

Housing Delivery in Bexhill and Hastings

Final Report 130614

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Rother District Council and Hastings Borough Council
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1. About this Report

Study Objectives

This report has been prepared by Wessex Economics on behalf of Rother District Council (RDC) and Hastings Borough Council (HBC). The study has been commissioned to help inform decisions that both Councils have to make about forward planning for housing in the medium to long term. The report examines the market environment for development of new housing, past patterns of development in both Rother and Hastings, and examines in detail issues around future housing provision in Bexhill.

Bexhill is the principal town in the District and the likely location of the majority of new housing development in Rother District. Much of rest of the District falls within the High Weald Area of Outstanding Natural Beauty (AONB).

The National Planning Policy Framework accords great weight to conserving landscape and scenic beauty in AONBs (para 115) and indicates that planning permission should be refused for major developments in AONBs except in exceptional circumstances and where it can be demonstrated they are in the public interest (para 116). In deciding if there is a case for development in an AONB, planning authorities also have to consider the cost of, and scope for, developing elsewhere outside the designated area, or meeting the need for it in some other way.

The Scope of Work

The work has involved four components of work

- An analysis of the market environment for development of new housing over the period since 2000, to provide context for the interpretation of past patterns of delivery of new homes in Bexhill and Hastings (Section 2)
- An analysis of the pattern of housing delivery in Rother and Hastings since 1991, and more specifically identifying the contribution of major sites and small sites where data permits (Section 3)
- An assessment of the market environment for new development that is likely to prevail over the next decade, to provide context for the assessment of future delivery in Bexhill and Hastings
- Discussion of evidence regarding the relationship between new housing delivery and housing stock and housing transactions
- Discussion of the likely scale and pattern of housing delivery in Bexhill over the next decade and the key areas of uncertainty.

The analysis presented in this report has entailed:

- Analysis of data provided by both RDC and HBC on past patterns of delivery
- Analysis of available data on the national and sub-regional housing market context
- Interviews with owners/developers of major sites in Bexhill that may come forward for development in the next 10 years
- Interviews with residential and commercial estate agents active in Bexhill and Hastings

2. Housing Market Context

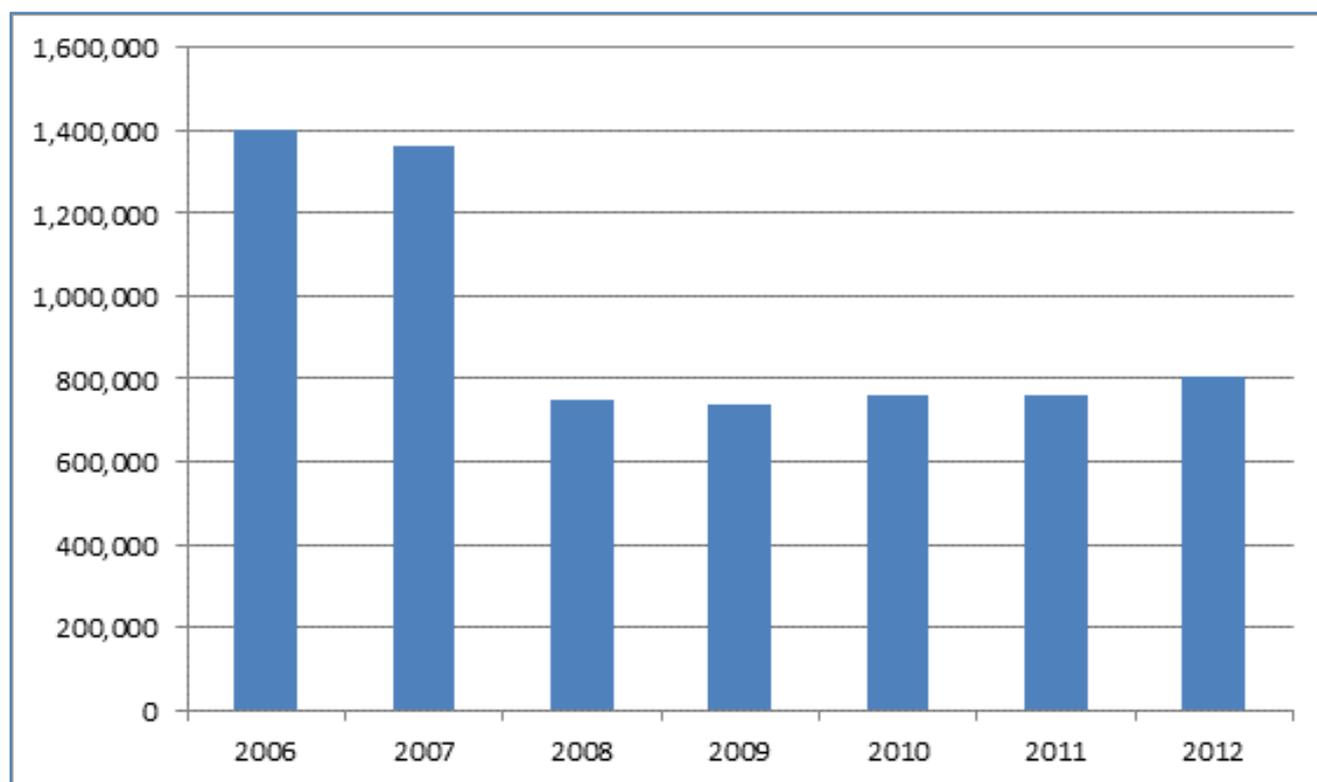
Before investigating the past pattern of housing supply in Rother and Hastings, it is appropriate to set the context in terms of the national housing market and local market conditions over the past decade and longer.

The National Housing Market

A key characteristic of the housing market over the past five years has been the low level of transactions. Figure 1 shows the numbers of residential property transactions in England between 2006 and 2012 of more than £40,000. For the past five years the volume of transactions has been running at more than 40% below the volumes of 2006 and 2007.

The practical implication of this is that turnover in the housing market is much lower than has historically been the case, even acknowledging that 2006 and 2007 were particularly active years. Less movement tends to constrain the demand for new homes; even if people wish to buy a new home, in a market with low sales volumes they find it less easy to find a buyer than when the market is more active. This slows down sales and reduces the overall demand for new homes compared to what it would be in a more buoyant market.

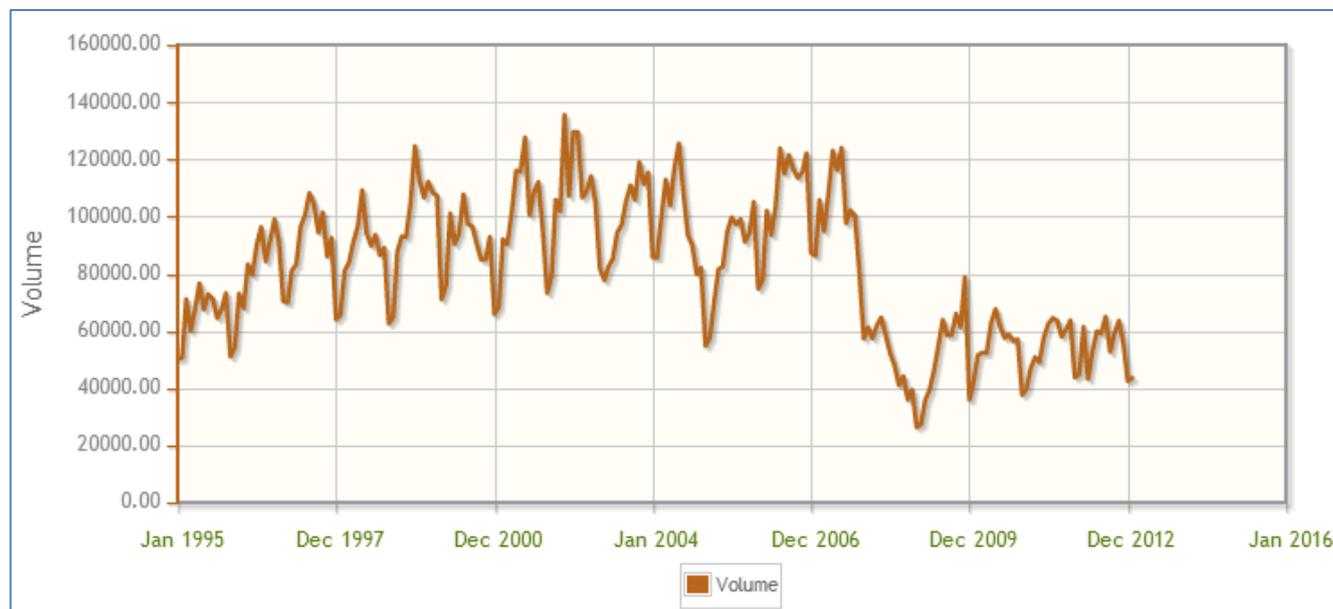
Figure 1: Housing Transactions over £40,000 in England 2006-12



Source: Inland Revenue

Figure 2 shows that volumes of housing transactions are not only running at a low level compared to the 2006-2007 period, which were associated with the peak of the market, but are much lower than long term trends for England and Wales as a whole.

Figure 2: Housing Transactions in England and Wales 1995 to April 2012



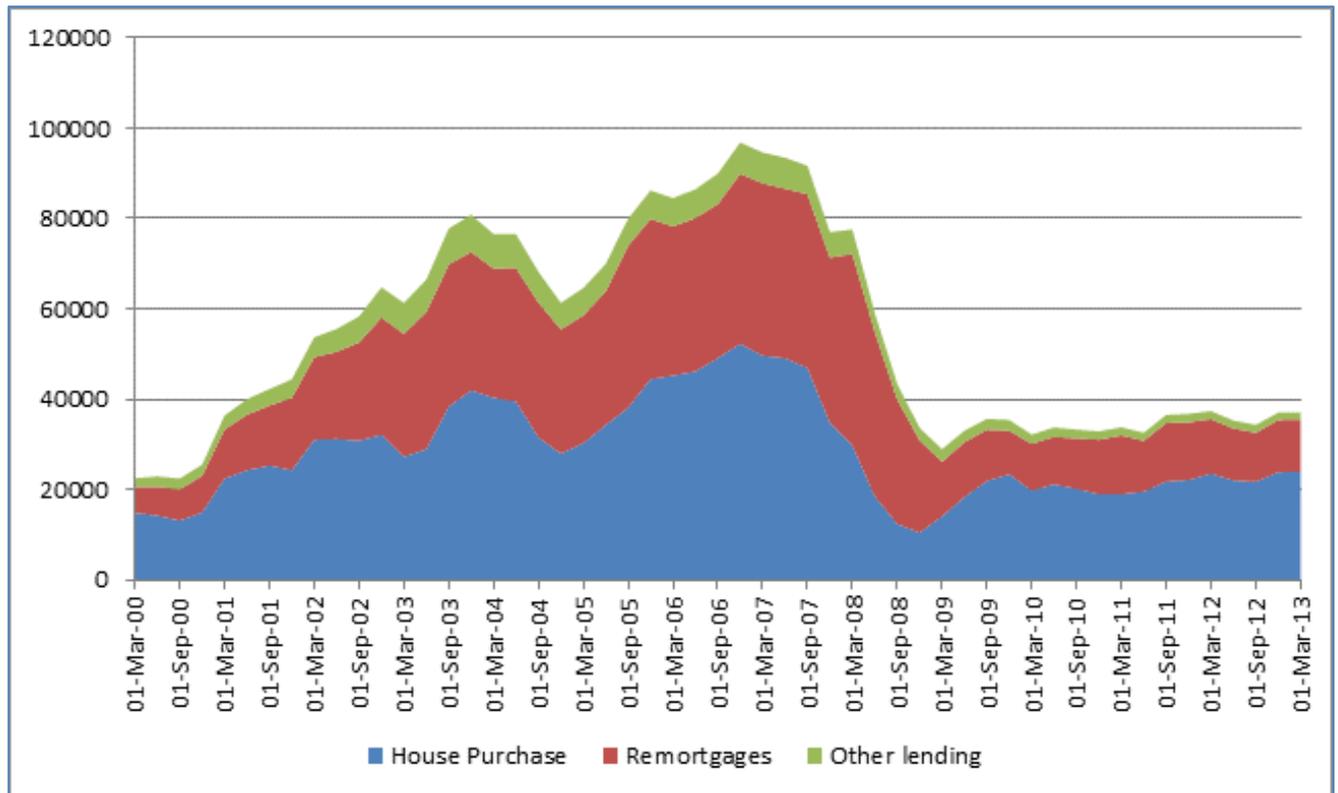
Source: Land Registry

The low level of transactions in the housing market has been associated with an historically low level of mortgage lending. Figure 3 shows that the value of mortgage lending for house purchase and other purposes continues to run at a low level compared to the middle years of the noughties – 2003-2007. Figure 4, an analysis of the changes in the number of mortgage approvals, shows very much the same pattern, but highlights the fact that many fewer people have accessed mortgages since 2008 than at any time since 2000.

The measures of activity in the housing market, sales transactions and mortgage lending, show that the housing market has been much less active since 2008 than at any time in the preceding decade

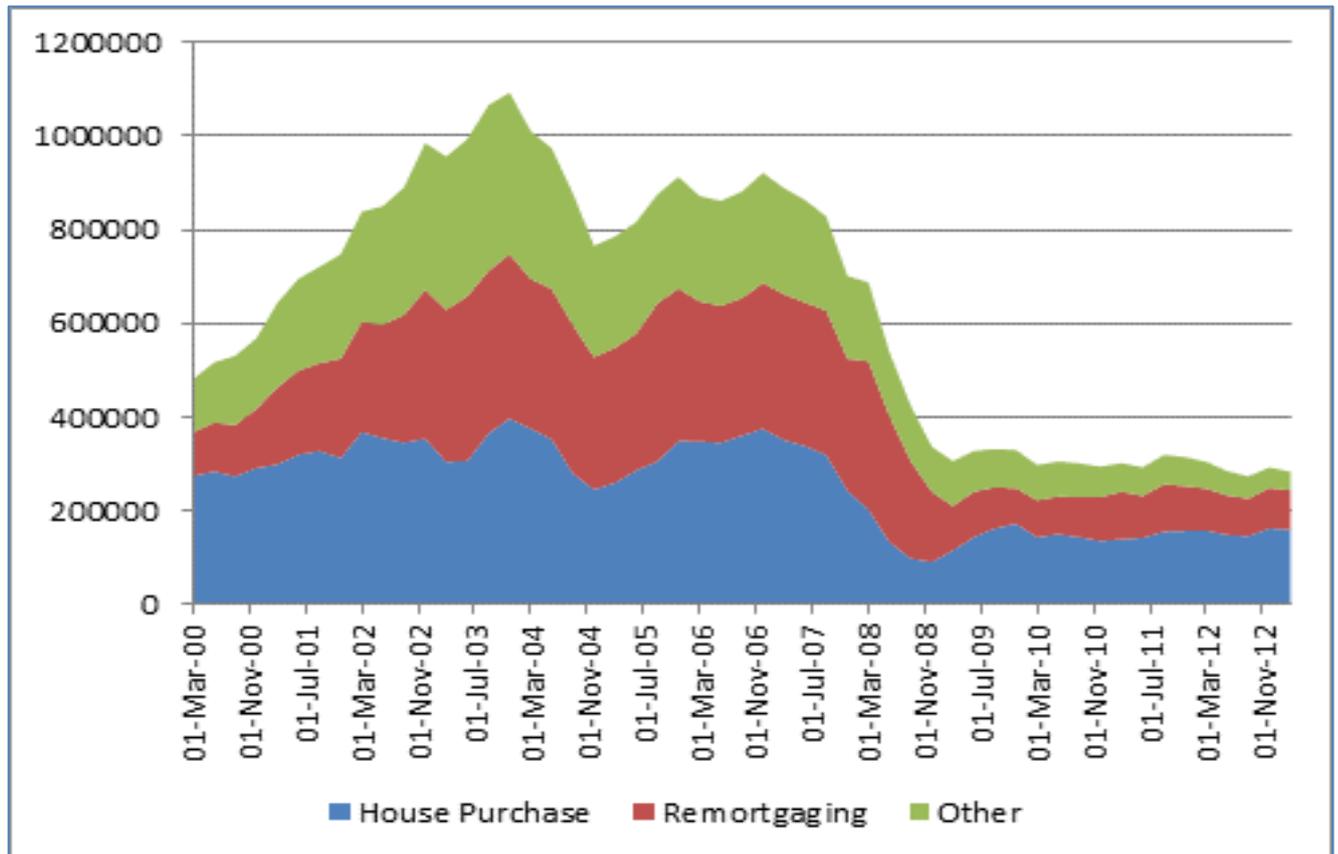
The predominant factor in low levels of mortgage lending throughout this period is the reluctance of mortgage lenders to lend, though to a limited extent lack of confidence among potential house buyers has limited demand. The reluctance of mortgage lenders to lend is evidenced by the fact that until recently it has been hard for borrowers to get a mortgage with a less than 20% deposit, particularly at reasonable cost.

Figure 3: Value of Lending Secured on Residential Property by Purpose, £ million 2000 Q1-2013 Q1



Source: Bank of England

Figure 4: Number of Loans Secured on Residential Property by Purpose, £ million 2000 Q1-2013 Q1



Source: Bank of England

There are a number of reasons why lenders have been reluctant to lend on the scale they did before 2008:

- The number of mortgage lenders has fallen, with significant players such as Northern Rock and Bradford and Bingley having exited the market, and with further concentration in the banking and building society sector through bank rescues (eg HBOS taken over by Lloyds, various building societies acquired by the Nationwide). Fewer lenders means less competition in the mortgage market. Many smaller lenders have withdrawn from the UK market.
- Tighter regulation has meant that all banks and building societies have had to hold more core capital at a time when many have had write off significant amounts of debt or make financial provisions for bad debts. Write offs on loans made before the downturn have particularly been made in relation to commercial property lending, but lenders have also made write offs in relation to loans related residential development and mortgages. Tighter regulation and more prudent lending practice has largely done away with interest only mortgages and self-certified mortgages.
- Access to wholesale finance for mortgage lenders has shrunk considerably, as lenders have repatriated funds to their country of origin. Issuance of Residential Mortgage Back Securities (RMBS), which was a key means by which mortgage lenders could 'sell on' mortgages and free up their balance sheet to make further loans, has almost disappeared completely. For a period of time before government stepped in to increase access to funding, mortgage lenders were competing for retail deposits

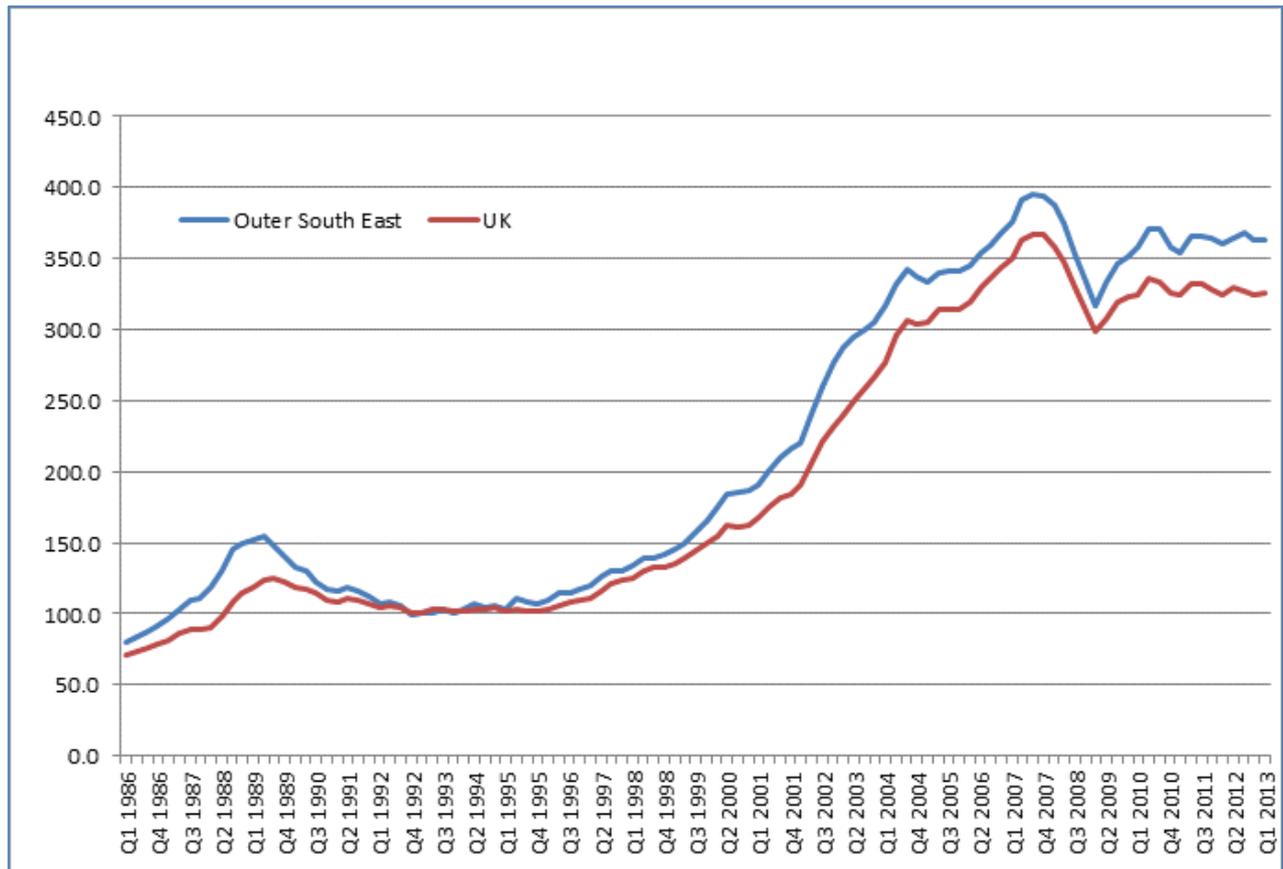
Over the past three years the Government and the Bank of England has sought with limited success to persuade the banks to lend more to both businesses and to individuals seeking mortgages. The Bank of England introduced a new scheme, Funding for Lending (FfL) in July 2012. FfL provides cheap funding to banks and building societies to support lending to businesses and to mortgage borrowers.

Unlike previous schemes, banks are incentivised to lend, and there has been much reportage that this is flowing through into mortgage lending. FfL certainly seems to have reduced the cost of new mortgages, but as shown in Figures 3 and 4, up to March 2013 there is no evidence of a significant upturn in the overall value or volume of mortgage lending for home purchase.

Reporting of increases in mortgage lending often focuses on short term increases in lending. Thus noteworthy increased in mortgage lending compared to a year ago, are generally welcome signs of a recovering housing market; but they can often ignore the sheer scale of the decline in mortgage lending after 2007. It will take a long time of quarter by quarter increases in lending for mortgage lending volumes, by number and value to recover to the levels of 2003-07.

House prices in the Outer South East – those parts of the greater South East that does not form mainstream London commuter belt – partially recovered from the 2008-09 fall in house prices (see Figure 5), without returning to peak level. Since 2010 house prices in the Outer South East have remained largely unchanged, due in part to historically low levels of mortgage lending, but also do to affordability issues and lack of market confidence.

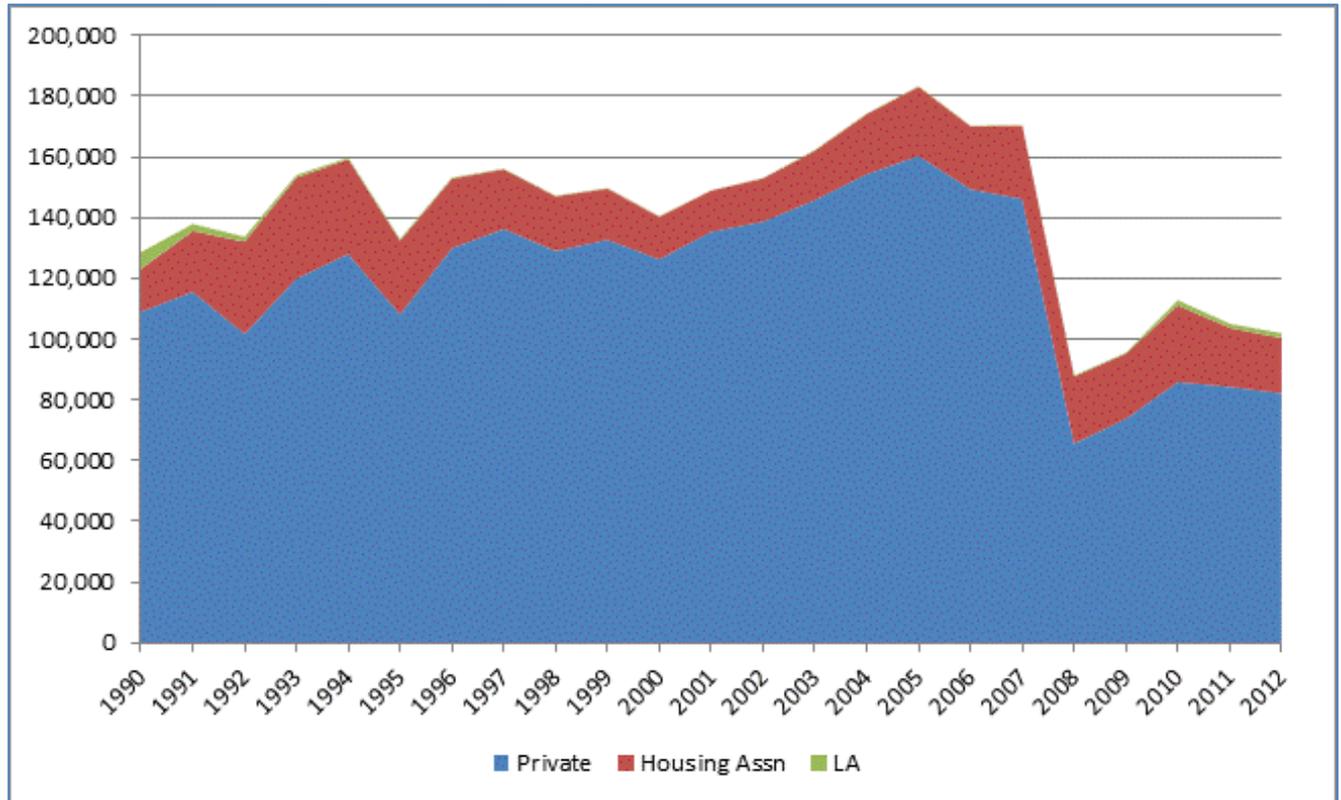
Figure 5: Nationwide House Price Index UK and Outer South East 1986 to 2013 Q1



Source: Nationwide Building Society

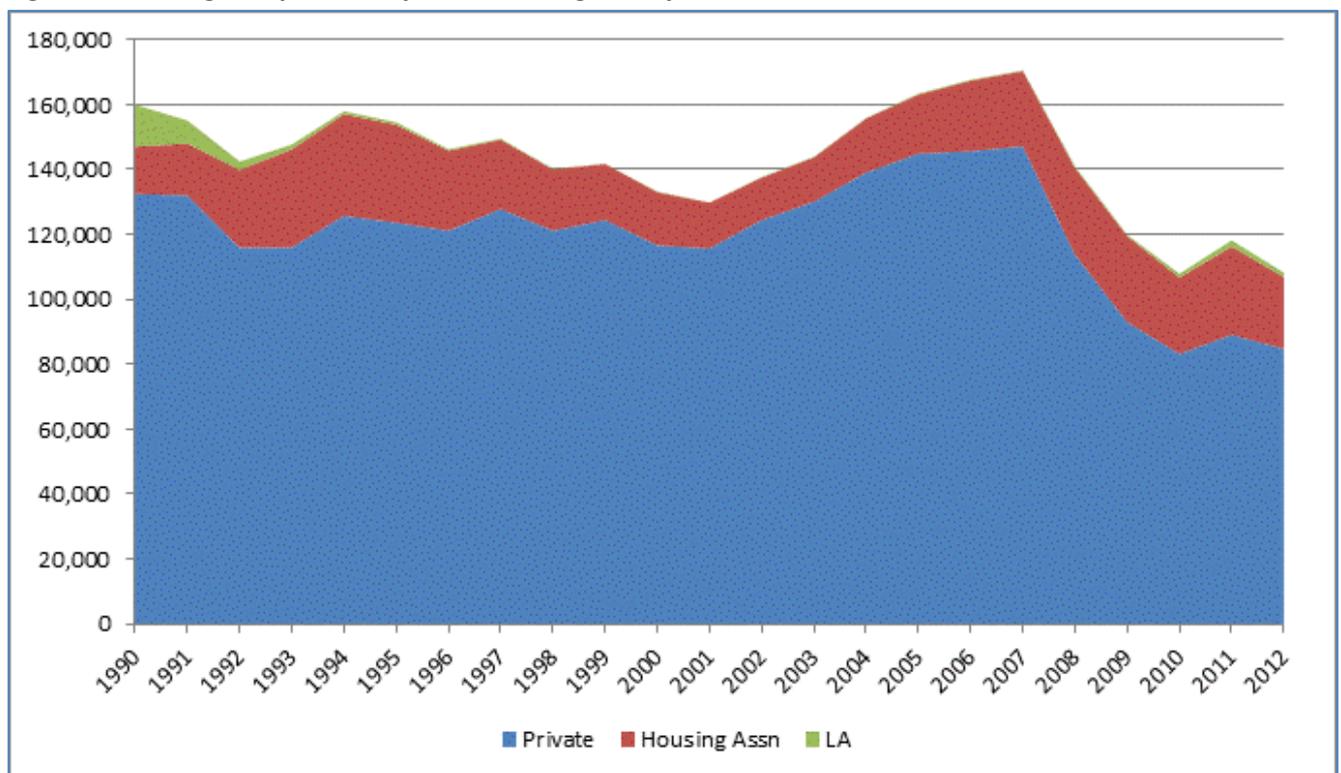
With the housing market in the doldrums it is no surprise that new housebuilding starts and completions in England have fallen dramatically (see Figures 6 and 7). Housing starts in England over the period 2000-07 averaged 163,000 pa. Over the past 5 years they have averaged 101,000 pa, a 38% decline with no evidence yet of a substantive recovery. Housing completions fell less dramatically following the financial crisis, but have fallen by 46% in the period 2009-12 compared to the period 2000-08, with average annual completions falling from 168,000 pa to 91,000 pa in England as a whole.

Figure 6: Housing Starts by Tenure in England by Financial Year 1990-2012



Source: CLG

Figure 7: Housing Completions by Tenure in England by Financial Year 1990-2012

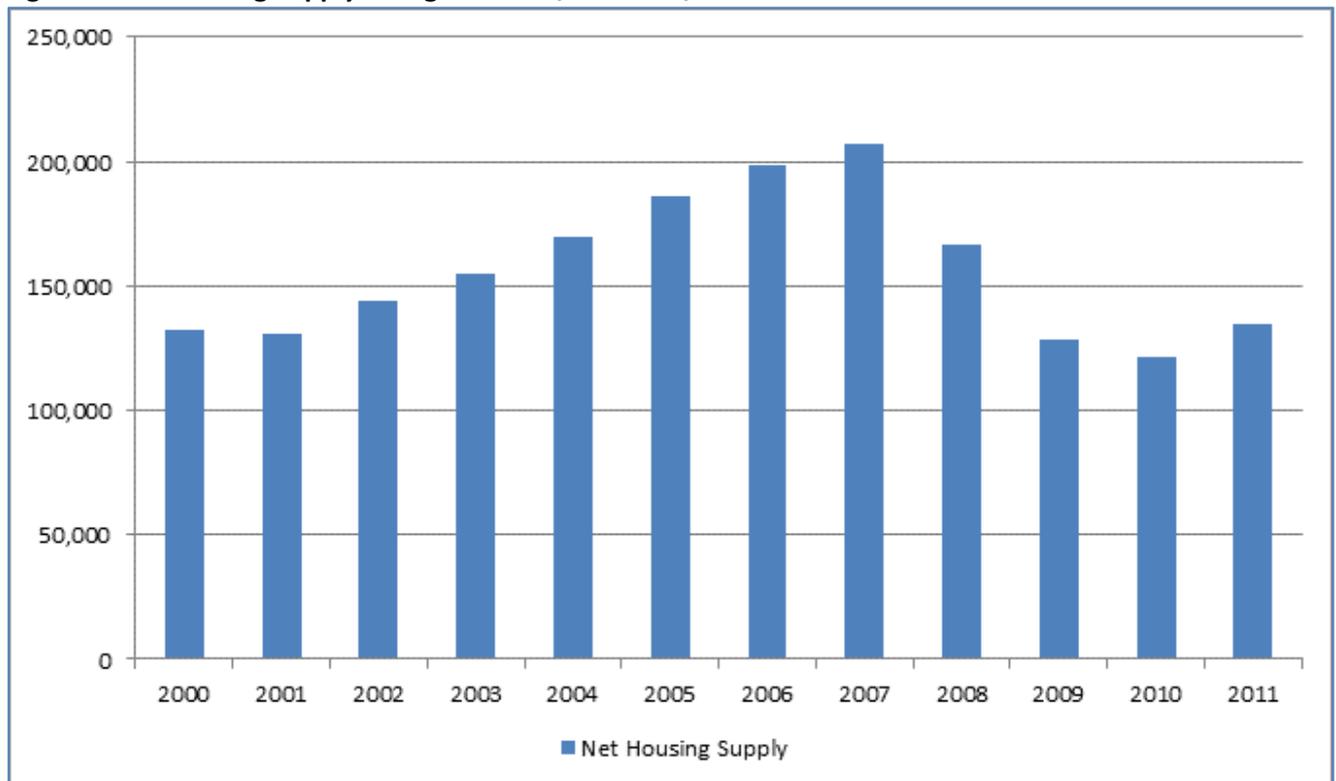


Source: CLG

Development of new homes is not the only source of housing supply. Additional homes are created by conversion of buildings in non-residential use to residential use. Additional supply is also created by subdivision of larger dwellings into a number of smaller of dwelling. The CLG collect data on net housing supply which captures the overall increase in the housing stock of England year by year. New development is the largest component of this.

Figure 8 shows the extent of decline in net housing supply in England from the 2007 peak, but it is interesting to note that there was a marked increase in net housing supply in England in 2011-12 over the previous year, and that the volume of new homes delivered in 2011-12 was not much different to that delivered in 2000/01 and 2001/02.

Figure 8: Net Housing Supply in England 2000/1 to 2011/12



Source: CLG

East Sussex

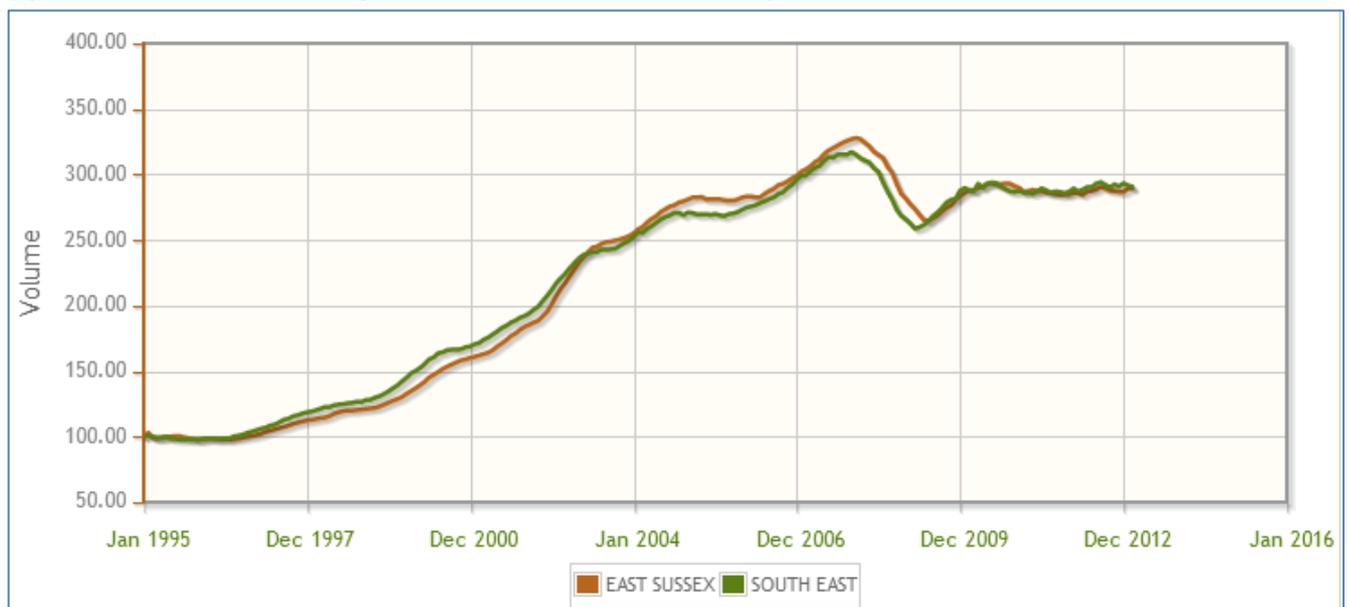
In general the housing market in South East England has been more buoyant than in England as whole, with better recovery in terms of transactions and prices than the national average, reflected in more housebuilding activity. Data is less readily available at the sub-regional level than at the national level, but Figure 9 shows the pattern of house price change recorded for East Sussex by the Land Registry. Average house prices fell in 2007-09, experienced a partial recovery and have been broadly stable since 2010. Figure 10 shows that transactions volumes measured on an indexed basis are similar to those in South East, and flat since the start of 2010.

Figure 9: Average House Prices and Annual Change in Prices 1995-2013 Q1



Source: Land Registry

Figure 10: Number of Housing Transactions in East Sussex compared to the South East.



Source: Land Registry

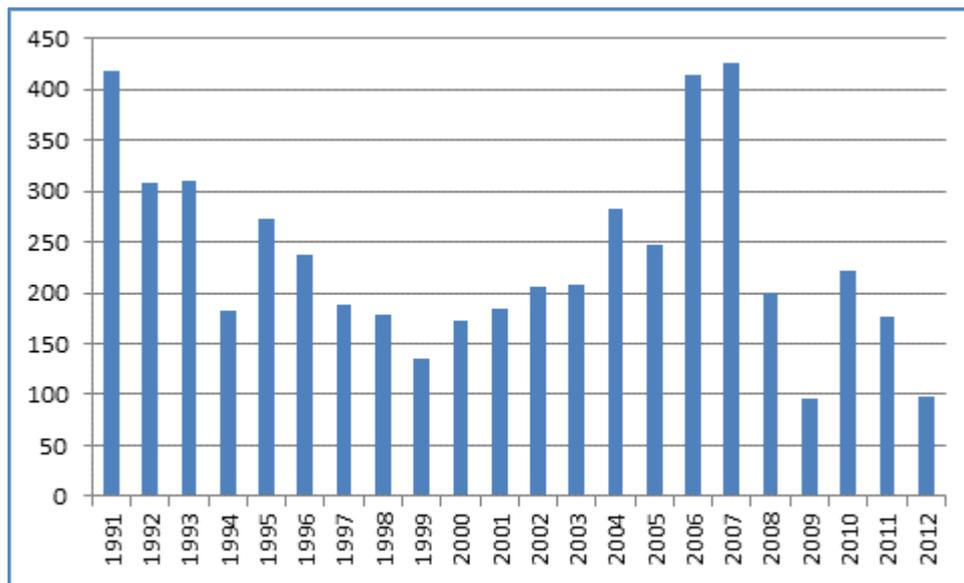
3. Past Patterns of Delivery

This section examines the historic pattern of housing delivery in Rother District, then in Hastings Borough.

Rother District

Figure 11 shows the total number of new homes built year by year in Rother District over the period 1991-13. In overall terms some 3,500 new homes have been built in this 22 year period, an average of around 230 new homes pa. The figure shows a falling pattern of housing delivery over the period 1991 to 1999; a rising pattern of delivery from 1999 to 2007 and then a dramatic fall in delivery after 2007, with no evidence yet of a sustained recovery in the volume of housing completions.

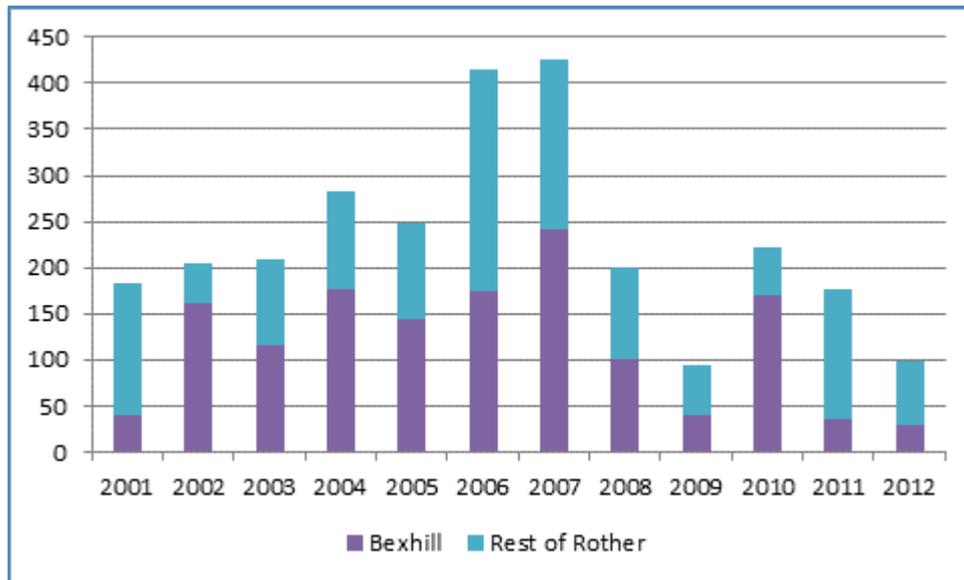
Figure 11: Housing Completions in Rother District 1991-2013



Source: Wessex Economics Analysis of Rother District Council data

In future the majority of new homes in Rother District are likely to be brought forward in Bexhill, the largest town in the District, and the settlement least constrained in terms of environmental designations. Figure 12 focuses in on housing delivery over the past 12 years (April 2001 to March 2013). In this period some 2,760 new homes have been built in Rother District. Slightly over half of all the new homes built in this period (52%) have been built in Bexhill, and slightly less than half (48%) have been built elsewhere in the District.

Figure 12: Housing Completions in Bexhill and the Rest of Rother 2001-12



Source: Wessex Economics Analysis of Rother District Council data

Over the 22 year period 1991-2012 on average 62% of all new homes in Rother have been delivered on sites larger than 6 units (defined by RDC as large sites) and 38% on small sites (sites of less than 6 units). In Bexhill for the period 2001-13, three quarters (75%) of all new homes have been delivered on large sites, and a quarter (25%) on small sites.

Figure 13 shows average housing completion rates for various time periods. In Bexhill average delivery rates pre downturn for the period 2001-07 were around 150 units pa; in the five years since the downturn they have fallen by 50% to around 75 new homes pa. Across Rother as a whole, completions have fallen from around 280 new homes pa in the period 2001-07 to around 160 units pa since 2008, a 44% decline in average annual completions.

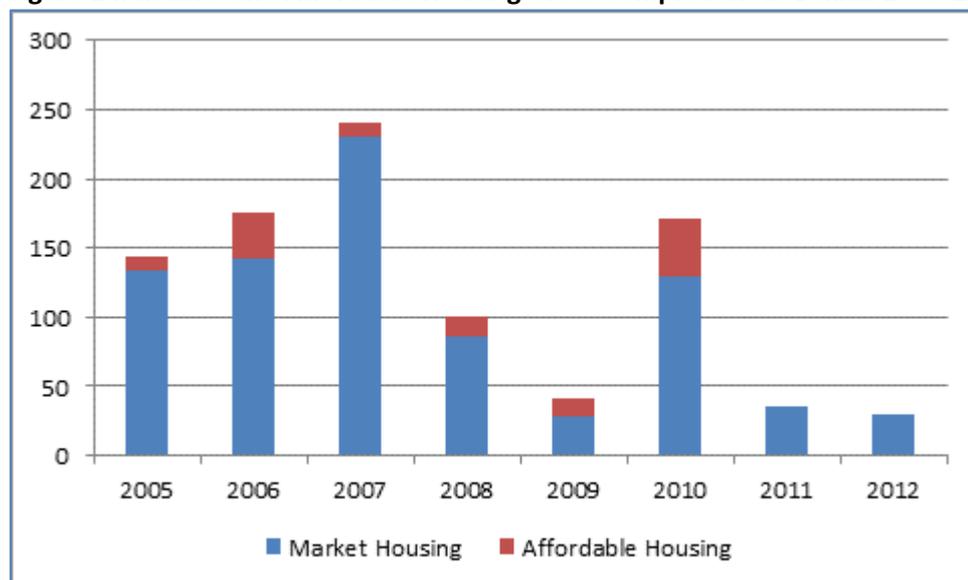
Figure 14 shows the mix of market and affordable housing completions delivered in Bexhill between 2005 and 2012. Overall 87% of new homes delivered in this period have been market homes, and only 13% have been affordable homes. Of the affordable homes delivered, four out of every five (81%) have been for rent and one in every five (19%) is for shared ownership.

Figure 13: Housing Completions in Bexhill and the Rest of Rother by Plan and Market Cycle Periods

Analysis by Plan Period				
	2001-05		2006-11	
	Total	Average pa	Total	Average pa
<i>Bexhill large sites</i>	489	98	567	113
<i>Bexhill small sites</i>	150	30	162	32
Total Bexhill	639	128	729	146
Total Rest of Rother	488	98	628	126
Total Rother	1,127	225	1,357	271
Analysis by Market Cycle Period				
	2001-2007		2008-12	
	Total	Average pa	Total	Average pa
<i>Bexhill large sites</i>	822	117	259	52
<i>Bexhill small sites</i>	233	33	118	24
Total Bexhill	1,055	151	377	75
Total Rest of Rother	912	130	415	83
Total Rother	1,967	281	792	158

Source: Wessex Economics Analysis of Rother District Council data

Figure 14: Market and Affordable Housing Gross Completions in Bexhill 2005-12

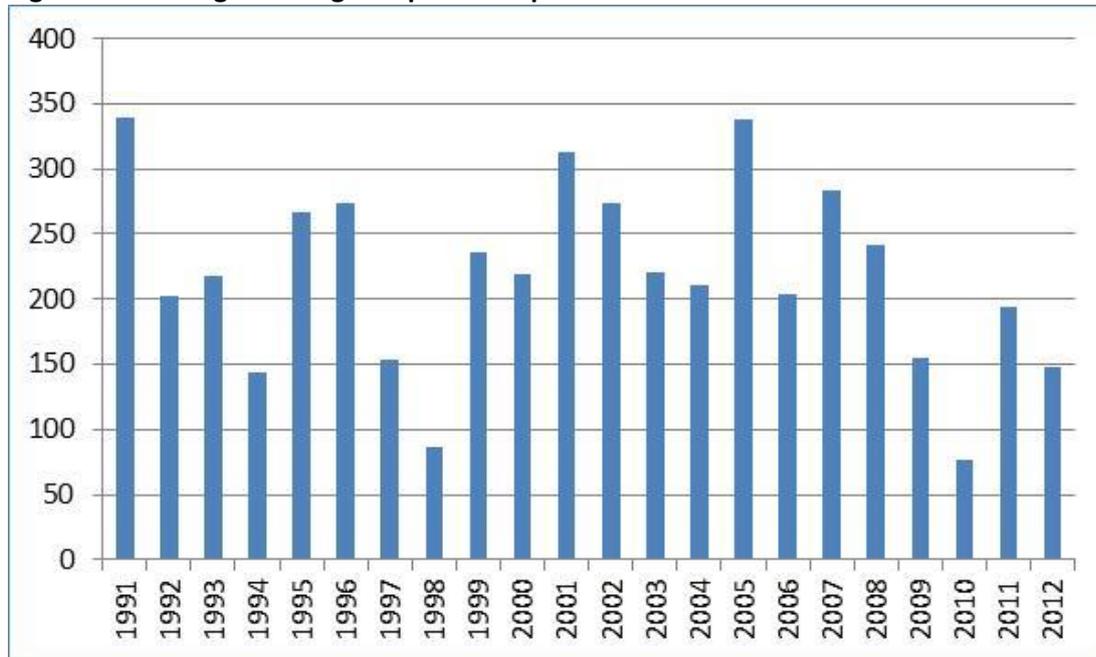


Source: Wessex Economics Analysis of Rother District Council data

Hastings Borough

Figure 15 shows the total number of new homes built year by year in Hastings over the period 1991-13. In overall terms some 4,790 new homes have been built in this 22 year period, an average of around 220 new homes pa. The figure shows an uneven pattern of housing delivery over the period 1991 to 2007; and how the past four years is the longest period of relatively low delivery since 1991.

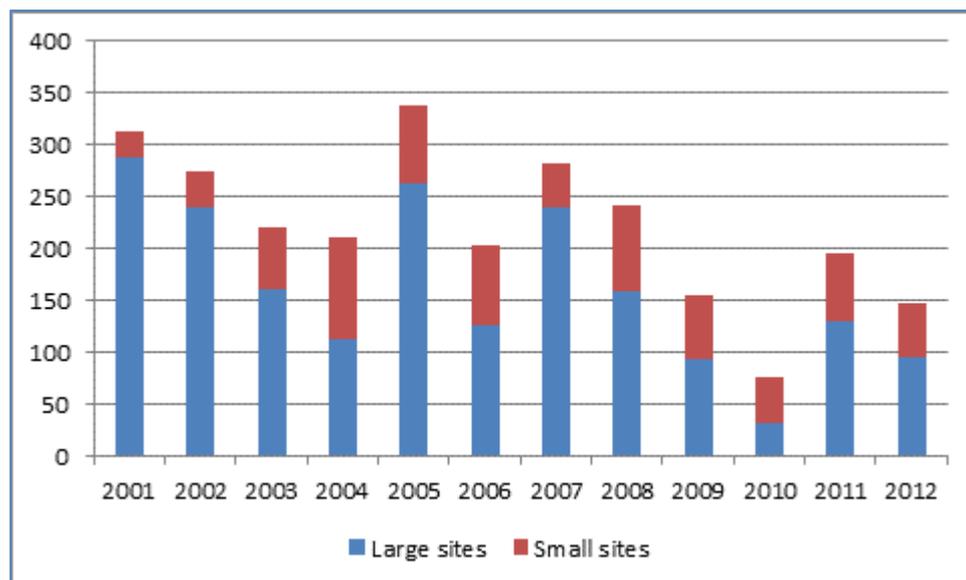
Figure 15: Hastings Housing Completions April 1991 to March 2013



Source: Wessex Economics Analysis of Hastings Borough Council data

Figure 16 shows the pattern of net housing completions in Hastings Borough over the period 2001-12, and the break down by year in terms of delivery on large sites (sites of 6 or more units), and small sites (sites of less than 6 units). Over the 12 year period 2001-13, net completions amount to around 2,550 homes, an average annual delivery of 220 additional new homes every year. Around 73% of all net completions have been delivered on large sites and 27% on small sites in this period.

Figure 16: Net Housing Completions in Hastings by Site Size 2001-13



Source: Wessex Economics Analysis of Hastings Borough Council data

It is worth noting that, because the Borough boundary is close the edge of the urban area of the town, the majority of new housing development entails redevelopment, rather than development on greenfield sites. In the 9 year period 2004-13 around 2,300 new homes were built, but in the process some 450 homes were lost through redevelopment, yielding net completions of 1,850 new homes. In the past there has therefore been a 20% difference in gross and net completions. Put another way, for every 5 homes built in Hastings in recent years, one home has been demolished as part of the provision of new housing.

Figure 17 shows average completion rates for various time periods. In Hastings average delivery rates pre downturn for the period 2001-07 were around 260 units pa; in the five years since the downturn they have fallen by 38% to around 160 new homes pa, a smaller percentage reduction than in Rother District as a whole (-44%) .

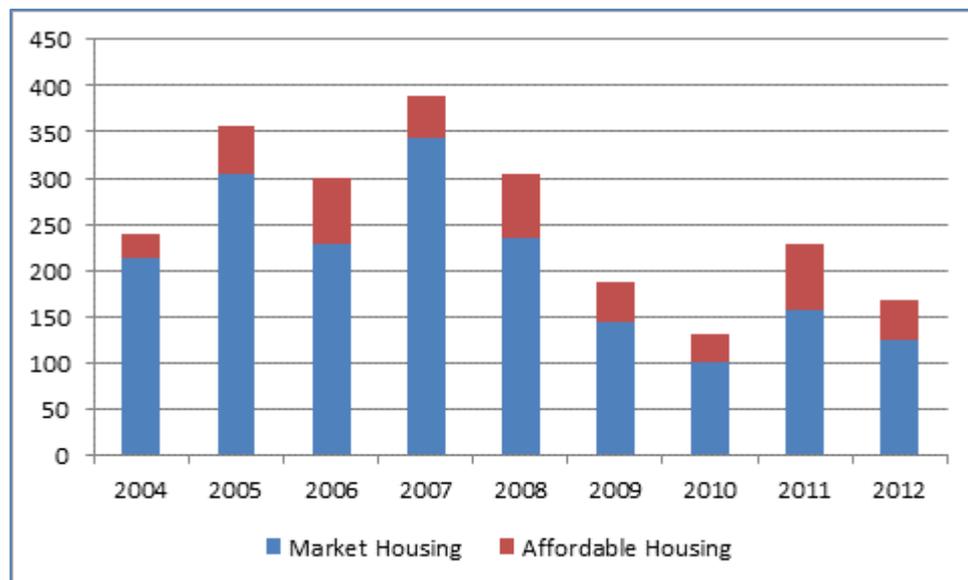
Figure 17: Housing Completions in Hastings by Plan and Market Cycle Periods

Analysis by Plan Period				
	2001-05		2006-11	
	Total	Average pa	Total	Average pa
<i>Large sites</i>	1,061	212	649	130
<i>Small sites</i>	293	59	310	62
Total Hastings	1,354	271	959	192
Analysis by Market Cycle Period				
	2001-2007		2008-12	
	Total	Average pa	Total	Average pa
<i>Large sites</i>	1,428	204	508	102
<i>Small sites</i>	412	59	308	62
Total Hastings	1,840	263	816	163

Source: Wessex Economics Analysis of Hastings Borough Council data

Figure 18 shows the split of market and affordable housing *gross* completions between 2004 and 2012. In this period gross completions amount to some 2,300 new homes, of which around 1,850 (80%) have been market homes and around 455 (20%) have been affordable homes.

Figure 18: Market and Affordable Housing Gross Completions 2004-12



Source: Wessex Economics Analysis of Hastings Borough Council data

Hastings and Rother Housing Completions

Figure 19 shows the annual level of completions in both Hastings and Rother since 1991, and the annual average over this 22 year period. Across the Housing Market Area comprising both Hastings and Rother around 450 new homes have been delivered over the period 1991/91-2012/13.

Figure 19: Housing Completions in Hastings and Rother 1991/2 to 2012/13

Year from April	Hastings BC	Rother DC	Hastings and Rother
1991	339	419	758
1992	202	309	511
1993	218	310	528
1994	143	183	326
1995	266	273	539
1996	274	238	512
1997	154	189	343
1998	87	178	265
1999	236	136	372
2000	219	173	392
2001	312	184	496
2002	274	205	479
2003	220	208	428
2004	210	282	492
2005	338	248	586
2006	203	414	617
2007	283	426	709
2008	241	200	441
2009	155	95	250
2010	77	222	299
2011	194	177	371
2012	148	98	246
Total	4,793	5,167	9,960
Average pa	218	235	453

Source: Wessex Economics Analysis of Hastings Borough and Rother District Councils data

4. Market Prospects

In considering the pace at which new homes will be built in the future it is important to consider the general market environment in which new development will come forward. However, it is important to acknowledge that anticipating the strength of demand for new homes over anything more than a 5 year period is challenging. However some elements of the economic, financial and political environment can be anticipated over the next 10 years.

The Economic Context

The Office for Budget Responsibility published its latest Economic and Fiscal Outlook on the same day as the March 2013 Budget. The macro-economic context has an important bearing on levels of housebuilding in at least four important dimensions.

- The level of growth in the economy affects household incomes. These are closely linked to earnings. Demand for new homes is boosted when household incomes are growing.
- A faster growing economy will generate enhanced confidence among potential home buyers and confidence among housebuilders to invest in increasing supply.
- The macro-economic environment has a significant impact on the ability and willingness of mortgage lenders to lend to home buyers and of banks to lend to housebuilders to expand supply.
- The macro-economic environment has a major impact on the public finances and the ability of government to provide direct funding to support housebuilding

The major reason why the volume of new homes built has stayed well below the levels achieved prior to 2007 is due to the macro-economic environment, reflected in the slow growth of the UK economy. All forecasters over the last 5 years have over-estimated the pace of anticipated recovery of the UK economy. Figure 20 shows the forecasts made of economic growth made by the Office for Budget Responsibility (OBR) in June 2010 (in red), and compares these with the actual level of growth (figures in black), as well as presenting the March 2013 OBR growth forecasts to 2017 (in blue).

Figure 20: OBR June 2010 Forecasts and Outcome and OBR March 2013 Forecasts

	Percentage change on a year earlier, unless otherwise stated								
	Outcome				Forecast ¹				
	2009	2010	2011	2012	2013	2014	2015	2016	2017
OBR Gross domestic product (GDP) June 2010 Forecasts	-4.9	1.2	2.3	2.8	2.9	2.7	2.7		
OBR Gross domestic product (GDP) March 2013 Forecasts	-4.9	1.8	0.9	0.2	0.6	1.8	2.3	2.7	2.8

Source: Office for Budget Responsibility, June 2010, March 2013

In common with other forecasters the OBR has consistently forecast levels of growth significantly higher than those actually achieved over the past 3 years. In March 2013 the OBR halved the anticipated growth rate for 2013 from the 1.2% it forecast in December 2012 to just 0.6% and reduced its forecast for 2014 from 2.0% to 1.8%.

It is hard to conceive that there will be a full recovery in the housebuilding sector until economic growth returns to something close to the long run average of the UK economy of around 2.6% pa. Such a level of

growth could be expected to deliver rising real earnings and household incomes, and would generate confidence among house buyers, lenders, and the housebuilders.

Mortgage Lending and Interest Rates

It seems probable that mortgage lending volumes will increase slowly as the economy recovers and through government initiatives (discussed in further detail below). However it seems likely that there will be a long-lasting change in lending practices so that there will be no return to the volumes of mortgage lending of the mid 2000s. This will be the product of a number of factors:

- Tighter regulation of banks and building societies associated with the Basel III banking rules, which will require banks to hold more core capital and limit leverage
- Tighter regulation of mortgage lending set out in the FSA's Mortgage Market Review will require all borrowers to prove their income, and tougher criteria relating to interest only mortgages
- On-going concerns about the capitalisation of banks and their exposure to sovereign debt is likely to continue to inhibit use of wholesale funding to allow enhanced mortgage lending

Offsetting these effects, it is probable that the effects of the Government's Funding for Lending scheme will start to be apparent in mortgage lending statistics in due course. This will give a boost to mortgage lending in the current constrained environment. Already there is evidence that the scheme has reduced lending costs for those taking out mortgages. The Help to Buy mortgage guarantee scheme to be launched early in 2014 for a three year period would also boost mortgage lending if implemented.

Also on the positive side, the Bank of England looks set to keep interest rates low for as long as economic weakness persists. This will help those who have mortgages and new borrowers, by reducing the cost of servicing mortgages. However the counterpart of this is that interest rates are likely to rise once the economy recovers. This will have its own effect on mortgage lending, offsetting the beneficial effects of more robust economic growth.

Government Intervention in the Housing Market

The Coalition Government has introduced a variety of initiatives to boost the housing market, but it is important to remember in assessing these that capital funding for affordable housing in the current spending review period (2010-2014) was reduced by around 60% measured on an annual basis, compared to the previous Spending Review Settlement. Many of the new initiatives have involved guarantees and loans, which while helpful, do not compensate for the reduction in grant funding for affordable housing.

The 'Help to Buy' scheme announced in the March 2013 Budget in particular needs to be assessed in terms of the contribution it will make to boosting the demand for housing nationally and whether this will be reflected in Rother and Hastings. The Help to Buy initiative consists of two elements:

- Help to Buy Option 1 is essentially a replacement for the existing First Buy scheme but with much wider eligibility criteria. It is an equity loan scheme targeted at buyers of new homes, with provision of additional government funding for the provision of equity loans. The scheme came into operation in

April 2013 and First Buy has been discontinued.

- Option 2 of the Help to Buy scheme entails the provision by Government of a mortgage guarantee to mortgage lenders. The intention is that the scheme will encourage mortgage lenders to lend at high loan to value ratios – up to 95% of the value of a property – by providing a guarantee against possible losses. The aim is that this will allow those with only a 5% deposit to buy homes. It is planned to come into operation early in 2014.

Wessex Economics' appraisal of the two schemes is that Option 1 will have the more positive impact on housing supply, because it is limited to those buying new homes. The housebuilding industry already report that between a quarter and a third of sales are associated with government supported schemes such as First Buy and New Buy. The housebuilders have also reported strong interest in the Help to Buy Option 1 scheme in its first 2 months of operation. While the scheme is not wholly additional (it replaces and rebrands funding for First Buy), it will support an element of additional demand for new homes. It also helps the housebuilders since they will no longer tie up their own capital in equity loans that in the past they have part funded.

In contrast Help to Buy Option 2 will have uncertain effects on the new build housing market, since the scheme can be used to underpin purchase of any house, existing or newly built, up to a value of £600,000. The details of the scheme have still to be worked out, and it will not be launched until early 2014. A number of commentators including staff from the Office for Budget Responsibility and the Governor of the Bank of England, and the IMF have expressed concerns that the scheme may inflate house prices rather than add to supply. The equivalent New Buy scheme, which was targeted on new homes, got off to a slow start in 2012.

The Spending Review

The slow growth of the economy has led the Government to regularly revise its plans for debt reduction. The implication is that, assuming deficit reduction is pursued by whatever government is in power, there will be little scope to increase direct government expenditure on supporting housing development. The Government is currently undertaking a Spending Review for the financial year 2015/16. The next general election is scheduled for May 2015.

Analysis by the respected Institute of Fiscal Studies undertaken after the March 2013 Budget suggests that reductions in Departmental revenue spending will intensify in 2015/16. If government continues to protect health, education and aid from real budget reductions, then all other Departments will have to take large cuts, so housing revenue expenditure is particularly vulnerable. Whether health, education and aid budgets continue to be protected from Budget cuts remains to be seen.

Of course much government support for housebuilding comes out of capital budgets. Notwithstanding the Chancellor's indication that he will increase capital expenditure by £3 billion pa from April 2015, this will only go some way to offsetting the reductions in the housing capital budget made in 2010. By 2015 the shortfall in overall capital spending compared to the baseline 2009-10 figure will be some £42 billion.

There is also a long list of non-housing capital projects such as schools, hospitals and transport investment all competing for capital funding. Press comment on the Spending Review (which was not completed at the time

this report has been finalised), indicate that the Coalition government particularly want to boost capital expenditure on transport scheme.

The general expectation among Registered Providers is that no grant funding for housing will be available in the post 2015 environment. While some element of capital funding for affordable housing may well continue, the capital budget for housing may well be further reduced. There is, however the possibility that a new government may bring forward capital expenditure to boost the performance of the economy if it continues to flag, and this could give some boost to capital expenditure on housing. The IMF has given its endorsement to such action.

Land Supply

The volume of housing built is also dependent on the supply of development land. The Government is seeking to free up the supply of land in order to enable an expansion of housing development, and to ensure that the nation plans for the new homes it needs. It is doing so primarily through reform of the planning system embodied in the National Planning Policy Framework. The government has also indicated its intention to be more active in the use of public sector land to support new housing provision, though it has been very silent over the last 6 months in terms of what land has been made available for development and whether this is more than would have been released in any case.

The Behaviour of the Development Industry

It is important however to appreciate that identifying land through local planning processes does not guarantee that land comes forward on a sufficient scale to increase the overall supply of new homes. Development land is a necessary, but not sufficient, condition to expand the supply of new homes. Viability considerations may constrain allocated land for new housebuilding coming forward. Likewise the behaviour of landowners and developers may mean that land that has been allocated for development is only developed at a pace consistent with maximising returns, rather than maximising the volume of new homes built.

It is also important to note that, at the national level, the housebuilding industry has lost capacity over the last five years. Virtually all the major housebuilders have weathered the storm, and have refinanced their activities and have enjoyed significant recovery in share prices. However they have reduced their capacity compared to the years of peak output, and are likely to maintain their focus on delivering profit, and will not chase volume if this comes at the expense of profit. Many medium and small housebuilders have gone out of business.

The biggest loss of capacity has probably been among those developers who were active in developing apartment blocks in regional cities. The whole industry outside of London is now focused more on building houses than flats, with London and the Greater South East the most buoyant markets. Rother and Hastings are part of this market area, and therefore the part of the country where developers are most interested in increasing the volume of new housebuilding. But housebuilders will always be wary of increasing output if this reduces margins and exposes them to additional risk.

Overall Assessment

Wessex Economics' assessment of the overall housing market context for the next five years, are that sales volumes will gradually increase as the economy improves slowly; as mortgage availability improves, supported by government measures; and that buyer confidence will recover slowly. The implication of these general improvements in the housing market is that demand for new homes will increase as a consequence. London and the South East will lead the way, and there is evidence of a revival of confidence since March 2013.

It is reasonable to expect therefore that the overall level of private sector housebuilding will grow from the current historically low levels. However housebuilders will take measured steps to increase volumes, both to maintain and enhance profitability and avoid the risk of depressing sales values by putting too much supply into still fragile markets. Overall capacity in the housebuilding sector is less than in the period 2005-7. Again London and the Greater South East will lead the way.

The steady recovery of private sector housebuilding volumes may be in part offset by reduced output of affordable housing as funding for affordable housing remains constrained and possibly falls from current levels. Registered Providers may move into developing market rent or homes for sale, but this will probably not fully compensate initially for reduced delivery of affordable homes. It will take time for Registered Providers to build their capability in these areas.

The London and Greater South East markets will continue to be the most robust markets, given that London and the South East outperforms the rest of UK in terms of economic growth, employment, earnings and historic housing wealth.

5. Benchmarking Housing Delivery Rates

Section 4 highlights that the provision of land is a necessary condition for the development of new homes, but is not a sufficient condition. In particular the behaviour of housebuilding industry may mean that they do not develop new homes at the rate required to meet local authorities' planned targets. Put another way, there may not be sufficient incentive for the housebuilding sector to build as many homes, as established through the process of establishing 'objectively assessed need' set out in the NPPF.

This section of the report seeks to answer the question 'on average how many new homes might it be possible to build each year in Hastings and Rother' by reference to a number of benchmarks developed in other studies. Particular reference is made to a report by Savills, *Housing Requirements and Market Capacity in Horsham*, prepared in April 2012 on behalf of Crest Nicholson and submitted as part of Local Plan consultations on housing numbers.

New Homes Sales and Overall Sales Volumes

Nationally only about 1 in 10 house purchases involve a new home. Overall the availability and pricing of second hand homes for sale, absorbs much of the demand for housing for owner occupiers or potential landlords. The second hand market also places a constraint on the premium that housebuilders can charge for new homes. Housebuilders will also control the volume of their output so they do not erode their sales margins by over-supplying the market. They will do this by controlling the pace of build out on their own sites. They will also be mindful of what their competitors are doing.

The Savills *Housing Requirements and Market Capacity* report uses two indicators to benchmark delivery performance and capacity in Horsham District (in the M23 London–Brighton Corridor); and to make comparisons with delivery of new homes in other prospering Districts in the South East of England. These benchmarks are as follows:

- **Net additional dwellings (all tenures) as percentage of total housing stock.** Data for South East England shows that from 2001/02 to 2003/04 delivery averaged between 0.7% and 0.8% of existing 2011 housing stock; rose to between 0.8% and 1.0% of housing stock from 2004/05 to 2008/09; and then fell to 0.6% in 2009/10 and 2010/11
- **New build sales (ie excluding affordable housing for rent) as a percentage of all transactions.** Across the South East as a whole in the period 1999 to 2010, new build sales have run at between 8% and 11% of all housing transactions; so over the past decade roughly 1 in 10 housing transactions (sales) involves a new build home

These same indicators can be used to benchmark the likely maximum annual sales of new homes in Hastings and Rother, though care needs to be taken to consider the appropriate geographic scale at which to apply these benchmarks. The evidence from the Savills report referenced above is based on local authority level

analysis, and has a particular focus on comparison of Horsham with other similar areas all of which can be described as economically buoyant.

Benchmarking Hastings and Rother Housing Delivery Plans

The combined housing stock of Rother and Hastings is almost 86,800. The historic level of housing delivery in South East England identified in the Savills report is around 0.6% to 1% of housing stock. Using the rule of thumb, this would imply capacity for between 520 and 870 new homes in Hastings and Rother (0.6% of 86,800 and 1% of 86,800 respectively); an average over a typical decade of say 695 new homes per annum. Work by East Sussex County Council on modelling housing requirements based on demographic projections indicate a housing requirement for Hastings and Rother combined of around 770 dwellings per annum. This implies bettering the delivery performance achieved across the South East in the 11 year period starting 2001/02.

Rother District in 2011 has a total stock of dwellings of 44,000 homes. Using the performance of the South East as a whole over the 11 year period starting 2001/02, (delivery of new homes at a level equivalent to between 0.6% and 1% of total dwelling stock) one might expect between 265 and 440 new homes each year to be built in the District; averaged out over a decade with a period of depressed output and a period of buoyant demand this would indicate an average output of around 350 new homes pa.

The 2011-based ESCC demographic projections show a requirement for around 360 new homes pa in Rother. If Rother District delivered this number of homes in the period, its performance would be aligned with that of the South East region as a whole in the 11 year period starting 2001/02. To achieve this over the proposed plan period of 2011-28, this level of new homes delivery would require a recovery from the sorts of levels of new building currently prevailing in the South East. The longer relatively low levels of housing persist, the higher the output required in years when the market is buoyant.

The alternative way to benchmark housing delivery rates is to analyse delivery of new homes for sale (that is excluding affordable homes for rent) as a percentage of housing transactions. Wessex Economics has analysed the volume of housing transactions in East Sussex as whole over the period 2004 to 2012. On average in the period 2004 to 2007 there were 13,500 pa housing transactions across East Sussex. In the period 2008 to 2012 there were an average of 8,000 housing transactions across the County. To establish the number of transactions in Rother, Wessex Economics has pro-rated the county figure by the proportion of the stock of privately owned dwellings in Rother as a percentage of the county figure.

Wessex Economics estimate that there were on average around 2,460 housing transactions pa in Rother District in the period 2004-07; and 1,460 pa in the period 2008-12. In these same periods there were around 280 and 160 new build housing sales (total completions excluding affordable housing completions). These account respectively for around 11.4% and 10.8% of total housing transactions in the District in these two time periods. This is a rather higher proportion of all transactions than recorded in the South East (around 9%) in the period 2000-2010 as analysed by Savills.

Savills in their report analyse housing delivery expressed as a percentage of existing housing stock (at 2011) for a number of authorities across the South East for both 2004/5 to 2007/08 and for 2008/09 to 2010/11 (see

Appendix 1). The authorities selected for analysis by Savills are those with certain similarities to Horsham District, being generally authorities with good access in economically buoyant parts of the South East. They therefore are likely to have more robust demand for housing than Hastings and Rother.

It is worth noting that most of the authorities selected have delivered new homes in the buoyant market of 2004/05 to 2007/8 equivalent to, at most, 1.3% of the existing 2011 housing stock. During the period 2008/09 to 2010/11 these same authorities have delivered new homes in general between 0.6% and 1% of their housing stock.

The requirements emerging from the 2011-based ESCC demographic projections suggest that Hastings over the plan period will have to deliver at a level equivalent to 0.9% of the 2011 housing stock *throughout the plan period*; and the Rother will have to deliver at a level equivalent to 0.8% of the 2011 housing stock *throughout the plan period*.

Conclusion

Given that the economy of Hastings and Rother is much less robust than those of the areas selected by Savills to benchmark against Horsham, the rates of delivery rate implied by the 2011-based ESCC demographic projection of housing need, look challenging when using the benchmarks set out above. Every year that delivery falls below the average annual requirement, makes it harder to achieve the overall volume of projected homes needed within the plan period.

6. Future Housing Delivery in Bexhill

This section considers the likely pattern of future housing delivery in Bexhill over the period to March 2028. The analysis is designed to inform decisions that Rother District Council may need to make regarding allocation of further sites for housing development. These decisions will be informed by the conclusions reached regarding the overall level of provision for housing in Rother District in the Core Strategy period, and the split of provision between Bexhill and the rest of the District.

Overall Trajectory

Figure 21 overleaf shows the overall trajectory for housing provision in Bexhill. The figure shows that there is currently identified capacity for around 2,300 new homes in Bexhill, in terms of known sites and development opportunities. The trajectory has been prepared by Wessex Economics from the following sources:

- Information on the overall capacity of the strategic sites and the timing of delivery is based on discussions between Wessex Economics and the respective landowners/developers; information derived from the developers about their plans are summarised in Figure 22
- Other information was provided by Rother District Council, and is based on recent updating of the status of known development sites, and monitoring of past delivery rates

However it is important to note that the level of certainty applying to each element of the trajectory varies. In summary:

- The land north of Barnhorn Road being promoted by Marchfield Strategic Land is subject of a planning application but RDC has yet to determine the application. The site is not on land allocated for development in the current plan. The delivery of the 275 homes on this site is therefore subject to planning uncertainty; this uncertainty is likely to be resolved by autumn 2013.
- The three other strategic sites shown in Figure 21 are identified as allocations in the Rother Local Plan. Discussions with the developers/promoters indicate that it is the intention of these developers to deliver housing on these sites well before March 2028. Unless there are very major delays, all of these sites can be expected to deliver their full quantum of new homes by March 2028.
- RDC has identified all of sites listed as large and small site commitments, and these sites have an extant planning permission for residential development, which makes it probable that these sites will deliver. However, Wessex Economics has not independently verified the deliverability of the housing on these sites, nor the High School and Drill Hall allocation. There is always a risk that permissions may lapse or not be built out.
- The trajectory includes an allowance for housing provision through windfalls for years 6-15 of the proposed plan period to March 2028. It seems reasonable to expect small sites for housing development to come forward in future years, on the basis of past experience, and the overall scale of such provision is modest. But by definition the sites for such development have not yet been identified.

Figure 21: Housing Delivery Trajectory for Bexhill April 2011 to March 2028

Year beginning April	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total 2011-27
Strategic Sites																
<i>BX3 Land to West of Link Road (Persimmon)</i>		60	60													120
<i>BX2 SE Portion (Barratt South East)</i>		36	48	34												118
<i>North of Barnhorn Road (Marchfield)</i>			65	70	70	70										275
<i>BX2 Land East of Link Road (Bovis)</i>				75	150	200	200	200	200	175						1,200
Large Site Commitments	39	73	95	17												224
Small Site Commitments	22	22	22	23	23											112
High School and Drill Hall Allocation				10	23											33
Assumed Small Site Windfalls (Years 6-15)						16	16	16	16	16	15	15	15	15	15	155
Total Bexhill (actuals in red, projections in blue)	61	191	290	229	266	286	216	216	216	191	15	15	15	15	15	2,301
Total Bexhill Cumulative	125	316	606	835	1,101	1,387	1,603	1,819	2,035	2,226	2,241	2,256	2,271	2,286	2,301	

Figure 22: Housing Delivery Trajectory for Bexhill April 2011 to March 2028

Scheme	Timetable	No of sales outlets	Sales/Build Rates	Sales/ Build Period	WE Profiling by Year (Apr to March)	
BX3 Land to West of Link Road (Persimmon)	<p>Planning Application Aug/Sept 2013 (Developer)</p> <p>Consent by Christmas 2013 (Developer)</p> <p>Start on Site April 2014 (WE)</p>	1	4 pcm	30 months	<p>2014/5 60</p> <p>2015/6 60</p> <p>Total 120</p>	<p>5% Apartment</p> <p>30% 2 bed house</p> <p>50% 3 bed house</p> <p>15% 4 bed house</p>
BX2 SE Portion (Barratt South East)	<p>Planning application May/June 2014 (Developer)</p> <p>Consent by early 2014 (Developer)</p> <p>Start on site July 2014 (WE)</p>	1	5.9 pcm	20 months	<p>2014/5 36</p> <p>2015/6 48</p> <p>2016/7 34</p> <p>Total 118</p>	<p>12% 2 bed house</p> <p>72% 3 bed house</p> <p>17% 4 bed house</p>
North of Barnhorn Road (Marchfield)	<p>Planning application submitted</p> <p>Outline consent Sept 2013 (Developer)</p> <p>Discharge of reserved matters in 2014 (Developer)</p> <p>Start onsite Spring 2015 (Developer) assumed to be April 2015 (WE)</p>	2	<p>2.9 pcm per sales outlet</p> <p>5.7 pcm overall</p>	4 years	<p>2015/6 60</p> <p>2016/7 60</p> <p>2017/8 60</p> <p>2018/9 60</p> <p>2019/0 35</p> <p>Total 275</p>	<p>7% 1 bed flat</p> <p>9% 2 bed flat</p> <p>26% 2 bed house</p> <p>27% 3 bed house</p> <p>23% 4 bed house</p> <p>7% 5 bed house</p>
BX2 Land East of Link Road (Bovis)	<p>Submit Planning Application Jan to April 2014 (Developer)</p> <p>Approval by December 2014 (latest) (Developer)</p> <p>8 months to discharge conditions (Developer)</p> <p>Start on site assumed April 2016 (WE)</p>	4	<p>3.6 pcm per sales outlet</p> <p>14.4 pcm overall</p>	7 to 8 years	<p>2016/7 75</p> <p>2017/8 150</p> <p>2018/9 200</p> <p>2019/0 200</p> <p>2020/1 200</p> <p>2021/2 200</p> <p>2022/3 175</p> <p>Total 1200</p>	<p>30% 2 bed house</p> <p>30% 3 bed house</p> <p>30% 4 bed house</p> <p>10% 5 bed house</p>

The Major Development Proposals

As part of the preparation of the Bexhill trajectory, Wessex Economics spoke to representatives of the developers/promoters of the four major sites. A number of interesting insights come out of these discussions:

- All four of the developers are very keen to progress their proposed developments and are confident that there will be demand for their schemes. Each indicates a high level of corporate commitment to the development they are promoting, and linked to this, their ability to fund development.
- None of the developers suggest that they would be targeting a particular segment of the market. Those that had considered this issue, indicate they would anticipate selling to a broad mix of households including first time buyers, family households and downsizers.
- The plans for the size and type mix of homes to be built reflect the desire of the developers to reach a broad spread of different types of buyers. This is probably designed to maximise sales rates, which is critical to scheme cash flow and profitability. Figure 19 shows the mix of dwellings each scheme proposes.
- None of the developers seemed to be unduly concerned about the fact that, on current timetables, schemes will be delivering housing at the same time. This may be because they are not aware of the timetable that their competitors are working to. One of the four developers did mention that simultaneous delivery of new homes could depress sales rates on each site.

Key Uncertainties

The trajectory as presented in Figure 21 is based on reasonable assumptions. RDC has taken action to ensure that their trajectory is as robust as possible. It is based on the timescales as reported by developers themselves. The windfall allowance is based on actual small site build rates. Evidence from the past also shows that allocated sites have delivered 15% more houses than allocated.

However it is very common for delivery to be slower than anticipated by both local authorities and developers. Housing delivery trajectories rarely exceed reported expectations in the sense that the volume of housing is delivered in a particular year is higher than forecast; the experience is almost invariably that delivery is lower than expected and that anticipated developments take longer to come forward than anticipated. The development industry is prone to optimism bias when it comes to the timing of development.

The key uncertainties associated with the trajectory presented above can be identified as follows:

- The trajectory assumes that all sites with consent will come forward in reasonable timescale. In fact, for innumerable reasons, smaller sites with consent may not come forward. This may be due to the cost or availability of development finance; ill health or death of a key individual; disputes between partners; more attractive investment opportunities; or simple inertia. The trajectory could be made more robust by looking to what extent past trajectories have had to be revised, and how many schemes fail to come

forward.

- The planning process as a whole is a significant source of potential delay, and delays are by no means all attributable to the planning authority. Statutory Consultees can be the cause of major delay. Changes in legislation (not all of it originating in the UK parliament) can change scheme requirements. Developers make changes to their plans, in response to issues raised by the planning authority. The process of negotiating development contributions (affordable housing, highways and schools contributions etc) can introduce delays.
- Changes in the market for development finance or the cost of finance can change scheme economics, as can changes in corporate priorities of the businesses involved in development schemes. It is worth remembering that within the major housebuilders there is competition for investment from around the different regional businesses, and shifts in priorities can lead to other schemes being advanced and schemes that were previously a priority in terms of investment of staff time and capital can lose priority, if better investment opportunities present themselves.
- Changing market conditions can significantly affect both the timing of the start of development and the pace of build out. Wessex Economics would note that the sales/build rates assumed by the developers of the four major sites (see Figure 22) are above the average sales rates currently reported by the national builders for past trading periods, which are currently more like 2.5 sales per month. Build rates can be higher if one includes affordable housing, but the sales rates on some of the schemes imply expectation of quite a strong sales market. Particularly on large schemes it may be hard to maintain high sales rates, year in year out, because of fluctuations in buyer confidence or access to finance.
- The developers of the four major sites seem to be quite sanguine about the likelihood that others will be bringing new product to the market at the same time. In practice there may be a limit on the amount of new homes for sale that can be absorbed in a local market in any year. This is discussed further below. This may affect sales rates; once schemes have secured permission, the actions of other players in the market may also affect the precise timing at which a developer starts to implement its consent; a developer may decide to delay launching its own product, until another development is starting to get close to being fully built out.

Capacity for New Homes Sales in Bexhill

The housing trajectory set out in Figure 21 anticipated delivery of around 1,100 new homes in the next 5 years (2013/14 to 2017/18) an average of 220 new homes. This compares with the average annual delivery of new homes in the whole of Rother District over the period since 1991 of 235. In effect the trajectory indicates that in Bexhill alone, the same number of homes will be developed each year for the next five years (including the current year) as delivered over the whole of April 1991 to March 2013.

Given that anticipated delivery in 2013/14 is quite modest, in the next five years the trajectory implies delivery of more than 200 homes in each of 2014/15, 2015/16, 2016/17. Is there sufficient market capacity to deliver this volume of housing? As noted the trajectory is based on what the landowners and developers told Rother

District Council about their programme for housebuilding. But it is possible while each developer is confident of their own plans, they anticipate that others will not deliver on time. Whether collectively the industry expects that an average of around 150 homes can be sold¹, plus sales of shared ownership properties provided as part of the affordable housing requirement, is debatable.

How would this level of delivery compare in terms of the benchmarks set out in Section 5? It is less robust to apply the same methodology set out in Section 5 to just a part of a District, but it is useful to examine what numbers emerge from applying the same approach to Bexhill. Bexhill has a stock of 21,500 dwellings. On the basis that between 0.6% and 1% of the dwelling stock might be built pa, based on benchmarks for South East England, this would imply annual delivery in the range of 130 and 215 new homes a year, an average over a decade of around 175 new homes pa.

One could reasonably expect output to be somewhat higher, given that there is much greater capacity to build new homes at Bexhill than exists in Hastings; and therefore development at Bexhill will in part satisfy demand for new homes that would be displaced from the Hastings market. It is obviously relevant that the area has significant levels of net in-migration and that this may be particularly associated with purchase of new homes. But against this, it looks likely that the funding environment for affordable homes will be tougher than it is now, which in turn is harsher than most of the period 1991-2010.

What proportion of sales transactions would delivery of 200 new homes pa in Bexhill represent. If one assumes that the 30% affordable housing target is delivered, then this implies delivery of 140 market homes. If 10% of the total is delivered as intermediate housing for sale, this means there are also 20% of homes for sale, giving a total of 160 homes for sale on average each year. This would mean new homes sales represent 13% of all sales transactions, or somewhat less than 1 in 8 of all home sales in Bexhill *assuming a return to the transactions volumes achieved in the period 2001-07*.

This is above the percentage of transactions that have been delivered over the longer term in buoyant market conditions in the South East as a whole (around 9%). It is accepted that new homes built in Bexhill draw upon demand from the Hastings market as well as the Bexhill market. But offsetting this is offset by the fact that the housing market in the South East of England is still not as buoyant as it was prior to 2007, and general sales volumes still have a long way to go to return to anything close to pre-2008 levels.

On the basis of the analysis above, Wessex Economics' view is the maximum volume of new build that can realistically be delivered in Bexhill is likely to be 200 new homes per annum. Delivery might exceed this in particular years, but Wessex Economics regard year in year out delivery of more than 200 homes in the plan to be unlikely, given the wider housing market context and the character of the Hastings and Bexhill market.

¹ 210 homes on average built of which 30% are expected to be affordable homes (63 affordable units), implies 147 market sales pa. The figures for market homes sales will be higher in particular years if the trajectory contained in Figure 21 is actually delivered.

Implications and Alternative Trajectories

In Wessex Economics' view the trajectory set out in Figure 21, though built up from information from the development industry itself, is likely in reality to be over-optimistic in terms of the volume of housing that would actually be built by March 2028 *if one relies solely on the currently identified sites*. It is based on assumptions that everything goes to plan, and that everything that has permission actually gets built. The main source of non-delivery is likely to be some of the small sites.

It is therefore useful to examine different scenarios in terms of the timing of development. Wessex Economics has examined two scenarios on varying assumptions relative to the baseline trajectory as shown in Figure 21. The tool allows the user to input three variables:

- An assumption of the percentage of delivery in each year that will in fact be delayed by 2 years; that is, the homes get delivered by two years after that assumed in the baseline trajectory.
- An assumption of the percentage of delivery in each year that will in fact be delayed by 4 years; that is, the homes get delivered four years later than assumed in the baseline trajectory

Two scenarios have been tested. The first scenario assumes slippage by two years of 15% of units. The second scenario assumes that 20% of new homes are delayed for four years compared to the baseline scenario. Figure 23 shows that these alternative scenarios have very little impact on the overall trajectory, since all the homes currently in the trajectory get built within the overall timescale of the trajectory. However this is because the housing to be developed in the last 5 years (2023/24 to 2027/28) are being identified through RDC's site allocation process, but have not yet been approved.

If one can assume that all the housing currently identified in the trajectory shown in Figure 21 will be completed by 2007/28, then the real risks to delivery of new homes in the plan period are associated with sites which have yet to be formally allocated. Even if a significant amount of the supply already identified is delayed by 5 years, then the vast majority of the supply identified in Figure 21 would be delivered in the Plan period.

Likewise, even if housing delivery were to be no more than 200 units pa in Bexhill, the full quantum of housing identified in Figure 21 would be delivered. This is because the schemes identified, even if some were to be delayed by up to four years, will be capable of being completed before the end of the plan period, even if output struggles to exceed 200 units pa.

The real challenge to delivery in the plan period depends on the scale of the gap between existing identified development sites, and the housing target set for Rother District. The process of identifying further sites is underway, but it can take many years to identify and then ensure that sites are brought forward for housing development. Ensuring continuity of delivery throughout the plan period is important to delivery against targets, whatever they may be.

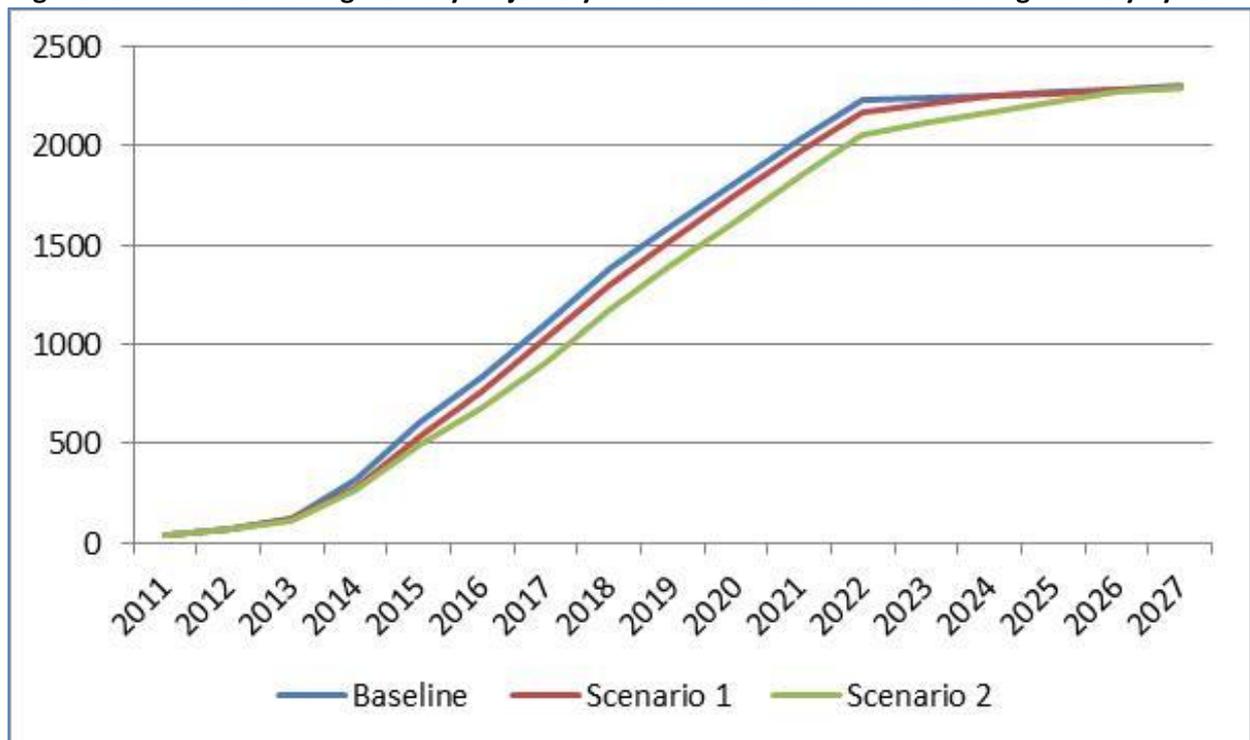
The key points arising from the scenario analysis are:

- The importance of a robust assessment that all the sites identified in the trajectory are deliverable. Non-delivery of identified sites would have a much bigger impact on delivery rates than delays of 2 to 4 years of schemes within the plan period.
- It is the absence of identified delivery in the last 5 years of the plan that presents to greatest challenge to delivery of whatever number of new homes is to be provided in the plan period. The time taken to identify strategic sites and get them to a point where they can deliver can easily take up to a decade or longer.
- It is important therefore that as far as possible the major sites that will deliver new homes later in the plan period are identified at an early point in time, especially given the length of lead in times.
- Failure to deliver any plan target always tends to happen at the end of the plan period when slippage in delivery by even a couple of years produces a large impact on the overall level of delivery in the plan period.
- However equally, it becomes well-nigh impossible to meet a target for new homes, unless a solid rate of delivery is maintained year in year out. Every year when delivery is less than the annual equivalent number of homes required, increases the average to be delivered in subsequent years.

It is important to note that the four strategic sites identified in Figure 21 contribute 75% of the anticipated identified supply of 2,300 new homes; and the BX2 site being land east of the Link Road, under the control of Bovis, accounts for 50% of all anticipated delivery in the current trajectory. This site is of key importance to overall levels of delivery.

Appendix 2 contains the outputs of the scenario modelling in terms of the year by year numbers and cumulative totals for each scenario over the timeframe of the whole trajectory.

Figure 23: Baseline Housing Delivery Trajectory and Scenarios: Cumulative Housing Delivery by Year



6. Summary and Conclusions

Rother District Council to date has identified capacity for delivery of 2,300 new homes in Bexhill in the period before March 2028. In practice the expectation is that the vast majority of these new homes (2,225 homes) will be delivered by March 2022 (see Figure 21). It is expected that the Council will in due course undertake work to identify sites for additional housing supply in Bexhill in the period up to March 2028.

Three quarters (75%) of the pipeline of new housing supply is associated with four major strategic sites, three of which are allocated in the existing Local Plan, and one of which is the subject of a current planning application. Half (50%) of all the anticipated new supply is associated with the BX2 site east of the Link Road, being brought forward by Bovis.

The current housing trajectory shows housing completions in Bexhill increasing from just 29 new homes in 2012/13 to a peak of 290 new homes in 2015/16, and running at above 200 new homes until 2022/23. In the past 12 years output of new homes in Bexhill has only exceeded 200 new homes in one year, and has exceeded 150 new homes in only 5 out of the 12 years.

However, this comparatively low level of past delivery in Bexhill compared to Rother as a whole is closely linked to the lengthy process of opening up the major new development sites in North and North East Bexhill, associated with the planning and securing funding for the Bexhill Link Road. The developers of the major new sites are confident that there is demand for the planned level of new housing.

The developments will be launched into a market that appears to be recovering in London and the South of England though a combination of renewed confidence among buyers, easing of constraints on mortgage lending, and government support for the housing building sector. However in Wessex Economics' assessment the market will continue to be subdued relative to the market environment of the period 2005-07.

The developers of the major housing sites in Bexhill propose to build a mix of mainly 2, 3, and 4 bed new homes with a small number of 5 bed homes and 1 or 2 bed flats. This indicates that the developments are being targeted a broad range of people in terms of first time buyers, those moving up the housing ladder into larger properties and those down-sizing, with developments likely to be marketed widely in the region as a whole.

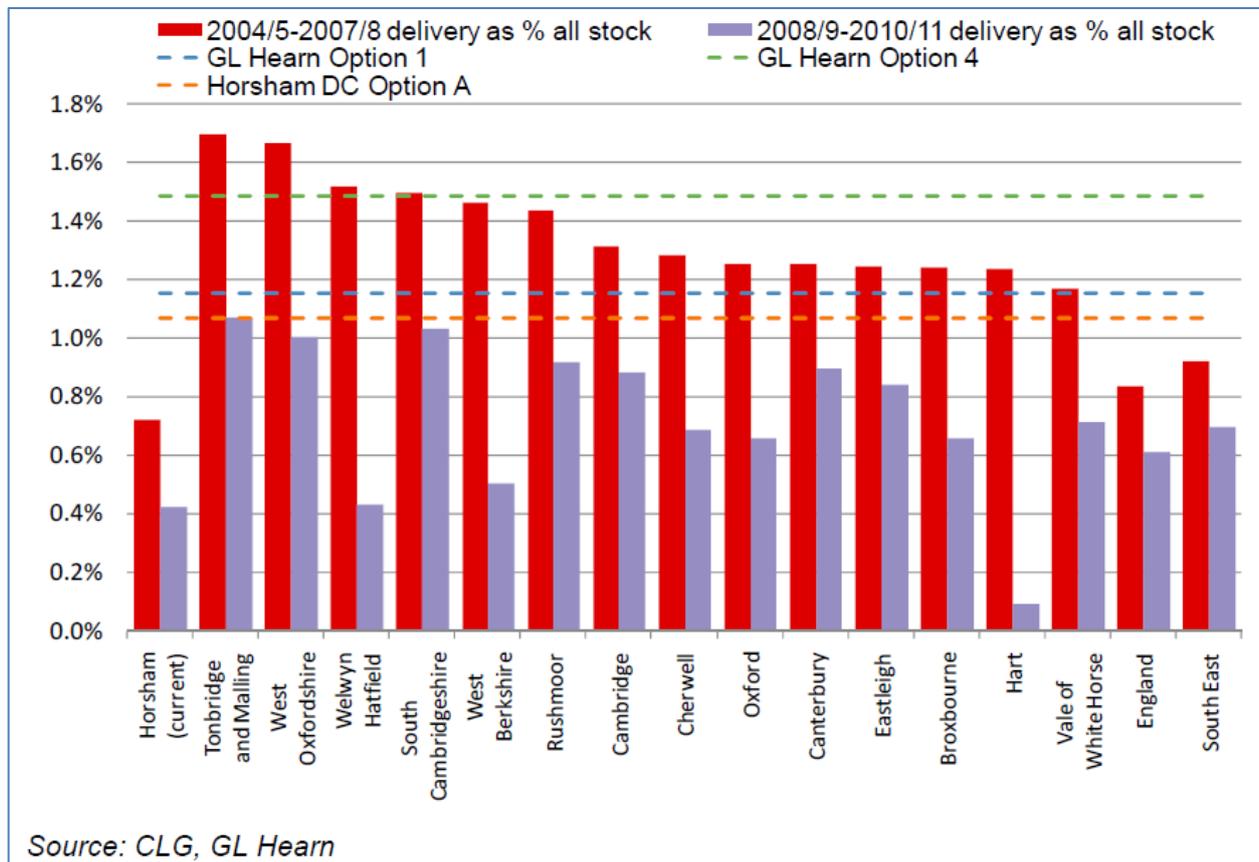
The trajectory for Bexhill could be made more robust, by presenting alternative scenarios that allow for the likelihood that there will be delays in delivery relative to the dates originally anticipated by the Council and developers. Appropriate assumptions for alternative scenarios could be informed by analysis of slippage in past trajectories and annual monitoring of changes that are made to the new trajectory.

There are also concerns about the overall capacity of the Bexhill market to absorb new homes. A number of benchmarks would indicate that it will be challenging to consistently deliver more than 200 homes per year in year out, both because of market capacity; and the potential impact on sales values of new homes, if the market is relatively oversupplied – since this will act as a deterrent to high volumes of new building.

In terms of the wider work being undertaken on the Rother Core Strategy and the Hastings Core Strategy there will be a requirement to present a Housing Trajectory for each of the two local authorities' areas, and also to demonstrate how this meets the objectively assessed housing demand and need for the Housing Market Area as a whole, or requirements can be met elsewhere.

Appendix 1: Additional Charts

Figure A1: Housing Delivery as a Percentage of Housing Stock in 2011



Source: Savills Research, *Housing Requirements and Market Capacity in Horsham*, prepared in April 2012 on behalf of Crest Nicholson. Representation to Horsham Borough Council 'How many homes' consultation.

Appendix 2: Bexhill Housing Trajectory Scenarios

Year beginning April	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total 2011-27
Cumulative Supply																		
Baseline Scenario	35	64	125	316	606	835	1,101	1,387	1,603	1,819	2,035	2,226	2,241	2,256	2,271	2,286	2,301	2,301
Scenario Option 1	35	64	116	278	534	757	1,027	1,304	1,528	1,754	1,970	2,165	2,210	2,252	2,267	2,282	2,297	2,297
Scenario Option 2	35	64	113	266	498	681	906	1,173	1,404	1,622	1,848	2,058	2,113	2,169	2,224	2,274	2,289	2,289
Annual Delivery																		
Baseline Scenario	35	29	61	191	290	229	266	286	216	216	216	191	15	15	15	15	15	2,301
Scenario 1	35	29	52	162	256	223	270	277	224	227	216	195	45	41	15	15	15	2,297
Scenario 2	35	29	49	153	232	183	225	267	231	219	226	210	55	55	55	50	15	2,289
Calcuator	35	29	31	108	195	211	237	242	218	208	194	182	89	49	14	14	14	2,068