

Insight focus

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The GLA 2016-based Household Projections

The GLA's new figures give a fresh view on population growth in London and across the country, but what is it they are showing?



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At the height of recession between 2008 and 2011 the population of London grew by an average of 1.6% each year – around double the national average and the fastest rate of growth seen in London's recent history. This was in part due to the recession – a slowdown in the housing market (meaning reduced rates of housing-led outflows) and London having a relatively more resilient job market than the rest of the UK contributed to the growth seen in the capital. At the same time, housing delivery in London fell to its lowest levels in these years, with around 20,000–25,000 net additional homes each year. This shows some signs of recovery, with 30,000 additional homes in 2015/16¹.

The impact of recent growth on London's housing market is clear when looking at affordability – the ratio of house prices to earnings. Whilst London has always been the least affordable part of the country, since the recession the gap has been widening and London has become even less affordable, with house prices now 13.5 times earnings².

The current London Plan is based on the London Strategic Housing Market Assessment (SHMA), which was published in 2013 by the Greater London Authority (GLA). It concluded that growth seen in London in the recession was higher than expected, and it would be reasonable to assume some return to longer term trends when planning for housing in London. It concluded that based on this, London needed

49,000 homes each year. However, these projections represented a deviation from the official (ONS/DCLG) projections³, which draw upon short term trends. This presents a practical difficulty for plan-making purposes, due to the inconsistent assumptions being adopted in London compared with the rest of England. Different SHMAs (and Local Plan Inspectors) have attempted to grapple with the subject, with varying outcomes.

Since the recession, the GLA's assumptions appear to be holding true. Figures show the net migration from London to the rest of the UK is increasing⁴, as the GLA expected, yet there remains uncertainty as to whether these changes are adequately reflected in the official projections, which form the basis for planning for housing across the rest of England.

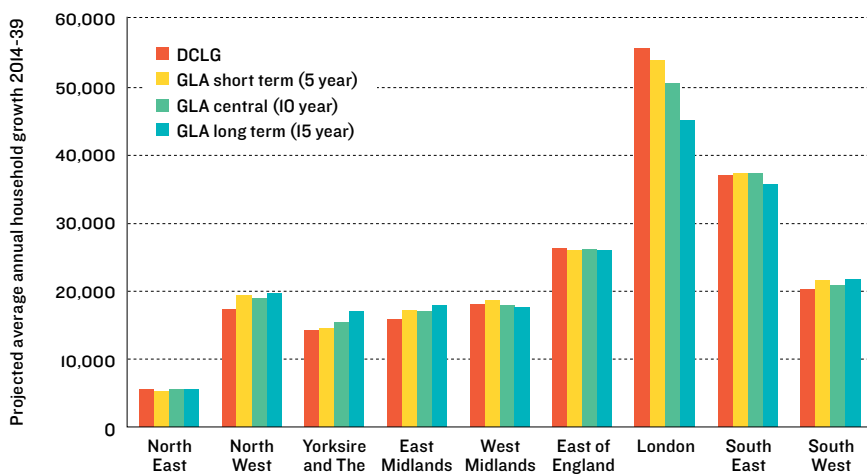
The GLA itself recognises this, stating "as authorities outside London are using the SNPP populations and DCLG household

HEADLINE FIGURES

- 50k** annual household growth for London in GLA's central projection
- 9%** difference between GLA and DCLG projected growth for London
- 1%+** annual growth across wider South East
- 159k** annual household growth outside London in GLA's central projection

projections there has been some concern about the potential lack of continuity across the wider region."

Figure 1: Projected household growth across regions in England



Source: Lichfields based on DCLG/GLA





...having considered all the evidence... [the GLA's projections] are reasonable and probably the best available assessment of...need for London....

FALP Inspector,
November 2014

The GLA central projections for local authorities across England

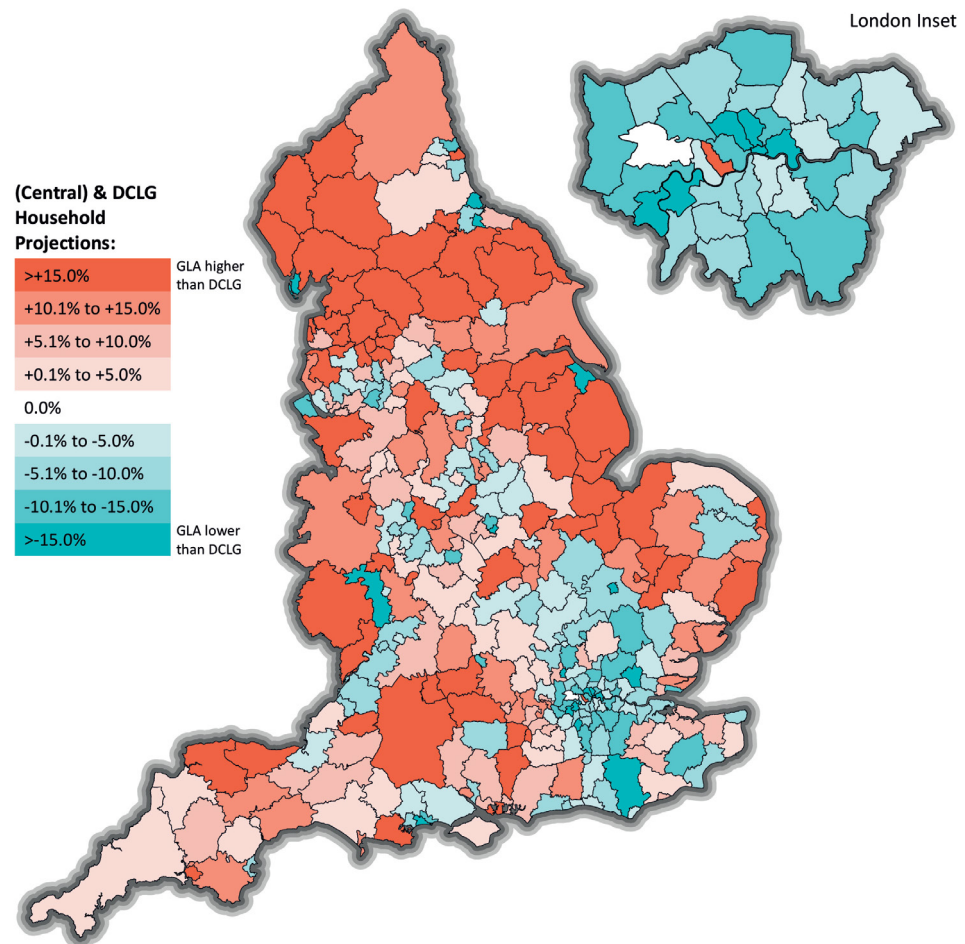
Whilst for planning purposes London is considered to form its own housing market area, and is not subject to the duty to co-operate in the same way as elsewhere in England, the impact of change in London on the rest of England simply cannot be ignored.

Earlier this month, the GLA published its latest round of population and household projections for London, but for the first time included corresponding projections for the rest of the country. It published three projections based on short (five year), medium (10 year, also called 'central') and long (15 year) term migration trends⁵. Here, we take a look at what they show, and what this could mean for planning across England.

Like ONS/DCLG, the GLA project London to remain the fastest growing region in England. Over the next 25 years, ONS/DCLG's latest figures projected growth in the number of households in London of 40%, which is well in excess of the second fastest growing region – the East of England – which has a growth rate of 26% (or 1.05% p.a.). The GLA's central trend projects growth of 37% in London (1.46% p.a.), while its long term (15 year) trend projects growth of just 33% (1.31% p.a.).

However, according to the GLA's central projection, growth in the capital is expected to be around 10% lower than ONS/DCLG. Under its central projection, growth in London amounts to just over 50,500 each year, compared to around 55,500 according to ONS/DCLG. Outside London, the GLA's projection indicates growth of 158,600 households each year, compared to 154,300 projected by ONS/DCLG.

Figure 2 : Difference between DCLG and GLA projections across local authorities in England.



Source : Lichfields based on DCLG/GLA



The GLA is now able to provide a consistent set of projections for authorities across the wider region, and indeed nationally. Authorities are ... better able to unpick the migration relationships ... both within and outside London

Greater London Authority

The greatest difference between the GLA's figures and those of ONS/DCLG is in Inner London where projected household growth according to the GLA's central projection is 9% less than ONS/DCLG's figures. Based on longer term (15 year) trends the difference is even greater, with the GLA figure 23% lower than ONS/DCLG for Inner London and 16% lower for Outer London.

Interestingly, the GLA's projections show projected growth in the wider South East is not too dissimilar to ONS/DCLG's figures.

In the East of England, ONS/DCLG project household growth of around 26,000 per year, which is comparable to the figure across all of the GLA's projections. In the South East, ONS/DCLG project growth of 37,000 per year, similar to the GLA's short and medium term figures. Inevitably there will be variation between local authorities and housing market areas; however this begs the question – where do the GLA think London's households are going?

According to the GLA's figures, slower growth in London will be offset most in areas furthest from London, namely Yorkshire and the Humber and the North West. The East Midlands and South West will also be affected, but to a lesser degree. Under the GLA's central projection, annual household growth in the North West will be 1,500 higher (9%) than the ONS/DCLG projection, and in Yorkshire and the Humber 1,200 higher (9%). The East Midlands would see growth of 1,000 more households each year (7%), while the South West would see growth of around 700 more households (8%) each year above ONS/DCLG's projection.

The GLA figures suggest a possible wider rebalancing. Under the GLA's long term (15 year) projection, growth in the South East is also projected to reduce by 1,400 per annum (4%) compared to the ONS/DCLG figures.

The GLA figures also project some other towns and cities will see slower growth than indicated in the ONS/DCLG figures.

Cambridge, Oxford, Bournemouth, Poole, Birmingham, Luton, Coventry, Leicester, Manchester, Sunderland and Middlesbrough are just some of the areas projected to see lower growth in GLA's long term projections. However these locations sit within much wider housing market areas and plan-makers will need to consider trends between towns and cities and their wider housing market areas, as fluctuating trends will often be balanced out.

The longer-term trends show a more even spread of household growth. Like any longer-term forecasts, they are less susceptible than the ONS/DCLG to short-term fluctuations, and perhaps provide a more stable platform for planning, albeit with the corollary of being less sensitive to rapidly changing circumstances, and of course medium to long-term projections now include the abnormal event of the financial crisis and great depression.

Notwithstanding, the underlying demand for housing in London and the South East remains.

In the last year, the least affordable parts of the country have seen the fastest rise in the affordability ratio (the ratio of house prices to earnings). Affordability pressures in London continues to rise, with the ratio of entry level prices to earnings reaching a high of 13.5 in 2016; an 11% increase on the year before. The South East, which is the least affordable region in England outside London, saw the second highest increase in affordability of 8%, to 9.7 in 2016. In the North East, North West and Yorkshire and the Humber, affordability has been almost unchanged since the recession.

Pending the Government's new standardised housing need methodology, the Planning Practice Guidance (PPG) remains the Government's position on assessing housing needs, and ONS/DCLG's projections remain the official 'starting point'. Plan-makers may consider sensitivity testing, as well as looking at employment trends, market signals and affordable housing need. The GLA's projections could form a sensitivity scenario as they are – importantly – now produced consistently for all local authorities. However, SHMAs will need to continue looking at housing market area trends and other factors, such as employment.

In the future, areas which have strong migration and/or commuting relationships with London may need to monitor population growth to assess whether the GLA's longer term projections are materialising and consider whether this is impacting on the need and demand for housing in their area.

The Government intends to consult upon a standardised methodology for calculating housing needs in 2017 and to adopt it in 2018.

The precise basis for this methodology (and the role of household projections within it) is keenly awaited, but in the meantime the GLA's projections will continue to provide an alternative view on projected population growth in London and the rest of the country that will merit consideration through current SHMAs and local plan examinations.

If you want more information or to further explore the implications of the GLA's projections for your project, please contact a member of Lichfields' team.

Disclaimer

At the time of writing (August 2017) housing needs assessments take into account a broad range of factors (indicators of demand, employment growth and affordable housing need) as well as household projections. It remains the Government's official position that the ONS/DCLG projections, which draw upon short term trends should remain the starting point for assessing housing need.

¹ Source: GLA Figures for net additional dwelling stock (London Datastore)

² Source: ONS Affordability Data – Lower Quartile house prices to Lower Quartile Earnings (resident-based), 2016

³ Official projections – Department for Communities and Local Government (DCLG) Household Projections, based on Office for National Statistics (ONS) Population Projections. In 2017 it is expected that production of both household and population projections will move to ONS.

⁴ Source: ONS Internal Migration Matrices – 2011/12 onwards

⁵ Note: there are some methodological differences in the way the GLA and ONS/DCLG produce their projections.

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