

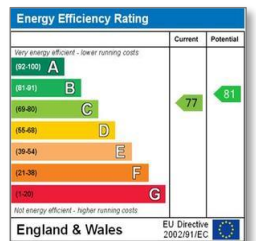


## London Borough of Camden:

## First Homes Assessment 2022

### Report of Findings

July 2022





Opinion Research Services | The Strand, Swansea SA1 1AF  
Jonathan Lee | Trevor Baker | Belinda Herbert  
Nigel Moore | Scott Lawrence | Hugo Marchant  
enquiries: 01792 535300 · info@ors.org.uk · www.ors.org.uk

© Copyright July 2022

The below copyrights acknowledge the open source data that is provided by the respective bodies, and is used throughout this document

Contains Ordnance Survey data © Crown copyright and database right 2022

Contains Royal Mail data © Royal Mail copyright and database right 2022

Contains National Statistics data © Crown copyright and database right 2022

Contains public sector information licensed under the Open Government Licence v3.0

# Contents

<b>1. Introducing the Study .....</b>	<b>4</b>
Background to the project and wider policy context	
Introduction.....	4
Local Policy Context.....	4
Government Policy on Identifying Housing Needs and First Homes .....	5
Assessing Housing Needs in London .....	7
<b>2. Local Housing Market .....</b>	<b>9</b>
Housing options and cost of housing in Camden	
Housing Tenure Trends .....	9
Cost of Home Ownership .....	9
Income Needed for Home Ownership.....	11
Income Needed for First Homes.....	12
Cost of Renting.....	14
Summary of Housing Costs.....	15
<b>3. Need for First Homes.....</b>	<b>18</b>
Identifying households who aspire to own	
Introduction .....	18
Needs of Households Aspiring to Homeownership.....	19
Additional Need for Affordable Homeownership.....	21
<b>4. Policy Conclusions .....</b>	<b>27</b>
Summary and conclusions	
The Demand for First Homes .....	27
Equality Impact of First Homes .....	28
Alternatives to First Homes.....	29
Deliverability and Viability Considerations .....	29
Overall Summary .....	30
<b>Appendix A.....</b>	<b>31</b>
Table of Figures	
<b>Appendix B.....</b>	<b>32</b>
Glossary of Terms	
Definitions .....	32
Acronyms and Initials .....	35

# 1. Introducing the Study

## Background to the project and wider policy context

### Introduction

- 1.1 In 2016, Opinion Research Services (ORS) was commissioned by the London Borough of Camden to prepare a Strategic Housing Market Assessment (SHMA) to identify the total number, size, type and tenure of homes that will be needed in the future, and the housing needs of different groups, including affordable housing. This formed part of the evidence base for the Camden Local Plan, which was adopted in July 2017.
- 1.2 Since this time, national planning policies have been updated and these changes have been supported by new guidance for policy issues such as a new type of housing product entitled First Homes.
- 1.3 In 2020, Camden consulted on an initial draft Site Allocations Local Plan to supplement the Camden Local Plan 2017 by identifying sites to meet the borough's needs for housing, jobs and supporting services. In late 2021, Camden also consulted on a Draft Planning Statement on the Intermediate Housing Strategy and First Homes. At the end of 2021, the Council commissioned ORS to provide updated evidence on housing needs to support the development and implementation of these two documents. This first phase of the ORS housing needs update has helped to inform Camden's officers as they prepare a revised Planning Statement on the Intermediate Housing Strategy and First Homes for consideration by councillors.
- 1.4 This update considers the potential demand for First Homes in Camden. It assesses how many households will potentially be able to access the new housing product in Camden based upon different assumptions around mortgage to income ratios. It also considers the wider policy considerations around introducing First Homes in Camden.

### Local Policy Context

- 1.5 The Camden Local Plan 2017 applies an affordable housing target of 50% to larger development proposals in the borough (those adding 2,500 sqm of residential floor area or more), and a guideline mix of affordable housing types of 60% social-affordable rented housing and 40% intermediate housing, with an expectation that intermediate homes will generally be for rent. More detailed is provided by the Council's Intermediate Housing Strategy 2016, and the Camden Planning Guidance on Housing 2021. These indicate that the Council's preferred affordable housing mix is 60% social rent or London Affordable Rent and 40% intermediate rent, and that intermediate rents should be affordable to households with annual incomes of up to £60,000 gross, with a particular priority for those with incomes of £30,000 to £40,000 (updated from 2016 in line with median income).
- 1.6 The London Plan was published in final form in 2021. Affordable housing policies in the London Plan and the Camden Local Plan are broadly consistent, with the London Plan also setting a strategic target for 50% of new homes to be genuinely affordable, and seeking an affordable housing mix of 30% social rent or London Affordable Rent and 30% intermediate housing, with the remaining 40% to be determined by the borough. The London Plan adopts a slightly different approach to intermediate rent, which is badged as London Living Rent.
- 1.7 In July 2021, the Greater London Authority issued a Practice Note on First Homes. This indicates that:

- First Homes are a form of intermediate housing, and only 18% of the housing need across London is for intermediate homes (London Strategic Housing Market Assessment 2017);
- the 30% standard First Homes discount would not deliver prices within the £420,000 maximum price cap in many parts of London;
- in many cases, a higher discount level would harm development viability and the delivery of the types of affordable housing for which there is the greatest need, namely social rent and London Affordable Rent.

## Government Policy on Identifying Housing Needs and First Homes

- 1.8 The Government published the National Planning Policy Framework (the Original NPPF) in 2012. This set out the planning policies for England and how these were expected to be applied.
- 1.9 A revised version of the National Planning Policy Framework (the Revised NPPF) was published in July 2018 and was subsequently updated in February 2019 and July 2021, retaining the same definition of affordable housing throughout. Whilst the Revised NPPF maintains the underlying theme of sustainable development, several significant changes have been introduced in relation to identifying and meeting housing needs. The Revised NPPF introduced a new definition for affordable housing. Whilst the Original NPPF identified (in the Glossary at Annex 2) that affordable housing should be provided for households “*whose needs are not met by the market*”, the Revised NPPF adds that this includes “*housing that provides a subsidised route to home ownership and/or is for essential local workers*”. This has led to a specific change in the Planning Practice Guidance (PPG) for assessing affordable housing need.
- 1.10 Under the Original NPPF, affordable housing need was based on those who could not afford to buy or rent in the market. Households who could afford market rent were not counted as in affordable housing need even if they would have preferred to buy and couldn’t afford to do so. However, the latest PPG states that assessments must now include the needs of “*those that cannot afford their own homes, either to rent, or to own, where that is their aspiration*” [ID 2a-020-20190220]. On this basis, households able to afford market rent who aspire to but are unable to afford homeownership must now be counted as being in affordable housing need.
- 1.11 Neither the NPPF nor PPG identify that any affordability criteria should be applied to those households who aspire to homeownership but cannot afford to buy their own home. However, it is appropriate to consider the extent to which these households could plausibly afford affordable homeownership products if they were provided and that calculation is made in this report.
- 1.12 Whilst a range of affordable homeownership products are available, each with different costs and eligibility criteria, the most recently introduced is First Homes and national policy states that at least 25% of affordable housing on sites of 10 or more units should be First Homes. The government set out the definition and criteria for First Homes in Planning Practice Guidance (PPG) issued in May 2021. This states at paragraph 2 that:

### **What are the First Homes criteria?**

*The First Homes criteria are the minimum requirements a housing unit must meet in order to qualify as a First Home. Affordable Housing Update Written Ministerial Statement published on 24 May 2021, the national standards for a First Home are that:*

*a) a First Home must be discounted by a minimum of 30% against the market value;*

*b) after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London); and,*

*c) the home is sold to a person who meets the First Homes eligibility criteria, as set out in first 2 paragraphs under First Homes eligibility criteria.*

Planning Practice Guidance, ID: 70-002-20210524

1.13 It goes on at paragraph 4 to outline that:

#### ***Can the required minimum discount be changed?***

*In order to qualify as a First Home, a property must be sold at least 30% below the open market value. Therefore, the required minimum discount cannot be below 30%.*

*However, the First Homes Written Ministerial Statement does give local authorities and neighbourhood planning groups the discretion to require a higher minimum discount of either 40% or 50% if they can demonstrate a need for this. As part of their plan-making process, local planning authorities should undertake a housing need assessment to take into account the need for a range of housing types and tenures, including various affordable housing tenures (such as First Homes). Specific demographic data is available on open data communities which can be used to inform this process. The assessment will enable an evidence-based planning judgement to be made about the need for a higher minimum discount level in the area, and how it can meet the needs of different demographic and social groups.*

*In such circumstances, the minimum discount level should be fixed at either 40% or 50% below market value and should not be set at any other value. In each case, these percentages represent the minimum discount required for a home to qualify as a First Home. Developers who are able to offer higher discounts within their contributions should be free to do so but the local authority cannot require this. In such cases, whatever discount (as a percentage of market value) is given at the first disposal should be the same at each subsequent sale. These minimum discounts should apply to the entire local plan area (except if Neighbourhood Plans are in place in certain areas) and should not be changed on a site-by-site basis.*

*If local authorities or neighbourhood planning groups choose to revise their required minimum discounts in any future alterations to their plans, this should not affect the minimum discounts required for previously sold First Homes when they come to be resold, as these will be bound by the section 106 agreements entered into at the time of their first sale.*

Planning Practice Guidance, ID: 70-004-20210524

1.14 It further outlines at paragraph 7 that:

#### ***Who is eligible to purchase a First Home?***

*A purchaser (or, if a joint purchase, all the purchasers) of a First Home should be a first-time buyer as defined in paragraph 6 of schedule 6ZA of the Finance Act 2003 for the purposes of Stamp Duty Relief for first-time buyers.*

*Purchasers of First Homes, whether individuals, couples or group purchasers, should have a combined annual household income not exceeding £80,000 (or £90,000 in Greater London) in the tax year immediately preceding the year of purchase.*

*A purchaser of a First Home should have a mortgage or home purchase plan (if required to comply with Islamic law) to fund a minimum of 50% of the discounted purchase price.*

*These national standard criteria should also apply at all future sales of a First Home.*

**Planning Practice Guidance, ID: 70-007-20210524**

- 1.15 Therefore, in London, First Homes are newbuild dwellings which must be sold for no more than £420,000 after discount and can be developed with either a 30%, 40%, or 50% discount on full open market prices and must be sold to qualifying households with incomes of less than £90,000.
- 1.16 A key question in a high property price area such as Camden is whether First Homes can be delivered within the cap of £420,000 and how many households could potentially access them if they are delivered. It is also important to consider if First Homes will address genuine affordable housing needs, will they have any impact on viability and will they have any equalities impacts. These issues are all also considered in this report after considering the potential demand for First Homes.

## Assessing Housing Needs in London

- 1.17 Paragraph 61 of the National Planning Policy Framework expects strategic policy-making authorities to follow the standard method in the Planning Practice Guidance for assessing local housing need.
- 1.18 PPG on Housing and Economic Needs Assessment (paragraph 013) sets out that local housing need assessments may cover more than one area, in particular where strategic policies are being produced jointly, or where spatial development strategies are prepared by elected Mayors. In such cases, it will be for the relevant strategic policy-making authority to distribute the total housing requirement which is then arrived at across the plan area. Where a spatial development strategy has been published, local planning authorities should use the local housing need figure in the spatial development strategy and should not seek to re-visit their local housing need figure.
- 1.19 The Strategic Planning Authority for London is the Greater London Authority and the London Plan is the statutory spatial development strategy for London. The GLA have produced a Greater London SHMA (2017) an SHMA Addendum in 2019, and the GLA's Housing Supplementary Planning Guidance 2016.
- 1.20 The Mayor's draft new London Plan was subject to examination in 2019. The Inspectors issued their report and recommendations to the Mayor on 8<sup>th</sup> October 2019 concluding that, subject to limited changes, it provides an appropriate basis for the strategic planning of Greater London. The Mayor has considered the Inspectors' recommendations and, on the 9<sup>th</sup> December 2019, issued to the Secretary of State his Intend to Publish London Plan. Following consultation between the Mayor and the Secretary of State, the Secretary of State accepted that the London Plan could be published on 29<sup>th</sup> January 2021, and it was formally published on March 2<sup>nd</sup> 2021 as the London Plan 2021.
- 1.21 The London Plan sets out a need for 66,000 additional homes per year in London from 2016 to 2041. This is based on the 2017 London Strategic Housing Market Assessment (SHMA). The Inspectors noted that the SHMA does not follow the guidance in the PPG on assessing objectively assessed need. However, they noted that establishing future need for housing is not an exact science and the PPG acknowledges that no single approach will provide a definitive answer. The Inspectors concluded in para 133 of their report that the need for 66,000 additional homes per year identified by the SHMA is justified and has been properly calculated for market and affordable housing having regard to national policy and guidance.

<sup>1.22</sup> In terms of size and tenure mix, the 2017 London SHMA was summarised in Table 1, which we have reproduced below as Figure 1. This study was produced before the changes in the NPPF in 2018 onwards, so does not consider those who can afford to rent, but who aspire to own. However, it does form part of a recently adopted plan, so any more recent national policy changes do not have to be implemented immediately.

**Figure 1: Net annualised requirement for new homes in London, 2016 to 2041 (Source: 2017 London Strategic Housing Market Assessment: Mayor of London)**

	Low Cost Rent	Intermediate	Market	Total
1 bedroom	21,318	4,334	10,682	36,335
2 bedrooms	5,311	3,434	2,043	10,788
3 bedrooms	2,462	2,409	4,101	8,971
4+ bedrooms	1,881	1,693	6,210	9,783
<b>DWELLINGS</b>	<b>30,972</b>	<b>11,869</b>	<b>23,037</b>	<b>65,878</b>

<sup>1.23</sup> The London Plan sets out ten-year housing targets for individual Boroughs using a capacity-based methodology. Policy H1 of the London Plan sets the ten-year targets for net housing completions that each local planning authority should plan for. It states that Boroughs must include these targets in their Development Plan targets.

<sup>1.24</sup> From the point of view of this study, the London Plan sets a 10-year housing target at Table 4.1 for net housing completions (2019/20-2028/29). In the case of Camden, this is 10,380 dwellings, or 1,038 dwellings per annum. It is this annual figure which we have used over the 18 year period 2021-2039 as the basis for the total dwelling needs of Camden. This equates to 18,684 additional homes in total.



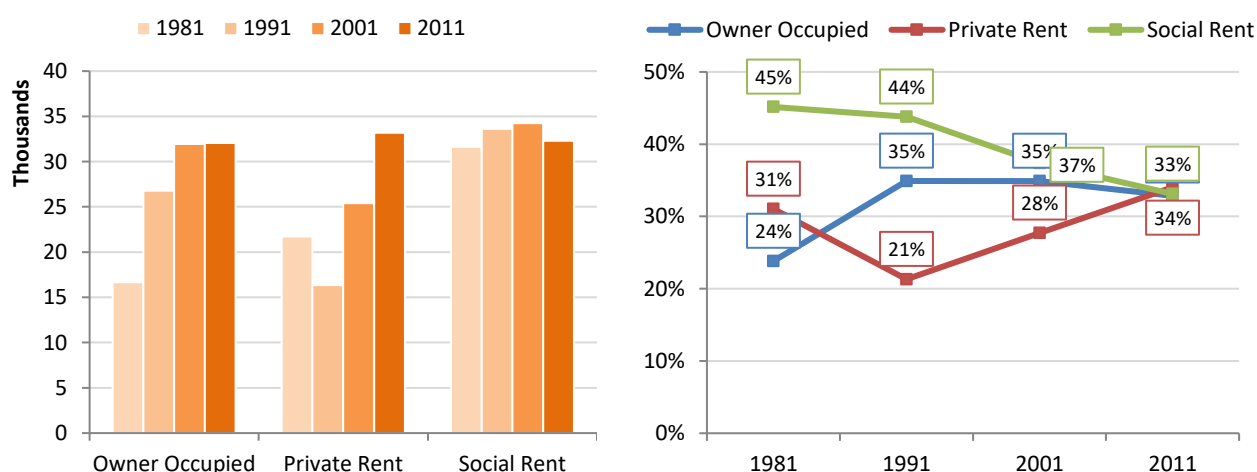
## 2. Local Housing Market

### Housing options and cost of housing in Camden

#### Housing Tenure Trends

<sup>2.1</sup> Clear trends are evident in the local data for Camden, even while recognising that the 2011 Census is now over 10 years and that the 2021 Census will be released in the spring of 2022. Figure 2 to Figure 4 show that there has been a steady increase in the overall number of owner occupiers since 1981, but that this slowed to almost zero between 2001 and 2011. The proportional numbers of social renters decreased 1981-2001 (likely in part as a result of the introduction of the Right-to-Buy in 1980), with the total number of social rented households barely higher in 2011 than 1981. More recent products such as Affordable Rent had not been introduced in 2011. In comparison, the proportion of private renters has grown sharply since 1991.

**Figure 2: Number of Households by Tenure in Camden 1981-2011 (Source: UK Census of Population)** **Figure 3: Percentage of Households by Tenure in Camden 1981-2011 (Source: UK Census of Population)**



**Figure 4: Households by Tenure for Camden 1981-2011 (Source: UK Census of Population)**

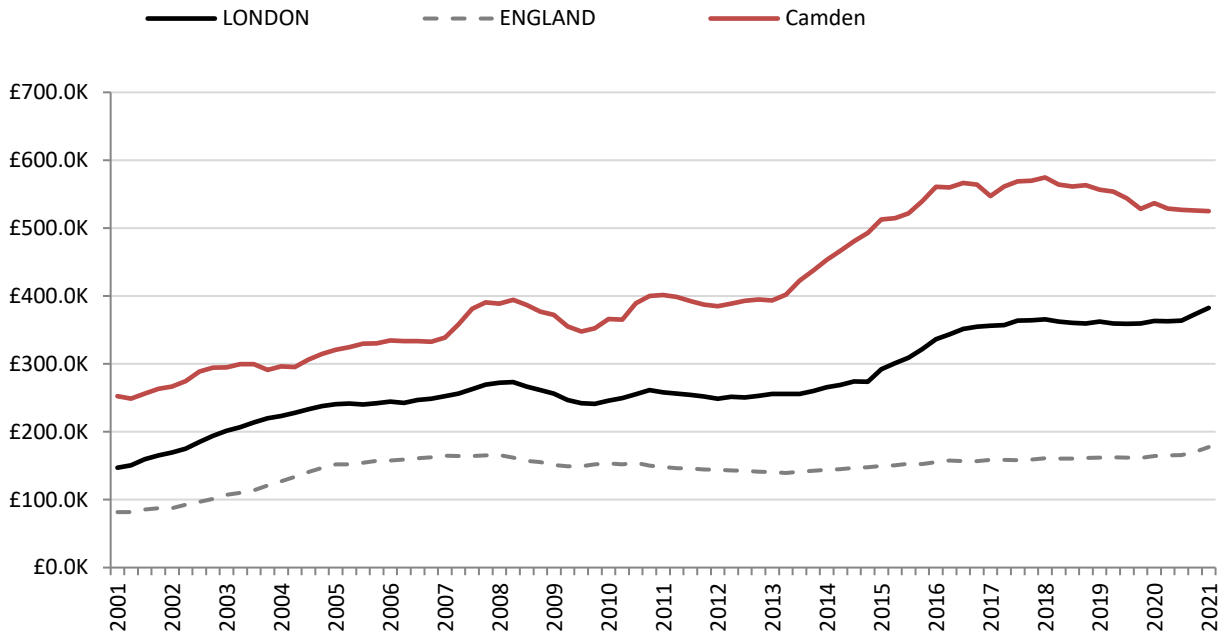
Tenure	Total Households				Net Change		
	1981	1991	2001	2011	1981-1991	1991-2001	2001-2011
Owner occupied	16,683	26,796	31,967	32,042	+10,113	+5,171	+75
Private rent	21,732	16,358	25,395	33,197	-5,374	+9,037	+7,802
Social rent	31,622	33,609	34,241	32,295	+1,987	+632	-1,946
<b>TOTAL</b>	<b>70,037</b>	<b>76,763</b>	<b>91,603</b>	<b>97,534</b>	<b>+6,726</b>	<b>+14,840</b>	<b>+5,931</b>
Owner occupied	23.8%	34.9%	34.9%	32.9%	+11.1%	+0.0%	-2.0%
Private rent	31.0%	21.3%	27.7%	34.0%	-9.7%	+6.4%	+6.3%
Social rent	45.2%	43.8%	37.4%	33.1%	-1.4%	-6.4%	-4.3%

#### Cost of Home Ownership

<sup>2.2</sup> House price trends (2001-2021) are shown in Figure 5 based on lower quartile house prices. Lower quartile prices are used to consider the entry level price for home ownership. Of course, the value of money has also changed during this period, so the data is adjusted to take account of and remove the impact of inflation; therefore, the values reflect real changes in house prices since 2001.

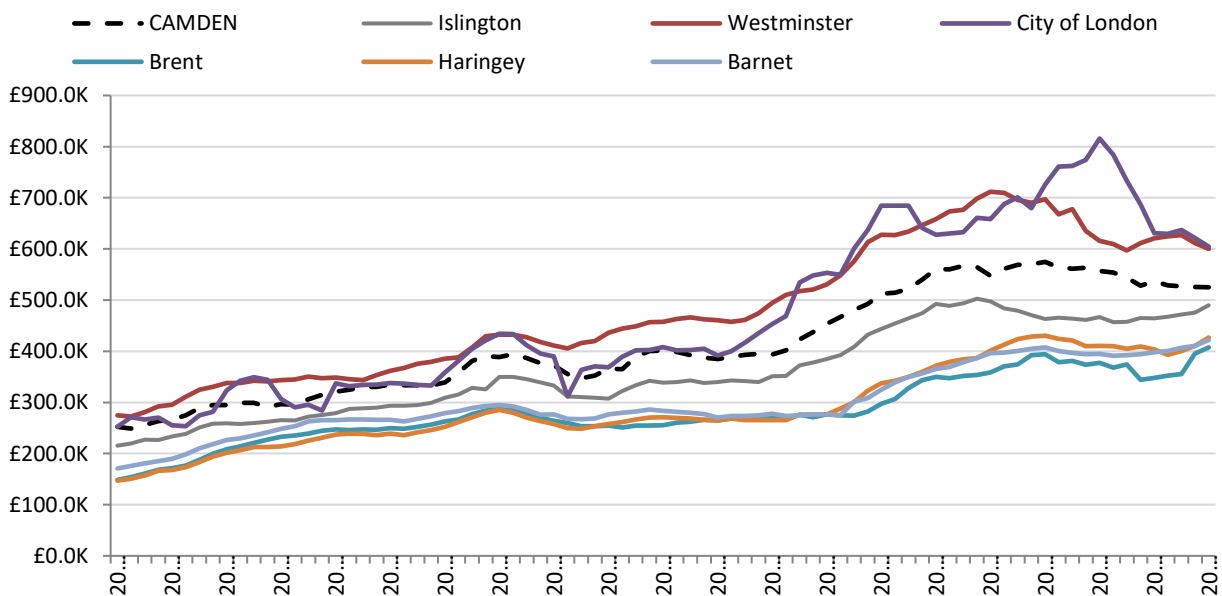
<sup>2.3</sup> It is evident that real house prices in Camden increased substantially in the period 2001-2008 and have been consistently higher than the London and England prices. Values reduced during the economic downturn to around £347,000 by mid-2009, but have since increased to a value of £570,800 by mid-2018 before reducing in 2019-2021.

**Figure 5: Real House Price Trends: Lower Quartile Prices adjusted to 2019 values using CPI (Source: ONS; Bank of England)**



<sup>2.4</sup> To set the prices for Camden in a wider context, we have compared them to those for its neighbouring boroughs. While Westminster and City of London prices are higher, the majority of neighbouring boroughs do have lower prices, so households who cannot afford Camden do have alternatives which they may consider.

**Figure 6: Real House Price Trends: Lower Quartile Prices adjusted to 2019 values using CPI (Source: ONS; Bank of England)**

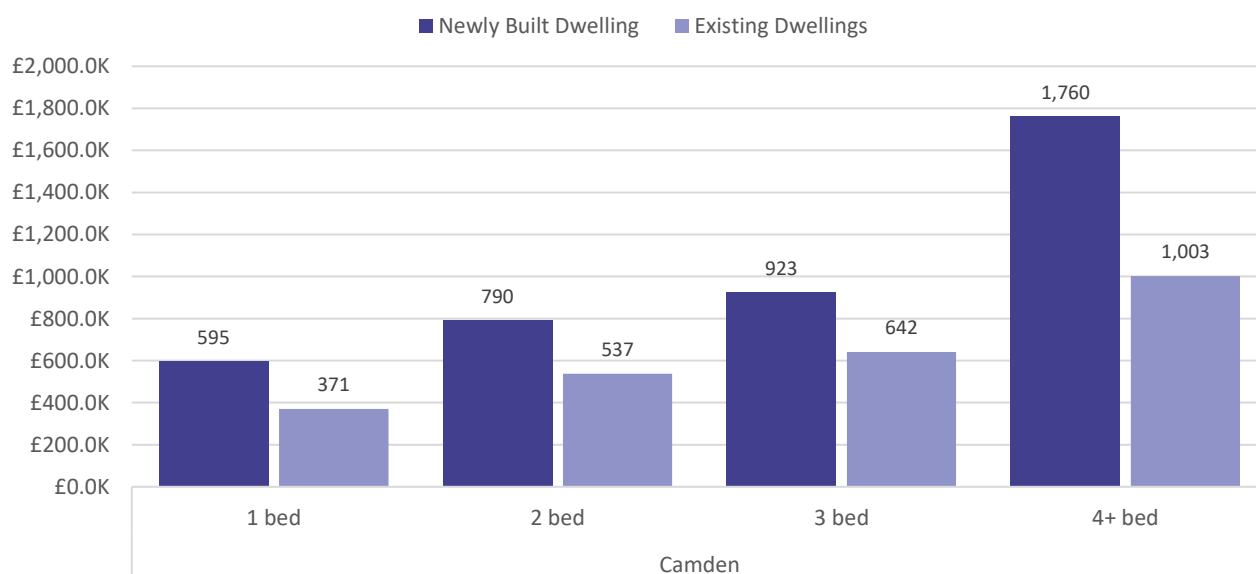


<sup>2.5</sup> Figure 7 shows the lower quartile house prices by bedroom size. The data shows both the lower quartile price for existing properties and new build dwellings, with prices taken from the Land Registry records for

the sales prices of individual properties. When considering first time buyers in particular, many of the purchasers are likely to be newly forming households seeking one and two bed properties, although some will seek larger properties. As discussed in the introduction, schemes such as the new First Homes product which sells new homes at a 30% or more discount compared to market prices to local first-time buyers may make home ownership more accessible for this group and the lower quartile house prices would form the entry point for products such as this as well.

- 2.6 The degree to which new build properties are more expensive than existing homes varies considerably by size of dwelling. This is likely to be down to a range of factors which include the location of newbuild housing, the relative size of properties, gardens and the availability of parking, comparative quality and condition of existing stock, and other intangible issues such as character. In general, new build properties are more expensive than existing dwellings across England, but the uplifts range from 43% for 3 bedrooms to 75% for 4+ bedrooms and these figures are exceptionally high. What they mean is that taking a newbuild home and reducing the price through a product such as First Homes brings the cost down to a level not that far below the cost of 100% of a second hand home. It will of course be the case that any newbuild premium will gradually reduce over time.

**Figure 7: Lower quartile prices (adjusted to 2021 values using CPI) for existing dwellings and newly built dwellings (2019-21) by property size in Camden (Source: ORS based on ONS House Price Statistics, Valuation Office Agency and Land Registry Price Paid Data)**



## Income Needed for Home Ownership

- 2.7 The income needed to purchase market housing will depend on the house price together with the mortgage income multiplier and the available deposit (or percentage loan to value).
- 2.8 To give an illustrative example (based on Camden prices), taking an existing 1-bedroom property:
- » The lower quartile price recorded was £371,000;
  - » Based on a 90% loan-to-value mortgage, a deposit of £31,700 would be needed (equivalent to 10% of the overall price) with the mortgage covering the remaining £333,900.
  - » Using a mortgage income multiplier of 3.5x would therefore need an annual income of £95,400.

- 2.9 Whilst some households will have higher deposits available and others will seek to extend their borrowing as far as possible, taking the initial assumptions of a 10% deposit and a 3.5x mortgage multiplier provides a reasonable indication of the income that first-time buyer households are likely to need in order to afford home ownership.
- 2.10 Based on these assumptions, Figure 8 shows the household income levels needed to buy 1 and 2 bedrooms properties in terms of both existing dwellings and newly built dwellings in Camden. When purchasing larger homes, households will typically have larger deposits available which often include equity from the sale of a smaller property. If households have recourse to a larger deposit, and the loan remains at the same multiple of their salary, then the income they need will reduce. Inversely, if the deposit the household can raise is smaller, the income they need will be higher. On this basis, it is relatively artificial to consider incomes in isolation.

**Figure 8: Annual income required to afford properties based on a 10% deposit and 3.5 times income mortgage by property size (Source: ORS based on ONS House Price Statistics, Valuation Office Agency and Land Registry Price Paid Data)**

Property Type	Annual Household Income Needed to Own at Lower Quartile Prices: Camden
<b>NEWLY BUILT DWELLINGS</b>	
1 bedroom	£152,900
2 bedrooms	£203,000
<b>EXISTING DWELLINGS</b>	
1 bedroom	£95,400
2 bedrooms	£138,200

## Income Needed for First Homes

- 2.11 As noted in the introduction, First Homes can be sold with a 30%, 40% or 50% discount. Taking a 1 bedroom property in Camden, the lower quartile newbuild price is £595,000. Taking a 30% discount on this price, would see a figure of £416,500, so just under the absolute cap. However, a 40% discount would reduce the price to £357,000 and a 50% discount would give a price of £297,500. Therefore, a First Homes with either a 40% or 50% discount is under the price cap for a 1 bedroom property.
- 2.12 However, for a 2 bedroom property, even a 50% discount only brings the entry price down to £395,000, with a 30% discount giving a price of £553,000 and a 40% discount giving a price of £474,000. Therefore, for a 2 bedroom property, only a 50% discount brings the price down under the absolute price cap for London.
- 2.13 For larger properties, even a 50% discount does not bring the First Homes price down below the £420,000 cap. Therefore, in Camden, First Homes can at best be delivered as 1 and 2 bedroom properties and for 2 bedrooms this would only fit within the cap if there were a 50% discount on market prices. This clearly limits the deliverability of First Homes in the area. However, this is based on lower quartile new-build property prices across the borough as a whole. There may be some locations in the borough where 1 and 2-bedroom First Homes could not be delivered below the £420,000 price cap and some locations where 1, 2 and 3-bedroom First Homes could be delivered below the price cap due to price variations in different areas.
- 2.14 A further question is then how large a mortgage a household is allowed to borrow. In the rest of England, the caps for affordability are set at £80,000 household income and £250,000 property price, imply a mortgage to income ratio of around 3. However, in London the caps are set at £90,000 household income and £420,000

property prices. Allowing for a 10% deposit this would set the mortgage to income ratio at 4.2 times, so households are potentially projected to spend a higher share of their income than in the rest of England.

- 2.15 The figures set out in Figure 8 are based upon a mortgage to income ratio of 3.5 times and a 10% deposit, but these figures can clearly be varied as appropriate. In Figure 9 we consider how different deposit rates and different mortgages to income multipliers would impact upon the income needed for 1 and 2 bed properties for First Homes with a 50% discount on lower quartile market prices. These income levels are therefore those required for the entry level market newbuild housing using the largest discount possible.
- 2.16 This shows that 2 bedroom properties only start to come within the £90,000 income cap if we assume that households are borrowing over 4 times their income as a mortgage. For example, if the household makes a 5% deposit and borrows 4.5 times their income as a mortgage, then they would still need an income of £83,800 to be able afford the property cost of £395,000. For 1 bedroom properties, the cap of £90,000 is met with mortgages over 3 times income, so if for example the households deposits 10% of the discounted price and obtains a 3.5 times income mortgage then they would require an income of £76,500 to afford the First Homes price of £297,500.

**Figure 9: Annual income required to afford properties based on a First Homes with a 50% discount on lower quartile market prices (Source: ORS based on ONS House Price Statistics, Valuation Office Agency and Land Registry Price Paid Data)**

Property Type	Annual Household Income Needed for 3 Times Income Mortgage	Annual Household Income Needed for 3.5 Times Income Mortgage	Annual Household Income Needed for 4 Times Income Mortgage	Annual Household Income Needed for 4.5 Times Income Mortgage
<b>NEWLY BUILT DWELLINGS 5% DEPOSIT</b>				
1 bedroom	£94,200	£80,800	£70,700	£62,800
2 bedrooms	£125,100	£107,200	£93,800	£83,800
<b>NEWLY BUILT DWELLINGS 10% DEPOSIT</b>				
1 bedroom	£89,300	£76,500	£66,900	£59,500
2 bedrooms	£118,500	£101,600	£88,900	£79,000

- 2.17 Therefore, the conclusions of this analysis is that 2 bedroom First Homes can be delivered in Camden, but that they would only just be within the absolute price cap of £420,000 and would require mortgages with a ratio to income of over 4 to stay within the £90,000 cap. 1 bedroom properties can be delivered within the £420,000 price cap and £90,000 income cap and could apply to households with income as low as £60,000 per annum.

## Cost of Renting

- 2.18 As a comparison with the cost of First Homes we have also considered the cost of renting in Camden. Figure 10 sets out the weekly rents for different property sizes. The two key affordable housing products available in Camden are London Affordable Rent<sup>1</sup> and Camden Intermediate Rent<sup>2</sup>.

**Figure 10: Weekly rent thresholds 2021 (Source: Private Rental Market Statistics, Valuation Office Agency; GLA, Regulator of Social Housing. Note: Private rent data excludes housing benefit funded tenancies)**

Weekly Rent £	Median Private Rent	Lower Quartile Private Rent	Camden Inter- mediate Rent	Affordable Rent	London Affordable Rents	Social Rent
<b>CAMDEN</b>						
1 bedroom	£333.47	£298.97	£229.00	£207.85	£161.71	£122.66
2 bedrooms	£459.96	£376.02	£269.00	£228.72	£171.20	£135.85
3 bedrooms	£585.30	£468.47	£323.00	£211.15	£180.72	£145.61
4+ bedrooms	£724.90	£473.53	£323.00	£253.77	£190.23	£158.37

- 2.19 It is evident that for all property sizes, the median private rent is the highest followed in turn by the lower quartile private rent, Camden Intermediate Rent and London Affordable Rent.

### Income Needed for Other Types of Housing

- 2.20 Another housing option that could be made available in Camden, thereby increasing the variety of products available, is Build to Rent. Build to Rent is defined by the NPPF Glossary as:

***Build to Rent:*** purpose-built housing that is typically 100% rented out.

*Schemes will usually offer longer tenancy agreements of three years or more, and will typically be professionally managed stock in single ownership and management control.*

NPPF 2021(Glossary)

- 2.21 Build to Rent housing tends to be somewhat more expensive than median rents (typically more comparable to upper quartile rents). Occupants tend to be those that can afford these higher rents, but are not currently seeking to own a property, since the income required to service such rents is typically in excess of that required to get onto the housing ladder through Low Cost Home Ownership options.
- 2.22 The National Planning Policy Framework states that affordable housing on build to rent schemes should be provided in the form of affordable private rent, but currently none exists in Camden. The PPG offers a “generally suitable” benchmark that 20% of any given build to rent scheme should be provided as affordable rent (maintained in perpetuity). However, Policy H11 of the London Plan applies the Mayor's threshold approach to Build to Rent schemes, which amounts to a benchmark of 35% affordable housing on most sites (50% for public land and industrial land). In terms of setting affordable rent levels, national affordable

<sup>1</sup> Since November 2016, in London, the national definition of Affordable Rent has largely been replaced by London Affordable Rent for new developments - and the benchmarks for London Affordable Rent are set at a London wide level and in Camden are closer to target Social Rents than they are to the national Affordable Rent levels.

<sup>2</sup> Camden Intermediate Rent is targeted to households with incomes between £30,000 and £40,000, and available to households with incomes of up to £60,000 per annum – income levels are subject to updates based on wage inflation and the upper income cap set by the London Plan and London Plan Annual Monitoring Report.

housing policy requires a rent discount of at least 20% for affordable private rent homes relative to local market rents (inclusive of service charges)<sup>3</sup>.

- <sup>2.23</sup> However, the affordability of these affordable Build to Rent options is highly dependent on the rent being discounted. Research by JLL<sup>4</sup> shows that the average Build to Rent option is 9.3% more expensive than the median rent. If it is assumed that these rent levels were to be the case in Camden, and a discount of 20% were to be applied to these rents (as is suggested by the NPPF) for the affordable units, then the range of rental costs available would be as Figure 11:

**Figure 11: Weekly rent thresholds in Camden (Source: Valuation Office Agency 2020-21; GLA, London Borough of Camden, JLL)**

Weekly Rent £	Upper Quartile Private Rent	Build to Rent (Median + 9.3%)	Median Private Rent	Local Housing Allowance	Lower Quartile Private Rent	Affordable Build to Rent (20% discount)	Camden Inter- mediate Rent	London Affordable Rents
1 bedroom	£423.62	£364.48	£333.47	£295.49	£298.97	£291.59	£229.00	£161.71
2 bedrooms	£574.95	£502.74	£459.96	£365.92	£376.02	£402.19	£269.00	£171.20
3 bedrooms	£752.49	£639.73	£585.30	£441.86	£468.47	£511.78	£323.00	£180.72
4+ bedrooms	£1,021.57	£792.31	£724.90	£593.75	£473.53	£633.85	£323.00	£190.23

- <sup>2.24</sup> The local housing allowance would be insufficient to cover the costs of affordable Build to Rent units for all dwelling types, but the affordable element could potentially be capped at the LHA rate. As such, the promotion of build to rent could be a potentially useful mechanism for bringing forward affordable housing options, particularly for households requiring smaller properties.
- <sup>2.25</sup> In terms of pricing, build to rent options in Camden are cheaper than the equivalent to upper quartile private rents and are also more accessible than affordable home ownership options.

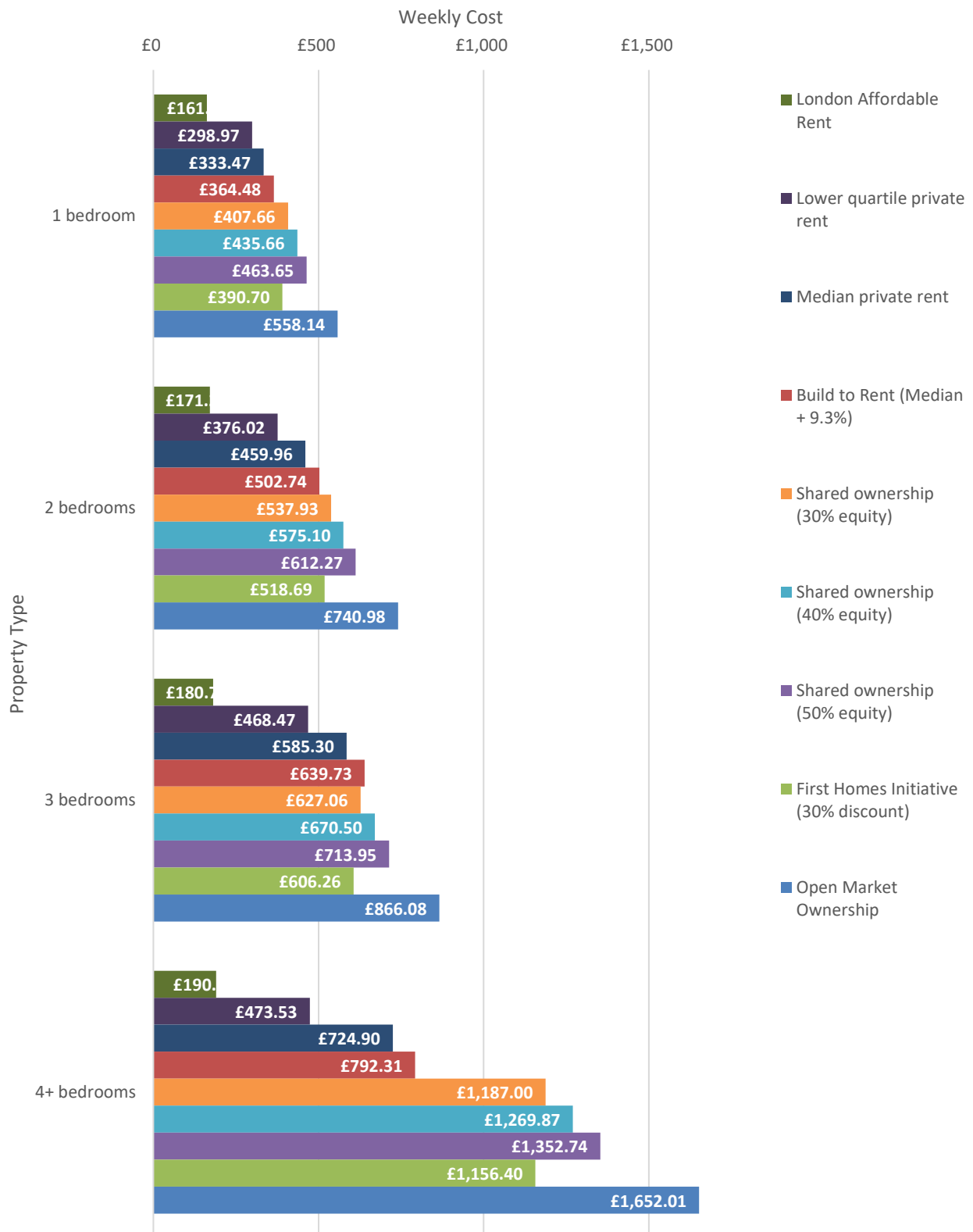
## Summary of Housing Costs

- <sup>2.26</sup> This chapter has considered in some detail the cost of housing depending on tenure type and property size. Figure 12 summarises these costs for each property size.

<sup>3</sup> The London Plan indicates a preference for affordable private rent to be set at the level of London Living Rent, which is broadly similar to Camden Intermediate Rent (but with rents set by the Mayor of London), however this is not a specific policy requirement.

<sup>4</sup> <https://www.jll.co.uk/content/dam/jll-com/documents/pdf/research/emea/uk/jll-residential-insight-build-to-rent.pdf>

Figure 12: Comparison of weekly housing costs in Camden by property size (Source: VOA 2019-2020, Land Registry, ORS model)



<sup>2.27</sup> Unsurprisingly, for each property size London Affordable Rent is the cheapest and open market ownership the most expensive in terms of weekly costs. Lower quartile and median market rent is cheaper than servicing the mortgage on a First Homes mortgage bought with a 30% discount in every property size.



- <sup>2.28</sup> The cost of shared ownership predictably varies depending on the equity size purchased, however the fact that it is more expensive on a weekly basis than First Homes for all three equity levels illustrated is evidence of the significance of the rent payable on the equity retained (along with service charges) on weekly costs. Nonetheless, shared ownership is much more flexible than First Homes because a household can buy smaller shares of the property and therefore may meet the needs of different households.
- <sup>2.29</sup> Overall, compared to rental options, the range of affordable home ownership products shown appear to be relatively inaccessible, and more expensive than renting.

# 3. Need for First Homes

## Identifying households who aspire to own

### Introduction

- 3.1 The definition of affordable housing was changed by the NPPF 2019, with a specific emphasis now placed on affordable homeownership. This was retained in the NPPF 2021 update and does not explicitly include First Homes. Annex 2 of the Revised NPPF now defines affordable housing as being:

#### **Affordable housing**

*Housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers)*

Revised NPPF 2021, Annex 2

- 3.2 To reflect this change, paragraphs of PPG were updated in February 2019. These were further updated with a new set of guidance on “Housing needs of different groups” published on 22nd July 2019<sup>5</sup>, which covered:
- » Addressing the need for different types of housing
  - » Affordable housing
  - » Rural Housing
- 3.3 Further guidance to reflect the need to consider First Homes was then added on May 24<sup>th</sup> 2021.
- 3.4 The changes between the archived PPG and the current revision are highlighted below:

#### **How can affordable housing need be calculated?**

*Strategic policy-making authorities will need to estimate the current number of households and projected number of households who lack their own housing or who cannot afford to meet their housing needs in the market.*

*The unmet (gross) need for affordable housing by assessing past trends and current estimates of:*

- » *the number of homeless households;*
- » *the number of those in priority need who are currently housed in temporary accommodation;*
- » *the number of households in over-crowded housing;*
- » *the number of concealed households;*
- » *the number of existing affordable housing tenants in need (i.e. householders currently housed in unsuitable dwellings); and*
- » *the number of households from other tenures in need and those that cannot afford their own homes, **either to rent, or to own, where that is their aspiration.***

Planning Practice Guidance, ID: 67-006-20190722

Emphasis added shows change first introduced in September 2018

<sup>5</sup> <https://www.gov.uk/guidance/housing-needs-of-different-groups#affordable-housing>

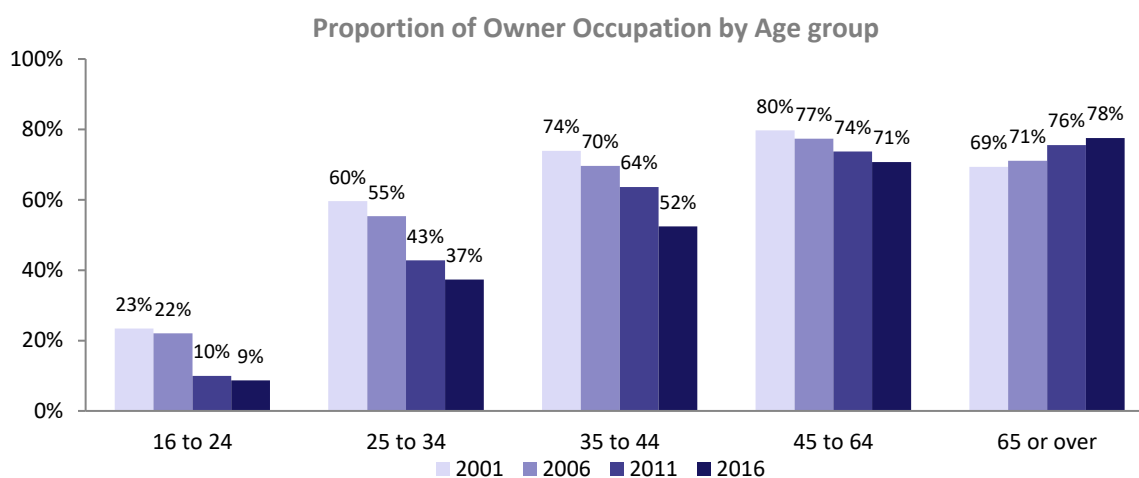
- 3.5 On this basis, it is clear that the assessment of affordable housing need must now consider those households who would like to own but are unable to do so, in addition to those households unable to afford to own or rent which have formed the longstanding basis for assessing affordable housing needs.

## Needs of Households Aspiring to Homeownership

### Home Ownership Trends

- 3.6 The new emphasis on households that cannot afford to own their home reflects Government concerns that the proportion of owner occupiers has reduced nationally over the last ten to fifteen years. Estimates from the English Housing Survey suggest that the proportion of owner occupiers nationally reduced from around 69% in 2006 to 65% in 2011 and to 63% by 2016. Over the same period the proportion of households renting from a social landlord also reduced from 19% to 17% whilst the proportion renting privately increased from 12% to 20%.
- 3.7 The proportion of owner occupiers varies by age with younger age groups less likely to own their home than older households. The real change is in the extent to which younger age groups owning their property has fallen over recent years whilst at the upper end of the age scale (aged 65 or over) home ownership has been increasing (Figure 13).

Figure 13: Percentage of Owner Occupiers in England by Age Group 2001-2016 (Source: English Housing Survey)



### Establishing the number of households aspiring to home ownership

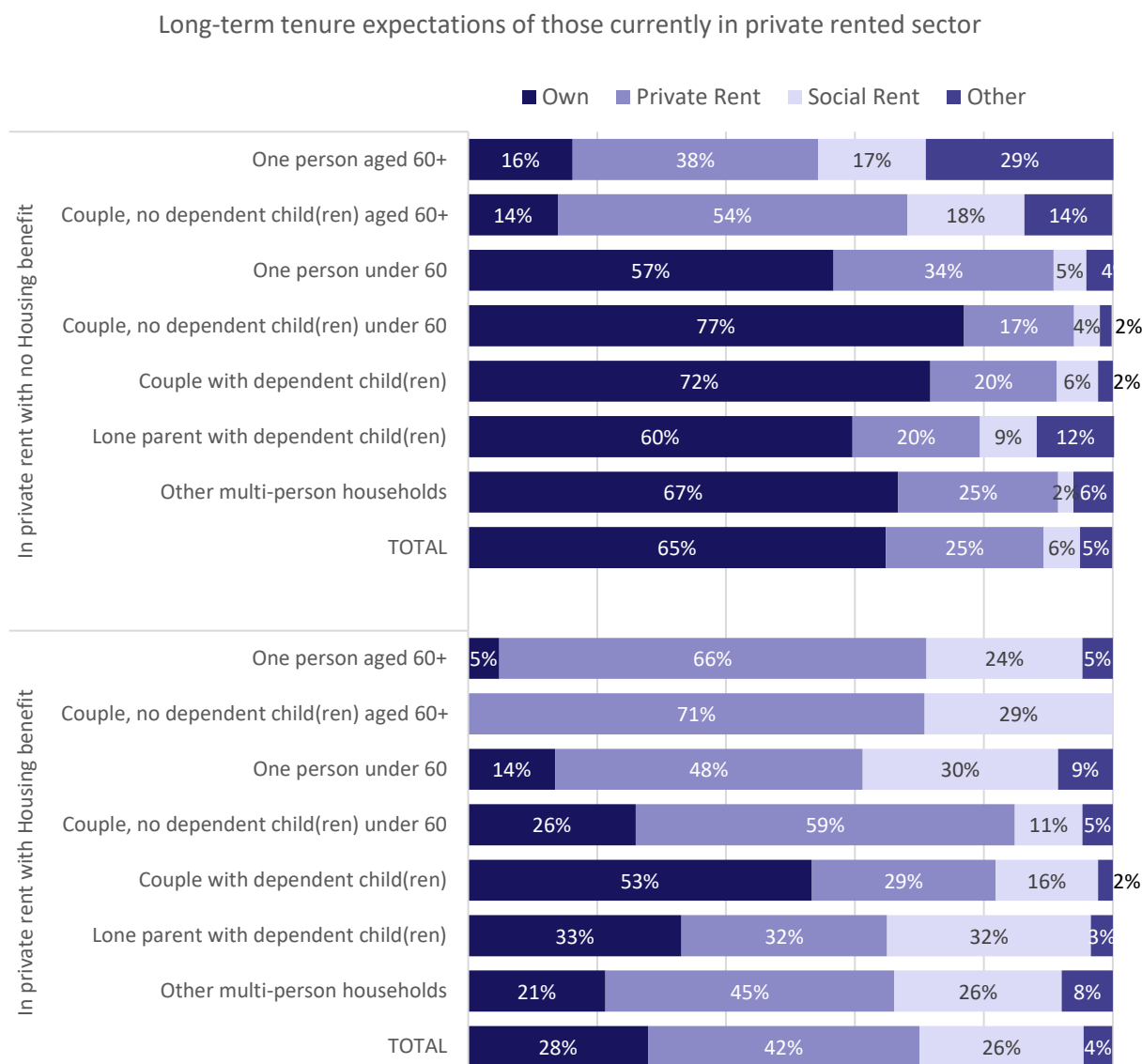
- 3.8 English Housing Survey data shows that, unsurprisingly, 96% of households who currently own their property wish to stay as owner occupiers in the long term. In terms of potential demand over half (54%) of households who rent privately and almost a fifth (18%) of those in social rented housing aspire to homeownership.

Figure 14: Long-term aspirations for England (Source: English Housing Survey 2013/4)

Current Tenure	Long-term Tenure Plan				
	Owner Occupier	Shared Ownership	Rent from Private Landlord	Rent from Social Landlord	Other
Owner occupied	96.1%	0.4%	0.7%	1.1%	1.6%
Private rent	53.5%	2.6%	28.8%	11.4%	3.8%
Social rent	18.1%	1.8%	1.9%	77.0%	1.1%

- 3.9 These figures relate to aspirations only and there is no test within the data as to whether this aspiration is affordable. It is therefore worth considering the responses of those currently in private rent in more detail with a view to understanding the types of household aspiring to buy. We focus upon those in private rent because they are the households who are most likely to be able to currently afford their own housing costs and not be able to afford to own. Households in Social Rent, London Affordable Rent and Camden Intermediate Rent may well aspire to ownership, but they represent much lower numbers and other schemes such as London Living Rent, Right to Buy and Right to Acquire may offer them a more realistic path to home ownership.
- 3.10 The following chart (Figure 15) shows long-term tenure aspirations of those in private rent by household type as well as whether they are currently in receipt of housing benefit.
- 3.11 Almost two in three (65%) of those who are currently renting privately and NOT receiving housing benefit wish to buy their own home in the future. The proportion is much lower for those households with an Household Representative Person (HRP) over 60 (averaging 15%) and slightly higher amongst couples under 60 (77% and 72% depending on whether or not there are dependent children in the household).
- 3.12 Just under three in ten (28%) of those households in the private rented sector and in receipt of housing benefit wish to buy their own home in the future. This increases to 53% of couples with dependent children.

**Figure 15: Long-term Tenure Expectation for those in the Private Rented Sector with and without Housing Benefit support for England (Source: English Housing Survey 2013-14. Note: Own includes shared ownership)**



## Additional Need for Affordable Homeownership

- <sup>3.13</sup> Through combining data on the number of households of each type in each age group living in private rented housing and paying their own rent in Camden in 2021 with the aspiration data from the EHS 2013-14, Figure 16 establishes the number of existing households likely to aspire to home ownership who can currently afford to pay their own rents<sup>6</sup>. Some of these households may be able to afford to become owner occupiers now, but have not done so and this is factored into the calculation below. It is important to recognise that all of these households are able to meet their own housing costs in the private rented sector, so would typically not be considered for Social or Affordable Rent. It is also important to recognise that these households aspire to own, but whether that is possible is not being tested at this stage, but we will proceed to test if First Homes can meet their need below.

<sup>6</sup> The data on the number of households in the private rented sector is drawn from the ORS Housing Model based upon 2011 Census, The EHS and VOA data.

**Figure 16: Households currently living in the Private Rented Sector in Camden and paying their own rent that aspire to home ownership in 2021 (Note: Figures may not sum due to rounding)**

Household Type	Age of Household Representative						TOTAL
	15-24	25-34	35-44	45-54	55-64	65+	
Single person	365	1150	2498	446	151	49	4659
Couple without children	538	4911	1271	265	129	58	7172
Families with child(ren)	104	312	993	344	0	0	1752
Other households	538	3878	253	38	66	0	4773
<b>Total</b>	<b>1,545</b>	<b>10,250</b>	<b>5,015</b>	<b>1,093</b>	<b>346</b>	<b>107</b>	<b>18,356</b>
<i>Percentage of households aspiring to own by age group</i>	9%	56%	27%	6%	2%	1%	100%

- 3.14 Based on this analysis, we can estimate that there is a total of around 18,356 households currently resident in Camden who cannot afford to own their own home but would aspire to do so. 65% are aged 15-34 with the substantial majority (92%) aged under 45.
- 3.15 In addition to the current need, it is also important to consider new households that are projected to form over the period 2021-2039. Through combining this data with the aspiration data from the EHS, we can conclude that it is likely that there would be a further 17,363 households that form over the 18-year period who will be able to afford to pay market rent but unable to afford to own, despite that being their aspiration. Overall, Figure 17 shows that there are likely to be 35,720 households who aspire to homeownership but who cannot afford to buy their own home over the period 2021-39, a net annual need of 1,984 per year. The vast majority of this group of private renters can be assumed to be potential first-time buyers, as it is far more common for a renter to become a homeowner (i.e. as a first-time buyer) than the reverse (i.e. entering the rental market having previously owned a home).
- 3.16 As noted earlier, the government have recently introduced First Homes; properties to be sold with at least a 30% discount to first-time buyers. While the figure of 35,720 households who aspire to homeownership in Camden sets an upper threshold for the number who could seek to access First Homes, it would still be the case that these households would require a deposit and to be able to afford to service the cost of a mortgage. We explore the importance of this point below.

**Figure 17: Assessing total need for affordable housing 2021-2039 (Source: ORS Housing Model)**

	Households aspiring to home ownership
Current housing need in 2021	18,356
Future housing need 2021-41	17,363
<b>TOTAL HOUSING NEED</b>	<b>35,720</b>

- 3.17 This represents a net annual need for 1,984 homes, which is more more than the annual growth of 1,038 households per annum identified by the London Plan capacity targets. This is due to a large proportion of this need being associated with the whole population as opposed to the projected new households, which is recognised by the PPG:

### **How does the housing need of particular groups relate to overall housing need calculated using the standard method?**

The standard method for assessing local housing need identifies an overall minimum average annual housing need figure but does not break this down into the housing need of individual groups. This guidance sets out advice on how plan-making authorities should identify and plan for the housing needs of particular groups of people.

This need may well exceed, or be proportionally high in relation to, the overall housing need figure calculated using the standard method. This is because the needs of particular groups will often be calculated having consideration to the whole population of an area as a baseline as opposed to the projected new households which form the baseline for the standard method. How can needs of different groups be planned for?

Strategic policy-making authorities will need to consider the extent to which the identified needs of specific groups can be addressed in the area, taking into account:

- » the overall level of need identified using the standard method (and whether the evidence suggests that a higher level of need ought to be considered);
- » the extent to which the overall housing need can be translated into a housing requirement figure for the plan period; and
- » the anticipated deliverability of different forms of provision, having regard to viability.

Planning Practice Guidance, ID 67-001-20190722

3.18 It is important to recognise that the figures for those who aspire to home ownership are based upon those households who currently can afford market rent. But these households would not necessarily choose new build Affordable Home Ownership if it was available, as some may prefer to secure full ownership in the less expensive second-hand housing market or neighbouring boroughs. Similarly, some households may not ultimately need affordable home ownership if their circumstances change to such a degree that they are eventually able to buy without financial assistance. It is also important to recognise that the identified demand could only be realised if Affordable Home Ownership products can be delivered at prices that are truly affordable in the area, in line with local house prices and incomes.

3.19 Figure 9 and paragraphs 2.11 to 2.13 show that in Camden, First Homes are only an option for 1 and 2 bedroom properties and only then if we assume very high mortgage to income ratios for those accessing 2 bedroom properties. Therefore, in Figure 18 we have excluded the potential demand for 3 and 4+ bedroom properties.

**Figure 18: Households aspiring to home ownership for properties within the £420,000 London First Homes price cap (Source: ORS Housing Model)**

	All households aspiring to home ownership	MINUS properties where First Homes are above the £420,000 cap	All households aspiring to home ownership for properties under First Homes cap
1 bedroom	15,822	0	15,822
2 bedrooms	17,693	0	17,693
3 bedrooms	1,598	1,598	0
4+ bedrooms	607	607	0
<b>TOTAL</b>	<b>35,720</b>	<b>2,205</b>	<b>33,515</b>

- 3.20 Figure 19 to Figure 21 then consider the ability of households to afford First Homes at 50% discounts, while having incomes under £90,000 and having at least some significant saving to contribute to a deposit. In order to profile affordability, income data from the English Housing Survey (2012-14) and ONS Survey of Personal Incomes (2014 and 2018) has been combined and modelled to establish the income distribution by household type and age. This excludes any income from housing benefit, as the analysis seeks to determine to what extent housing benefit would be needed by households in each group.
- 3.21 The only difference between the three charts is the mortgage to income loan ratio assumed:
- » For Figure 19 using a 3.5 times mortgage to income multiplier, the household would need an income between £76,500 and £90,000 for a 1 bedroom property and 2 bedroom properties cannot be obtained because they would require incomes over the £90,000 threshold;
  - » For Figure 20 using a 4 times mortgage to income multiplier, the household would need an income between £66,900 and £90,000 for a 1 bedroom property and £88,900 and £90,000 for a 2 bedroom properties so there is almost no gap in the market; and
  - » For Figure 21 using a 4.5 times mortgage to income multiplier, the household would need an income between £59,900 and £90,000 for a 1 bedroom property and £79,000 and £90,000 for 2 bedroom property.
- 3.22 We would note that Figure 19 to Figure 21 contain both an estimate of the number of households who potentially qualify for First Homes and also the number of dwellings they would require. The difference between these two numbers is that at any one time a small number of properties will be vacant, so we have assumed a vacancy rate of 3.6% which means more dwellings are needed than there are households.
- 3.23 The figures in each chart still represent a maximum, rather than a minimum need. They are for all households who may aspire to own and have income in the correct range to be able to afford the First Homes property and also have some savings. Many of these households may still meet their needs in the cheaper second hand market, or be unable to obtain a mortgage of up to 4.5 times their income or they may move to a cheaper neighbouring borough.

**Figure 19: Households aspiring to home ownership who have incomes sufficient to afford First Homes with a 3.5 times mortgage to income ratio and have incomes below £90,000 per annum (Source: ORS Housing Model)**

	All households aspiring to home ownership for properties under First Homes cap	MINUS properties where household cannot afford 50% of the property, or has an income over £90,000 or has no savings	All remaining households who can afford 50% of LQ prices, have incomes less than £90,000 and have savings	Dwellings
1 bedroom	15,822	14,769	1,053	1,093
2 bedrooms	17,693	17,693	0	0



3 bedrooms	0	0	0	0
4+ bedrooms	0	0	0	0
<b>TOTAL</b>	<b>33,515</b>	<b>32,400</b>	<b>1,053</b>	<b>1,093</b>

**Figure 20: Households aspiring to home ownership who have incomes sufficient to afford First Homes with a 4 times mortgage to income ratio and have incomes below £90,000 per annum (Source: ORS Housing Model)**

	All households aspiring to home ownership for properties under First Homes cap	MINUS properties where household cannot afford 50% of the property, or has an income over £90,000 or has no savings	All remaining households who can afford 50% of LQ prices, have incomes less than £90,000 and have savings	Dwellings
1 bedroom	15,822	14,196	1,626	1,684
2 bedrooms	17,693	17,631	62	64
3 bedrooms	0	0	0	0
4+ bedrooms	0	0	0	0
<b>TOTAL</b>	<b>33,515</b>	<b>31,827</b>	<b>1,688</b>	<b>1,748</b>

**Figure 21: Households aspiring to home ownership who have incomes sufficient to afford First Homes with a 4.5 times mortgage to income ratio and have incomes below £90,000 per annum (Source: ORS Housing Model)**

	All households aspiring to home ownership for properties under First Homes cap	MINUS properties where household cannot afford 50% of the property, or has an income over £90,000 or has no savings	All remaining households who can afford 50% of LQ prices, have incomes less than £90,000 and have savings	Dwellings
1 bedroom	15,822	13,843	1,979	2,053
2 bedrooms	17,693	17,275	418	434
3 bedrooms	0	0	0	0
4+ bedrooms	0	0	0	0
<b>TOTAL</b>	<b>33,515</b>	<b>31,118</b>	<b>2,397</b>	<b>2,487</b>

- <sup>3.24</sup> On the evidence set out above, First Homes in Camden would only be suitable for 1 bedroom properties and 2 bedroom properties if we assume that mortgages of over 4 times income to mortgage ratios are obtained. Taking an assumption that mortgage can be obtained at a ratio of 4.5 times income, there is a total need for 2,487 properties over 18 years, which would equate to 138 dwellings per annum. That in turn equates to 13% of the total London Plan capacity target of 1,038 dwellings per annum for Camden, so does represent a substantial potential gap in the market.
- <sup>3.25</sup> Therefore, there is potential demand for First Homes properties, but the occupiers would require household incomes of £60,000-£90,000, as shown in Figure 9. Therefore, First Homes would be potentially meeting the needs of a different range of Households from London Affordable Rent and also Camden Intermediate Rent.

# 4. Policy Conclusions

## Summary and conclusions

### The Demand for First Homes

- 4.1 Within Camden, there are currently two main affordable housing products being delivered as newbuild properties. London Affordable Rent is for households with low incomes who are eligible for social rented housing and are allocated in accordance with need (as assessed through the borough's allocations policy) and Camden Intermediate Rent, made available to households with incomes between around £30,000 and £60,000 per annum (subject to annual updates).
- 4.2 First Homes have a maximum property price after discount of £420,000 and a maximum household income of up to £90,000. Figure 19 to Figure 21 demonstrate that if it is assumed that mortgages are set at a maximum of 4 times incomes there is a potential demand for 1 bedroom properties in Camden delivered as First Homes with a 50% discount on market prices. If we assume that mortgages are available at multiples of more than 4 times income then there is also a potential demand for 2 bedroom properties in Camden delivered as First Homes with a 50% discount on market prices.
- 4.3 Therefore, there is potential demand for First Homes properties which could be as high as 138 homes per year, but the occupiers would require household incomes of £60,000-£90,000<sup>7</sup>. Therefore, First Homes would be potentially meeting the needs of a different range of Households from London Affordable Rent and also Camden Intermediate Rent, which is made available to households with incomes between around £30,000 and £60,000 per annum (subject to annual updates). Camden has a very large current private rented sector and First Homes provide an alternative affordable housing product which could meet the needs of private renters who would not be considered for other affordable housing products in the Borough.
- 4.4 The potential demand for First Homes needs to be considered in the context of the need for other types of affordable housing (which First Homes would displace), and the overall level of affordable housing likely to be delivered. National guidance indicates that where First Homes are proposed, local planning authorities should continue to seek social rented homes in accordance with their local plans (Planning Practice Guidance ID: 70-015-20210524). In Camden, as policies apply a single 60% target for social rent and London Affordable Rent, any First Homes proposed would be expected to displace housing for intermediate rent such as Camden Intermediate Rent.
- 4.5 Evidence from the Camden Strategic Housing Market Assessment (SHMA) 2016 indicated that for the fifteen year period 2016-2031, Camden had a need for 10,200 additional affordable homes to rent (680 per year), which equates to 61% of the overall need for 16,800 additional homes. A later phase of this study will update the need for affordable homes to rent. However, comparable data is also available in the 2017 London Strategic Housing Market Assessment, and presented in Figure 1 above. This indicates an annual need across London for 30,072 low cost rented homes (social rent and London Affordable Rent), which equates to 47% of the overall annual need for 65,878 additional homes.
- 4.6 Camden has provided data on the numbers of additional self-contained homes completed in the borough for the five year period 2016-2021. This indicates that 926 additional affordable homes were completed

---

<sup>7</sup> Figure 9 sets out why the minimum income for First Homes in Camden is likely to be around £60,000.

(including 253 intermediate homes, overwhelmingly for rent), which equates to 21% of the overall delivery of 4,453 additional homes. The annualised supply was 185 additional affordable homes, whereas the Camden SHMA 2016 indicated an annualised need for 680 additional affordable homes to rent. First Homes would therefore displace a proportion of Camden's supply of rented affordable homes which is already lagging very far behind the most recent assessments of need.

- 4.7 There would be clear trade-offs from delivering First Homes in place of affordable homes to rent and these have already been considered by Camden in their Planning Statement on the Intermediate Housing Strategy and First Homes (as adopted in March 2022). Annex A of this document considers the equality impact of First Homes, Annex B the alternatives available to households who could potentially access First Homes and Annex C the deliverability and viability impact of First Homes.
- 4.8 We will now consider each of these issues in turn.

## Equality Impact of First Homes

- 4.9 In Annex A, Camden analysed data from the Camden SHMA 2016 which was undertaken by ORS and included a household survey. The first issue explored by Camden in Annex A of the Camden in their Planning Statement on the Intermediate Housing Strategy and First Homes (as adopted in March 2022) relates to the proportions of households in particular groups that would be able to access Low Cost Home Ownership (such as First Homes) and the proportions that would only be able to afford London Affordable Rent or Camden Intermediate Rent. Annex A uses data about shared ownership from the Camden SHMA to make inferences about the likely affordability of First Homes.
- 4.10 Figure 12 of the current report shows that First Homes are likely to be slightly more affordable than shared ownership with a 30% share, so households who were previously unable to afford shared ownership may be able to afford First Homes. However, both products have caps at £90,000 per annum, so in practice both are only a consideration for households earning £60,000-£90,000 and requiring a 1 bed or 2 bed property<sup>8</sup>. This in turn implies that the principal market for First Homes is likely to be younger working households without children who are seeking to buy smaller properties.
- 4.11 The Camden SHMA 2016 also shows that a disproportionate number of households from black and minority ethnic groups (BAME) live in social rent in the Borough. If adding First Homes to the affordable housing mix in Camden results in a lower number of London Affordable Rent or Camden Intermediate Rent properties being delivered then this will have a disproportionate impact on BAME households
- 4.12 Exactly the same conclusion can be drawn for lone parent families, with nearly three quarters currently living in social rent. If fewer social rented properties are delivered then this will have a negative impact on lone parent families.
- 4.13 Given that First Homes are only likely to be deliverable as 1 bed and 2 bed properties in Camden, there will also be a more general negative impact on families with children if First Homes sees fewer larger London Affordable Rent or Camden Intermediate Rent properties being delivered
- 4.14 First Homes is also a product which targets first time buyers. Therefore, it is unlikely to be of value to older persons.

---

<sup>8</sup> Figure 9 sets out why the minimum income for First Homes in Camden is likely to be around £60,000. Figure 12 shows that shared ownership with a 30% share will typically be more expensive than First Homes.

- 4.15 Equally, Annex A indicates that 74.9% of those with support needs live in the social rented sector, and only an additional 4% could afford shared-ownership at a 25% equity share. Therefore, First Homes are unlikely to assist many households who have support needs.

## Alternatives to First Homes

- 4.16 Figure 5 shows that Camden's house prices are above those of London on average and also above those for all its neighbours, with the exception of City of London and Westminster. Meanwhile, Figure 7 shows an enormous difference between prices in the second hand market in Camden and the cost of newbuild properties.
- 4.17 On this basis, those with households incomes between £60,000 and £90,000 have two existing alternatives available to them if they wish to purchase properties. They can move to cheaper second hand stock in the borough, or they could seek a property in a neighbouring borough.

## Deliverability and Viability Considerations

- 4.18 Camden have commissioned a viability assessment of their draft Site Allocations Local Plan, which is being conducted by BNP Paribas, who have also provided an assessment of the impact of First Homes. In the first part of Planning Statement Annex C, Camden consider that the present capitalised value of Camden Intermediate Rent homes will be lower than the selling price of First Homes. Therefore, First Homes will not reduce the overall viability of affordable housing. However, it is still the case that to deliver First Homes a lower level of other affordable housing will still require to be delivered.
- 4.19 In the second part of Annex C, Camden examine the range of housing values across the borough, and their implications for the deliverability of First Homes in different parts of the borough. Based on data from BNP Paribas, Camden indicates that market values of new 1-bedroom homes in the borough range from £484,380 to £1,237,860, while values for 2-bedroom homes range from £678,132 to £1,733,004 and values for 3-bedroom homes range from £833,134 to £2,129,119. The analysis shows that:
- at the mid-point of the range of values, a 50% minimum discount would only enable studio flats to be delivered as First Homes below the £420,000 price cap, and would not deliver any larger homes;
  - at the bottom of the value range, a 50% minimum discount could potentially deliver 3-bedroom homes as First Homes just below the price cap (£416,567); and
  - at the top of the value range, a 50% discount would be unable to deliver any First Homes below the price cap, regardless of size.
- 4.20 Annex C therefore indicates that the potential to deliver First Homes varies significantly across the borough, and the development of any significant level of supply would be dependent on new development coming forward in the parts of the borough with the lowest housing values. We would note that the figures produced in Annex C are consistent with those used in Figure 7 which cover the whole of Camden. The data in Figure 7 derives from the same sales data as that used in Annex C, but covers a slightly different time period. However, the data in this report shows a very similar pattern of distribution across Camden, so First Homes can only be delivered in relatively small areas of the Borough.

## Overall Summary

- 4.21 There is a potential demand for around 138 First Homes per year for those households seeking 1 bed and 2 bed properties in Camden and who have household incomes between £60,000 and £90,000. First homes would provide affordable housing to households who typically would not be covered by London Affordable Rent and Camden Intermediate Rent. However, a likely outcome of providing First Homes is that fewer units of affordable housing will be provided for rent to those on lower incomes while those with incomes of £60,000 to £90,000 continue to have opportunities to meet their own housing needs in the second hand market in Camden or in neighbouring boroughs. Groups that are likely to require affordable housing to rent and relatively unlikely to be able to access First Homes include lone parent households with children, households with support needs due to a disability or longstanding illness, and households containing older people.
- 4.22 The potential demand for First Homes in Camden should be considered in the context of the scale of the need for affordable homes to rent, the overall delivery of additional affordable homes, and the potential for delivery of First Homes across the borough. The Camden SHMA 2016 indicated that there was an annual need for 680 additional affordable homes to rent, however from 2016-2021, only 185 additional affordable homes were delivered each year. It is apparent that the need for affordable homes to rent significantly outstrips the supply. A later phase of this study will update the need for affordable homes to rent.
- 4.23 In relation to the potential supply of First Homes, the evidence from Annex C of Camden's Planning Statement indicates that market values vary widely across the borough, and while there are some parts of the borough where a 50% discount would enable the delivery of studio flats and some larger properties as First Homes, there are also parts of the borough where a 50% discount would not be sufficient to deliver any First Homes within the £420,000 price cap.

# Appendix A

## Table of Figures

Figure 1: Net annualised requirement for new homes in London, 2016 to 2041 (Source: 2017 London Strategic Housing Market Assessment: Mayor of London).....	8
Figure 2: Number of Households by Tenure in Camden 1981-2011 (Source: UK Census of Population) .....	9
Figure 3: Percentage of Households by Tenure in Camden 1981-2011 (Source: UK Census of Population) .....	9
Figure 4: Households by Tenure for Camden 1981-2011 (Source: UK Census of Population).....	9
Figure 5: Real House Price Trends: Lower Quartile Prices adjusted to 2019 values using CPI (Source: ONS; Bank of England).....	10
Figure 6: Real House Price Trends: Lower Quartile Prices adjusted to 2019 values using CPI (Source: ONS; Bank of England).....	10
Figure 7: Lower quartile prices (adjusted to 2021 values using CPI) for existing dwellings and newly built dwellings (2019-21) by property size in Camden (Source: ORS based on ONS House Price Statistics, Valuation Office Agency and Land Registry Price Paid Data).....	11
Figure 8: Annual income required to afford proprietries based on a 10% deposit and 3.5 times income mortgage by property size (Source: ORS based on ONS House Price Statistics, Valuation Office Agency and Land Registry Price Paid Data).....	12
Figure 9: Annual income required to afford proprietries based on a First Homes with a 50% discount on lower quartile market prices (Source: ORS based on ONS House Price Statistics, Valuation Office Agency and Land Registry Price Paid Data).....	13
Figure 10: Weekly rent thresholds 2021 (Source: Private Rental Market Statistics, Valuation Office Agency; GLA, Regulator of Social Housing. Note: Private rent data excludes housing benefit funded tenancies).....	14
Figure 11: Weekly rent thresholds in Camden (Source: Valuation Office Agency 2020-21; GLA, London Borough of Camden, JLL).....	15
Figure 12: Comparison of weekly housing costs in Camden by property size (Source: VOA 2019-2020, Land Registry, ORS model).....	16
Figure 13: Percentage of Owner Occupiers in England by Age Group 2001-2016 (Source: English Housing Survey).....	19
Figure 14: Long-term aspirations for England (Source: English Housing Survey 2013/4) .....	19
Figure 15: Long-term Tenure Expectation for those in the Private Rented Sector with and without Housing Benefit support for England (Source: English Housing Survey 2013-14. Note: Own includes shared ownership).....	21
Figure 16: Households currently living in the Private Rented Sector in Camden and paying their own rent that aspire to home ownership in 2021 (Note: Figures may not sum due to rounding) .....	22
Figure 17: Assessing total need for affordable housing 2021-2039 (Source: ORS Housing Model).....	22
Figure 18: Households aspiring to home ownership for properties within the £420,000 London First Homes price cap (Source: ORS Housing Model) .....	23
Figure 19: Households aspiring to home ownership who have incomes sufficient to afford First Homes with a 3.5 times mortgage to income ratio and have incomes below £90,000 per annum (Source: ORS Housing Model) .....	24
Figure 20: Households aspiring to home ownership who have incomes sufficient to afford First Homes with a 4 times mortgage to income ratio and have incomes below £90,000 per annum (Source: ORS Housing Model) .....	25
Figure 21: Households aspiring to home ownership who have incomes sufficient to afford First Homes with a 4.5 times mortgage to income ratio and have incomes below £90,000 per annum (Source: ORS Housing Model) .....	26

# Appendix B

## Glossary of Terms

### Definitions

**Affordability** is a measure of whether housing may be afforded by certain groups of households.

**Affordable housing** includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. For the purpose of this report we have used the definition in the Revised NPPF, which specifies the main categories of affordable housing to be: affordable housing for rent; starter homes; discounted market sales housing (sold at a discount of at least 20% below market value); shared ownership, relevant equity loans, other low cost homes for sale and rent to buy.

**Affordable Rent** is provided by social landlords and rented for less than would be paid if renting privately. It must be at least 20% cheaper than the equivalent private rent in the area and must also be below the value of the Local Housing Allowance in the area.

**Category 2 and 3** are classifications of wheelchair accessible housing. They refer to building regulations Approved Document M (2015) which introduced three categories of accessible dwellings. Category 1 (visitable dwellings) relates to accessibility of all properties and, being mandatory, is not assessed in the HNA. Category 2 (accessible and adaptable dwellings) is optional and similar to Lifetime Homes. Category 3 (wheelchair user dwellings) is optional and equivalent to wheelchair accessible and adaptable standard.

**Census Output Area** is the smallest area for which UK Census of Population statistics are produced. Each Census Output Area had a population of around 250 people with around 100 dwellings at the time of the 2011 Census.

**Concealed families** are defined as; *“family units or single adults living within other households, who may be regarded as potential separate households which may wish to form given appropriate opportunity”*<sup>9</sup>.

**ECO** underpins the Green Deal and places obligations on energy companies to facilitate installation of energy efficiency measures in homes. ECO fits within the Green Deal framework where Green Deal finance alone is not enough.

**Equity** is the difference between the selling price of a house and the value of the outstanding mortgage.

**First Homes** are discounted market sale units which must be sold with either a 30%, 40% or 50% discount in perpetuity to a person or persons meeting the First Homes eligibility criteria.

**Green Deal** is a market led framework that will allow individuals and businesses to make energy efficiency improvements to their buildings at no upfront cost. Finance needed for the improvements is repaid, in instalments, attached to an electricity bill.

**Headship rates** are defined by CLG as: *“the proportion of people in each age group and household type who are the ‘head’ of a household”*<sup>10</sup>

<sup>9</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/6338/1776873.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6338/1776873.pdf)

<sup>10</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/182417/MethodologyFinalDraft.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/182417/MethodologyFinalDraft.pdf)



**A household** is one person living alone, or two or more people living together at the same address who share at least one meal a day together or who share a living room.

**Household formation** refers to the process whereby individuals in the population form separate households. 'Gross' or 'new' household formation refers to households that form over a period of time, conventionally one year. This is equal to the number of households existing at the end of the year that did not exist as separate households at the beginning of the year (not counting 'successor' households, when the former head of household dies or departs). 'Net' household formation is the net growth in households resulting from new households forming less the number of existing households dissolving (e.g. through death or joining up with other households).

**A Housing Association or Registered Provider** is an independent not-for-profit body that primarily provides low-cost "social or affordable housing" for people in housing need.

**Housing demand** is the quantity of housing that households are willing and able to buy or rent.

**Household income** includes all salaries, benefits and pensions, before deductions such as tax and National Insurance.

**House in Multiple Occupation** are currently defined by the Housing Act 2004 as:

- » an entire house or flat which is let to three or more tenants who form two or more households and who share a kitchen, bathroom or toilet;
- » a house which has been converted entirely into bedsits or other non-self-contained accommodation and which is let to three or more tenants who form two or more households and who share kitchen, bathroom or toilet facilities;
- » a converted house which contains one or more flats which are not wholly self-contained (i.e. the flat does not contain within it a kitchen, bathroom and toilet) and which is occupied by three or more tenants who form two or more households; and
- » a building which is converted entirely into self-contained flats if the conversion did not meet the standards of the 1991 Building Regulations and more than one-third of the flats are let on short-term tenancies.

**Housing market areas** are geographical areas in which a substantial majority of the employed population both live and work and where those moving house without changing employment choose to stay.

**Housing need** is the quantity of housing required for households who are unable to access suitable housing without financial assistance.

**Housing requirements** encompasses both housing demand and housing need, and is therefore the quantity of housing necessary for all households to have access to suitable housing, irrespective of their ability to pay.

**Housing type** refers to the type of dwelling, for example, flat, house, specialist accommodation.

**Intermediate affordable housing** is housing at prices and rents above those of social rent, but below market price or rents, and which meet the criteria for affordable housing set out above. These include shared equity products (e.g. HomeBuy), other low cost home ownership products and intermediate rent.

**Lending multiplier** is the number of times a household's gross annual income a mortgage lender will normally be willing to lend. The most common multipliers quoted are 3.5 times income for a one-income household and 2.9 times total income for dual income households.

**Low cost home ownership** or **Shared ownership** is intermediate affordable housing designed to help people who wish to buy their own home, but cannot afford to buy outright (with a mortgage). Through this type of scheme you buy a share in the property with a Housing Association or other organisation.

**Lower quartile** means the value below which one quarter of the cases falls. In relation to house prices, it means the price of the house that is one-quarter of the way up the ranking from the cheapest to the most expensive.

**Lower Super Output Area** is a group of around 5-6 Census Output Areas and is the smallest geography for many Government statistics. Each Lower Super Output Area had a population of around 1,250 people with around 500 dwellings at the time of the 2001 Census.

**Market housing** is private housing for rent or for sale, where the price is set in the open market.

**Market signals** are indicators that supply and demand are not in balance for a local housing market. Possible market signals are listed in PPG and the following are the most pertinent; house prices, private sector rents, affordability, rate of development and overcrowding.

**Migration** is the movement of people between geographical areas. In this context it could be either local authority districts, or wider housing market areas. The rate of migration is usually measured as an annual number of individuals, living in the defined area at a point in time, who were not resident there one year earlier. Gross migration refers to the number of individuals moving into or out of the authority. Net migration is the difference between gross in-migration and gross out-migration.

**A projection of housing needs or requirements** is a calculation of numbers expected in some future year or years based on the extrapolation of existing conditions and assumptions. For example, household projections calculate the number and composition of households expected at some future date(s) given the projected number of residents, broken down by age, sex and marital status, and an extrapolation of recent trends in the propensity of different groups to form separate households.

**Registered Social Landlord/Registered Provider** see Housing Association.

**Secondary data** is existing information that someone else has collected. Data from administrative systems and some research projects are made available for others to summarise and analyse for their own purposes (e.g. Census, national surveys).

**Shared ownership** see Low Cost Home Ownership.

**Social rented housing** is provided by social landlords and rented for less than would be paid if renting privately. It typically has lower rents than Affordable Rent.

**Specialised housing** refers to specially designed housing (such as mobility or wheelchair accommodation, hostels or group homes) or housing specifically designated for particular groups (such as retirement housing).

## Acronyms and Initials

<b>BRMA</b>	Broad Rental Market Area
<b>CLG</b>	Department for Communities and Local Government (now MHCLG)
<b>DWP</b>	Department of Work and Pensions
<b>LA</b>	Local Authority
<b>LHA</b>	Local Housing Allowance
<b>LHN</b>	Local Housing Need
<b>LHNA</b>	Local Housing Needs Assessment
<b>MHCLG</b>	Ministry for Housing, Communities and Local Government
<b>NPPF</b>	National Planning Policy Framework
<b>ONS</b>	Office for National Statistics
<b>ORS</b>	Opinion Research Services
<b>PPG</b>	Planning Practice Guidance
<b>RSL</b>	Registered Social Landlord
<b>SHMA</b>	Strategic Housing Market Assessment