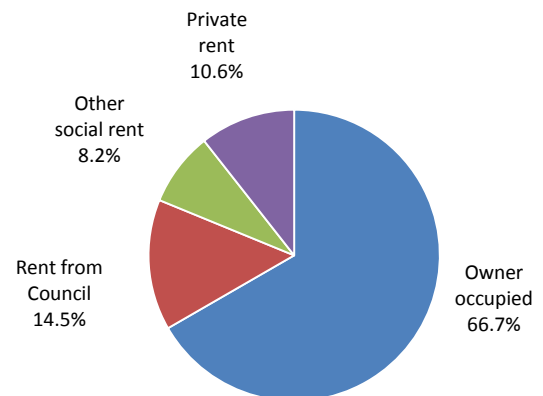


Figure 118  
Tenure for Pensioner Households (Source: UK Census of Population 2001)



## Housing Issues related to Minority Ethnic Groups

- 9.8 This section of the report seeks to provide a baseline understanding of housing issues relating to minority ethnic groups in the local area, drawing on a wide range of secondary data sources.

### BME Population

- 9.9 The 2001 Census contains detailed information on the ethnicity of the population of Merton. The 2001 Census classified ethnic groups on the basis of sixteen categories which are standardised across all UK government sources (Figure 119). This classification is also used by many organisations interested in analysing information about BME communities. These sixteen categories can be grouped together into five aggregate groups – these being White, Mixed, Black, Asian and Other – and some information sources do not provide any details beyond these broad groupings (though White British and White Non British are sometimes reported independently).

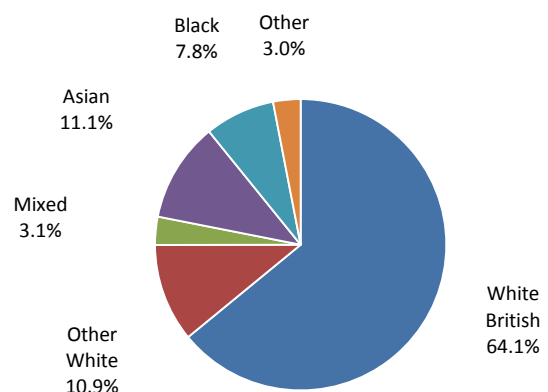
Figure 119  
Ethnic Group Classification (Source: UK Census of Population 2001)

Broad Ethnic Group	Detailed Ethnic Group Classification
White	White: British
	White: Irish
	White: White Other
Mixed	Mixed: White and Black Caribbean
	Mixed: White and Black African
	Mixed: White and Asian
	Mixed: Other Mixed
Asian	Asian or Asian British: Indian
	Asian or Asian British: Pakistani
	Asian or Asian British: Bangladeshi
	Asian or Asian British: Other Asian
Black	Black or Black British: Black Caribbean
	Black or Black British: Black African
	Black or Black British: Other Black
Other	Chinese or Other Ethnic Group: Chinese
	Chinese or Other Ethnic Group: Other Ethnic Group

9.10 Information from the Census is based on self assessment. Each person must decide to which ethnic group they belong. This inherently introduces some degree of inaccuracy into the data. For instance, when we consider those people that were born in the Middle East, there is a clear division between those classifying themselves as “Asian Other” and those choosing “Other Ethnic Group” despite their actual origins being the same.

9.11 In the 2001 Census the Black and Minority Ethnic (BME) population in Merton comprised 35.9% of the total population– including 10.9% of the population who were White, but not White British, and a further 25.0% who could be considered as a Non-White population.

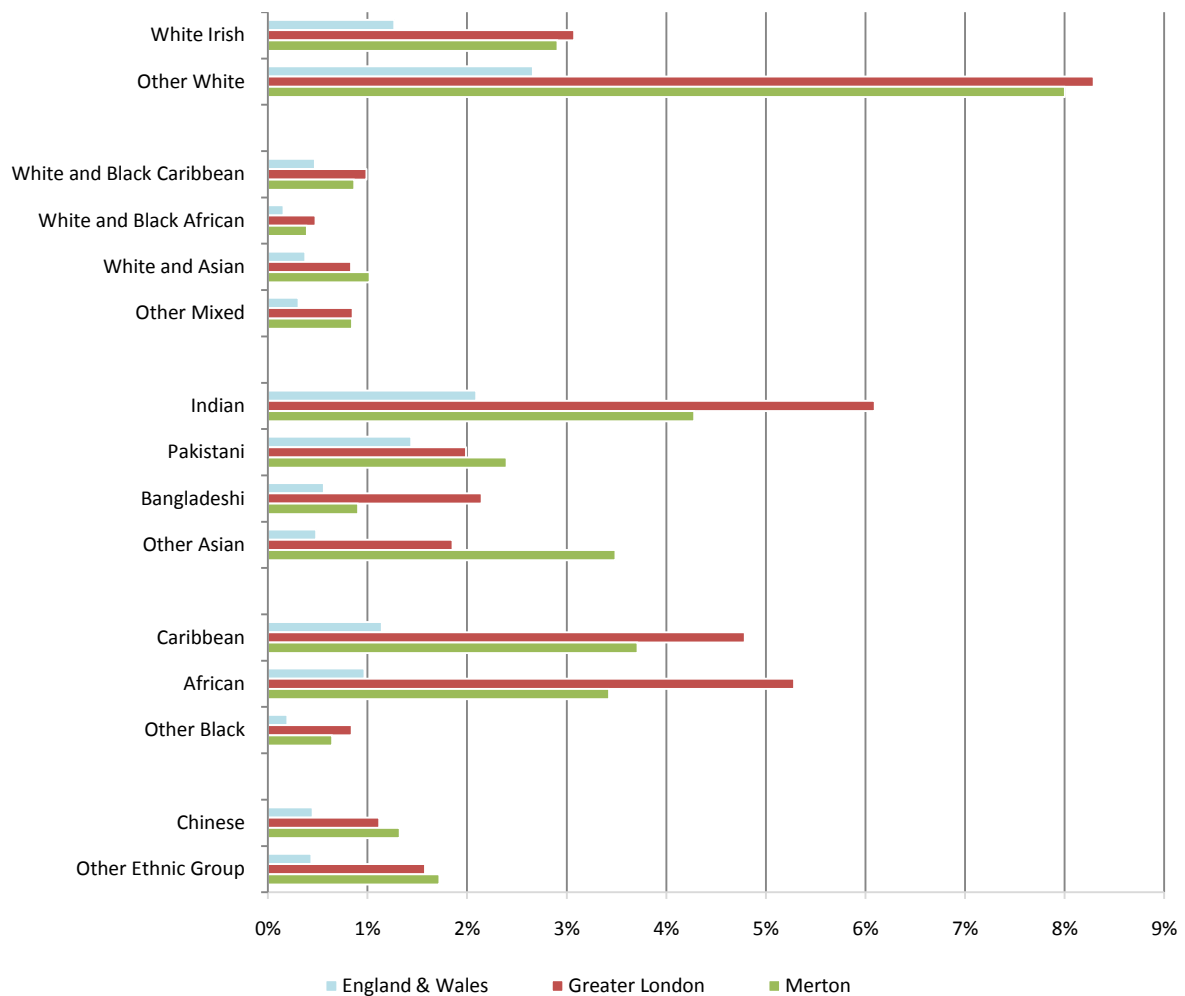
Figure 120  
Black and Minority Ethnic Population in 2001 (Source: UK Census of Population 2001)



9.12 The ethnic minority population of Merton compared with Greater London and England & Wales at the time of the 2001 Census is shown in Figure 121. As previously noted the BME population (including White Non-British and Non-White residents) accounted for 35.9% of the total – compared with 40.2% for Greater London and 13.0% for England & Wales as a whole.

9.13 Merton’s largest ethnic groups, as classified by the 2001 Census, are Other White (8.0%), Indian (4.3%) and Black Caribbean (3.7%).

Figure 121  
**Black and Ethnic Minority Population by Ethnic Group in 2001** (Source: UK Census of Population 2001)



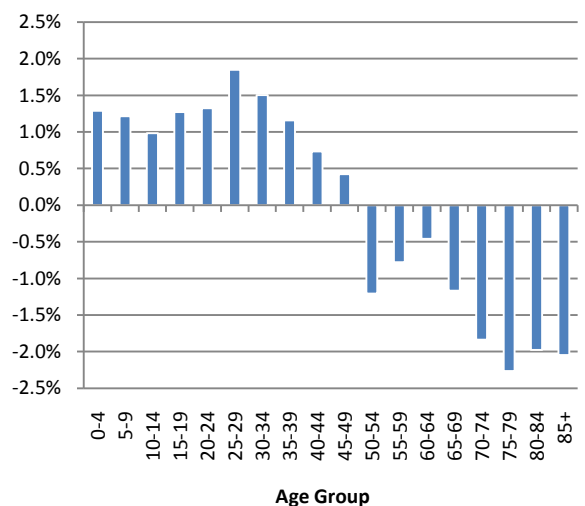
**Age Profile and Population Change**

9.14 Comparing between age profile of the BME population and the White British population (Figure 122) it is apparent that the BME population is much younger, with a far higher share of the population aged less than 45 years.

9.15 To attempt to highlight how the BME population of Merton may have changed recently, Figure 123 and Figure 124 show overleaf compares how large a share BME group children formed of primary school rolls across Merton in 2004 and 2007. The data is drawn from the Pupil Level Annual Schools Census (PLASC) which is conducted every January by every maintained school.

9.16 In 2004 children from identified BME groups formed 47.4% of all pupils in primary schools in Merton. By 2007 this figure had risen to 53.4% of all

Figure 122  
**Difference between Age Profile of BME and White British Population** (Source: UK Census of Population 2001)



primary school children. Therefore, there has been a substantial rise in the share of children in Merton primary schools who come from BME groups. Some of this rise is likely to be due to the relative youth of the existing BME population of Merton, but some may also reflect in adults from BME groups also increasing their share of Merton’s population in this time.

Figure 123  
 Ethnicity of Primary School Pupils in Merton in 2004 (Source: Pupil Level Annual Schools Census)

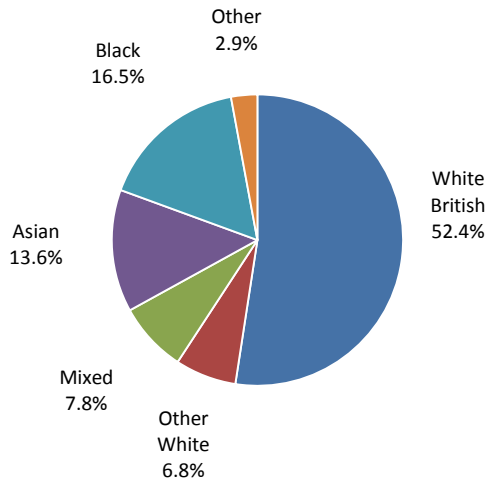
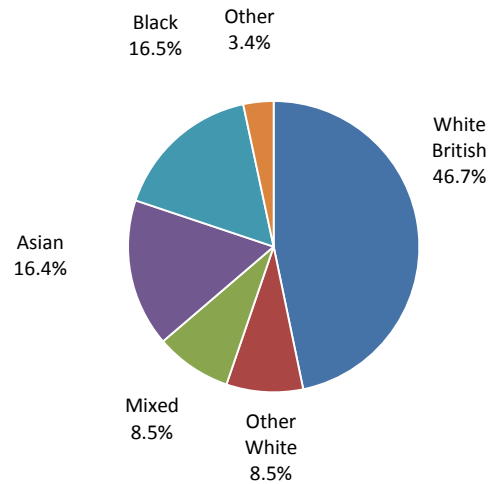


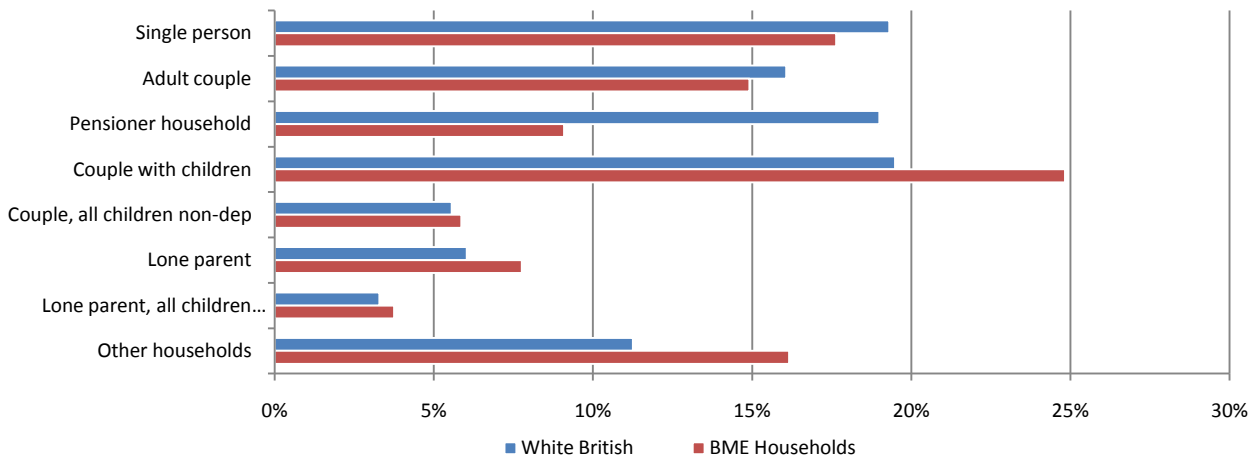
Figure 124  
 Ethnicity of Primary School Pupils in Merton in 2007 (Source: Pupil Level Annual Schools Census)



### Household Structure

9.17 The private household structure of the BME population of Merton is distinct from that of the White British population. As Figure 125 indicates, the BME population was more likely to be living in a household containing a couple with children. Interestingly, only 11.2% of White British households are living in the “Other” households, while 16.2% of BME households fall in to this category. This group includes student and other multi-adult households in shared accommodation, inter-generational households and other less common groups which were not covered by the more traditional categories.

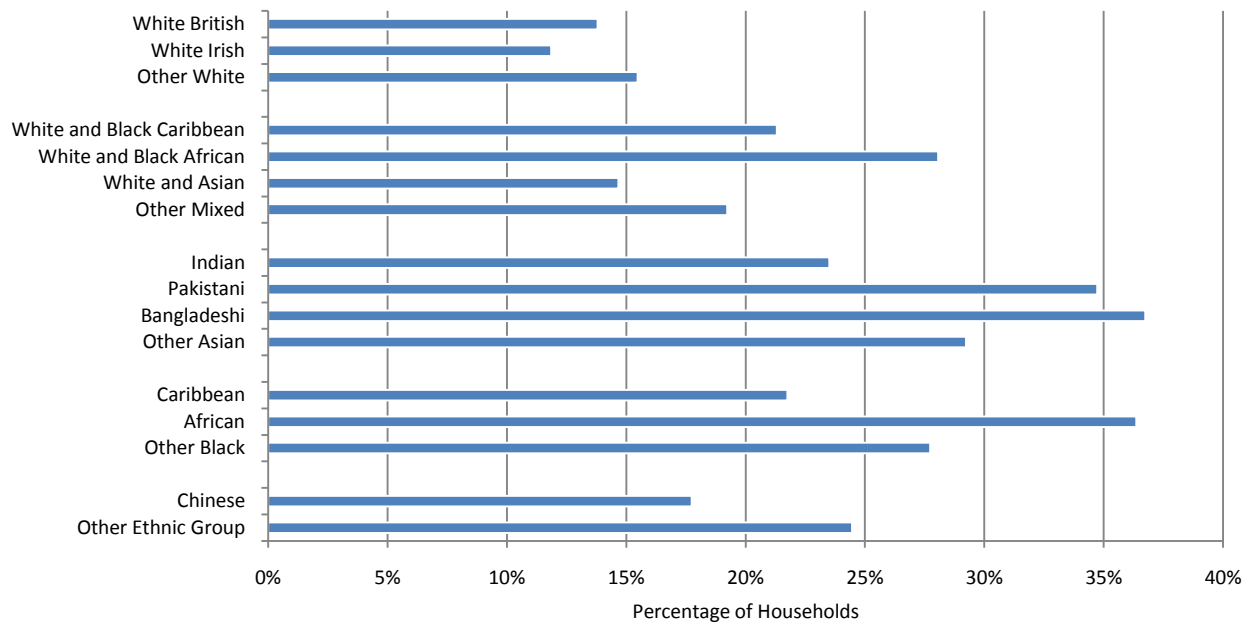
Figure 125  
 Household Structure by Ethnic Group (Source: UK Census of Population 2001)





- 9.18 Household structure is further considered in Figure 126 – which shows the proportion of households with two or more dependent children by ethnic group. Over 30% of Bangladeshi, Black African and Pakistani households contained two or more children which is considerably higher than for any other group. However, almost all BME groups were more likely to contain two or more dependent children than White British households.

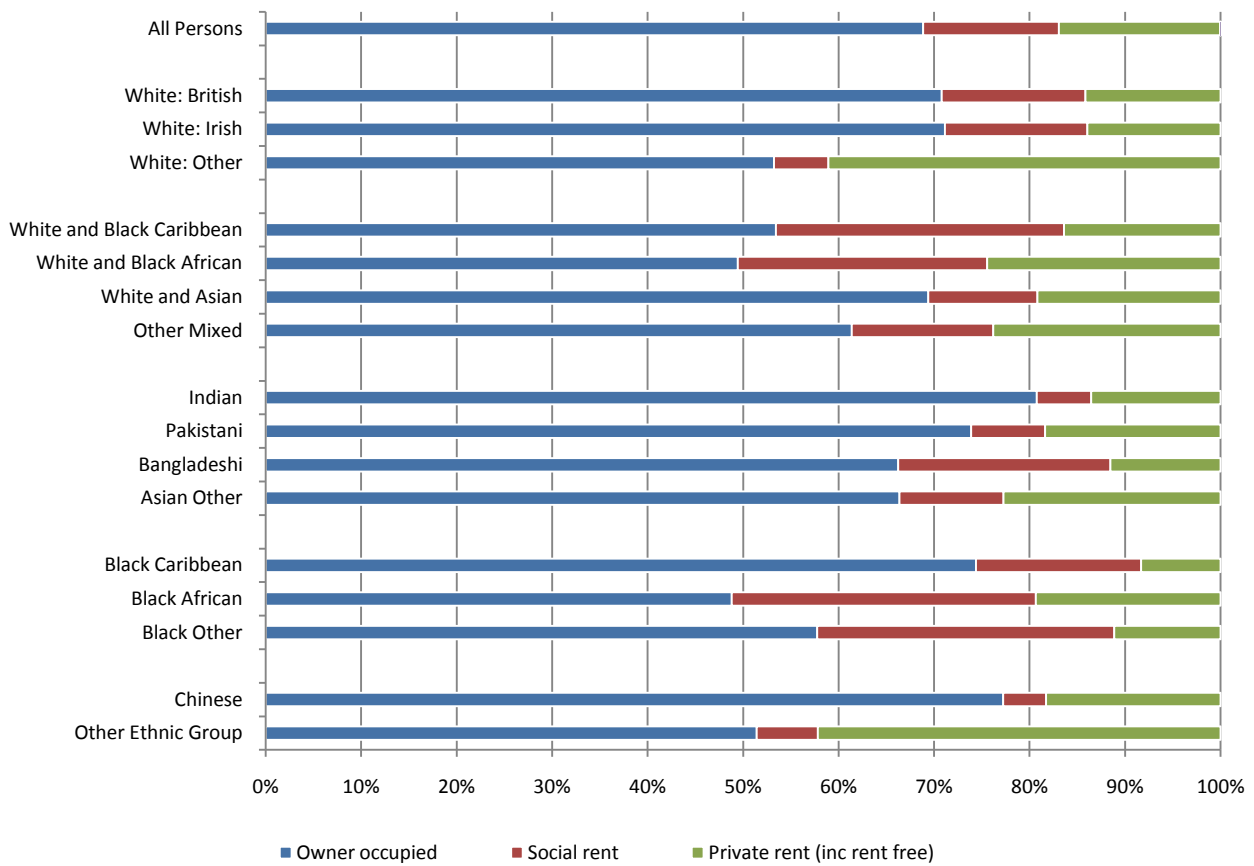
Figure 126  
Households with 2 or more Children by Ethnic Group (Source: UK Census of Population 2001)



### Housing Tenure

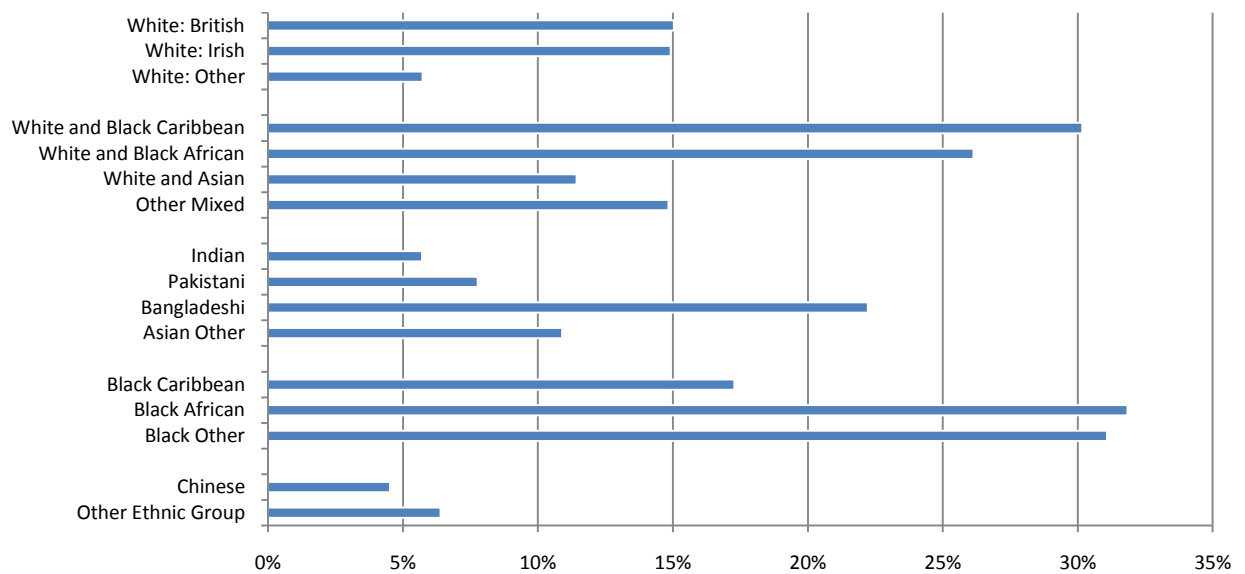
- 9.19 Figure 127 shows how household tenancy is divided by ethnic group. Over 75% of the Indian and Chinese population live in owner occupied dwellings which is higher than the White British population. Meanwhile, over 40% of the White Other and Other Ethnic Group populations live in the private rented sector. Therefore, there are considerable differences in the tenures occupied by different ethnic groups.

Figure 127  
 Housing Tenure by Ethnic Group (Source: UK Census of Population 2001)



9.20 Figure 128 shows how the proportion of households in the social rented sector varies by ethnic group. This shows that 25% or more of households from the Mixed White and Black Caribbean, Mixed White and Black African, Black African and Other Black groups are living in social rented accommodation, compared to around 15% of all white groups.

Figure 128:  
Social Renting by Ethnic Group (Source: UK Census of Population 2001)



- 9.21 Figure 129 records all tenants of socially rented accommodation. Many of these residents would have lived in their tenancy for a long period of time. Given that the BME population is typically younger it is interesting to explore the more recent pattern of lettings.
- 9.22 Figure 129 compares the recent pattern of lets in Merton with the data covering the period from April 2005 to March 2008 for lets in the area. It shows the share of households where the respondent came from a particular ethnic group at the time of the 2001 Census with the proportion of that ethnic group who reside in social housing and RSL (not Council) lets to that group since 2001. This indicates that housing needs are higher for many BME groups.

Figure 129  
Share of Households in Social Housing and Social Lets 2005-2008 for Ethnic Groups (Source: CORE project for the Joint Centre for Scottish Housing Research and UK Census of Population 2001 Note: Figures may not sum to 100% due to rounding)

Ethnic Group	Share of all Households	Share of Households in Social Housing in 2001	Share of RSL Lets 2005-2008
White: British	68.4	72.3	49.5
White: Irish	3.8	4	1.4
White: Other	7.7	3.1	3.9
White and Black Caribbean	0.4	0.8	2.4
White and Black African	0.2	0.4	0.7
White and Asian	0.7	0.5	0.8
Other Mixed	0.5	0.5	1.2
Indian	3.6	1.5	1.1
Pakistani	1.7	0.9	1.5
Bangladeshi	0.6	0.9	0.9
Asian Other	2.5	1.9	4.4
Black Caribbean	4.0	4.9	13.1
Black African	2.8	6.2	13.2
Black Other	0.4	0.9	2.1
Chinese	1.3	0.4	1.4
Other Ethnic Group	1.5	0.7	2.5
<b>ALL HOUSEHOLDS</b>	<b>100</b>	<b>100</b>	<b>100</b>

### Housing Conditions

9.23 More general housing conditions are reflected in Figure 130 which shows overcrowding. The results indicate that on this measure 39.1% of Asian Other, 36.7% of Black African, 27.8% of Bangladeshi and 27.6% of Other Ethnic Group households were overcrowded. In comparison, the lowest proportion of overcrowding was for the White British group at 8.5%.

Figure 130  
Overcrowded Households by Ethnic Group (Source: UK Census of Population 2001)

Ethnic Group	Percentage of Households which are Overcrowded
White: British	8.5
White: Irish	10.4
White: Other	16.7
White and Black Caribbean	17.3
White and Black African	27.3
White and Asian	19
Other Mixed	23.8
Indian	17.6
Pakistani	22.3
Bangladeshi	27.8
Asian Other	39.1
Black Caribbean	14.7
Black African	36.7
Black Other	23.5
Chinese	23.5
Other Ethnic Group	27.6
<b>ALL HOUSEHOLDS</b>	<b>12.4</b>

### Homelessness

9.24 In Merton between the 3rd quarter of 2002 and the most recently available data from the 1st quarter of 2008, 995 people were considered to be homeless and in priority need. Figure 131 identifies the ethnic minority dimension to homelessness acceptances across Merton. Of all households accepted as being homeless and in priority need in the period 2003-08, around 57.2% were from BME groups, which is much higher than their share of the total population.

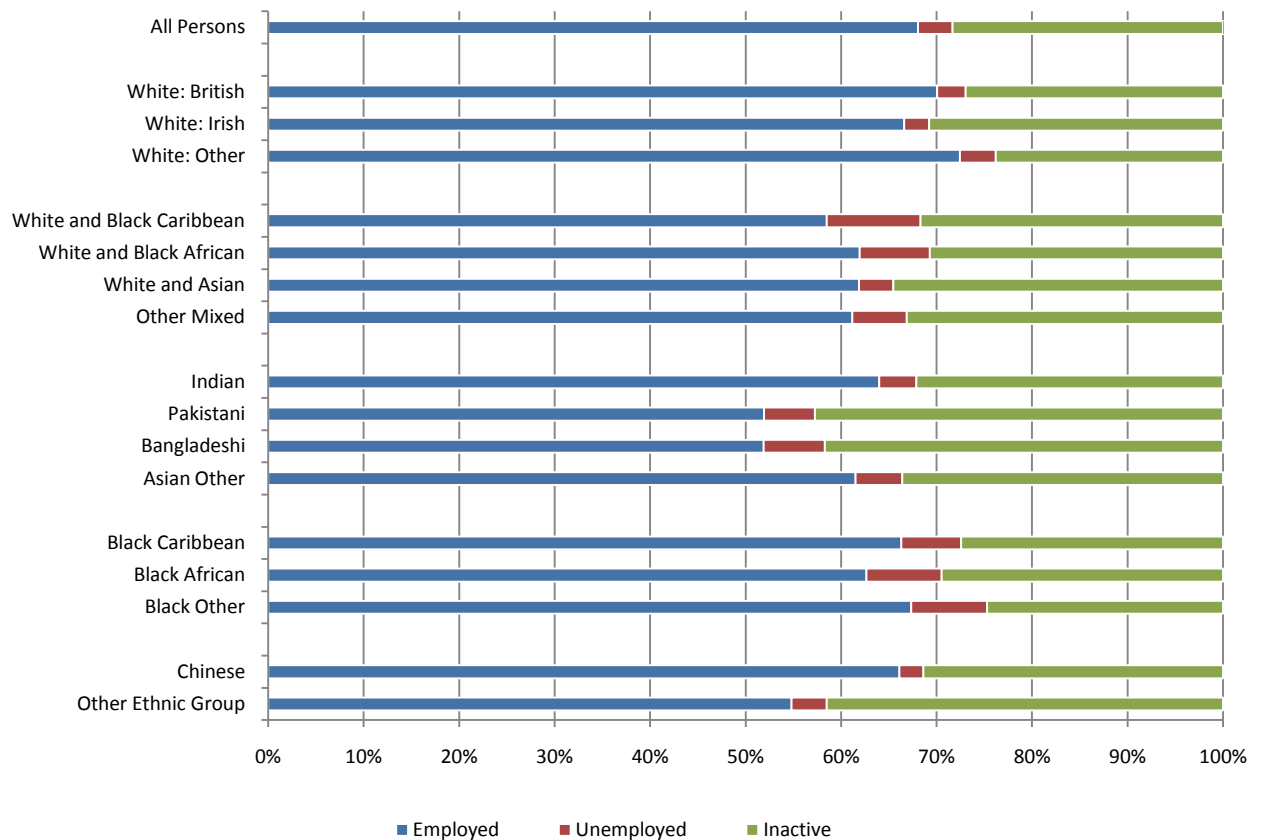
Figure 131  
Homeless and in Priority Need by Ethnic Group Q3 2002-Q1 2008  
(Source: Local Authority P1E Homelessness Data and UK Census of Population 2001)

Local Authority	% of cases from groups	% of population from groups
White	42.8%	75.0%
African/Caribbean	29.6%	7.1%
Indian/Pakistani/Bangladeshi	9.2%	11.1%
Other Ethnic Group	13.4%	6.8%
Unknown	4.9%	-
<b>Total</b>	<b>100%</b>	<b>100%</b>

## Economic Activity

9.25 Many of the above conclusions can be reinforced by analysing the economic activity of working age individuals. Figure 132 shows that the inactivity rate among the Pakistani and Bangladeshi population was over 40% of the working age population. This is largely due to low participation rates among females from these groups.

Figure 132  
Economic Activity by Ethnic Group (Source: UK Census of Population 2001)



### Summary of Chapter 8 Key Findings

- GLA population projections indicate that the population of Merton aged 60 years and over will rise by 9,00 between 2006 and 2026. Much of this growth is concentrated on person aged 60—69.
- The 2001 census indicates that over 40% of people of pensionable age suffer from a limiting long-term illness. This figure is 32.2% for those aged up to 70 years, but rises rapidly to over two-thirds for those aged 85 years and above.
- The economic inactivity rate among the Pakistani and Bangladeshi population was over 40% of the working age population.
- 35.4% of Black African, 31.5% of Bangladeshi and 30.5% of Asian Other households were overcrowded. In comparison, the lowest proportion of overcrowding was for the White British group at 7.6%.
- The proportion of households in the social rented sector varies by ethnic group. This shows that 25% or more of households from the Mixed White and Black Caribbean, Mixed White and Black African, Bangladeshi, Black African and Other Black groups are living in social rented accommodation, compared to around 15% of all white groups.
- 59.2% of all new clients for Supporting People in Merton came from BME groups, which compares with 36.3% of the population at the time of the 2001 Census. However, this difference was not spread evenly across the population with the Black population disproportionately more likely to be receiving support
- Between 2004 and 2008 the Supporting People team in Merton registered 3,571 new clients. However, the bulk of these cases related to homelessness and potentially homeless clients with support needs.

## Chapter 10: Conclusions

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### Introduction

- 10.1 We highlight a number of headline issues below that arise from the report and briefly consider their implications.
- 10.2 Merton clearly has a role in addressing the challenges facing the wider London Region. The borough is home to a large proportion of single person households and population and household growth in the borough is driven largely by migration.

### Findings and their implications

- 10.3 The report has presented a number of challenging issues with long term policy implications

Much of the growth of extra households in both the Low and High estimates is expected to be single persons. For the Low estimates there is projected to be a rise of 6,900 in the number of non-pensioner single person households and 1,900 single pensioners in the period 2006-2026. The High estimates show there are projected to be rises of 7,900 non-pensioner single person households and 2,600 single pensioners.

- 10.4 This issues presented are quite different for younger people and older people. Younger people will generally at the lower end of their potential income. They will mostly be housed in the private rented sector and move frequently. Some with particular needs will access social housing. Some will reside in shared housing or houses in multiple occupation (HMO). Those that are in employment may form some of the demand for shared ownership particularly if they are planning to form partnerships.
- 10.5 The implication of this situation for younger person single households is that they create demand for the private rented sector and this in turn drives its growth. Given that the income of many single people is below the threshold for market housing there would be a considerable demand for intermediate affordable housing. HMOs present health and safety risks to occupants and this sector needs Local Authority resources to regulate it.
- 10.6 Regarding older people, single person households are particularly vulnerable if and when they become frail. Housing Health and Safety Rating (HHSRS) findings consistently place this group at the greatest risk from homes that are not heated adequately or falls, particularly involving stairs. The growth in population presents a challenge for care and support services especially for those households without informal care and support from friends and relatives. Older person households may have a smaller housing requirement than other households. Generally they will be housed and will not be seeking to move in line with national policy but will seek adaptations. However if they present acute housing need following illness their housing requirements may be specialised and urgent. Finally older persons who are home owners may require additional advice and support concerning the upkeep of their homes. Some Councils are looking to Home Improvement Agencies or Regeneration Vehicles to assist, and equity release is an option for this group.

The increasing volume of households suggest that, on the basis of a trend based projection for the Low population estimates And taking into account factors like demolitions and the Right to Buy, in the period to 2021, the requirement for social rented housing is 2,300 of the 3,900 total requirement, equivalent to 58.8% of overall total requirement. There is a requirement for 4,200 intermediate affordable dwellings. Due to affordability problems there is likely to be a surplus of market housing.

The size-mix requirement for additional housing can be summarised as being more than a third (38%) as having 1-3 rooms, a further quarter (30%) with four rooms, 16% with 5 rooms, 13% with 6 rooms and 2% for 7 room and 1% for 8+ room properties.

It is possible to consider the additional housing requirement in terms of the number of bedrooms required. It is apparent that around 59% of the additional housing should be provided as 1 or 2-bed homes (27% and 32% respectively) with 36% being 3-bed properties, 4% being 4-bed homes and 1% of properties requiring 5 or more bedrooms.

10.7 The growth in single person households is clearly driving the requirement for smaller homes. The relatively low income of households is also leading to the fact that the part of the supply of market housing for sale will not be affordable to part of the requirement. This will either lead to price adjustment and/or acquisition by Landlords. However this finding is more complicated due to present market conditions and this is considered further in the next topic.

10.8 The requirement for larger homes is significant and important. Merton has large numbers of households that are overcrowded. These people are therefore a priority for affordable housing if they are unable to afford to buy or rent suitable market housing. Because larger houses are generally more expensive many households seek assistance from affordable housing providers. Their relative scarcity due partly to the Right to Buy makes this part of the requirement more of a priority than the numbers would suggest.

If we apply a 15% drop in house prices, much of the net intermediate housing requirement disappears and instead the improved affordability position allows for 20% of the new housing provision to be in the form of market housing. This does not completely remove the need for future intermediate housing provision because the house stock available for those with incomes of £20,000-£35,000 is still limited, but if house prices are to remain at their lower current levels into the future then the volume of intermediate housing required will be much lower. If the house price fall is as much as 20% from its 2007 peak, the entire gap in the housing market, which intermediate housing was assumed to be required to fill, disappears.

10.9 The changing requirement between intermediate affordable and market housing presents difficult policy choices in the present housing market. The Council may wish to take the long term view that as prices recover the requirement for intermediate housing increases. However it is apparent that an adjustment in 2007/8 prices was needed.

10.10 By understanding the demographic and economic drivers in the market referred to above, it would appear that building and promoting intermediate affordable housing would provide an option for lower income households that currently have no choice but to rent from the private sector.



Using 2007 house prices as a starting point, the lack of affordability of owner occupied housing for many non-owners is likely to see owner occupation rates fall over the period to 2021. On the assumption that the relationship between housing costs and household income remains constant, the affordability modelling suggests that the proportion of households who are homeowners is projected to fall to 61.0% by 2021 with 1,500 less households being able to afford owner occupation than are to be currently found in this sector.

- <sup>10.11</sup> This is an interesting finding that has long term implications. A probable future scenario also needs to take into account frequent changes of employment and less satisfactory pension arrangements for many households. If there are fewer homeowners, capital in the form of equity will be available to fewer households. This means that fewer households will have the means to fund suitable housing should it be necessary or contribute to alterations such as adaptations and other services that may be required as the household ages. Unless there is a change in the law, more people will rely upon short hold tenancies. Job changes and renting rather than buying may lead to a more mobile workforce but a less settled community with implications for community cohesion and schools health services etc.