



GL Hearn

member of WSP

Housing and Economic Development Needs Assessment

Epsom & Ewell Borough Council

January 2023

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Public

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January 2023

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1 EXECUTIVE SUMMARY

1.1 This Housing and Economic Development Needs Assessment (HEDNA) has been produced to provide a proportionate evidence base to support policy development related to housing and employment land in Epsom & Ewell Borough Council’s (EEBC) emerging Local Plan.

1.2 It provides an assessment of the future need for housing (both market and affordable) and employment land across the geography of the Council over the Plan period of 2022-2040. The research method used is consistent with national policy.

Housing needs and demographic projections

1.3 The local housing need (LHN) figure for Epsom & Ewell is 576 dwellings per annum (dpa) using the standard method set out in Planning Practice Guidance (PPG).

1.4 Three alternative assumptions are used relating to demographic change in future years. All of these are “dwelling-led”. These are LHN “HH-14”, “HH-18” and “HH-14R”. The key demographic outcomes (population and household growth, migration and natural change) of each of the scenarios are set out in the table below.

Table 1: Demographic change by scenarios, 2022-2040

Scenario	Change 2022–2040				Average per year				
	Population		Households		Net Migration			Natural Change	Dwellings
	Change	%	Change	%	Internal	Overseas	Net		
Dwelling-led LHN (HH-14)	25,586	30.9%	10,112	31.7%	898	176	1,074	347	576
Dwelling-led LHN (HH-18)	25,003	30.3%	10,112	31.7%	870	176	1,046	343	576
Dwelling-led LHN (HH-14R)	18,849	22.8%	10,112	31.7%	563	176	740	307	576

- 1.5 Of these, “HH-14R” using headship rates from the MHCLG 2014-based household projections, has been adjusted to allow a “return” to the higher levels of household formation experienced in 2001 in the younger adult age group (25–34 and 35-44).
- 1.6 Given that it is consistent with the objectives of the Council to enable people in this age group to access suitable homes, this scenario informs the demographic projections that are used in this report.

The economy and labour market

- 1.7 In 2021, Epsom & Ewell’s economy produced goods and services valued at £1.66 billion (Gross Value Added or GVA) and supported around 35,600 jobs. The strongest contributor to GVA in the Borough was the “real estate” sector between 1991 and 2021.
- 1.8 The Borough’s largest sector in terms of total employment numbers is “human health & social work” with 6,400 jobs in 2021 along with 5,520 jobs in the professional, scientific & technical activities sectors.
- 1.9 Sectors with a high location quotient (have a strong representation of the Borough) are “Professional, Scientific & Technical”, “Arts, Entertainment & Recreation Services”, “Education”, “Health”, and “Real Estate”.
- 1.10 The majority (89.1%) of the enterprises based in the Borough are micro-businesses (employ less than 10 people). This level is higher than all wider comparators, including FEMA (87.5%), South East (85.9%) and England (85.1%).
- 1.11 A total of 50 largest local businesses in the Borough were contacted for consultation in 2021. Based on the local business view, there is a downsizing trend for offices across the Borough and a need for better quality premises. However, there is a demand for warehousing floorspace in the Borough.

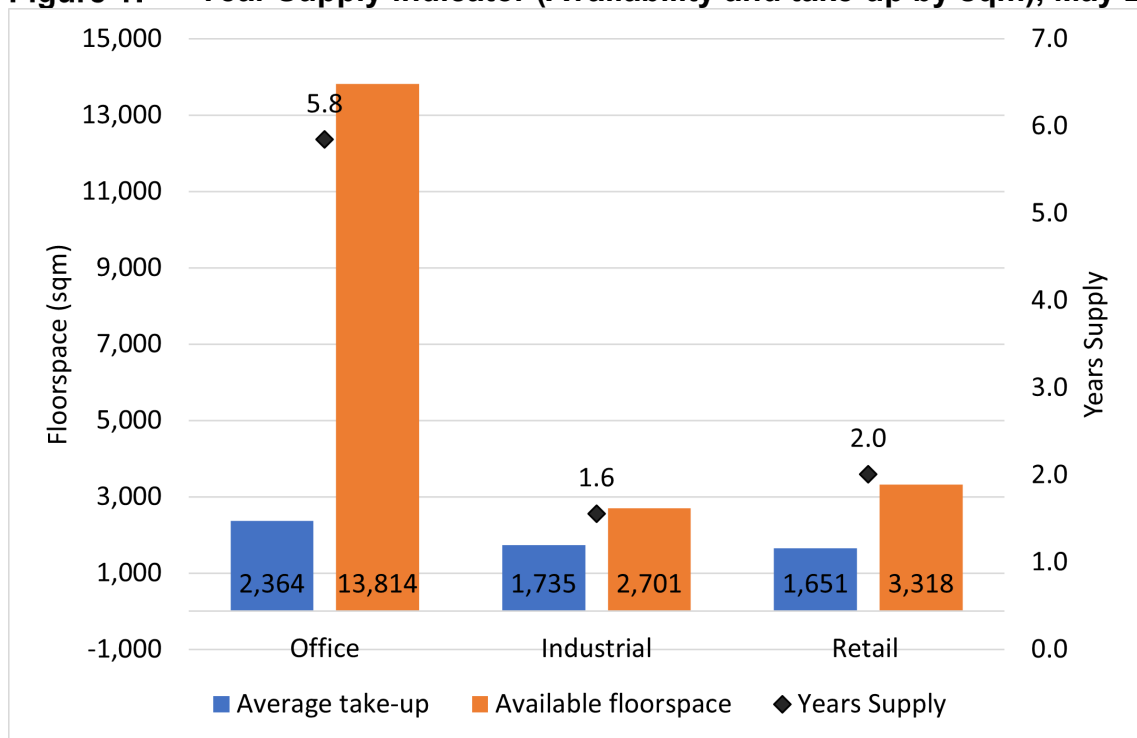
- 1.12 Around 130-150 staff are currently employed in the horse-racing sector while a temporary workforce of 2,000-3,000 people is employed during the racing events at the race-course. That said, the horse-racing sector plans to recruit 50 to 60 new staff over the next five years as part of expansion plans.
- 1.13 Around 50 employment land developers who took part in a market survey (2021) consider the Borough to have strong demand for employment properties. This was accounted for by companies migrating out from central London and good transport systems in the functional economic market area (FEMA).
- 1.14 Also, developers who responded the market survey state there is a shortfall in warehousing land supply (B8 Class) in 2020/21. This is mainly caused by insufficient sites allocated in the Local Plan.

Commercial market review

- 1.15 The supply of all three types of floorspaces (offices, industrial and retail) has been decreasing since 2011, with office floorspace having the most substantial decline (-31%).
- 1.16 The number of both office and retail properties has decreased by 10% over the period 2001 to 2022, while the number of industrial properties has increased by 5%.
- 1.17 According to CoStar transaction records, the office floorspace take-up across the Borough from 2017 to 2022 is clustered in the town of Epsom and most units are sizes under 185 sqm (43% of the total deals).
- 1.18 There has been a cluster of industrial floorspace taken up around and within the Longmead Industrial Estate to the north of Epsom town centre between 2017 to 2022. These transactions are mostly units with sizes under 185 sqm (53% of the total deals).

- 1.19 It is worth noting that the vacancy rates of both Longmead & Kiln Lane Industrial Estates (2.2%) during the Pandemic period (2020 to 2022) are relatively low compared with the average of London (3.8%) and Surrey (4.7%). This indicates the occupiers have performed well in terms of economic activities during the period.
- 1.20 The main cluster of retail properties is taken up in the town of Epsom, which is the Town Centre of the Borough. These are dominant with unit sizes under 185 sqm (84% of the total deals).
- 1.21 The availability of commercial properties listed on the CoStar platform indicates that there are 5.8 years of supply for office floorspace in the Borough in May 2022. For industrial and retail floorspace, there are currently 1.6 and 2.0 years of supply in the Borough.

Figure 1: Year Supply indicator (Availability and take-up by sqm), May 2022



Source: GL Hearn analysis based on CoStar

- 1.22 This suggests a substantial supply of office accommodation while for industrial and retail floorspace supply is adequate in May 2022.
- 1.23 Based on local business views in 2021, there is a demand for less, but better quality, office space across the Borough. The commercial property agents who took part in the survey during Summer 2022 consider the office floorspace demand to be weak due to the trend towards home-working.
- 1.24 The agents have indicated that the demand for warehousing/industrial and retail floorspace is strong. However, most of the agents (75%) consider that there is a shortfall in the supply of warehousing/ industrial floorspaces (e.g. in large mixed-use business parks). They suggest this is due to insufficient sites allocated in the Local Plan or losses to other land uses (e.g. housing).
- 1.25 **Recommendation:** The Council should continue to secure the warehousing and general industrial floorspace supply in key industrial estates of the Borough. Also, ensuring the appropriate type (e.g., serviced offices) and sizes (e.g., smaller size band with less than 1,000sqm) of office floorspace is provided in the market.

Employment forecasts

- 1.26 The baseline forecast produced by Oxford Economics (OE) indicates that the Borough's total jobs growth between 2022 to 2040 is 6,069. This equates to 337 jobs per annum (annual growth of 0.95%).
- 1.27 However, the OE baseline forecasts are largely trend-based and do not reflect local investment or planned growth as set out in the Local Plan Spatial Economic Growth Strategy for Epsom & Ewell (SEGS 2020). Therefore, this HEDNA has considered a custom growth scenario (CGS) to the forecasts to reflect this.

- 1.28 The CGS will result in an additional 3,302 jobs uplift compared to the OE baseline forecast over the period 2022 to 2040. This equates to a total jobs growth of 9,371 jobs or 521 jobs per annum (annual growth of 1.45%).
- 1.29 The CGS forecast that the “information & communication”, “professional, scientific & technical” and “human health & social work” sectors will have the most significant growth in jobs.

Economic-led housing need

- 1.30 Analysis was undertaken to estimate the number of jobs that would be supported by projected population growth linked to the delivery of new homes. It was concluded the standard method Local Housing Need Figure (LHNF) of 576dpa would support 8,460 additional jobs from 2022-40.
- 1.31 The examination of housing need led by economic growth (i.e. the number of homes needed to support economic growth aspirations) are estimated by arriving at different job growth scenarios (OE baseline and CGS). These scenarios use assumptions relating to commuting ratios (CR) and unemployment rates (UR)¹.
- 1.32 A sensitivity test is applied by assuming a 1:1 CR and OE UR (averaging 2.9%). This aims to reflect the context of the Pandemic with the likelihood that a greater proportion of people will work from home (or mainly from home) in the future and the presence of a “latent” labour supply as a result of the Pandemic.
- 1.33 Based on different assumptions on CR and UR, four scenarios were developed and show a range of housing needs from 329 to 579 dwellings per annum.
- 1.34 **Recommendation:** There is no rationale for the Council to plan for more homes than the Standard Method LHNF (576 dpa) on the basis of forecast jobs growth.

¹ The default assumptions are the Census 2011 CR (1.25) and the ONS UR (3.1%).

Affordable housing need

- 1.35 The analysis identified a net need for 652 affordable homes per year from 2022 to 2040, including 574 rental properties (88%) and 78 affordable home ownership properties (12%).
- 1.36 It should be noted that a high affordable needs figure does not necessarily translate to a higher LHNF (576 dpa) since the methods used to derive these two figures are different.
- 1.37 The affordable needs calculation is based on a range of data inputs and includes a proportion of households that are already in housing (i.e. they do not generate a net additional need for housing).
- 1.38 The analysis suggests that there will be a need for both social and affordable rented housing – the latter will be suitable particularly for households who are close to being able to afford to rent privately and also for some households who claim full Housing Benefit. On this basis, it is not recommended that the Council has a rigid policy for the split between social and affordable rented housing, although the analysis is clear that both tenures of homes are likely to be required.

- 1.39 The study also considers different types of affordable home ownership (AHO) (notably First Homes and Shared Ownership) as each will have a role to play.
- Discounts applied to First Homes are suitable for households that fall in the mid-range income group (£30-50k per annum). This may enable them to access dwellings better suited to their needs (e.g. 2-, rather than 1-bedroom dwellings); and
 - Shared ownership is likely to be suitable for households with more marginal affordability (those only just able to afford to privately rent) as it has the advantage of a lower deposit and subsidised rent.
- 1.40 In deciding what types of affordable housing to provide, including a split between rented and home ownership products, the Council will need to consider the relative levels of need and also viability issues (recognising for example that providing AHO may be more viable and may therefore allow more units to be delivered, but at the same time noting that there are more households with a need for rented housing and these are likely to have more acute needs and fewer housing options).
- 1.41 Overall, the analysis identifies a notable need for affordable housing, and it is clear that provision of new affordable housing is an important and pressing issue in the Borough. That said, this in itself is not justification for an increase in the HNF to address affordable housing need.
- 1.42 **Recommendation:** The Council is justified in seeking to secure as much additional affordable housing as viability allows.

Housing mix

- 1.43 The proportion of households with dependent children is slightly higher (2.78%) than the England average. This suggests the Borough is a relatively attractive place to bring up children.
- 1.44 There is expected to be an increase in the number of households with dependent children, especially with three or more children. Given the tendency for family households to occupy 3-bedroom housing, it is reasonable to expect continued strong demand for 3+ bedroom homes.
- 1.45 There is a widespread (72%) under-occupation of homes (occupancy rating of 2 or more) in the Borough for households aged 65 and over.
- 1.46 There is a greater proportion of households in Epsom and Ewell living in smaller units in the private rented and Social Rented sectors than the England average.
- 1.47 The data from the Local Authority Housing Statistics (LAHS) shows a pattern of need for Social and Affordable Rented dwellings which is focused on 1- and 2-bedroom homes (77% of need) but also shows around 254 households as requiring 3+ bedroom homes (23% of need).
- 1.48 **Recommendation:** the table below sets out an appropriate mix of affordable and market homes for future developments in Epsom & Ewell.

Table 2: Housing mix

Tenure	1-bedroom	2-bedrooms	3-bedrooms	4+ bedrooms
Market	10%	35%	35%	20%
Affordable home ownership	20%	40%	30%	10%
Affordable housing (rented)	40%	35%	20%	5%

Housing needs for specific groups

Older and disabled persons

- 1.49 There is projected to be a 38% increase in the population aged 65 or over between 2022 and 2040 in Epsom & Ewell from 15,284 to 21,107 people, an increase of 5,823. The ageing population will lead to an increase in the number of people requiring specialist accommodation in the future.
- 1.50 The assessment of need for specialist housing for older people (SHOP) draws on recommended prevalence rates for different types of SHOP, expressed as provision per 1,000 people aged 75+. This results in a level of need as set out in the table below.

Table 3: SHOP, needs summary and tenure split

Type	Tenure	2040 Need
Housing with support	Market	645
Housing with support	Affordable	263
Housing with care	Market	215
Housing with care	Affordable	162
Care bed-spaces	N/A	732

Source: GL Hearn calculations

- 1.51 That said, Surrey County Council (SCC) have provided an alternative assessment of need for care bed-spaces². This results in a need for 244 additional bed-spaces across both residential and nursing care over the Plan period.
- 1.52 The difference with the level of need identified in the earlier analysis (732 bed-spaces) arises primarily due to differences in the assumptions used as regards prevalence rates.

² SCC, Commissioning Statement Accommodation with care, residential & nursing care for older people, Epsom & Ewell Borough, April 2019 onwards

1.53 It is recommended that a mid-point calculation is used resulting in an additional 308 residential and 180 nursing care bedspaces, or 488 additional bedspaces being provided in total.

Wheelchair user households

1.54 Using data from the ONS and the English Housing Survey (EHS) there is forecast to be an uplift in the number of wheelchair user households by 42% between 2022 and 2040. This is an increase from 896 to 1,272, or 376 households. The total estimated current and future need for wheelchair user homes in Epsom and Ewell is set out in the table below.

Table 4: Estimated need for wheelchair user homes, 2022-40

Local Authority	Current need	Projected need (2022-40)	Total current and future need	Housing need (2022-40)	% of Housing Need
Epsom & Ewell	224	376	600	10,370	5.79%

Source: Derived from a range of sources

1.55 Drawing this information together there is a need to increase the supply of M4(2) accessible and adaptable dwellings and M4(3) wheelchair user dwellings. In seeking M4(2) compliant homes, the Council should also be mindful that such homes could be considered “homes for life” and would be suitable for any occupant, regardless of whether or not they have a health problem or disability at the time of initial occupation.

1.56 All new homes should, therefore, be M4(2) compliant. It is worth noting that a Government [consultation](#) on this issue concluded that M4(2) should be mandated as a minimum standard for all homes.

- 1.57 **Recommendation:** where possible the Council should also seek 10% of all new market homes to be M4(3)a (adaptable) compliant and, in the affordable sector, 20% M4(3)b (accessible) compliant. Higher numbers may also be considered but in all cases, the numbers applied in policy should be viability tested.

Self-build and custom housebuilding

- 1.58 Epsom & Ewell's self-build register shows that eight individuals are currently on the register. In total, from 2016, when the register was first created, to October 2022, 57 individuals have been on the register.
- 1.59 **Recommendation:** based on the current register, 7 self- and custom build plots should be provided each year.

Students

- 1.60 The only Higher Education Institute (HEI) that is a university in the Borough is the Epsom campus of the University for the Creative Arts (UCA). The total number of students studying at the Epsom campus in the current academic year (2022/23) is equal to 1,731 full time students. There are no part-time students studying at the Campus.
- 1.61 The growth of international students studying at the campus has grown substantially from 162 in 2018 to 1,172 in 2022. In contrast, the number of domestic students studying at the campus has fallen from 894 in 2018 to 559 in 2022.
- 1.62 UCA have recently commissioned an accommodation strategy which is currently being prepared. The strategy provides evidence as to the number of homes that will be required to meet the need for student accommodation in the Borough in the medium term.

- 1.63 When asked about growth aspirations for the Epsom campus, UCA stated that they expect the student population to grow by 10% per annum for at least the next three years (which is equivalent to an additional 573 students) but have no plans to deliver additional housing on the campus.
- 1.64 This has the potential to place a significant additional burden on the housing stock within the Borough, especially in areas such as Epsom's town centre, that are close to the Campus.
- 1.65 **Recommendation:** the Council should adopt a positive stance to student housing in appropriate locations to meet current and future housing needs of students.

People employed in the horse-racing sector

- 1.66 The evidence suggests that it is appropriate for staff working at horse-racing stables to be treated as "rural workers" where they are required to deal with animal welfare issues around the clock. The evidence indicates they have a legitimate expectation that they should be able to live at or close to the stable where they work.
- 1.67 That said, this should take into account the location of the stable and evidence of supply.
- 1.68 **Recommendation:** In order to house junior members of the horse-racing industry, residential development suited to their needs should be permitted on sites on or close to horse-racing stables to ensure that the industry is able to attract and retain staff. This will enable staff to address readily horse welfare issues while also maintaining an acceptable quality of life.

Households threatened by homelessness

- 1.69 From April 2021 to March 2022, the number of households threatened by homelessness in Epsom & Ewell was equal to 106 (equivalent to 0.3% of households in the Borough). In comparison, 0.4% and 0.6% of households in the HMA and England were in this position.
- 1.70 However, the number of households threatened by homelessness in Epsom & Ewell increased by 68%. This compares with an increase in the HMA between 2018/19 to 2021/22 of 8% and a decline at the national level by 10% over the same period.
- 1.71 Despite an overall lower proportion of households in Epsom & Ewell threatened by homelessness, the recent greater relative increases compared to comparator regions indicates a need for the Council to monitor the number of households threatened by homelessness.
- 1.72 **Recommendation:** evidence gathered would justify policies targeted at this vulnerable group, for example ensuring dwellings for Social Rent are included within the mix of affordable homes or delivering a pilot “[housing-first](#)” approach.

Employment land requirements

- 1.73 As required by the PPG, the HEDNA uses three techniques to estimate future employment land requirements. These are labour demand, labour supply and past take-up trend scenarios. Requirements should be broken down by different Use Class Orders suited given that these are suited to different industrial sectors (e.g., different B and E Use Classes).

- 1.74 The labour demand scenarios are informed by the jobs growth forecast of OE baseline and the Custom Growth Scenario (CGS) set out in the Employment Forecasts Chapter. Jobs growth of both scenarios are translated into employment land requirement by a conversion model using assumptions of employment density and plot ratios.
- 1.75 For both office and industrial floorspace, the CGS is considered overly optimistic compared with the baseline scenario given recent trends (declining) in take-up of floorspace and the impact of the Pandemic.
- 1.76 Therefore, it would be appropriate for the Council to plan for future employment floorspace needs based on the mid-point between the baseline forecast and the CGS.
- 1.77 The table below sets out the amount of employment floorspace and land that should be supplied in the Borough over the period 2022 to 2040 to meet business needs.

Table 5: Employment land requirement based on the mid-point of baseline forecast and CGS, 2022-2040

(Land use)	Recommended Floorspace (sqm)	Recommended Land (ha)
Offices / R&D – E(g)(i)(ii)	19,437	1.2
Light industrial – E(g)(iii)	9,021	2.3
General industrial – B2	9,554	2.4
Warehousing – B8	18,157	4.5
Total	56,169	10.3

- 1.78 These figures provide the benchmarks for the Council to plan for employment floorspace in strategic employment areas.

1.79 **Recommendation:** the current land use for offices should be intensified or regenerated in key employment areas such as the Town Centre area and the sites at East Street. It is essential to safeguard the industrial floorspace/land in the key industrial estates (Longmead and Kiln Lane) to accommodate the economic growth in the Borough.

2 INTRODUCTION

- 2.1 Epsom & Ewell Borough Council (EEBC) is in the process of preparing a new Local Plan, which will replace the 2007 Core Strategy, Plan E – An Area Action Plan for Epsom Town Centre 2011, and the Development Management Policies Document 2015.
- 2.2 In accordance with national policy, the policies in the Local Plan must be based on proportionate evidence³. To this end, this Housing and Economic Development Needs Assessment (HEDNA) assesses future development needs for housing (both market and affordable) and employment land across the geography of the Council over the Plan period of 2022-2040. This report has been produced by GL Hearn and Edge Analytics.
- 2.3 The purpose of each chapter in this HEDNA is summarised as follows:
- the **Policy review** identifies the relevant national policies with which the HEDNA should be aligned and the latest local housing or employment land strategies that provide a context for the research and analysis undertaken in the report.
 - the **Housing Market Area (HMA)** chapter provides the geography within which housing market dynamics that are relevant to Epsom & Ewell should be understood. It sets out suitable and up-to-date evidence taking into account internal migration flows, travel to work data and market signals.
 - the **Functional Economic Area** chapter provides the geography within which market trends related to occupier activity and demand for employment land should be understood to arrive at an understanding of the Council's employment land requirements.
 - the **Baseline housing stock** analysis profiles the current housing stock in Epsom & Ewell broken down by type, tenure, size and completions, and how these have changed over time.
 - the **Baseline demographic profile** sets out the Borough's historic population growth, the age structure and household composition and how these have changed over time.

³ NPPF 2021, para 35

- the **Economy and labour market** chapter set out the current context of the Borough's economic development with reference to market signals, existing business stock, and views of local businesses and stakeholders on the impacts of the Pandemic.
- the **Commercial market review** sets out the latest property market evidence both at the national and local levels to provide a demand/supply balance analysis for industrial and non-B class employment land uses.
- the **Employment forecasts** summarise the baseline forecasts on jobs growth and puts forward a custom growth scenario reflecting a higher level of jobs growth within key industrial sectors.
- the **Economic-led housing need** chapter considers the link between housing and economic growth by understanding what level of jobs might be supported by changes to the local labour supply and what level of housing delivery might be required to meet job growth forecasts.
- the **Affordable housing need** chapter models the stepped approach set out in PPG to arrive at the need for affordable rented homes and affordable home ownership products.
- the **First Homes** chapter provides recommendations on the appropriate level of discount to the open market value of new homes such that they are affordable to the target group. It also sets out the findings of viability assessments on selected sites that include First Homes.
- the **Housing mix** chapter arrives at recommendations for the mix of sizes of homes by tenure to meet the needs of households in the borough based on demographic projections.
- the **Housing needs for specific groups** chapter examines the requirements of key groups in the community in line with national policy⁴.
- the **Employment land requirement** chapter examines future economic growth and the latest market evidence to provide recommendations as to the need for employment land in the Borough.

⁴ NPPF 2021, para 62

3 POLICY REVIEW

- 3.1 The paragraphs of the National Planning Policy Framework (NPPF) and National Planning Policy Guidance (PPG) as they relate to both housing and employment land are summarised in this chapter.
- 3.2 Also, the Government published its Levelling Up White Paper in February of this year. This was accompanied shortly afterwards by the Levelling-Up and Regeneration Bill (LURB). This chapter briefly considers its implications for planning for housing and employment land in Epsom & Ewell.

Housing

- 3.3 In order to determine the minimum number of homes required within their area over a Local Plan period, councils are required by national policy to use the Standard Method described in the housing and economic needs chapter of PPG unless exceptional circumstances justify an alternative approach⁵.
- 3.4 It should be emphasised that this report does not set housing targets. It provides an assessment of housing needs, based on relevant PPG. This is intended to provide inputs to plan-making alongside wider evidence including land availability, environmental and other development constraints and infrastructure.
- 3.5 Chapter 5 of the NPPF relates to delivering a sufficient supply of homes stating that:
*“To determine the minimum number of homes needed, strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance”.*⁶
- 3.6 This is addressed in this report. However, in exceptional circumstances, an alternative approach could be justified.

⁵ NPPF 2021, para 60

⁶ NPPF 2021, para 61

3.7 The NPPF also sets out that:

“Within this context, the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies (including, but not limited to, those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes”.⁷

3.8 It is clear from the NPPF that the Local Housing Needs Figure derived from the standard methodology acts as a minimum; with this in mind, PPG identifies appropriate circumstances in which a higher figure may be appropriate. These include (but are not limited to):

- *“growth strategies for the area that is likely to be deliverable, for example where funding is in place to promote and facilitate additional growth (e.g. Housing Deals);*
- *strategic infrastructure improvements that are likely to drive an increase in the homes needed locally; or*
- *an authority agreeing to take on unmet needs from neighbouring authorities, as set out in a statement of common ground;*
- *there may, occasionally, also be situations where previous levels of housing delivery in an area, or previous assessments of need (such as a recently-produced Strategic Housing Market Assessment) are significantly greater than the outcome from the standard method. Authorities will need to take this into account when considering whether it is appropriate to plan for a higher level of need than the standard model suggests.”⁸*

3.9 The most recently produced [SHMA](#) for the Council was published in June 2016. An [update](#) (SHMAU) to this document was produced in September 2019. The principle trigger for the update was the introduction of the “standard method” for arriving at the Local Housing Need Figure (LHNF) for a local authority.

⁷ NPPF 2021, para 62

⁸ PPG (Housing and Economic Needs) Ref ID 2a-010

3.10 That said, the process by which a Local Planning Authority (LPA) gathers evidence to inform plan-making is iterative. This is because policies should be justified by the most up-to-date evidence. The Council regards conditions to have changed significantly such that the SHMAU no longer reflects the most up-to-date evidence or market conditions.

Levelling-Up White Paper

3.11 The aim of Levelling Up as a policy is to encourage, facilitate and fund strategies that restore vitality and viability to parts of the UK that are performing relatively poorly across a range of socio-economic indicators and are, in the language of the White Paper, *“locked into a low-growth equilibrium⁹.”*

3.12 Part of the solution put forward is for:

“central government decision-making to be fundamentally re-oriented to align policies with the levelling up agenda (LUA) and hardwire spatial considerations across Whitehall. This will require greater transparency around the geographic allocation of funding and simplification of local growth funding¹⁰.”

3.13 The White Paper identifies a number of funding pots that have been put in place to catalyse a process of urban regeneration. These are the:

- £4.8bn Levelling Up Fund (LUF);
- the £900m Getting Building Fund;
- the £400m Brownfield Housing Fund (BHF) in England;
- the £150m UK-wide Community Ownership Fund (COF); and
- the £3.6bn Towns Fund.

3.14 These resources are designed to help towns and cities across the UK to bring forward the regeneration of their area¹¹.

⁹ HM Government, Levelling Up the United Kingdom, pp 81

¹⁰ Ibid, pp 22

¹¹ Ibid, pp 239

- 3.15 Moreover, the Government expects Homes England to play a renewed role in delivering urban regeneration as well as facilitating and bringing forward residential development¹².
- 3.16 It is reasonable to conclude that the “spatial considerations” to be placed at the heart of decision-making in Whitehall are likely to result in spending, for example, £1.8bn announced in the 2021 Spending Review for brownfield and infrastructure projects and the £11.5bn Affordable Homes Programme, to be targeted towards places that have been prioritised for help on the basis of their relative degree of deprivation¹³.
- 3.17 It is therefore worth noting that, using the 2018 Index of Multiple Deprivation (IMD) data, Epsom & Ewell is 310 in the ranking, as one of the least deprived areas in England¹⁴. As a result, it is likely that the Borough will be very low down on the list of areas to receive Government support to deliver new homes in the years to come.
- 3.18 Indeed, the long-term effect of the LUA, it is hoped, will be to “reduce pressure on housing and on greenfield and Green Belt sites in overheated areas of London and the South East” by “rebalancing housing and transport investment”¹⁵ towards other parts of the country.
- 3.19 Accompanying the expectation that a greater proportion of homes will be delivered in places outside the South East is the commitment to the national housing target of 300,000 homes per year in order *“to create a more sustainable and affordable housing market”*.

¹² Ibid, pp 211

¹³ Ibid, pp 224

¹⁴ Epsom and Ewell, Borough Profile 2018-19 December 2018, pp 4

¹⁵ Ibid, pp 255

- 3.20 It would be logical, to give this practical effect in plan-making, for the standard method to be revised to encourage more housing in areas that are to be the beneficiaries of the Government's "rebalancing" of investment. This may result in an easing of the minimum housing need figures for councils in the South East in future years (including the Epsom & Ewell).
- 3.21 That said, at the time of writing, despite an intention to reform the planning system¹⁶ the Government has not provided a clear indication of the direction of travel as regards the standard method, nor the timetable for transition to or implementation of any planning reform.
- 3.22 Taken at face value, the LUA therefore seeks to de-couple housing delivery from areas where demand has, historically, been strongest on the basis that new communities in areas undergoing regeneration will draw demand away from the South East.
- 3.23 Therefore, while noting that the house-price to earnings ratio is "*a measure of the sufficiency of housing supply (...and) are considerably higher in the South and East of England*"¹⁷ the solution put forward to this "strain" on the supply of housing is not to increase supply in these areas, but to seek to redirect it to other parts of the country as part of the LUA.
- 3.24 This is to be done in the context of demand-side measures such as New Help to Buy and the Mortgage Guarantee Scheme. These are likely to boost demand in areas of highest demand given that the Help to Buy price caps reflect regional variations in house prices.

¹⁶ Ibid, pp 223

¹⁷ Ibid, pp 72

3.25 Until such time that places that are likely to benefit most from the LUA are able to draw demand from the South East of England as a result of newly invigorated local economies, this emerging policy, while potentially leading to an easing of the objectively assessed housing need for housing in the South East, may also lead to further climbs in house prices and deteriorating affordability as the LUA is interpreted as a licence to restrict the delivery of homes in this part of the country.

Levelling-up and Regeneration Bill

3.26 The government has recently published the Levelling Up and Regeneration Bill (LURB). This includes a range of proposed reforms to the Planning System. That said, these do not deliver on the radical vision for reform outlined in the “Planning for the Future” White Paper published in August 2020.

3.27 Four initial observations can, however, be made. Firstly, housing targets will remain as a “locally specific matter” rather than one determined centrally as was mooted in the 2020 White Paper. As a result, the standard method as currently formulated is likely to remain in place for the foreseeable future.

3.28 Secondly, while the current Government continues to regard the 300,000 homes per year national target as a lead performance indicator it is increasingly clear this is balanced against other design and environmental considerations and, if the target is not achieved by the original time horizon of the mid-2020s, this should not necessarily be interpreted as a policy failure.

3.29 Thirdly, the way councils are expected to work together is being re-cast. The Levelling Up and Regeneration Bill currently moving through Parliament repeals the “duty to cooperate” and replaces it with a test of policy alignment. This implies voluntary rather than a mandatory collaboration in addressing strategic issues.

3.30 Fourthly, the Government intends to simplify and standardise the Local Plan process with the intention that they are produced more quickly and in a way that makes it easier for communities to influence the resulting policy.

Employment land

3.31 Chapter 6 of the NPPF focuses on building a strong, competitive economy. It notes that planning policies and decisions should help create the conditions in which businesses can invest, expand and adapt.

3.32 NPPF suggest that planning policies should:

- *set out a clear economic vision and strategy which positively and proactively encourages sustainable economic growth, having regard to Local Industrial Strategies and other local policies for economic development and regeneration;*
- *set criteria, or identify strategic sites, for local and inward investment to match the strategy and to meet anticipated needs over the plan period;*
- *seek to address potential barriers to investment, such as inadequate infrastructure, services or housing, or a poor environment; and*
- *be flexible enough to accommodate needs not anticipated in the plan, allow for new and flexible working practices (such as live-work accommodation), and to enable a rapid response to changes in economic circumstances.*¹⁸

3.33 Given the impact of the Covid-19 pandemic (the Pandemic) on local economies, it is evident and essential that the local planning authorities (LPAs) should prepare up-to-date evidence-based assessments to inform the emerging Local Plan.

¹⁸ NPPF 2021, para 82.

3.34 PPG sets out the steps that the strategic policy-making authority is required to take in gathering evidence to plan for economic development. This includes:

- *working together with county and neighbouring authorities, Mayors, combined authorities and Local Enterprise Partnerships to define the most appropriate geography to prepare policies for employment;*
- *preparing and maintaining a robust evidence base to understand both existing business needs and likely changes in the market, with reference to local industrial strategies where relevant; and*
- *engaging with the business community to understand their changing needs and identify and address barriers to investment, including a lack of housing, infrastructure or viability.*¹⁹

3.35 Regarding the first step, it is essential to establish the best fit of the Functional Economic Market Area (FEMA) to reflect the geography for strategic policy-making for employment land. The PPG states that:

*“Functional economic market areas can overlap several administrative areas so strategic policy-making authorities may have to carry out assessments of need on a cross-boundary basis with neighbouring authorities within their functional economic market area. Local Enterprise Partnerships (and county councils) can play a key role in this process.”*²⁰

3.36 The second and third steps involve the preparation and maintenance of evidence of business needs by the policy-making authorities. As suggested by PPG, this will need to assess:

- *the existing stock of land for employment uses within the area;*
- *the recent pattern of employment land supply and loss – for example, based on extant planning permissions and planning applications (or losses to permitted development);*
- *evidence of market demand (including the locational and premises requirements of particular types of business) – sourced from local data and market intelligence, such as recent surveys of business needs, discussions with developers and property agents and engagement with business and economic forums;*
- *wider market signals relating to economic growth, diversification and innovation; and*

¹⁹ PPG (Plan-making) Ref ID: 61-040

²⁰ PPG (Housing and economic needs assessment). Ref ID: 2a-025

- *any evidence of market failure – such as physical or ownership constraints that prevent the employment site from being used effectively.* ²¹

3.37 Also, in order to understand future business needs, a range of market signal data is suggested by PPG to ensure the understanding is up-to-date and robust:

- *sectoral and employment forecasts and projections which take account of likely changes in skills needed (labour demand);*
- *demographically derived assessments of current and future local labour supply (labour supply techniques);*
- *analysis based on the past take-up of employment land and property and/or future property market requirements;*
- *consultation with relevant organisations, studies of business trends, an understanding of innovative and changing business models, particularly those which make use of online platforms to respond to consumer demand and monitoring of business, economic and employment statistics.* ²²

3.38 Therefore, in summary, the following assessments are suggested to prepare the evidence base for economic needs:

- employment forecast by sector;
- demographic-based labour supply forecasts;
- commercial property market and floorspace review; and
- stakeholder engagement to consult on business views and prospects.

Local Plan Spatial Economic Growth Strategy (SEGS 2020)

3.39 The Spatial Economic Growth Strategy (SEGS 2020) for Epsom & Ewell sets out the guidance for the Borough's Local Plan on the provision of employment land in order to meet the economic growth opportunities and options faced by the Borough. ²³

²¹ PPG (Housing and economic needs assessment). Ref ID: 2a-026

²² PPG (Housing and economic needs assessment). Ref ID: 2a-027

²³ Epsom and Ewell Borough Council (2020). [Local Plan Spatial Economic Growth Strategy for Epsom and Ewell](#)

3.40 This HEDNA has superseded some parts of the SEGS 2020 and refreshed the following key economic topics in the Borough:

- key stakeholder’s view on business needs for Epsom’s horseracing sector; and
- policy recommendations to support sustainable economic growth.

3.41 SEGS 2020 has concluded that:

“Epsom & Ewell faces major challenges in providing the required amount, types and quality of employment space needed to address the patterns of growth and change expected over the coming decades. Opportunities for new development are limited, coupled with the constraints of an urban area surrounded by the Greenbelt”²⁴

3.42 However, the Council states its intention to take proactive steps relating to the redevelopment of sites and buildings already in employment use²⁵. The intention is to find solutions to current shortages of employment space and create new opportunities for the key sectors in the Borough.

3.43 SEGS 2020 identifies the following key sectors in the Borough that require additional sites to accommodate anticipated demand for employment land uses (Use Class B) of different types and sizes. These are:

- professional, scientific & technical services;
- digital technologies;
- creative industries;
- other high-tech activities and clean technologies;
- business administration and support services;
- advanced transportation infrastructure;
- artisan manufacturing; and
- motor trades.

²⁴ Ibid. Page 3

²⁵ Ibid. Chapter 8. Page 31

- 3.44 Due to population growth, the following non-B Class activities/sectors are also expected to have an increase in land requirements:
- wholesale distribution and trade counters;
 - food and beverage;
 - speciality retailing; and
 - arts, culture & entertainment venues.
- 3.45 In addition, SEGS 2020 emphasises Epsom’s Racing Cluster in terms of its opportunities and challenges²⁶. The report has concluded that there is a great opportunity for racecourse and racehorse training facilities which is expected to generate major wealth in part through exports of racehorses to international markets.
- 3.46 However, one of the key challenges faced in the racing cluster is the constrained capacity for stabling facilities. As a result of housing development, a key stakeholder (The Jockey Club) of the horseracing sector indicated that there has been a major reduction (by around 60%) of stables in recent years. Also, new stabling projects are subject to various conditions with difficulties to put forward and expand capacity²⁷.
- 3.47 Therefore, SEGS 2020 suggests that the Council will need to support the industry by providing stabling staff with apprenticeship programmes, encouraging the synergies with the Town Centre and protecting local stabling facilities from redevelopment for other land uses.

²⁶ Ibid. Chapter 2. Page 11.

²⁷ Ibid. Chapter 2.6.3. Page 11.

Addendum to Local Plan Spatial Economic Growth Strategy (2021)

- 3.48 The SEGS 2021 Addendum sets out the updated view on SEGS 2020 that reflects the impacts of the Pandemic on employment floorspace demand due to changes in circumstances and the adoption of new working practices²⁸.
- 3.49 This HEDNA has superseded some parts of the SEGS 2021 Addendum and updated the following key economic topics in the Borough:
- the impacts of the Pandemic on working practices;
 - property agents and developers' view on employment space demand; and
 - employment land needs and requirements.
- 3.50 The national trend of homeworking is emerging during the Pandemic period and it is expected that two days a week working from home will be a norm in the post-Pandemic world²⁹. This implies that the office floorspace will be downsizing while the demand for better-quality spaces will be increasing.
- 3.51 In the Borough, the SEGS 2021 Addendum states that local businesses are seeking to set up smaller local hubs for their management teams that live in Surrey. Organisations looking for office space are seeking shorter lease terms as a result of the shock to economic confidence associated with the Pandemic. That said, this trend has not been observed in the industrial property market of the Borough³⁰.
- 3.52 EEBC has conducted a business survey involving 50 of the largest businesses across the Borough in 2021. Key economic issues were raised, and the following headline findings were identified³¹:
- in terms of employment, the Borough is less hit by the Pandemic since most companies allow staff to work from home and the loss of business is primarily due to the internal reorganisation;
 - most of the local businesses intend to bring back their staff in the post-Pandemic period but just under half are likely to adopt some form of homeworking (mostly hybrid models);

²⁸ Epsom and Ewell Borough Council (2021). [Addendum to Local Plan Spatial Economic Growth Strategy](#).

²⁹ Ibid. Chapter 2. Page 9.

³⁰ Ibid. Chapter 5. Page 31.

³¹ Ibid. Chapter 4. Page 21.

- due to local business growth, there is a need for additional office space in the Borough. That said, some of this demand can be absorbed by space left empty by downsizing businesses;
- greater demand for additional amenities provision, such as more meeting spaces for small businesses in the Borough; and
- local employers desire to see more workforce based within the Borough instead of commuting to remote locations (e.g., Inner London).

3.53 Overall, the SEGS 2021 Addendum has presented the following key findings as regards employment land in the post-pandemic world³²:

- a clear shift towards homeworking and hybrid models is observed in working practices. This will prompt the employers to downsize office space while improving the quality of the office;
- the downsizing trend for office space will result in new forms of office demand (e.g., 1-2 person offices);
- the roles of offices will be adapted to create space for meetings, collaboration, and concentrated work. This will result in a change to workplace design and the new build space being marketed as amenity-rich;
- the increasing remote working trend will boost local urban economies, particularly in those areas where more commuters live (for example Epsom & Ewell);
- the demand for industrial and warehousing space is expected to increase. This is in the context of the Borough having limited industrial premises due to a lack of supply and a weak track record of investment in this sector;
- major benefits are anticipated from the introduction of the E Use Class order, including the boost of office supply. This may reduce business overheads, encouraging business formation.

3.54 The SEGS 2021 Addendum implies that, given the increasing demand for industrial and warehouse units, there is an opportunity to promote comprehensive redevelopment of the outdated units in the Borough, for example within the Longmead and Nonsuch business areas.³³

³² Ibid. Chapter 5. Page 28 to 33.

³³ Ibid. Chapter 5. Page 33.

Economic value report for Longmead & Kiln Lane Industrial Estates

- 3.55 The Coast to Capital local enterprise partnership has produced a report to analyse the economic activities and assess the economic value of two key industrial estates in the Borough:³⁴
- Longmead (20 ha); and
 - Kiln Lane (15 ha).
- 3.56 Both industrial estates are located to the north of Epsom Town Centre and are considered to be in highly sustainable and accessible locations (e.g., Access of A24).
- 3.57 The report has presented the key findings by following topics:
- companies;
 - sectors;
 - jobs; and
 - foreign investment.
- 3.58 The company analysis stated that the 126 companies located within the estates fell into 15 different Standard Industrial Classifications (SIC) sector grouping. All of them are characterised as small and medium-sized enterprises (SMEs).³⁵
- 3.59 The most dominant sector across the industrial estates is “Wholesale and retail trade / repair of motor vehicles and motorcycles” by proportion of the total company amount (25.4%). In terms of dominance, this sector is followed by:
- Manufacturing (17.5% of the total amount);
 - Information and communication (10.3% of the total amount); and
 - Professional, scientific and technical activities (10.3% of the total amount).³⁶

³⁴ Coast to Capital (2022). Economic value report for Longmead & Kiln Lane Industrial Estates.

³⁵ Ibid. Page 7

³⁶ Ibid. Page 13

3.60 This confirms the Longmead and Kiln Lane industrial estates play a significant role in supporting sector specialisation in the Borough by providing the location of these sectors to base themselves. Also, around 6.5% of the borough's employment is provided on the two industrial estates. Given the estates cover a relatively small geographical area to the wider Borough, this emphasized its significance in supporting the total employment of Epsom & Ewell.³⁷

3.61 While inward foreign direct investment has been low in the past five years (2017 to 2022), vacancies across the industrial estates is low. It is worth noting that there is significant foreign ownership of companies based in the estates (21.4% of the total amount).³⁸

3.62 The report has concluded that:

- the loss of light industrial, industrial and warehousing floorspace will occur if residential-led mixed use development on the estates is considered;
- there is a risk of significant business displacement if these companies are driven to move outside of the Borough since there is limited alternative space in the local area; and
- the Borough will potentially subject to a great loss of economic value (£57 million of estimated total job value) if suitable spaces are not provided in the estates given its prominent role in the local area.

3.63 It is suggested to redevelop the estates by:

- upgrading the facilities to enable an increase in job density; and
- protecting and densifying the current employment space to attract new companies.

³⁷ Ibid. Page 18

³⁸ Ibid. Page 21

4 HOUSING MARKET AREA

- 4.1 The project team has carried out the necessary analysis to identify the housing market area (HMA) into which the Borough of Epsom & Ewell falls.
- 4.2 To aid our analysis to identify the HMA, the project team has undertaken a literature review and has reviewed the following documents:
- Strategic Housing Market Assessment³⁹ (SHMA 2016) for Kingston Upon Thames and North East Surrey Authorities, produced in 2016.
 - West Surrey Strategic Housing Market Assessment⁴⁰ (WSSHMA 2015) produced in 2015.
- 4.3 The SHMA 2016 was commissioned by Elmbridge Borough Council, Epsom & Ewell Borough Council, Mole Valley District and the Royal Borough of Kingston upon Thames. It concluded that the four authorities of Elmbridge, Epsom & Ewell, Kingston and Mole Valley form a coherent and self-contained HMA. Nonetheless, this HEDNA seeks to examine whether this still holds.
- 4.4 To satisfy the Duty to Cooperate, the PPG states that local authorities (LAs) should enter into a Statement of Common Ground (SoCG) with neighbouring authorities where there is evidence to show that strategic matters, such as housing, should be addressed in geography that extends beyond that of the individual district. The geography that underpins the SoCG is the HMA⁴¹.

³⁹ [Strategic Housing Market Area for Kingston Upon Thames and North East Surrey Authorities](#), 2016

⁴⁰ [West Surrey Strategic Housing Market Assessment](#), 2015

⁴¹ PPG (Plan-making) Ref ID: 61-017

Research Method

4.5 PPG relating to how HMAs can be defined was updated in March 2019. The relevant extracts are set out below and inform the method adopted in this report.

“A housing market area is a geographical area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work. These can be broadly defined by analysing:

- *The relationship between housing demand and supply across different locations, using house prices and rates of change in house prices. This should identify areas which have clearly different price levels compared to surrounding areas.*
- *Migration flow and housing search patterns. This can help identify the extent to which people move house within an area, in particular where a relatively high proportion of short household moves are contained (due to connections to families, jobs, and schools).*
- *Contextual data such as Travel to Work Areas, retail and school catchment areas. These can provide information about the areas within which people move without changing other aspects of their lives (e.g., work or service use).”⁴²*

4.6 These three inputs are considered when determining the HMA of Epsom & Ewell.

4.7 The initial focus is on identifying those LA areas with which Epsom & Ewell has the strongest direct relationships based on the indicators identified in PPG.

4.8 However, in conducting this analysis the project team also considered the possibility of an expanded HMA geography. This is based on the notion that, while a LA may not have a strong relationship with another LA area, they nevertheless fall into the same HMA as a result of a shared relationship with a third LA area that is of strategic importance to both, for example one that includes an important employment area.

⁴² PPG (Plan-making) Ref ID: 61-018

- 4.9 The method adopted by the project team is based on the principles of sustainable development that suggest, firstly, that there should exist enough choice in the housing market that allows for the majority of households to find a home suited to their needs within it and, secondly, they are able to access employment within this geography.
- 4.10 The 2015 West Surrey Strategic Housing Market Assessment provides a useful summary of research published by the Government on the geography of HMAs in 2010. This identified three tiers of HMAs:
- *“Strategic (Framework) Housing Markets (SHM) – based on 77.5% commuting self-containment;*
 - *Local Housing Market Areas (LHMA) – based on 50% migration self-containment; and*
 - *Sub-Markets – which would be defined based on neighbourhood factors and house types.”* ⁴³

Internal Migration Flows

- 4.11 When considering the geography of housing markets, internal migration flows (domestic house moves) are a key factor as they point to the capacity of given geography to satisfy the housing needs of the resident population.
- 4.12 The Office for National Statistics (ONS) publishes estimates of internal migration which are derived from three administrative data sources: The Patient Register Data System, the National Health Service Central Register, and the Higher Education Statistics Agency.
- 4.13 The statistics relating to movements between Epsom & Ewell and other relevant authorities have been analysed over the period 2016 to 2020. Both gross and net migration flow have been considered.

⁴³ [West Surrey Strategic Housing Market Assessment](#), 2015, pp 19

- 4.14 In general, the data show that internal migration between LA areas that border, or are close to one another is stronger than those areas that are further apart. This reinforces the logic of HMAs as unified geography. The scale of the flows are, however, influenced by the population of areas, with larger urban/metropolitan authorities having greater flows than smaller/rural areas.
- 4.15 Taking this into account, the population of relevant LAs have also been considered, with the migration flow comparison expressed as the number of moves per 1,000 people. This is to standardise the scale of movement between larger and smaller population areas so that accurate comparisons can be made.
- 4.16 The table below displays gross and net migration flows between Epsom & Ewell and other council areas to identify those areas with which Epsom & Ewell shares strong internal migration relationships.
- 4.17 It also contains the average combined population of the 2 LAs in question. A ranking has then been drawn up based on the gross flow per 1,000 people. This has been calculated by dividing the average combined population by the gross flows per annum.
- 4.18 Net migration flows are the balance of inflows and outflows between the two LAs in question with a positive figure showing that more people have moved from LA1 to LA2 than in the other direction.

4.19 That said, for this assessment, given that we are seeking to understand the level of self-containment with given geography, our focus is on the gross flow per annum/ 1,000 of the population.

Table 6: Average combined migration flows between local authority areas, 2016-2020⁴⁴

Local Authority (1)	Local Authority (2)	Avg. combined population (in 000s, 2016-2020, aggregated)	Gross flow per annum 16-20	Gross flow per annum / 1,000 pp	Net flow per annum (L1 to L2)	Net flow per annum / 1,000 pp
LB Wandsworth	LB Merton	532.5	4,929.5	9.3	1,300.4	2.4
LB Merton	LB Sutton	411.1	2,946.0	7.2	1,397.7	3.4
Guildford	Waverley	275.0	1,927.5	7.0	434.8	1.6
Spelthorne	Runnymede	187.6	1,058.1	5.6	325.3	1.7
LB Kingston upon Thames	Elmbridge	312.7	1,521.7	4.9	486.8	1.6
Reigate and Banstead	Tandridge	235.1	1,083.9	4.6	10.2	0.0
Runnymede	Woking	189.1	871.5	4.6	21.7	0.1
Woking	Guildford	249.3	1,143.1	4.6	110.4	0.4
LB Merton	LB Kingston upon Thames	382.5	1,646.7	4.3	376.1	1.0
LB Croydon	LB Sutton	590.5	2,533.3	4.3	365.5	0.6
Crawley	Horsham	254.1	1,082.5	4.3	471.9	1.9
LB Kingston upon Thames	Epsom and Ewell	256.1	1,084.5	4.2	371.1	1.5
LB Croydon	Tandridge	473.4	1,973.1	4.2	910.3	1.9
Crawley	Mid Sussex	261.9	1,074.0	4.1	314.1	1.2
LB Richmond upon Thames	LB Kingston upon Thames	372.9	1,520.1	4.1	233.57	0.6
LB Merton	LB Croydon	592.1	2,411.3	4.1	549.89	0.9
Epsom and Ewell	Reigate and Banstead	227.5	869.1	3.8	182.35	0.8
Reigate and Banstead	Mole Valley	234.8	896.7	3.8	98.6	0.4

⁴⁴ The list of LAs chosen in this table are located in Surrey, Greater London, and the South East.

Local Authority (1)	Local Authority (2)	Avg. combined population (in 000s, 2016-2020, aggregated)	Gross flow per annum 16-20	Gross flow per annum / 1,000 pp	Net flow per annum (L1 to L2)	Net flow per annum / 1,000 pp
Epsom and Ewell	Mole Valley	167.3	613.2	3.7	237.2	1.4
LB Sutton	Reigate and Banstead	352.2	1,288.0	3.7	660.1	1.9
LB Sutton	Epsom and Ewell	284.8	1,020.8	3.6	231.0	0.8
LB Wandsworth	LB Richmond upon Thames	522.9	1,798.4	3.4	457.1	0.9
LB Wandsworth	LB Croydon	711.9	2,309.8	3.2	734.1	1.0
Elmbridge	Runnymede	224.8	729.5	3.2	173.4	0.8
Reigate and Banstead	Crawley	291.8	933.5	3.2	142.1	0.5
LB Wandsworth	LB Kingston upon Thames	502.2	1,590.6	3.2	546.7	1.1
Mid Sussex	Horsham	259.6	814.5	3.1	183.3	0.7
Tandridge	Mid Sussex	237.4	654.4	2.8	218.1	0.9
LB Richmond upon Thames	Elmbridge	333.4	910.1	2.7	442.6	1.3
LB Richmond upon Thames	Spelthorne	296.2	729.0	2.5	322.0	1.1
Elmbridge	Woking	237.5	547.8	2.3	209.1	0.9
LB Wandsworth	LB Sutton	530.9	1,171.2	2.2	604.6	1.1
LB Croydon	Reigate and Banstead	533.2	1,173.4	2.2	487.6	0.9
Elmbridge	Mole Valley	223.9	492.5	2.2	198.8	0.9

Source: ONS [datasets 1 & 2](#), 2016-2020

- 4.20 This analysis demonstrates that the strongest relationship is between the outer London Boroughs of Wandsworth (LB Wandsworth) and Merton (LB Merton), with a gross flow per 1,000 of the population of 9.26. Also, other strong relationships exist between the London Boroughs of Merton and Sutton (LB Sutton), and between Guildford and Waverley.
- 4.21 As regards the Borough of Epsom & Ewell, the strongest migration relation is between the London Borough of Kingston upon Thames (LB Kingston upon Thames). The table shows a gross flow per 1,000 of the population of 4.23 between these LAs. It is also worth noting that LB Kingston upon Thames also has strong links to Elmbridge.

4.23 The table below focuses on those LAs with which Epsom & Ewell has the strongest migration relationships. The four strongest relationships (where Epsom & Ewell share a gross flow per annum of between 3.5 and 4.5 per 1,000 people) are the London Borough of Kingston upon Thames (LB Kingston upon Thames), Reigate & Banstead, Mole Valley and LB Sutton (reporting 4.23, 3.82, 3.67 and 3.58 gross flow per 1,000 of the population per annum, respectively).

Table 7: Average combined migration flows between local authority areas, Epsom & Ewell, 2016-2020

Local Authority (1)	Local Authority (2)	Avg. combined population (in 000s, 2016-2020, aggregated)	Gross flow per annum 16-20	Gross flow per annum / 1,000 pp	Net flow per annum (L1 to L2)	Net flow per annum / 1,000 pp
LB Kingston upon Thames	Epsom and Ewell	256.1	1,084.5	4.2	371.1	1.5
Epsom and Ewell	Reigate and Banstead	227.5	869.1	3.8	182.4	0.8
Epsom and Ewell	Mole Valley	167.3	613.2	3.7	237.2	1.4
LB Sutton	Epsom and Ewell	284.8	1,020.8	3.6	231.0	0.8

Source: ONS [datasets 1 & 2](#), 2016-2020

4.24 Furthermore, Royal Mail Home Movers⁴⁵ data has been analysed from the period of September 2016 to January 2022. This up-to-date data allows an assessment to be made of the self-containment level of an HMA comprising the LAs of Epsom & Ewell, Elmbridge, LB Kingston upon Thames, Mole Valley and Reigate & Banstead. This is done by confirming the domestic migration flow at a disaggregated level.

⁴⁵ Royal Mail Home Movers are assessed based on post sector relocation records. RM sources this data from the Royal Mail Redirection Service, which is then cross-referenced with estate agency data and the Postcode Address File (PAF).

4.25 The Royal Mail Home Movers data points to a self-containment level of 71% within this geographical area. This figure is calculated by summing the total number of moves that take place between the five⁴⁶ LAs to and from Epsom & Ewell (43,408) and dividing this by the total number of moves across all LAs⁴⁷ in England to and from Epsom & Ewell (61,173).

4.26 The table below shows the number of moves from Sept 2016 to Jan 2022 that occurred to or from Epsom & Ewell. It also displays the number of moves between Epsom & Ewell and other LAs. In addition, it displays the number of moves as a percentage of total moves for selected LAs.

Table 8: Home movers to and from Epsom & Ewell, Jan 2016 – Sept 2022

From Epsom & Ewell	No. of moves	% of total	To Epsom & Ewell	No. of moves	% of total
Epsom & Ewell	14,507	46.9%	Epsom and Ewell	14,507	48.0%
Mole Valley	3,045	9.8%	LB Kingston upon Thames	1,981	6.6%
Reigate and Banstead	1,820	5.9%	Reigate and Banstead	1,957	6.5%
Elmbridge	1,548	5.0%	Elmbridge	1,718	5.7%
LB Kingston upon Thames	993	3.2%	LB Merton	1,513	5.0%
LB Merton	507	1.6%	Mole Valley	1,332	4.4%
Guildford	439	1.4%	LB Sutton	718	2.4%
LB Sutton	376	1.2%	LB Croydon	550	1.8%
Total	30,958		Total	30,215	

Source: GLH analysis of Royal Mail data

4.27 A significant percentage of people who are moving to Epsom & Ewell are moving from within the Borough already and vice versa (46.9% and 48.0% respectively).

⁴⁶ The five LAs are: Epsom & Ewell, Elmbridge, LB Kingston upon Thames, Mole Valley and Reigate & Banstead.

⁴⁷ All LAs in England, where moves to and from Epsom & Ewell have been recorded.

- 4.28 Excluding Epsom & Ewell, LB Kingston upon Thames makes up the highest proportion of migration to Epsom & Ewell (6.6%) followed closely by Reigate & Banstead (6.5%) and Elmbridge (5.7%). Other LAs with significant levels of migration to the Borough (although a slightly smaller proportion of the total than those listed above) are LB Merton (5.0%) and Mole Valley (4.4%).
- 4.29 On the other hand, for households that are moving from Epsom & Ewell, destination locations include Mole Valley (9.8%), Reigate & Banstead (5.9%), Elmbridge (5.0%) and LB Kingston upon Thames (3.2%).
- 4.30 Finally, Guildford and the London Boroughs of Sutton (LB Sutton) and Croydon (LB Croydon) make up a smaller percentage of home movers – less than 2.5% each.

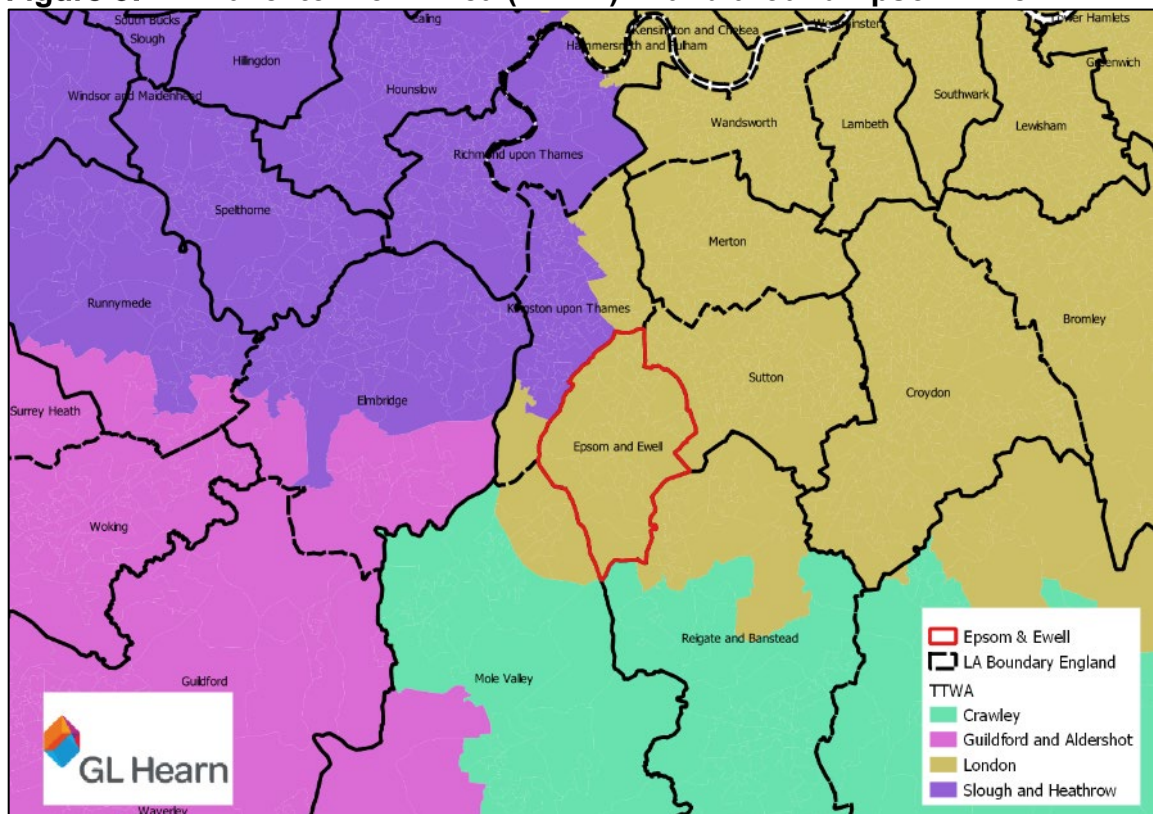
Summary – internal migration

- 4.31 In terms of gross flow per annum/ 1,000 population, ONS internal migration data shows that the strongest internal migration relationship with Epsom & Ewell is with LB Kingston upon Thames (4.23), followed by LB Reigate & Banstead (3.82), Mole Valley (3.67) and LB Sutton (3.58).
- 4.32 Royal Mail Home Movers Data points to a local HMA consisting of Epsom & Ewell, Elmbridge, LB Kingston upon Thames, Mole Valley and Reigate & Banstead with a self-containment level of 71%.
- 4.33 In addition, the Royal Mail data also indicates that a large majority of household moves into Epsom & Ewell are by people already living in the Borough (48.0%).
- 4.34 LB Kingston upon Thames makes up the highest proportion of migration to Epsom & Ewell (6.6%) followed closely by Reigate & Banstead (6.5%) and Elmbridge (5.7%). On the other hand, for households that are moving from Epsom & Ewell, destination locations include Mole Valley (9.8%), Reigate & Banstead (5.9%), Elmbridge (5.0%) and LB Kingston upon Thames (3.2%).

Travel to Work

- 4.35 The most recent commuting data available is from the Census 2011. While this data is historic, the patterns it describes are likely to remain robust given that the spatial relationships that determine travel to work patterns (excepting shocks, such as the Pandemic) change slowly over time as a result of infrastructure upgrades and shifts in functional economic geographies. It is, therefore, reasonable to use this as a guide as to commuting trends in Epsom & Ewell in 2022.
- 4.36 The map below shows the boundary of different Travel to work areas (TTWAs) of the Borough's adjoining areas.

Figure 3: Travel to Work Area (TTWA) in and around Epsom/Ewell



Source: Census 2011

4.37 As shown in the table below, based on this data, 25% of all commuting journeys in Epsom & Ewell take place inside the Borough. The second-largest centre of employment is the City of Westminster (LB Westminster), which account for 11% of commuter journeys.

Table 9: Commuter journeys from Epsom & Ewell, 2011

LA	No. of commuters	% of total
Epsom and Ewell	7,504	25%
LB Westminster	3,204	11%
LB Kingston upon Thames	3,011	10%
LB Sutton	2,270	7%
Mole Valley	1,927	6%
LB Merton	1,390	5%
Reigate and Banstead	1,378	5%
Elmbridge	1,017	3%
Total	21,701	71%

Source: Census table [WF01BEW](#), 2011

4.38 It is also worth noting that the London Boroughs of Kingston upon Thames, Sutton and Merton account for 10%, 7% and 5% respectively. This illustrates the degree to which Epsom & Ewell is integrated with some London Boroughs.

4.39 To further analyse the relationship Epsom & Ewell has with London in terms of travel to work, the table below illustrates the commuter flows from Epsom & Ewell, Reigate & Banstead and Mole Valley into all London Boroughs.

Table 10: Relationship with London Boroughs, commuting flows, 2011

	Epsom & Ewell	Mole Valley	Reigate & Banstead
Flows into London	15,840	8,089	17,549
Total commuter flows	30,464	31,816	56,785
% of total	52%	25%	31%

Source: Census table [WF01BEW](#), 2011

4.40 Excluding LB Westminster, travel to work data indicates a local HMA comprising Epsom & Ewell, LB Kingston upon Thames, LB Sutton, Mole Valley, LB Merton, Reigate & Banstead and Elmbridge. The geography represented by this group of LAs has a self-containment level of 60%. That said, it is notable that commuting journeys to Elmbridge are relatively weak at 3% of all journeys.

Summary – travel to work

4.41 Travel to work data indicates a local HMA comprising Epsom & Ewell, Elmbridge, LB Kingston upon Thames, LB Merton, Mole Valley, Reigate & Banstead and LB Sutton with a self-containment level of 60%.

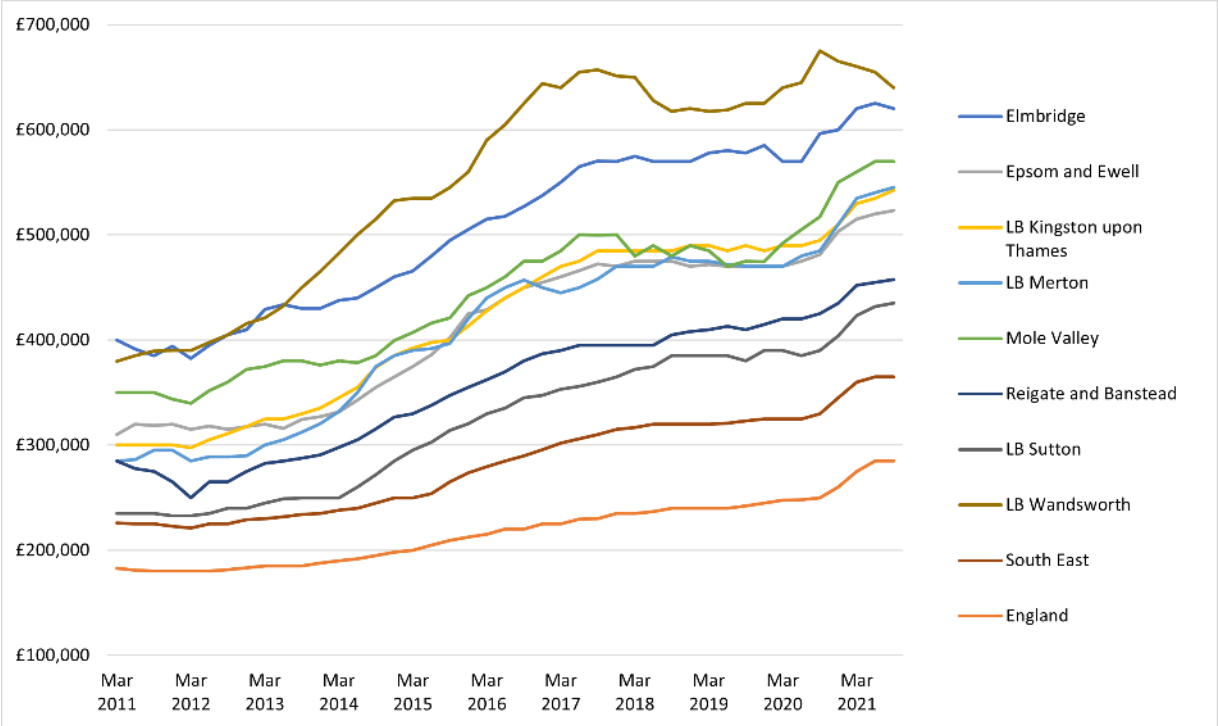
4.42 That said, Elmbridge has a relatively weak relationship with Epsom & Ewell in terms of travel to work data.

House Prices

4.43 House prices can signal strength in demand and the relative attractiveness of different places. House prices, therefore, provide a 'market-based' indication of HMA boundaries.

4.44 The figure below sets out median house prices for Elmbridge, Epsom & Ewell, LB Kingston upon Thames, LB Merton, Mole Valley, Reigate & Banstead, LB Sutton and LB Wandsworth for the period of 2011-2021.

Figure 4: Median house prices, HMA, 2011-2021



Source: ONS, [Table 2a](#), 2011-2021

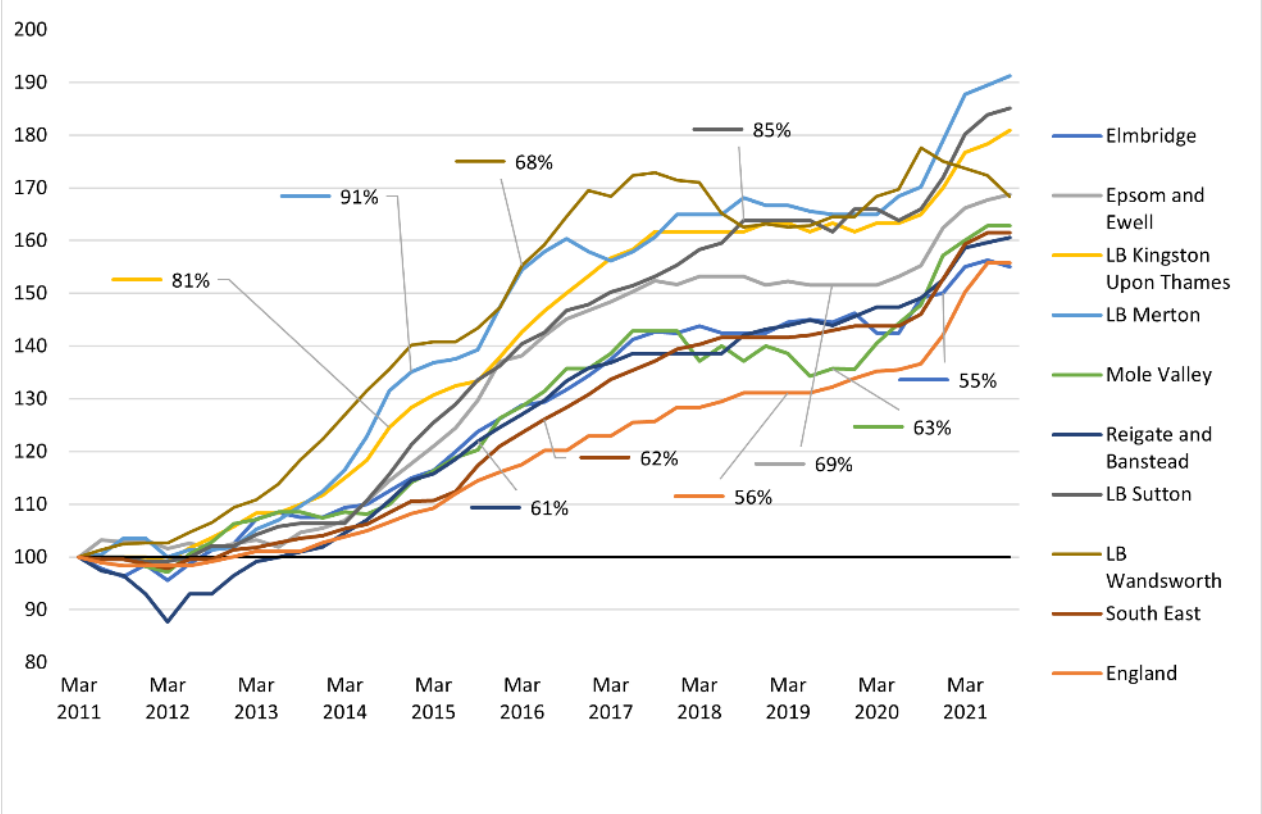
4.45 The graph above indicates that there is clear variation between house prices across the LAs that potentially all fall within the same HMA. For example, in March 2021, the median house price in LB Wandsworth was equal to £640,000 whereas the median house price in LB Sutton was equal to £435,000. Despite this, the level of median house prices across all LAs is significantly greater than the regional (£365,000) and national (£285,000) averages.

4.46 In 2021, prices in LB Wandsworth and Elmbridge were 22% and 19% higher than Epsom & Ewell respectively. Prices in LB Sutton were, however, 17% lower than in the Borough.

4.47 Epsom & Ewell, Mole Valley, LB Merton and LB Kingston upon Thames have broadly similar levels of median house prices (between £520,000 and £570,000).

4.48 It is also worth considering the rate of change in house prices among the comparator geographies. The figure below displays the median house prices indexed to 2011 and the percentage increases in house prices since 2011. This shows the rate of change since 2011 has been significantly different for Epsom & Ewell (69%) compared to LB Merton (91%), LB Sutton (85%) and LB Kingston upon Thames (81%).

Figure 5: Median house prices (indexed) and % increase since 2011, HMA



Source: ONS, [Table 2a](#), 2011-2011

4.49 On the other hand, the rate of change of median house prices for Elmbridge (55%) is significantly lower than that of Epsom and Ewell (69%).

- 4.50 Lastly, the rate of change in median house prices is broadly similar for Epsom & Ewell (69%), LB Wandsworth (68%), Mole Valley (63%) and Reigate & Banstead (61%).

Summary – house prices

- 4.51 As of 2021, Epsom & Ewell, Mole Valley, LB Merton and LB Kingston upon Thames have broadly similar levels of median house prices (between £520,000 and £570,000). However, prices in LB Wandsworth and Elmbridge were 22% and 19% higher than in Epsom & Ewell. Median house prices in LB Sutton, on the other hand were 17% lower than Epsom & Ewell.
- 4.52 Median house prices in Epsom & Ewell have grown by 69% since 2011. This rate of change is broadly similar to LB Wandsworth (68%), Mole Valley (63%) and Reigate & Banstead (61%). In comparison, LB Merton (91%), LB Sutton (85%) and LB Kingston upon Thames (81%) have grown at rates significantly greater. On the other hand, Elmbridge has only grown by 5% since 2011.

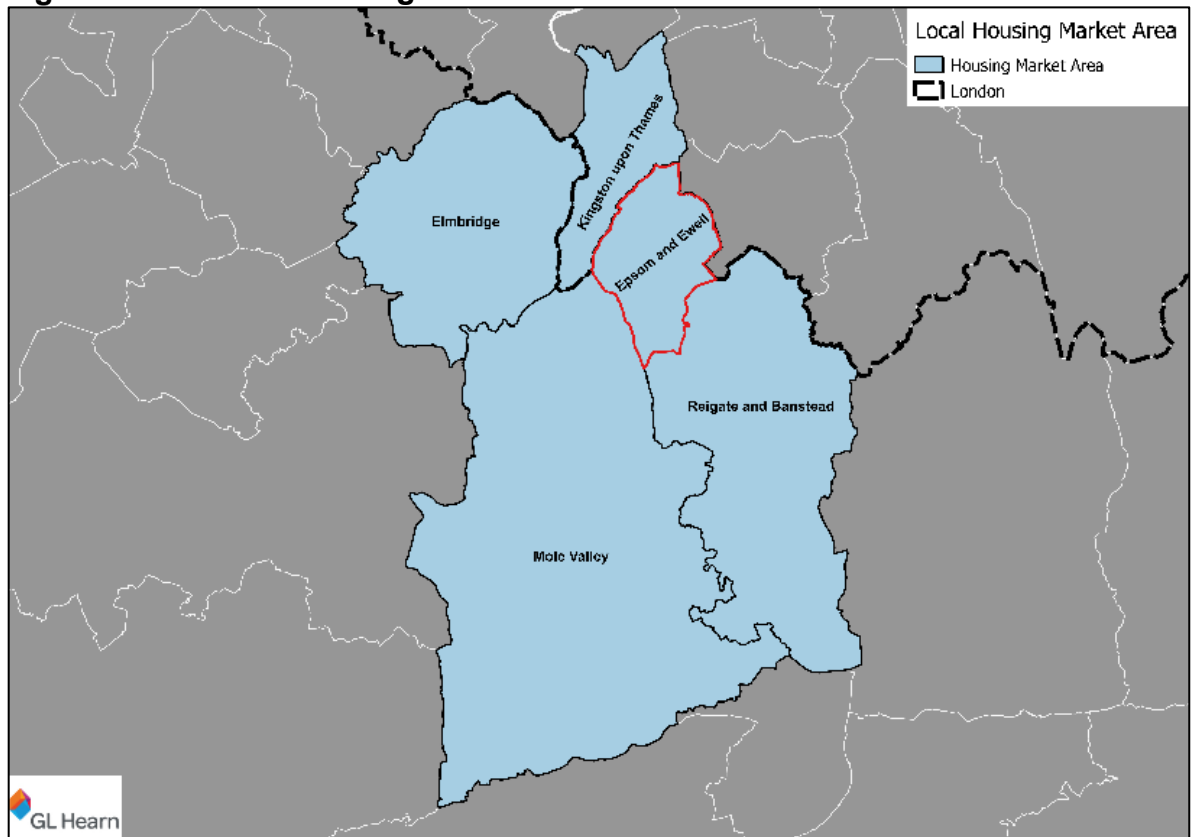
Housing market area summary

- 4.53 According to data gathered from Census 2011, Epsom & Ewell has a relatively low self-containment level for travel to work (25%). This indicates that it is unlikely to form its own HMA.
- 4.54 The Royal Mail Home Movers data, from the period September 2016 to January 2022, indicates a Local HMA consisting of Epsom & Ewell, Elmbridge, LB Kingston upon Thames, Mole Valley and Reigate & Banstead with a self-containment level of 71%.
- 4.55 Census 2011 travel to work data reinforces some of the relationships between LAs identified in the internal migration section and points to a local HMA comprising Epsom & Ewell, Elmbridge, LB Kingston upon Thames, LB Merton, Mole Valley, Reigate & Banstead and LB Sutton with a self-containment level of 60%.

- 4.56 That said, Elmbridge has a relatively weak relationship with Epsom & Ewell. Despite this, it is important, in determining the HMA boundaries, to take into account the strength of the relationship Elmbridge has with LB Kingston upon Thames. This is because Epsom & Ewell and Elmbridge both provide housing for people working LB Kingston upon Thames and have strong migratory relationships with it.
- 4.57 Median house prices, as of September 2021, are similar across Epsom & Ewell, Mole Valley, LB Merton and LB Kingston upon Thames (between £520,000 and £570,000). However, prices in LB Wandsworth are significantly higher (£640,000) than in the rest of the identified LAs. This provides a compelling justification for placing LB Wandsworth outside the Borough's HMA. Equally, prices in LB Sutton are significantly lower (£435,000) than in the rest of the identified LAs. This, therefore, suggests LB Sutton is also outside the Borough's HMA.
- 4.58 Despite similar house price trends, the rate of change of median house prices in LB Merton (91%) is significantly different compared with Epsom & Ewell (69%). Additionally, Epsom & Ewell has a relatively weak relationship with LB Merton in terms of internal migration (1.88 gross flow per annum/ 1,000 population) compared with, LB Kingston upon Thames, Reigate & Banstead and Mole Valley (4.23, 3.82 and 3.67 gross flow per annum/ 1,000 population respectively). This suggests LB Merton does not fall into the same HMA as Epsom & Ewells.
- 4.59 Bringing the evidence together, internal migration, travel to work and house price data suggest a LHMA comprising Epsom and Ewell, Elmbridge, LB Kingston upon Thames, Mole Valley and Reigate & Banstead.
- 4.60 This area reflects a self-containment level for internal migration and travel to work of 71% and 49% respectively together with the importance of LB Kingston upon Thames as a destination for households moving from both Epsom & Ewell and Elmbridge.

4.61 The data gathered supports including Reigate & Banstead within the same HMA as Epsom and Ewell. In this way, this HEDNA differs from the SHMA 2016⁴⁸.

Figure 6: Local Housing Market Area



⁴⁸ Strategic Housing Market Assessment for Kingston upon Thames and North East Surrey Authorities, Cobweb Consulting, June 2016, point 4.2

5 FUNCTIONAL ECONOMIC MARKET AREA

5.1 This section considers the geography of the Functional Economic Market Areas (FEMAs) that Epsom and Ewell fall into. This sets out the basis for employment land evidence and informs the analysis of relevant chapters in this HEDNA.

5.2 The NPPF and PPG set out that economic development needs should be considered across the FEMA.

5.3 Paragraph 160 of the NPPF states that:

“Local planning authorities should have a clear understanding of business needs within the economic markets operating in and across their area and to achieve this they should:

- *Work together with county and neighbouring authorities and with Local Enterprise Partnerships to prepare and maintain a robust evidence base to understand both existing business needs and likely changes in the market; and*
- *Work closely with the business community to understand their changing needs and identify and address barriers to investment, including a lack of housing, infrastructure or viability.”*

5.4 PPG states that patterns of economic activity vary from place to place⁴⁹. For this reason, there is no standard approach to identifying a FEMA. However, PPG goes on to state that it is possible to define a FEMA by taking account of a number of factors including:

- *Extent of any Local Enterprise Partnership (LEP) within the area;*
- *Travel to Work Areas;*
- *Housing market area;*
- *Flow of goods, services and information within the local economy;*
- *Service market for consumers;*
- *Administrative areas; and*
- *Catchment areas of facilities providing cultural and social well-being.*

⁴⁹ PPG (Plan-making) Ref ID: 61-019

5.5 Therefore, the following section draws on various evidence to undertake an analysis in line with PPG. It includes a literature review of existing relevant FEMA assessments and consideration of a range of factors such as housing market areas, commercial property markets and economic activity.

Literature review of adjacent Local Authorities on FEMAs

5.6 The Mole Valley economic development needs assessment 2017 (Mole Valley EDNA 2017) was reviewed as part of the research to identify the established FEMA boundary of adjacent local authorities. The Mole Valley EDNA 2017 has quoted the advice by Peter Brett Associates:

*“ideally the FEMA should define the geographical scope of the of the economic needs assessment but in practice it will not always be practical for the study to cover the whole FEMA for example because local plan timetables are not aligned. In that case the local authority may undertake the study on its own.”*⁵⁰

5.7 The Mole Valley EDNA report concluded that:

*“Given this advice and the difficulty in defining a strong FEMA extent it is recommended the economic development needs assessment for a new Mole Valley Local Plan should consider the local authority area only but be mindful of wider considerations and the duty to co-operate.”*⁵¹

5.8 The report continues that:

“It is acknowledged that there are links, not necessarily strong, with Epsom and Ewell and Reigate and Banstead. Commuting between Guildford and Mole Valley is also reasonably high in both directions. The scope of any cooperation with these authorities will be informed by the findings of the District’s Economic Development Needs Assessment.”

5.9 Therefore, based on the Mole Valley EDNA 2017, although the conclusion suggests that Mole Valley forms an independent FEMA, the report has acknowledged the economic linkages between Mole Valley, Epsom & Ewell and Reigate & Banstead. The key findings of Mole Valley EDNA 2017 should inform Statements of Common Ground in the context of Duty to Co-operate discussions between the Councils.

⁵⁰ Peter Brett Associates (2016). [HEDNA Technical Advice Vol 3](#). Page 8

⁵¹ Mole Valley District Council (2017). [Economic Development Needs Assessment](#).

Local Enterprise Partnership

- 5.10 The “Coast to Capital” (C2C) is the LEP for Brighton & Hove, Croydon, East Surrey (including Epsom & Ewell), Lewes and West Sussex. According to the Coast to Capital Strategic Economic Plan 2018-2030 (C2C SEP), the LEP region has a total population around two million.⁵² The gross value added (GVA) of the LEP region is around £50.7 billion (2016). This makes the C2C region the seventh largest LEP economy in England out of 38 LEP areas.
- 5.11 The Borough is one of the 14 authorities in the C2C LEP. The C2C LEP Strategic Economic Plan (2018), has indicated that the average labour productivity of the Borough is £24,994 in 2017, which is similar to the LEP average level (£26,202).⁵³
- 5.12 Within the C2C LEP area sits the “Gatwick Diamond” partnership, which is the cluster of towns in East Surrey (including Epsom & Ewell) and West Sussex surrounding Gatwick airport. The Gatwick Diamond has a combined economy of £24 billion and 368,000 jobs in 2016.
- 5.13 Since Gatwick airport is the second busiest airport in the UK, this international gateway for trade and investment will provide opportunities for economic growth, innovation for technology and skills.⁵⁴ The C2C SEP has highlighted range of economic sub-sector specialization in the LEP area. This indicates growth opportunities for Epsom & Ewell in the following sectors:
- computer software programming and publishing;
 - insurance and financial services; and
 - communications & navigation equipment manufacturing.

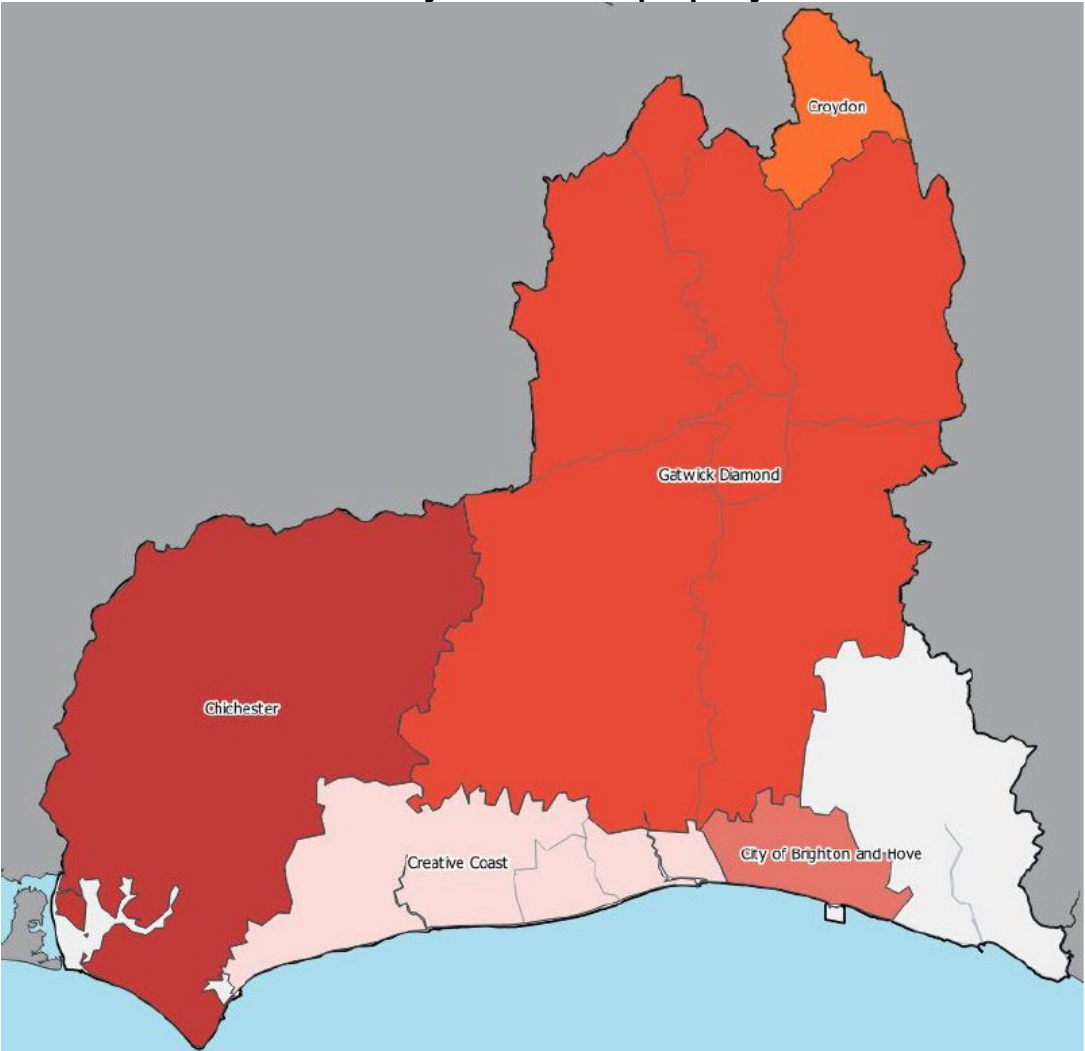
⁵² Coast to Capital LEP (2018). [Strategic Economic Plan 2018-2030](#). Page 8

⁵³ Ibid. Page 8.

⁵⁴ Ibid. Page 15.

5.14 The map below shows the position of Gatwick Diamond and other key commercial property market areas within the C2C LEP network. The Borough sits at the northern part of the Gatwick Diamond market area.

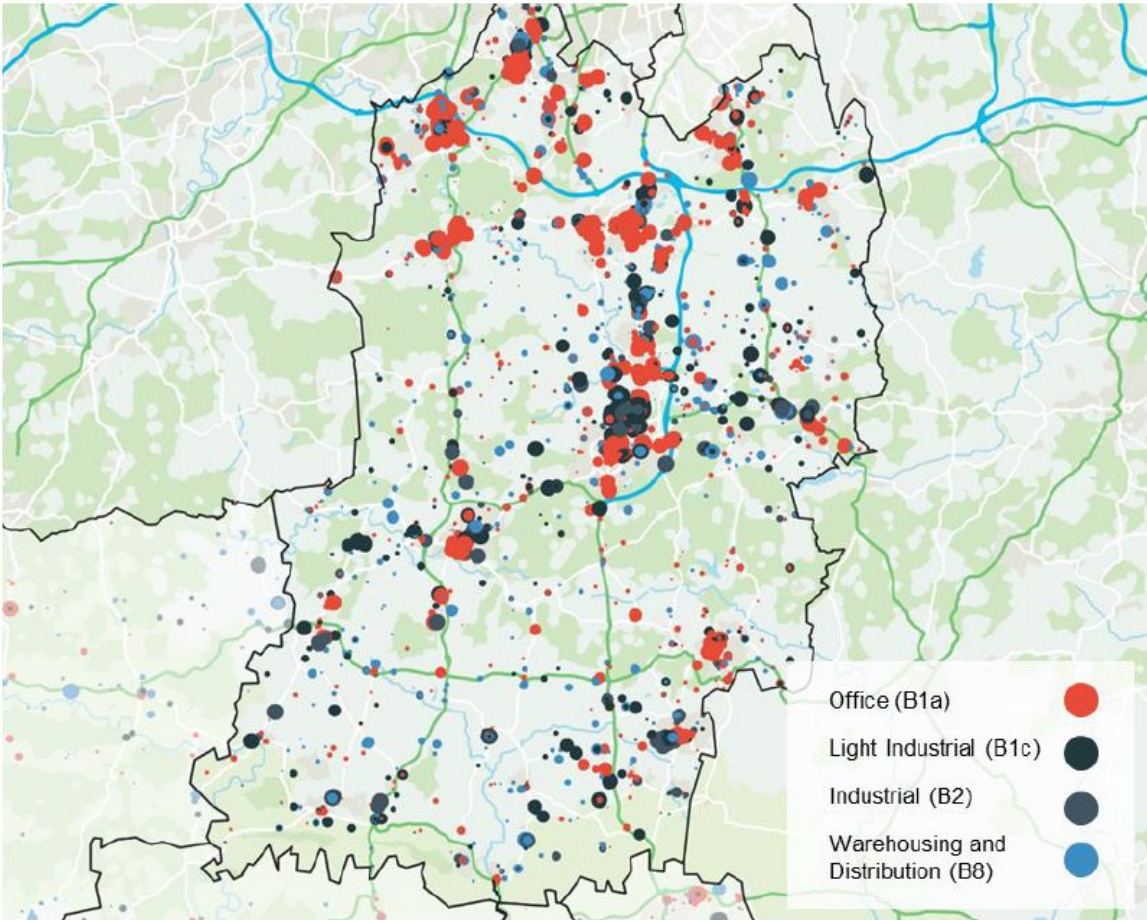
Figure 7: The Map of Coast to Capital's Local Enterprise Partnership network and key commercial property areas



Source: [Coast to Capital LEP](#) (2019)

5.15 The map below shows the locations of commercial spaces that falls within the Gatwick Diamond market area. These spaces are categorised by land use purposes, which are office, light industrial, general industrial, and warehousing.

Figure 8: Locations of commercial spaces in the Gatwick Diamond market area



Source: [Coast to Capital LEP](#) (2019)

5.16 C2C’s Commercial Property Study has stated that Gatwick Diamond is the largest office market area which contains 50% of the total floorspace (1.5 million sqm) in the C2C LEP area.⁵⁵ Crawley is considered the main driver of the office market in Gatwick Diamond.

⁵⁵ Coast to Capital LEP (2019). [Capital to Coast Commercial Property Study](#). Page 73

- 5.17 Manor Royal Industrial Park in Crawley is the main cluster for industrial spaces in the Gatwick Diamond, with a total floorspace of 866,000 sqm split across 700 properties (including warehouses and workshops).
- 5.18 The Commercial Property Study (2019) indicated that the C2C LEP area has around 275,000 sqm of net additional commercial floorspace is either under construction or with planning approval. In short to medium term, this will potentially contribute to a 4% net increase on current commercial floorspace and 1.5% increase of total employment in the LEP area.

Housing Market Area

- 5.19 The HEDNA Technical Advice has suggested that HMA and FEMA are geographically similar since both are largely determined by the reach of a daily commuting trip. The Technical Advice has stated that:
- “In practice it is convenient for the HMAs and FEMAs to be coterminous. This should help streamline the planning process, because if the two market areas have different boundaries authorities may have to form two kinds of sub-regional planning partnerships, to deal with housing and the economy respectively”*⁵⁶
- 5.20 The previous chapter suggested a HMA comprising Epsom and Ewell, Elmbridge, LB Kingston upon Thames, Mole Valley and Reigate & Banstead. With this in mind, the boundaries of HMA are taken into account to understand the geography for FEMA.

⁵⁶ Peter Brett Associates (2016). [HEDNA Technical Advice Vol 3](#). Page 7

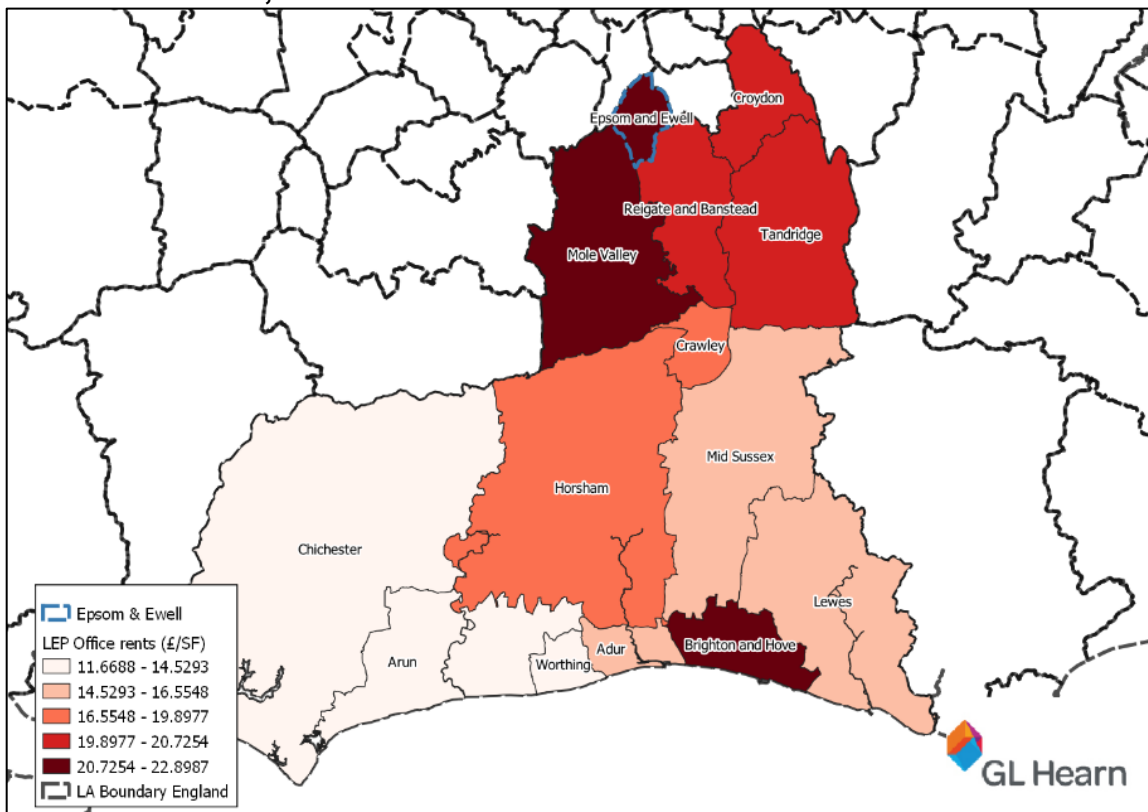
Commercial Property Market Area

- 5.21 Local Planning Authorities must ensure that a sufficient amount of land is provided for business use and other employment-generating activities. A significant role of the Local Plan is to identify sites for employment use (office, industrial and warehouse). Therefore, local authorities require an understanding of the commercial property market in their area, whilst recognising that property markets extend beyond local authority boundaries.
- 5.22 That is to say, the pattern of commercial property market areas (CPMAs) is a significant aspect of defining the FEMA. The first step in exploring the CPMA is to identify the which part of the C2C LEP area that the Borough falls into.
- 5.23 The Commercial Property Study of the C2C LEP identifies five key market areas within the LEP area:⁵⁷
- Brighton & Hove;
 - Croydon;
 - Gatwick Diamond;
 - Chichester; and
 - Sussex Creative Coast.
- 5.24 The Borough, together with Crawley, Horsham, Mid Sussex, Mole Valley, Reigate & Banstead and Tandridge forms the Gatwick Diamond market area in the C2C LEP area. The following section compares the evidence of market rents in the recent 5 years (2017 to 2022) based on the CoStar commercial property market database.

⁵⁷ Coast to Capital LEP (2018). [Capital to Coast Commercial Property Study](#). Page 18

5.25 The map below presents the average market rent data between 2017 to 2022 for office properties in the C2C LEP area. The office market rent of East Surrey local authorities is between £20.3 to £22.9 per square foot per annum (SF/YR). This is higher than the LEP average level of £19 per SF/YR

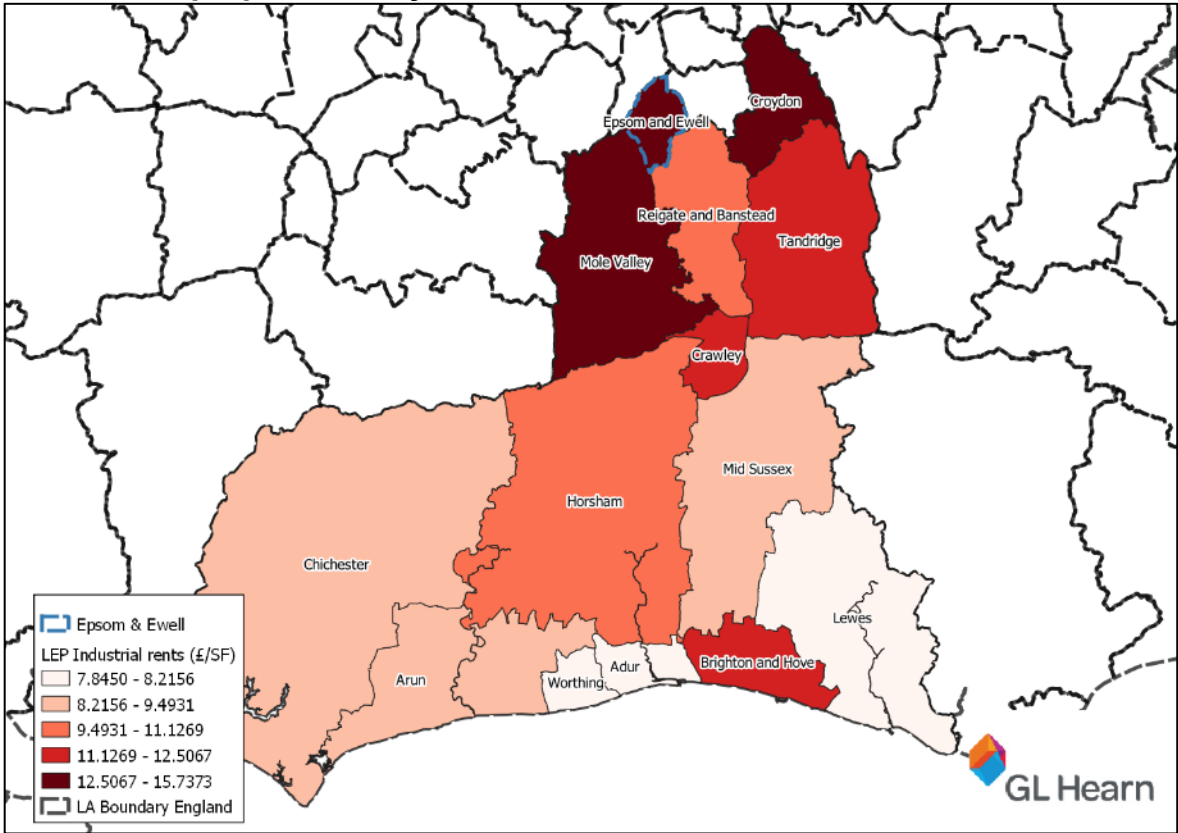
Figure 9: Average market rents (£/SF/YR) of Office properties, May 2017 to 2022, C2C LEP councils



Source: CoStar, 2022

5.26 The map below presents the market rent of industrial and light industrial properties within the C2C LEP area. The industrial property market rent between 2017 to 2022 ranged from £10.7 to £15.7 per SF/YR for local authorities within the East Surrey economic hub. This market rent level is also higher than the LEP average (£10.4 per SF/YR).

Figure 10: Average market rents (£/SF/YR) of Industrial/Light industrial properties, May 2017 to 2022, C2C LEP councils



Source: CoStar, 2022

5.27 In summary, considering the market rent data in the past five years (2017 to 2022), it is reasonable to suggest that the local authorities at the north of the Gatwick Diamond market area (Epsom & Ewell, Mole Valley, Reigate & Banstead and Tandridge) form a shared CPMA in the C2C LEP area.

Functional Labour Market Area

- 5.28 In support of the above CPMA analysis, an alternative way of considering the extent of the FEMA is to reflect upon the relationship between where people live and where they work. The relationship will inform the establishment of the functional labour market areas (FLMA). Thus, two main factors are analysed, which are:
- commuting patterns (i.e., TTWAs); and
 - policy evidence on economic growth corridor.
- 5.29 The TTWA that the Borough falls into is recognised (London TTWA) in the Housing Market Area Chapter. However, the TTWA and Census commuter flow data are considered outdated since the analysis is based on the travel pattern of more than a decade ago. Therefore, regarding the key economic growth area designated by the Council, the FLMA analysis draws on the latest policy evidence set out in the SEGS 2020.
- 5.30 According to SEGS 2020, one of the key Strategic Opportunity Areas (SOAs) of the Borough is the “M25 J9 Epsom Leatherhead Corridor”. This corridor will be focusing on supporting priority industrial sectors and improvements to connectivity within and beyond Surrey over the next 20 years. ⁵⁸
- 5.31 The corridor is expected to stimulate the economic activities between the towns of Epsom and Leatherhead (Mole Valley). The SEGS 2020⁵⁹ sets out the objectives to maximise the potential of the Surrey’s strategic economic assets in this corridor. Also, the SEGS 2020 seeks to develop infrastructure funding solutions aimed at unlocking development opportunities in the areas. This confirms the strong labour market relationship between the Borough and Mole Valley district.

⁵⁸ Epsom and Ewell Borough Council (2020). [Local Plan Spatial Economic Growth Strategy for Epsom and Ewell](#). Page 17.

⁵⁹ Ibid.

5.32 The FLMA analysis draws on TTMA evidence which is available in Census data. However, it is estimated that the up-to-date workplace flow data of Census 2021 will be published from spring 2023.⁶⁰ Also, it should be noted that there are some uncertainties on how the Pandemic has affected the long-term travel patterns of the commuters. That is to say, the conclusions made for TTMA should be revisited until the Census 2021 is published and the extent of FLMA might be influenced.

Employment land and property clusters

5.33 In addition to the CPMA and the FLMA, it is appropriate to locate the employment land and properties of different Use Class or key employment sectors in order to identify whether any clusters exist to inform the FEMA analysis.

5.34 The following sections discuss the clusters of office and industrial properties in the Borough's neighbouring LAs together with the Borough itself. Also, the Racecourse & Equestrian sector is identified as one of Epsom & Ewell's key employment sectors. The cluster where relevant businesses and the facilities in this sector locate are identified based on the Scoping Report on the Racecourse & Equestrian Sector (SRRES 2020).⁶¹

Commercial property clusters

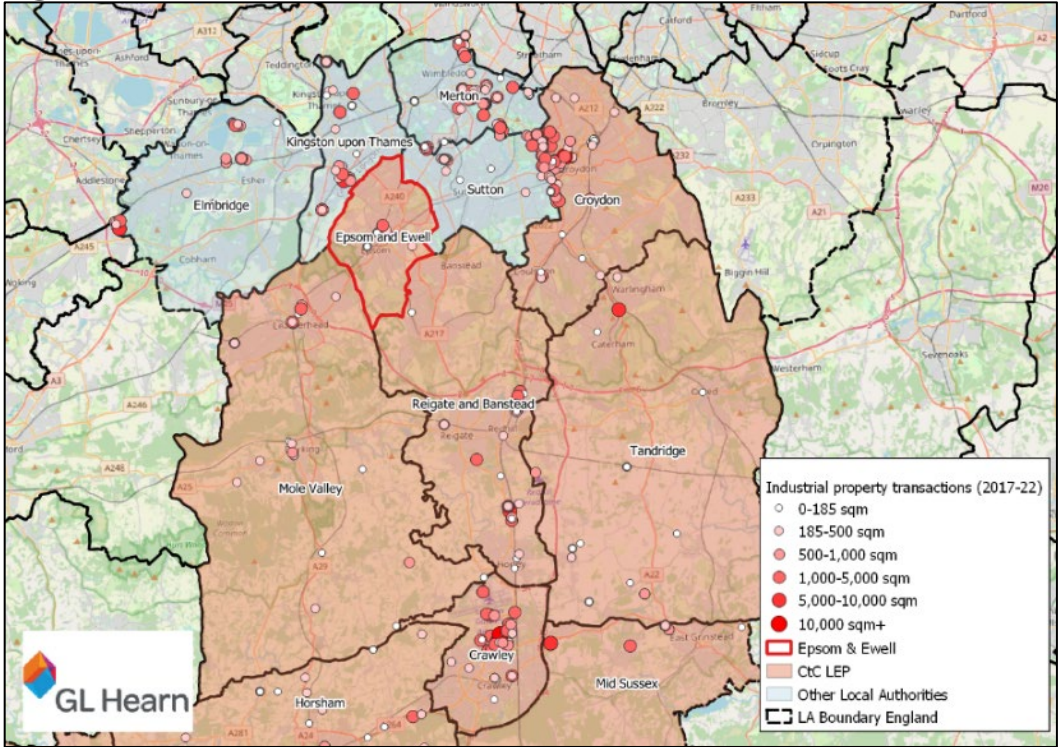
5.35 It is relevant to explore whether any clusters of industrial and office properties are present in the Borough and the spatial scale at which they exist. The commercial property cluster analysis draws on CoStar transaction records in the recent five years (2017 to 2022).

⁶⁰ ONS (2022). [Census 2021 - Release plans](#). Phase 3.

⁶¹ Epsom & Ewell Borough Council (2020). [Scoping Report on the Racecourse & Equestrian Sector in Epsom & Ewell Borough](#). Annexe C. Page 14

5.36 The map below shows the industrial property leasing record cluster of the Borough and the nearby local authorities by different size band.

Figure 11: Industrial properties leasing records, May 2017 to 2022



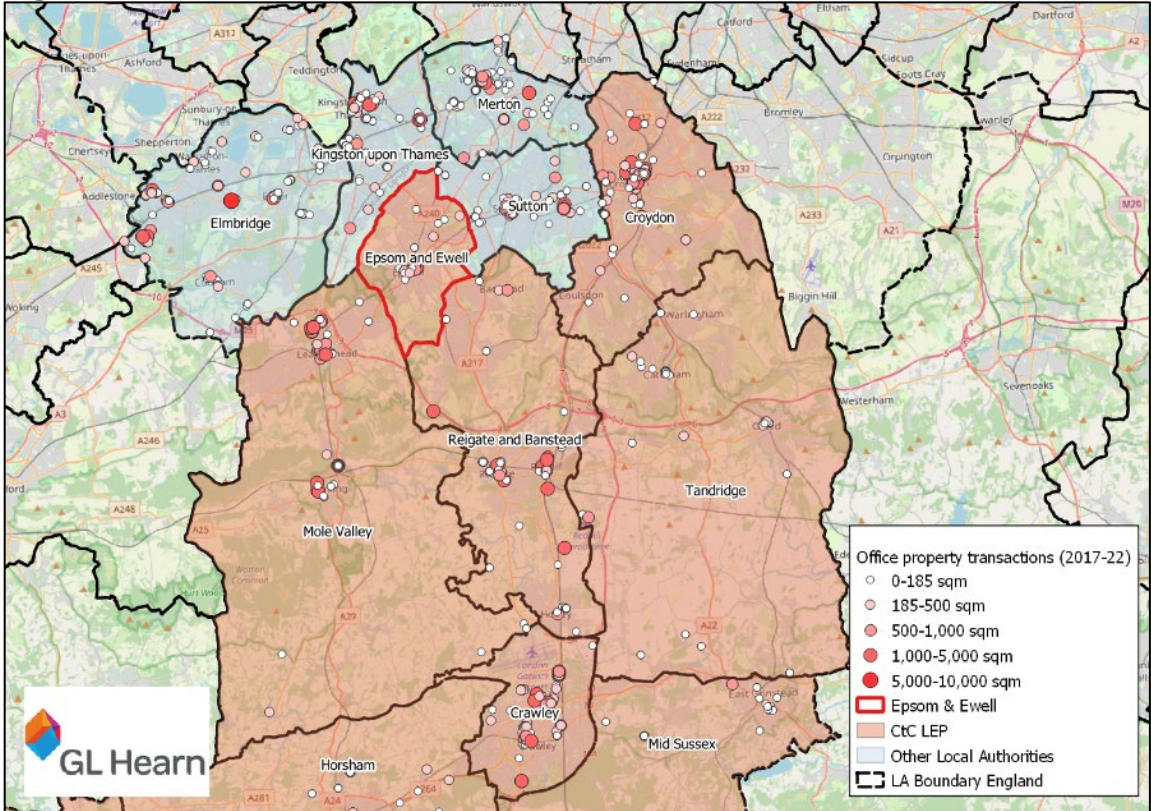
Source: CoStar, 2022

5.37 According to the map, the leasing activities of industrial properties in the north of the C2C LEP area and the nearby London boroughs mainly occurred within the industrial estate or business park such as Purley Way in LB Croydon. Also, larger industrial properties (5,000 sqm or more) are mostly leased in LB Croydon, LB Merton, LB Kingston upon Thames and Crawley (Gatwick airport).

5.38 The main industrial properties leasing cluster of LB Kingston upon Thames is close to the Borough’s north western boundary. In terms of the smaller size band for the properties (less than 5,000 sqm), the leasing activities in Leatherhead (a major town within Mole Valley District) are similar with the Borough. Also, some leasing activities can be observed along the Epsom/Leatherhead corridor.

5.39 The map below shows the office property leasing record cluster of the Borough and the nearby local authorities by different size band.

Figure 12: Office properties leasing records, May 2017 to 2022



Source: CoStar, 2022

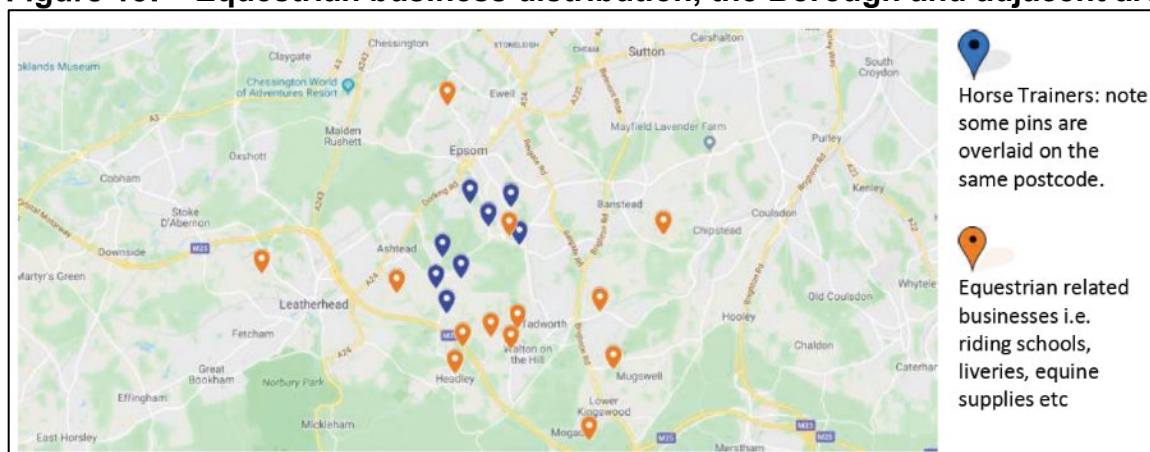
5.40 Based on the cluster of office property leasing records, it is evident that most of the activities follow the pattern of main transport corridors. For Epsom & Ewell, the office leasing activities have occurred along the A24 corridor and extend the pattern to the adjacent local authorities including Mole Valley and LB Sutton.

5.41 Similar with the industrial properties, the leasing records with larger size bands (5,000 sqm and more) of office properties mainly cluster in LB Croydon, LB Merton, LB Kingston upon Thames and Crawley.

Strategic industry clusters

- 5.42 In addition to the commercial property leasing records, according to SEGS 2020, one of the key economic development sectors of the Borough is the Racecourse & Equestrian sector. Therefore, the cluster of the Equestrian businesses in the Borough and the adjacent local authorities has been assessed.
- 5.43 The map below shows where the horse trainers and Equestrian-relevant businesses are located based on the SRRES 2020.

Figure 13: Equestrian business distribution, the Borough and adjacent area



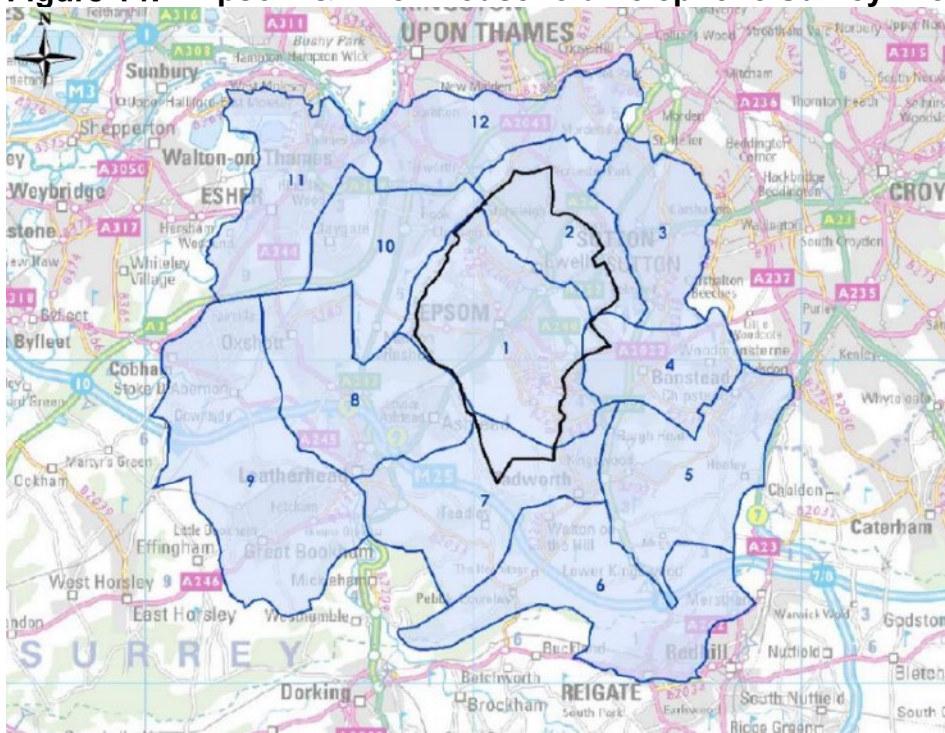
Source: [EEBC](#), 2020

- 5.44 Most of the horse trainers are clustered at Epsom Downs (in the south of the Borough) to benefit from the proximity to racecourses. Equestrian-related businesses are more scattered to the adjacent areas outside of the Borough, including Mole Valley and Reigate & Banstead.
- 5.45 In summary, considering the cluster of commercial property leasing activities, the evidence indicates that the Borough has similar patterns with Mole Valley, Kingston upon Thames, Sutton and Reigate & Banstead. For the racecourse & equestrian sector, the relevant business cluster shows a strong relationship with Mole Valley and Reigate & Banstead.

Retail and Service Sector Geographies

- 5.46 This section seeks to explore the make-up of the retail and service sector relevant to Epsom & Ewell. This will help to identify any patterns or functional economic links that could aid in establishing a FEMA that the Borough is located within. Where people shop and spend their leisure time is one of the indicators of the sort of market area within which a wide range of services will be delivered.
- 5.47 To this end, the latest Retail and Commercial Leisure Needs Assessment (RCLNA 2021) has been reviewed. According to RCLNA 2021, a household telephone survey was carried out to understand the quantitative need for convenience and comparison goods.
- 5.48 The map below shows the survey area that was used in RCLNA 2021 to assess the associated shopping patterns.

Figure 14: Epsom & Ewell Household Telephone Survey Area (2019)



Source: [EEBC](#), 2021

5.49 The survey area is categorised by 12 zones, with each zone containing several postcode sectors in the geography, including:

- Zone 1 (KT17 1/3/4 - KT18 5/7 - KT19 7/8/9);
- Zone 2 (KT4 7/8 - KT17 2 - KT19 0 - SM2 7 - SM3 8);
- Zone 3 (SM1 1/2/3/4 - SM2 5/6 - SM3 9);
- Zone 4 (SM7 1/2/3);
- Zone 5 (CR5 3 - KT20 6);
- Zone 6 (KT20 7 - RH2 0/9);
- Zone 7 (KT18 6 - KT20 5 - KT22 8);
- Zone 8 (KT21 1/2 - KT22 0/7);
- Zone 9 (KT11 2/3 - KT22 9 - KT23 3/4);
- Zone 10 (KT9 1/2 - KT10 0);
- Zone 11 (KT7 0 - KT8 0/2 - KT10 8/9); and
- Zone 12 (KT3 5/6 - KT5 8/9 - KT6 4/5/6/7 - SM4 4 - SW20 9).

5.50 The boundary of Epsom and Ewell mainly falls within Zone 1 and Zone 2 of the survey area.

5.51 According to RCLNA 2021, the spending share of convenience goods for the Borough in 2019 is larger for people originating from Zone 1 (67%), Zone 2 (35%), Zone 4 (15%), and Zone 7 (12%) compared with other zones⁶². This shows that there are more consumers coming from these zones to buy convenience goods in the Borough.⁶³

5.52 In terms of where the Borough's residents (from Zone 1 and 2) consume convenience goods, excluding market share within the Borough, several retail centres in Zone 7 (8%) and in Zone 3 (22%) shows a higher spending share compared with other retail centres in the survey area. That is to say, for convenience goods, Zones 3, 4 and 7 are the primary retail geography of consumers. In terms of the relevant local authorities of these Zones, these are LB Sutton, Mole Valley and Reigate & Banstead.

⁶² Ibid. Appendix 1. Page 46 to 49

⁶³ Town Centre, District Centre, Local Centre of the Borough

- 5.53 The spending share of comparison goods for the Borough in 2019 is larger for people originating from Zone 1 (53%), Zone 2 (23%), Zone 4 (16%), Zone 7 (31%), and Zone 8 (22%) compared with other zones.⁶⁴
- 5.54 Considering where the Borough's residents (from Zone 1 and 2) consume comparison goods, excluding market share within the Borough, Sutton town centre (Zone 3) has a higher spending share compared with other retail centres in the survey area.
- 5.55 Similar to convenience goods, Zones 3, 4, 7 and 8 represent the primary retail geography of comparison goods consumers. The relevant local authorities of these Zones are LB Sutton, Mole Valley and Reigate & Banstead.
- 5.56 In summary, by analysing the origin and destination of consumers' retail activities, it is reasonable to suggest that the retail and service sector geographies of the Borough contain Epsom & Ewell, Sutton, Mole Valley and Reigate & Banstead.

Functional Economic Market Area summary

- 5.57 The table below presents a matrix that shows the similarity of each FEMA indicator of the Borough with the adjoining local authorities. Each indicator has even weights in terms of contribution to the FEMA similarity scoring, where the total score of 1 means the least similarity and 5 is the highest.

Table 11: Degree of Functional Economic Area Relationship with Epsom and Ewell

	HMA	CPMA	FLMA	Clusters	Retail	Similarity score
Elmbridge	V					1
LB Kingston upon Thames	V		V	V		3
LB Merton			V			1
Mole Valley	V	V	V	V	V	5
Reigate & Banstead	V	V	V	V	V	5
LB Sutton			V	V	V	3
Tandridge		V				1

⁶⁴ Ibid. Appendix 2. Page 64 to 65

5.58 In conclusion, Mole Valley and Reigate & Banstead score the highest among all the adjoining authorities. That is to say, the evidence suggests that the Borough, together with these two Councils form a FEMA geography. It is therefore recommended that EEBC monitor the economic or employment policies made by the other two Councils as it is likely they will have an impact on the Borough. Also, a Duty to Co-operate, as defined by PPG⁶⁵ can be said to exist between Epsom & Ewell, Mole Valley and Reigate & Banstead. As a result, the Council is required to engage with Mole Valley and Reigate & Banstead to meet employment land needs across the FEMA.

Data limitations

- 5.59 While the first release of Census 2021 results was published in June 2022, these did not include data relevant to commuting patterns. This data is expected in spring 2023⁶⁶. Also, the impact of the Pandemic on internal migration as well as commuting patterns is currently unknown.
- 5.60 It would therefore be appropriate to carry-out a sense-check of these elements of the analysis when relevant data becomes available.

⁶⁵ PPG (Plan-making). Ref ID: 61-029

⁶⁶ ONS (2022). [Census 2021 - Release plans](#). Phase 3.

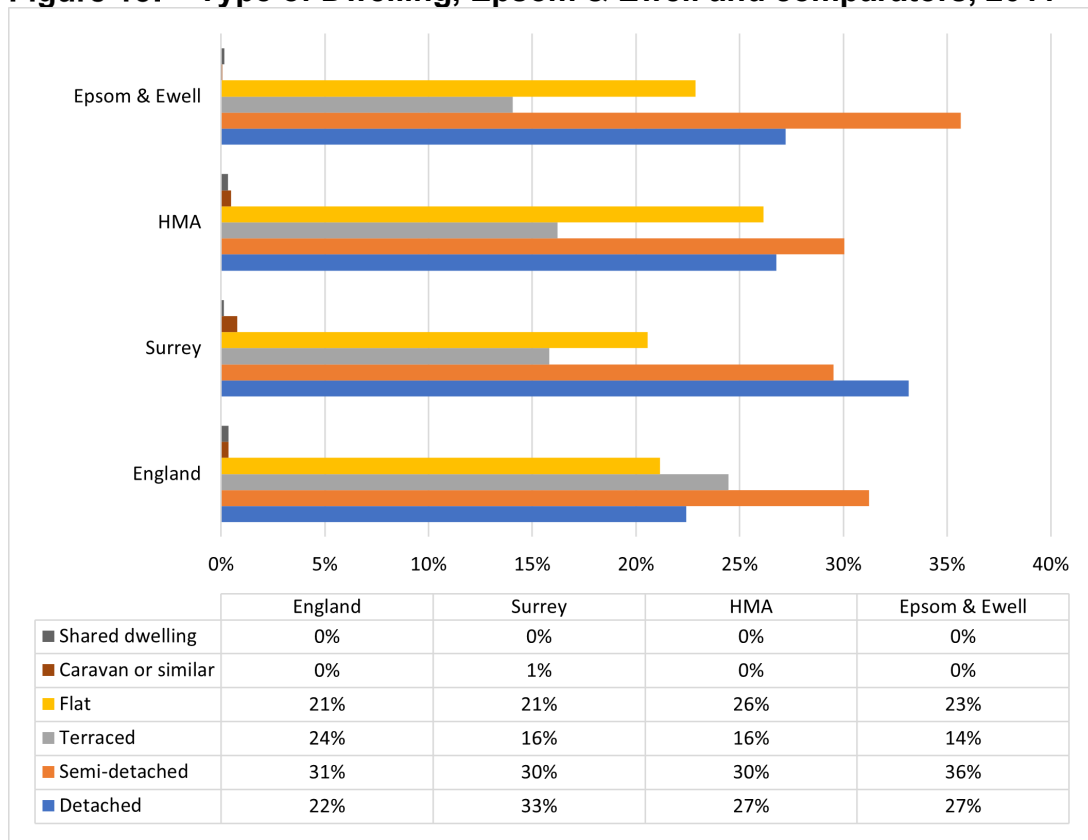
6 BASELINE HOUSING STOCK ANALYSIS

- 6.1 This chapter of the report profiles the current housing stock in Epsom & Ewell. For comparison purposes, the analysis considers the HMA as well as the wider geographies of Surrey and England.
- 6.2 Census data on type, size, and tenure has been collected to determine the baseline dwelling stock. This has been supplemented with completions data provided by the Council where available.

Type

- 6.3 The figure below displays types of dwellings as percentages of total dwelling stock for Epsom & Ewell and comparator geographies in 2011.

Figure 15: Type of Dwelling, Epsom & Ewell and comparators, 2011

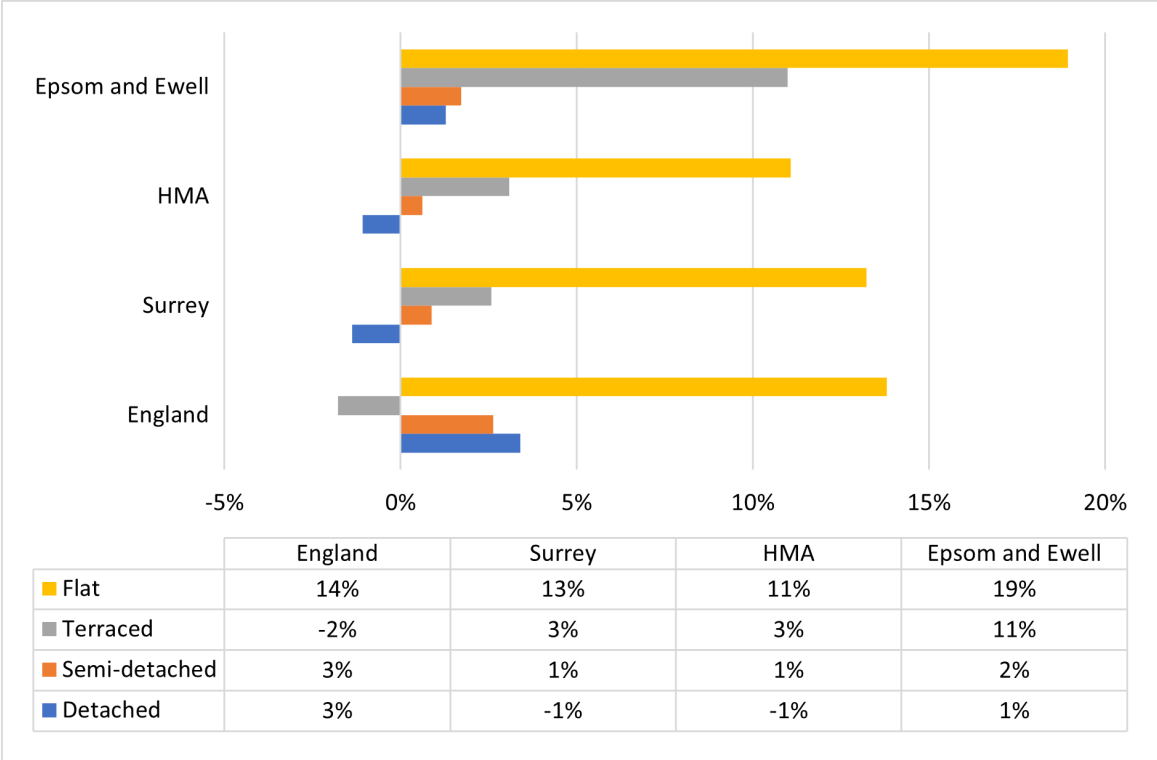


Source: Census table [QS402EW](#)

- 6.4 Epsom & Ewell has the same percentage of detached homes (27%) as the HMA. Despite this being greater than the national average (22%), it is below the average for Surrey (33%). The proportion of semi-detached homes is greater in Epsom & Ewell (36%) compared to the comparator regions of the HMA, Surrey and England at 30%, 30% and 31% respectively.
- 6.5 Epsom & Ewell has a lower percentage of terrace homes (14%) compared to the comparator regions of the HMA, Surrey and England at 16%, 16% and 24% respectively.
- 6.6 Flats make up almost a quarter of total stock in Epsom & Ewell (23%). This is below the HMA average (26%) but slightly above the Surrey and England averages at 21% each.

6.7 The figure below shows the percentage change in dwelling type between 2001 and 2011 broken down by Epsom & Ewell and comparator geographies.

Figure 16: % Change in dwelling type, Epsom & Ewell and comparators, 2001-2011



Source: Census tables [QS402EW](#) (2011) and [UV056](#) (2001)

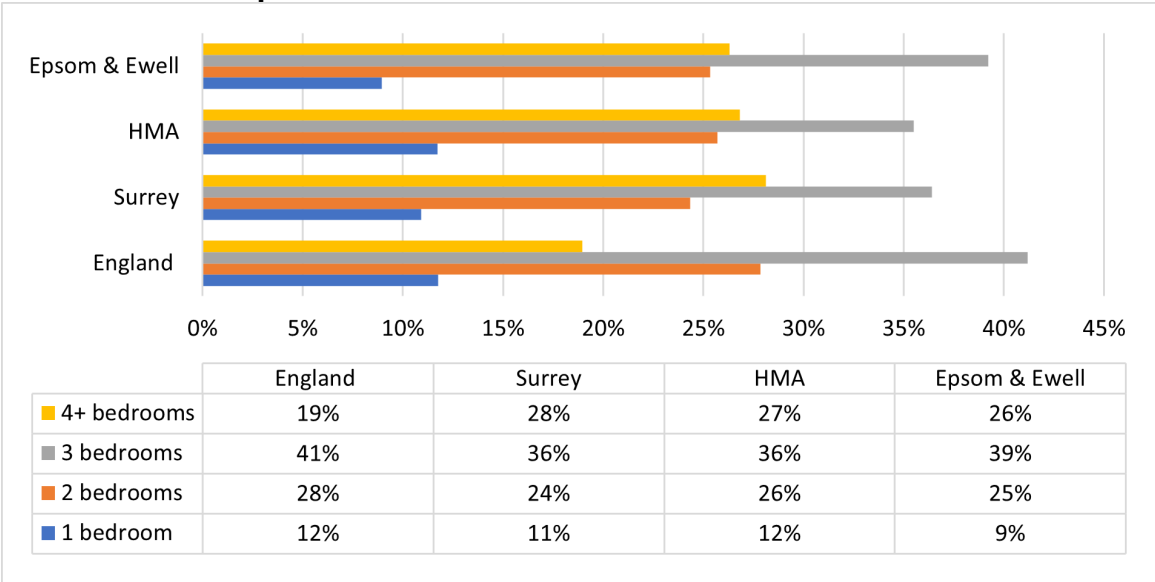
- 6.8 Epsom & Ewell experienced growth in all four types of housing shown above.
- 6.9 Despite a reduction in detached homes for the HMA and Surrey overall (-1%) from the period of 2001 to 2011, Epsom & Ewell has experienced growth, albeit just 1%.
- 6.10 Epsom & Ewell recorded a substantial uplift in the number of flats at a growth rate of 19%. This is significantly greater than the HMA, county and national averages (11%, 13% and 14% respectively).

6.11 Epsom & Ewell has also experienced significantly greater growth in terraced housing 11% compared to the HMA (3%), Surrey (3%) and England. England experienced a decline of 2% for this type of home over the period of 2001 to 2011.

Size

6.12 The figure below displays the number of bedrooms as a percentage of total dwelling stock in 2011 broken down by Epsom & Ewell and comparator geographies.

Figure 17: Bedrooms (as a % of total dwellings), Epsom & Ewell and comparators 2011



Source: Census table QS411EW

6.13 Across all geographies, 3-bedroom dwellings make up the majority of dwelling stock, with Epsom & Ewell having a greater proportion (39%) of 3-bedroom properties than the HMA and Surrey averages (36% each). That said, 3-bedroom properties make up a greater proportion of total dwellings in England, equal to 41%.

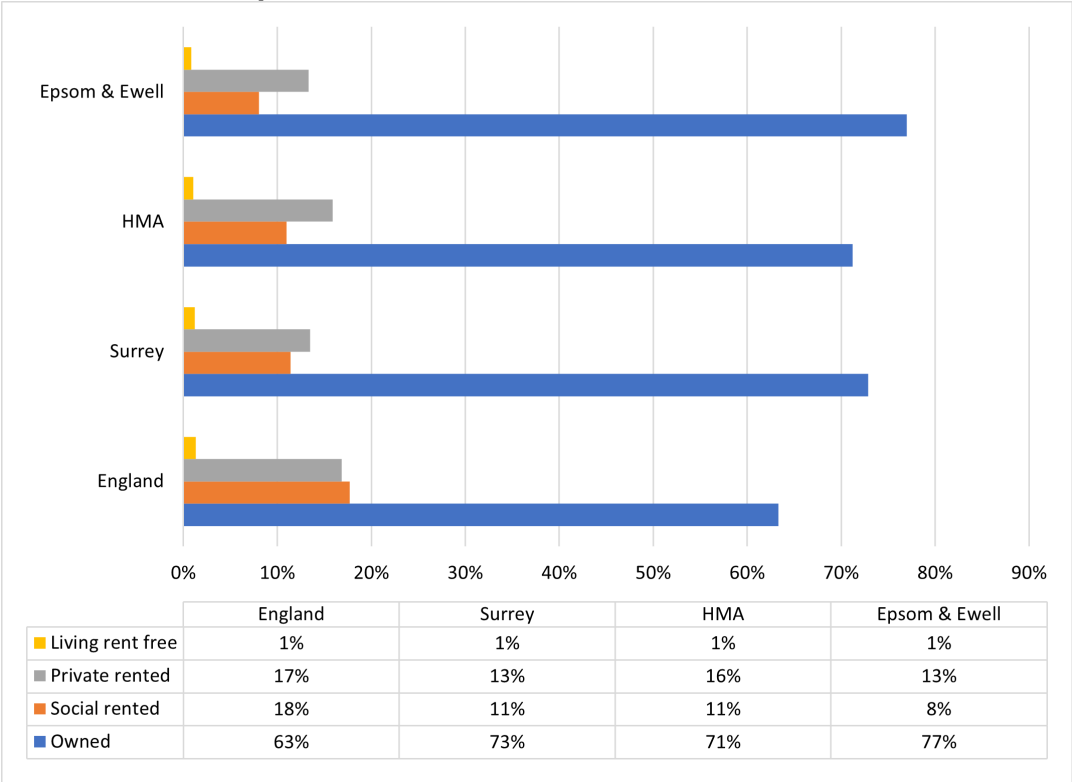
6.14 Also, one-bedroom properties are the least common size of dwellings across all geographies with just 9% of total dwellings in Epsom & Ewell being one bedroom.

6.15 Epsom & Ewell also contains a significant proportion of 4+ bedroom dwellings (26%), a rate similar to the HMA average (27%) and Surrey as a whole (28%). These rates are significantly above the national average of 19%.

Tenure

6.16 The figure below shows tenure as a percentage of total dwelling stock for Epsom & Ewell and comparators in 2011. Epsom & Ewell has a significantly higher percentage of home ownership (77%) than both the national average (63%) and the Surrey average (73%).

Figure 18: Tenure (% of total dwelling stock), Epsom & Ewell and comparators, 2011

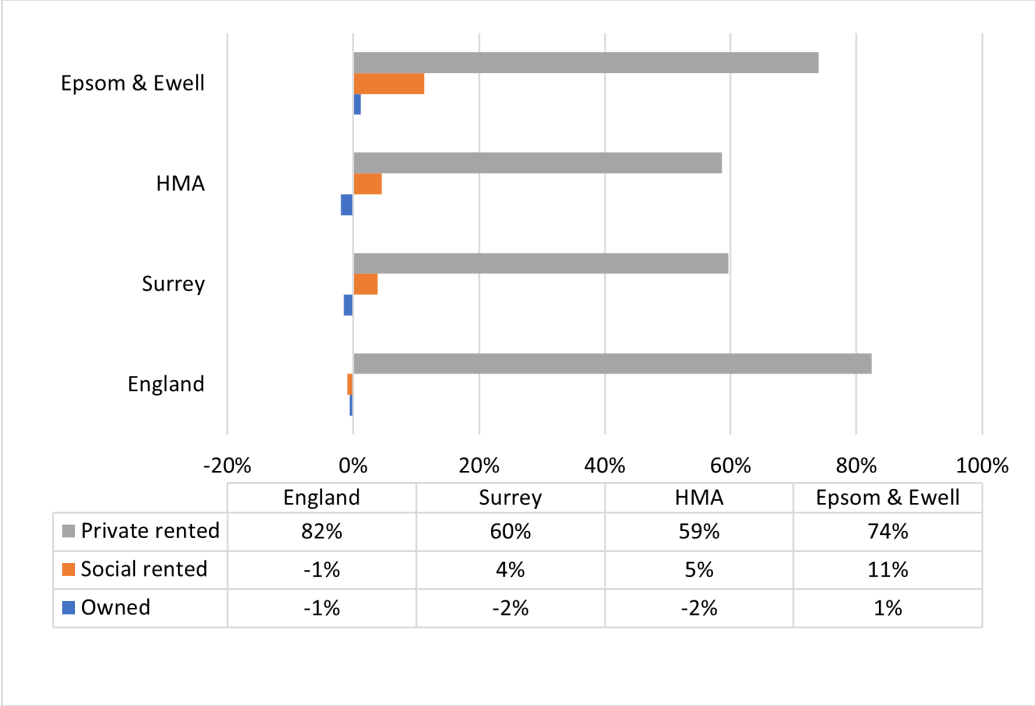


Source: Census table [QS405EW](#)

6.17 Epsom & Ewell has a significantly lower proportion of dwellings in the Social Rented sector (8%) in comparison to the national average (18%), Surrey (11%) and the HMA (11%).

6.18 The following figure displays the percentage change in tenure between 2001 and 2011 for Epsom & Ewell and comparator geographies.

Figure 19: % Change in tenure, Epsom & Ewell and comparators, 2001-2011



Source: Census tables [UV063](#) and [QS405EW](#)

6.19 Nationally, the largest increase was seen in the private rented sector (82%), this trend can also be seen in Epsom & Ewell (74%), Surrey (60%) and the HMA (59%). Furthermore, most geographies have experienced a decline in home ownership, but this cannot be said for Epsom & Ewell, which has experienced an increase, albeit only by 1%.

Completions

- 6.20 Completions data from 2011 to 2022 has been provided by Epsom & Ewell Borough Council, this has been combined with Census 2011 dwelling stock to understand the supply of homes over time.
- 6.21 The table below shows the year-on-year net additional units completed in Epsom & Ewell over the period 2011/12 to 2021/22.
- 6.22 The record of delivery shows that the Borough has been able to maintain a strong supply of new homes consistently over the period, averaging 227 units per year. The highest rate of delivery in any one year was in 2012/13 in which 517 units were delivered.
- 6.23 Over the period, 654 units of affordable homes have been delivered, this represents 26% of total completed units.

Table 12: Net additional units, Epsom & Ewell, 2011-2022

Year	Total new units	Affordable units	% Affordable
2011/12	289	73	25%
2012/13	517	207	40%
2013/14	234	77	33%
2014/15	195	58	30%
2015/16	169	72	43%
2016/17	294	57	19%
2017/18	160	22	14%
2018/19	165	48	29%
2019/20	193	28	15%
2020/21	169	5	3%
2021/22	117	7	6%
Average	227	59	26%
Total	2,502	654	-

Source: EEBC monitoring data

- 6.24 The table below shows the net change to the housing stock over the period. The 2,502 new units results in an uplift of 1,848 market homes, or an increase of 7% in the housing stock of market properties.
- 6.25 As regards affordable housing, the 654 additional units represents a 25% increase in the stock of affordable homes in the Borough.

Table 13: Change to the housing stock Epsom & Ewell, 2011-2022

Market			Affordable		
2011	2022	change	2011	2022	change
26,893	28,741	7%	2,647	3,301	25%

Source: EEBC monitoring data and QS405EW

Housing stock summary

- 6.26 This section provides an analysis of the housing stock in Epsom & Ewell as compared to the HMA and wider geographies of Surrey and England.
- 6.27 An analysis of the types of homes shows that Epsom & Ewell has a relatively high proportion of both detached and semi-detached dwellings. These account for 63% of the total dwellings in the Borough.
- 6.28 The Borough has a lower proportion of terraced dwellings (14%) compared to the HMA (16%), Surrey (16%) and England as a whole (24%).
- 6.29 In terms of size of homes, Epsom & Ewell is in line with wider comparators, with 3-bedroom homes being the most prevalent (accounting for 39% of all homes in the borough). Also, Epsom & Ewell contains a significant proportion of 4+ bedroom dwellings (26%). This is in-line with the HMA and county averages of 27% and 28% and is significantly greater than the national average of 19%.
- 6.30 In common with the wider comparator geographies in 2011, the dominant type of tenure in Epsom & Ewell was homeownership (77%), which was higher than the HMA (71%), county (73%) and national averages (63%).

- 6.31 The Borough has been able to maintain a strong supply of new homes consistently over the period 2011-2022, delivering a total of 2,502 units. Of these, 654 were affordable.
- 6.32 This has resulted in increases of 7% and 25% in the stock of market and affordable homes respectively.

7 BASELINE DEMOGRAPHIC PROFILE

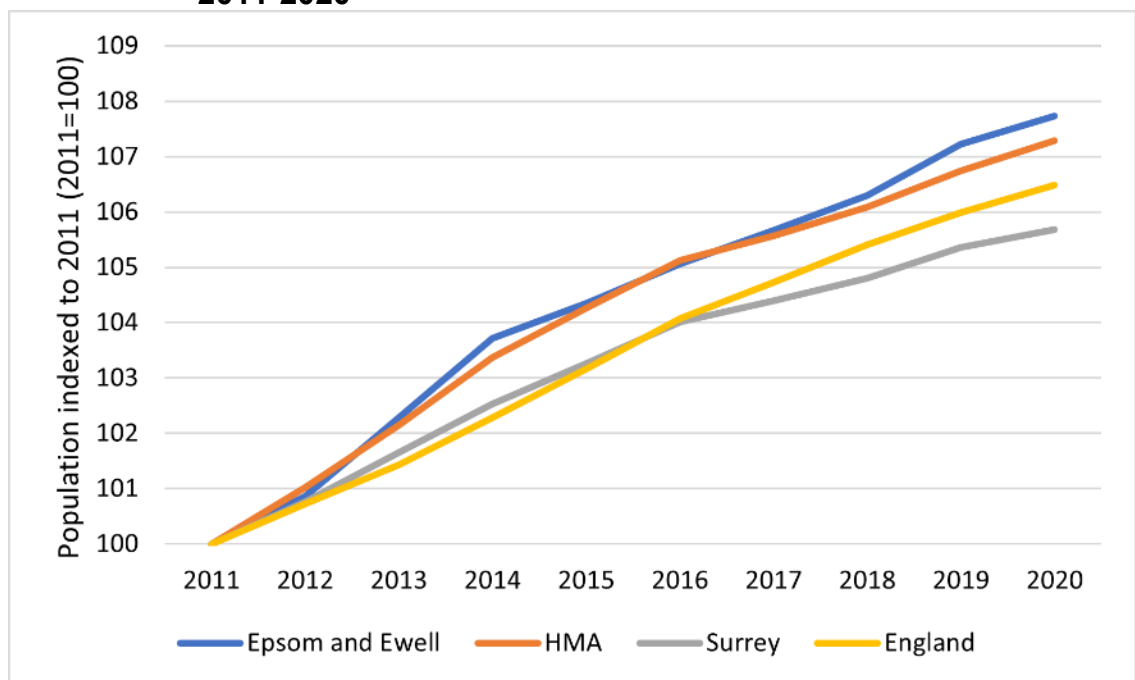
7.1 This section provides a baseline demographic profile for the Borough drawing on the most up-to-date ONS data. Demography has a strong influence on demand for different sizes and tenure of homes, as well as demand for specialist accommodation.

7.2 The analysis looks at key statistics, particularly focussing on past population growth and the components driving overall change. The data is broken down by Epsom & Ewell and comparator geographies of the HMA, Surrey and England.

Population growth

7.3 The figure below shows the population trend growth from 2011 to 2021 for Epsom & Ewell and comparator regions indexed to 2011.

Figure 20: Population growth (indexed), Epsom & Ewell and comparators, 2011-2020



Source: ONS Population Estimates

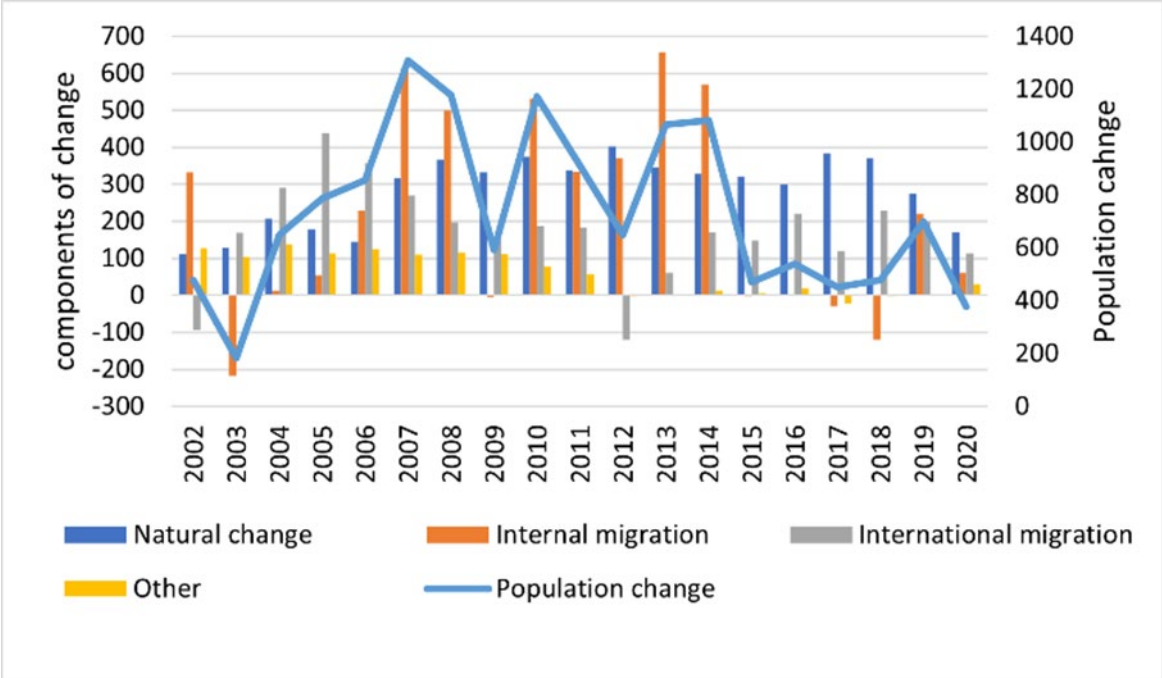
7.4 This data shows that from 2011 to 2020, Epsom & Ewell’s population has grown more quickly (8%) than the population of the HMA (7%), Surrey (6%) and England (6%) as a whole.

7.5 Changes in local populations can be driven by international migration, internal migration (from within England), and births and deaths. These are referred to as the “components of change”.

7.6 The graph below displays the components of population change between 2001 and 2020 for Epsom & Ewell. The primary drivers have been natural change (births minus deaths) and net migration (internal/domestic and international).

7.7 The primary drivers of Epsom & Ewell’s population have, on the whole, been positive between 2001 and 2020. This has resulted in a year-on-year increase in the population of Borough over the period.

Figure 21: Components of population change, Epsom & Ewell, 2001-2020



Source: ONS table MYEB3

- 7.8 The most significant driver of population growth in Epsom and Ewell from the period of 2007-2014 has been internal migration. That said, natural change and international migration made a substantial contribution.
- 7.9 From 2015-2020, on average, internal migration has experienced minimal change while natural change and international migration have maintained comparable trends to earlier years. As a result, population growth in the Borough has been substantially weaker over this latter period.
- 7.10 The balance between births and deaths has seen a net increase over the entire period.

Household Composition

- 7.11 The table below shows the household composition categorised by the family members' characteristics based on Census 2011 data. The data is broken down by Epsom & Ewell, the HMA, Surrey and England.

Table 14: Household Composition, Epsom & Ewell and comparators, 2011

Household Composition	Epsom & Ewell	HMA	Surrey	England
One person	26%	28%	27%	30%
One person: 65+	13%	12%	13%	12%
One person: Other	13%	16%	15%	18%
One family	67%	65%	66%	62%
One family: 65+	9%	8%	9%	8%
One family: Married or partnership	40%	39%	40%	33%
One family: Cohabiting couple	8%	9%	9%	10%
One family: Lone parent	9%	8%	8%	11%
Other types	8%	8%	7%	8%

Source: Census 2011, [Table KS105EW](#)

- 7.12 Based on Census 2011 data, one family households make up the majority of households across Epsom & Ewell (67%), the HMA (65%), Surrey (66%) and England as a whole (62%). The majority of one family households consist of married or same-sex civil partnership couples (40%, 39%, 40% and 33% in Epsom & Ewell the HMA, Surrey and England respectively).
- 7.13 Epsom & Ewell has a lower proportion of one person households (26%) in comparison to the HMA (28%) Surrey (27%) and England (30%). That said, approximately 5% of these one person households across all geographies are home to a person over the age of 65.
- 7.14 Although not directly comparable, the 2018-based household projection tables produced by the ONS can be analysed to investigate the growth of individual household types from 2011 to 2018.
- 7.15 The table below shows that the proportion of one person households in Epsom & Ewell (26%), the HMA (28%), Surrey (27%) and England (31%) as a whole have remained at very similar levels, with Epsom & Ewell still having the lowest proportion compared to comparator areas. The greatest change has been realised nationally with one person households accounting for 0.7% more than they did in 2011.

Table 15: Household projections by household type, Epsom & Ewell and comparators, 2018

	Epsom & Ewell	HMA	Surrey	England
Households with one dependent child	13%	13%	13%	13%
Households with two dependent children	15%	14%	13%	10%
Households with three or more dependent children	4%	4%	4%	5%
One person household	26%	28%	27%	31%
Other households with two or more adults	42%	41%	43%	41%

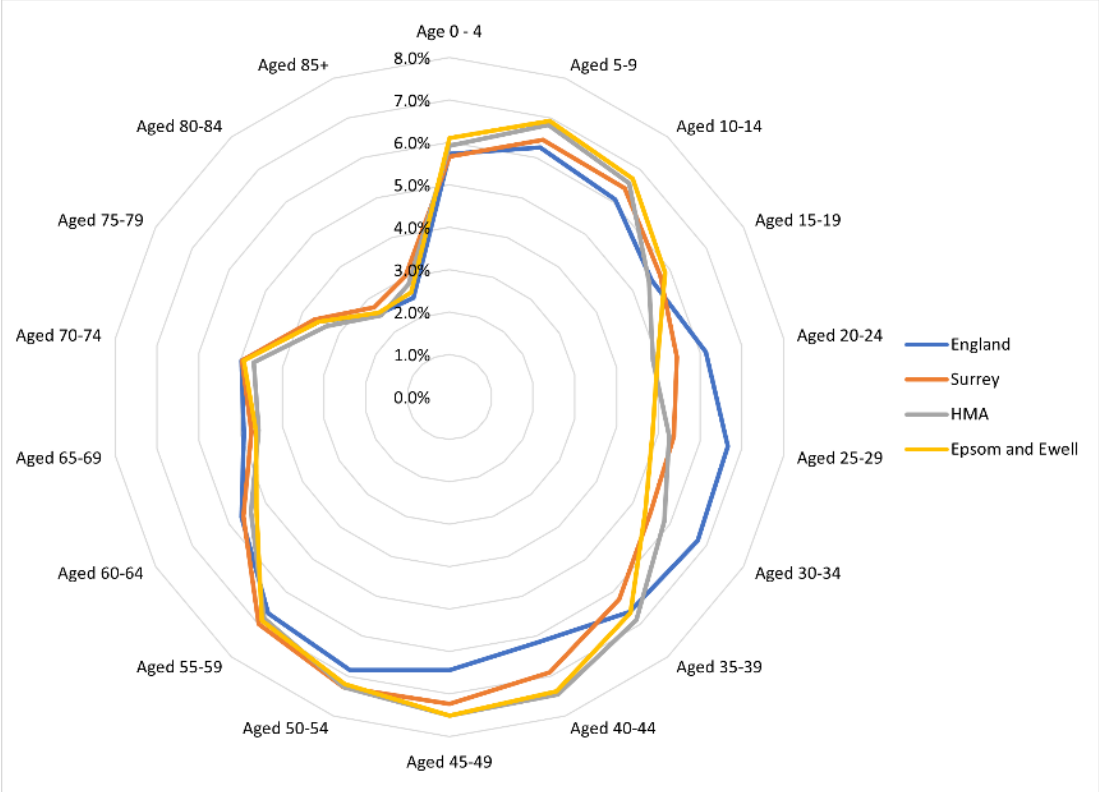
Source: 2018-based household projections, [Table 420](#)

7.16 Therefore, the data indicates that one family households still make up the majority of households across Epsom & Ewell, the HMA, Surrey and England as a whole.

Age structure

7.17 The figure below shows the age structure of Epsom and Ewell, the HMA, Surrey, and England in 2021 broken down by five-year age bands.

Figure 22: Age structure, Epsom & Ewell and comparators, 2021



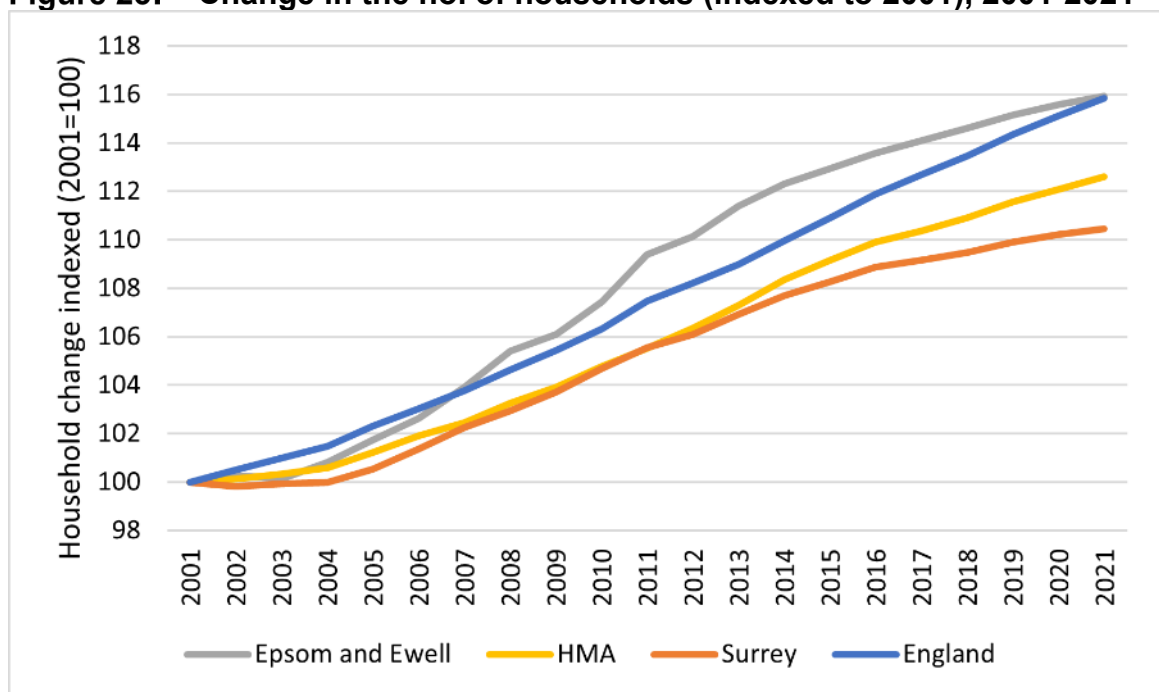
Source: ONS, [Census 2021 Population Estimates](#)

7.18 The Borough of Epsom & Ewell and the HMA it falls within contain a relatively high proportion of its population in the very young and middle-aged groups (age 0-14 and age 35-49) compared to Surrey and the national as a whole. Conversely, the Borough has a lower proportion of the population between the ages of 20-34 compared to the comparators.

Household growth

- 7.19 The figure below displays the change in the number of households indexed to 2001. This shows how the number of households in Epsom & Ewell and comparator geographies have changed over the period 2001-2021.

Figure 23: Change in the no. of households (indexed to 2001), 2001-2021



Source: ONS, [Table 406](#)

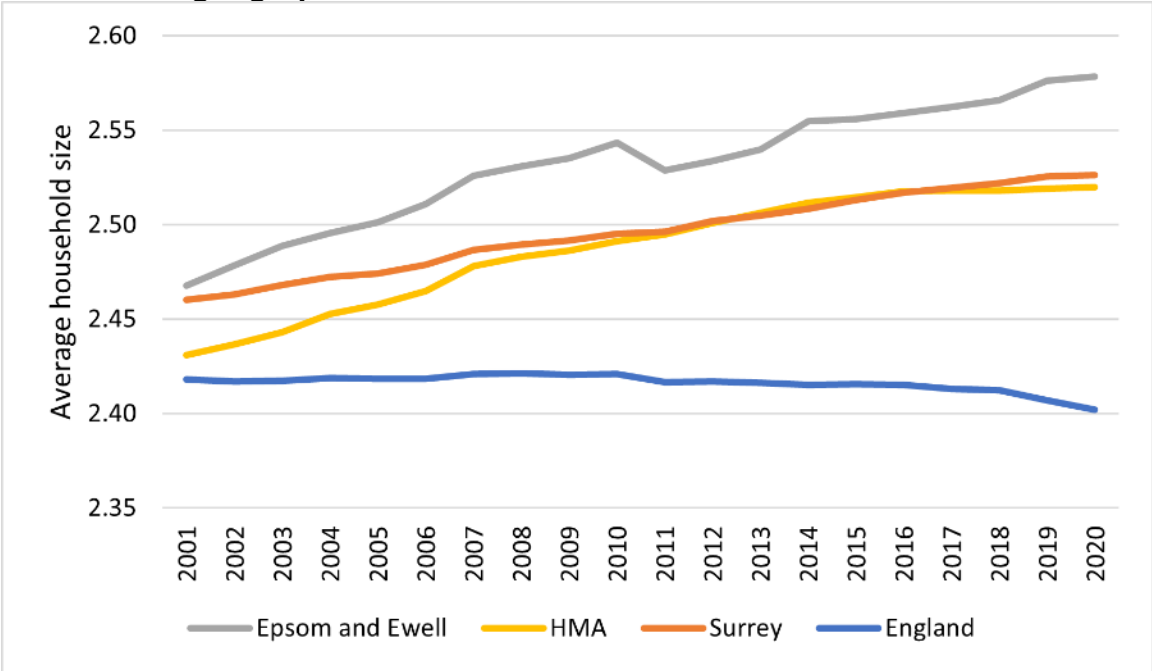
- 7.20 The number of households in Epsom & Ewell has grown at a rate of 16% (to 31,300) from 2001 to 2021. This rate of increase is in line with the national average (16%) but significantly above the rate realised by both the HMA (13%) and Surrey (11%) during the same period.

Household size

- 7.21 The average household size data represents the average number of people that occupy a single household within a given geography. Household size is calculated by dividing the number of households by the population.

7.22 Average household size is an indicator of the prevalence of family households and HMOs. For this reason, it acts both as an indicator of demand for larger homes as well as homes in general. The figure below shows the average household size for Epsom & Ewell, Surrey and England.

Figure 24: Average household size, Epsom & Ewell and comparator geographies 2001-2020



Source: ONS, Household Projections [Table 406](#) and Population Estimates [MYEB1](#)

7.23 The average household size has been increasing for Epsom & Ewell, the HMA and Surrey as a whole between 2001 and 2020, with Epsom and Ewell experiencing the greatest increase (equivalent to 5%). In comparison, the average household size for the HMA and Surrey have increased by 4% and 3%, respectively.

7.24 Conversely, average household size has declined in England as a whole between 2001 and 2020, albeit by less than a percent (from 2.42 to 2.40).

7.25 The figure shows that, in 2020, the average household size was 2.58 in the Borough, compared to 2.53 in Surrey and 2.40 nationally. The relatively larger proportion of single-family households in Epsom & Ewell, as evidenced by household composition data from 2018 and 2011 Census, is likely to be a contributory factor to this.

Demographic profile summary

7.26 Population in Epsom & Ewell has grown faster (8%) than the rate realised by the comparators of the HMA (7%), Surrey (6%) and England (7%). Natural change has been the key driver of population in the Borough over the past decade averaging approximately 320 more births than deaths each year.

7.27 In terms of age, Epsom & Ewell and the HMA it falls within, contain a relatively high proportion of its population in the age 0-14 and age 35-49 groups compared to Surrey and the national as a whole. Conversely, the Borough has a lower proportion of the population between the ages of 20-34 compared to the comparators.

7.28 Epsom & Ewell have a similar proportion of the population in the older age groups in comparison to the HMA, Surrey and England as a whole.

7.29 Epsom & Ewell's average household size (2.58) is greater than and has increased at a faster rate (5%) from 2001 to 2020 than comparator geographies of the HMA (2.52 and 4%), Surrey (2.53 and 3%) and England (2.40), which experienced a decline of 1% in average household size over the same period.

8 HOUSING NEED AND DEMOGRAPHIC PROJECTIONS

Local Housing Need

8.1 In line with national policy⁶⁷, the local housing need figure for Epsom & Ewell has used the four-step standard method set out in PPG.⁶⁸ These steps form the structure for this chapter.

Step 1: Setting the baseline

8.2 The current standard method uses the 2014-based household projections in England to set the demographic baseline from which the HNF is calculated. This is the annual average household growth over 10 years with the current year being the first year. As this document is being published in 2022, the period examined is 2022-2032.

8.3 As set out in the table below there is expected to be a 4,115 unit growth in households in the Epsom & Ewell from 2022 to 2032 (34,251 households increasing to 38,366) or 412 households per annum. This equates to a 12% increase in households over the same period.

Table 16: Step 1 – Household Growth in Epsom & Ewell

Group	Number
Households 2022	34,251
Households 2032	38,366
Change in households	4,115
Per annum change (Step 1)	412
%	12%

Source: GL Hearn calculations

Step 2: Adjustment to take into account affordability

8.4 The purpose of Step 2 is to adjust the demographic baseline based on local affordability. The purpose of the adjustment is to increase the housing need figure where house prices are high relative to workplace incomes.

⁶⁷ NPPF 2021, para 61

⁶⁸ PPG (Housing and economic needs assessment) Ref ID: 2a-001 – 2a-004

8.5 The market signal used to test this is the median workplace-based affordability ratio (MWAR) published by ONS in the most recently published year. This is the median house price in a given area expressed as a multiple of median earnings in the same location.

8.6 Specifically, the adjustment increases the housing need derived from the household projections by 0.25% for every percentage point the affordability ratio is above four (4.0). The basis for this is that four is the typical multiple of household income mortgage providers use when calculating the maximum they are prepared to lend. The equation is as follows:

$$\text{Adjustment factor} = ((\text{Local affordability ratio} - 4)/4) \times 0.25$$

8.7 In 2021 (the most recent year for which this metric was recorded), the MWAR was 17.98 in Epsom & Ewell. This means that median house prices were 17.98 times the median earnings of those working in the local authority area.

8.8 As set out in the table below this results in an adjustment factor for the Borough of 87.4%. This is calculated as follows: $((17.98 - 4) / 4) \times 0.25 = 87.4\%$.

Table 17: Step 2 - Affordability Uplift in Epsom & Ewell

Group	Number
Per annum change (Step 1)	412
Affordability ratio (2020)	17.98
Uplift to household growth	87.4%
Total need (per annum)	771

Source: GL Hearn calculations

8.9 To this point, the housing need in Epsom & Ewell would be 771 per annum. This is the Council’s need before any capping has been applied (Step 3).

Step 3: Capping the level of any increase

- 8.10 The third step in the standard method is to cap the market signals uplift. This limits the increases an individual local authority can face⁶⁹.
- 8.11 How the cap is applied depends on the age of the adopted Local Plan and the scale of household growth. Two scenarios are outlined in PPG. The first is where an authority has reviewed its plan (including developing an assessment of housing need) or adopted a plan (including a spatial development strategy) within the last five years the need may be capped at 40% above the requirement figure set out in this plan.
- 8.12 The second is where plans are more than five years old. Here, the cap is calculated at 40% above either the projected household growth calculated in Step 1 or the housing requirement in the most recent plan (where this exists), whichever is higher.
- 8.13 In the case of Epsom & Ewell, the current housing requirement, set out in the Core Strategy, dates from 2007. This is more than five years ago. Therefore, the second of the two scenarios described above applies.
- 8.14 Given that the 2007 Core Strategy is over five years old and plans for at least 181 dwellings per annum between 2006 and 2026, the cap is applied at 40% above the demographic baseline set in Step 1 of 412. This comes to 576 (412 + (412*40%)).
- 8.15 The capped figure is less than the figure arrived at in Step 2 (771dpa). Therefore the LHNF for Epsom & Ewell is capped at 576dpa at Step 3 of the standard method.

⁶⁹ PPG (housing and economic need) Ref ID: 2a-004

Step 4: Cities and urban centres uplift

- 8.16 Step 4 requires that a 35% uplift should be applied where the local authority appears in the top 20 cities and urban centres list. Epsom and Ewell does not appear in this list. Therefore, Step 4 does not apply.

Minimum housing need figure

- 8.17 PPG notes that “the method provides authorities with an annual number, based on a 10-year baseline, which can be applied to the whole plan period.”⁷⁰
- 8.18 This results in an objectively assessed need for housing that is compliant with national policy⁷¹ of 10,370 dwellings over the 18-year Plan period of 2022-2040. This forms the minimum number of homes the Borough should seek to deliver over this period.

Population growth

- 8.19 In order to evaluate the population growth impacts of the LHNF for Epsom & Ewell, Edge Analytics has used POPGROUP forecasting technology to develop a range of “dwelling-led” population growth scenarios.
- 8.20 POPGROUP is a suite of demographic models used to derive forecasts of population, households and labour force, for areas and social groups. The main POPGROUP model is a “cohort component” model, which enables the development of population forecasts based on births, deaths and migration inputs and assumptions.
- 8.21 The Derived Forecast (DF) model sits alongside the population model (see table below) providing a headship rate model for household projections and an economic activity rate model for the labour force and employment projections.

⁷⁰ PPG (housing and economic needs assessment) Ref ID: 012-2a

⁷¹ NPPF 2021, para 11

Scenario Definition

- 8.22 Using POPGROUP technology, three “dwelling-led” scenarios have been configured. In a dwelling-led scenario, population growth is driven by the annual growth in the number of dwellings.
- 8.23 In the case of Epsom & Ewell, this has been set at 576dpa in all three scenarios. Detail is provided below on the key assumptions driving these scenarios, with further information provided in Appendix A.
- 8.24 In a dwelling-led scenario, four assumptions are used to determine the link between the growth in the number of dwellings and population growth in each year of the forecast.
- 8.25 Firstly, a dwelling vacancy rate determines the proportion of dwellings that are vacant, providing conversion between the total number of dwellings in an area, and the total number of households. In Epsom & Ewell, a vacancy rate of 9.5% has been applied, derived from 2011 Census statistics.
- 8.26 Secondly, household headship rates determine the size and type of households. These have been sourced from the MHCLG 2014-based (HH-14) and ONS 2018-based (HH-18) official household projections for Epsom & Ewell.⁷²
- 8.27 Thirdly, a further adjusted set of household headship rates (HH-14R) have been derived from the 2014-based rates, modelling an improvement in the household formation rates of the younger adult age group (25–34).
- 8.28 It is likely that these younger age groups have seen the most significant changes in household formation. This is due to a combination of housing under-supply and affordability, linked to the 2008-09 recession, the rising cost of living, and the on-going impacts of the Pandemic. In some areas, this may have led to ‘suppressed’ rates of household formation.

⁷² The 2018-based rates have been formulated differently to 2014-based (see Appendix A) and remain fixed from 2021, unlike the 2014-based rates which are projected over a 25-year horizon.

- 8.29 Fourthly, the population in an area is made up of people who live in households (the household population), with the remainder referred to as the population “not in households”. The communal population adjustment determines the non-household population and is drawn from the MHCLG 2014-based household projections.
- 8.30 Used in combination, these four assumptions determine the size and structure of the population that results from the defined dwelling growth trajectory.
- 8.31 In a dwelling-led scenario, net internal (i.e. domestic) migration is used to balance between the dwelling and population growth once these four assumptions have been applied. If the resident population is insufficient in size and structure to fill the additional dwellings, a higher level of net in-migration will result. That said, all the scenarios use the same internal migration assumptions.

8.32 The three scenarios are summarised in the table below. It is important to note that in all scenarios, the same fertility and mortality assumptions are applied, drawn from the latest 2018-based subnational population projections from ONS. Each scenario has a 2021 Census base year.

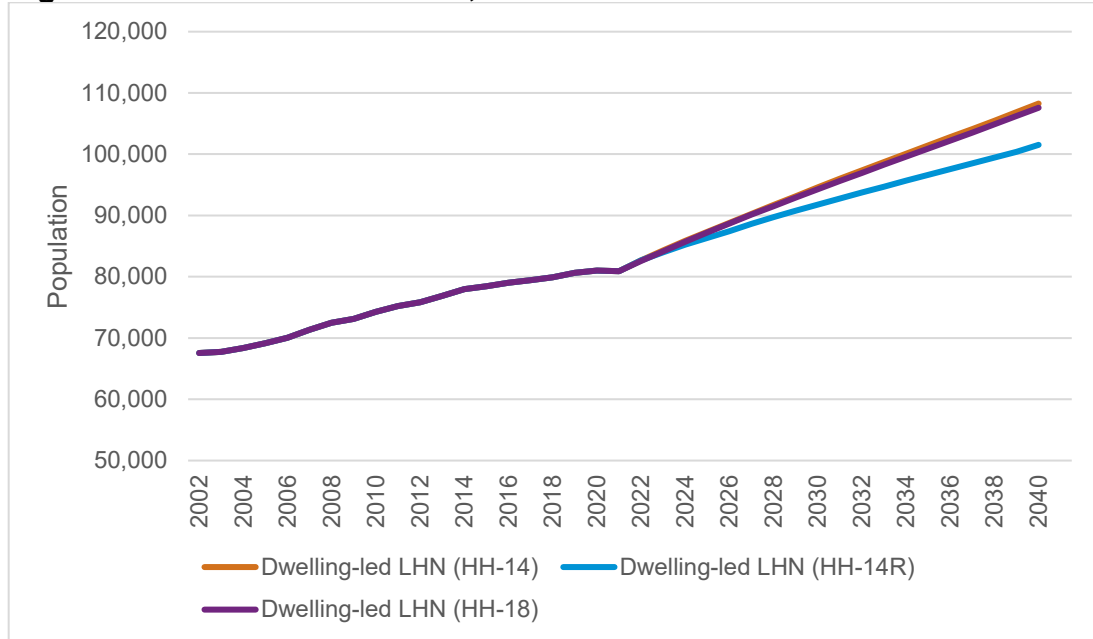
Table 18: Scenario Definition

Scenario	Definition
Dwelling-led LHN HH-14	<p>Models the population growth impact of an LHN figure of 576 dpa, using headship rates from the MHCLG 2014-based household projections.</p> <p>Internal migration assumptions are calibrated from a 5-year migration history to mid-year 2020.</p>
Dwelling-led LHN HH-18	<p>Models the population growth impact of an LHN of 576 dpa, using headship rates from the ONS 2018-based household projections.</p> <p>Internal migration assumptions are calibrated from a 5-year migration history to mid-year 2020.</p>
Dwelling-led LHN HH-14R	<p>Models the population growth impact of an LHN of 576 dpa, using headship rates from the MHCLG 2014-based household projections, adjusted to allow a 'return' to higher levels of household formation experienced in 2001 in the younger adult age group (25–34 and 35–44). All other age groups are unadjusted.</p> <p>Internal migration assumptions are calibrated from a 5-year migration history to mid-year 2020.</p>

Demographic projections

8.33 The demographic projections for the Epsom & Ewell are presented in the figure below, from 2022 to 2040.

Figure 25: Growth scenarios, 2002-2040



Source: ONS, Edge Analytics POPGROUP modelling

8.34 In the “Scenario Outcomes” table below each of the scenarios is summarised in terms of population and household growth for the 2022-2040 Plan period, alongside the average annual net migration and associated dwelling growth target.

Table 19: Epsom & Ewell Demographic Scenario Outcomes, 2022-2040

Scenario	Change 2022–2040				Average per year				
	Population		Households		Net Migration			Natural Change	Dwellings
	Change	%	Change	%	Internal	Overseas	Net	Net	Net
Dwelling-led LHN (HH-14)	25,586	30.9%	10,112	31.7%	898	176	1,074	347	576
Dwelling-led LHN (HH-18)	25,003	30.3%	10,112	31.7%	870	176	1,046	343	576
Dwelling-led LHN (HH-14R)	18,849	22.8%	10,112	31.7%	563	176	740	307	576

Source: ONS, Edge Analytics POPGROUP modelling

- 8.35 In each scenario, the same annual dwelling growth targets have been applied (+576 dpa). With a dwelling vacancy rate of 2.47%, this translates to a household growth of 31.7%, equivalent to an additional 10,112 households over the 2022–2040 Plan period.
- 8.36 Three alternative headship rate assumptions are used in the scenarios. The scenario using the 2018-based rates (HH-18) results in roughly the same rate of growth as the earlier 2014-based assumptions (HH-14).
- 8.37 With improved rates of household formation in the younger age groups, as in the HH-14R alternative, a lower level of net internal migration results (563 per year). In this scenario, a larger proportion of the new dwellings are occupied by the resident population, reducing the level of net internal migration required to meet the defined dwelling growth targets.

Housing needs and demographic projections summary

- 8.38 The local housing need figure (LHNF) for Epsom & Ewell is 576 dpa using the standard method set out in PPG.
- 8.39 This takes into account that the current Core Strategy dates from 2007 (more than five years old). The cap is therefore applied at 40% above the demographic baseline set in Step 1 of 412 (the capped figure is therefore 576dpa).
- 8.40 As the capped figure is less than the affordability uplift figure arrived at in Step 2 (771 dpa) the OAN for housing for Epsom & Ewell remains 576dpa.
- 8.41 Three alternative assumptions are used relating to demographic change in future years. These are outlined in the table below.

Table 20: Demographic Scenario Definition

Scenario	Definition
Dwelling-led LHN HH-14	Models the population growth impact of an LHN figure of 576 dpa, using headship rates from the MHCLG 2014-based household projections.
	Internal migration assumptions are calibrated from a 5-year migration history to mid-year 2020.
Dwelling-led LHN HH-18	Models the population growth impact of an LHNF of 576 dpa, using headship rates from the ONS 2018-based household projections.
	Internal migration assumptions are calibrated from a 5-year migration history to mid-year 2020.
Dwelling-led LHN HH-14R	Models the population growth impact of an LHNF of 576 dpa, using headship rates from the MHCLG 2014-based household projections, adjusted to allow a 'return' to higher levels of household formation experienced in 2001 in the younger adult age group (25–34 and 35–44). All other age groups are unadjusted.
	Internal migration assumptions are calibrated from a 5-year migration history to mid-year 2020.

- 8.42 The scenario using the 2018-based rates (HH-18) results in slightly lower population growth than the earlier 2014-based assumptions (HH-14).

- 8.43 HH-14 indicates a slightly higher level of net internal migration will be required to meet defined dwelling growth targets.
- 8.44 The HH-14R scenario produces a lower level of net internal migration (563 per year) compared with scenarios HH-18 and HH-14. In this scenario, a greater proportion of the new dwellings are occupied by the resident population, reducing the level of net internal migration that would be required for the new homes to be occupied.
- 8.45 The outcomes of each of the scenarios are set out in the table below.

Table 21: Epsom & Ewell Demographic Scenario Outcomes, 2022-2040

Scenario	Change 2022–2040				Average per year				
	Population		Households		Net Migration			Natural Change	Dwellings
	Change	%	Change	%	Internal	Overseas	Net		
Dwelling-led LHN (HH-14)	25,586	30.9%	10,112	31.7%	898	176	1,074	347	576
Dwelling-led LHN (HH-18)	25,003	30.3%	10,112	31.7%	870	176	1,046	343	576
Dwelling-led LHN (HH-14R)	18,849	22.8%	10,112	31.7%	563	176	740	307	576

Source: ONS, Edge Analytics POPGROUP modelling

9 THE ECONOMY AND LABOUR MARKET

9.1 This chapter sets out the current economic context and labour market in Epsom & Ewell. It is structured into four sections:

- Labour market and industrial base,
- Existing business stock,
- Views of local business on the impact of the Pandemic, and
- Stakeholder consultation.

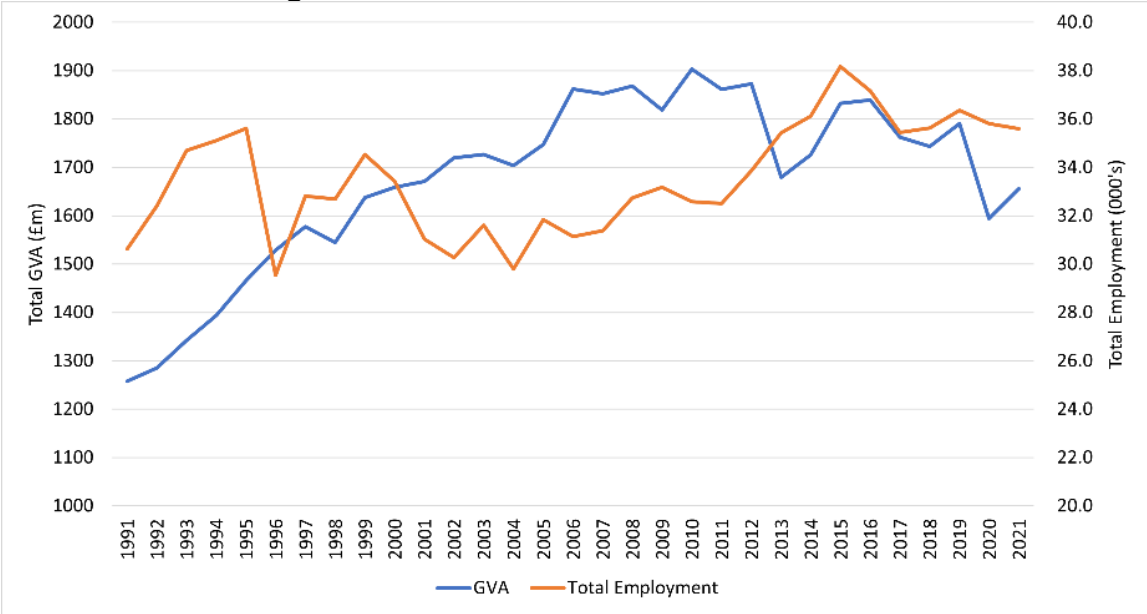
9.2 In addition to analysis data relating to Epsom & Ewell, the analysis includes wider economic comparators; these are the FEMA that the Borough falls into, the South East region, and the England average level.

Labour market and industrial base

Total GVA and employment

9.3 The figure below illustrates the growth in GVA and employment since 1991 in Epsom & Ewell based on the latest Oxford Economics data (2022).

Figure 26: Employment and GVA Trend (1991-2021), Epsom & Ewell Borough



Source: Oxford Economics (2022)

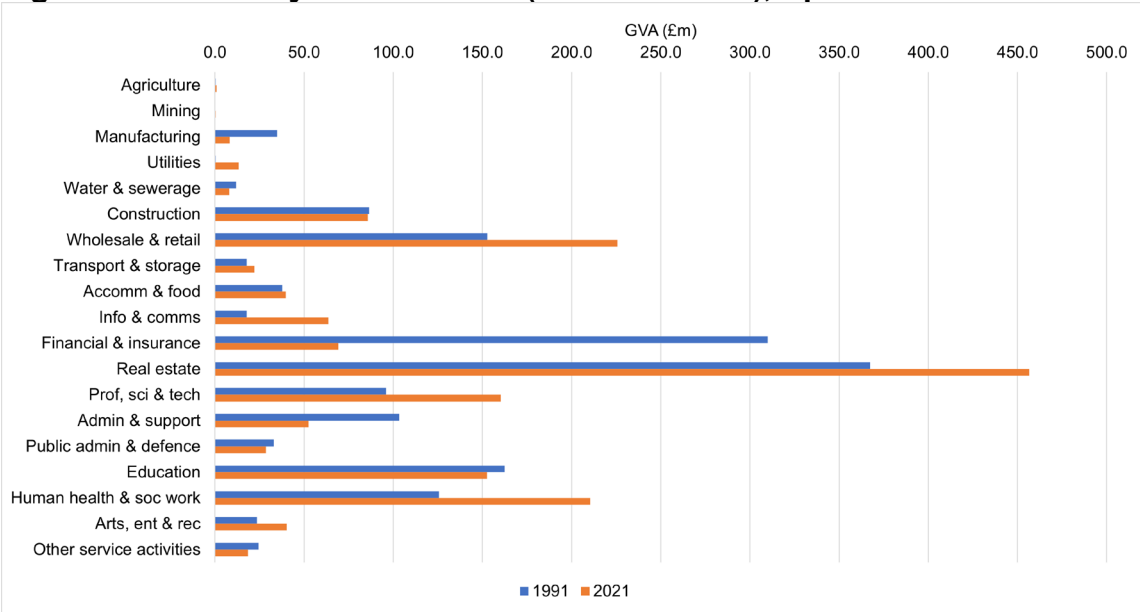
9.4 It shows that GVA of the Borough has grown steadily until the 2008 recession, then experienced a sharp decline between 2011 to 2012. Although GVA grew again since 2012, the trend between 2013 to 2019 has fluctuated and a sharp decline can be observed in 2020 resulting from the impact of the Pandemic.

9.5 Between 1991 to 2004, the employment trend of the Borough has fluctuated. Since 2004, employment has grown steadily by 1.9% per annum but has fallen by 1.2% per annum since 2015. There were around 35,600 jobs in the Borough in 2021, with a total GVA of £1.66 billion.

GVA growth by sector

9.6 The figure below shows the breakdown of the Borough’s GVA by broad industry sectors in 1991 and 2021. In 2021 (the latest historic data), the largest contributors to GVA in Epsom & Ewell were real estate, wholesale & retail, human health & social work, education, and professional, scientific & technical activities.

Figure 27: GVA by Broad Sector (1991 and 2021), Epsom & Ewell



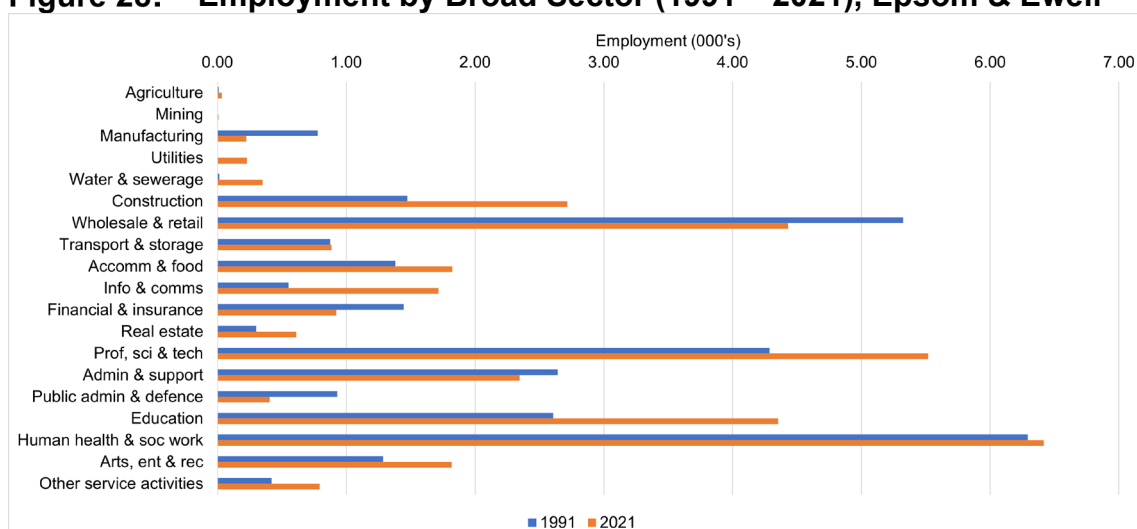
Source: Oxford Economics, 2022

- 9.7 The GVA change of broad sectors between 1991 to 2021 is analysed in both absolute and proportionate terms. Sectors that saw a substantial increase in GVA during this period were information & communication (258% or £45.9m); utilities (4,827% or £12.9m); Arts, entertainment and recreation (71% or £16.7m); human health & social work activities (68% or £84.8m); professional, scientific & technical activities (67% or £64.3m); and wholesale & retail (48% or £72.9m).
- 9.8 Around half of the broad sectors (11 out of 19) in the Borough have seen a growth in GVA over the period 1991 to 2021. However, since 1991, some broad sectors have experienced a large decrease. These include financial & insurance (-78% or £-240.8m), administrative & support service (-49% or £-50.8m), and manufacturing (-76% or £-26.4m).

Employment structure

- 9.9 According to data from Oxford Economics (2022), the Borough's two largest sectors in terms of employment are human health & social work activities and professional, scientific & technical activities. These two sectors employ around 6,400 and 5,520 people respectively in 2021. There are also large numbers employed in Wholesale & Retail (4,430 jobs), Education (4,350 jobs), and Construction (2,720 jobs).

Figure 28: Employment by Broad Sector (1991 – 2021), Epsom & Ewell



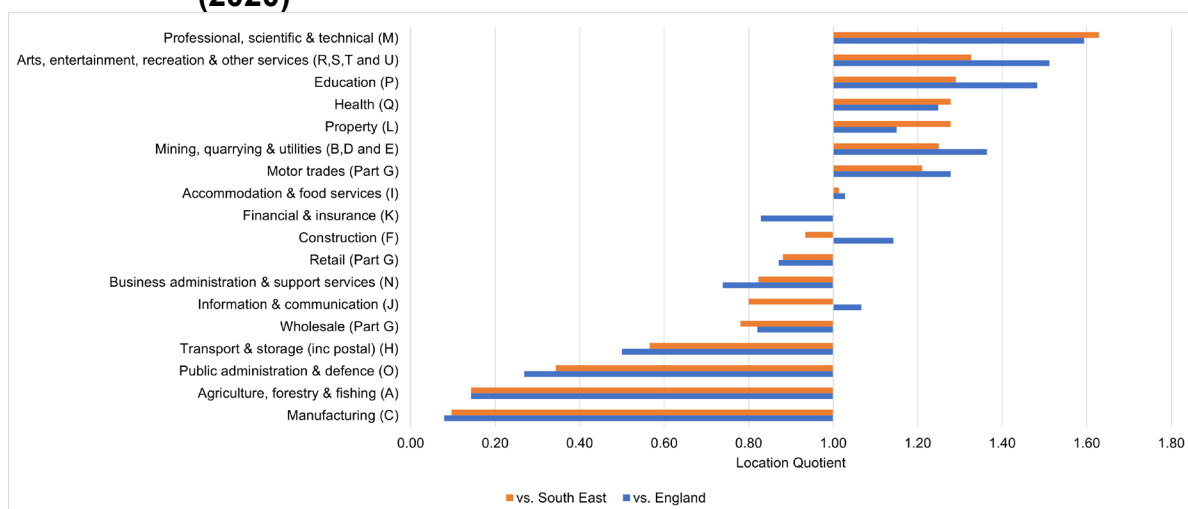
Source: Oxford Economics, 2022

- 9.10 In terms of absolute change, the Education sector has seen the largest jobs growth since 1991, with a growth of 1,746 jobs. Other sectors which have seen a large growth in the Borough over the period of 1991 to 2021 are Construction (1,242 jobs); Professional, Scientific & Technical (1,232 jobs); and Information & communication (1,165 jobs).
- 9.11 Conversely, the Wholesale & Retail sector has seen the greatest relative loss of employment (losing 892 jobs). Other sectors within which employment has declined between 1991 to 2021 include Manufacturing (losing 553 jobs); Public administration & defence (losing 526 jobs); Financial & insurance (losing 524 jobs); and Administrative & support (losing 298 jobs).

Location quotient analysis

9.12 According to the latest Business Register and Employment Survey (BRES) in 2021, the figure below shows the location quotient analysis of the Borough's employment structure in 2020 compared to the structures at regional and England levels. The analysis is presented by broad industry sectors.

Figure 29: Location Quotient of Epsom & Ewell vs. South East vs. England (2020)



Source: [Business Register and Employment Survey \(BRES\)](#), 2021

9.13 In relative terms, regarding the higher representations than the regional geography of South East, the figure indicates that the Borough has strengths in:

- Professional, Scientific & Technical;
- Arts, Entertainment, Recreation & Other services;
- Education;
- Health; and
- Property.

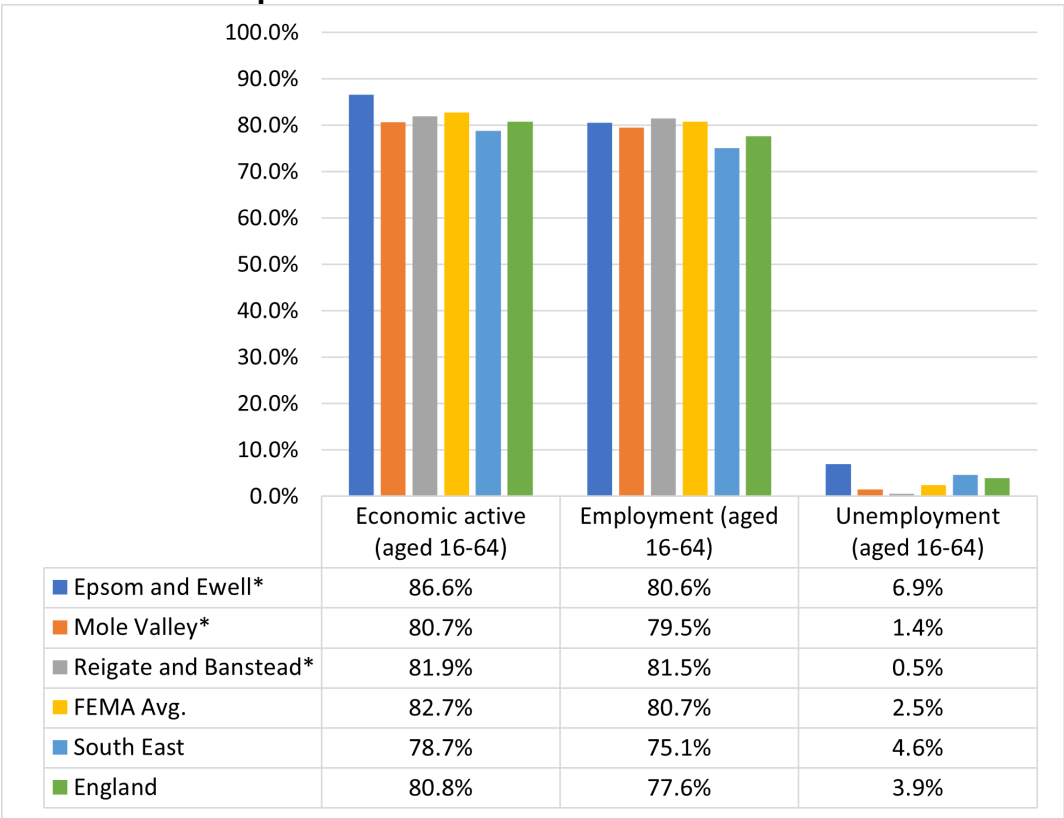
9.14 Against the England level, the Borough also has a stronger employment representation in mining, quarrying & utilities sector.

9.15 There are several sectors in the Borough which have lower representations in comparison to the regional and England comparators. In particular, the broad sectors of Manufacturing, Agriculture, Public administration & defence, and Transport & storage have lower overall representation in the Epsom & Ewell economy when compared to South East and England.

Economic participation

9.16 The figure below shows the percentage of working-age population (aged 16-64) who are economically active. Also, the rates of employment and unemployment are presented as a percentage of the working-age population.⁷³

Figure 30: Economic activity rates (2021), Epsom & Ewell and wider comparator



Source: [Annual Population Survey](#)⁷⁴, 2021

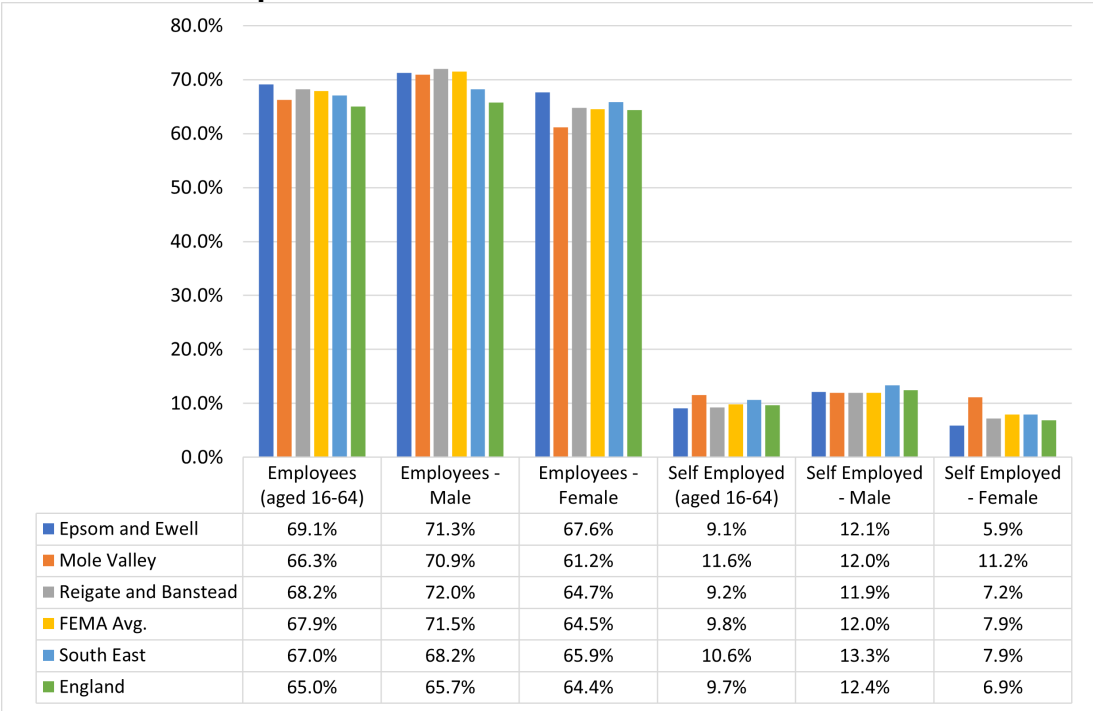
⁷³ Employment is defined as the % of people aged 16 -64 who did some paid work in the reference week (whether as an employee or self-employed); those who had a job that they were temporarily away from (e.g. on holiday); those on government-supported training and employment programmes; and those doing unpaid family work (i.e. working in a family business).

⁷⁴ The asterisks signify that the unemployment estimate and confidence interval are unreliable since the group sample size is small (3-9)

- 9.17 The employment rate in the Borough is 80.6%, which is similar to the FEMA average (80.7%). The Borough's rate is, however, higher than the regional rate (75.7%) and England's rate (77.6%).
- 9.18 The economic activity rate describes the percentage of working-age adults (16-64) who are working or looking for work. The economic activity rates in the Borough (86.6%) are substantially higher than the FEMA rate (82.7%); the regional rate (78.7%); and average rate for England (80.8%).
- 9.19 Regarding the unemployment rates, it should be noted that the group sample size of the APS data is small (less than 10) or disclosive. Therefore, the confidence interval associated with the unemployment data suggests the data should be treated with caution.

9.20 As the figure below shows, out of the male population in the Borough, there is a higher rate of self-employment (12.1%) compared to female (5.9%). The female self-employment rate is lower than in South East (7.9%) and England (6.9%).

Figure 31: Employment by population type (2021), Epsom & Ewell and wider comparator



Source: [Annual Population Survey](#), 2021

9.21 Among the local authorities in the FEMA, Mole Valley has the highest proportion of the economically active population which are self-employed, mainly from female population.

9.22 The analysis of economic participation indicates that Epsom & Ewell has a higher than typical economic activity rate when compared to the wider South East region and England.

Travel to work patterns

9.23 Based on Census 2011 data, the patterns of travel to work are analysed by the distance travelled to work by occupation.

9.24 As the table below shows, Census 2011 data indicates that managerial and professional occupations are more likely to travel over 10km from home whereas those in lower-skilled occupations tend to work closer to home.

Table 22: Distance Travelled to Work by Occupation, Epsom & Ewell Residents (2011)

Occupation	Less than 10km	10km & over	Work mainly at or from home	Other
1. Managers, directors and senior officials	8.6%	12.7%	17.6%	6.4%
2. Professional occupations	21.0%	36.9%	21.8%	13.3%
3. Associate professional and technical occupations	9.5%	13.8%	18.0%	12.0%
4. Administrative and secretarial occupations	15.8%	8.4%	11.2%	2.4%
5. Skilled trades occupations	5.9%	6.9%	12.8%	38.3%
6. Caring, leisure and other service occupations	14.0%	6.5%	7.6%	6.3%
7. Sales and customer service occupations	11.6%	6.1%	2.5%	1.7%
8. Process, plant and machine operatives	3.9%	4.1%	4.2%	11.0%
9. Elementary occupations	9.8%	4.6%	4.4%	8.6%

Source: Census 2011

9.25 However, it should be noted that the new workplace flow data will be available in Spring 2023. The impacts of the Pandemic that emerges, for example an increased number of people working remotely or from home may increase the proportion of people in higher-skilled occupations working from or closer to home.

Claimant counts

- 9.26 The most recent monthly claimant count data from the ONS is analysed in the table below⁷⁵. It shows the proportion of people claiming unemployment related benefits in June 2022.

Table 23: Claimant Count in June 2022, Epsom & Ewell and wider comparators

Area	Men (%)	Women (%)	Total (%) ⁷⁶	Men: Change 2021-22	Women: Change 2021-22	Total: Change 2021-22
Epsom and Ewell	2.2%	1.6%	1.9%	-1.4%	-0.9%	-1.1%
Mole Valley	2.2%	1.5%	1.9%	-1.3%	-0.9%	-1.1%
Reigate & Banstead	2.5%	1.8%	2.2%	-1.6%	-1.1%	-1.3%
FEMA Avg.	2.3%	1.6%	2.0%	-1.4%	-1.0%	-1.2%
South East	3.4%	2.4%	2.9%	-1.7%	-1.2%	-1.5%
England	4.5%	3.2%	3.8%	-2.1%	-1.4%	-1.7%

Source: [ONS](#), 2022

- 9.27 Compared with the local authorities in the FEMA, the Borough has a relatively low proportion (1.9%) of the population claiming unemployment related benefits in June 2022. Also, the FEMA average (2.0%) is substantially lower than the regional (2.9%) and England levels (3.8%).
- 9.28 In comparison with the 2021 data, the proportion of the population included in the claimant counts has decreased among all the comparators. This indicates the economy at all geographic levels is recovering from the impact of the Pandemic.

Existing business stock

- 9.29 The analysis of existing business stock considers the stock by number of jobs, broad industry sector and trends in new starts and survival rates. The Borough's data are compared with other local authorities in the FEMA, the South East region and the England average.

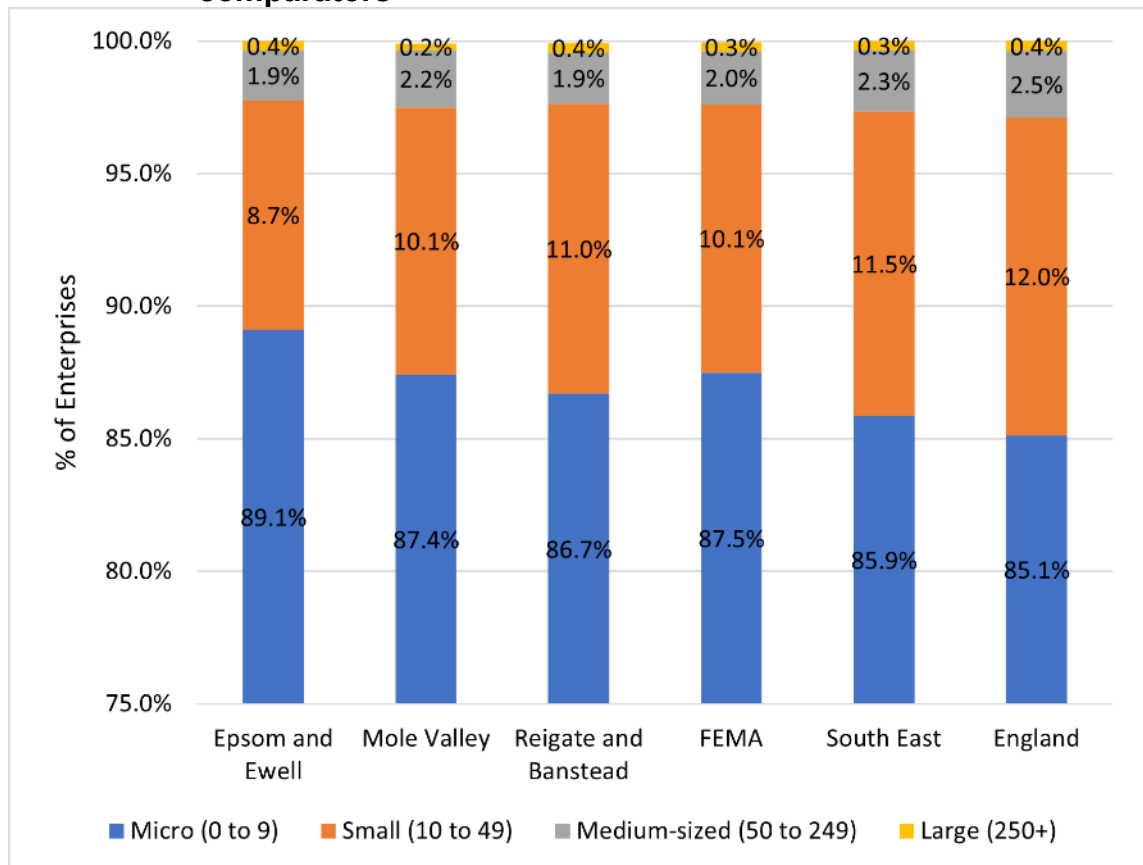
⁷⁵ ONS (2022). [CC01 Regional labour market: Claimant Count by unitary and local authority \(experimental\)](#)

⁷⁶ Proportions of people claiming are the number of claimants divided by the population aged from 16 to 64 from mid-year 2020 population estimates.

Enterprises by Size

9.30 The figure below shows the proportion of enterprises of different size bands in 2021. The enterprises categorised by micro, small, medium, and large businesses.

Figure 32: Enterprises by size (2021), Epsom & Ewell and wider comparators



Source: [UK Business Count](#), 2021

9.31 The vast majority (89.1%) of the enterprises based in Epsom & Ewell are micro-businesses, which employ fewer than 10 people. This is higher than all wider comparators, including the FEMA average (87.5%), the South East (85.9%), and England average (85.1%). This suggests that the Borough has a higher level of local entrepreneurship.

- 9.32 As with the regional and national picture, employment within Epsom & Ewell is not reliant on a small number of major employers (Medium to Large businesses), rather that balance is towards smaller businesses.
- 9.33 This may signify an economic vulnerability in that large businesses generally tend to be better able to weather economic recessions. With this in mind the Borough should seek a re-balancing in distribution of sizes enterprises in order to create a firm foundation for future economic development.

Enterprises by broad sectors

9.34 The table below shows the proportion of total enterprises in the Borough and wider comparators that different industrial sectors represent in 2021. The enterprises are broken down into broad sectors according to the SIC Hierarchy.⁷⁷

Table 24: Enterprises by broad sectors (2021), Epsom & Ewell and wider comparators

Industry (%)	Epsom & Ewell	Mole Valley	Reigate & Banstead	FEMA	South East	England
Agriculture, forestry and fishing	0.1%	2.6%	0.8%	1.2%	2.4%	3.4%
Mining and quarrying	0.5%	0.6%	0.4%	0.5%	0.5%	0.6%
Manufacturing	2.0%	3.4%	3.2%	3.0%	4.2%	4.6%
Utilities	13.9%	12.1%	15.2%	13.9%	12.6%	11.6%
Water	2.1%	2.3%	2.3%	2.3%	2.7%	2.8%
Construction	3.2%	3.7%	3.0%	3.3%	3.6%	4.0%
Wholesale and retail trade	8.7%	7.2%	7.4%	7.6%	9.8%	9.8%
Transportation and storage	2.5%	1.7%	2.8%	2.3%	4.0%	4.9%
Accommodation and food service activities	5.0%	4.4%	5.0%	4.8%	5.8%	6.5%
Information and communication	11.9%	9.4%	9.7%	10.1%	9.1%	7.3%
Financial and insurance activities	2.1%	3.2%	3.2%	2.9%	2.2%	2.4%
Real estate activities	2.9%	3.9%	3.2%	3.4%	3.5%	3.8%
Professional, scientific and technical	21.9%	21.6%	19.7%	20.8%	16.9%	15.2%
Administrative and support service	9.4%	9.8%	10.1%	9.9%	8.8%	8.7%
Public administration and defence	0.2%	0.4%	0.4%	0.4%	0.6%	0.7%
Education	2.1%	2.5%	2.1%	2.2%	2.3%	2.3%
Human health and social work	5.3%	4.6%	5.8%	5.3%	4.8%	5.0%
Arts, entertainment and recreation	6.3%	6.7%	5.9%	6.3%	6.2%	6.3%

Source: [UK Business Count](#), 2021

⁷⁷ ONS (2007). [UK Standard Industrial Classification \(SIC\) Hierarchy](#)

9.35 Compared with the wider geographies, broad sectors such as professional, scientific & technical activities (22%); utilities (14%); and information & communication (12%) are the major type of enterprises operating in the Borough.

Business demography (Growth of enterprises)

9.36 The table below shows the net growth of enterprises in the Borough and the wider comparators from 2015 to 2020.⁷⁸

Table 25: Count of net growth in enterprises from 2015 to 2020, Epsom & Ewell and wider comparators

	2015	2016	2017	2018	2019	2020
England	94,070	124,925	23,995	50,085	60,710	39,085
South East	13,520	13,945	4,450	9,380	7,800	4,250
FEMA	575	570	230	210	165	-140
Epsom & Ewell	220	165	70	35	65	20
Mole Valley	90	85	15	55	5	-65
Reigate & Banstead	265	320	145	120	95	-95

Source: [ONS](#), 2021

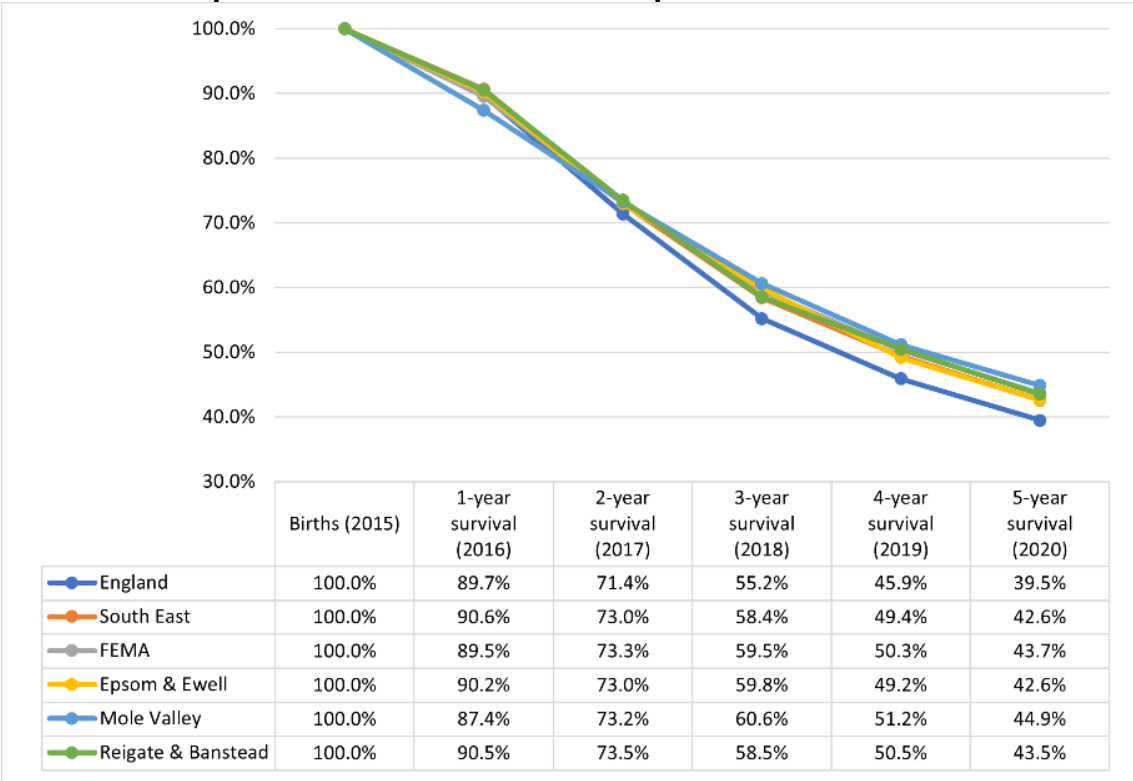
9.37 The trend from 2015 to 2020 shows that the net growth of enterprises has been decreasing across the local authorities in the FEMA since 2017. In the most recent record, there is a negative growth observed in the FEMA. However, the Borough’s net growth in enterprises is still positive over the period.

9.38 The fall in the number of enterprises in the FEMA in 2020 indicates the impact of both BREXIT and the Pandemic. Also, it reflects the damage to businesses as a result of having to respond quickly to Government restrictions designed to control the spread of the virus.

⁷⁸ Count of the new birth of enterprises minus the count of death of enterprises

9.39 The table below shows the survival rates of enterprises of the Borough and wider comparators over the period 2015 to 2020. The data is indexed to the birth of enterprises in 2015.

Figure 33: Births of enterprises in 2015 and their survival rates to 2020, Epsom & Ewell and wider comparator



Source: [ONS](#), 2021

9.40 Compared with the regional and England level, the survival rates of enterprises within the FEMA are higher. This indicates that the enterprises in the three local authorities of the FEMA are relatively resilient (compared with those in Epsom & Ewell alone) to the changes in the wider economy.

9.41 It should be noted that the latest business demography data is only available until 2020. The impacts of the Pandemic on business survival are therefore still uncertain at the time of writing. The analysis should be revisited when more robust data showing how businesses have performed during the early part of the post-Pandemic period is available.

Views of local business on the impact of the Pandemic

9.42 PPG sets out the steps that a strategic policy-making authority is required to take when planning for economic development. This includes

*“engaging with the business community to understand their changing needs and identify and address barriers to investment, including a lack of housing, infrastructure or viability.”*⁷⁹

9.43 A latest business view survey was carried out by the SEGS 2021 Addendum.⁸⁰ This examines the following issues:

- impacts of the Pandemic on working practices;
- impacts of the Pandemic on local business; and
- likely consequences of the introduction of Use Class E.

9.44 This section briefly summarises the key findings from SEGS 2021 Addendum. This provides evidence that can be considered alongside the econometric forecasts presented in this HEDNA report. Also, the implications of the views of business and the impact of the Pandemic will inform conclusions as regards Epsom & Ewell’s employment land needs.

Changing working practices

9.45 According to SEGS 2021 Addendum, 70% of the UK workforce had no prior experience of homeworking prior to when social distancing measures were put in place in March 2020. During the 2020-21 lockdown, occupations that required higher qualifications and experience were more likely to offer home-working opportunities. This implies less demand for office workspace.

⁷⁹ PPG (Plan-making). Ref ID: 61-040

⁸⁰ Epsom & Ewell Borough Council (2021). [Addendum to Local Plan Spatial Economic Growth Strategy for Epsom & Ewell](#). Page 21.

- 9.46 The local agents' view on office use and demand in 2021 indicates an early trend for downsizing floorspaces (e.g. 5,000 sq. ft. to 3,000 sq. ft). That said, demand is increasing for better quality premises such as communal areas and kitchens. Also, there is increasing enquiries for 1- to 2-person serviced offices.
- 9.47 The local agents' view on properties for industrial, storage and distribution use indicate that there is a demand for B8 relevant floorspaces, mainly coming from sole traders and small enterprises in the retail sectors. However, agents indicate that the industrial spaces are limited in the Borough (mainly restricted to Kiln Lane and Longmead industrial estates). Therefore, local businesses tend to go outside the Borough to fulfil these needs.
- 9.48 Regarding the future use of employment space, the agents indicate that enquiries coming from local businesses tend to be for shorter-term leases. However, warehouse and distribution users (B8 Class) don't seem to be needing to change size or configuration due to the Pandemic.
- 9.49 According to local agents' view in 2021, the impact of the Pandemic shows an evident and lasting shift towards homeworking and hybrid model. This is likely to lead to employers downsizing their office space and prompt workplace designers to focus on employee experience and enhance well-being in the office. Also, agents expect the demand for smaller office spaces will remain strong.

Local business

- 9.50 Based on the business survey of the SEGS 2021 Addendum, the local businesses have a positive view on the trend towards remote working. In areas of the Borough where a large number of commuters live, the remote working trend will boost local urban economies particularly in Town Centre and high streets.

- 9.51 Local businesses indicate that the demand for industrial properties outweighs the supply in the Borough. The existing stock is considered old and unfit for purposes as a result of low levels of funding and unattractive for investment.
- 9.52 As pointed out by SEGS 2021 Addendum, local office space remains in demand due to business growth or current shortages. Although some businesses are downsizing in the Borough, the demand from others will off-set this.
- 9.53 The C2C LEP Study has indicated that the staffing patterns of the two key industrial estates (Longmead and Kiln Lane) has differed from no change to 3% of decrease depending on sectors during 2020 to 2022.⁸¹ The largest decrease in jobs are roles of “Caring, Leisure and Other Service Occupations”, which may severely be impacted by Government’s Pandemic restrictions.
- 9.54 According to the C2C LEP Study, partly due to the impacts of the Pandemic, the national trend of challenging investment climate (e.g., reduction of projects) has resulted in no foreign direct investment on either Longmead or Kiln Lane industrial estates during 2020 to 2022.⁸²
- 9.55 However, according to CoStar commercial property record during 2020 to 2022, the vacancy rate of both Longmead or Kiln Lane industrial estates are relatively low (2.2%) compared with the average of Greater London (3.8%) and Surrey (4.7%). This indicates that the present occupiers of both industrial estates have performed well during the Pandemic and the commercial activity appears to be thriving.⁸³

⁸¹ Coast to Capital LEP (2022). Longmead and Kiln Lane industrial estates: Economic value report. Page 18

⁸² Ibid. Page 20

⁸³ Ibid. Page 20

Change in Use Class System

- 9.56 Based on the SEGS 2021 Addendum, local property agents of the Borough consider that the introduction of Use Class E is positive for the market in that it will boost office demand. It will diversify the local economy and generate stronger demand for employment floorspace, including
- shops, bars and restaurants; and
 - health and wellbeing related businesses (e.g., dentists, clinics, gyms, older people facilities).
- 9.57 Due to the new Use Class E, additional offices are likely to appear on the more remote fringes of the Borough's Town Centre. However, existing retail premises are unlikely to be suitable due to physical constraints (e.g., indoor lighting for retail spaces may not be suitable for office users).
- 9.58 Retail floorspace demand will remain in prime shopping areas to take advantage of relatively high footfalls.
- 9.59 As a result, the introduction of a new Use Class E is expected to stimulate demand for floorspace demand compared to the previously separated Use Classes (A, B1 and D2 Class).

Stakeholder consultations

- 9.60 This HEDNA has undertaken consultations to inform conclusions as regards employment land need with various key business stakeholders such as The Jockey Club and commercial property developers and their agents. The consultation was carried out through an online questionnaire and phone call interviews in Summer 2022.

Horse-racing & Equestrian Sectors

- 9.61 The vision and the key objectives of the horse-racing and equestrian sectors are reviewed based on SEGS 2020 and the SRRES 2020, these are to
- *increase the number of horses in training to 250 by 2021 and more beyond 2021;*
 - *make Epsom a centre for digital innovation in horse-racing;*
 - *increase the economic value of the local horse-racing;*
 - *conserve and improve the Downs for the local community and for horse-racing; and*
 - *work across the horseracing industry to develop wider economic and social proposals to benefit Epsom.*⁸⁴
- 9.62 The Jockey Club is the owner and operator of Epsom Downs Racecourse and Epsom Downs Training Grounds.
- 9.63 During consultations, Jockey Club indicated that the number of stables in the horse-racing sector has declined significantly in recent years (by approximately 60%). The main cause is the loss of stabling and training premises to other land uses as owners retire. Currently, there are 12 training stables in the nearby area of Epsom Downs.
- 9.64 The total number of people employed in the horse-racing sector is around 130-150 people, comprising 50 people at the race-course employed by The Jockey Club and between 80 to 100 people employed by the 10-12 training stables located in Epsom.
- 9.65 The horse-racing sector has set out a 5-year target to increase the number of horses trained in Epsom from the current 160 to 250. It is expected this expansion in activity will include recruiting 50 to 60 additional members of staff (mostly younger people). The business growth plan is focussed on improving financial viability and ensuring sustainability of the horse-racing sector.

⁸⁴ Epsom & Ewell Borough Council (2020). [Scoping Report on the Racecourse & Equestrian Sector in Epsom & Ewell Borough](#)

9.66 Also, it is important to distinguish between the training stables which operate 365 days a year and the racecourse which operates only 11 days a year in relation to the horse-racing sector. During the horse-racing events, there are approximately 2-3,000 people as temporary workforce, primarily in the hospitality sector.

Employment land developers and promoters

9.67 This HEDNA has prepared questionnaires related to the employment land market conditions and respondents' appetite for bringing forward development. The questionnaires were circulated by the Council based on the internal contact list. The detailed analysis is presented in the Appendices.

The economy and labour market summary

9.68 This section summarises the key findings of the baseline economic and labour market conditions within Epsom & Ewell.

Baseline economic conditions

- The GVA trend of the Borough fluctuated between 2012 to 2019, with an average decline of 0.6%;
- A sharp GVA decline by 10.9% is observed in 2020, possibly due to the Pandemic;
- employment has grown steadily by 1.9% per annum since 2004 but declined by 1.2% per annum recently in 2015;
- the Borough's the largest contributors to GVA between 1991 to 2021 were real estate, wholesale & retail, human health & social work, education, and professional, scientific & technical activities;
- the Borough's two largest sectors by employment are human health & social work activities and professional, scientific & technical activities in 2021;
- the Education sector has seen the largest jobs growth (1,746 jobs) since 1991 while the Wholesale & Retail sector has seen the greatest relative loss of employment (losing 892 jobs) in the same period;
- against the regional economy of South East, the Borough has sectoral strengths in Professional, Scientific & Technical, Arts, Entertainment, Recreation & Other services, and Education;

- the economic activity rates in the Borough (86.6%) are substantially higher than the other comparators including the FEMA rate (82.7%), the regional rate (78.7%) and England's rate (80.8%);
- the employment rate of the Borough (80.6%) is similar to the FEMA average (80.7%) while higher than the regional rate (75.7%) and England's rate (77.6%);
- the Borough has a substantially lower proportion (1.9%) of the population claiming unemployment-related benefits in 2022, compared with the regional (2.9%) and England levels (3.8%); and
- based on the claimant count for unemployment-related benefits, all geographic comparators indicate a recovery from the Pandemic shock since the counts have decreased by 1.1 to 1.7%.

Existing business stock

- the majority (89.1%) of the enterprises based in the Borough are micro-businesses (employ less than 10 people). This level is higher than all the wider comparators, including FEMA (87.5%), South East (85.9%) and England (85.1%);
- the major types of enterprises operating in the Borough are professional, scientific & technical activities (22%), utilities (14%) and information & communication (12%);
- the net growth of enterprises has been decreasing across local authorities in the FEMA since 2017 (from 230 to -140 enterprises) while the Borough's growth remains positive (increased by 20 enterprises) in 2020;
- the negative growth of enterprises at the FEMA level in 2020 may indicate both the BREXIT and the impacts of the Pandemic on the economy and businesses having to respond quickly to various Government restrictions; and
- the 5-year survival rates of enterprises within the Borough are higher (42.6%) than England's average (39.5%). This indicates the enterprises in the Borough are relatively resilient to the changes in the wider economy.

Views of local business on the impact of the Pandemic

- for office floorspace demand, there is a downsizing trend across the Borough and a need for better quality premises (e.g., serviced offices with flexible leasing terms or shared facilities);
- local businesses consider the low levels of investment has resulted in the Borough's existing employment property stock old or unfit for purpose;
- there is a demand for B8 (warehousing) floorspaces in the Borough, mainly coming from sole traders and small enterprises in the retail sectors. However, the supply of industrial space is mainly restricted to Kiln Lane and Longmead industrial estates;

- the key industrial estates in the Borough (Longmead and Kiln Lane) experienced lower vacancy rates (2.2%) during the Pandemic period than the London (3.8%) and Surrey average (4.7%);
- the low vacancy rates and the range of sectors (15 different SIC sectors) of the Longmead and Kiln Lane industrial estates indicates the companies within them has performed well during the Pandemic period (2020 to 2022); and
- local property agents consider that the introduction of Use Class E will help boost office demand in the Borough and will diversify local businesses to take up the relevant floorspace.

Stakeholder consultation

- around 130-150 staff are currently employed in the horse-racing sector while a temporary workforce of 2,000-3,000 people is employed during the racing events at the race-course; and
- the horse-racing sector plans to recruit 50 to 60 new staff over the next five years as part of expansion plans.

10 COMMERCIAL MARKET REVIEW

- 10.1 This chapter provides an assessment of the office, industrial, and retail property markets in Epsom & Ewell. This assessment has been undertaken using a variety of sources including Council's latest monitoring data, Valuation Office Agency (VOA), and CoStar commercial property database.
- 10.2 The VOA data is only available at a local authority level and thus is presented for the entirety of Epsom & Ewell. CoStar analysis is transaction-based and thus can be mapped across the Borough. In particular, the data will be further categorised to understand activity taking place in different parts of the Borough.
- 10.3 Also, it is recognised that the Pandemic will have implications for commercial property markets – office in particular – and this is reflected by extensive literature review.
- 10.4 The commercial market review covers the following topics:
- existing employment land provision; and
 - commercial property market assessment.
- 10.5 The summary of this chapter assesses the level of demand for different uses of employment land based on past take-up trend. Also, this chapter identifies the current market supply of employment land based on listed properties of CoStar database.
- 10.6 By understanding the demand and supply balance of employment land, this HEDNA will provide commentary and suggestions to ensure the Borough's economic development is not constrained.

Existing employment land provision

- 10.7 This section provides an assessment of the existing employment land and property floorspaces provided in the Borough. The analysis is based on VOA data and Council's internal monitoring records.
- 10.8 The table below presents the current employment floorspaces in 2020/21 and the changes since 2000/01. The data is broken down by land use (office, industrial, and retail).

Table 26: Current employment land provision and changes since 2001, Epsom & Ewell

(Rounded, sqm)	2020/21	Change per annum (2011-2021)	Change per annum (2001-2021)
Office	75,000	-2,000	-1,650
Industrial	79,000	-400	-550
Retail	113,000	-200	100

Source: [VOA](#), 2021

- 10.9 The quantum of the office floorspace is similar to the industrial floorspace in the Borough while the retail floorspace is larger than both these types of land use. Since 2011, all three types of floorspaces have been decreasing; of these, the office floorspace has seen the most substantial decline.

10.10 The table below presents the Council's monitoring data of B and E(g) Use Class floorspace between the period 2010 to 2022.⁸⁵ It should be noted that the Council's employment floorspace data is based on planning permissions of sites in the Borough.

Table 27: Employment floorspace changes 2010 to 2022, B and E(g) Class, Epsom & Ewell

	Net E(g)(i)(ii) Class [sqm]	Net E(g) (iii) Class [sqm]	Net B2 Class [sqm]	Net B8 Class [sqm]	E(g) Class per annum [sqm]	B Class per annum [sqm]
Epsom & Ewell	-20,717	0	2,220	0	-1,726	185

Source: EEBC, 2022

10.11 Regarding office floorspace (E(g)(i)(ii) Class), the Council's monitoring data shows a similar trend of loss as can be observed in the VOA data. There is no record of any planning permissions that have been granted for E(g)(iii) Class (light industrial) during the period 2010 to 2022. However, the industrial floorspaces (B2 and B8 Use Classes), shows a dissimilar trend when compared with the VOA data. Since the Council's data is based on planning permissions, this indicates that there will be more B Class floorspace provided in the Borough than the VOA data suggests.

10.12 The table below shows trends in numbers of employment properties in the Borough and wider comparators between 2001 and 2022.

Table 28: Changes in numbers of rateable employment properties from 2001 to 2022, Epsom & Ewell and comparators

(Use type)	Office	Office	Industrial	Industrial	Retail	Retail
(Area)	Change 2001-22	Change 2011-22	Change 2001-22	Change 2011-22	Change 2001-22	Change 2011-22
Epsom & Ewell	-10%	-12%	5%	5%	-10%	-5%
Mole Valley	69%	6%	22%	9%	-9%	-1%
Reigate & Banstead	19%	12%	13%	11%	-9%	-4%
FEMA	29%	4%	16%	9%	-9%	-3%
South East	52%	21%	23%	14%	-6%	0%
England	62%	29%	15%	14%	-4%	2%

Source: [VOA](#), 2022

⁸⁵ E(g)(i)(ii) Classes include offices, research and development uses of employment floorspace. E(g)(iii) Class is relevant to floorspaces for light industrial processes.

10.13 The VOA data shows that the number of both office and retail properties has decreased by 10% over the period 2001 to 2022, while the number of industrial properties has increased by 5%.

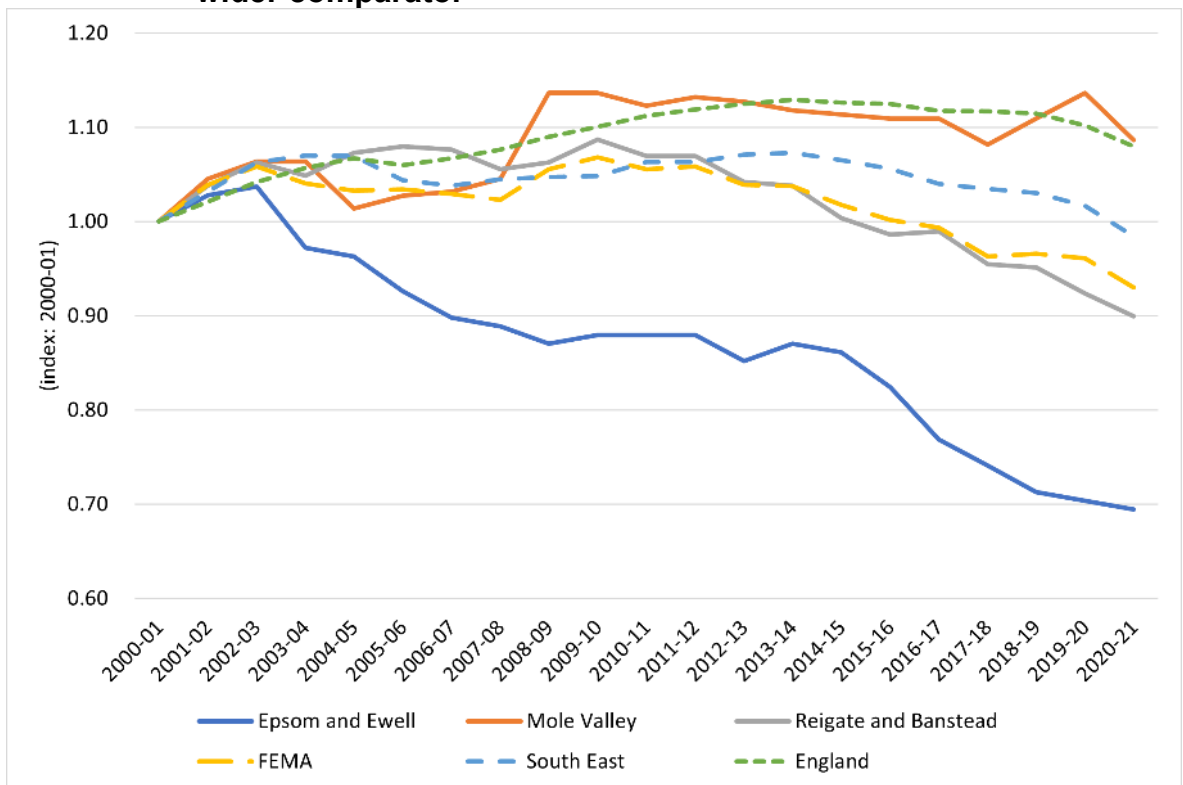
Commercial property market assessment

10.14 This section provides the assessments for each type of commercial property based on floorspace supply, take-up, deals and availability in the Borough.

Office market

10.15 The Borough’s office property market is analysed and compared with regional and national benchmarks. The table below shows the VOA office floorspace trend since 2001.

Figure 34: VOA office floorspace trend 2001 to 2021, Epsom & Ewell and wider comparator

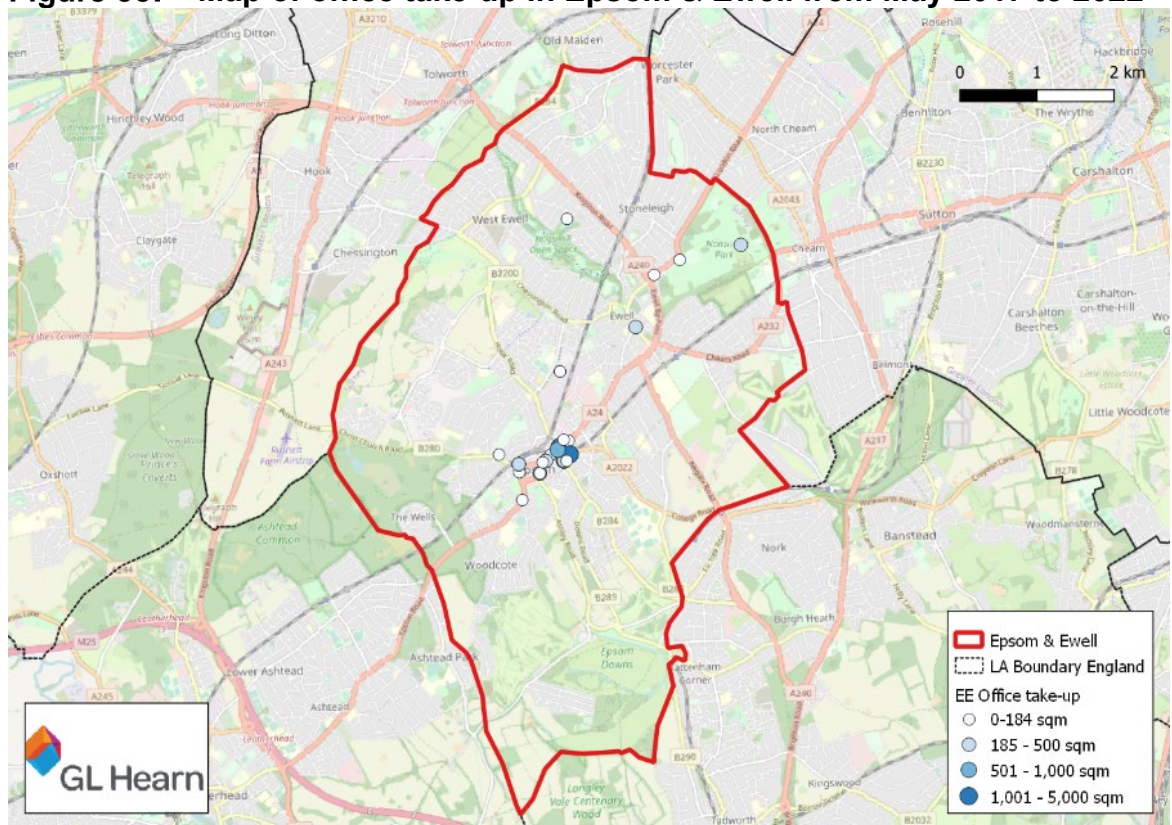


Source: [VOA](#), 2021

- 10.16 According to VOA data, Epsom & Ewell has seen the most substantial decrease (-31%) in office floorspace compared with the FEMA average (-7%) and South East region (-2%) since 2001. At the England level, the office floorspace has been increasing in the same period.
- 10.17 Among the local authorities within the FEMA, only Mole Valley has observed an increase in office floorspace since 2001. The level of increase in Mole Valley (9%) is slightly higher than that of the England average (8%).

10.18 The map below reports the take-up of office space across the Borough from 2017 to 2022. There is a clear cluster of offices taken up in the town of Epsom, which contains most of the Borough office stock. A further concentration of office take-up can be seen close to the main transport corridor (i.e., A240, A40). These are, however, mainly small offices (0-184 sqm).

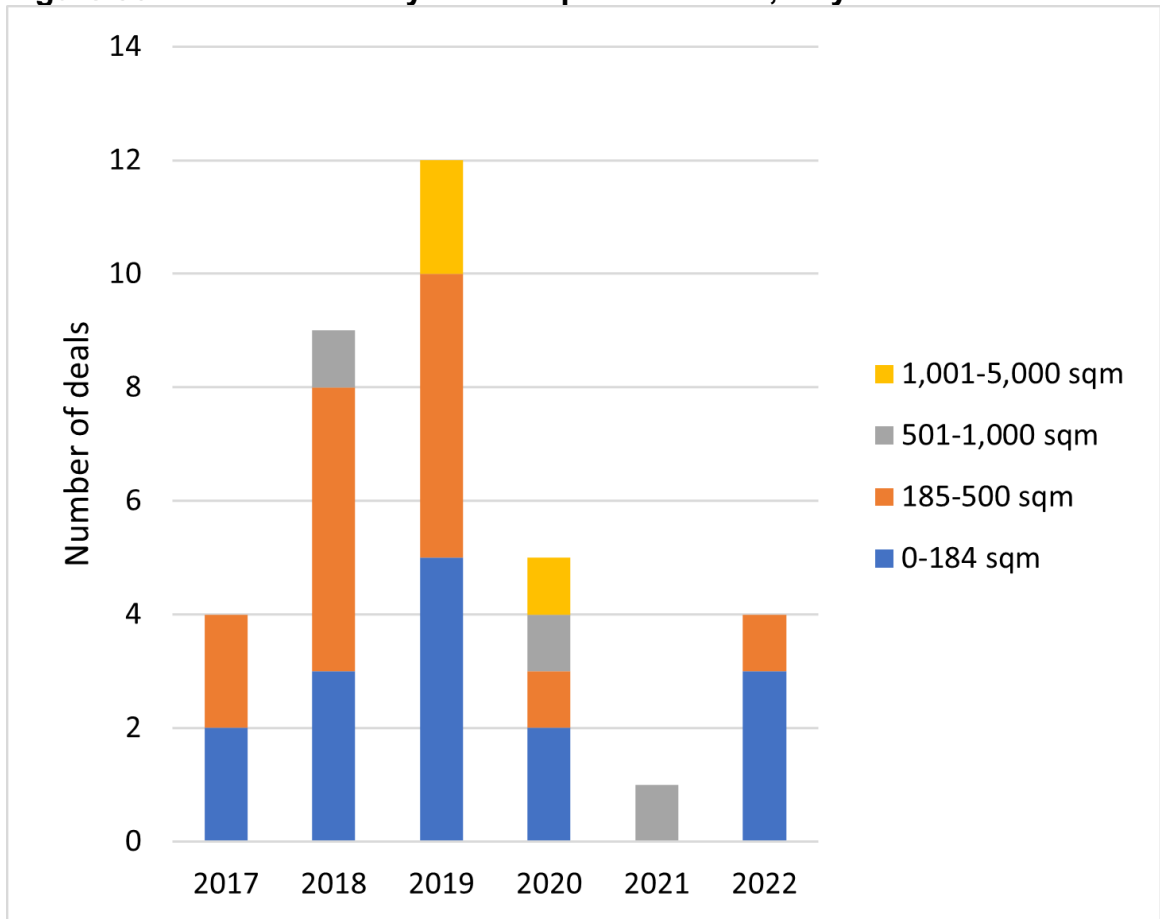
Figure 35: Map of office take-up in Epsom & Ewell from May 2017 to 2022



Source: CoStar, 2022

10.19 The figure below illustrates the number of deals within the Borough over the period 2017 to 2022. In total, there are 35 transaction records for office properties during the period. This equates to 7 deals per annum.

Figure 36: Office deals by size in Epsom & Ewell, May 2017 to 2022



Source: CoStar, 2022

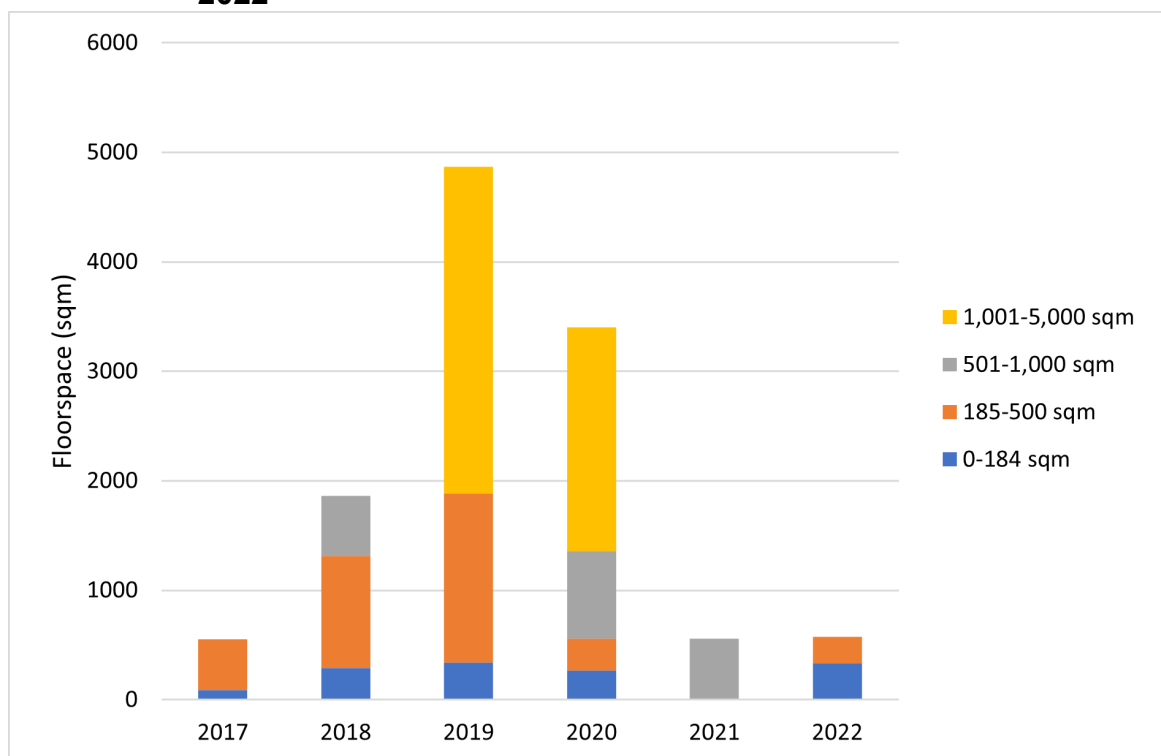
10.20 The office market in the Borough was most active in 2019 when 12 deals were recorded. The lowest number of transactions was recorded in 2021 when only 1 transaction was made.

10.21 The figure shows the number of office transactions has significant fluctuated in each year in between 2017 to 2022, but this is due to overall low numbers. The drop in deals in 2021 resulted from a lack of deals under 185 sqm (or 2,000 sq. ft.).

10.22 Over the period 2017 to 2022, more office transactions in the Borough involved units with sizes under 185 sqm than other size bands of units. Transactions involving this size of unit represented 43% of the total deals. A further 40% of transactions across the Borough are for office spaces between 185 and 500 sqm. Transactions of 501-1,000 sqm and 1,001-5,000 sqm represented 8% of deals. There were no deals in size bands above 5,000 sqm during this period.

10.23 The figure below shows take-up by floorspace in each size band in the Borough over the period 2017 to 2022. The annual office floorspace take-up was around 2,364 sqm on average from 2017 to 2022. The highest volume of transactions in a single year was recorded in 2019 with 4,866 sqm of office floorspace transacted across the Borough.

Figure 37: Office floorspace take-up by size in Epsom & Ewell, May 2017 to 2022



Source: CoStar, 2022

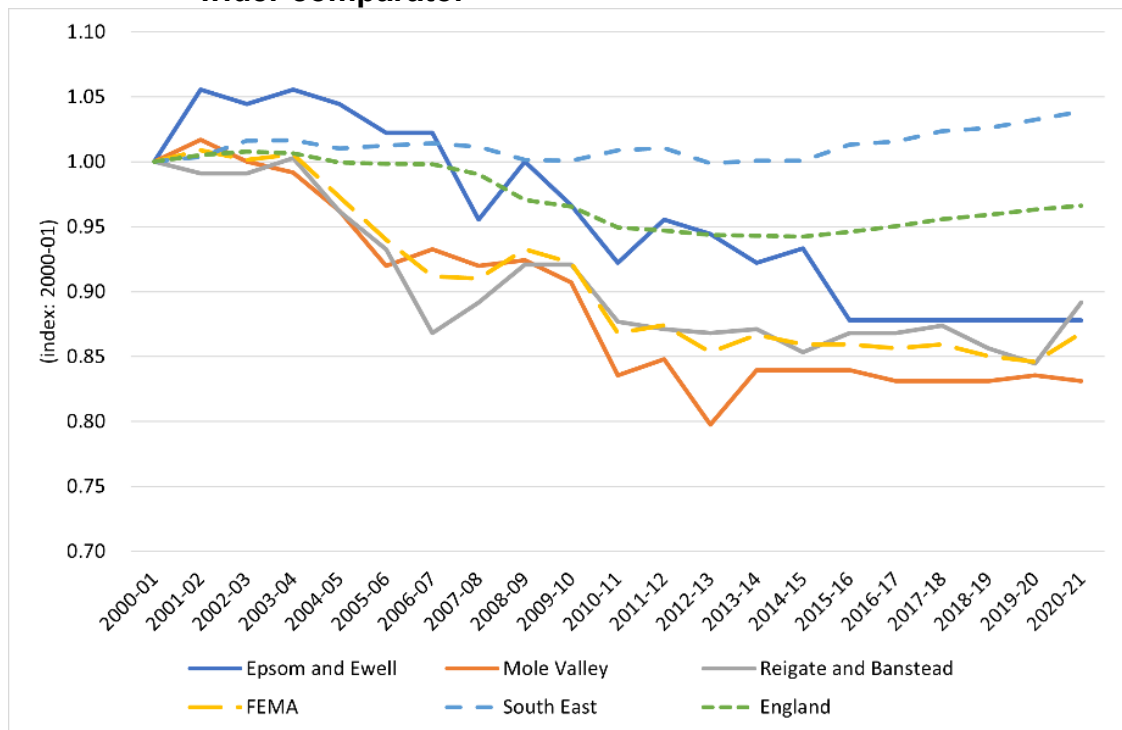
10.24 A high volume of office floorspace take-up was observed in the middle size band of 1,001- 5,000 sqm in 2019 and 2020. Despite the lower number of deals in 2020, it was the second-highest year in terms of floorspace transacted with 3,403 sqm leased from 2017 to 2022.

10.25 However, it is worth noting that the office transactions in the size band 1,001- 5,000 sqm in both 2019 and 2020 were taken up by NHS offices (Epsom and St Helier University Hospitals). As indicated by the previous chapter, the Health sector is one of the Borough’s economic strengths, comparing favourably with South East region.

Industrial market

10.26 The table below shows the VOA industrial floorspace trend since 2001. The industrial property market of the Borough has been analysed and compared with regional and national benchmarks.

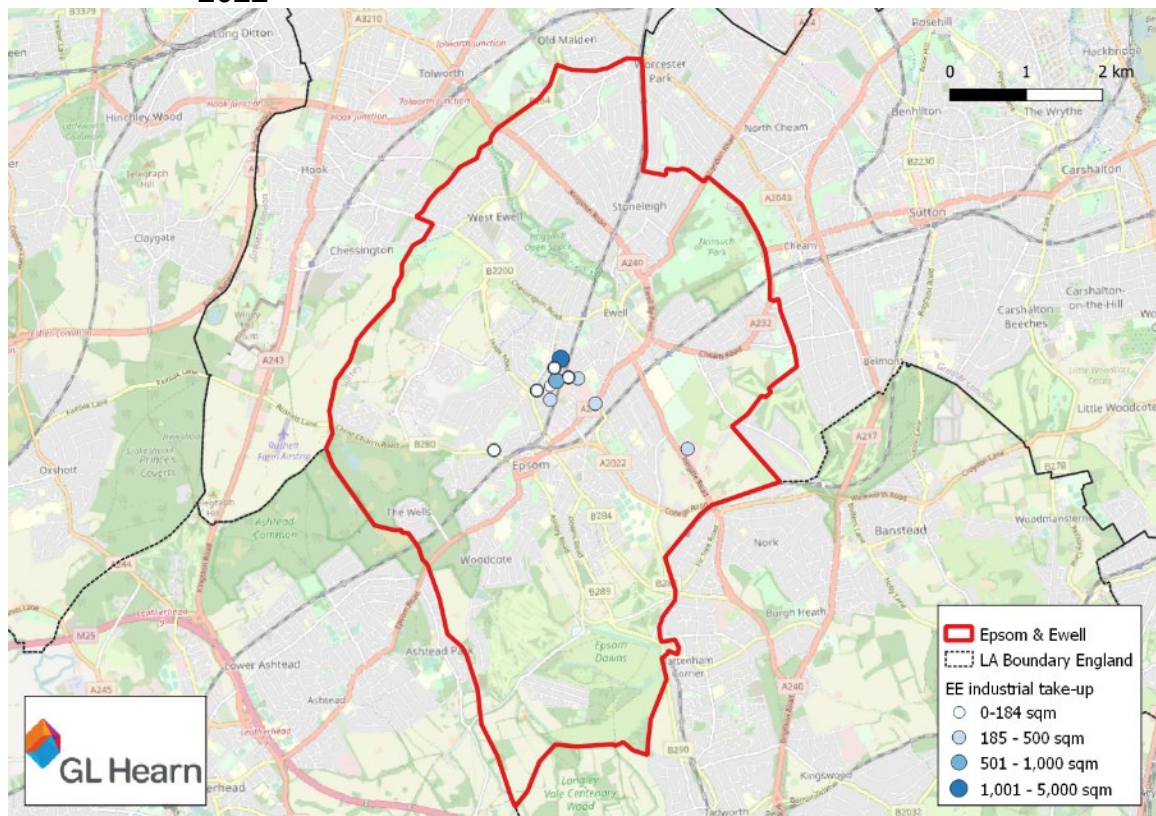
Figure 38: VOA industrial floorspace trend 2001 to 2021, Epsom & Ewell and wider comparator



Source: [VOA](#), 2021

- 10.27 The industrial floorspace in all three local authorities in the FEMA has decreased since 2001; of these, Mole Valley has seen the most substantial decline (-17%). South East region has slightly increased by 4% in the same period.
- 10.28 Over the period 2001 to 2021, the Borough's industrial floorspace has decreased by 12%, which is greater than the decline in the average of England (-3%). The number of industrial properties in the Borough has increased by 5% in the same period, which is lower than the average of England (15%).
- 10.29 The map below shows the industrial floorspace take-up across the Borough from 2017 to 2022.

Figure 39: Map of industrial take-up in Epsom & Ewell from May 2017 to 2022



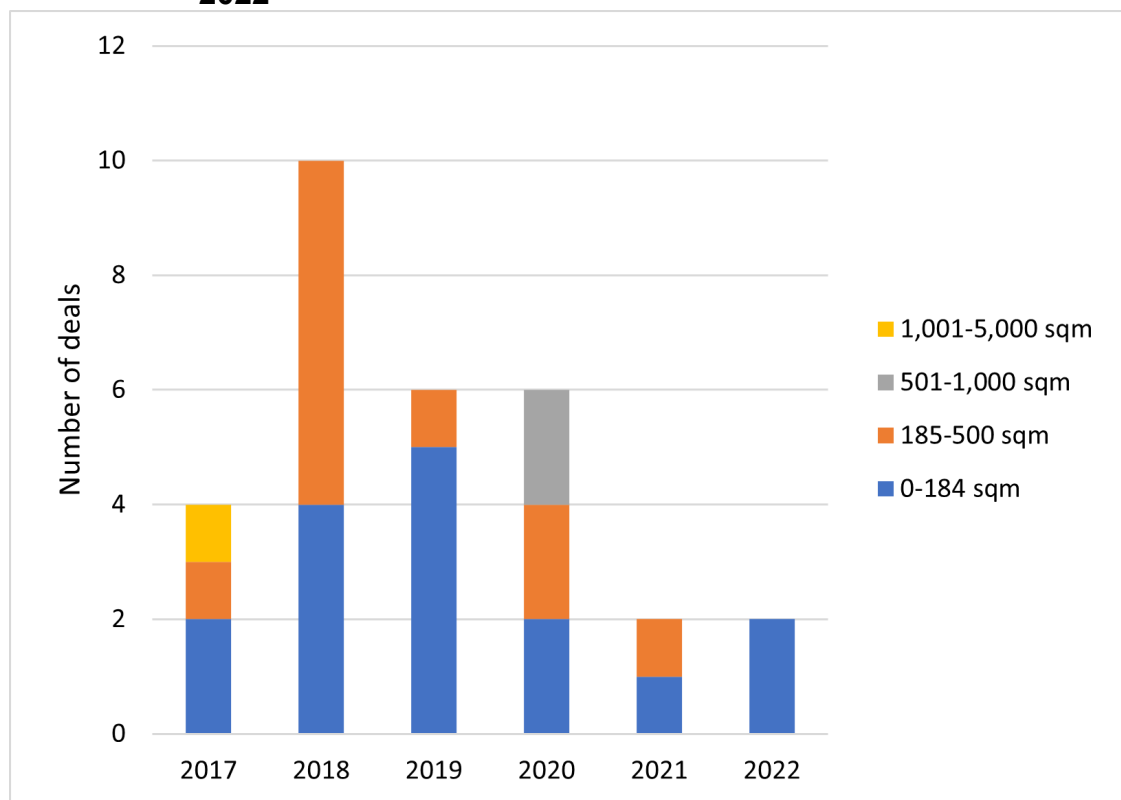
Source: CoStar, 2022

10.30 There is an evident cluster of industrial floorspace taken up around and within the key industrial estate (Longmead) at the north of Epsom. This cluster is one of the two strategic employment sites for light industrial, industrial and warehousing use.⁸⁶

10.31 A further concentration of take-up in industrial floorspace can be observed close to the main transport corridor (i.e., A240, A40, B280). These properties are mainly within the 185 to 500 sqm size band.

10.32 The figure below illustrates the number of deals within the Borough over the period 2017 to 2022. In total, there are 30 transaction records for industrial properties during the period, which equates to 5 deals per annum.

Figure 40: Industrial property deals by size in Epsom & Ewell, May 2017 to 2022



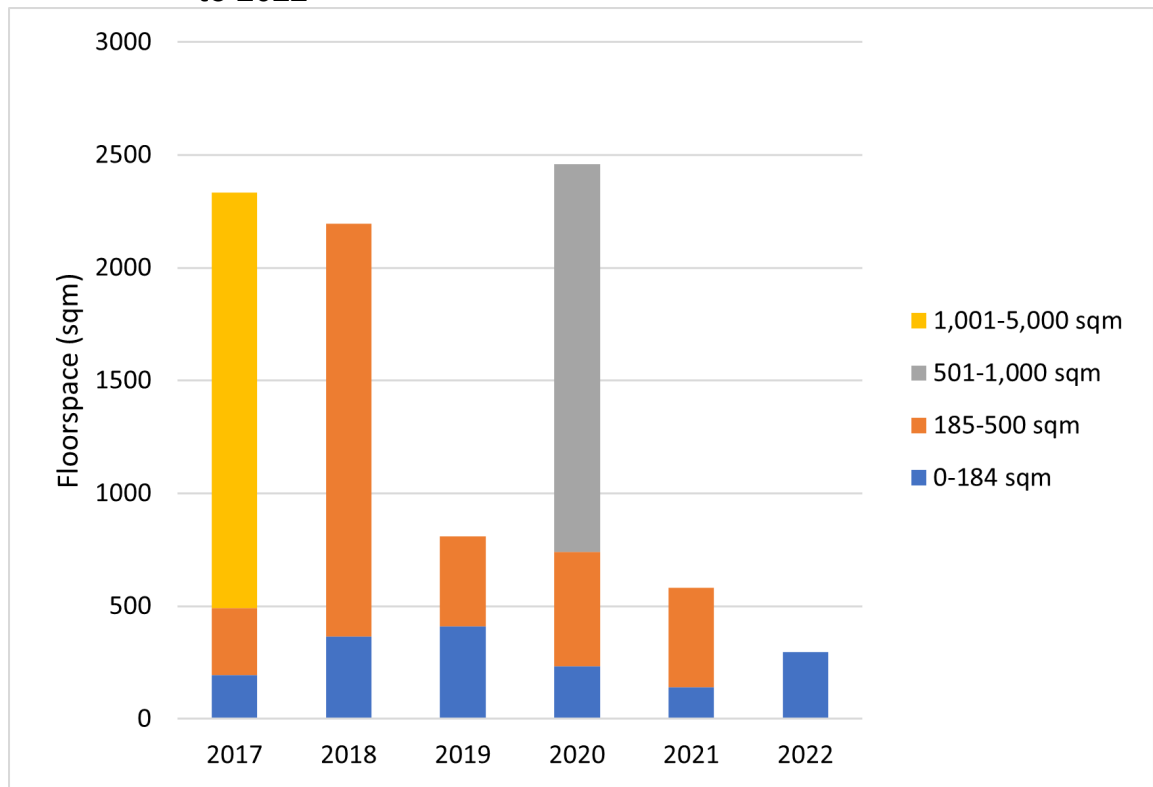
Source: CoStar, 2022

⁸⁶ Longmead and Kiln Lane Industrial Estate

- 10.33 The industrial property market in the Borough was most active in 2018 when 10 deals were recorded. The lowest number of transactions was recorded in 2021 when only 2 transactions was made. It should be noted that the records for 2022 are until May.
- 10.34 The number of industrial transactions has fluctuated between 2017 to 2022, but this is due to overall low numbers. The drop in deals in 2021 resulted from fewer deals under 185 sqm.
- 10.35 Over the period 2017 to 2022, most industrial property transactions in the Borough involved units with sizes under 185 sqm, which is 53% of the total deals. A further 37% of transactions across the Borough are for industrial property spaces between 185 and 500 sqm. Transactions of 501-1,000 sqm and 1,001-5,000 sqm are at 7% and 3% of deals respectively. There are no deals in size bands above 5,000 sqm during this period.

10.36 The figure below shows take-up by floorspace in each size band in the Borough over the period 2017 to 2022.

Figure 41: Industrial floorspace take-up by size in Epsom & Ewell, May 2017 to 2022



Source: CoStar, 2022

10.37 The annual industrial floorspace take-up was around 1,735 sqm on average from 2017 to 2022. The highest volume of transactions in a single year was recorded in 2020 with 2,458 sqm of industrial floorspace transacted across the Borough

10.38 There is a high volume of industrial floorspace take-up observed in the middle size band of 1,001- 5,000 sqm in 2017. The occupier of this specific deal is “Buildbase”, a company specialising in building materials, timber and DIY products.⁸⁷

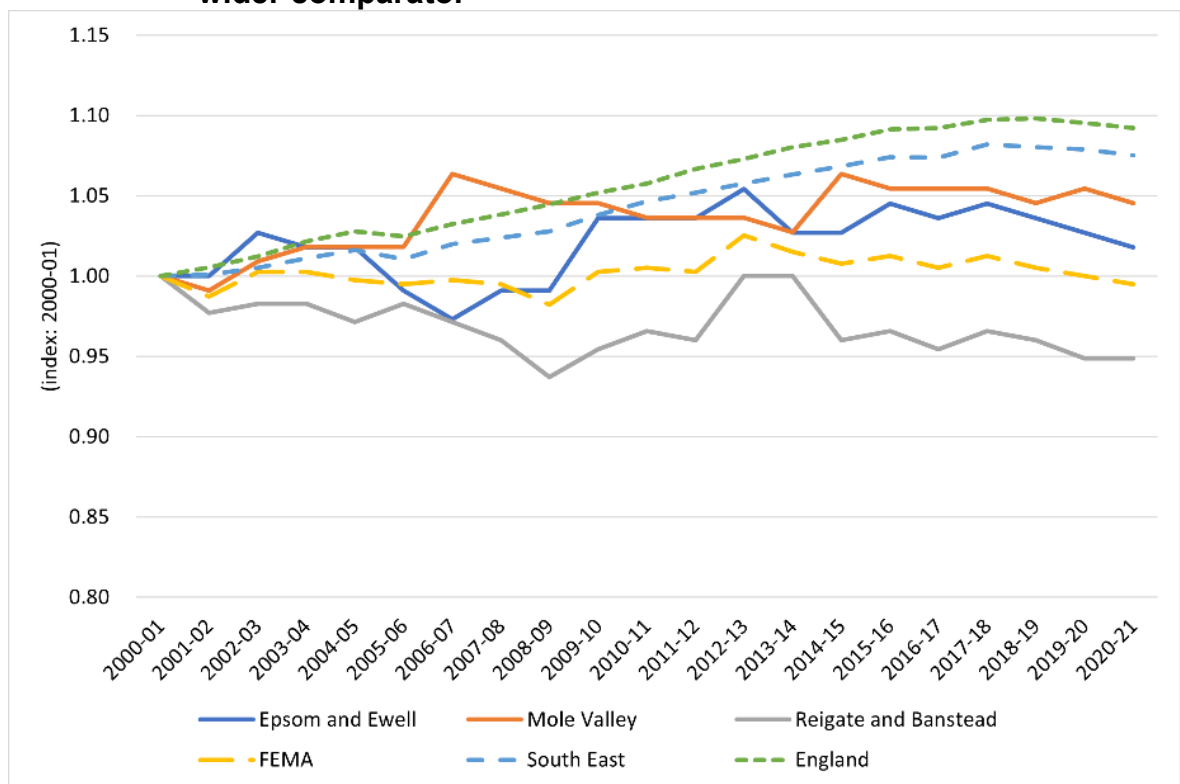
⁸⁷ Huws Gray Limited (2022).

10.39 Also, there is a high volume of take-up for the size band of 501- 1,000 sqm in 2020, in which the two occupiers of the deals are businesses of furniture manufacturing and vehicle maintenance services.

Retail market

10.40 The table below shows the VOA retail floorspace trend since 2001. The Borough’s retail property market has been analysed and compared with regional and national benchmarks.

Figure 42: VOA retail floorspace trend 2001 to 2021, Epsom & Ewell and wider comparator



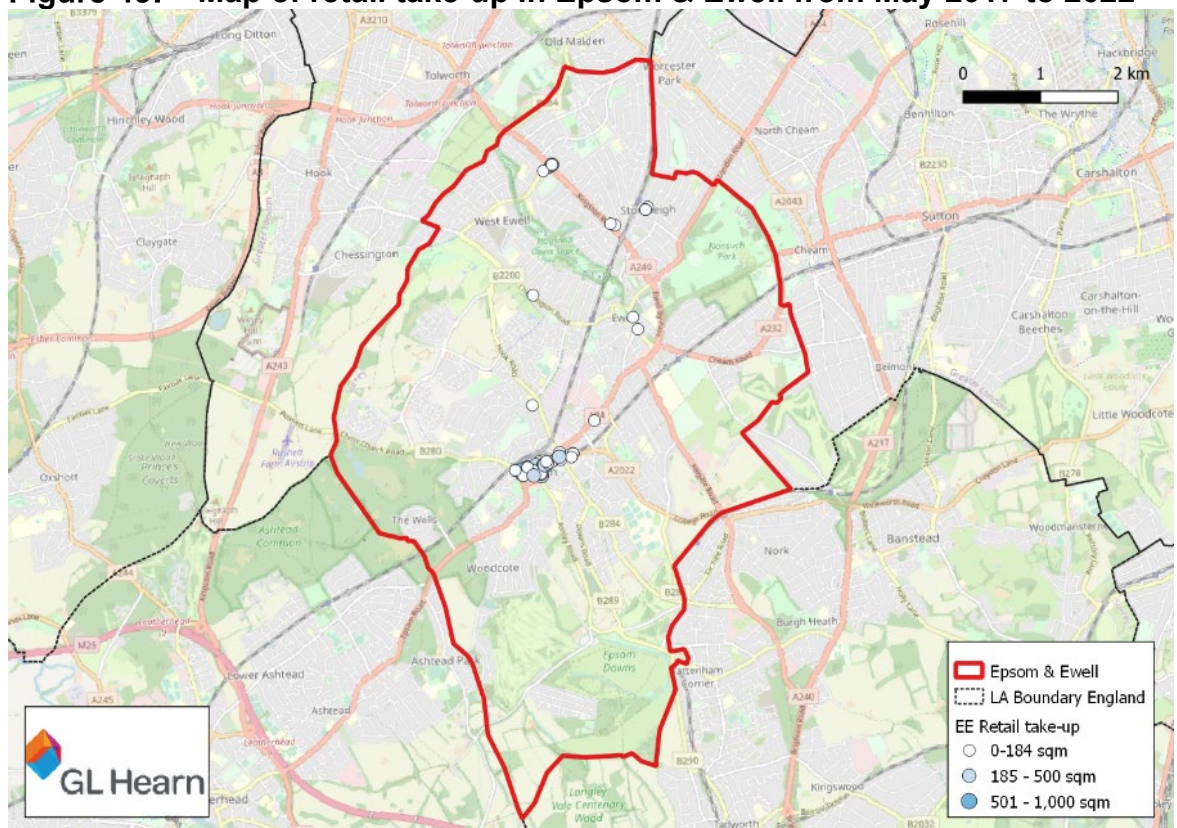
Source: [VOA](#), 2021

10.41 Among the three local authorities in the FEMA, only Reigate & Banstead has seen a decrease in retail floorspace since 2001, with 5% less. Taking into account trends in the Epsom & Ewell and Mole Valley, the overall trend in retail floorspace at the FEMA level is a fall of 1% over this period.

10.42 Epsom & Ewell has a slight increase (2%) in retail floorspace since 2001. However, the level of increase in the Borough is lower than Mole Valley (5%) and the wider geographies of South East (8%) and England (9%).

10.43 The map below reports the retail properties taken up across the Borough from 2017 to 2022. Most of the retail properties are mainly smaller size bands (0-184 sqm).

Figure 43: Map of retail take-up in Epsom & Ewell from May 2017 to 2022

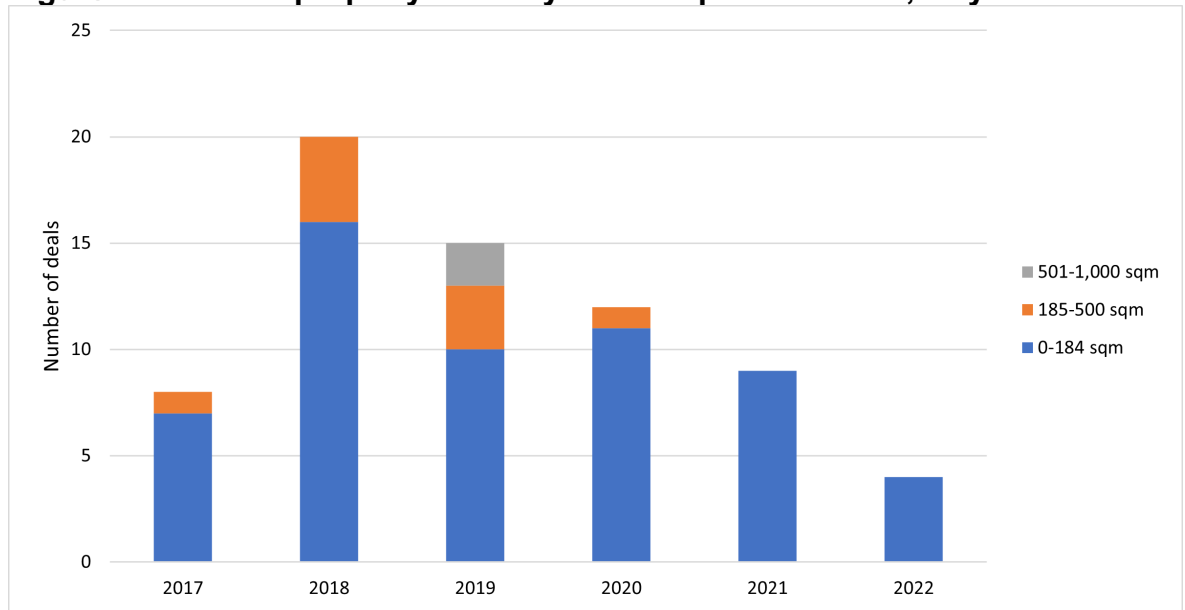


Source: CoStar, 2022

10.44 There is the main cluster of retail properties taken up in the town of Epsom, which is the Town Centre of the Borough. Other transaction records are in sub-areas such as Ewell and Stoneleigh. Also, in the northwest of the Borough, there were some transactions that occurred around the Aldi store on Kingston road in 2018.

10.45 The figure below illustrates the number of deals within the Borough over the period 2017 to 2022. In total, there are 68 transaction records for retail properties during the period, which equates to 13.6 deals per annum.

Figure 44: Retail property deals by size in Epsom & Ewell, May 2017 to 2022



Source: CoStar, 2022

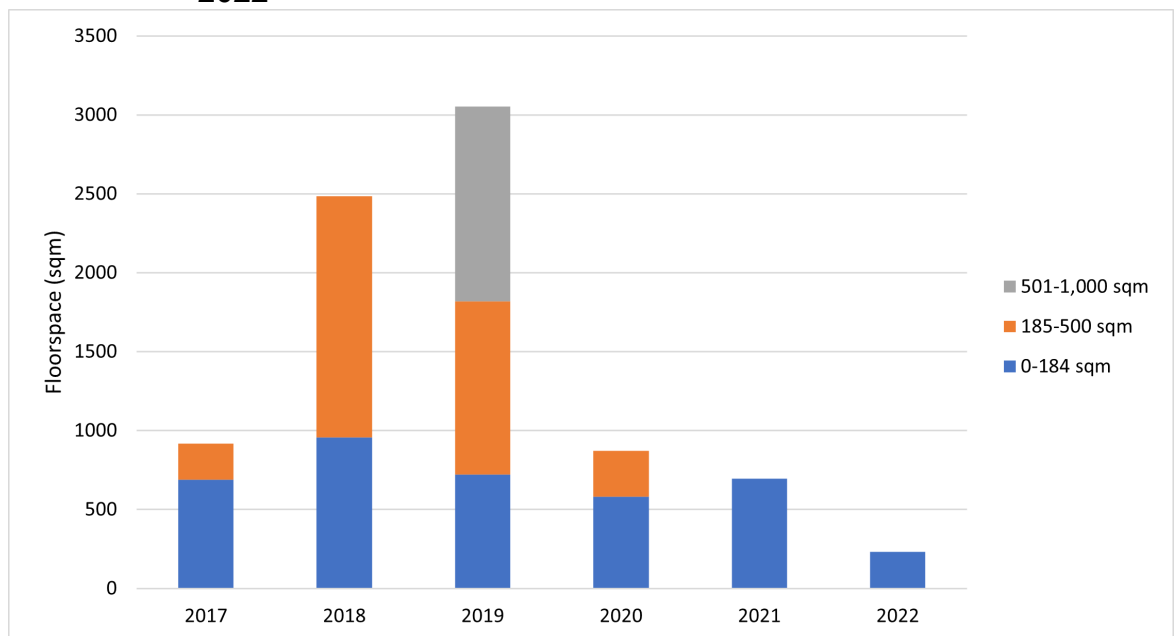
10.46 The retail property market in the Borough was most active in 2018 when 20 deals were recorded. The lowest number of transactions was recorded in 2021 when only 9 transactions were made. It should be noted that the records for 2017 were started in May and the data for 2022 is until May.

10.47 The figure shows the number of retail transactions has been decreasing between 2018 to 2021. Since 2018, the drop in deals mainly resulted from fewer deals for properties between 185-500 sqm in size.

10.48 Transactions for retail property with unit sizes under 185 sqm from the majority of deals over the period 2017 to 2022, accounting for 84% of the total deals. For retail space between 185 and 500 sqm, the transactions are around 13% of the deals in the Borough while transactions of 501-1,000 sqm only comprise 3% during this period.

10.49 The figure below shows take-up by floorspace in each size band in the Borough over the period 2017 to 2022.

Figure 45: Retail floorspace take-up by size in Epsom & Ewell, May 2017 to 2022



Source: CoStar, 2022

10.50 The annual retail floorspace take-up was around 1,651 sqm on average from 2017 to 2022. The highest volume of transactions in a single year was recorded in 2019 with 3,053 sqm of retail floorspace transacted across the Borough.

10.51 There is a high volume of retail floorspace take-up observed in the size band of 501- 1,000 sqm in 2019.

Availability and Year-supply analysis

- 10.52 Availability data has been analysed by looking at what is currently being advertised on the CoStar database. This provides an indicative “point in time” snapshot of availability across the Borough as of August 2022. It should be noted that “availability” includes speculative buildings which are seeking pre-lets or are under construction.
- 10.53 However, regarding the offices, all market-listed properties are currently “existing” as opposed to “under construction” or “proposed” properties.⁸⁸

Table 29: Number of available office units in Epsom & Ewell

(Existing)	Count of Properties	Sum of floorspace (sqm.)	% of floorspaces
0-184 sqm	6	577	4%
185-500 sqm	7	2,260	16%
501-1,000 sqm	3	1,972	14%
1,001-5,000 sqm	5	9,005	65%
Total	21	13,814	100%

Source: CoStar, 2022

- 10.54 There are 21 office units listed on the market in the Borough, with a total floorspace of 13,814 sqm.
- 10.55 The greatest amount of available office floorspace is held within offices between 1,001 to 5,000 sqm in size (65%). This is followed by 185-500 sqm (16%) and 501-1,000 sqm (14%). The largest single available office unit is located on No. 60 of East Street in Epsom for 2,124 sqm.

⁸⁸ Existing: Properties currently listed on the market for leasing or sale. Under construction: Properties not listed on the market but have commenced the construction work. Proposed: Properties that secured planning consents but not yet commenced the construction work.

10.56 As the table below shows, for industrial properties, all market-listed units are “existing”. There are 5 industrial units listed on the market in the Borough, with a total floorspace of 2,701 sqm. This indicates a low vacancy rate (2.2%) compared with the total stock of industrial properties in the Borough (220 units in 2021/22).⁸⁹

Table 30: Number of available industrial units in Epsom & Ewell

(Existing)	Count of Properties	Sum of floorspace (sqm.)	% of floorspaces
0-184 sqm	2	283	10%
185-500 sqm	1	464	17%
501-1,000 sqm	2	1,954	72%
Total	5	2,701	100%

Source: CoStar, 2022

10.57 The greatest amount of available industrial floorspace is held within properties between 501 to 1,000 sqm in size (72%). This is followed by 185-500 sqm (17%). The two largest available industrial units are both located within Longmead Business Centre, which provides warehouses floorspace around 977 sqm.

10.58 The low vacancy rate of industrial units in the Borough will potentially limits the investment opportunities or allowing for natural churn within the industrial property market.

10.59 For retail properties, all market-listed units are “existing” as the table below shows. There are 21 retail units listed on the market in the Borough, with a total floorspace of 13,814 sqm.

Table 31: Number of available retail units in Epsom & Ewell

(Existing)	Count of Properties	Sum of floorspace (sqm.)	% of floorspaces
0-184 sqm	14	1,041	31%
185-500 sqm	4	1,161	35%
501-1,000 sqm	0	0	0%
1,001-5,000 sqm	1	1,115	34%
Total	19	3,318	100%

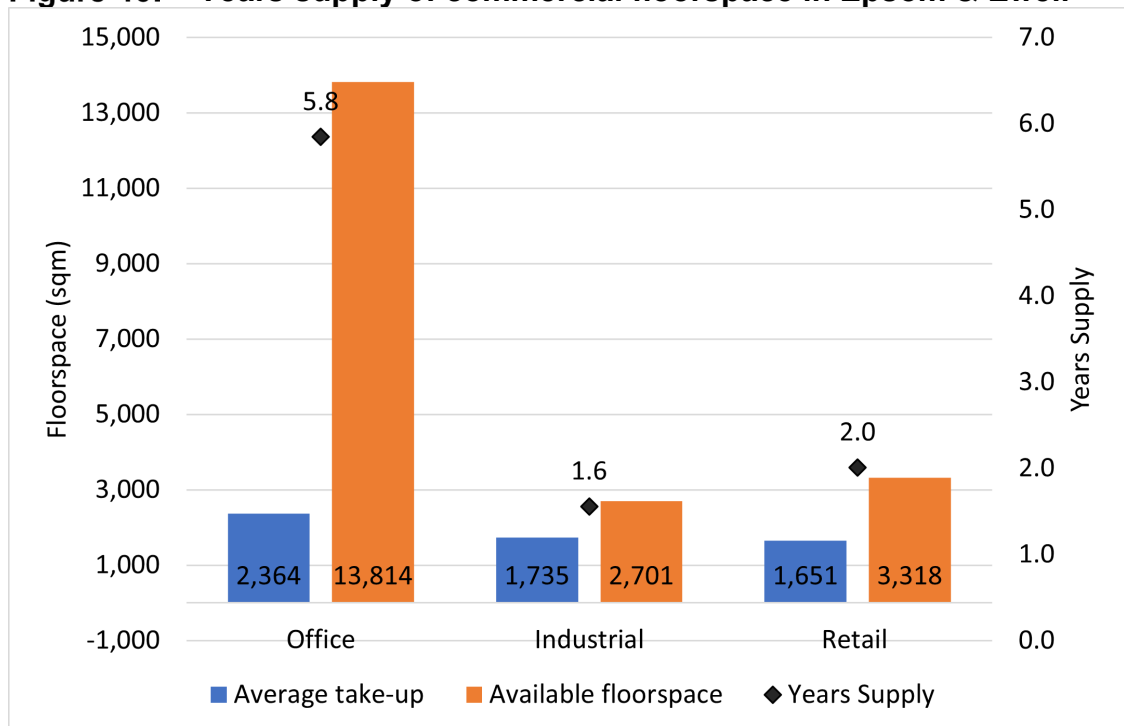
Source: CoStar, 2022

⁸⁹ VOA (2022). [Non-domestic rating: Stock of Properties](#). Table SOP6.1

10.60 The greatest amount of available retail floorspace is held within properties between 185 to 500 sqm in size (35%). This is followed by 1,001-5,000 sqm (34%) and under 184 sqm (31%). The largest single available retail unit is located within Epsom Square in the Town Centre for 1,115 sqm.

10.61 As shown in the figure below, the year's supply of commercial floorspace is calculated for the Borough by different types of properties. This is calculated by taking the available industrial floorspace and dividing the average annual take-up to arrive at an estimate of the number of years' worth of supply for Epsom & Ewell.

Figure 46: Years supply of commercial floorspace in Epsom & Ewell



Source: CoStar, 2022

10.62 The analysis suggests 5.8 years of supply for office floorspace in the Borough. This suggests a good current supply of office properties in the local market.

10.63 For industrial properties in the Borough, there is 1.6 years of floorspace supply which indicates a moderate supply for the current need. This suggests that the Council needs to continue supporting the industrial property market by securing the existing employment land supply at key employment sites or estates (e.g., Longmead and Kiln Lane).

10.64 In terms of retail properties, there are 2.0 years of floorspace supply in the Borough which indicates a reasonable supply for the current need.

Commercial market review summary

10.65 This section summarises the key findings of the commercial market review.

Existing employment land provision

- According to VOA data, all three types of floorspaces (offices, industrial and retail) have decreased since 2001 which the office floorspace having the most substantial decline (-31%);
- based on Council's monitoring data on planning permission on sites, the office floorspaces (relevant to E Class) show a similar trend of loss (-20,717 sqm.) to the VOA data while industrial floorspaces (relevant to B Class) has slightly increased by 185 sqm. between 2010 to 2022; and
- the VOA data shows that the number of both office and retail properties has decreased by 10% over the period 2001 to 2022, while the number of industrial properties has increased by 5%.

Commercial property market assessment

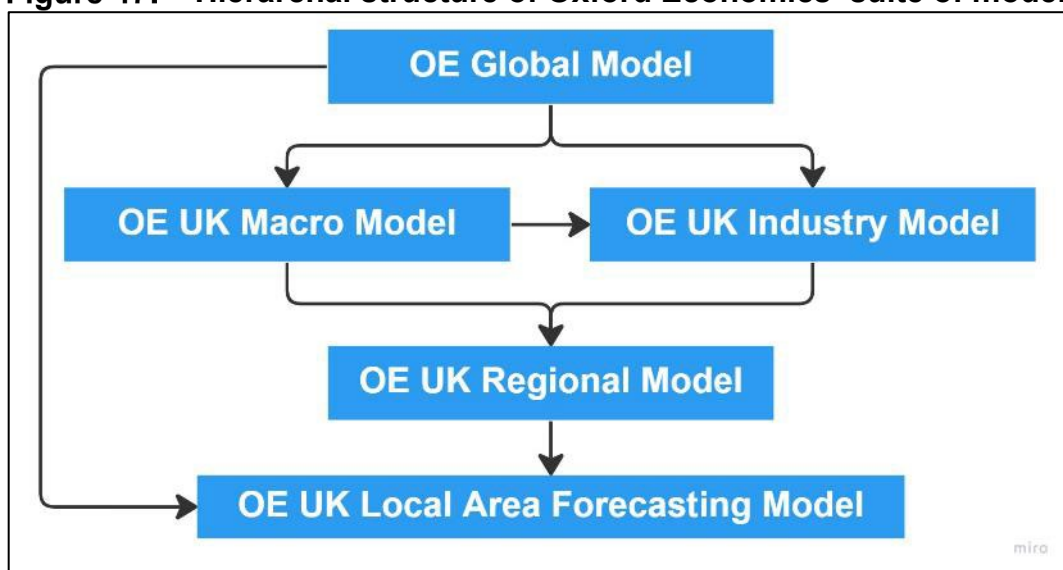
- The Borough has seen the most substantial decrease (-31%) in office floorspace compared with the FEMA average (-7%) and South East region (-2%) since 2001;
- according to CoStar transaction records, the office floorspace take-up across the Borough from 2017 to 2022 is clustered in the town of Epsom;
- most office transactions in the Borough involved units with sizes under 185 sqm (43% of the total deals), followed by sizes between 185 and 500 sqm (40% of the total deals);
- based on VOA data, all three local authorities in the FEMA have had a decreasing trend in industrial floorspace since 2001; over this period, this type of space has declined in the Borough by 12%;

- CoStar transaction records between 2017 to 2022 show a cluster of industrial floorspace taken up around and within the Longmead Industrial Estate in the north of Epsom;
- most industrial property transactions in the Borough involved units with sizes under 185 sqm (53% of the total deals), followed by sizes between 185 and 500 sqm (37% of the total deals);
- the low vacancy rate of industrial units (2.2%) has limited the opportunities for natural churns in the industrial property market of the Borough;
- based on VOA data, the Borough has had a slight increase (2%) in retail floorspace since 2001, while this growth level is lower than the wider geographies of South East (8%) and England (9%);
- based on CoStar transactions, the main cluster of retail properties is taken up in the town of Epsom, which is the Town Centre of the Borough;
- most of the transactions for retail properties in the Borough are unit sizes under 185 sqm (84% of the total deals); the annual floorspace take-up was around 1,651 sqm on average from 2017 to 2022;
- the availability of office properties listed on the CoStar platform indicates that there are 5.8 years of supply for office floorspace in the Borough, which suggest a good current supply in the local market;
- however, the available office properties are mainly of a larger size band (1,001 to 5,000 sqm.). This constitutes around 9,000 square metres in total (65% of current supply). Given the preference for office properties is for smaller size bands, this indicates that there is a slight mismatch of supply and demand;
- there are currently 1.6 years of industrial floorspace supply in the Borough, which indicates a moderate supply taking into account current need;
- there are currently 2.0 years of retail floorspace supply in the Borough, indicating a reasonable supply taking into account current need; and
- the Council should seek to support the market demand by securing existing industrial/warehousing land in key employment areas (e.g., Longmead and Kiln Lane industrial estates).

11 EMPLOYMENT FORECASTS

- 11.1 Employment forecasts developed by Oxford Economics (OE) was commissioned by GL Hearn to provide baseline demand-based forecasts for the HEDNA. The OE forecast is dated April 2022.
- 11.2 The baseline model is the lowest hierarchical level of the OE framework of forecasting models. Such a modelling framework ensures that global and national factors (such as developments in the Eurozone and UK Government fiscal policy) have an appropriate impact on the forecasts at the local authority level. This framework ensures that the forecasts are much more than just an extrapolation of historical trends. Rather, the trends in the OE global, national and sectoral forecasts have an impact on the local area forecasts alongside the sectoral structure and past sector performance locally.

Figure 47: Hierarchical structure of Oxford Economics' suite of models



Source: Oxford Economics, 2022

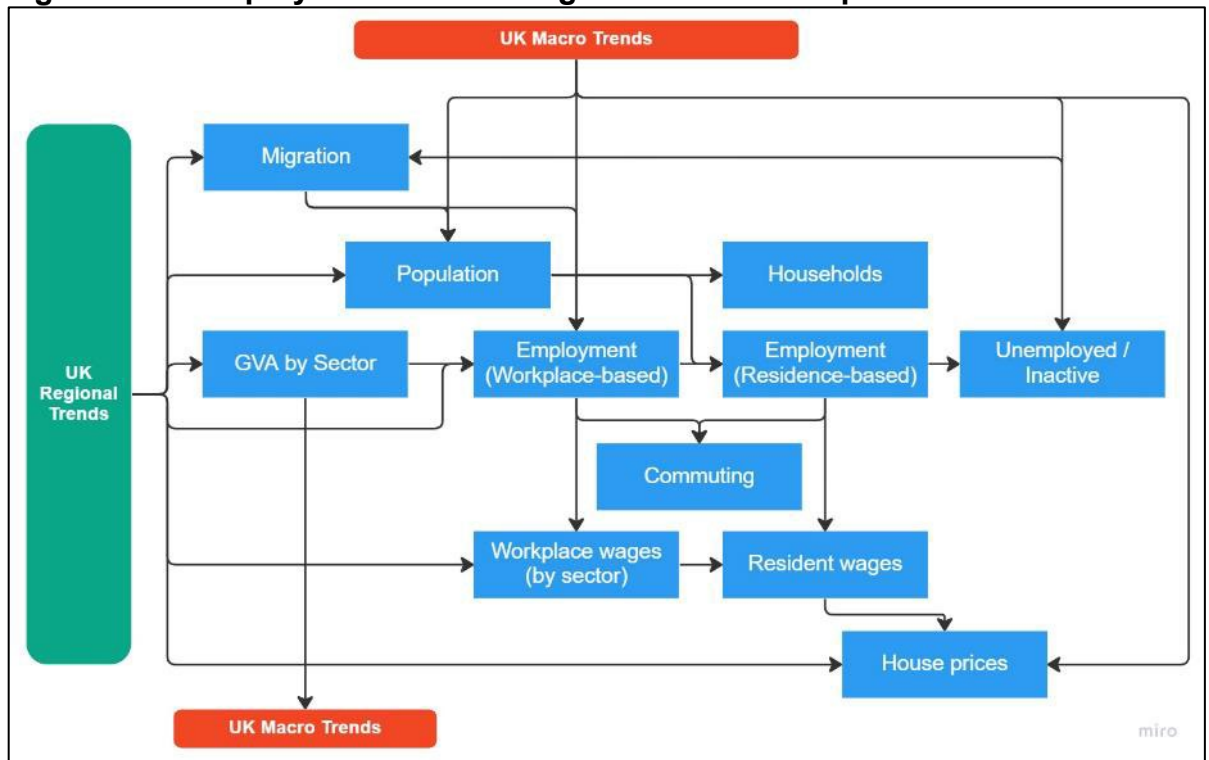
11.3 The baseline forecasts for the HEDNA are essentially shaped by three factors:

- International, national and regional outlooks - all the local area forecasts produced by OE are fully consistent with broader regional, national and international models and forecasts. This ensures global events that impact on the performance of UK local economies, such as the strength of global trade, are fully captured in the forecasts for a local area. So too are national-level growth and policies, whether that be the impact of monetary policy on consumer spending or government spending on locally provided public services;
- Historical trends in an area – these implicitly factor in supply-side factors affecting demand, combined with the OE and GL Hearn knowledge of local areas and the patterns of local economic development. This ensures, for example, that we recognise and factor into the forecasts any evidence of particularly high/low levels of competitiveness that local economies have in particular activities. It also means national policy programmes that have a particular local impact and that are very likely to happen; and
- Fundamental economic relationships which interlink the various elements of the outlook. OE's models ensure full consistency between variables in a local area. For example, employment, commuting, migration and population are all affected by one another.

11.4 The forecasts are produced within a fully integrated system, which makes assumptions about migration, commuting and activity rates when producing employment and population forecasts. Note that these are different assumptions from the population assumptions set out earlier in this report and therefore different from the demographic growth assessment.

11.5 The main internal relationships between variables are summarised in the figure below.

Figure 48: Employment Forecasting Main Relationships



Source: Oxford Economics, 2022

11.6 The starting point for producing employment forecasts for a local authority is the determination of workplace-based employees in employment in each broad sector. There are two key sources for this – ONS Workforce Jobs (WFJ) and the Business Register and Employment Survey (BRES). The WFJ series is reported quarterly, providing estimates of employee jobs by sector (based on the 2007 Standard Industrial Classification – SIC 2007) for the UK and its constituent government office regions. The BRES Survey is an annual survey of businesses which is used to estimate the employment levels by different sectors.

11.7 Within the OE model migration is expected to grow or decline in parallel with the employment total. If the employment total within an area is falling too fast, migration also falls as the model assumes that people would not be attracted into this area to live, given that the employment prospects are weak. This ensures that the relationship between the labour market outlook and the population outputs are inter-linked.

Disaggregating Growth

11.8 The Oxford Economics forecasts are based on a global view of growth which is translated to the UK, then the South East region and then each local authority within the region. Within the hierarchy, the growth in the lower level in the hierarchy must add up to that of the level above within the baseline forecast.

11.9 How the national level of growth is translated into a regional and local authority level differs from sector to sector. Some of the sectors are driven predominantly by population estimates, others by total employment in the area and the remainder by the sector's performance relative to the regional performance (largely exporting sectors). The methods of sectoral projection are as follows, each of which are forecast based on recent trends:

- Agriculture - share of the regional employment
- Mining and quarrying - share of the regional employment
- Manufacturing - share of the regional employment
- Electricity, gas, and steam - share of the regional employment
- Water supply; sewerage, waste management - share of the regional employment
- Construction - location quotient (LQ) based upon total employment
- Wholesale and retail trade - LQ based upon consumer spending
- Transportation and storage - LQ based upon consumer spending
- Accommodation and food service activities - LQ based upon consumer spending
- Information and communication - share of the regional employment
- Financial and insurance activities - share of the regional employment

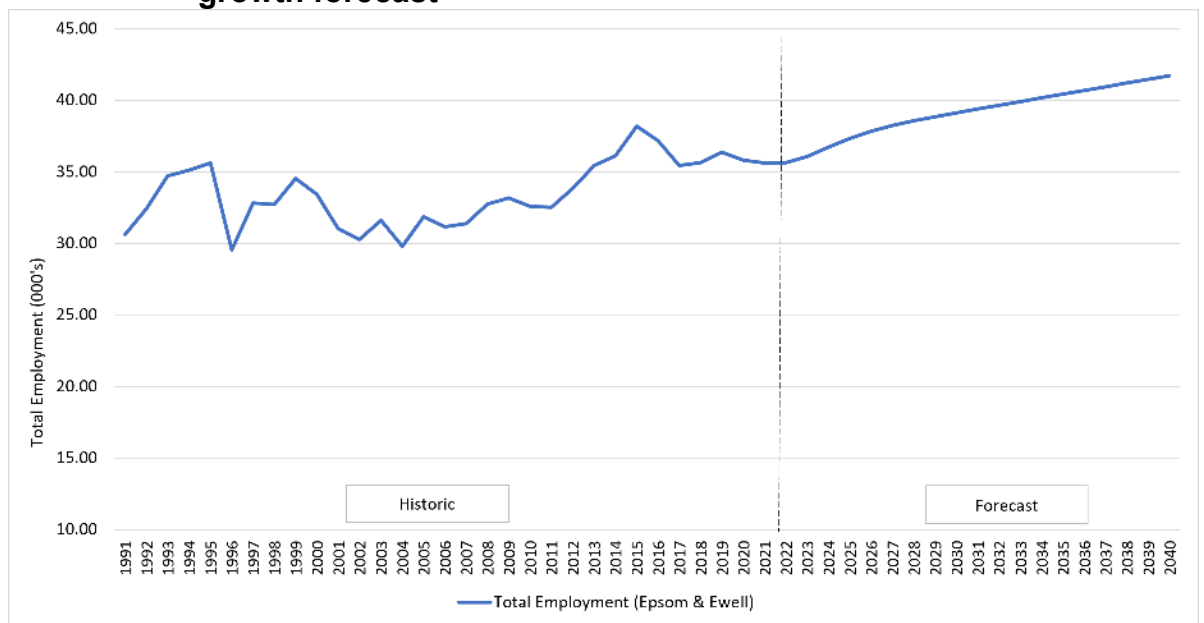
- Real estate activities - LQ based upon total employment
- Professional, scientific and technical activities - LQ based upon total employment
- Administrative and support service activities - LQ based upon total employment
- Public administration and defence - LQ based upon sectoral employment per population
- Education - LQ based upon sectoral employment per population
- Human-health and social-work activities- LQ based upon sectoral employment per population
- Arts, entertainment and recreation - LQ based upon consumer spending
- Other service activities LQ based upon consumer spending

11.10 Because of the way national forecasts are disaggregated the baseline growth in any given local authority largely reflects the relative strength of the sectors expected to grow nationally. In practice, this means that local authorities with a particular strength in their professional, scientific and technical sector and/or the administrative and support sectors (as the drivers of growth nationally) will see notable growth. An example of this is Epsom & Ewell.

Baseline Jobs Growth

- 11.11 According to the baseline forecasts by Oxford Economics (OE) in 2022, there will be an additional 6,069 jobs in Epsom & Ewell between the period 2022 to 2040, which equates to 337 jobs per annum.

Figure 49: Epsom & Ewell jobs growth 1991 to 2040, OE baseline jobs growth forecast



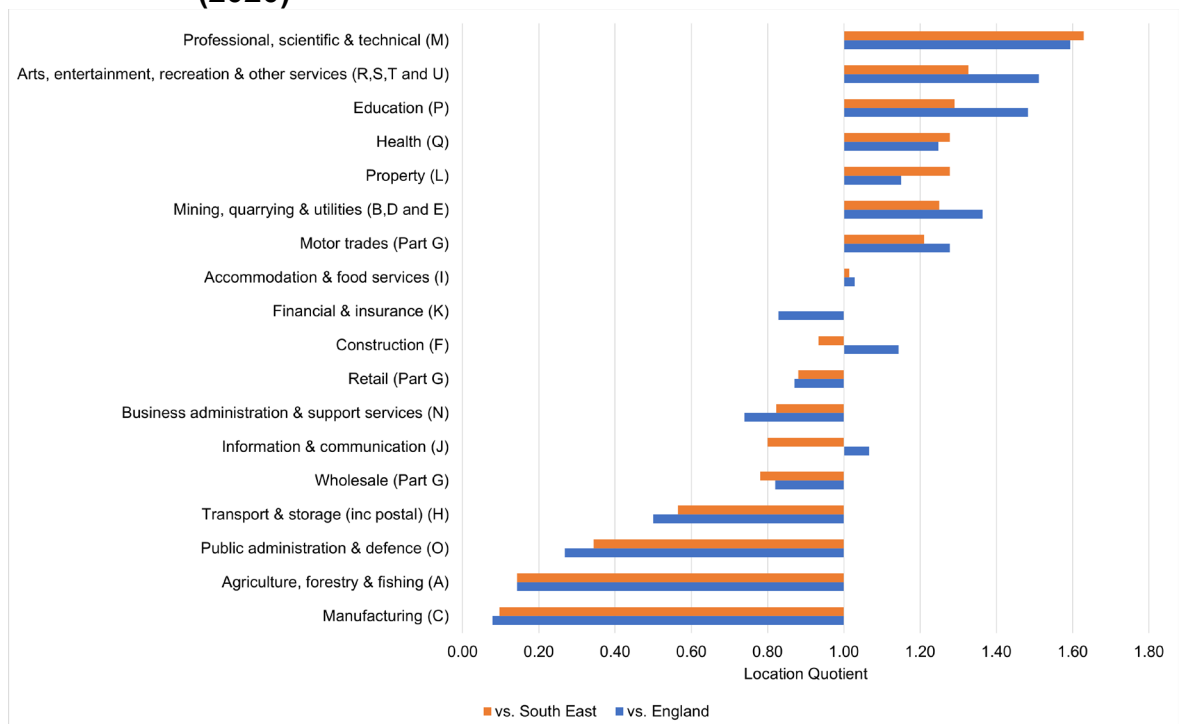
Source: Oxford Economics (2022)

- 11.12 The historic employment figures (1991 to 2021) show a fluctuated trend in which three major periods of decline occur from 1994 to 1995, 1999 to 2002 and 2015 to 2017. In recent years from 2018 to 2021, there was a marginal decrease in job growth, with total employment decreasing from 35,630 to 35,602.
- 11.13 The latest OE data (2022) shows job growth is expected to recover from 2022 onwards. In 2024, the employment figure is estimated to grow beyond the historic level (1991 to 2021).

Custom Growth Scenario

- 11.14 A custom growth scenario (CGS) has been built up to test a more optimistic job growth outcome on the basis of the OE baseline forecast. The CGS will reflect the local economic performance and the key employment policies that have the potential to increase or decrease the job growth.
- 11.15 In order to set out the structure of Borough's economy against the England level, an up-to-date location quotient analysis by broad sectors is presented.

Figure 50: Location Quotient of Epsom & Ewell vs. South East / vs. England (2020)



Source: [Business Register and Employment Survey \(BRES\)](#), 2021

- 11.16 In 2020, the figure indicates that the Borough has strengths in sectors of:
- professional, scientific & technical (M);
 - arts, entertainment, recreation & other services (R, S, T and U); and
 - education (P).

11.17 Three Compound Annual Growth Rates (CAGRs) of jobs growth are produced based on different periods of time:

- baseline forecast CAGR (2022 to 2040);
- long-term historic CAGR (2001 to 2021); and
- recent CAGR (2011 to 2021).

11.18 This allows the comparison for local economic performance of sectors in the Borough. The table below shows the comparison of CAGR that indicates the annual growth of each sector (broad industrial group level) in the Borough.

Table 32: Employment CAGR Comparison by Sector, Epsom & Ewell

CAGR Comparison	Baseline forecast CAGR	Long-term historic CAGR	Recent CAGR
Agriculture, forestry and fishing	-1.04%	7.51%	1.17%
Mining and quarrying	-3.29%	414.62%	95.83%
Manufacturing	-2.51%	-6.41%	-0.81%
Utilities	-1.29%	65.23%	1.86%
Water	-1.09%	8.46%	6.33%
Construction	1.38%	2.55%	-0.44%
Wholesale and retail trade	0.40%	-1.69%	-1.52%
Transportation and storage	0.13%	0.47%	0.68%
Accommodation & food service	0.52%	0.48%	-0.56%
Information and communication	0.40%	3.03%	6.04%
Financial and insurance	0.05%	-4.55%	-4.13%
Real estate activities	0.96%	5.19%	2.51%
Professional, scientific and technical	1.46%	0.50%	3.57%
Administrative and support service	1.48%	-0.56%	0.67%
Public administration and defence	-1.09%	-3.14%	-1.28%
Education	0.31%	2.99%	1.23%
Human health and social work	1.17%	2.77%	1.86%
Arts, entertainment and recreation	1.34%	1.94%	1.63%
Other service	1.26%	2.10%	-2.01%
Total	0.88%	0.69%	0.91%

Source: Oxford Economics, 2022

- 11.19 It should be noted that some sectors have very small total employment numbers that might substantially distort the CAGR, such as the “Mining and quarrying” sector.
- 11.20 It is apparent that some sectors in the Borough that are high in both long-term historic and recent CAGRs, such as “Utilities”; “Information & communication”; and “Education”, are forecast by OE to have low or negative jobs growth over the period 2021 to 2040.
- 11.21 Considering the nature of the local economy of Epsom & Ewell, these specific sectors are likely to experience growth rather than falls in employment over the period 2022 to 2040.
- 11.22 The key sectors in the Borough having strong growth opportunities have been identified in SEGS 2020, these are:
- professional, scientific & technical services;
 - digital technologies;
 - creative industries;
 - other high-tech activities and clean technologies;
 - business administration and support services;
 - advanced transportation infrastructure;
 - artisan manufacturing; and
 - motor trades.
- 11.23 Also, based on SEGS 2020, Epsom’s Racing Cluster has been emphasized. In order to improve the competitiveness of the race-horse sector and the wider equestrian sector, investments are needed in racecourse and racehorse training facilities, infrastructure and technological support.

11.24 Based on the Standard Industrial Classification (SIC) hierarchy, the racecourse and equestrian sectors fall within the groups of: ⁹⁰

- Group 01.4: Animal production (Class 01.43: Raising of horses and other equines);
- Group 85.5: Other education (Class 85.51: Sports and recreation education); and
- Group 93.1: Sports activities (Sub-class 93.19/1: Activities of racehorse owners / 93.19/9: Other sports activities - activities of racing stables, kennels and garages)

11.25 Therefore, with the basis of SEGS 2020, specific 2-digit sectors that make up the list of key growth sectors have been analysed to build up a CGS for the Borough with higher employment CAGR than the baseline CAGR modelled.

11.26 This reflects the local economic context and opportunities by referencing the historic jobs growth performance in the long-term period from 2001 to 2021 (Long-term historic CAGR) or recent years from 2011 to 2021 (Recent CAGR). Also, the CGS represents a more optimistic scenario for jobs growth than the OE baseline scenario.

11.27 The CAGR uplifts have been applied to specific 2-digit sectors that are relevant to the key growth sectors as identified in SEGS 2020. These sectors are consistent with the Borough's sector specialisation identified by the latest LEP study, which are

- Arts, entertainment and recreation;
- Professional, scientific and technical activities;
- Real estate activities;
- Human health and social work activities; and
- Information and communication.⁹¹

11.28 In some cases, where the baseline CAGR shows a more positive jobs growth than the historic performance, the adjustment is not applied.

⁹⁰ ONS (2007). [UK Standard Industrial Classification \(SIC\) Hierarchy](#).

⁹¹ Coast to Capital LEP (2022). Longmead & Kiln Lane Industrial Estates – Economic Value Report. Page 14

11.29 The justification and the adjustment method are outlined in the table below.

Table 33: Key economic growth sector CAGR analysis – Epsom & Ewell 2022-40

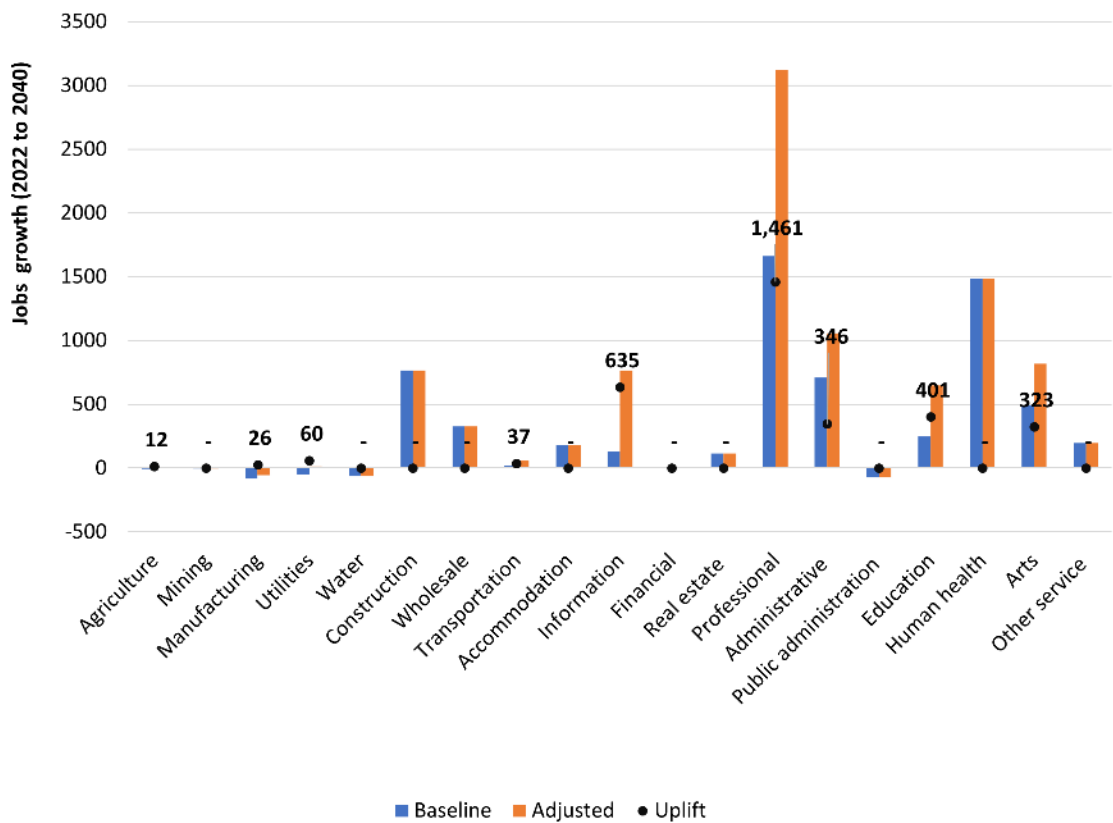
2-digit sector	Baseline forecast CAGR	Adjusted CAGR	Justification	Method
Crop & animal production	-1.03%	2.02%	SEGS key growth sector (Racecourse cluster)	Mid-point baseline + Long-term historic
Manufacture of wood & wood products	-0.09%	2.55%	SEGS key growth sector (Artisan Manufacturing)	Mid-point baseline + Recent historic
Electricity, gas, steam & air conditioning	-1.29%	0.28%	SEGS key growth sector (Clean Technologies)	Mid-point baseline + Recent historic
Land transport & transport via pipelines	0.21%	0.51%	SEGS key growth sector (Adv. Transportation Infrastructure)	Mid-point baseline + Long-term historic
Publishing activities	-0.02%	1.18%	SEGS key growth sector (Digital Technologies)	Mid-point baseline + Long-term historic
Motion picture, video & television production	0.49%	0.86%	SEGS key growth sector (Digital Technologies)	Mid-point baseline + Long-term historic
Computer programming & consultancy	0.43%	2.21%	SEGS key growth sector (Digital Technologies)	Mid-point baseline + Long-term historic
Information service activities	0.52%	3.22%	SEGS key growth sector (Digital Technologies)	Mid-point baseline + Long-term historic
Activities of head offices	1.42%	3.70%	SEGS key growth sector (Professional, Scientific & Technical Services)	Mid-point baseline + Long-term historic
Scientific research & development	1.33%	4.40%	SEGS key growth sector (Professional, Scientific & Technical Services)	Mid-point baseline + Long-term historic
Other professional, scientific & technical	1.34%	2.05%	SEGS key growth sector (Professional, Scientific & Technical Services)	Mid-point baseline + Long-term historic
Veterinary activities	1.48%	2.47%	SEGS key growth sector (Professional, Scientific & Technical Services)	Mid-point baseline + Long-term historic
Employment activities	1.12%	2.00%	SEGS key growth sector (Business administration & support services)	Mid-point baseline + Recent historic
Travel agency & tour operators	1.86%	2.58%	SEGS key growth sector (Business administration & support services)	Mid-point baseline + Recent historic
Security & investigation	1.44%	3.81%	SEGS key growth sector (Business administration & support services)	Mid-point baseline + Recent historic
Office administrative	1.38%	1.67%	SEGS key growth sector (Business administration & support services)	Mid-point baseline + Recent historic
Education	0.31%	0.77%	SEGS key growth sector (Racecourse cluster)	Mid-point baseline + Recent historic
Sports activities & amusement & recreation	1.35%	2.14%	SEGS key growth sector (Racecourse cluster)	Mid-point baseline + Long-term historic
Total (All sectors)	0.88%	1.30%		

Source: GLH calculations; EEBC, 2020

11.30 The adjusted CAGRs are based on the mid-point figure between the baseline forecast CAGR with long-term historic CAGR (2001 to 2021) or recent CAGR (2011 to 2021), depending on which figure shows a higher growth. This results in an increase of total employment CAGR from 0.88% per annum to 1.30% per annum over the period 2021 to 2040.

11.31 The figure below shows the jobs growth by sector over the period 2022 to 2040. This is done by comparing the baseline forecast and the CGS after applying the adjusted CAGR.

Figure 51: Baseline and adjusted change in jobs by sector, 2022-40, Epsom & Ewell



Source: Oxford Economics, 2022; GLH adjustments

- 11.32 The CGS suggests that the Borough will generate around 9,371 jobs over the period 2022 to 2040, while the baseline forecast indicates a growth of 6,069 jobs in the same period.
- 11.33 Under the CGS, long-term major job growth is observed in key sectors of information & communication, professional, scientific & technical and human health & social work.
- 11.34 The jobs growth of “Information & communication” and “Professional, scientific & technical” sectors were substantially uplifted by 635 and 1,461 jobs respectively after applying the adjusted CAGR. A higher job growth is expected for both sectors since both SEGS 2020 and C2C LEP strategic plans have identified it as a key priority growth sector.^{92,93}

Employment forecast summary

- 11.35 The table below shows the modelled results for the two jobs growth scenarios over the period 2022 to 2040. The figures presented in this section reflects the labour demand-led job growth in the Borough.

Table 34: Job growth scenario comparison, Epsom & Ewell

ID	Scenario	Jobs 2022	Jobs 2040	Jobs Change	Avg. annual change	Annual growth (%)
A	Labour demand baseline	35,645	41,714	6,069	337	0.95%
B	Labour demand high (CGS)	35,846	45,217	9,371	521	1.45%

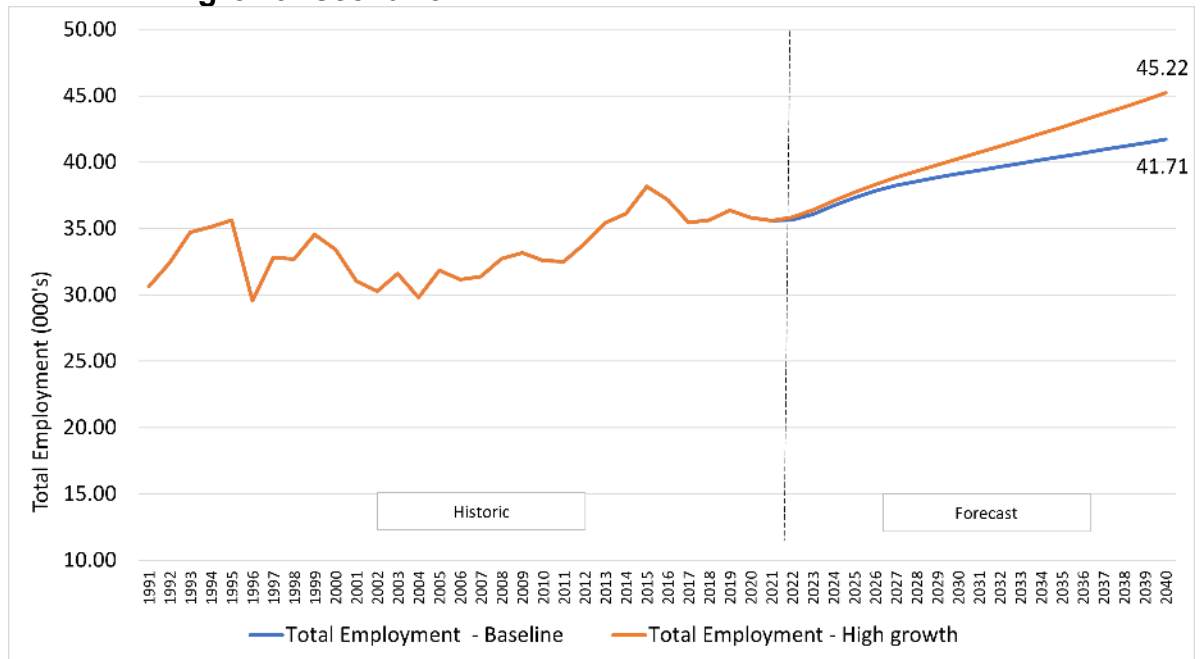
Source: GL Hearn calculation using 2022 OE data and EEBC inputs

⁹² EEBC (2020). [Local Plan Spatial Economic Growth Strategy for Epsom & Ewell Borough](#). Page 7.

⁹³ Coast to Capital Local Enterprise Partnership (2018). [Strategic Economic Plan 2018-2030](#). Page 82.

11.36 The figure below shows the trend of the two jobs growth scenarios between 1991 to 2040. This indicates that the CGS will result in an additional 3,302 jobs uplift compared to the baseline forecast over the period 2022 to 2040.

Figure 52: Epsom & Ewell total employment, baseline forecast and custom growth scenario



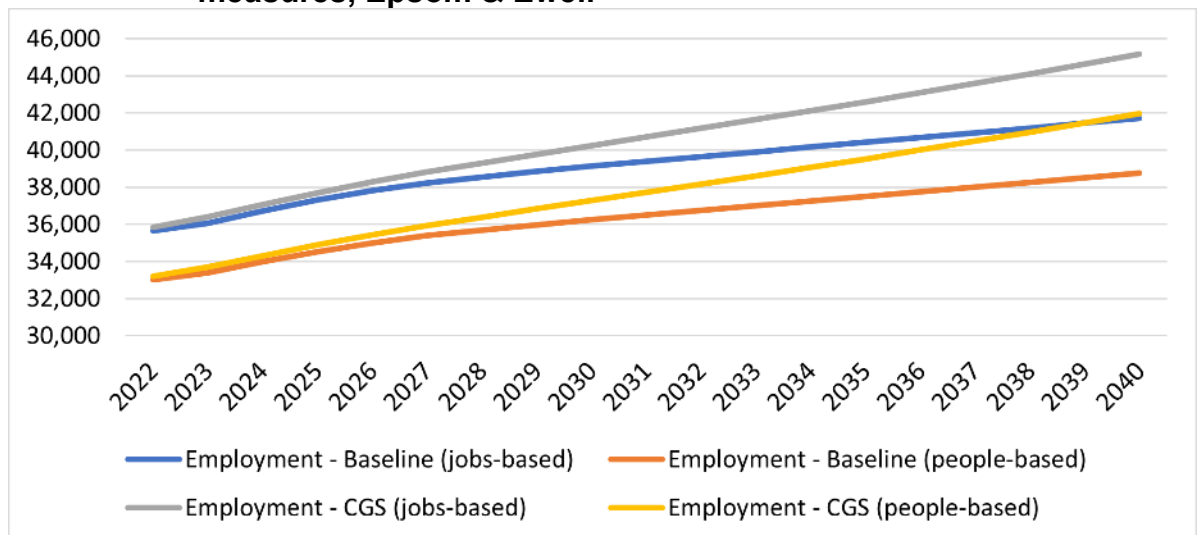
Source: Oxford Economics (2022); EEBC (2022); GL Hearn calculation

11.37 In summary, the CGS indicates an annual growth of 521 jobs while the baseline forecast suggests an annual growth of 337 jobs over the period 2022 to 2040.

12 ECONOMIC-LED HOUSING NEED

- 12.1 This chapter looks at the potential growth in the labour supply linked to population/household projections, and the number of jobs that could be supported by the local housing need figure (LHNF) of 576dpa. It then goes on to analyse what labour supply growth (and therefore housing need) is required to meet the range of job growth forecasts discussed in the previous chapter.
- 12.2 The purpose of this is to test whether there is an economic rationale for adopting a LHNF that is greater than the standard method based figure of 576dpa.
- 12.3 It should be noted that the employment figures mentioned in this chapter are people-based. This eliminates the effects of double jobbing (i.e. the fact that some people have more than one job) and simplifies the estimates linked with population/household growth. The figure below shows the different jobs growth scenarios (2022 to 2040) by both the jobs-based and people-based methods.

Figure 53: Jobs growth from 2022 to 2040, jobs-based or people-based measures, Epsom & Ewell



Source: Oxford Economics (2022); GL Hearn calculation

12.4 As a result, the jobs growth (people-based) for the Borough will increase by 5,754 under the OE baseline scenario or by 8,770 under the high growth scenario.

The link between housing and economic growth

12.5 The analysis below considers the link between housing and economic growth. It seeks to understand what level of jobs might be supported by changes to the local labour supply. Also, labour supply is influenced by population changes, which in turn are related to the level of housing supply. A series of stages are undertaken to estimate the job growth to be supported by the changes of labour supply, these can be summarised as:

- estimate changes to the economically active population (this provides an estimate of the change in labour supply);
- overlay information about commuting patterns and potential changes to unemployment; and
- bringing together this information will provide an estimate of the potential job growth supported by the population projections.

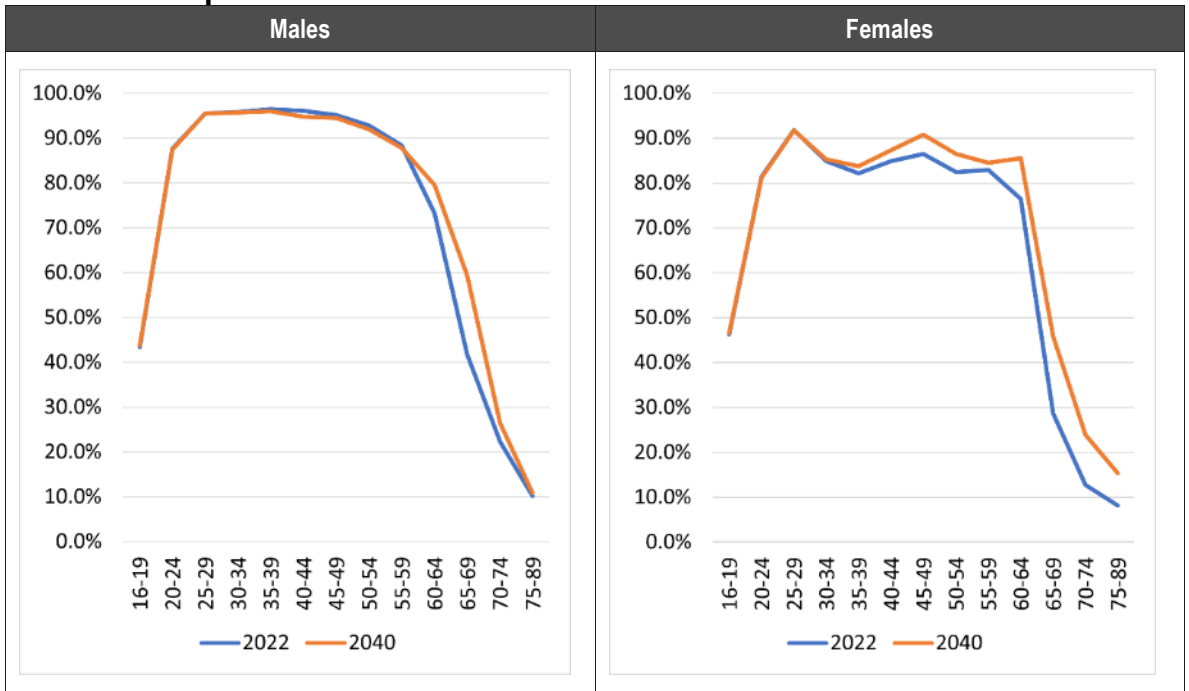
12.6 A second analysis is then carried out to consider what level of housing delivery might be required to meet job growth forecasts. This essentially looks at the bullet points above in reverse order – considering what level of change in the economically active population is required to fill additional jobs and then to estimate the number of homes required for the changing workforce.

Growth in resident labour supply

12.7 The approach taken in this report is to derive a series of age and sex-specific economic activity rates and use these to estimate how many people in the population will be economically active as projections develop. This is a typical approach with data being drawn in this instance from the Office for Budget Responsibility (OBR) – July 2018 (Fiscal Sustainability Report).

12.8 The figure below shows the economic activity rate assumptions made for Epsom & Ewell.

Figure 54: Projected changes to economic activity rates (2022 and 2040) – Epsom & Ewell



Source: Based on [Office for Budget Responsibility \(2018\)](#) and Census 2011

12.9 The table below shows that the main changes to economic activity rates are projected to be in the 60-69 age groups – this will to a considerable degree link to changes in pensionable age, as well as general trends in the number of older people working for longer (which is linked to general reductions in pension provision).

Table 35: Projected changes to economic activity rates (2022 and 2040) – Epsom & Ewell

(Age group)	Males (2022)	Males (2040)	Males (change)	Females (2022)	Females (2040)	Females (change)
16-19	43.4%	43.8%	0.4%	46.3%	46.6%	0.3%
20-24	87.7%	87.4%	-0.2%	81.4%	81.2%	-0.2%
25-29	95.6%	95.6%	0.0%	91.8%	91.8%	0.0%
30-34	95.8%	95.7%	0.0%	84.9%	85.2%	0.3%
35-39	96.4%	96.0%	-0.4%	82.1%	83.8%	1.6%
40-44	96.1%	94.7%	-1.3%	84.9%	87.3%	2.5%
45-49	95.2%	94.5%	-0.7%	86.5%	90.8%	4.3%
50-54	92.8%	91.9%	-0.8%	82.5%	86.5%	4.1%
55-59	88.3%	87.8%	-0.5%	82.9%	84.5%	1.7%
60-64	73.2%	79.5%	6.4%	76.4%	85.5%	9.1%
65-69	41.8%	59.4%	17.6%	28.7%	45.8%	17.1%
70-74	22.3%	26.4%	4.1%	12.8%	23.9%	11.1%
75-89	10.2%	10.8%	0.7%	8.1%	15.4%	7.3%

Source: Based on OBR and Census (2011) data

12.10 Working through an analysis of age and sex-specific economic activity rates it is possible to estimate the overall change in the number of economically active people in the Borough – this is set out in the table below.

Table 36: Estimated change to the economically active population (2022-40) – Epsom & Ewell

	Economically active (2022)	Economically active (2040)	Total change in economically active	% change
Dwelling-led LHN (HH-14R)	45,588	56,558	10,970	24.1%
Employment-led OE Baseline (HH-14R)	44,577	52,037	7,461	16.7%
Employment-led CGS (HH-14R)	44,815	56,187	11,372	25.4%

Source: Derived from demographic projections

12.11 The analysis shows that with the OE baseline projection there would be an estimated increase in the economically active population of around 7,461 people (around 16.7% increase over the period 2022 to 2040). With the higher population growth associated with the standard method (Dwelling-led local housing need: 576 dpa), this number increases to 10,970 economically active people, equating to a 24% increase.

12.12 Under CGS, there would be an estimated increase in the economically active population of around 11,372 people (around 25.4% increase over the period 2022 to 2040).

Linking changes to resident labour supply and job growth

12.13 The analysis above has set out potential scenarios for the change in the number of people who are economically active. However, it is arguably more useful to convert this information into an estimate of the number of jobs this would support. The number of jobs and resident workers required to support these jobs will differ depending on two main factors:

- commuting patterns – where an area sees more people out-commute for work than in-commute it may be the case that a higher level of increase in the economically active population would be required to provide a sufficient workforce for a given number of jobs (and vice versa where there is net in-commuting); and
- unemployment – if unemployment falls, growth in the economically active population will not need to be as large as employment growth (and vice versa).

a. *Commuting Patterns*

12.14 The table below shows the latest summary data about commuting to and from Epsom & Ewell from Census 2011.⁹⁴

Table 37: Commuting patterns in Epsom & Ewell

	Number of people
Live and work in Epsom & Ewell	7,504
Home workers	4,197
No fixed workplace	3,524
In-commute	15,235
Out-commute	23,048
Total working in Epsom & Ewell	30,460
Total living in Epsom & Ewell (and working)	38,273
Commuting ratio	1.26

Source: Census 2011 (WU03UK)

- 12.15 Overall, the data shows that the Borough sees a notable level of net out-commuting for work with the number of people resident in the area who are working being about 26% higher than the total number of residents who work in the area. This number is shown as the “commuting ratio (CR)” in the final row of the table and is calculated as the number of people living in an area (and working) divided by the number of people working in the area (regardless of where they live).
- 12.16 In translating the commuting pattern data into growth in the labour force, a core assumption is that the CR remains at the same level as shown by the Census 2011.
- 12.17 Sensitivity has also been developed where commuting for new jobs is assumed to be on a 1:1 ratio (i.e. the increase in the number of people working in the Borough is equal to the number of people living in the Borough who are working).

⁹⁴ At the time of writing, the ONS has not released Census 2021 data relevant to commuting patterns.

12.18 This sensitivity is useful to understand the implications for housing as to continue to assume net out-commuting would arguably mean that Epsom & Ewell would be providing housing for people taking up additional jobs in other local authorities. The 1:1 ratio is also useful in the context of the Pandemic with the likelihood being that a greater proportion of people will work from home (or mainly from home) in the future.

b. *Unemployment*

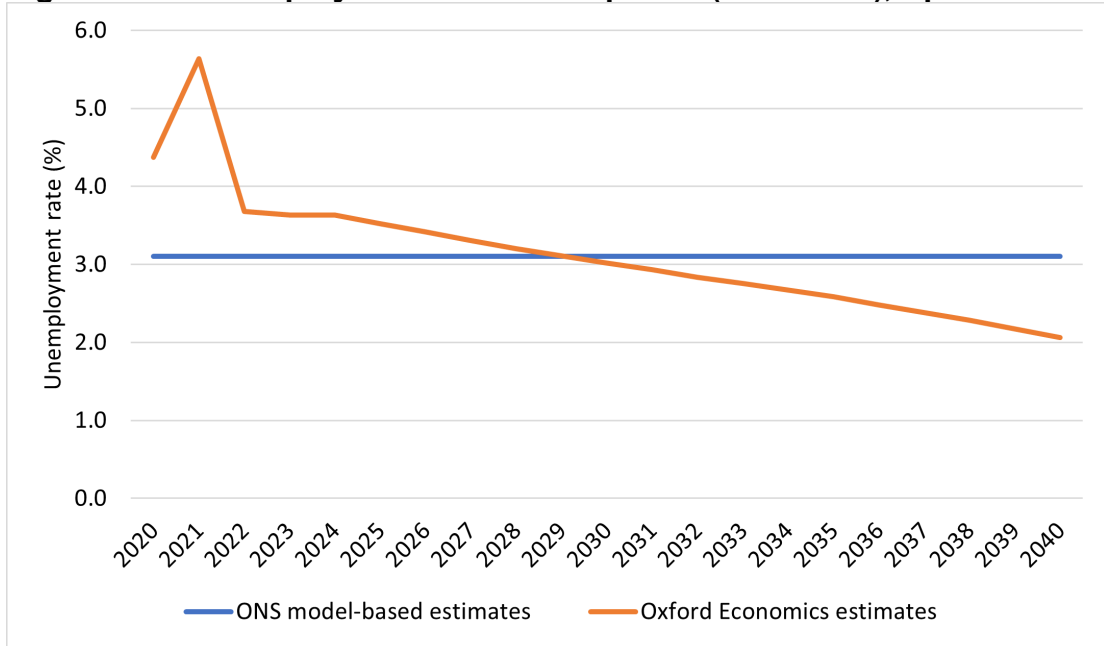
12.19 It is appropriate to consider unemployment when looking at the link between jobs and resident labour supply. Over the period 2022 to 2040, the default assumptions for employment rates are based on a fixed figure of 3.1% drawn from ONS model-based estimates of unemployment (Aged 16+).⁹⁵

12.20 The OE baseline forecast identifies an increase in unemployment over the Pandemic period. This provides a helpful comparison with the ONS data that bring to light a “latent” labour supply.

⁹⁵ ONS (2021). [Model-based estimates of unemployment](#).

12.21 The figure below compares the two different assumptions on unemployment rates (UR). Compared with the ONS estimates (fixed at 3.1%), the OE URs are substantially higher during the Pandemic period (2020 to 2022) and start to decrease from 2022.

Figure 55: Unemployment rate assumptions (2022-2040), Epsom & Ewell



Source: NOMIS (2022); Oxford Economics (2022)

12.22 In the long-term period from 2022 to 2040, the OE URs are 2.9% on average. This is slightly lower than the URs estimated by ONS (3.1%). The OE UR identifies the presence of a “latent” labour force that has built up during the Pandemic that could move back into the labour market to take up new jobs in the post-Pandemic period (from 2022).

Jobs Supported by Growth in the Resident Labour Force

12.23 The table below shows how many additional jobs might be supported by population growth under the standard method LHNF, therefore reflecting labour supply-led scenarios.

Table 38: Jobs supported by demographic projections (2022-40) – Epsom & Ewell

Scenarios		Total change in economically active	Allowance for net commuting	UR applied
Dwelling-led LHN (HH-14R)	Census CR & ONS UR	10,970	8,731	8,460
	Fixed CR (1:1) & OE UR	10,970	10,970	11,481

Source: Derived from a range of sources as described

12.24 Given Census 2011 CR and ONS UR, it is estimated that around 8,460 additional jobs could be supported by the changes to the resident labour supply under the preferred dwelling-led HH-14R scenario.

12.25 A higher number of jobs could be supported if the analysis assumes the scenario of fixed 1:1 CR and OE UR, with around 11,481 additional jobs being supported by the changes to the resident labour supply.

Economic-Led Housing Need

12.26 The analysis below sets out the likely number of homes required such that the local labour-supply changes are sufficient to support the projected jobs growth. As the previous chapter set out, the OE baseline forecasts show an increase of 6,069 jobs in Epsom & Ewell over the 2022-40 period, going up to 9,371 jobs in the higher job growth scenario. Based on these figures, the following people-based jobs growth forecasts are tested:

- Labour demand baseline: 5,754 people-based jobs (6,069 jobs)
- Labour demand high (CGS): 8,770 people-based jobs (9,371 jobs)

- 12.27 In order to estimate how many homes would be required to support the jobs growth, the above calculations are undertaken in reverse. Firstly, jobs are translated into economically active residents using CRs. The growth in economically active residents is then translated to a population using economic activity rates. Finally, the population is translated into households using household formation rates. To do this we have used the “part return to trend” scenario.
- 12.28 For all scenarios, the level of job growth could help to retain a greater level of the new migrants. This indicates that the CR would change for those moving to the Borough (not for those already living in the borough). Therefore, a second scenario is modelled by assumes a 1:1 commuting will occur. This means that for every 1,000 jobs created the economically active residents will increase by 1,000 (rather than 1.26 in Census 2011).
- 12.29 Based on different assumptions on CR and URs, four scenarios have been developed; these are described:
- Baseline (Census CR & ONS UR) – this uses the OE baseline forecast; the scenario assumes continuation of Census 2011 CR (1.26) and applies the ONS URs (3.1%).
 - Baseline (Fixed CR & OE UR) – this uses the OE baseline forecast; the scenario assumes a 1:1 CRs and applies the OE URs.
 - Custom-growth (Census CR & ONS UR) – this uses the custom-growth forecast, the scenario assumes continuation of Census 2011 commuting patterns and applies the ONS URs.
 - Custom-growth (Fixed CR & OE UR) – Based on the custom-growth forecast, the scenario assumes a 1:1 CR and applies the OE URs.

12.30 The table below shows the estimated change in the number of economically active workers in order to support the jobs growth under each of the four scenarios. In the case of fixed 1:1 CR and OE UR, the estimated jobs growth in Epsom & Ewell requires a weaker growth in economically active residents due to more in-commuting and a lower unemployment compared with assumptions in Census CR and ONS UR.

12.31 This shows that the estimated jobs growth in Epsom & Ewell requires a weaker growth in economically active residents due to more in-commuting (fixed 1:1 CR) and a lower unemployment (OE UR) compared with assumptions in Census CR and ONS UR.

Table 39: Change in economically active population needed to meet people-based job forecasts (2022-40) – Epsom & Ewell

Scenarios		Jobs (people-based)	Allowance for net commuting	URs applied
Employment-led OE Baseline (HH-14R)	Census CR & ONS UR	5,754	7,229	7,461
	Fixed CR (1:1) & OE UR	5,754	5,754	5,171
Employment-led CGS (HH-14R)	Census CR & ONS UR	8,770	11,019	11,372
	Fixed CR (1:1) & OE UR	8,770	8,770	8,247

Source: GLH Analysis of a range of sources

12.32 As set out in the table below, the scenarios show a range of housing needs from 329 to 579 dwellings per annum. All these figures are below or similar to the standard method needs (for 576 dwellings per annum) with the exception of the employment-led CGS (Census CR & ONS UR) estimation.

12.33 However, the employment-led CGS (Census CR & ONS UR) assumes the Census 2011 CR will continue within the period of 2022 to 2040. This is unlikely to be the case due the increase in remote working in the Borough on account of the Pandemic.

12.34 Also, considering the standard method-based LHNF (576 dpa) and housing needs position under the employment-led CGS (Census CR & ONS UR) are similar (579 dpa), this suggests that economic growth is not driving a need for additional housing over and above need associated with demographic change.

Table 40: Dwellings Per Annum Required (2022-40), Scenario Comparison – Epsom & Ewell

Scenarios	Households 2022	Households 2040	Change	Per annum	DPA
Baseline (Census CR & ONS UR)	31,401	39,107	7,705	428	439
Baseline (Fixed CR & OE UR)	30,534	36,306	5,772	321	329
Custom-growth (Census CR & ONS UR)	31,510	41,670	10,160	564	579
Custom-growth (Fixed CR & OE UR)	30,620	38,338	7,718	429	440

Source: GLH Analysis of Oxford Economics Data and Demographic Inputs

12.35 In summary, while the Borough can expect to see reasonably strong jobs growth over the Plan period, there is no clear argument to suggest the Council should be planning for more homes than the standard method-based LHNF of 576dpa.

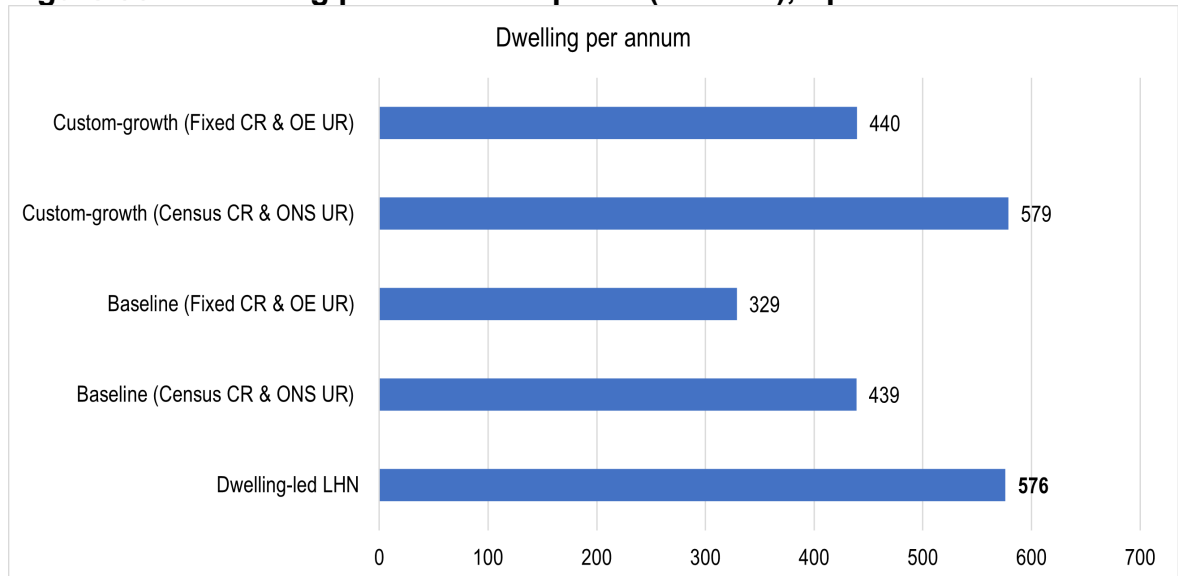
Economic-led housing need summary

12.36 Economic-led housing need is derived from job growth scenarios (OE baseline and custom-growth) and following assumptions:

- Commuting ratio (CR): Census 2011 patterns (1.26) or fixed ratio (1:1); and
- Unemployment rates (UR): ONS model-based estimates (fixed at 3.1%) or OE estimates (average of 2.9% between 2022 to 2040).

12.37 The figure below shows the required housing figure per annum based on the labour supply changes under different job growth scenarios.

Figure 56: Dwelling per annum required (2022-40), Epsom & Ewell



Source: GLH Analysis of Oxford Economics Data and Demographic Inputs

12.38 All the housing need figures are below or similar to the standard method-based LHN of 576dpa. Therefore, economic growth does not offer a rationale to increase the LHN above this minimum figure.

13 AFFORDABLE HOUSING NEED

13.1 In this section, an assessment of affordable housing need is presented for Epsom and Ewell, in line with the requirements of the NPPF and following the method outlined in the PPG.⁹⁶

13.2 Affordable housing is defined in the NPPF as:

“...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)”⁹⁷

13.3 This includes affordable housing for rent (either social or affordable), starter homes, discounted market sales housing, and other affordable routes to home ownership (for example shared ownership, relevant equity loans, rent to buy).

13.4 The need for affordable housing has been assessed following the steps outlined in the PPG. This includes an assessment of current and future need, and an estimate of affordable housing supply. The total net need for affordable housing (calculated by subtracting supply from the gross need) is converted into an annual flow based on the plan period.

13.5 This section is split into two. The first part considers the need for social and affordable rent, with the second part considering the need for affordable home ownership.

Affordable Need: Social & Affordable Rent

Step 1: Current Need

13.6 In line with the PPG, the assessment of current need should include only those households who cannot afford to access suitable housing in the market, including (but not limited to): homeless households and those in temporary accommodation; households in over-crowded housing; concealed households; and households in unsuitable housing.

⁹⁶ PPG (Housing and economic needs assessment) paragraph 020 Ref ID: 2a-020

⁹⁷ NPPF Annex 2: Glossary

- 13.7 The Epsom and Ewell Housing Needs Register has been used to identify the current need for social and affordable rental housing. Whilst this may potentially not include all households that fall into the categories listed above (as it relies on households self-reporting or being referred), the use of housing register data is considered preferable to relying on a combination of Census and other secondary data sources (e.g. the English Housing Survey, MHCLG homelessness data). This is due to the possibilities of double-counting (e.g. a household that is concealed may also be overcrowded) and the time that has elapsed since the last Census.
- 13.8 As of June 2022, there were 1,200 households on the Register. This is slightly higher than the number of households on the register at the time of the previous SHMA (produced by Cobweb Consulting in 2019), when there were a recorded 1,146 households.
- 13.9 Households are categorised into 4 bands. For the purposes of identifying the current level of affordable need, households in Band E have been excluded, as these are defined as having “no housing need” (i.e. people in prison or on hospital orders, or elderly owners seeking sheltered housing). There are no households recorded as being in the highest priority housing need (Band A).
- 13.10 As set out in the Table below, most households require 1- or 2-bedroom properties (905 households), 235 households require 3-bed properties, and a further 60 require a property with 4 or more bedrooms.

Table 41: Housing Register summary, June 2022

Priority Band	Bedrooms Needed					Total
	1	2	3	4	5 or more	
B - High housing need	104	273	183	42	10	612
C - Identified housing need	275	121	44	6	1	447
D - Reduced Priority or Low Need Housing	62	4	2	0	0	68
E - No housing need	51	15	6	0	1	73
Total	492	413	235	48	12	1,200

Source: EEBC (2022)⁹⁸

⁹⁸ Note that there are no households recorded as being in the highest priority band A. Those in Band E (‘no housing need’) include elderly owners seeking sheltered housing, and applicants unable to take up housing (e.g. applicants in prison, detained, or on a hospital order).

- 13.11 Households that are currently living in affordable housing in Epsom and Ewell are excluded from the current estimate of need, as it is assumed that once these households are re-housed, they will free up affordable housing and therefore will have a net nil effect in terms of housing need.
- 13.12 In total, an estimated 850 households are estimated to be in need of social/affordable rent in Epsom and Ewell. This includes 128 homeless households, 404 households who are private renters, and 164 households living with friends or family, or are lodgers.
- 13.13 As EEBC require households appearing on the Housing Needs Register to meet certain income criteria, it is not considered appropriate to apply an affordability adjustment to the estimate of current need.
- 13.14 Therefore, the current annualised estimate of households in affordable need, based on the Housing Needs Register, is therefore 47 households per year.

Step 2: Future Need

13.15 The second step of the affordable need calculation involves an assessment of the number of newly arising households likely to be in affordable housing need in the future which includes:

- New household formation, and the proportion of these unable to rent in the area
- An estimate of the number of existing households falling into need.

a. New Household Formation

13.16 The number of newly forming households has been estimated through demographic modelling and the application of an affordability test. By considering the changes in household numbers by age group and household type over 10-year periods to 2040, the annual change in the number of households aged 15–44 has been calculated. Household growth in the 45+ age groups has not been considered as new household formation is concentrated in the younger age groups.

13.17 Based on the Dwelling-led LHN (HH-14R) population projection (as defined in the previous section, rebased to the 2021 Census figure), gross household formation is calculated at 985 per year.

13.18 As set out in the PPG, affordable housing need projections should include an assessment of the proportion of newly forming households that are unable to afford housing in the market area.⁹⁹ This process involves identifying the minimum household income required to access entry-level (i.e. lower quartile) market housing, and then estimating the proportion of households that earn less than the calculated threshold. As this section of the affordable need calculation considers the need for social/affordable rent, only those households that are unable to afford lower quartile market rents are considered here.

⁹⁹ PPG paragraph 021 Reference ID: 2a-021-20190220

- 13.19 The latest lower quartile rental figure in Epsom and Ewell is £1,050 per month.¹⁰⁰ This equates to an annual housing cost of £12,600. On the assumption that around 26% of a household's gross income is spent on housing costs¹⁰¹, a minimum household income of £48,462 is needed to afford lower quartile rents in the borough (see Appendix B).
- 13.20 To estimate the proportion of households that earn less than this threshold, the household income profile for Epsom and Ewell has been adjusted to reflect the lower average income for newly forming households (see Appendix B). On average, younger households (aged 16-44) earn 96% of the 'all households' average.¹⁰² With the CAMEO Income bands adjusted accordingly, it is estimated that 53% of newly forming households earn less than the threshold required to afford lower quartile rents in the borough.
- 13.21 Applying this proportion to the gross household formation figure of 1,011 results in 525 newly forming households per year unable to afford open market rents over the 2022–2040 plan period.

b. Existing Households Falling into Need

- 13.22 The number of existing households that might be expected to fall into affordable need in the future is derived from COntinuous REcording of Lettings and Sales in Social (CORE),¹⁰³ which records information on the characteristics of new social housing tenants.

¹⁰⁰ [Private rental market summary statistics April 2021 to March 2022, ONS](#)

¹⁰¹ [EHS 2020-21](#)

¹⁰² [EHS 2018-19](#)

¹⁰³ [DHLUC CORE](#)

13.23 By examining the previous tenure of households that have secured accommodation over three years (2017/18–2019/20), an estimate of the ‘flow’ of households onto the Housing Register has been calculated, averaging 67 households per year (set out in the table below). This step excludes newly-forming households (e.g. those previously living with family) and those previously living in social or affordable housing (i.e. transfers).

Table 42: Existing households falling into need (General Needs and Supported Housing)

Year	Total Social Housing Lettings (a)	Previous Tenure LA or PRP/HA (b)	Newly-Forming Households (other + living with friends or family) (c)	Existing households falling into need a–(b+c)
2017/18	121	27	27	67
2018/19	197	53	66	78
2019/20	146	61	28	57
Average	155	47	40	67

Source: CORE

c. Total Future Need

13.24 Adding the number of newly forming households unable to afford lower quartile rents (525) to the number of existing households falling into need (67) gives an estimated gross figure of 593 households per year falling into need over the plan period.

Step 3: Affordable Housing Supply

13.25 The supply of affordable housing is calculated from re-lets data and committed supply, based on past trends, in line with PPG. Re-lets data is drawn from CORE data for both general needs and supported housing (affordable and Social Rent). For general needs, the re-lets estimate excludes internal transfers and renewals of tenancies. As set out in the table below, over the 2017/18–2019/20 period, the rate of general needs re-lets averaged 56 per year. There are no recorded supported housing re-lets.

Table 43: Estimated supply of re-lets

Year	Total Lettings	Re-lets (General Needs)	Re-lets (Supported Housing)	Re-lets (Total)
2017/18	69	47	0	47
2018/19	122	65	0	65
2019/20	101	55	0	55
Average	97	56	0	56

Source: CORE, Social Housing Lettings in England

13.26 PPG recommends considering the pipeline of affordable housing within the supply calculation. Drawing on data from Homes England statistical returns, affordable starts on site have averaged 10 per year over the last three years.¹⁰⁴

¹⁰⁴ [Homes England Housing Statistics](#)

- 13.27 PPG and the previous 2007 CLG SHMA guidance states that if the vacancy rate of the social and affordable housing stock exceeds 3%, it can be considered as surplus and therefore available for letting. The relevant data for this step of the analysis is drawn from MHCLG Local Authority Housing Statistics (LAHS) and Statistical Data Returns (SDR).^{105, 106} For both local authority owned stock and that owned by private registered providers (PRPs), vacancy rates over the last three years have consistently been less than 1%. Therefore, the level of surplus stock is assumed to be zero.
- 13.28 To calculate the number of units taken out of supply, data on the number of demolitions of local authority and PRP stock have been analysed (based on the LAHS and SDR). There are no recorded demolitions of properties over the last three years, and the figure for this step is therefore zero.

¹⁰⁵ [Local Authority Housing Statistics](#), MHCLG 2020

¹⁰⁶ [Statistical Data Return 2018 to 2019](#), ONS 2020

Finalising the Calculation

13.29 The current and future supply of affordable rental housing is subtracted from the need to give a net annual affordable housing need figure of 574 per year over the plan period (as set out in the table below).

Table 44: Social and affordable rental housing need calculation

Stage 1: Current Need		
1a	Total current gross need	850
1b	Annual quota of current need (1a / 18)	47
Stage 2: Future Need		
2a	New household formation (gross p.a.)	985
2b	% households that cannot afford to rent in the open market	53%
2c	No. households that cannot afford to rent in the open market (2a x 2b)	525
2d	Existing households falling into need	67
2e	Total newly-arising housing need (gross each year) (2c + 2d)	593
Stage 3: Affordable Housing Supply		
3a	Annual supply of re-lets (net)	56
3b	Committed Supply	10
3c	Surplus stock (vacant but available for letting)	0
3d	Units to be taken out of management (demolitions)	0
3e	Total affordable housing stock available ((3a + 3b) - (3c + 3d))	66
Stage 4: Estimate of Annual Housing Need		
4a	Gross annual affordable need (1b + 2b)	640
4b	Annual affordable Supply (3e)	66
NET Annual Affordable Housing Need (to rent) (4a - 4b)		574

*Note figures may not sum due to rounding

Affordable Need: Home Ownership

- 13.30 The analysis above has considered the need for social and affordable rented housing in Epsom and Ewell. For affordable home ownership, a similar approach is followed, producing an estimate of current need, potential future need, and taking into account the supply of affordable housing through re-sales.
- 13.31 In Epsom and Ewell, a household income of £81,813 is required to purchase entry-level (lower quartile) properties (assuming a property price of £385,000, a 15% deposit and a loan to income ratio of 4). Based on the CAMEO household income profile, it is estimated that 10% of all households in the borough can afford this, and only 2% of all private renters. The households that fall into the 'gap' between being able to afford lower quartile market rents and open market property prices, are the those targeted for affordable home ownership products (such as First Homes, Help to Buy Equity Loans, Help to Buy Shared Ownership, and Rent to Buy).¹⁰⁷ Using the CAMEO Income data, it is estimated that around 41% of all households in Epsom and Ewell sit in this 'gap', and 33% of private renter households.

Current & Future Need

- 13.32 To determine the current (backlog) need for affordable home ownership, the current number of households in the private rental sector has been estimated at 4,805, using ONS housing stock data and the 2021 Census household estimate (31,300). Assuming 33% of these households fall into the 'gap' between being able to afford lower market rents and lower quartile property prices, an estimated 1,607 households have a potential need for affordable home ownership.

¹⁰⁷ See Appendix B for a summary of the costs associated with these affordable home ownership products.

- 13.33 However, some of these households will remain in the private rented sector, either through choice or due to affordability issues (e.g. due to a lack of savings). The English Housing Survey (2020-21)¹⁰⁸ reports that around three fifths of private renters expect to buy a property at some point in the future, with around 35% of these expecting to buy in the next 2 years. Combining these proportions results in an assumption that just under 22% of private renters that fall into the ‘gap’ between being able to afford lower market rents and lower quartile property prices. It is this group that will be looking to buy affordable housing; this equates to 19 households per year to 2040.
- 13.34 The future need for affordable home ownership is calculated by estimating the likely number of newly-forming households that will fall into this same ‘gap’ between being able to afford lower quartile rents and lower quartile property prices. With the CAMEO Income data adjusted to account for the income differences of newly-forming households, around 38% of these newly forming households each year will have a potential need for affordable home ownership. Applying the same EHS ownership aspiration assumptions as outlined above, this produces a future need of 81 per year to 2038.
- 13.35 Combined, this suggests a gross affordable home ownership need figure of 101 per year.

Affordable Home Ownership Supply

- 13.36 Affordable home re-sales data has been used to estimate the ‘flow’ of stock that could be offset against the identified level of need. Affordable home ownership sales data from MHCLG suggests that, on average, 20 shared ownership properties per year have been re-sold in Epsom and Ewell between 2016 and 2019.¹⁰⁹

¹⁰⁸ [English Housing Survey 2020-21 Headline Report](#)

¹⁰⁹ MHCLG CORE

- 13.37 As with the calculation of affordable need (rent), committed housing supply is drawn from Homes England statistical returns, suggesting an average supply of 2 per year.
- 13.38 Combining the identified level of need (101 per year) with the re-sales and committed supply data (22 per year) results in a net annual need for 78 affordable homes (for ownership) per year to 2040 (see table below).
- 13.39 The analysis of affordable housing supply has considered the resales of shared ownership housing only, resulting in a number of households still identified as being in need in each year. In reality, a proportion of all properties will be sold at or below the lower quartile price of £385,000 and would therefore be considered affordable to these households.

13.40 Land Registry data for 2021 suggests that there were 1,427 resales in Epsom and Ewell. By definition, a quarter of these will have been priced at or below £385,000, equivalent to 357 properties. If this figure is used as an estimate of annual supply, the identified level of need for affordable home ownership is more than adequately accommodated. This is however, intended to be illustrative, as market housing is available to anyone who can afford it, and a proportion of these properties may therefore be sold to households with incomes higher than those needed to afford lower quartile prices.

Table 45: Need for affordable home ownership

Step 1: Current Need		
1a	Current households in private rent	4,805
1b	No. private rent households in 'gap' between open market rent and purchase (1a x 33%)	1,607
1c	No. seeking to become a homeowner (EHS) (1b x 21.6%)	348
1d	Annual quota of current need (1c / 19)	19
Step 2: Future Need		
2a	New household formation (gross p.a.)	985
2b	No. newly-forming households in 'gap' open market rent and purchase (2a x 38%)	376
2c	Newly-forming households seeking to become a homeowner (EHS) (2b x 21.6%)	81
Step 3: Affordable Housing Supply		
3a	Shared ownership resales per annum	20
3b	Affordable Home Ownership committed supply	2
3c	Total supply (3a + 3b)	22
Step 4: Estimate of Annual Housing Need		
4a	Gross need for Affordable Home Ownership (1d+ 2c)	101
4b	Total annual supply (3c)	22
NET Annual Affordable Housing Need (to purchase) (4a - 4b)		78

*Note figures may not sum due to rounding

- 13.41 Bringing the evidence together, the analysis presented in this section has identified a net need for 652 affordable homes per year to 2040:
- 574 rental properties (88%).
 - 78 affordable home ownership properties (12%).
- 13.42 It is important to note that whilst the affordable needs figure is high relative to the LHN figure of 576 per year, the methods used to derive these two figures are different. A high affordable needs figure therefore does not necessarily translate to needing a higher housing need figure. The affordable needs calculation is based on a range of data inputs and includes a proportion of households that are already in housing (i.e. they do not generate a net additional need for housing).

Implications of the Analysis

- 13.43 Given the analysis above, it would be reasonable to conclude that the tenure split of affordable housing should reflect a majority of supply forming affordable rented units (either Social or Affordable Rent).
- 13.44 That said, it does seem that there are many households in Epsom & Ewell who are being excluded from the owner-occupied sector. This can be seen by analysis of tenure change, which saw the number of households living in private rented accommodation increasing by 74% from 2001 to 2011 (with the likelihood that there have been further increases since). Over the same period, the proportion of households that own their home with a mortgage fell by 5%. That said, some households will choose to privately rent, for example as it is a more flexible option that may be more suitable for a particular household's life stage (e.g. if moving locations with employment).

- 13.45 On this basis, and as previously noted, it seems likely in Epsom & Ewell that access to owner-occupation is being restricted by access to capital (e.g. for deposits, stamp duty, legal costs) as well as potentially some mortgage restrictions (e.g. where employment is temporary) rather than just being due to the cost of housing to buy.
- 13.46 The February 2019 NPPF gave a clear direction that 10% of all new housing (on larger sites) should be for affordable home ownership (in other words, if 20% of homes were to be affordable then half would be affordable home ownership).
- 13.47 The reason for the analysis to follow is that it will be important for the Council to ensure that any affordable home ownership dwelling is sold at a price that is genuinely affordable for the intended target group – for example there is no point in discounting a new market home by 30% if the price still remains above that for which a reasonable home can already be bought in the open market.
- 13.48 The affordability analysis looks at First Homes, the government’s preferred discounted market tenure¹¹⁰, before considering Shared Ownership and Rent to Buy.

¹¹⁰ PPG (First Homes) Ref ID: 70-001

First Homes

13.49 The following sub-section sets out the evidence, seeking to identify the level of discount to the open market value (OMV) of new-build dwellings that would be required to make First Homes (FH) affordable to local people in Epsom & Ewell (bearing in mind the impact this could have on the provision of Social Rented units). This will enable the Council to adopt a suitable policy position in respect of FHs.

13.50 The sub-section is structured as follows:

- a brief review of national policy;
- explanation of the price cap;
- the target groups for FH; and
- discount levels based on households within the "rent/buy" gap and the borough income distribution.

13.51 Also, a viability assessment has been carried out to assess whether a policy-compliant development (i.e. one that includes 25% of affordable home ownership units as FH) is likely to be viable.

a. *National policy*

13.52 PPG on FHs sets out that the minimum discount should be 30% from the open market value (OMV) with local authorities having the discretion to increase the discount to 40% or 50%.¹¹¹ The guidance goes on to state that local authorities can apply eligibility criteria (such as lower-income caps) as part of the section 106 agreements in addition to the national criteria.¹¹²

13.53 FHs are similar to discounted market sales (a product currently within the NPPF), although for discounted market sale products a discount of at least 20% (rather than 30%) from OMV is required.

¹¹¹ PPG (First Homes) Para 001 Ref ID: 70-001

¹¹² PPG (First Homes) Para 008 Ref ID: 70-008

13.54 A problem with having a percentage discount is that it is possible in some locations or types of property that such a discount still means that the discounted housing is more expensive than some housing available in the open market (including housing priced around the lower quartile). This is often the case as new-build housing itself attracts a premium. According to recent research at the national level, this has historically been around 15%.

b. *The Price Cap*

13.55 According to PPG, the sale price of an FH must not exceed £250,000 after the discount has been applied.¹¹³

13.56 The tables below set out the sale prices of homes priced around the median in the Borough at the open market value (OMV) and at three levels of discount: 30%, 40% and 50%.

Table 46: FHs – prices after discounts applied by dwelling sizes

Sizes	Median House price	Discount range - 30%	Discount range - 40%	Discount range - 50%
Studio/1-bedroom	£247,500	£173,250	£148,500	£123,750
2-bedroom	£322,000	£225,400	£193,200	£161,000
3-bedroom	£620,500	£434,350	£372,300	£310,250
4-bedroom	£740,000	£518,000	£444,000	£370,000

Source: GL Hearn calculations based on Land Registry data (2022)

13.57 The table indicates that studio/1-bedroom or 2-bedroom dwellings in the Borough discounted by 30-50% would fall within the £250k price ceiling.

13.58 However, for 3-bedrooms and 4-bedroom dwellings the price will not fall within the PPG price ceiling even at the maximum allowable discount (50%) since the OMV is relatively high (greater than 500k).

¹¹³ PPG (First Homes) Para 002 Ref ID: 70-002

13.59 Therefore, the preferred approach in this chapter is to set out the affordability of different sizes of FH by the number of bedrooms (studio/1-bedroom and 2-bedrooms) to households on a range of incomes. Dwellings with larger sizes (3-bedrooms and 4-bedrooms) will not be considered in this chapter.

c. Target groups

13.60 To establish the need for Affordable Home Ownership (AHO), PPG sets out the wider definition of those to be considered as in affordable need including

“households which can afford to rent in the private rental market but cannot afford to buy despite a preference for owning their own home”.¹¹⁴

13.61 However, currently, there is no guidance about how the number of such households should be measured.

13.62 Therefore, in order to identify households potentially suited to FH, this sub-section uses the same methodology used earlier in this report to identify those households for whom affordable home ownership products as a whole are likely to be suitable, namely, those that fall into the “rent/buy gap” (the gap between the ability to afford lower quartile rents in the private sector and buying a new-build market dwelling of the same size).

13.63 Based on the latest CAMEO data, it is estimated that around 41% of all households in Epsom and Ewell sit in this “gap”, and 33% of private renter households.

d. Discounts derived from private rents

¹¹⁴ PPG (Housing needs of different groups) Para 005 Ref ID: 67-005

- 13.64 In order to arrive at the level of discount that would enable households in the rent/buy gap to afford to buy, the approach taken in this chapter is to identify a range. This is so as to reflect the income distribution of households in the gap and to make FH accessible to as many as possible.
- 13.65 Those households able to just afford a dwelling priced around the lower quartile (LQ) in the PRS represent the lower level of the FH discount range.
- 13.66 The upper end of the range is derived from the price at the mid-point between a home whose value reflects the amount a household currently renting could afford and dwellings prices around the median.
- 13.67 The “home budget” (the amount of money for home purchase available to a given household) for households able to afford LQ homes in the PRS can be derived from the income required to access this housing. The method is set out below in relation to a 1-bedroom home:
- The latest Valuation Office Agency (VOA) data shows that the LQ rent for a 1-bedroom home in Epsom & Ewell is £942 per calendar month (pcm). Also, an assumed service charge of £130pcm should be added to this rent.¹¹⁵
 - On the basis that a household spends no more than 35% of their income on housing, a household would need a net income of around £3,047 per month ((£1,250 + £130)/0.35) or £36,559 per annum to afford the lower quartile rent for a 1-bedroom home.
 - The above is a net figure; assuming the net figure is 70% of the gross figure, gross income would be £52,227 (£36,559/0.7).
 - Mortgage lending limits are usually calculated based on gross income. Therefore, with an income of £52,227, it is estimated that a household could afford to buy a home for around £245,773. This is based on assuming a 15% deposit and a loan to income ratio of 4 – calculated as £52,227*4/0.85.

¹¹⁵ NUMBEO (2022). [Cost of Living in Epsom](#)

- 13.68 Therefore, £245,773 is a suggested purchase price to make FHs affordable for households who can rent a 1-bedroom LQ home but not buy in Epsom & Ewell. This figure is essentially the equivalent price that is affordable to a household that can just afford to rent a 1-bedroom home privately.
- 13.69 It is worth noting that households able to afford LQ rents in the PRS are, therefore, able to afford studio/1-bedroom dwellings priced around the median, assuming they have a deposit.
- 13.70 The principle benefit to households in the PRS on incomes around the £50,000 mark is, therefore, to be able to afford a larger home than the one they currently occupy. For example, a 2-bedroom dwelling (the table above indicates a 2-bedroom dwelling in Epsom & Ewell following a 30% discount to the OMV would be £225,400).

e. *Income-led discounts*

13.71 The question of the level of discount derived from the income distribution in the Borough is examined in more detail in the paragraphs to follow. The table below, setting out the income distribution in the Borough shows the median household income in Epsom & Ewell was around £49,000 in 2021.

Table 47: CAMEO income bands: Epsom & Ewell

Income Band	CAMEO Income Group Description	% Epsom & Ewell Households	% UK Households
1	Many households with an income of over £100K +	1.6%	0.7%
2	Many households with an income of between £75 - £100K	11.4%	2.4%
3	Many households with an income of between £50 - £75K	34.1%	10.1%
4	Many households with an income of between £40 - £50K	26.0%	13.3%
5	Many households with an income of between £30 - £40K	16.6%	19.5%
6	Many households with an income of between £20 - £30K	7.4%	23.2%
7	Many households with an income of between £10 - £20K	2.1%	26.5%
8	Many households with an income of less than £10K	0.7%	4.1%

Source: CAMEO Income, TransUnion; Royal Mail PAF 2021

13.72 The table below sets out the level of discount required for “for-sale” homes priced around the median (Borough level average) to be affordable to households based on incomes ranging from £10,000 to £80,000 at £5,000 intervals. The upper-income threshold (£80k) is based on the national eligibility criteria for purchasing FHs as set out in PPG.¹¹⁶

Table 48: Discounts are required for median house prices to be affordable to the target group^{117,118}

Income level	Home budget	FH (Median for sale)-Studio/1bed	FH (Median for sale)-2 bed	FH (Median for sale)-3 bed	FH (Median for sale)-4 bed	Discount required - Studio/1bed	Discount required - 2 bed	Discount required - 3 bed	Discount required - 4 bed
£10,000	£77,125	£247,500	£322,000	£620,500	£740,000	69%	76%	88%	90%
£15,000	£97,125	£247,500	£322,000	£620,500	£740,000	61%	70%	84%	87%
£20,000	£117,125	£247,500	£322,000	£620,500	£740,000	53%	64%	81%	84%
£25,000	£137,125	£247,500	£322,000	£620,500	£740,000	45%	57%	78%	81%
£30,000	£157,125	£247,500	£322,000	£620,500	£740,000	37%	51%	75%	79%
£35,000	£177,125	£247,500	£322,000	£620,500	£740,000	28%	45%	71%	76%
£40,000	£197,125	£247,500	£322,000	£620,500	£740,000	20%	39%	68%	73%
£45,000	£217,125	£247,500	£322,000	£620,500	£740,000	12%	33%	65%	71%
£50,000	£237,125	£247,500	£322,000	£620,500	£740,000	4%	26%	62%	68%
£55,000	£257,125	£247,500	£322,000	£620,500	£740,000	N/A	20%	59%	65%
£60,000	£277,125	£247,500	£322,000	£620,500	£740,000	N/A	14%	55%	63%
£65,000	£297,125	£247,500	£322,000	£620,500	£740,000	N/A	8%	52%	60%
£70,000	£317,125	£247,500	£322,000	£620,500	£740,000	N/A	2%	49%	57%
£75,000	£337,125	£247,500	£322,000	£620,500	£740,000	N/A	N/A	46%	54%
£80,000	£357,125	£247,500	£322,000	£620,500	£740,000	N/A	N/A	42%	52%

Source: GL Hearn Calculations

¹¹⁶ PPG (First Homes) Para 007 Ref ID:70-007

¹¹⁷ Median “for-sale” house prices have been arrived at by taking the average median prices achieved in the second-hand market and adding 15% to allow for a new-build premium.

¹¹⁸ The “Home Budget” is 4 times household income plus access to a deposit of around £37,125 (15% of a 1-bedroom flat priced around the median).

- 13.73 The colour coding illustrates the depth of discount required with the deeper red indicating a higher discount to achieve affordability. The darker the blue, the smaller the discount. A negative number (labelled as N/A) indicates a discount would not be required for a dwelling of this size to be affordable to a household at that income level. These households are unlikely to select the FH given the legal restrictions that are applied to them.
- 13.74 The table above shows that no sizes of dwelling would be accessible for households of income level lower than £20,000pa within the discount range permitted for FH.
- 13.75 To be affordable to a household between £25,000pa to £30,000pa, a studio or 1-bedroom flat would need to be discounted by 37% to 45%. No other sizes of dwelling would be accessible to a household on this income within the discount range permitted for FHs.
- 13.76 Furthermore, it is questionable whether a household with an income at or below this level would have a deposit worth the equivalent of one year's salary. As indicated by the income bands of Epsom & Ewell, around 2.8% of households in Epsom & Ewell have an income that is below level (less than £20,000pa).
- 13.77 For households on higher incomes, the provision of FH has the potential to make a wider range of sizes of dwellings available. For example, for a household of around £45,000pa, a 2-bedroom dwelling would be available in the event the discount applied was 33%.
- 13.78 For those households with the highest income level of £80,000 in the table above to be eligible for the FH, a 3-bedroom dwelling would be affordable at a maximum discount of 50%. However, as noted, the post-discount sale price of the FH would exceed the threshold of £250,000.

f. First Home viability assessment

- 13.79 The viability assessment (VA) for FHs looks at developments which have either been built out within the last 2 years or which have received a recent planning consent. These are:
1. *65 London Road (20/01079/FUL)*
 2. *The Old Mill (18/01430/FUL)*
 3. *Woodcote Grove (19/00999/FUL)*
 4. *Wells Social Centre (19/00929/FUL)*
- 13.80 Financial appraisals have been carried out on these sites to compare the viability of each scheme in, firstly, the approved permission, secondly, with the outcomes assuming a policy-compliant number of FH are provided.
- 13.81 The full VA can be found in Appendix G “First Homes viability assessment” (VA). The VA concludes that, were these schemes to have FH, they would remain viable. In each case, the Residual Land Value (RLV) is positive. The exception is site 4, the RLV is negative where a 40% discount is applied.
- 13.82 That said, the OMV of a FH should be at or below around £357,000 in order to meet the threshold requirements. This indicates that FH in Epsom & Ewell are likely to be restricted to dwellings of 1- and 2-bedrooms in size.
- 13.83 Moreover, a key assumption of the VA is that a developer will select the lowest value units to be discounted. This may not align with an intention that FH should enable a range of households to access affordable home ownership.
- 13.84 It is notable that discounts of 30% and 40% applied at Site 2 had a positive impact on the residual land value whereas, when applied to Sites 1, 3 and 4 they had a negative impact.

13.85 This can be explained by the lower market values of the units to be discounted at Site 2 in comparison to the other sites, resulting in FH discount producing a higher market value than the other affordable units (i.e. non-FH affordable units) in the scheme.

g. *First Homes Summary*

13.86 This chapter identifies the level of discount to the value of new-build dwellings that would be required to make First Homes (FH) affordable to local people (bearing in mind the impact this could have on the provision of Social Rented units).

13.87 In answering the question, this chapter focuses on those households that fall into the “rent/buy” gap, noting that different households will require different levels of support to access the “for-sale” market.

13.88 This report assumes that households able to afford LQ PRS dwellings are the core target market for FH. This is because providing households with a route out of rented accommodation and into home ownership is the main policy objective of the FH policy.

13.89 Analysis has been undertaken to assess whether FH would be affordable given the household income distribution in Epsom & Ewell. This provides guidance as to the level of discount that would be appropriate to enable households on certain incomes to access homeownership. Households that have an income of

- below £20k per annum would not be able to afford any size of FH;
- between £25k-30k per annum would be able to afford a studio/1-bedroom size dwelling priced around the median where the maximum 50% discount is applied to the OMV;
- between £45,000 - £55,000 would be able to afford a FH of 2-bedrooms with the minimum discount of 30%; and
- more than £60,000 would be unlikely to be interested in FH given that they are likely to be able to afford a 2-bedroom home at OMV and 3-bedroom homes would not be eligible as they are likely to exceed the price cap.

- 13.90 The income-led discounts highlight that a range of dwellings would be affordable to households on mid-range incomes (between £30,000 and £50,000) given that the FH discount could enable these households to afford a 2-bedroom dwelling where without the discount only a studio of 1 bedroom home would be achievable (and possibly elsewhere in the HMA).
- 13.91 The CAMEO data indicates that a large minority of the population falls into this category, some 43% of the population.
- 13.92 As regards the need for other affordable products, it should be noted that 2.8% of the Borough's households have an income that is below £20,000 pa. It is appropriate to provide alternative rental housing options (e.g., social or affordable rent) or consider intermediate housing policy (e.g. Shared Ownership) for these households since the gap between the home buying budget and the market price of these income groups is large.
- 13.93 The VA shows that residential schemes coming forward in Epsom & Ewell are likely to be viable with a policy-compliant number of FH in current market conditions. In each of the four sample sites assessed, the Residual Land Value (RLV) is positive. The exception is site 4, the RLV is negative where a 40% discount is applied.

h. *First Homes policy options*

- 13.94 Where the Council is seeking a discount that is greater than 30%, consideration should be given to whether this might prejudice the viability of providing other forms of affordable housing (such as Social Rented homes) given that funds available for affordable homes from planning gain are finite.
- 13.95 It might be more appropriate to apply local eligibility criteria (such as income caps) on a case-by-case as part of section 106 agreements. That is to say, would create the opportunity to apply a discount greater than 30% in specific sites.

- 13.96 In such a case, the discount level would be driven off the affordability of FH to households on specific income bands. This would provide an opportunity to determine the level of discount (40% or 50% of discount) on a case-by-case basis rather through a one-size-fits-all approach.
- 13.97 Following PPG, once a minimum of 25% of FH has been accounted for, Social Rent products should be delivered in accordance with the relevant policy in the Local Plan. This means that only other forms of AHO products (as opposed to Social Rent) should be reduced to allow for FH.
- 13.98 However, to ensure that households with lower income levels are able to access AHO products, Shared Ownership should be retained in the affordable housing mix.

Shared Ownership

- 13.99 Whilst the Government has a clear focus on First Homes, they also see a continued role for Shared Ownership. In November 2020, a separate consultation was launched (New Model for Shared Ownership¹¹⁹) – this includes four key proposals, with the main one for the purposes of this assessment being the suggestion of reducing the minimum initial share from 25% to 10%.
- 13.100 A key advantage of Shared Ownership over other tenures is that a lower deposit is likely to be required than for full or discounted purchase. Additionally, the rental part of the cost will be subsidised by a Registered Provider and therefore keeps monthly outgoings down.
- 13.101 For the purposes of the analysis in this report it is considered that for Shared Ownership to be affordable, total outgoings should not exceed that needed to rent privately.

¹¹⁹ <https://www.gov.uk/government/consultations/new-model-for-shared-ownership-technical-consultation>

13.102 Because Shared Ownership is based on buying part of a property, it is the case that the sale will need to be at open market value (OMV). Where there is a large gap between the typical incomes required to buy or rent, it may be the case that lower equity shares are needed for homes to be affordable (at the level of renting privately). The analysis below therefore seeks to estimate the typical equity share that might be affordable for different sizes of property with any share lower than 10% likely to be unavailable. The key assumptions used in the analysis are:

- OMV at LQ price plus 30% (reflecting likelihood that newbuild homes will have a premium attached and that they may well be priced above a LQ level) – it should be noted that this is an assumption for modelling purposes and consideration will need to be given to the OMV of any specific product;
- 10% deposit on the equity share;
- Rent at 2.75% pa on unsold equity;
- Repayment mortgage over 25-years at 4%;
- Service charge of £50 per month for flatted development (assumed to be 1- and 2-bedroom homes); and
- It is also assumed that Shared Ownership would be priced for households sitting towards the bottom end of the rent/buy gap and so the calculations assume that total outgoings should be no higher than the equivalent private rent (lower quartile) cost for that size of property.

13.103 The table below shows that to make Shared Ownership affordable, equity shares of around 80% could be affordable for households able to access lower quartile 2 bedroom dwellings in the PRS. For larger dwellings of 3- and 4- bedrooms lower shares are likely to be required for larger homes.

13.104 It should also be noted that the analysis below is predicated on a particular set of assumptions (notably about likely OMV). In reality costs do vary across the Borough and will vary from site to site. Therefore, this analysis should be seen as indicative with specific schemes being tested individually to determine if the product being offered is genuinely (or reasonably) affordable.

Table 49: Estimated Affordable Equity Share by Size (Epsom & Ewell)

Group	1-Bedroom	2-Bedrooms	3-Bedrooms	4+-Bedrooms
OMV	£274,138	£360,750	£660,075	£916,500
Share	90%	80%	50%	45%
Equity Bought	£246,724	£288,600	£330,038	£412,425
Mortgage Needed	£222,051	£259,740	£297,034	£371,183
Monthly Cost of Mortgage	£740	£866	£990	£1,237
Retained Equity	£27,414	£72,150	£330,038	£504,075
Monthly Rent on Retained Equity	£63	£165	£756	£1,155
Service Charge per month	£50	£50	0	0
Total Cost per month	£803	£1,031	£1,746	£2,392

13.105 In policy terms, whilst the analysis has provided an indication of the equity shares possibly required by size, the key figure is actually the total cost per month (and how this compares with the costs to access private rented housing).

13.106 The table below provides an estimate of the level of variation between Lower quartile rent and Shared Ownership costs in the Borough. This suggests that 1- and 2-Bedroom Shared ownership dwellings should be affordable while larger dwellings may stretch household finances while remaining achievable for most households.

Table 50: Variation - Lower quartile rent and Shared Ownership costs

Tenure	1-Bedroom	2-Bedrooms	3-Bedrooms	4+-Bedrooms
Shared ownership	£803	£1,031	£1,746	£2,392
Lower Quartile PRS	£1,072	£1,380	£1,651	£2,130
Variation	-£269	-£349	£95	£262

13.107 In the interests of maintaining affordability for the target group, the general policy position should seek to ensure that outgoings are no more than can reasonably be achieved in the private rented sector, rather than seeking a specific equity share.

13.108 Again, the figures above are for the whole Borough and it is recognised that there will be variations across locations (and over time and for specific sites).

Rent to Buy

13.109 A further affordable option is Rent to Buy; this is a government scheme designed to ease the transition from renting to buying the same home. Initially (typically five years) the newly built home will be provided at the equivalent of an affordable rent (approximately 20% below the market rate). The expectation is that the discount provided in that first five years is saved in order to put towards a deposit on the purchase of the same (or another) property. Rent to Buy can be advantageous for some households as it allows for a smaller 'step' to be taken on to the home ownership ladder.

13.110 At the end of the five-year period, depending on the scheme, the property is either sold as a Shared Ownership product or purchased outright as a full market property. If the occupant is not able to do either of these then the property is vacated.

13.111 In order to access this tenure it effectively requires the same income threshold for the initial phase as a market rental property although the cost of accommodation will be that of affordable rent.

13.112 The lower than market rent will allow the household to save for a deposit for the eventual shared ownership or market property. In considering the affordability of rent-to-buy schemes there is a direct read across to the income required to access affordable home ownership (including Shared Ownership), it should therefore be treated as part of the affordable home ownership products suggested by the NPPF.

Affordable Housing Need summary

13.113 Analysis has been undertaken to estimate the need for affordable housing in the 2022-40 period (inclusive). The analysis is split between a need for social/affordable rented accommodation and the need for affordable home ownership (AHO). The latter includes housing for those who can afford to rent privately but cannot afford to buy a home.

13.114 The analysis has taken account of local housing costs (to both buy and rent) along with estimates of household income. Additionally, when looking at rented needs, consideration is given to estimates of the supply of social/affordable rented housing. For AHO, consideration is given to the potential supply of re-sales of low-cost home ownership properties (such as shared ownership).

13.115 When looking at rented needs, the analysis suggests a need for 574 affordable homes per annum. The Council is, therefore, justified in seeking to secure additional affordable housing.

- 13.116 The analysis suggests that there will be a need for both social and affordable rented housing – the latter will be suitable particularly for households who are close to being able to afford to rent privately and also for some households who claim full Housing Benefit. On this basis, it is not recommended that the Council has a rigid policy for the split between social and affordable rented housing, although the analysis is clear that both tenures of homes are likely to be required.
- 13.117 When looking at the need for AHO products, the analysis also suggests a need across the Borough (78 dwellings per annum). In interpreting this figure, it should however be noted that there could be additional supply from resales of market homes (below a lower quartile price) which arguably would mean there is a more limited need for AHO.
- 13.118 Analysis does suggest that there are many households in Epsom & Ewell who are being excluded from the owner-occupied sector (as evidenced by reductions in owners with a mortgage and increases in the size of the private rented sector). This suggests that a key issue in the Borough is about access to capital (e.g. for deposits, stamp duty, legal costs) as well as potentially mortgage restrictions (e.g. where employment is temporary) rather than simply the cost of housing to buy.

13.119 The study also considers different types of AHO (notably First Homes and Shared Ownership) as each will have a role to play.

- Discounts applied to First Homes are suitable for households that fall in the mid-range income group (£30-50k per annum). This may enable them to access dwellings better suited to their needs (e.g. 2-, rather than 1-bedroom dwellings); and
- Shared ownership is likely to be suitable for households with more marginal affordability (those only just able to afford to privately rent) as it has the advantage of a lower deposit and subsidised rent.

13.120 In deciding what types of affordable housing to provide, including a split between rented and home ownership products, the Council will need to consider the relative levels of need and also viability issues (recognising for example that providing AHO may be more viable and may therefore allow more units to be delivered, but at the same time noting that there are more households with a need for rented housing and these are likely to have more acute needs and fewer housing options).

13.121 Overall, the analysis identifies a notable need for affordable housing, and it is clear that provision of new affordable housing is an important and pressing issue in the Borough. That said, this in itself is not justification for an increase in the HNF to address affordable housing need.

13.122 It is important to note that this report does not provide an affordable housing target; the amount of affordable housing delivered will be limited to the amount that can viably be provided. The evidence does however suggest that affordable housing delivery should be maximised where opportunities arise.

14 PEOPLE WHO RENT THEIR HOMES

- 14.1 This section examines a range of statistics concerning the Private Rented Sector (PRS) in Epsom & Ewell, to understand the demand for private rented housing in the Borough. Where possible, the analysis also considers the HMA as well as the wider geographies of Surrey and England.
- 14.2 Planning Practice Guidance (PPG) states:
- “local planning authorities (LPAs) should use a local housing need assessment (LHNA) to take into account the need for a range of housing types and tenures in their area including provisions for those who wish to rent... The assessment will enable an evidence-based planning judgement to be made about the need for build to rent homes in the area, and how it can meet the needs of different demographic and social groups”¹²⁰
- 14.3 Paragraph two of the housing needs of different groups section of PPG states:
- “Tenure data from the Office for National Statistics can be used to understand future need for PRS housing. However, this will be based on past trends. The level of changes in rents (known as “market signals”) may reflect the demand in the area for PRS housing. Evidence can also be sourced from the English Housing Survey, Office for National Statistics Private Rental Index, the Valuation Office Agency, HomeLet Rental Index and other commercial sources.”*¹²¹
- 14.4 This study has not attempted to estimate the need for additional private rented housing. The decision of households as to whether to buy or rent a home in the open market is dependent on several factors which mean that demand can fluctuate over time.

¹²⁰ PPG (build to rent) Para 001 Ref ID: 60-001-20180913

¹²¹ PPG (housing needs of different groups) Para 002 Ref ID: 67-002-20190722

- 14.5 These factors include mortgage lending practices and the availability of Housing Benefit. A general (national and local) shortage of housing is likely to have driven some of the growth in the PRS, including increases in the number of younger people in the sector, and increases in shared accommodation.
- 14.6 If the overall supply of housing increases, then this potentially means that more households would be able to buy, who would otherwise be renting. It is therefore difficult to base anything on past trends when a step change in delivery is expected.

Sector growth

- 14.7 The following table displays the percentage change in the number of households in the PRS for the Borough of Epsom & Ewell, the HMA, Surrey and England as a whole between 2001 and 2011.

Table 51: Change in private renting, Epsom & Ewell and comparators, 2001-2011

	2001 (no.)	2001 (%)	2011 (no.)	2011 (%)	% change	Per annum change since 2001
Epsom & Ewell	2,277	8%	3,962	13%	74%	6%
HMA	23,775	11%	37,719	16%	59%	5%
Surrey	38,465	9%	61,409	13%	60%	5%
England	2,037,470	10%	3,715,924	17%	82%	6%

Source: Census tables [QS405EW](#) (2011) and [UV063](#) (2001)

- 14.8 In 2011, there was a total of 3,962 households living in the private rented housing in Epsom & Ewell (equivalent to 13% of all households in the Borough). This proportion was in line with the county average (13%), but significantly below the HMA (16%) and national (17%) averages.
- 14.9 The PRS has grown significantly between 2001 and 2011, particularly in Epsom & Ewell and England as a whole, where the PRS grew by 74% and 82%. In comparison, the PRS in the HMA and Surrey grew by 59% and 60% from 2001 to 2011.

14.10 Another dataset provided by the ONS is the sub-national dwelling stock by tenure estimates. The table below records the change in the count of dwelling by tenure and the percentage difference between 2012 and 2020 for Epsom & Ewell, the HMA, Surrey and England.

Table 52: Change in tenure, Epsom & Ewell and comparators, 2012-2020

Epsom & Ewell	2012	2020	% change	Per annum change since 2012
Owned Outright	11,756	13,968	19%	2%
Private Rent	4,569	5,027	10%	1%
Social Rent	2,329	2,829	21%	2%
Owned with Mortgage or Loan	12,173	10,927	-10%	-1%
The HMA	2012	2020	% change	Per annum change since 2012
Owned Outright	85,322	102,164	20%	2%
Private Rent	42,723	46,979	10%	1%
Social Rent	27,056	27,367	1%	0%
Owned with Mortgage or Loan	91,888	83,094	-10%	-1%
Surrey	2012	2020	% change	Per annum change since 2012
Owned Outright	169,914	203,441	20%	2%
Private Rent	71,958	79,611	11%	1%
Social Rent	56,685	57,884	2%	0%
Owned with Mortgage or Loan	177,113	160,275	-10%	-1%
England	2012	2020	% change	Per annum change since 2012
Owned Outright	7,284,029	8,838,365	21%	2%
Private Rent	4,273,390	4,780,335	12%	1%
Social Rent	4,125,566	4,198,375	2%	0%
Owned with Mortgage or Loan	7,426,566	6,839,418	-8%	-1%

Source: [ONS](#), 2012-2020

14.11 The number of private rental stock properties in Epsom & Ewell has been estimated to have risen by 10% between 2012 and 2020. This is the same increase estimated for the HMA but below the increase estimated for Surrey (11%) and England as a whole (12%).

- 14.12 In terms of annual growth, the PRS grew between 5 to 6 percentage per year across all geographies from 2001-2011. On the other hand, the growth of the PRS is estimated to have slowed considerably from 2012 to 2020 as all geographies have been estimated to have grown by only 1%.
- 14.13 It is, however, important to note that there are no official statistics on dwelling stock by tenure. Confidence interval notation does however indicate that, in the statistician's view, the data is considered precise.
- 14.14 That said, there is evidence that the supply of homes for rent has been falling since 2020. This view was confirmed by local letting agents who stated that supply fails to meet demand for all sizes of properties within the areas they operate in¹²².

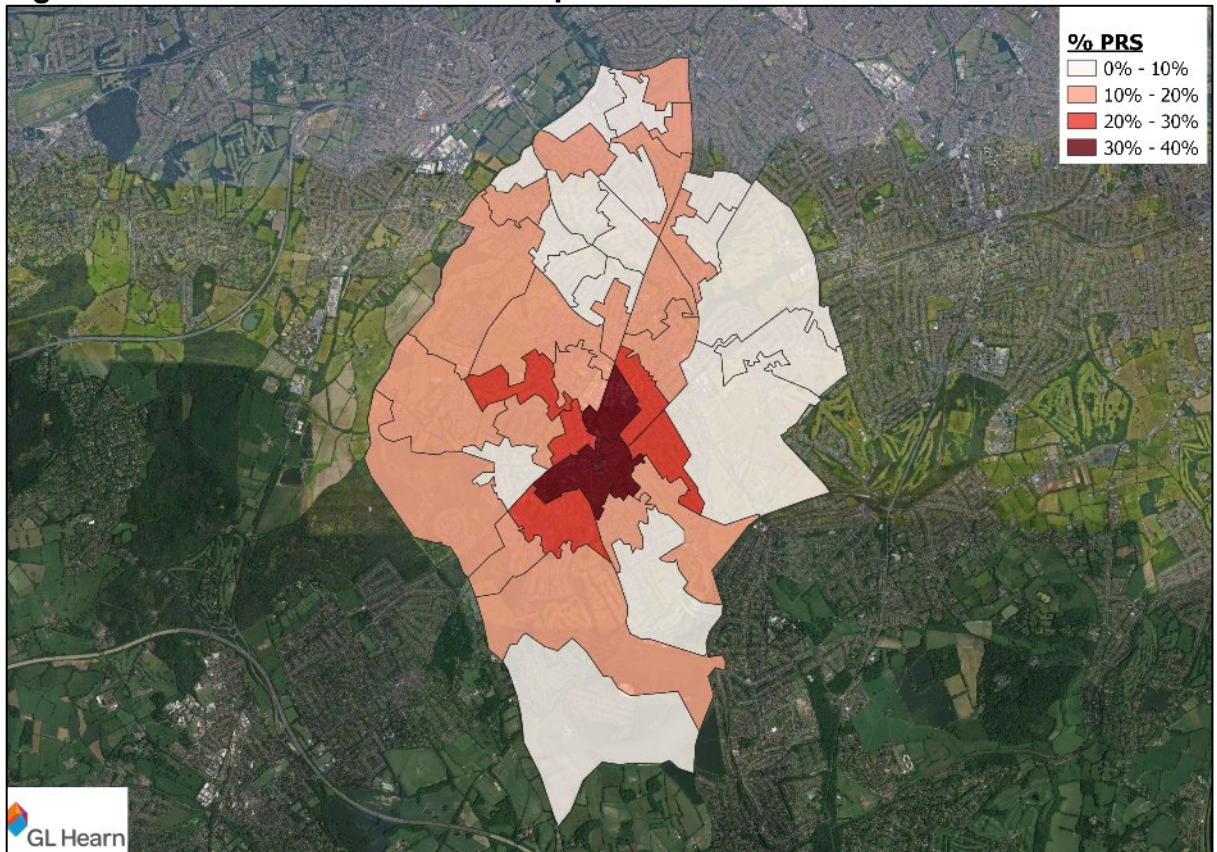
Distribution of PRS

- 14.15 Households which rent privately often live in some of the worst quality, poorly managed accommodation. Furthermore, some private renters face arbitrary evictions and unjustified rent increases, which is particularly damaging for households with children. There is also evidence that concentrations of PRS dwellings can result in negative socio-economic trends such as falling land values and unbalanced communities in terms of household types and incomes levels.
- 14.16 This can make the provision of additional housing (particularly affordable housing) challenging with some Housing Associations deciding not to invest on viability grounds. In some neighbourhoods in England, these factors have led to pockets of relative deprivation where poor quality PRS becomes the norm.

¹²² In order to understand current market conditions in the PRS, a survey of letting agents was conducted. The findings from the survey are discussed in greater detail within the "Current market conditions – letting agent consultation" section of this chapter.

14.17 As part of this HEDNA, data has been gathered to present the distribution of the PRS in the Borough at the Lower Super Output Area (LSOA) level. This is set out in the figure below. This shows areas of relatively high concentration in the town centre of Epsom as well as the west side of the Borough.

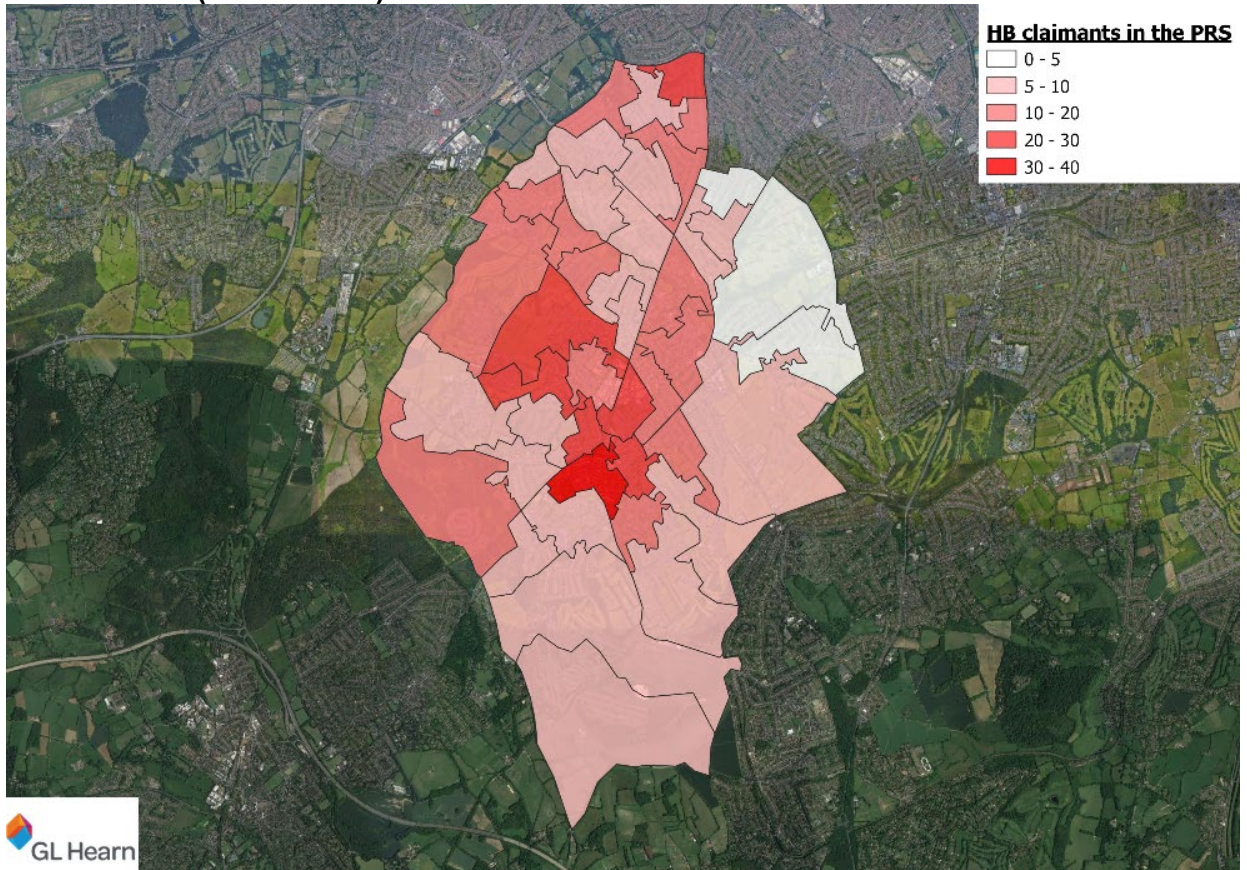
Figure 57: Distribution of PRS in Epsom & Ewell



Source: [Table QS405EW](#), Census 2011

14.18 In addition, the figure below illustrates Housing Benefit claimants who are living in PRS. The LSOAs that record both high levels of PRS housing and a high count of households claiming housing benefit are in and around the centre of Epsom.

Figure 58: Distribution of housing benefit claimants in Epsom & Ewell (LSOA level)



Source: Stat-Xplore, Housing Benefit, [Table 2.1 – Local Authority by caseload](#)

14.19 Taking this data into account, it would be appropriate for the Council to monitor the growth of PRS in town centre area, in particular in relation to the quality of provision.

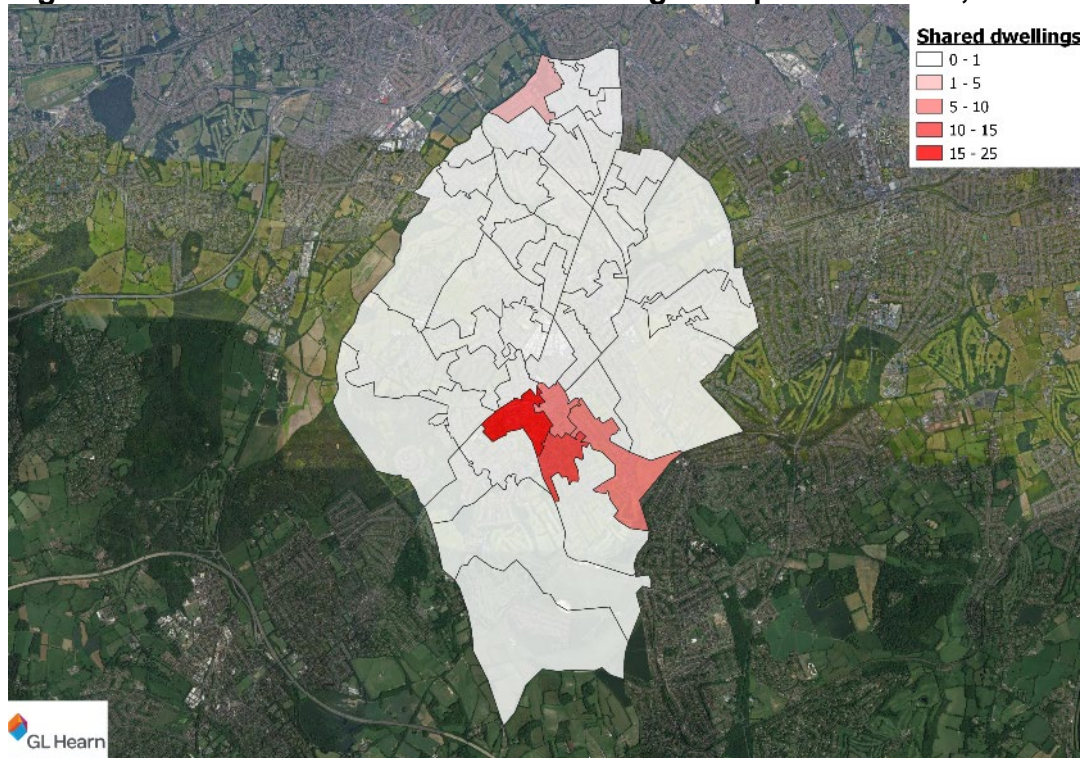
Houses in Multiple Occupation in Epsom & Ewell

- 14.20 GOV.UK defines Houses in Multiple Occupation (HMOs) as properties where at least three tenants occupy the dwelling, forming more than one household, and where the facilities such as the toilet, bathroom and kitchen are shared between the tenants¹²³.
- 14.21 HMOs offer low-cost private rented housing, particularly for younger households and individuals on low or moderate incomes.
- 14.22 Public data relating solely to HMOs is unavailable. That said, the households by accommodation type dataset in Census 2011 can be broken down by shared dwellings, which are likely be HMOs.

¹²³ [GOV.UK \(Renting out your property\)](#)

14.23 The map below shows the proportion of shared dwellings in Epsom & Ewell disaggregated by the LSOAs that make up the Borough.

Figure 59: Distribution of shared dwellings in Epsom & Ewell, 2011



Source: [Table QS402EW](#), Census 2011

14.24 The data shows that Epsom & Ewell has a very small proportion of shared dwellings. These are generally located in the south and south east of Epsom town centre.

Co-Living

14.25 Co-living schemes are purpose built residential blocks of non-self-contained units that offer an alternative to traditional HMO accommodation. The value that co-living can create for the occupier, if properly designed and managed, can be one of convenience, social interaction and a good quality living environment in terms of access to facilities and accommodation.

- 14.26 There is a direct parallel with the way the emerging Build to Rent (BTR) sector is “disrupting” the traditional PRS offer by offering a higher quality purpose-designed alternative.
- 14.27 Co-living is a development type designed around the needs of young professionals who cannot afford to rent a self-contained home, and are looking for a more professionally managed, more aspirational alternative to the traditional HMO. As a development type, it is in its infancy in London partly because of its unorthodox character; its status as ‘sui generis’¹²⁴ (rather than within a residential use class for planning purposes), and that is seen to contravene national space standards.
- 14.28 Co-living is a sub-set of BTR and, like BTR, is offered at a rent that is more than the equivalent product in an HMO. The table below indicates median monthly rents for different sizes of rooms in Epsom & Ewell and London as a whole. The data shows that the average monthly rent for a “room only” in Epsom & Ewell and London is £660 and £650; for a studio, it is £798 for Epsom & Ewell and £950 for London. This is exclusive of other costs such as council tax and utility bills.

Table 53: Monthly median rents in Epsom & Ewell by dwelling size, March 2022

Sizes	Room only	studio	1 bed	2-bed	3-bed	4-bed
Epsom & Ewell	£660	£798	£1,048	£1,335	£1,700	£2,300
London average	£650	£950	£1,225	£1,475	£1,750	£2,500

Source: [ONS](#), 2022

- 14.29 In co-living developments, the rent paid on a room is all inclusive of council tax and utility bills. Therefore, in order to compare with rents charged in traditional PRS dwellings, it is necessary to identify the rent element within the overall monthly costs of co-living schemes. To do this, it is assumed these charges are equivalent to 10% of monthly charges, and this is deducted to arrive the “rent” figure.

¹²⁴ London Plan 2021, Chapter 4, page 226

14.30 Although there are plans for co-living spaces in southwest London such as Node Living in Brixton¹²⁵, estimated monthly rents are not provided. Therefore, the table below sets out costs for two developments offering a private space in a multi-unit block in other parts of London that are slightly further away from Epsom & Ewell.

Figure 60: Co-living developments in London, 2022

Development	Local authority	Room	Rent
Collective Old Oak	Hammersmith & Fulham	Room 1 psn + en suite	£1,137
Gravity Finsbury Park	Islington	Room 1 psn + en suite	£1,035

Source: Web research

14.31 Therefore, the evidence gathered suggests that co-living “room only” and studio dwellings are substantially more expensive to rent compared to traditional “room only” and studio flat dwellings in the PRS.

Current market conditions – letting agent consultation

14.32 In order to understand current market conditions in the PRS, a survey of letting agents was conducted. Three agents from within the HMA responded to the survey. It is important to note that all three agents cover Epsom & Ewell, while only one or two of the agents cover the rest of the HMA and elsewhere in Surrey.

14.33 The following findings emerge from the survey:

- When asked to describe the market for rented properties for each of the areas they operated in, Epsom & Ewell received a weighted average score of 1.67, with a score closer to 1 indicating very strong demand and a score closer to 5 indicating very weak demand. In comparison, the weighted average score for Surrey, London and England were all 1.
- All three agents agreed that demand has increased within the rental market across all geographies they operate in as a result of the Pandemic.
- In terms of demand from market segments, families and professional households showed the strongest demand. On the other hand, the agents stated that they saw no demand from empty nesters, retirees and elderly people.

¹²⁵ [Node Living Brixton](#)

- Overall, agents saw two-bedroom and three-bedroom properties as having the greatest demand in the PRS. On the other hand, the agents indicated that demand was lowest for five-bedroom and above properties.
- On average, agents signalled that rental demand is highest for semi-detached properties, closely followed by detached properties, terraced properties and flats.
- The agents indicated that tenants occupy their rented property for anywhere from less than a year to over three years. They also indicated that on average, 50% of tenants renew their tenancies.
- The average rents across the areas operated in by letting agents ranged from £900pcm for a one-bedroom dwelling up to £5,000pcm for a 5-bed and above property. Looking forward, the agents thought rents would increase over the next 12 months with one agent stating that rents could increase by over 5%.
- On average, the letting agents stated that one- and two-bedroom properties could take anywhere between 5 to 7 days before they are let, whereas larger properties can take anywhere from 8 to 20 days to be let.
- Two of the letting agents indicated that supply fails to meet demand for all sizes of properties across the areas they operate in. The final agent indicated that supply fails to meet demand only for five+ bedroom dwellings.
- Lastly, the agents indicated that approximately 53% of rental supply comes from re-lets and 33% comes from buy to let. The other 13% of supply comes from sub-division.

14.34 The table below shows the median monthly rents and percentage increases for Epsom & Ewell, the HMA, Surrey and England as a whole from 2011 to 2022.

Table 54: Median monthly PRS rents, Epsom & Ewell

	2011	2022	% Change
Epsom & Ewell	£875	£1,300	49%
HMA	£893	£1,230	38%
Surrey	£900	£1,150	28%
England	£575	£795	38%

Source: Valuation Office Agency, private rental market statistics [2011](#), [2022](#)

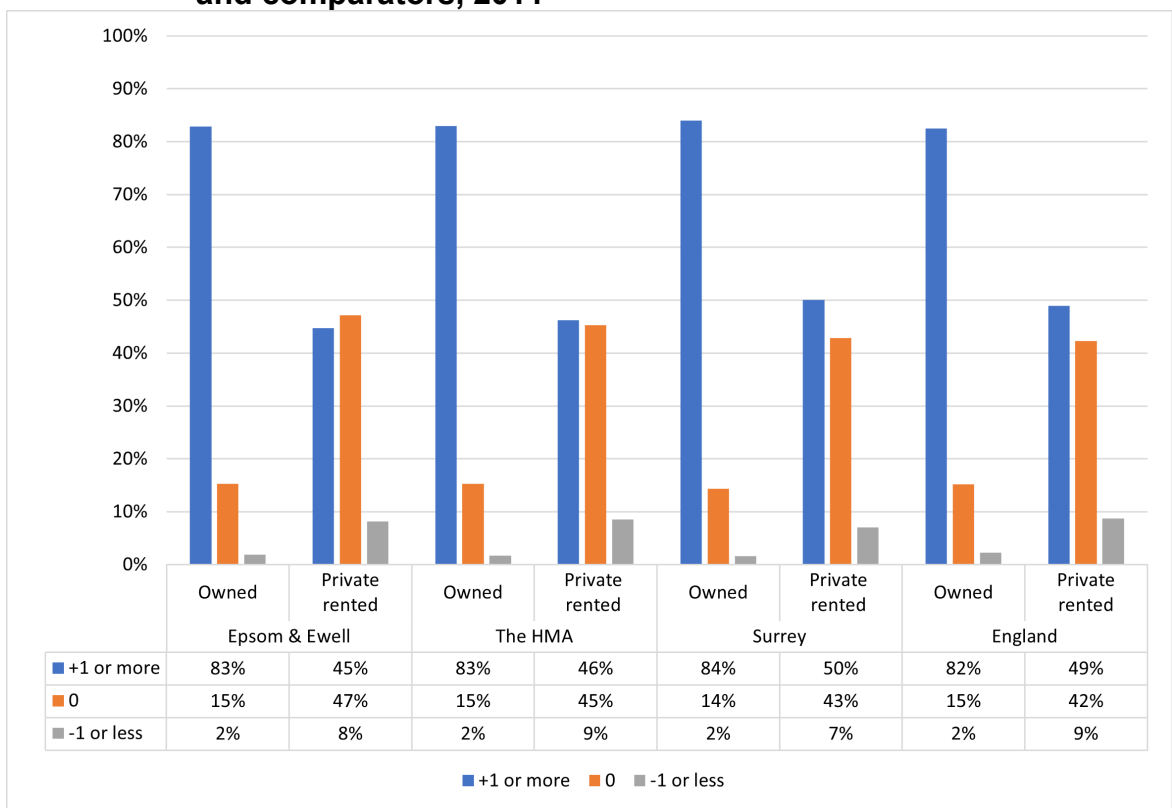
14.35 Rents in the Borough have increased by a greater amount than realised by the HMA, Surrey and England as a whole. It should also be noted that as of 2022, Epsom & Ewell also has the highest median monthly rent (£1,300) in comparison to the HMA (£1,230), Surrey (£1,150) and England (£795).

14.36 The condition of reducing stock and increasing rents points to a weakening in the traditional role of the PRS as a form of low-cost market housing suited to newly forming households. These conditions could also exacerbate the problem of over-crowding.

Over-crowding and under-occupation

14.37 The following graph displays the levels of over-crowding and under-occupation by tenure in Epsom & Ewell, the HMA, Surrey and England in 2011. This is based on the bedroom standard – where a negative number indicates overcrowding, and a positive number indicates under-occupation (the presence of at least one “spare” bedroom).

Figure 61: Overcrowding and under-occupation by tenure, Epsom & Ewell and comparators, 2011



Source: 2011 Census table [LC4108EW](#)

14.38 The data shows that, at the time of the last Census, the proportion of over-crowded dwellings in the PRS was significantly greater than in the owner-occupied sector across all geographies. In Epsom & Ewell, 8% of private rented homes are over-crowded compared to 2% of owner-occupied homes.

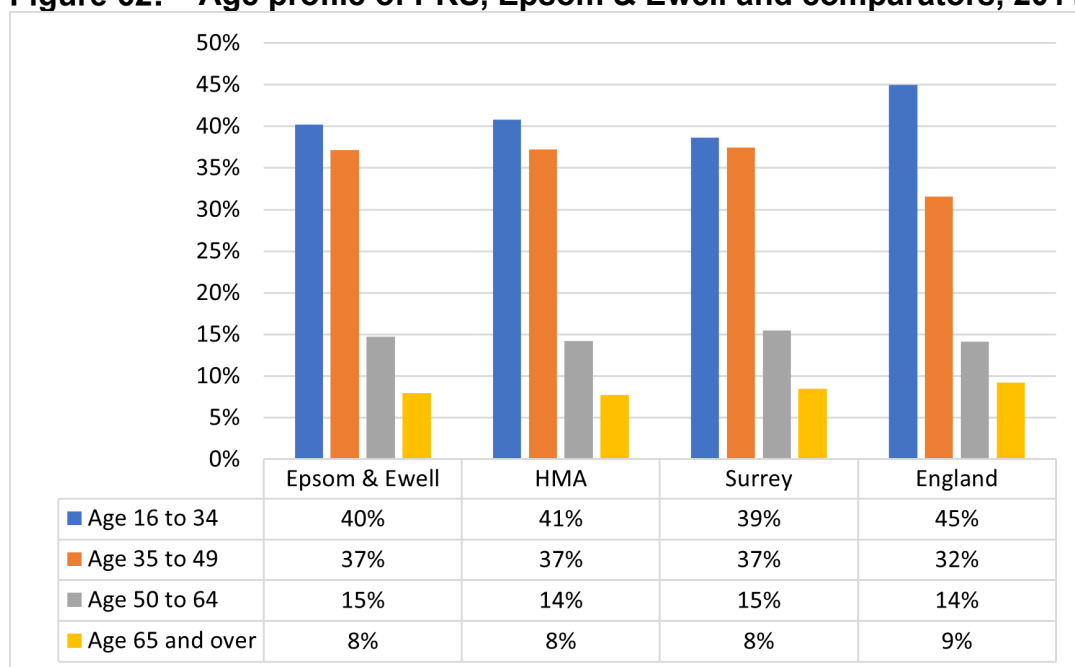
14.39 Furthermore, levels of under-occupation are relatively low, with 45% of PRS households having at least one spare bedroom, compared to 83% of owner-occupiers.

14.40 It should be noted that Epsom & Ewell has a lower proportion of over-crowded PRS dwellings at 8% compared with the HMA (9%) and England (9%) but a greater proportion than Surrey at 7%.

Age profile of renters

14.41 The following graph displays the age profile of people who rent in the Borough of Epsom & Ewell, the HMA, Surrey and England in 2011.

Figure 62: Age profile of PRS, Epsom & Ewell and comparators, 2011



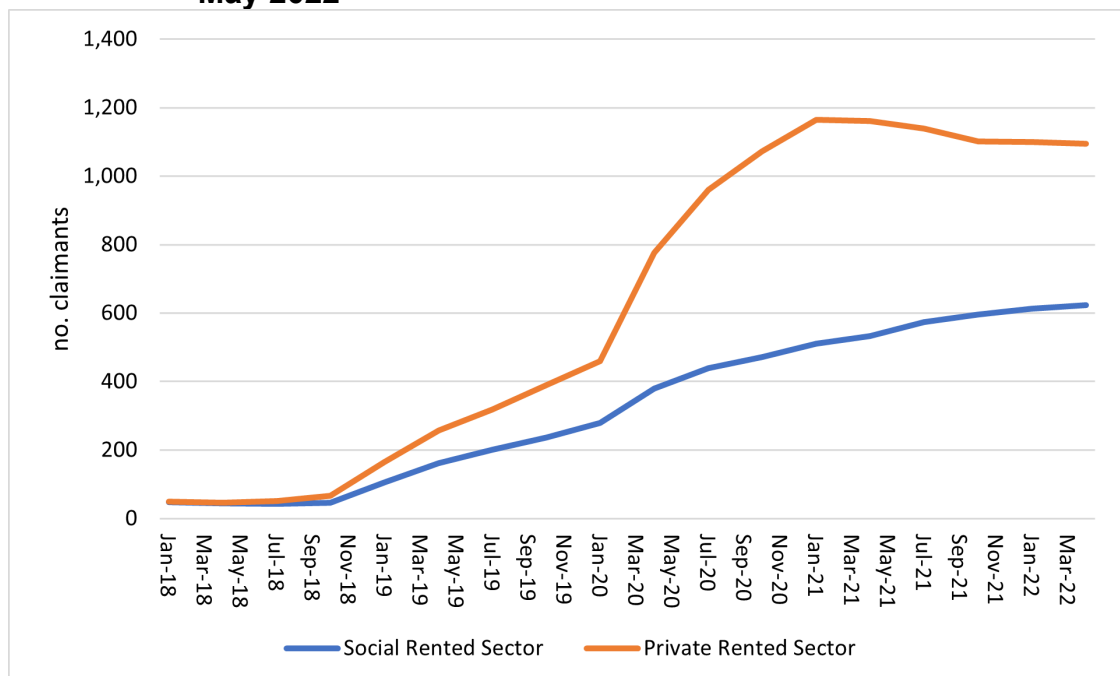
Source: Census 2011, table [DC4601EW](#)

14.42 For all geographies, the 16-34 age group make up the highest proportion of the PRS. However, the Borough of Epsom & Ewell has a lower proportion of the youngest age group in comparison to the HMA and England as a whole.

The role of the PRS in meeting Affordable Housing needs

14.43 The chart below sets out the number of households claiming Universal Benefit over the period January 2018 to May 2022.

Figure 63: Universal Credit claimants by tenure, Epsom & Ewell, Jan 2018 – May 2022



Source: [Stat-Xplore, Households on Universal Credit](#), Department of Work and Pensions

14.44 This shows that the number of households in receipt of the housing entitlement of Universal Credit living in the PRS has increased substantially between January 2018 and May 2022 (equivalent to 2090%).

- 14.45 It is worth noting that the PRS has a higher proportion of Universal Credit claimants than the social rented sector. There was sharp increase in the number of households in the PRS claiming Universal Credit in the first quarter of 2020, likely due to the COVID-19 Pandemic.
- 14.46 The evidence suggests that the PRS forms an important source of supply of affordable housing in the Borough.
- 14.47 Meanwhile, the reliance on a voucher system carries with it intrinsic weaknesses. One of which is that its value does not keep pace with changing market conditions. For example, in 2018 commentators argued that freezing Local Housing Allowance (LHA)¹²⁶ rates between 2016 and 2020 made access to private rented housing increasingly unaffordable for households on low incomes¹²⁷.
- 14.48 The Chartered Institute of Housing (CIH) commented in 2018 that “more than 90 per cent of LHA rates across Great Britain now fail to cover the cheapest rents, as they were originally designed to do” and that “LHA rates ...have fallen so far behind even the cheapest rents that private renting has become unaffordable for most low-income tenants.¹²⁸”

¹²⁶ Local Housing Allowance (LHA) rates are used to calculate Housing Benefit or Universal Credit for tenants renting from private landlords.

¹²⁷ Pennington, J, [What could be the impact of freezing local housing allowance for four years – and who might be left out in the cold – Method Note](#) (2015), Shelter

¹²⁸ House of Commons Library, [What is affordable housing?](#) Page 34

- 14.49 These concerns led to LHA rates increasing 2020 and the rates will be maintained from 2022-23¹²⁹. While this was a positive move to improve affordability and re-establish the feasibility of the PRS as a form of affordable housing, it was pointed out that *“the 30th percentile of market rents still left a majority of those potentially facing a drop in income due to the Pandemic with a shortfall in assistance”*¹³⁰. As a result, the CIH has observed that one of the biggest housing risks during the Pandemic has been increased evictions from the PRS and a subsequent surge in homelessness.¹³¹
- 14.50 As the importance of the PRS has grown over time, the quality of provision has been the subject of attention among policymakers. The necessity to develop a well-funded PRS able to offer high-quality accommodation has been observed¹³².
- 14.51 As noted, given affordability challenges, it is likely that the PRS will continue to form an important part of how Epsom & Ewell enables households on median incomes to access low-cost market housing. It is also likely to form part of the supply of affordable housing through Universal Credit. That said, it will be important in future years to assess whether LHA rates are enough to enable households on low incomes to access homes suited to their needs.
- 14.52 The LHA rates are categorised into five groups (CAT A to E)¹³³, depending on the number of bedrooms in the dwellings and whether the tenant must share use facilities with others.

¹²⁹ Hansard, [Written Statements, Volume 704](#), November 2021

¹³⁰ Pennington, J, [New LHA rates: what do they mean?](#) (2020), Shelter

¹³¹ Chartered Institute of Housing, [2020 UK Housing Review Autumn Briefing Paper](#), page 9

¹³² The Housing Forum, [The ABC of Housing Growth and Infrastructure](#) (2014) page 13

¹³³ A – Shared Accommodation Rate, B – One Bedroom Rate, C – Two bedroom Rate, D – Three Bedroom Rate, E – Four Bedroom Rate

14.53 The table below compares the current lower quartile rent and the LHA in Epsom & Ewell, categorised with the five rate groups.

Table 55: Comparison of monthly LQ rent and LHA in Epsom & Ewell (2022)

Sizes	Room only	studio/1 bed	2-bed	3-bed	4-bed
LQ Rent	£660	£863 ¹³⁴	£1,250	£1,521	£2,000
LHA	£450	£875	£1,100	£1,375	£1,735
LHA coverage (%)	68%	101%	88%	90%	87%

Source: [ONS](#), 2022 / [VOA](#), 2022

14.54 This indicates that the current LHA is unable to cover the rents paid by the LQ households in the Borough of Epsom & Ewell, except for studio/1-bedroom dwellings.

People who rent their homes summary

14.55 This study has not attempted to estimate the need for additional private rented housing. It is likely that the decision of households as to whether to buy or rent a home in the open market is dependent on a number of factors which mean that demand can fluctuate over time.

14.56 Notably if the supply of housing increases, then this potentially means that more households would be able to buy, but who would otherwise be renting. It is therefore difficult to draw any conclusions based on past trends.

14.57 The private rented sector (PRS) accounts for 13% of all households in Epsom & Ewell (as of 2011), in line with the Surrey average (13%) but lower than the HMA (16%) and England (17%) averages. The number of households in this sector grew substantially in Epsom and Ewell from 2001-2011, increasing by 74%.

14.58 From 2012-2020, the PRS sector in Epsom & Ewell is estimated to have grown by 10%. In comparison, the PRS in the HMA, Surrey and England as a whole is estimated to have grown by 10%, 11% and 12% respectively over the same period.

¹³⁴ For comparison purposes, LQ monthly rent for studio/1 bed properties has been created by summing the individual monthly rents of both sizes of properties and dividing this by two.

- 14.59 Census and Stat-Xplore data relating to the distribution of the PRS and number of households claiming Housing Benefit in the Borough show areas of relatively high concentration in and around the town centre of Epsom as well as the west side of the Borough.
- 14.60 Additionally, census data relating to the distribution of shared dwellings, likely to be HMOs, shows that Epsom & Ewell has a very small proportion of shared dwellings, which are generally located in the south and south east of Epsom town centre.
- 14.61 In order to understand current market conditions in the PRS, a survey of letting agents were conducted and the following findings emerged from the survey:
- When asked to describe the market for rented properties for each of the areas they operated in, Epsom & Ewell received a weighted average score of 1.67, with a score closer to 1 indicating very strong demand and a score closer to 5 indicating very weak demand. In comparison, the weighted average score for Surrey, London and England were all 1.
 - All three agents agreed that demand has increased within the rental market across all geographies they operate in as a result of the Pandemic.
 - In terms of demand from market segments, families and professional households showed the strongest demand. On the other hand, the agents stated that they saw no demand from empty nesters, retirees and elderly people.
 - Overall, agents saw two-bedroom and three-bedroom properties as having the greatest demand in the rented sector. On the other hand, the agents indicated that demand was lowest for five-bedroom and above properties.
 - On average, agents signalled that rental demand is highest for semi-detached properties, closely followed by detached properties, terraced properties and flats.
 - The average rents across the areas operated in by letting agents ranged from £900pcm for a one-bedroom dwelling up to £5,000pcm for a 5-bed and above property. Looking forward, the agents thought rents would increase over the next 12 months with one agent stating that rents could increase by over 5%.
 - Two of the letting agents indicated that supply fails to meet demand for all sizes of properties across the areas they operate in. The final agent indicated that supply fails to meet demand only for five+ bedroom dwellings.

- 14.62 Median monthly PRS rent data for all categories indicates that rents in Epsom & Ewell have increased by 49% (to £1,300) over the period of 2011 to 2022. This rate of increase is significantly greater than the rates realised by the HMA (38%), Surrey (28%) and England as a whole (38%).
- 14.63 Census data relating to the age profile of the PRS indicated that for all geographies, the 16-34 age made up the highest proportion of the PRS (equal to 40%).
- 14.64 The number of households in receipt of the housing entitlement of Universal Credit living in the PRS in Epsom & Ewell has increased substantially between January 2018 and May 2022 (equivalent to 2090%).
- 14.65 VOA data indicates that LHA is unable to cover the rents paid by the LQ households in the Borough of Epsom & Ewell, except for studio/1-bedroom dwellings.

15 HOUSING MIX

Introduction

- 15.1 This section considers the appropriate mix of housing in Epsom & Ewell with a particular focus on the sizes of homes required in different tenure groups. Initially, a range of statistics in relation to families (generally described as households with dependent children) are analysed before looking at what mix would be appropriate for policy to support taking into account the way households have occupied housing historically and forecast demographic change.

Background data

- 15.2 The number of families in the Epsom & Ewell (defined for the purpose of this assessment as any household which contains at least one dependent child) totalled 9,499 in the 2011 Census. As shown in the table below, this represents 31.89% of households in the Borough. This proportion is higher than seen within any of the comparator geographies. The variation with the England average is, for example, 2.78% (31.89% - 29.12%). This suggests that the Borough is a relatively attractive place to bring up children.

15.3 The proportion of different types of households with dependent children in Epsom & Ewell is broadly in line with the HMA and Surrey. However, the variation with the England average in respect of married couples and lone parents is 6% and -2% (rounded) respectively.

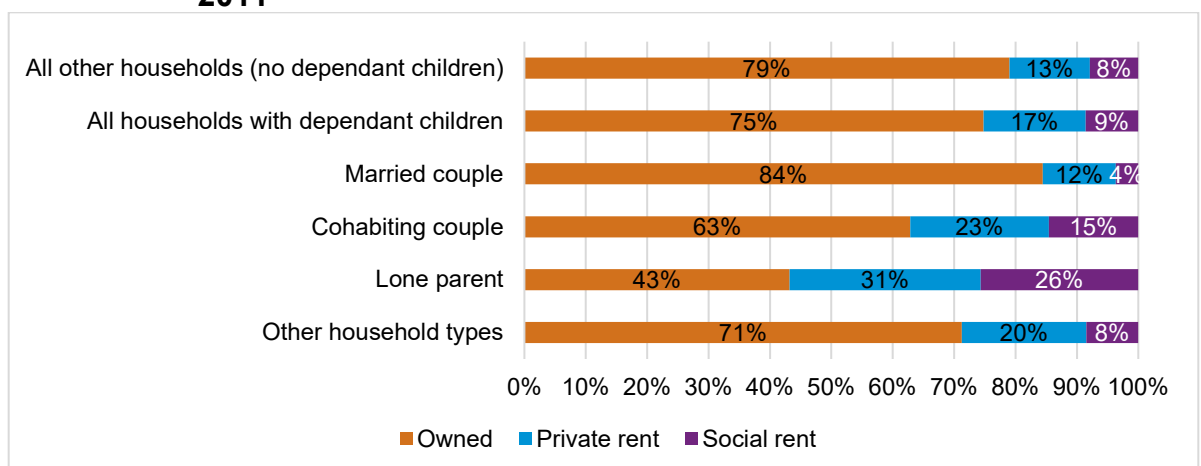
Table 56: Households of different types with dependent children as a percentage of all households 2011

Area	Married couple	Cohabiting couple	Lone parent	Other household types	Total with dependent children
Epsom and Ewell	21.22%	3.37%	5.02%	2.28%	31.89%
HMA	20.61%	3.30%	4.99%	2.29%	31.19%
Surrey	20.27%	3.38%	4.66%	2.11%	30.43%
England	15.30%	4.04%	7.13%	2.65%	29.12%

Source: Census table KS105EW

15.4 The figure below shows the current tenure of households with dependent children. There are differences among the different household types in terms of their distribution within the three broad tenures. For example, there are a relatively high proportion of lone parents living in both the Social Rented sector and in private rented accommodation compared with other groups (43% of lone parent households own their homes compared with 84% of married couples with children).

Figure 64: Tenure of households with dependent children, Epsom & Ewell, 2011



Source: Census table DC4101EW

- 15.5 Household projections have been developed, linked to the standard method (576 dpa in the 2022-2040 period) to estimate growth in family households over the period.
- 15.6 The table below shows the number of these households in 2022 and their numbers in 2040 based on the demographic projections. This indicates there will be an increase in the number of households with dependent children by 28% (about 3,176 households) over this period.
- 15.7 It is worth noting that the number of households in the Borough with three or more children will outstrip the growth in smaller households with dependent children by around 26% (the average percentage growth in smaller households and that of households of 3+ children).

Table 57: Projected Change in Family Households, Epsom & Ewell, 2022-40

Households by category	2022	2040	Change	%
One child	4,422	5,466	1,044	24%
Two children	5,298	6,664	1,366	26%
Three+ children	1,496	2,262	766	51%
Total households with dependent children	11,216	14,392	3,176	28%
All households	33,206	43,336	10,130	31%

Source: Demographic Projections

- 15.8 The level of growth in family households does not automatically translate into an equivalent need for family-sized accommodation, not least as many older households will continue to live in family-sized properties that offer space for friends and relatives to come and stay.

- 15.9 The table below provides an understanding of the level of under- and over-occupation of housing among households based on the concept of “occupancy ratings” (OR). Based on a given household’s members’ relationship with each other, a minimum number of homes is required to avoid overcrowding. An OR of more than 0 indicates an individual is living in a home that exceeds this requirement, indicating under-occupation.
- 15.10 The table below shows that 72% of people aged 65 and over living in Epsom & Ewell live in a home with an OR of 2, this suggests at least 2 “spare” bedrooms. This compares with 55% of those aged under 65.
- 15.11 Also, the proportion of people aged over 65 living in under-occupied dwellings is around 7% more than the average for England.
- 15.12 At the other end of the scale, 9% of people under the age of 65 live in homes that have an OR of -1, indicating they have too few bedrooms for their needs and are therefore living in over-crowded accommodation. That said, this is 4% less than the average for England.

Table 58: Occupancy Rating (Epsom & Ewell and comparator geographies) 2011

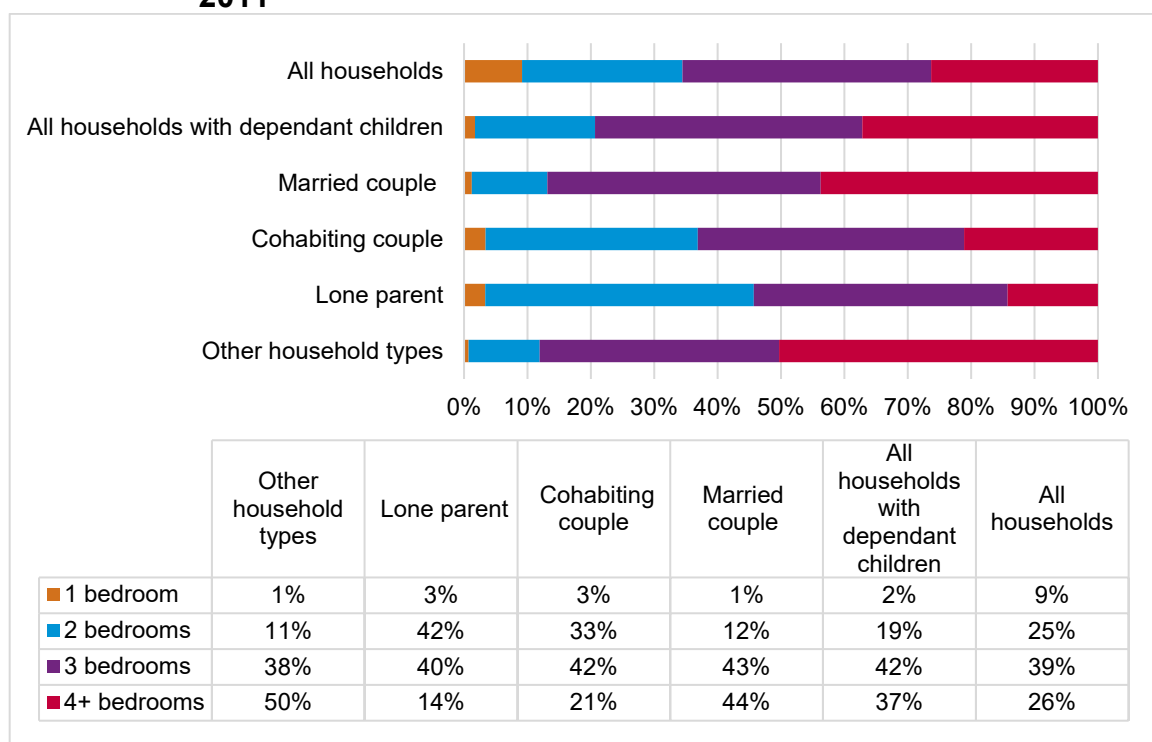
Occupancy rating	2		1		0		-1	
	Under 65	Age 65 and over	Under 65	Age 65 and over	Under 65	Age 65 and over	Under 65	Age 65 and over
Surrey	55%	71%	20%	16%	17%	10%	9%	3%
Epsom and Ewell	53%	72%	20%	17%	17%	9%	9%	3%
HMA	52%	70%	20%	17%	18%	10%	10%	3%
England	44%	65%	23%	20%	21%	11%	13%	3%

Source: Census 2011, Table [LC4410EW](#)

15.13 The figure below presents the number of bedrooms for family households at the point of the 2011 Census and sets out the differences between married, cohabiting, and lone-parent families. Across the Borough, the tendency is for family households to occupy 3-bedroom housing with varying degrees of 2-and 4+-bedroom properties depending on the household composition.

15.14 The data also, unsurprisingly, highlights the small level of 1-bed stock occupied by families across the board. As a result, it is reasonable to expect continued demand for 3+-bedroom homes. That said, given the Affordable Housing need profile, a greater balance of homes of medium-sized properties should also be factored into the recommendations.

Figure 65: Number of bedrooms by family household type, Epsom & Ewell, 2011



Source: Census table DC1402EW

15.15 As a result, it is important to deliver a range of housing sizes through appropriate planning policies taking into account relevant market signals. The opportunity to broaden and secure a mix of family-sized accommodation alongside smaller accommodation should be explored in order to provide diversity in the market.

The Mix of Housing

15.16 In order to arrive at guidance as to a suitable housing mix for new homes in Epsom & Ewell a modelling exercise has been undertaken (the “Housing Market Model”). This combines data published by the ONS that shows the tenures and sizes of properties occupied by heads of households (known as “household reference persons” or HRPs) falling into different age groups in 2011 with the demographic projections set out earlier in this report.

15.17 On the assumption that occupancy patterns for each age group (within each tenure) remain the same over the Plan period as they were in 2011, it is possible to provide an estimate of the housing mix needed over the period to 2040 (from 2022).

15.18 An important starting point is to understand the current balance of housing in the area. The tables below profile the sizes of homes in different tenure groups. In the owner-occupied sector, the analysis shows Epsom & Ewell has a similar proportion of homes across the four sizes (1-4+ bedrooms) compared to the HMA and Surrey averages. However, there is significant variation with England; a comparison with the national geography shows there is a significantly lower proportion of 3 bedroom and higher proportion of 4+ bedroom homes in Epsom & Ewell.

Table 59: Number of Bedrooms, Owner-Occupied Dwellings, 2011

Area	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	total
Epsom and Ewell	4%	22%	43%	31%	100%
HMA	5%	21%	40%	34%	100%
Surrey	5%	21%	40%	35%	100%
England	4%	23%	48%	25%	100%

Source: Census table [DC4405EW](#)

15.19 In the Social Rented sector, the data for Epsom & Ewell show a close similarity with that for the HMA and Surrey. Again, however, variations do exist with the England average in which there is a lower proportion of 1 bedroom homes and more homes of 2 and 3 bedrooms. This indicates the relatively high land values in the Borough compared with the national average that results, for economic reasons, in a greater preponderance of smaller units within the subsidised housing mix.

Table 60: Number of Bedrooms, Social Rented Dwellings, 2011

Area	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	Total
Epsom and Ewell	37%	31%	29%	3%	100%
HMA	37%	32%	27%	4%	100%
Surrey	37%	30%	30%	3%	100%
England	31%	34%	31%	4%	100%

Source: Census table [DC4405EW](#)

15.20 The similarity in the trends between Epsom & Ewell and the HMA and Surrey within the owner-occupation and Social Rented sectors holds for households that rent their homes privately. As with these tenures, however, variations exist with the national average that are significant. England shows a greater proportion of 1 and 3 bedroom and a lower proportion of 2 and 4 bedroom homes than the other geographical areas. Overall, this results in a marginally higher proportion of smaller units within the other geographies (in particular Epsom and Ewell and the HMA) than the national average. Again, this points to the underlying development economics driving smaller units in areas of relatively high land values (and demand).

15.21 Observations about the current mix feed into conclusions about future mix later in this section.

Table 61: Number of Bedrooms, Private Rented Dwellings, 2011

Area	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	Total
Epsom and Ewell	21%	42%	25%	13%	100%
HMA	25%	40%	22%	13%	100%
Surrey	23%	39%	24%	14%	100%
England	23%	39%	28%	10%	100%

Source: Census table DC4405EW

Understanding how Households Occupy Homes

15.22 That said, while the demographic projections provide a good indication of how the population and household structure will develop, it is not a simple task to convert the net increase in the number of households into an indicative housing mix for future developments.

15.23 The main reason for this is that in the market sector, households are able to buy or rent any size of the property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided.

15.24 The size of housing that households occupy relates more to their wealth and age than the number of people they contain. For example, there is no reason why a single person cannot buy (or choose to live in) a 4-bedroom home as long as they can afford it, and hence projecting an increase in single-person households does not automatically translate into a need for smaller units.

- 15.25 That said, issues of supply can also impact occupancy patterns. As shown in the evidence presented related to the occupancy rating, a large majority of households aged 65 and above live in larger homes than they, strictly speaking, need. While many may opt for this in order to have enough space to accommodate guests and possessions, it may also point to a market failure in the provision of smaller homes that would enable people to "right-size".
- 15.26 Where there is evidence of such market failure it is important the modelling does not bake in misalignments between supply and demand that are present in the 2011 data. As a result, adjustments to the baseline outputs of the Housing Market Model may be appropriate.
- 15.27 Moreover, the observation that additional housing supply will have impacts throughout the housing ladder has been widely studied as one of the possible applications of the "Markov Chain Model".
- 15.28 The Markov Chain Model, and specifically its application to the housing market, suggests that a new vacancy at the top of the housing ladder generates a statistically expected number of subsequent household moves. This is because as a new-build larger home is occupied, a smaller home is left vacant for a new household (e.g. a family), whose move would in turn free up a home for a smaller/new household (e.g. a childless couple or single-person household).
- 15.29 While longitudinal datasets on households' moves are not available in England, analysis of Swedish housing data shows that there were between 3.1 and 4.4 moves per new home built between 2000 and 2002¹³⁵, with vacancies created at larger multi-family homes creating the longest vacancy chains.

¹³⁵ Magnusson Turner, L. (2008). Who Gets What and Why? Vacancy Chains in Stockholm's Housing Market, *International Journal of Housing Policy*, 8(1), pp. 1-19.

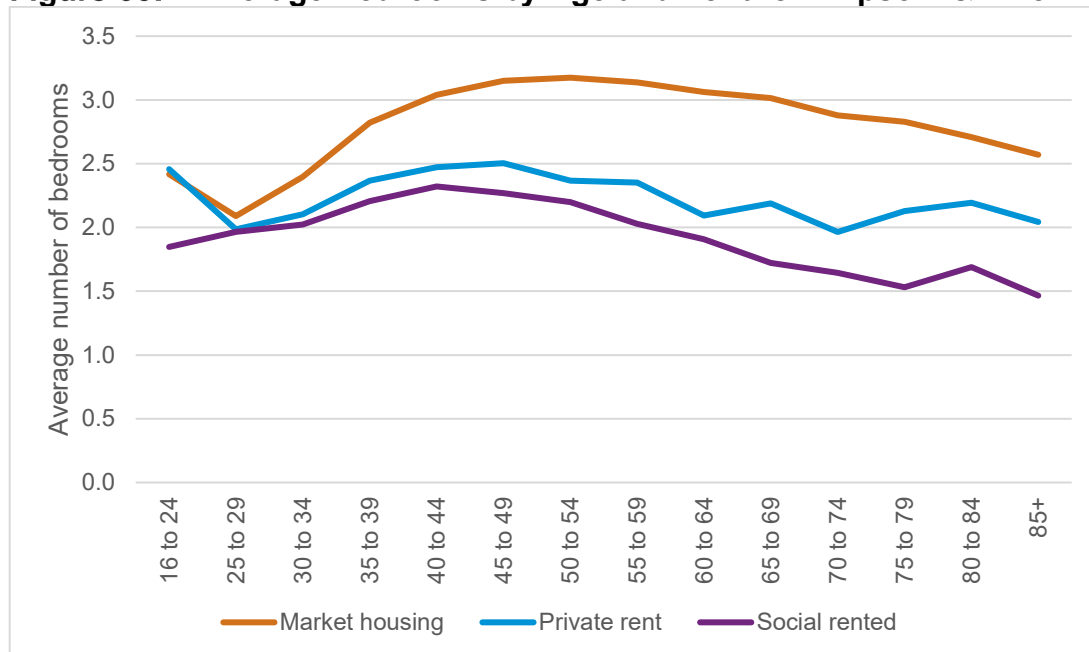
- 15.30 This raises the question of whether a misalignment between supply and demand is the issue that is preventing households accessing housing they can afford, or whether it is simply a shortage of stock. Where the evidence points to strong demand from family households in an area of relative affluence, the provision a substantial number of larger units will loosen the market at the lower end of the scale, making more stock available for other households lower down the housing ladder.
- 15.31 The issue of choice is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria¹³⁶) where households are allocated properties that reflect the size of the household.
- 15.32 The approach used to arrive at an indicative housing mix for future developments is to interrogate information derived from the projections about the number of HRPs in each age group and apply this to the profile of housing within these groups.
- 15.33 The data for this analysis has been formed from a commissioned table by ONS¹³⁷.
- 15.34 The figure below shows an estimate of how the average number of bedrooms varies by different ages of HRP and broad tenure groups for Epsom & Ewell. In the owner-occupied sector, the average size of accommodation rises over time to typically reach a peak around the age of 45; a similar pattern (but with smaller dwelling sizes and an earlier peak) is seen in both the Social and private rented sectors. After peaking, the average dwelling size decreases – as typically some households downsize as they get older.

¹³⁶ Despite the introduction of these criteria there will still be some level of under-occupation moving forward with regard to the older person and working households (e.g. those who can afford to pay the spare room subsidy).

¹³⁷ Table CT0621 which provides relevant data for all local authorities in England and Wales from the 2011 Census.

15.35 That said, in the private rented sector, the trend plateaus from the age of 65 at around 2 bedrooms and remains constant at this level until the age 85+. This suggests that for many older households dwellings of 2 bedrooms reflect the minimum number of bedrooms in order to maintain their preferred lifestyle.

Figure 66: Average Bedrooms by Age and Tenure in Epsom & Ewell



Source: Derived from ONS Commissioned Table CT0621

15.36 As noted, in order to capture a sense of the preference for different households as regards sizes of homes within different tenures, data has been set out below derived from the CT0621 dataset. The analysis has been used to derive outputs for three broad categories. These are:

- **market housing** – which is taken to follow the occupancy profiles in the owner-occupied sector;
- **affordable homeownership** – which is taken to follow the occupancy profile in the private rented sector (this is seen as reasonable as the Government’s desired growth in homeownership looks to be largely driven by a wish to see households move out of private renting); and
- **rented Affordable Housing** – which is taken to follow the occupancy profile in the Social Rented sector. The affordable sector in the analysis to follow would include Social and Affordable Rented housing.

Changes to Households by Age

- 15.37 The table below presents the projected change in households by age of HRP. Firstly, this shows that growth is forecast in every age group within the population. That said, certain age groups are forecast to grow more strongly than others. This is particularly true for people of relatively advanced age (aged 80+).

Table 62: Change in age structure 2022-2040 by five-year groups (Epsom & Ewell)

Age group	2022	2040	Change in households	% change
16 to 24	8,203	10,271	2,068	25%
25 to 29	4,168	5,336	1,168	28%
30 to 34	4,704	5,535	832	18%
35 to 39	5,385	5,924	540	10%
40 to 44	6,363	7,079	716	11%
45 to 49	6,004	7,497	1,493	25%
50 to 54	5,920	7,121	1,201	20%
55 to 59	5,800	6,470	670	12%
60 to 64	4,631	5,502	871	19%
65 to 69	3,720	5,025	1,305	35%
70 to 74	3,760	4,701	941	25%
75 to 79	3,393	4,318	924	27%
80 to 84	2,180	3,207	1,027	47%
85+	2,231	3,857	1,626	73%
Grand Total	66,460	81,843	15,382	23%

Source: Demographic Projections (Dwelling-led LHN (HH-14R))

Modelled Outputs

- 15.38 By following the methodology set out above and drawing on the sources shown, a series of outputs have been derived to produce an indicative housing mix for future developments within each of the three broad tenures at a local authority level.

15.39 The analysis for Affordable Rented housing can also draw on data from the local authority Housing Register with regards to the profile of need. The data has been taken from the Local Authority Housing Statistics (LAHS) and shows a pattern of need which is focused on 1- and 2-bedroom homes but also shows around 254 households as requiring 3+ bedroom homes.

Table 63: Size of Social/Affordable Rented Housing – Housing Register Information – Epsom & Ewell

Size	Number of households	% of households
1-bedroom	458	42%
2-bedrooms	383	35%
3-bedrooms	207	19%
4+-bedrooms	47	4%
Total	1,095	100%

Source: Local Authority Housing Statistics data returns, England 2020-21

15.40 It is also worth taking into account households' self-reported need as it appears on the Council's housing register. The table below sets out the need for Affordable Rented housing of different sizes extracted from this source. This reflects the need of Bands B-D on the register, but excludes Band E (the lowest category of need). It shows that the majority of need for Affordable Rented housing (80%) is for 1 and 2 bedroom dwellings. This broadly correlates with the LAHS data set out above.

Table 64: Need for Affordable Rented units (Bands B-D)

No. bedrooms	1	2	3	4+	Total
% of need	51%	29%	17%	3%	100%

Source: Epsom & Ewell Housing Register

15.41 The table below presents an indicative future housing mix, by tenure for Epsom & Ewell based on the Housing Market Model.

Table 65: Modelled Mix of Housing by Size and Tenure in Epsom & Ewell (linked to occupancy patterns)

Tenure	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms	Total
Market	7%	25%	40%	28%	100%
Private rent	21%	42%	24%	12%	100%
Social Rent	37%	31%	29%	3%	100%

Sources: Housing Market Model

Indicative Targets for Different Sizes of Properties by Tenure

Social/Affordable Rented Housing

- 15.42 Bringing the evidence together, a number of factors are recognised. This includes that it is unlikely that all Affordable Housing needs will be met and that it is likely that households with a need for larger homes will have greater priority (as they are more likely to contain children).
- 15.43 That said, there is also a possible need for 1-bedroom social housing arising due to homelessness (typically homeless households are more likely to be younger single people). Indeed, the LAHS data points to a strong need for dwellings of this size.
- 15.44 Moreover, Housing Register shows that over the period 2021-2022, 403 households entered the waiting list. Of these, the majority (51%) require a 1-bedroom property.
- 15.45 That said, the allocation of homes will be based on a strict determination of need using the bedroom standard. There will also be some households able to afford a slightly larger home or who can claim benefits for a larger home than they strictly need (i.e. are not caught by the spare room subsidy ('bedroom tax')). This will include older person households.

15.46 In taking account of the modelled outputs, the Housing Register and the discussion above, it is suggested that the following mix of Social/Affordable Rented housing would be appropriate:

- 1-bedroom: 40%
- 2-bedrooms: 35%
- 3-bedrooms: 20%
- 4+-bedrooms: 5%

Affordable Home Ownership

15.47 In the affordable homeownership and market sectors, a profile of housing that more closely matches the outputs of the housing market model set out above is suggested. It is considered that the provision of affordable homeownership should be more explicitly focused on delivering smaller family housing for younger households. Based on this analysis, it is suggested that the following mix of affordable homeownership would be appropriate:

- 1-bedroom: 20%
- 2-bedrooms: 40%
- 3-bedrooms: 30%
- 4+-bedrooms: 10%

Market Housing

15.48 Finally, in the market sector, a balance of dwellings is suggested that takes account of both the demand for homes and the changing demographic profile (as well as observations about the current mix when compared with other locations).

15.49 The evidence of market failure to produce smaller market homes that will enable “right-sizing” on the part of older households should be taken into account. For this reason, the Housing Market Model for units of 1-bedroom have been adjusted from 7% to 10%.

15.50 Nevertheless, the recommendations set out below retain a preponderance larger home compared with other tenure groups. This reflects the strength of demand for family housing and the release of smaller units that comes with allowing relatively affluent households to trade up. The following mix of market housing is suggested:

- 1-bedroom: 10%
- 2-bedrooms: 35%
- 3-bedrooms: 35%
- 4+-bedrooms: 20%

15.51 Although the analysis has quantified this on the basis of the market modelling and an understanding of the current housing market, it does not necessarily follow that such prescriptive figures should be included in the plan-making process (although it will be useful to include an indication of the broad mix to be sought across the Borough) – demand can change over time linked to macro-economic factors and local supply. Policy aspirations could also influence the mix sought.

15.52 Whilst this report does not suggest that highly prescriptive figures necessarily need to be included within Local Plans, it is the case that the figures can be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by demographic change in the area.

15.53 The recommendations can also be used as a set of guidelines to consider the appropriate mix on larger development sites, and the Council should expect justification for a housing mix on such sites which significantly differs from that modelled herein. Site location and area character are also however relevant considerations as regards the appropriate mix of market housing on individual development sites.

Housing mix summary

- 15.54 The variation between Epsom and Ewell and the England average in terms of the prevalence of households with children is 2.78% (31.89% - 29.12%). This suggests that the Borough is a relatively attractive place to bring up children.
- 15.55 The demographic projections prepared for this report suggest the number of households in the Borough with three or more children will outstrip the growth in smaller households with dependent children by around 26%.
- 15.56 Across the Borough, the tendency is for family households to occupy 3-bedroom housing. As a result, it is reasonable to expect continued strong demand for 3+ bedroom homes.
- 15.57 72% of people aged 65 and over living in Epsom & Ewell live in a home with an occupancy rating of 2 or more. This indicates widespread under-occupation of homes.
- 15.58 The greater proportion of households in Epsom and Ewell living in smaller units in the private rented and Social Rented sectors than the England average points to underlying development economics driving smaller units in areas of relatively high land values (and demand).
- 15.59 While the market failure that prevents down-sizing on account of the lack of provision of smaller units should be taken into account, the notion that the provision of larger units loosening the market at lower price points should also be considered. This will increase the likelihood of (for example) older and newly forming households accessing market homes suited to their needs that they can afford.
- 15.60 The issue of choice is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) given that households in this sector are allocated properties that reflect the household size and composition.

15.61 That said, data from the Local Authority Housing Statistics (LAHS) shows a pattern of need for Social and Affordable Rented dwellings which is focused on 1- and 2-bedroom homes (77% of need) but also shows around 254 households as requiring 3+ bedroom homes (23% of need).

15.62 Bringing together the evidence gathered in this chapter, the table below sets out the indicative housing mix for future developments in Epsom & Ewell.

Table 66: Suggested mix of housing by size and tenure

Tenure	1-bedroom	2-bedrooms	3-bedrooms	4+ bedrooms
Market	10%	35%	35%	20%
Affordable home ownership	20%	40%	30%	10%
Affordable housing (rented)	40%	35%	20%	5%

Source: Housing Market Model, GL Hearn adjustments

16 HOUSING NEEDS FOR SPECIFIC GROUPS

16.1 This chapter sets out the housing needs relating to specific groups within the Borough.

Older and disabled persons and other specific groups

16.2 This section of the report examines the housing need for older persons and those with a long-term health problem or disability (LTHPD) including wheelchair users' needs.

16.3 The NPPF states:

“The size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies (including, but not limited to, those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes”¹³⁸

16.4 Planning Practice Guidance (PPG) for older and disabled people is spread over two sections: *Housing for older and disabled people* and *Housing: optional technical standards*. These sections both need to be considered in order to understand the range of topics that local authorities should address and the sources of evidence to support policy development.

16.5 *Housing for older and disabled people* establishes that plan-making authorities should address the housing needs of older and disabled people¹³⁹ and that plans need to provide for specialist housing where such a need exists.¹⁴⁰

16.6 The guidance sets out the standards that can be applied to dwellings so that they are suitable for occupation by people in groups:

¹³⁸ NPPF Paragraph 62

¹³⁹ PPG (Housing for older and disabled people) Para 006 Ref ID: 63-006

¹⁴⁰ PPG (Housing for older and disabled people) para 012 Ref ID: 63-012

- *“M4(1) Category 1: Visitable dwellings”¹⁴¹*
- *M4(2): Accessible and adaptable dwellings; and*
- *M4(3): Wheelchair user dwellings.”¹⁴²*

16.7 It also points out suitable evidence sources to identify the need.¹⁴³

16.8 *Housing: optional technical standards* sets out the topics that should be addressed such that councils respond to need in a meaningful way; these are:

- *“the likely future need for housing for older and disabled people (including wheelchair user dwellings).*
- *size, location, type and quality of dwellings needed to meet specifically evidenced needs (for example retirement homes, sheltered homes or care homes).*
- *the accessibility and adaptability of existing housing stock.*
- *how needs vary across different housing tenures.*
- *the overall impact on the viability”¹⁴⁴*

16.9 Across the country, due to the improvements in life expectancy, the population of people in older age groups is increasing, and Epsom & Ewell is no exception. For this reason, a priority for the HEDNA will be to provide a robust forecast of the needs of older residents.

16.10 PPG states plan-makers will need to

“determine the needs of people who will be approaching or reaching retirement over the plan period, as well as the existing population of older people”.¹⁴⁵

16.11 To determine the need for specialist housing for older persons older residents have, therefore, been divided into two age cohorts, those aged between 65 and 74 years, and those aged 75 and above. This is justified by the different levels of disability within these two age cohorts, and the existence of authoritative guidance on planning for housing need of those aged 75 and older.

¹⁴¹ Subject to further reform, this is currently the minimum standard that applies where no planning condition is given unless a plan sets a higher minimum requirement.

¹⁴² PPG (Housing for older and disabled people) Para 009 Ref ID: 63-009

¹⁴³ PPG (Housing for older and disabled people) Para 005 Ref ID: 63-005

¹⁴⁴ PPG (Housing: optional technical standards) Para 007 Ref ID: 56-007

¹⁴⁵ PPG (Housing for older and disabled people) Para 003 Ref ID: 63-003

- 16.12 It also allows plan-makers to identify the need for specialist housing for older people that maps onto the four types of dwelling identified in PPG:
- Age-restricted general market housing;
 - Retirement living or sheltered housing;
 - Extra care housing or housing-with-care; and
 - Residential care homes and nursing homes.¹⁴⁶
- 16.13 That said, as noted in PPG, it is reasonable to assume the needs of many older people will be met through mainstream housing, particularly where policy actively supports lifetime homes, bungalows, and adaptations.¹⁴⁷
- 16.14 PPG also notes that policy should enable people to live in their own, or mainstream housing, for as long as possible, particularly given it may be adapted or designed specifically to meet their needs. Plan-makers will, therefore, need to identify the role that general housing may play as part of their assessment. By so doing, they will be able to reduce the assessed need in the area for all forms of specialist housing for the elderly and avoid over-provision.
- 16.15 In order to understand the level of demand, firstly, the number of older person households that will arise by 2040 is therefore identified; secondly, what proportion of this group's housing needs can be addressed through mainstream housing (allowing for both lifetime homes and the scope for adaptations); and, lastly, what the residual need is likely to be for Specialist Housing for the Older People (SHOP).

¹⁴⁶ PPG (Housing for older and disabled people) Para 010 Ref ID: 63-010

¹⁴⁷ PPG (housing for older and disabled people) Para 012 Ref ID: 63-012

Older Persons Population Growth

16.16 The following tables provide the current baseline population of older persons in Epsom & Ewell, together with relevant comparators, and the percentage of the population that they comprise. The data (for 2020) reflects the latest that has been published.

Table 67: Older person population, Epsom & Ewell and comparators, 2020

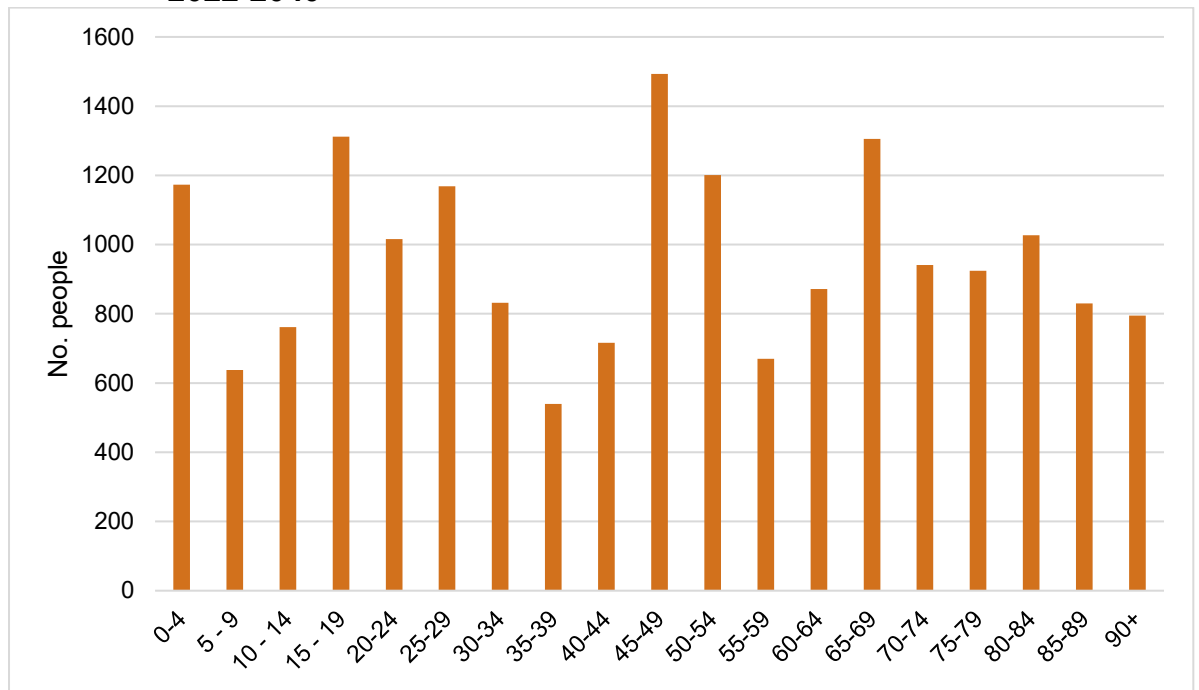
Age Group	Epsom and Ewell	HMA	Surrey	England
Under 65	66,100	520,400	970,000	46,086,200
Under 65 (%)	82%	82%	81%	81%
Aged 65-74	7,700	58,600	116,400	5,598,400
Aged 65-74 (%)	10%	9%	10%	10%
Aged 75-84	5,000	37,100	77,200	3,459,200
Aged 75-84 (%)	6%	6%	6%	6%
Aged 85+	2,100	17,900	36,300	1,406,400
Aged 85+ (%)	3%	3%	3%	2%
Grand Total	100%	100%	100%	100%

Source: ONS population estimates

16.17 The data shows that Epsom & Ewell has a similar proportion of older persons in every age category above 65+ to the comparator geographies. 18% of the Borough's population is aged 65 and above, this is roughly the same as the national average (19%).

16.18 As well as providing a baseline position for the proportion of older persons in the Epsom & Ewell, demographic projections can be used to provide an indication of how the numbers will change in the future. The following figure shows the projected population change between 2022 and 2040 in the Borough.

Figure 67: Change in the age structure of the population, Epsom & Ewell, 2022-2040



Source: Demographic Projections, Dwelling-led LHN (HH-14R)

16.19 This data shows that there is a balance of change across the age groups with no one “life-stage” showing a particularly high level of growth. That said, young adults aged between 15 and 29 are forecast to show strong growth, as are people in mid to late middle age (aged 45-54).

16.20 It is, however, worth considering trends in growth among older households. The table below shows the disaggregates the overall change in the age structure of the population of Epsom & Ewell into people aged under and over the traditional age of retirement (65).

16.21 Overall, it is forecast that there will be an increase of 5,823 people aged 65+ category between 2022 and 2040. This is an increase of 38% compared with an increase in the population as a whole of 22%. The proportion of the population that is over the age of 65 will increase over the period.

Table 68: Change in number of people aged under and over 65, Epsom & Ewell

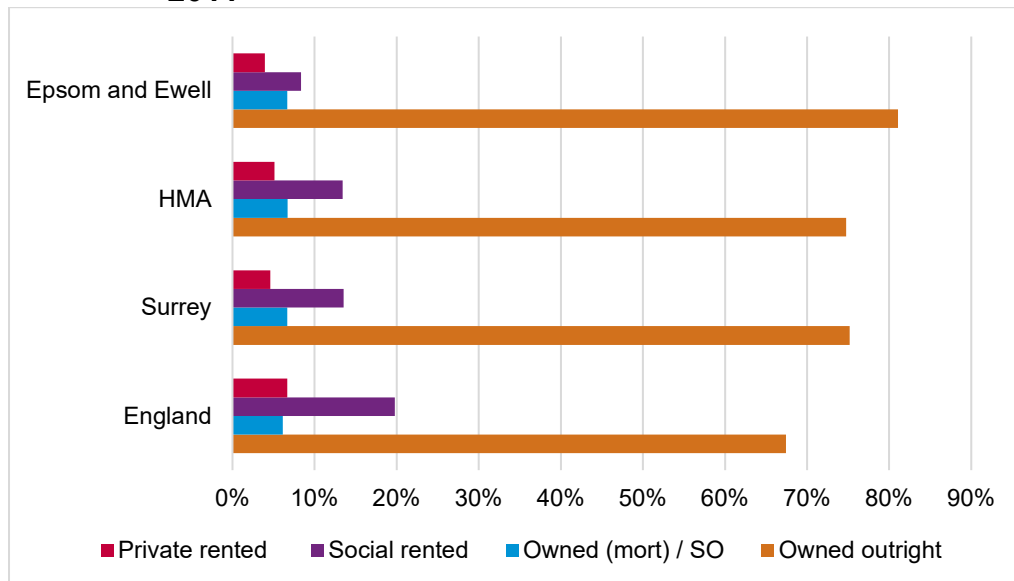
Age groups	2022	2040	% change
Under 65	68,885	81,276	18%
Over 65	15,284	21,107	38%
65-74	7,480	9,726	30%
75-84	5,573	7,525	35%
85+	2,231	3,857	73%
Total	84,169	102,383	22%

Source: Demographic Projections, Dwelling-led LHN (HH-14R)

Characteristics of Older Person Households

16.22 The following figure displays the tenure of older person households (aged 65+) for the Epsom & Ewell and comparator geographies in 2011.

Figure 68: Tenure of households aged 65+, Epsom & Ewell and comparators, 2011



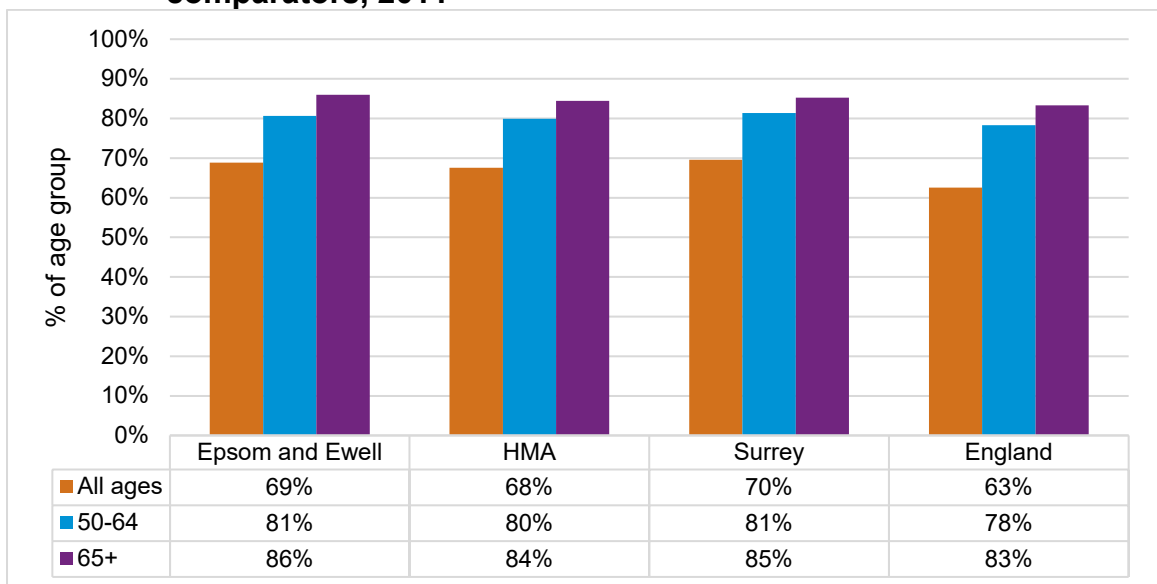
Source: Census table LC4101EW

16.23 This data shows that older person households are more likely to live in outright owned accommodation than other household types. Epsom & Ewell contains a greater proportion of older people that own their homes outright at 81% compared to Surrey (75%) and England (67%). It is also worth noting that a relatively small proportion occupy Social Rented accommodation (8% compared with the England average of 20%)

16.24 Also, older households are also more likely to be “under-occupying” property compared to other age groups. An “under-occupied” property can be described as a household that has an “occupancy rating” that is 1 or more. This is where a given household has one or more bedrooms above what is recommended based on the number of people living within the household space and their relationship to each other.

16.25 As the figure below demonstrates, 86% of those aged 65 and above in Epsom & Ewell are in an under-occupied home compared to 69% in all age groups. A similar trend is exhibited in the HMA and Surrey. That said, this proportion exceeds the England average by 3%.

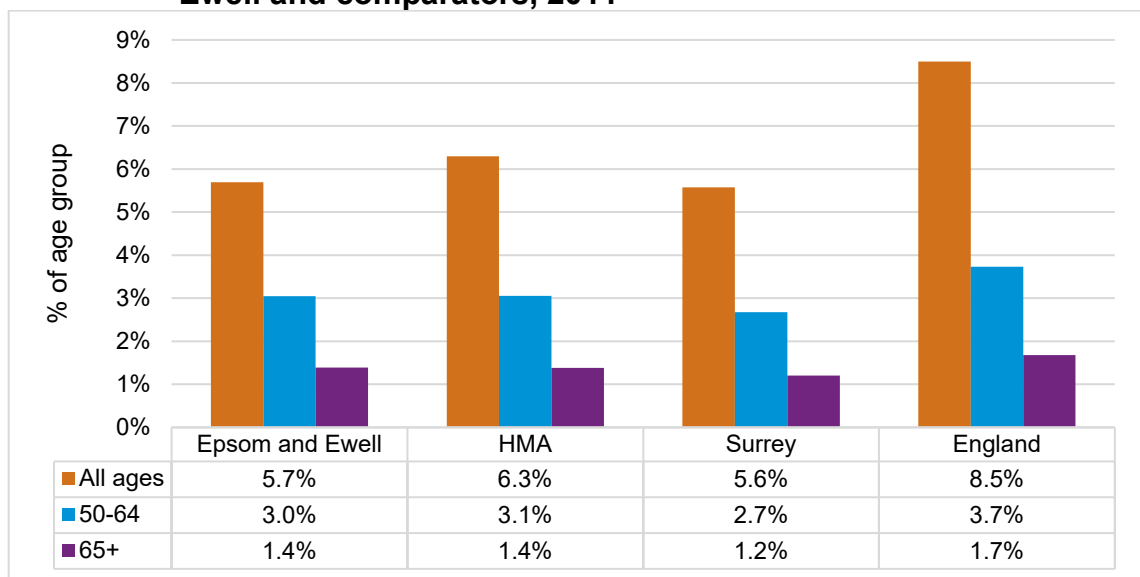
Figure 69: Age groups with an occupancy rating of =>1, Epsom & Ewell and comparators, 2011



Source: Census table [DC3404EW](#)

16.26 The following figure shows the percentage of age groups living in households with an occupancy rating of minus 1, indicating some level of over-crowding. This shows that there is limited evidence of over-crowding in the Borough among people aged 65 and above, and this trend is broadly in line with the comparator geographies.

Figure 70: Age groups with an occupancy rating of -1 or more, Epsom & Ewell and comparators, 2011



Source: Census table [DC3404EW](#)

Prevalence of Disabilities

16.27 The following table shows the proportion of people with a long-term health problem or disability (LTHPD), and the proportion of households that contain someone with a LTHPD drawn from 2011 Census data.

Table 69: % of the population with LTHPD, Epsom & Ewell and comparators, 2011

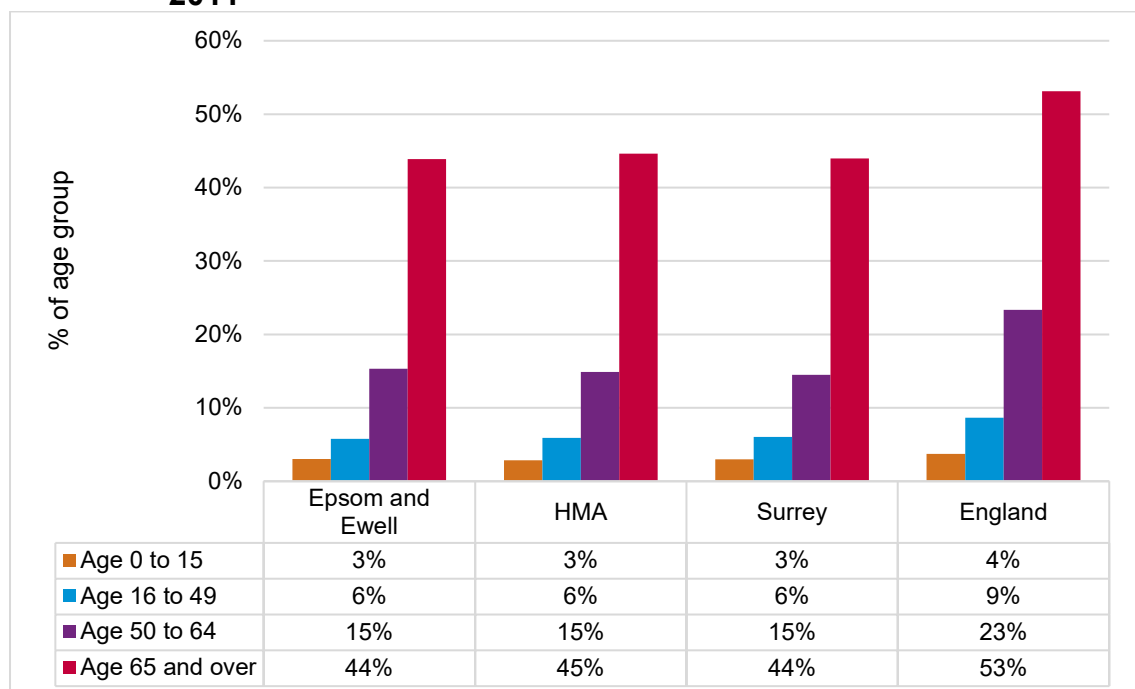
Area	% of the population with LTHPD	% households containing someone with LTHPD
Epsom and Ewell	13%	26%
HMA	13%	24%
Surrey	14%	25%
England	18%	31%

Source: Census table [QS303EW](#) and [LC1301EW](#)

16.28 Epsom & Ewell contains a significantly lower proportion of the population with a LTHPD at 13% than the national average (18%) but is broadly comparable with the HMA and Surrey (13% and 14% respectively). In addition, a significant proportion of households in the Borough contain someone with a LTHPD (26%).

16.29 It is likely that the age profile will impact the numbers of people with a LTHPD, as older people tend to be more likely to have an LTHPD. The figure below shows the age bands of people with an LTHPD for Epsom & Ewell and comparator geographies in 2011.

Figure 71: Population with LTHPD by age, Epsom & Ewell and comparators, 2011

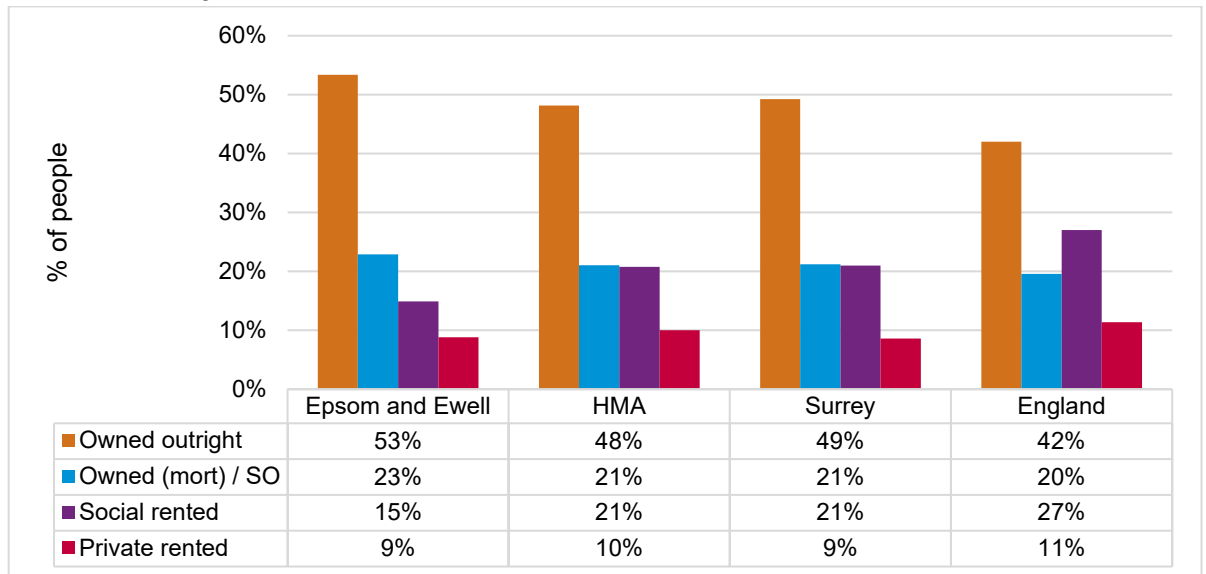


Source: Census table: DC3201EW

16.30 It is clear from this data that people in the older age bands are more likely to have an LTHPD. It is worth pointing out that the Borough has a lower proportion of people aged 50 to 64 and 65+ with an LTHPD compared to the England average. That said, the data relating to the wider HMA and Surrey is similar.

16.31 The following figure displays the tenures of people with an LTHPD (it should be noted that the data is for “population living in households” rather than “households”) for Epsom & Ewell and comparator geographies from Census 2011.

Figure 72: Tenure of people with LTHPD, Epsom & Ewell and comparators, 2011



Source: Census table [LC3408EW](#)

16.32 This shows that a significant percentage of people with an LTHPD live in Social Rented housing, although the percentage that do so (15%) is substantially less than for England as a whole (27%). The most common tenure for people with an LTHPD in Epsom & Ewell is outright ownership of their dwelling; a greater proportion do so (53%) than for any of the comparator geographies. This will be linked to the age profile of the population with a disability.

16.33 Given that typically lower incomes are found in the Social Rented sector, and to a lesser extent for outright owners (many of whom are retired), the data suggests that the households with a disability are likely to be relatively disadvantaged when compared to the rest of the population in terms of income levels and therefore the ability to afford goods and services (as well as to access the housing market in many instances).

Health-Related Population Projections

- 16.34 The incidence of a range of health conditions is an important component in understanding the potential need for care or support for a growing older population as well as the need for new build accommodation to be built to different building standards.
- 16.35 The table above shows the projected change in the number of people who experience a range of disabilities in Epsom & Ewell, disaggregated to those aged 18-65 and 65+.

Table 70: Projected Changes to Epsom & Ewell Population with a Range of Disabilities

Disability	Age Range	2022	2040	Change	% Change
Mental Disabilities (Dementia)	65+	1,084	1,724	640	59%
Mental Disabilities (Autistic Spectrum Disorders)	18-64	477	566	90	19%
Mental Disabilities (Autistic Spectrum Disorders)	65+	137	194	58	42%
Mental Disabilities (Learning Disabilities)	15-64	1,273	1,510	237	19%
Mental Disabilities (Learning Disabilities)	65+	311	431	120	38%
Mental Disabilities (Challenging behaviour)	15-64	23	28	4	18%
Physical Disabilities (Mobility problems)	65+	2,795	4,170	1,375	49%
Physical Disabilities (Impaired mobility)	16-64	2,787	3,271	485	17%

Source: POPPI/PANSI and Demographic Projections (Dwelling-led LHN (HH-14R))

- 16.36 The analysis draws on prevalence rates from the PANSI (Projecting Adult Needs and Service Information) and POPPI (Projecting Older People Population Information) websites. In all cases, the analysis links to estimates of population growth based on standard method housing need estimates.
- 16.37 Of particular importance are the large projected increases in the number of older people with dementia (increasing by 59% from 2022 and 2040) and mobility problems (49% increase over the same period).

- 16.38 Mobility problems related to an inability to manage at least one mobility activity (going out of doors and walking down the road; getting up and down stairs; getting around the house on the level; getting to the toilet, and getting in and out of bed) while impaired mobility relates to conditions such as visual or hearing issues which will impair mobility.
- 16.39 The forecast change relating to people aged between 18 and 65 identifies that the number of younger disabled people is likely to increase over the plan period (e.g. those with physical disabilities by 17%).
- 16.40 It should be noted that there will be an overlap between categories (i.e. some people will have both dementia and mobility problems). Hence the numbers for each of the illnesses/disabilities should not be added together to arrive at a total.
- 16.41 Such is the scale of increase of those with dementia or other mobility problems, the analysis above would lead to the conclusion that the Council should require all new dwellings to be M4(2) Category 2 compliant to underpin the accessibility and adaptability of dwellings with a proviso that this is subject to build form, topography, flooding and other relevant constraints.
- 16.42 While in some cases this may challenge viability, the typical cost of M4(2) compliance is around £521 per unit for 2, 3, and 4-bedroom homes and around £900 for 1 and 2 bedroom flats according to the then Department for Communities and Local Government paper published in 2014¹⁴⁸. This does not include the extra land area needed to meet the standard.
- 16.43 The Council should also continue to work with other service providers when dealing with more specific needs (e.g. autism), and whether they should be met through mainstream or more specialist forms of housing.

¹⁴⁸ DCLG, [Housing Standards Review](#), September 2014, pp38

- 16.44 In seeking M4(2) compliant homes, the Council should be mindful that such homes could be considered “homes for life” and would be suitable for any occupant, regardless of whether or not they have a long term health problem or disability at the time of initial occupation.
- 16.45 This study does not aim to specify the exact location or number of units that should be provided for different groups; it may be that some types of specialist accommodation could have a wide catchment and may be suitable for clients from outside the Epsom & Ewell (it is also possible that some people in the area could be placed in accommodation elsewhere).
- 16.46 The sources below consider the range of options that may be relevant on the basis of the data;
- [Mencap – Housing for People with a Learning Disability](#)
 - [Housing Options for Younger Adults with a Disability \(NHS website\)](#)
 - [Care Choices](#) (information provided to residents of Epsom & Ewell)
- 16.47 The Mencap report notes that most people with a learning disability known to local authorities live in one of three types of accommodation; with family and friends (38%); in a registered care home (22%) or in supported accommodation (16%).
- 16.48 Most people with a learning disability who live with family and friends want greater independence, with around 70% wanting to change their existing living arrangements to achieve this (89% of parents whose son or daughter lives with them want them to have more independence). This demonstrates that there is a potential need for supported accommodation outside of the family home.
- 16.49 The report does however highlight that there are several barriers to achieving independent living, including local budgets, a lack of support, difficulties finding suitable accommodation for people with complex or multiple needs, in addition to a general lack of accommodation.

16.50 Although the Mencap report does not specifically outline the types of housing needed it does recommend developing a national strategy for those with learning difficulties and recommends that local authorities should include specific plans for improving the accommodation situation of those with a learning disability in local housing strategies. The study also notes that the need from this group of people is expected to increase in the future. This is in line with the demographic trends presented in this report.

16.51 To consider the specific housing options for younger people with a disability, the NHS website provides some information. The website considers a wider range of needs and outlines 5 broad types of accommodation that may be made available;

“Teenagers and young adults with special needs or disabilities may want or need – greater independence as they get older. But they're also likely to have care needs that mean they need alternative housing options. Those care needs may be related to, for example, physical or mental health problems, a learning disability, or drug or alcohol misuse. There are a variety of housing options they may want to consider:

- *buying or renting an adapted property*
- *sheltered housing schemes for younger people*
- *supported housing in the community*
- *supported living services*
- *shared lives schemes”¹⁴⁹*

16.52 Considering this is a broad range of housing options, there are likely to be different products within each of these categories. It is important for any scheme to support people to be as independent as reasonably possible. Furthermore, it is important to note that, in addition to accommodation, it is likely that some people will need assistance with life skills such as budgeting or care plans may be required.

¹⁴⁹ NHS – Housing Options for Younger Adults with a Disability

- 16.53 There is a range of disabilities and client groups in the category “younger people with disabilities”, therefore, there will not be a one size fits all. The Council should note the assessment of needs in this report and the range of potential solutions to support people to live as independently as possible. Furthermore, the Council should encourage the provision of accommodation where opportunities arise, as well as keep information about the options up to date.
- 16.54 As mentioned earlier, this report does not aim to provide targets for different housing types, although additional accommodation is likely to be needed due to rising demand. The Council should work with other service providers to ensure that there is a reasonable housing supply for a broad range of different groups by encouraging the development of homes that help to meet the increasing demand.

Need for Specialist Accommodation for Older Persons

- 16.55 Given the ageing population and higher levels of health problems and disability amongst older people, it is likely that there will be an increased requirement for specialist housing options moving forward. Planning Practice Guidance presents the different accommodation types of the older population:
- **“Age-restricted general market housing:** *This type of housing is generally for people aged 55 and over and the active elderly. It may include some shared amenities such as communal gardens, but does not include support or care services.*
 - **Retirement living or sheltered housing (housing with support):** *This usually consists of purpose-built flats or bungalows with limited communal facilities such as a lounge, laundry room and guest room. It does not generally provide care services, but provides some support to enable residents to live independently. This can include 24-hour on-site assistance (alarm) and a warden or house manager.*
 - **Extra care housing or housing-with-care (housing with care):** *This usually consists of purpose-built or adapted flats or bungalows with a medium to high level of care available if required, through an onsite care agency registered through the Care Quality Commission (CQC). Residents are able to live independently with 24-hour access to support services and staff, and meals are also available. There are often extensive communal areas, such as space*

to socialise or a wellbeing centre. In some cases, these developments are known as retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses.

- **Residential care homes and nursing homes (care bedspaces):** *These have individual rooms within a residential building and provide a high level of care meeting all activities of daily living. They do not usually include support services for independent living. This type of housing can also include dementia care homes.*¹⁵⁰

16.56 The need for specialist housing for older persons is typically modelled by applying prevalence rates to current and projected population changes and considering the level of existing supply. There is no “standard method” for assessing the housing and care needs of older people. The current and future demand for elderly care is influenced by a host of factors including the balance between demand and supply in any given area and social, political, regulatory and financial issues. Additionally, the extent to which new homes are built to accessible and adaptable standards may over time have an impact on specialist demand (given that older people often want to remain at home rather than move to care) – this will need to be monitored.

16.57 That said, there are a number of ‘models’ for considering older persons’ needs, but they all essentially work in the same way. The model results are however particularly sensitive to the prevalence rates applied, which are typically calculated as a proportion of people aged over 75 who could be expected to live in different forms of specialist housing. Whilst the population aged 75 and over is used in the modelling, the estimates of need would include people of all ages.

16.58 Whilst there are no definitive rates, the PPG notes that

“the future need for specialist accommodation for older people broken down by tenure and type (e.g. sheltered housing, extra care) may need to be assessed and can be obtained from a number of online tool kits provided by the sector, for example SHOP@ for Older People Analysis Tool)”¹⁵¹

¹⁵⁰ PPG (housing for older and disabled people) Para 010 Ref ID: 63-010

¹⁵¹ PPG (housing for older and disabled people) Para 004 Ref ID: 63-004

16.59 PPG does not specifically mention any other tools and therefore seems to be indicating that SHOP@ would be a good starting point for analysis. Since PPG was published the Housing Learning and Information Network (Housing LIN) has removed the Shop@ online toolkit although the base rates used for analysis are known and can be used alongside demographic projections to provide an indication of the potential level of additional specialist housing that might be required for older people in the future.

16.60 This report therefore uses the SHOP@ rates as a start point, but it is of interest to briefly set out other sources for comparative purposes. As the table below shows, different sources use different rates, and in some cases do not provide estimates for particular types of housing. Overall, the SHOP@ figures tend to fit in the middle of the range shown.

Table 71: Range of suggested baseline prevalence rates from a number of tools and publications

Type/Rate	SHOP @	Housing in Later Life (2012)	2016 Housing LIN Review	HOPSR (2017)
Age-restricted general market housing	-	-	25	55
Retirement living or sheltered housing (housing with support)	125	180	100	153
Extra care housing or housing-with-care (housing with care)	45	65	30-40	20
Residential care homes	65	(no figure apart from 6 for dementia)	40	111
Nursing homes (care bedspaces), including dementia	45	(no figure apart from 6 for dementia)	45	111

Source: Range of sources as identified

16.61 As noted, this report uses the SHOP@ figures as a starting point.

- 16.62 However, it is clear that, firstly, the prevalence rates used should be assessed taking into account an authority's strategy for delivering specialist housing for older people.
- 16.63 The degree for instance which the Council want to require extra care housing as an alternative to residential care provision would influence the relative balance of need between these two housing types.
- 16.64 Also, the Housing LIN model has been influenced by existing levels of provision and their view on what future level of provision might be reasonable taking account of how the market is developing and the availability of funding. There is a degree to which the model and assumptions within it may not fully capture the growing recent private sector interest and involvement in the sector.
- 16.65 The baseline rates applied in this assessment are discussed below – specific local adjustments are considered following the setting of baselines in the bullet points below:
- Age-restricted housing – Housing LIN does not provide rates for this type of housing and it is unclear if a new provision is to be expected. For this study, the modelling takes forward overall national prevalence rates to provide some indication of what the need might be (essentially showing the position in Epsom & Ewell compared with other parts of the county). The baseline rates applied are a need for 25 units per 1,000 population aged 75 and over in the affordable sector and 5 per 1,000 in market housing. No further adjustments have been made to these prevalence rates;
 - Housing with Support (retirement/sheltered housing) – Housing LIN suggests a base level of 125 units per 1,000 population aged 75 and over and it is considered that this is a reasonable starting point. Adjustments may then be made to this figure to reflect local levels of health in the older person population. The suggested tenure split is for 50% of homes to be market housing in more deprived areas up to 67% in less deprived locations. For the avoidance of doubt, as noted in the analysis to follow, Epsom & Ewell falls into the latter category. The tenure split applied is therefore 67% market and 33% affordable.
 - Housing with Care (enhanced sheltered and extra-care housing) – Housing LIN suggests a base level of 45 units per 1,000 population aged 75 and over. It is

considered that this level of provision is a reasonable longer-term aim but that this is quite a high figure in the context of current supply (estimated nationally to be around 18 units per 1,000 population aged 75 and over).

- 16.66 Therefore, the baseline modelling sets a need figure of 25 units per 1,000 initially, rising to 45 by the end of the projection period (to reflect this a median figure of 35 is applied in this report).
- 16.67 Again, it is appropriate for adjustments to be made to this figure to reflect local levels of health in the older person population. The tenure split is taken to be the same as for housing with support (again, an adjustment is appropriate to reflect the level of deprivation in the study area).
- Residential care bedspaces – Housing LIN suggests a base level of 65 units (bedspaces) per 1,000 population aged 75 and over. This figure is considered to be a reasonable starting point. However, given that the analysis seeks to increase the need for extra-care housing it seems reasonable to expect that there might be some reduction in the need for residential care. Therefore, the analysis looks at reducing the need for this accommodation type down to 45 per 1,000 by the end of the projection period (to reflect this a median figure of 55 has been applied). Again, adjustments may be made to this figure to reflect local levels of health in the older person population. Residential care bedspaces do not have a tenure associated with them; and
 - Nursing care bedspaces – Housing LIN suggests a base level of 45 units (bedspaces) per 1,000 population aged 75 and over and this is considered reasonable as both a current need estimate and projecting forward. Again, adjustments are made to this figure to reflect local levels of health in the older person population. There is, however, no associated tenure with this type of housing.
- 16.68 Following the Housing LIN methodology, an initial adjustment has then been made to these rates to reflect the relative health of the local older person population (applied to all groups apart from age-restricted housing). This has been based on Census data about the proportion of older people who have a long-term health problem or disability (day-to-day activities limited a lot) compared with the England average.

- 16.69 In Epsom & Ewell, the data shows worse health in the population for people aged 75 and above relative to the England average¹⁵². For this reason, the prevalence rates used in the modelling have been increased by 17% (this being the level of variation between reported health among older people within each geography).
- 16.70 A second local adjustment has been made to the estimated tenure split for the housing with support and housing with care categories. This again draws on suggestions in the Shop@ toolkit that less deprived local authorities could expect a higher proportion of their specialist housing to be in the market sector.
- 16.71 Using 2019 Index of Multiple Deprivation (IMD) data, the average decile into which the lower super output areas of Epsom & Ewell fall is 9. This suggests that the Borough has, relatively speaking, low levels of deprivation.
- 16.72 As a result, it is appropriate to conclude there exists a substantially greater need for market homes for older people in Epsom & Ewell than would be the case for an authority closer to the middle of the range suggested by Shop@ toolkit. For this reason, the tenure split applied is 67% market and 33% affordable units. To be clear this is market housing within the categories described above (e.g. housing with support and housing with care).
- 16.73 The table below shows estimated needs for different types of housing linked to the population projections. The analysis is separated into the various different types and tenures although it should be recognised that there could be some overlap between categories (i.e. some households might be suited to more than one type of accommodation). Below is a brief summary of the findings:
- Age-restricted – the analysis suggests a potential shortfall of accommodation of around 158 dwellings by 2040 in both broad tenures.
 - Housing with support (sheltered/retirement housing) – the analysis suggests a shortfall in both the market and affordable sectors. By 2040 a total shortfall of

¹⁵² This figure is based on comparing the proportion of people in Epsom & Ewell (40%) aged 75 and above who have a LTHPD that limits them a lot with the equivalent figure for England (33%). This is a variation of 17%.

908 units is estimated – of which 645 would be in the market sector (71% of the total).

- Housing with care (e.g. Extra-care housing) – a total shortfall of 377 units is estimated by 2040, of which 215 would be in the market sector (57% of the total).
- Residential/nursing care bedspaces – the analysis estimates a total need for an additional 732 bedspaces by 2040 (including a current shortfall of 313).

16.74 Taking the categories of housing with support and housing with care together, the analysis suggests a need for 1,285 dwellings over the 2022-40 period (71 per annum) – this figure notionally represents around 12% of the Borough's LHNF of 576 dwellings per annum.

16.75 Where market housing is shown in the table below, it is considered that this could include an element of leasehold Shared Ownership – this would particularly help older owner-occupiers who have lower levels of equity. The analysis in this report does not attempt to estimate the need for Shared Ownership and the exact proportions of the market housing delivered as Shared Ownership will depend on a number of factors (including viability). At a national level, less than 5% of all market housing with care is of a Shared Ownership tenure and it is considered that the Council might consider a higher figure than this (say 10%) where opportunities arise.

Table 72: Specialist Housing Need using adjusted SHOP@ Assumptions, 2022-2040

Type	Tenure	Housing demand per 1,000 75+ (start)	Current supply	Current demand	Current shortfall/ surplus (-ve)	Additional demand to 2040	Shortfall /surplus by 2040
Age-exclusive	Market	5	179	210	31	16	47
Age-exclusive	Affordable	25	16	38	22	89	111
Total (age-exclusive)		30	195	248	53	106	158
Housing with support	Market	98	527	822	295	351	645
Housing with support	Affordable	48	314	405	91	173	263
Total (housing with support)		146	841	1,226	385	523	908
Housing with care	Market	27	113	230	117	98	215
Housing with care	Affordable	14	0	113	113	48	162
Total (housing with care)		41	113	343	230	146	377
Residential care bedspaces	N/A	64	311	540	229	230	459
Nursing care bedspaces	N/A	53	357	441	84	188	273
Total bedspaces		117	668	981	313	419	732

Source: Derived from Demographic Projections and Housing LIN/EAC

- 16.76 The provision of a choice of attractive housing options to older households is a component of achieving a good housing mix. The availability of such housing options for the growing older population may enable some older households to down- or right-size from homes that no longer meet their housing needs or are expensive to run.
- 16.77 It should also be noted that within any category of need there may be a range of products. For example, many market extra-care schemes are towards the ‘top-end’ of the market and may have significant service charges (due to the level and quality of facilities and services). Such homes may therefore only be affordable to a small proportion of the potential market, and it will be important for the Council to seek a range of products that will be accessible to a wider number of households if needs are to be met.
- 16.78 The table above should be considered as providing an indicative view of need based on a single set of prevalence rates (which have been drawn from a range of sources). The ultimate level of provision the Council seeks to support will be influenced by its broader strategy for older persons' housing and care.
- 16.79 The table below replicates the findings in the table above to clarify the balance between market and affordable tenures within a type of SHOP.

Table 73: Specialist housing for older people, needs summary and tenure split

Type	Tenure	2040 Need
Housing with support	Market	645
Housing with support	Affordable	263
Housing with care	Market	215
Housing with care	Affordable	162
Care bed-spaces	N/A	732

Source: GL Hearn calculations

Surrey County Council

- 16.80 Surrey County Council (SCC) have provided an alternative assessment of need for housing with care¹⁵³. As with the calculations set out above, this is built up from a need for both residential and nursing care bedspaces.
- 16.81 The first step identifies current supply in Epsom & Ewell, as recorded by the Care Quality Commission (CQC). The CQC provides a robust source of care homes on the basis that to operate legally, providers must be registered with the CQC.
- 16.82 Need is then calculated on the basis of the degree to which supply in the Borough varies with the prevalence rates of care bedspaces at the national level¹⁵⁴. The implied recommendation for policy makers is that local prevalence rates should converge with the national average.
- 16.83 The table below set out the findings. In the case of residential care bedspaces a further 190 spaces are required over the plan period to meet need.
- 16.84 As regards nursing care bedspaces, the analysis indicates there is a requirement for 87 additional bedspaces to meet need over the Plan period.
- 16.85 The projected need for residential care bedspaces can be further reduced if a proportion of the provision of affordable extra care housing (established in the table above at 162 units) is taken into consideration.
- 16.86 The modelling treats the affordable element of extra care provision as a proxy for rented extra care housing (the component of delivery that SCC considers to a realistic substitute for residential care).

¹⁵³ SCC, Commissioning Statement Accommodation with care, residential & nursing care for older people, Epsom & Ewell Borough, April 2019 onwards

¹⁵⁴ Measured as bedspaces per 1,000 people aged 75+ in England

- 16.87 It has been shown that, for some people, extra care housing is more suitable than residential care as it offers a greater level of independence. This can result in better medical outcomes than residential care. For example, it has been observed that people’s perception of their own health is influenced by the degree of independence they are able to maintain. This sense of self-reliance can promote feelings of well-being.
- 16.88 The challenge is to ensure that people are in accommodation that is right for them. Given that the target audience for extra care housing and residential care accommodation are similar, and that for some the former will be more beneficial, it is conservatively estimated that 20% of the affordable extra care provision of 162 units, or 32 units (assuming one bedspace per unit), can be deducted from need for residential care bedspaces. Taking this into account results in a need for 157 residential care bedspaces over the Plan period.
- 16.89 The final level of need for residential and nursing care bedspaces using the SCC method is 244 additional care bed spaces. This is set out in the table below.

Table 74: Need for residential and nursing care bedspaces, Surrey County Council method

Type	Current (2022)			2040					
	No. of care home beds	75+ pop	Beds per 1,000 75+	75+ pop	Beds per 1,000 75+	No. beds to reflect England current prev. rate	Indicative demand 2040 (1)	Reduction due to rental extra care	Indicative demand 2040 (2)
Residential care bedspaces	311	7,804	40	11,381	27	501	190	32	157
Nursing care bedspaces	357	7,804	46	11,381	31	444	87	0	87
Total									244

Source: Demographic projections, GL Hearn calculations

- 16.90 It is important to note this is a significant difference with the level of need identified in the earlier analysis (732 bedspaces) and arises primarily due to differences in the assumptions used as regards prevalence rates (provision per 1,000 people aged 75+).
- 16.91 In contrast to the previous analysis (that uses a prevalence rates of 55 and 45 derived from Housing LIN for residential and nursing care, respectively), SCC uses the average prevalence rate at the national level (44 and 39 for residential and nursing care, respectively). The former can be interpreted as an expression of unconstrained need, whereas the latter figure one that is likely to come closer to what the providers may be able to deliver in practice.
- 16.92 The purpose of the HEDNA is to put forward an assessment of unconstrained need, allowing the Council to make policy choices that reflect decisions related to resource allocation and political priorities. That said, it is important that the Council allows for an approach put forward by colleagues at SCC, given their responsibility for the provision of social care.
- 16.93 Balancing these issues, a mid-point calculation is therefore recommended between the outputs in the two tables above. This results in an additional 308 residential and 180 nursing care bedspaces, or 488 additional bedspaces being provided in total. This level of growth is also more likely to be consistent with trends denoting an aging population over the Plan period than the level of provision arrived at through the SCC method.

Age Group 65-74

16.94 Local authorities are required to address the needs of those reaching retirement age over the plan period, which includes meeting the needs of those seeking age-restricted accommodation. According to PPG this type of housing is:

“generally for people aged 55 and over and the active elderly. It may include some shared amenities such as communal gardens, but does not include support or care services.”¹⁵⁵

16.95 However, the likelihood of people under retirement age accessing this housing is rare. Certainly, the likelihood of those younger than 75 entering specialist accommodation of any form is uncommon, unless the accommodation is in low demand. Therefore, the analysis of need for specialist housing for older people uses prevalence rates linked to those aged over 75.

16.96 In order to understand the needs of households that fall into the 65-74 age category (and by proxy age-restricted accommodation) it is necessary to consider the change in the older person population to 2040.

16.97 As shown in the following table, the number of households headed by someone aged between 65 and 74 in Epsom & Ewell is projected to increase by 30% or 2,246 households by 2040.

Table 75: Change in households headed by someone in 65-74 age cohort, 2022-2040

Age group	2022	2040	Change	%
65-74	7,480	9,726	2,246	30%

Source: Demographic projections (HH14-R)

¹⁵⁵ PPG (housing for older and disabled people) Para 010 Ref ID: 63-010

16.98 The following table outlines the tenures of different age groups in 2011 for Epsom & Ewell.

Table 76: Tenure of Households with an HRP aged 65-74, Epsom & Ewell

Age Group	Owned outright	Owned (mort) / SO	Social Rented	Private rented
Under 65	4,456	11,502	1,757	3,870
Under 65 (%)	21%	53%	8%	18%
65 to 74	2,866	441	261	162
65 to 74 (%)	77%	12%	7%	4%
75 to 84	2,476	185	228	100
75 to 84 (%)	83%	6%	8%	3%
85+	1,171	91	144	74
85+ (%)	79%	6%	10%	5%

Source: Census table DC4201EW

16.99 The majority of households aged over 65 own their property outright, whereas around 50% of households aged under 65 own their home with a mortgage or shared ownership. A large proportion of households under 65 are also privately renting (18%).

16.100 Focussing on the age group 65 to 74, 89% own their home outright or with a mortgage. Of the remaining, a significant minority live in social housing (8%) and the remainder live in private rented accommodation. This would suggest that the market is likely to address most demand for age-restricted dwellings for this age category should that demand exist.

16.101 The table below shows the prevalence of disability by age group measured by whether their reported day-to-day activities were limited a lot or a little by their disabilities in the 2011 Census.

Table 77: LTHPD by age group, Epsom & Ewell

Age	Day-to-day activities limited	Day-to-day activities not limited
Under 65	7%	93%
Age 65 to 74	26%	74%
Age 75 to 84	52%	48%
Age 85 and over	79%	21%

Source: Census table DC3302EW

16.102 This shows that 26% of people aged 65 to 74 experienced a disability that limited their activities. The prevalence rate for those aged under 65 was only 7%, illustrating the significant increase in the prevalence of disability among households as they reach the 65 to 74 age cohort.

16.103 To reduce the need for specialist accommodation of this type, steps can be taken to enable older people to remain in their own homes. The Council reports that it is accustomed to providing between 40 and 50 Disabilities Facilities Grants (DFGs) each year. DFGs are available to disabled people to carry out adaptations that allow them to live in their own homes. This can provide not only evidence of the need for housing suited to the need of disabled people, but also a source of meeting this need.

16.104 There has been a consistent provision of DFG in recent years, although year-on-year fluctuations are apparent. This indicates that the Council has been proactive in supporting older and disabled people to make changes to their homes. This is likely to have resulted in many people being able to remain in their homes for longer than would otherwise be the case.

- 16.105 Bringing together the evidence, it is reasonable for the Council to consider the housing needs of those in the 65-74 age cohort as a distinct group based on their projected increase in numbers over the plan period and the likely increase in the requirement for specialist forms of housing due to the prevalence of disability within this age bracket.
- 16.106 That said, the data suggest that the majority of needs will be expressed as demand for market housing and will form part of general provision with a proviso that policies relating to the proportion of dwellings that meet M4(2) accessible and adaptable dwellings should be applied appropriately.
- 16.107 Moreover, the provision for this type of specialist accommodation may be offset by policy that enables adaptations to the home that support older people to remain living in their own homes. The consistent availability of DFGs in recent years suggests demand for adaptations is increasing. This is likely to continue over the plan period.

Older Persons' Housing and Planning Use Classes

- 16.108 It is important to mention the Use Classes that older persons' housing would fall into as there is a distinction between communal accommodation (Class C2) and dwelling houses (Class C3). This distinction is worth mentioning as it can impact the ability of a local authority to seek an affordable housing contribution from a development.
- 16.109 Planning Practice Guidance (PPG) states that:

*"It is for a local planning authority to consider into which use class a particular development may fall. When determining whether a development for specialist housing for older people falls within C2 (Residential Institutions) or C3 (Dwelling-house) of the Use Classes Order, consideration could, for example, be given to the level of care and scale of communal facilities provided."*¹⁵⁶

¹⁵⁶ PPG (housing for older and disabled people) Para 014 Ref ID: 63-014

16.110 It is also worth noting how “care” is defined in the Use Class Order; it means,

“personal care for people in need of such care by reason of old age, disablement, past or present dependence on alcohol or drugs or past or present mental disorder, and in Class C2 also includes the personal care or children and medical care and treatment.”¹⁵⁷

16.111 “Personal care” has been defined in statute as

“the provision of personal care for persons who, by reasons of old age, illness or disability are unable to provide it for themselves, and which is provided in a place where those persons are living at the time the care is provided.”¹⁵⁸

16.112 Generally, housing with support (sheltered housing) and housing with care (extra care housing) would be classed as C3, whereas accommodation that provides a high level of care (such as nursing and residential care) would be classed as C2 accommodation.

16.113 However, typically newer types of accommodation such as retirement villages contain a combination of both C2 and C3 accommodation. It is also possible that the use classes of these units may change over time as a result of changes to the level of care that is provided.

16.114 Housing with support and housing with care are self-contained dwellings (C3), which means they are included within the overall housing need using the standard method. Also, they can be included within a local authority’s housing land supply calculation. However, including communal accommodation within the supply calculation can be complex, as one unit of communal accommodation does not equate to one unit of supply.

16.115 Communal accommodation can be counted as part of the supply based on the average number of households using 2011 Census data according to the Housing Delivery Test rulebook. This has been calculated by dividing the total number of adults living in all households by the total number of households in England.

¹⁵⁷ [Article 2](#) of The Town and Country Planning (use Classes) Order 1987

¹⁵⁸ [Schedule 1](#) of the Health and Social Care Act 2008 (Regulated Activities) Regulations 2010

16.116 For example, if, in a given authority, there are on average 2 adults in each household, then the delivery of 2-bed spaces of communal accommodation units would equate to 1 unit of non-communal supply.

Relevant factors in deciding on C2 or C3

16.117 The factors that are relevant to determining whether a given scheme falls into C2 or C3 are the level of care that is provided, and the scale of communal facilities. Surrey County Council notes that

“Ultimately, C2 development proposals should show how the built environment is designed in a manner which is substantially different to that seen for C3, with a clear focus on care and support as a key driver for the proposal alongside the provision of accommodation.”¹⁵⁹

16.118 It is notable that no reference is made in the guidance as to whether units of accommodation have separate front doors. This is consistent with the Use Class Order, where it is the ongoing provision of care that is the distinguishing feature within the C2 definition. In a C2 use, the provision of care is an essential and ongoing characteristic of the development and would normally be secured as such through the S106 Agreement.

¹⁵⁹ Commissioning Statement, [Accommodation with care, residential & nursing care for older people, Epsom & Ewell Borough April 2019 onwards](#), Surrey County Council, page 4

16.119 A range of appeal decisions have addressed issues relating to how to define the Use Class of a development. These are fact-specific, and there is a need to consider the particular nature of the scheme. What arises from this is that schemes that have been accepted as a C2 use commonly demonstrate the following characteristics:

- Occupation is restricted to people (at least one within a household) in need of personal care, with an obligation for such residents to subscribe to a minimum care package. Whilst there has been debate about the minimum level of care to which residents must sign-up to, it is considered that this should not be determinative given that
 - a) residents' care needs would typically change over time, and in most cases increase; and
 - b) for those without care need the relative costs associated with the care package would be off-putting.
- Provision of access to a range of communal areas and facilities, typically beyond that of simply a communal living space, with the access to these facilities typically reflected in the service charge.

Affordable housing in older persons' housing developments

16.120 On its own, Use Class does not need to be determinative of whether affordable housing provision could be applied, as both C2 and C3 Use Classes are residential accommodation. However, national policy does not provide a clear policy basis for seeking affordable housing provisions or contributions from a C2 use. It is therefore necessary for the Local Plan to set out this requirement and how it should be met.

16.121 It is worth reviewing the position within national policy in this area. The Development Contributions section of the NPPF states that:

*“Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure. Such policies should not undermine the deliverability of the plan”.*¹⁶⁰

¹⁶⁰ NPPF Paragraph 34

16.122 In addition, Paragraph 63 states:

“Where a need for affordable housing is identified, planning policies should specify the type of affordable housing required, and expect it to be met on-site unless:

- *off-site provision or an appropriate financial contribution in lieu can be robustly justified; and*
- *the agreed approach contributes to the objective of creating mixed and balanced communities”.*

16.123 Paragraph 64 specifies that

“affordable housing should not be sought from residential developments that are not major developments.”

16.124 Also, paragraph 65 sets out that specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students) is exempt from the requirement for 10% of homes (as part of the affordable housing contribution) to be for affordable homeownership.

16.125 Subject to these constraints, as well as contributing to overall housing delivery, local authorities may pursue affordable housing contributions from specialist accommodation as long as there is a relevant policy in the Local Plan. This would, however, need to be justified with reference to suitable policy.

16.126 It should also be noted that providing affordable housing on specialist schemes will be less viable than in general housing and, therefore, a lower contribution than from general housing will likely be achievable. Policy should be worded with this in mind. Furthermore, high service charges may also affect the delivery of affordable housing within such schemes.

Viability

16.127 Depending on the features of a typical housing with care scheme, there can be substantially different viability characteristics relative to general housing. In particular:

- Schemes typically include a significant level of communal space and on-site facilities, such that the floorspace of individual units might equate to 65% of the total floorspace, compared to 100% for a scheme of houses and possibly 85% for typical flatted development. There is a significant proportion of space from which value is not generated through sales (although individual units may be smaller).
- Higher construction and fit out-costs as schemes need to achieve higher accessibility requirements and often include facilities such as lifts, specially adapted bathrooms and treatment rooms. In many instances, developers need to employ third party building contractors and are also not able to secure the same economies of scale as the larger volume housebuilders.
- Sales rates are also typically slower for housing with care schemes, not least as older residents are less likely to buy 'off plan.' The combination of this and the limited ability to phase flatted schemes to sales rates can result in higher finance costs for development.

16.128 This can give rise to several considerations. Firstly, it may be necessary to take into account viability evidence to consider what level of affordable housing could be applied to different types of older persons' accommodation. This could potentially make a distinction between general market housing, retirement living/housing with support, and housing with care. It is possible that a lower affordable housing provision is justified for housing with care.

16.129 Secondly, developers of housing with care schemes may struggle to secure land if they are competing against mainstream housebuilders or strategic land promoters. A solution to this could be to consider allocating sites specifically for specialist older person housing. There could be benefits to this through achieving relatively high-density development of land at accessible locations, and this may release larger family housing in other areas as older residents move out.

Practical Issues

- 16.130 In considering policies for affordable housing provision on housing with care schemes, there is one additional factor that warrants consideration relating to the practicalities of mixed-tenure schemes. The market for extra care schemes is currently focused especially on providers at the affordable and higher ends of the market, with limited providers currently delivering within the 'mid-market.' At the higher ends of the market, the level of facilities and services/support available can be substantial, and the management model is often to recharge this through service charges.
- 16.131 Consideration as to whether mixed-income/tenure development is achievable should take into account, firstly, the degree to which service charges will be affordable to those on lower incomes and, secondly, whether Registered Providers will want or be able to support access to the range of services/facilities on site. In a range of instances, uncertainty as to whether these conditions can be met has led to councils accepting off-site contributions to affordable housing provision.

Housing for Wheelchair Users

- 16.132 On account of the paucity of data and information relating to the need for housing suited to wheelchair users this report draws on data from the English Housing Survey (EHS). While the EHS provides a range of relevant data, this can be for different periods of time.
- 16.133 Nevertheless, the EHS provides data on:
- the age structure of wheelchair users;
 - information about work needed to homes to make their homes 'visitible'; and
 - data about wheelchair users by tenure.

16.134 The analysis below sets out estimates of the number of wheelchair users in England. This has been based on estimating prevalence rates from the 2011-12 EHS (Annex Table 6.11) combined with Census 2011 data.

16.135 At the time, the EHS showed that, for households where the oldest person was aged under 60, there were 184,000 households with a wheelchair user. The 2011 Census showed around 40.6 million people aged under 60; therefore, a base prevalence rate of 0.005 has been calculated for this age group – essentially for every 1,000 people aged under 60, there are likely to be around 5 wheelchair user households.

16.136 The table below shows data for a full range of age groups. It should be noted that whilst the prevalence rates mix households and population, they will provide a reasonable estimate of the number of wheelchair user households.

Table 78: Baseline prevalence rates by age to estimate wheelchair user households, 2011

Age	No. wheelchair households	Household population	Prevalence (per 1,000 population)
under 60 years	183,938	40,562,374	5
60 - 74 years	204,822	7,668,495	27
75 - 84 years	191,249	2,831,815	68
85 years or over	145,842	997,247	146

Source: EHS [Annex table 6.11](#), Census table [LC1105EW](#)

16.137 The analysis also considers the relative health of the population. For this, data has been taken from the 2011 Census for the household population with “day to day activities limited a lot” by their disability (Table [DC3302EW](#)).

16.138 The table below shows this information by age in both Epsom & Ewell and England. It also shows the adjustment made to reflect differences in health between these geographies.

16.139 Due to the age bands used in the Census, there has been some degree of adjustment for the under 60 and 60-74 age groups. The data shows lower levels of disability for all age groups in the Borough compared to the national average, pointing to a lower than average proportion of wheelchair user households.

Table 79: Baseline prevalence rates by age used to estimate wheelchair user households

Age	% of age group with day-to-day activities limited a lot (E&E)	% of age group with day-to-day activities limited a lot (England)	E&E as % of England	Wheelchair user prevalence rate (per 1,000 population)
Under 60 years	2.33%	4.22%	55.14%	3
60-74 years	7.37%	14.15%	52.11%	14
75-84 years	20.05%	29.09%	68.93%	47
85 years or over	46.07%	52.34%	88.03%	129

16.140 The local prevalence rate data can be brought together with information about the population age structure and how this is likely to change moving forward. The data estimates a total of 896 wheelchair user households in 2022, and that this will rise to 1,272 by 2040 (an increase of 376).

Table 80: Estimated number of wheelchair user households (2022-40) – Epsom & Ewell

Age	Prevalence rate (per 1,000 population)	Household population 2022	Household population 2040	Wheelchair user households (2022)	Wheelchair user households (2040)	Change
Under 60 years	3	64,254	75,774	177	209	32
60-74 years	14	12,110	15,228	170	214	44
75-84 years	47	5,573	7,525	261	353	91
85 years or over	129	2,231	3,857	287	496	209
TOTAL		84,169	102,383	896	1,272	376

Source: Derived from a range of sources

16.141 The finding of an estimated current number of wheelchair user households does not indicate how many homes might be needed for this group. A number of these households will be living in a home that is suitable for wheelchair use, whilst others may need improvements to accommodation, or a move to an alternative home. Also, some may need to use a wheelchair outside but not within the home.

16.142 Data from the EHS (2014-15) shows that of the 814,000 wheelchair user households, some 200,000 live in a home that would either be problematic or not feasible to make fully ‘visitable’ by someone using a wheelchair. This amounts to around 25% of wheelchair user households.

16.143 Applying this to the current number of wheelchair user households and adding the additional number projected forward suggests a need for 600 additional wheelchair user homes in the 2022-40 period – this equates to 5.79% of all housing needs (as set out in the table below).

Table 81: Estimated need for wheelchair user homes, 2022-40

Local Authority	Current need	Projected need (2022-40)	Total current and future need	Housing need (2022-40)	% of Housing Need
Epsom & Ewell	224	376	600	10,370	5.79%

Source: Derived from a range of sources

16.144 Furthermore, information in the EHS (for 2017/18) also provides national data about wheelchair users by tenure. This showed that, at that time, around 7.1% of social tenants were wheelchair users, compared with 2.7% of market households (owner-occupiers and private renters). Also, a total of 3.5% of all households contained a wheelchair user.

16.145 The analysis above shows moving forward to 2040 that there is a need for 5.79% of additional dwellings to be suitable for wheelchair users – this is about 65% higher than the current number of users (at a national level).

- 16.146 In order to arrive at a future tenure split the variation of 65% from the current level of provision at the national level can be used to arrive at a baseline position as regards that proportion of new homes that should be suitable for habitation by a wheelchair user, and the division between market and affordable tenures.
- 16.147 Using this method, the need for M4(3) Category 3: Wheelchair user dwellings in the market sector in Epsom & Ewell is around 4.46% ($2.7+(2.7 \times 65\%)$) and in the affordable sector it is 11.74% ($7.1\%+(7.1\% \times 65\%)$).
- 16.148 To meet the identified need this HEDNA, therefore, recommends that the Council should seek up to 10% of all new market homes to be M4(3) compliant and up to 20% in the affordable sector. These figures reflect that not all sites would be able to deliver homes of this type. In the market sector, these homes would be M4(3)a (adaptable) and, in the affordable sector, M4(3)b (accessible).
- 16.149 As with M4(2) homes, it may not be possible for some schemes to be built to these higher standards due to issues such as built form, topography and flooding. Furthermore, the provision of this type of property may in some cases challenge the viability of delivery given the reasonably high build-out costs (see table below).
- 16.150 Additionally, local authorities only have the right to request M4(3)b (accessible) compliance from homes for which they have nomination rights (i.e. affordable tenures). They can request M4(3)a (adaptable) compliance from the wider (market) housing stock.

16.151 M4(3)a (adaptable) and M4(3)b (accessible) compliance refers to Part M of the Building Regulations. Part M makes a distinction between wheelchair accessible (a home readily useable by a wheelchair user at the point of completion) and wheelchair adaptable (a home that can be easily adapted to meet the needs of a household including wheelchair users) dwellings¹⁶¹.

16.152 To meet the identified need we would, therefore, recommend that the Council seek 10% of all new market homes to be M4(3)a (adaptable) compliant and, in the affordable sector, 20% M4(3)b (accessible) compliant.

16.153 It is worth noting that in 2021 the Government consulted on changes to the way the needs of people with disabilities and wheelchair users are planned for. The consultation was undertaken as a result of concerns that in the drive to achieve housing numbers, the delivery of housing suited to the needs of households (in particular those with disabilities) is being compromised on viability grounds.

16.154 Following a review of consultation responses received, the Government has proposed to

“mandate the current M4(2) (Category 2: Accessible and adaptable dwellings) requirement in Building Regulations as a minimum standard for all new homes.... M4(1) will apply by exception only, where M4(2) is impractical and unachievable”.

16.155 As regards M4(3) (Category 3: Wheelchair user dwellings), Government proposes to

“continue as now where there is a local planning policy in place in which a need has been identified and evidenced. Local authorities will need to continue to tailor the supply of wheelchair user dwellings to local demand.”

¹⁶¹ PPG (Housing: optional technical standards) Para 009 Ref ID: 56-009

16.156 Therefore, it will continue to be necessary for any policy that requires developers to provide M4(3) Category 3: Wheelchair user dwellings as a portion of new homes delivered to be justified with reference to suitable evidence.

16.157 The conclusions to the Government consultation are consistent with the evidence presented in this report, although the trade-off identified between viability and the need to deliver sufficient numbers of market homes to meet general housing needs is unavoidable.

16.158 A further option for the Council would be to consider seeking a higher contribution of M4(3) homes where it is viable to do so, from those homes to which they have nomination rights.

16.159 This would, firstly, address any under-delivery from other schemes, including schemes that may fall outside the policy due to their size (i.e. less than 10 units or 1,000 square metres) and, secondly, recognise that there is a higher prevalence of wheelchair use within Social Rent tenures.

Self-build and custom housebuilding

16.160 The Self-Build and Custom Housebuilding Act 2015 (as amended by the Housing and Planning Act 2016) provides a legal definition of “self-build and custom housebuilding”¹⁶².

16.161 The Housing and Planning Act 2016 formally introduced the “Right to Build” which requires local authorities to host a Right to Build Register. This enables LAs to evidence how many people want to build their own homes. The Act also necessitates all local authorities to:

“grant sufficient ‘development permissions’ to meet the demand for Custom and self-build housing in their area, as established by their register, on a rolling basis”.

¹⁶² where individuals or associations of individuals (or persons working with or for individuals or associations of individuals) build houses to be occupied as homes for those individuals.

16.162 The NPPF states that within the context of the standard method,

“the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies (including, but not limited to... people wishing to commission or build their own homes)”¹⁶³

16.163 PPG describes how the needs of self-build and custom housebuilders should be assessed:

“Most local planning authorities (including all district councils and National Park Authorities) are now required to keep a register of individuals and associations of individuals who are seeking to acquire serviced plots of land in their area in order to build their own home. The Self-build and Custom Housebuilding (Register) Regulations 2016 set out these requirements.

To obtain a robust assessment of demand for this type of housing in their area, local planning authorities should assess and review the data held on registers. This assessment can be supplemented with the use of existing secondary data sources such as building plot search websites, ‘Need-a-Plot’ information available from the Self Build Portal and enquiries for building plots from local estate agents.”¹⁶⁴

16.164 PPG also refers to the duty to grant planning permission, stating:

“Relevant authorities must give suitable development permission to enough suitable serviced plots of land to meet the demand for self-build and custom housebuilding in their area. The level of demand is established by reference to the number of entries added to an authority’s register during a base period.

The first base period begins on the day on which the register (which meets the requirement of the 2015 Act) is established and ends on 30 October 2016. Each subsequent base period is the period of 12 months beginning immediately after the end of the previous base period. Subsequent base periods will therefore run from 31 October to 30 October each year.

At the end of each base period, relevant authorities have 3 years in which to permission an equivalent number of plots of land, which are suitable for self-build and custom housebuilding, as there are entries for that base period.”

Demand for self- and custom-build plots

16.165 Epsom & Ewell’s Self-Build Register has been referenced to understand the demand for self- and custom-build plots in line with PPG.

¹⁶³ [National Planning Policy Framework \(NPPF\)](#) Paragraph 62

¹⁶⁴ [PPG \(housing needs of different groups\)](#), Para 003 Ref ID: 67-003

16.166 As of October 2022, the register shows that eight individuals are currently on the register. In total from 2016, when the register was first created, to October 2022 57 individuals have been on the register.

16.167 The register has been broken down by base periods from 2016. As previously mentioned, a base period spans 12 months beginning from 31st October of each year.

16.168 The table below displays the total number of applications in each base period that have been recorded.

Table 82: Number of entries on Epsom & Ewell self/custom build register

	BP 1 (2016)	BP 2 (2017)	BP 3 (2018)	BP 4 (2019)	BP 5 (2020)	BP 6 (2021)	BP 7 (2022)	Total
Applications (individuals)	4	13	7	9	8	10	6	57

Source: Epsom & Ewell Council

16.169 This gives an indication of the scale of future needs. The table below sets out the number of plots that would need to have been provided in Epsom & Ewell in order to meet this requirement. The average annual requirement (seven) provides an indication of the number of self-build plots that should be provided to meet demand.

Table 83: Historic need for self-build plots (annualised) for Epsom & Ewell

	2017	2018	2019	2020	2021	2022	2023	2024	2025
BP 1 (2016)	1	1	1						
BP 2 (2017)		4	4	4					
BP 3 (2018)			2	2	2				
BP 4 (2019)				3	3	3			
BP 5 (2020)					3	3	3		
BP 6 (2021)						3	3	3	
BP 7 (2022)							2	2	2
Annual requirement	1	6	8	10	8	9	8	5	2
Average	7								

Source: GL Hearn calculations

Supply of self-and custom-build plots

16.170 Data provided by the Council indicates that *“between 31 October 2018 to present day (October 2022), there have been 14 plots permitted for self-build.”*¹⁶⁵ Using the average annual requirement number calculated above, at least 21 plots should have been permitted for self-build from 31st October 2018 to 1st October 2022.

16.171 PPG provides guidance on how LAs can increase the number of planning permissions which are suitable for self-build and custom housebuilding. It encourages Councils to play a key role in brokering and facilitating relationships to help bring suitable land forward by:

*“Relevant authorities should consider how local planning policies may address identified requirements for self and custom housebuilding to ensure enough serviced plots with suitable permission come forward (for example, as a number of units required as part of certain allocated sites, or on certain types of site).”*¹⁶⁶

16.172 Several LAs have implemented the following policies in their Local Plans:

- South Cambridgeshire Council – *“On all sites of 20 or more dwellings, and in each phase of strategic sites, developers will supply dwelling plots for sale to self and custom builders. Where plots have been made available and appropriately marketed for at least 12 months and have not been sold, the plot(s) may either remain on the market or be built out by the developer. Exceptionally, no provision will be expected in developments or phases of developments which comprise high density multi-storey flats and apartments.”*¹⁶⁷
- Teignbridge District Council – *“To support prospective custom builders on sites of more than 20 dwellings developers will supply at least 5% of dwelling plots for sale to custom builders.”*¹⁶⁸
- Mid-Devon District Council - *“To support self-build and custom housing on sites of 20 dwellings or more developers will supply at least 5% of serviced dwelling plots for sale to self-builders for a period of 12 months per plot and any plots subsequently developed for self-build must be completed within 3 years of purchase by a self-builder”*¹⁶⁹

¹⁶⁵ Email from Epsom & Ewell Planning Policy team dated 4th October 2022

¹⁶⁶ [PPG \(Self-build and custom housebuilding\)](#), Para 025, Ref ID: 57-025

¹⁶⁷ [South Cambridgeshire Local Plan 2018](#), Chapter 7, Page 16, Policy H/9 section 2

¹⁶⁸ [Teignbridge Local Plan 2014](#), Chapter 4, page 55, Policy WE7

¹⁶⁹ [Mid Devon Local Plan 2020](#), page 25, Policy S3 point d

- Stroud District Council – *“At strategic sites allocated within this Local Plan a minimum of 2% of the dwellings shall be to meet Government aspirations to increase self-build developments, subject to appropriate demand being identified”*¹⁷⁰

16.173 Other LAs, such as North Tyneside Council, have developed policies of encouragement without defining exact percentages:

- North Tyneside Council - *“For housing developments over 200 homes, the Council will encourage applicants to consider (where economically viable) opportunities to set aside a proportion of the net developable area of the site for custom and self-build housing.”*¹⁷¹

16.174 A possible route for Epsom & Ewell Borough Council is to adopt a general encouragement policy for all sites but also implement a further policy on strategic sites.

16.175 The exact level should be determined in reference to the number and capacity of strategic sites and the overall local need as identified on register. This should also take into account the committed supply, need for other types of housing (including affordable housing need) and viability.

Students

16.176 PPG states that local authorities

“need to plan for sufficient student accommodation whether it consists of communal halls of residence or self-contained dwellings, and whether or not it is on campus.”

16.177 Local authorities are advised to

*“engage with universities and other higher educational establishments to ensure they understand their student accommodation requirements in their area.”*¹⁷²

¹⁷⁰ [Stroud Local Plan 2015](#), Page 110, Delivery Policy HC3

¹⁷¹ [North Tyneside Local Plan 2017](#), chapter 7, page 106, policy DM4.6

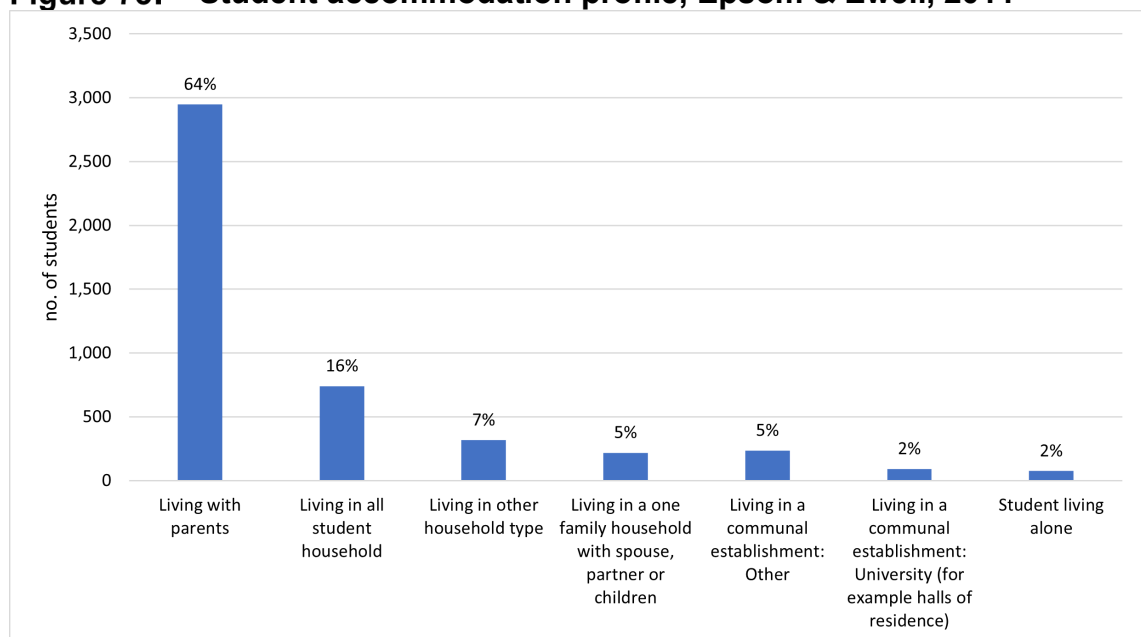
¹⁷² [PGG \(Housing needs of different groups\)](#), Para 004, Ref ID: 67-004

16.178 In this section, we will analyse the student housing needs of Epsom & Ewell. The only Higher Education Institute (HEI), that is a university, in the Borough is the Epsom campus of the University for the Creative Arts (UCA). It is worth noting that UCA also has three other campuses located in Canterbury, Farnham and Rochester; Farnham is the largest campus.

16.179 Census 2011 data has been used to analyse the student accommodation arrangements in Epsom & Ewell. Although this data is somewhat dated, it can provide an indication of how students are housed in the Borough.

16.180 The graph below displays the accommodation types of students aged 16 years old and above in the Borough of Epsom & Ewell. This includes students that are still at school or in sixth-form colleges.

Figure 73: Student accommodation profile, Epsom & Ewell, 2011



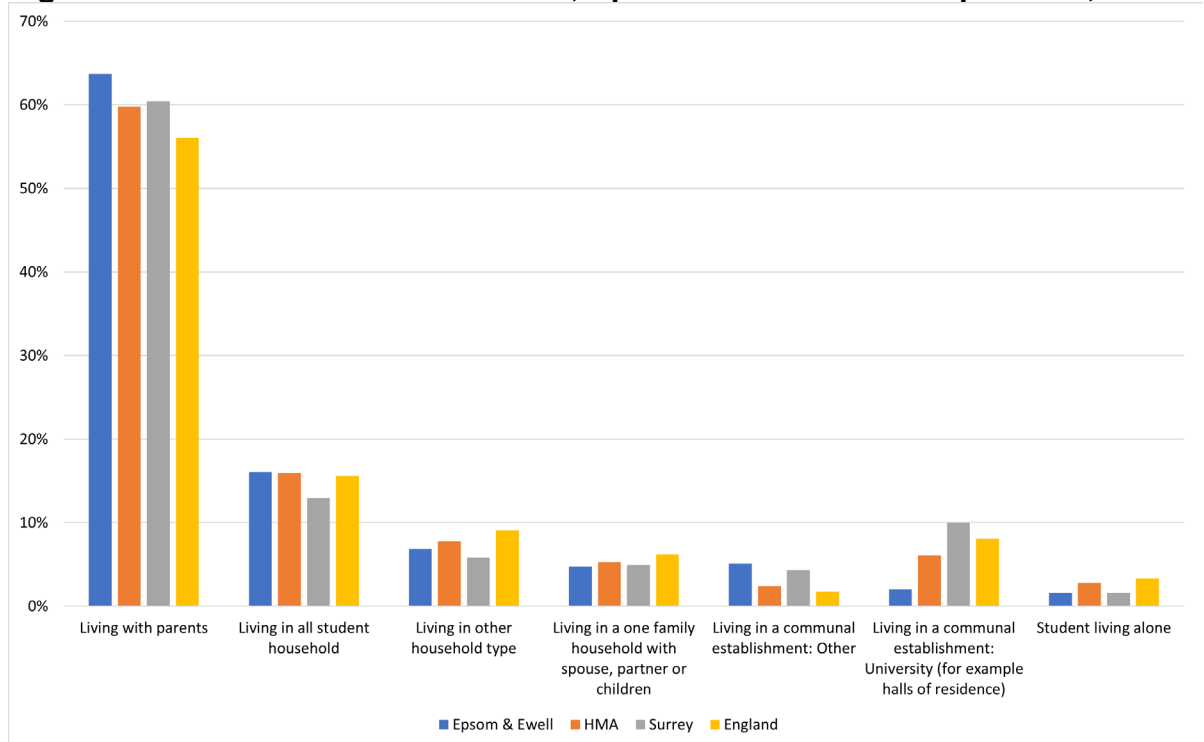
Source: Census 2011, [table DC6108EW](#)

16.181 The majority of students of this age live with their parents (64%), followed by all-student households (16%). Only 2% of students live in halls of residence.

16.182 The students who are living in other household types (equal to 7%) are likely to live in houses in multiple occupations (HMO) with non-students.

16.183 The following figure sets out how Epsom & Ewell compares to comparator regions in terms of their student accommodation profile.

Figure 74: Student accommodation, Epsom & Ewell and comparators, 2011



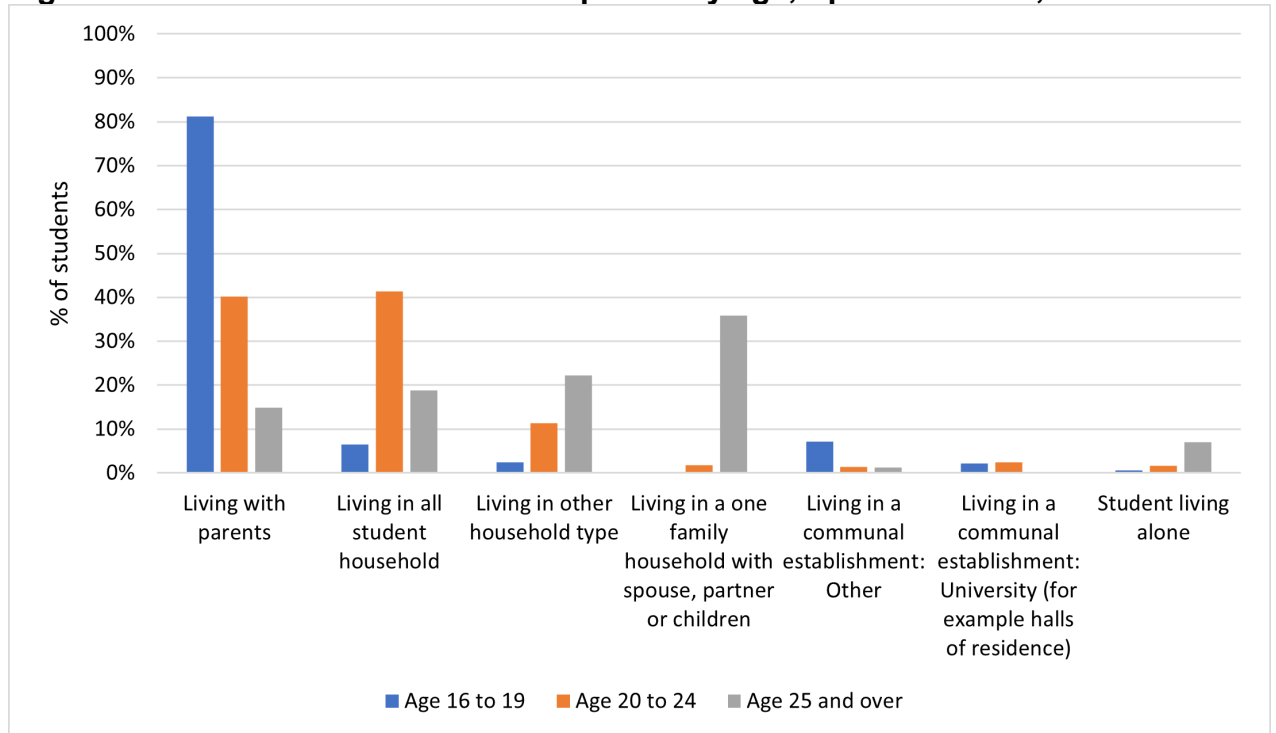
Source: 2011 Census, [Table DC6108EW](#)

16.184 Epsom & Ewell has a larger proportion of students living with their parents (64%) compared to the HMA (60%), Surrey (60%) and England as a whole (56%).

16.185 The percentage of students that live in halls of residence in the Borough (2%) is significantly below the rates for the HMA (6%), Surrey (10%) and England (8%).

16.186 The following figure disaggregates the accommodation type by age cohort in Epsom & Ewell. Most students in the Borough are between the ages of 16 and 19 years old (65%). That said, almost a quarter of students (23%) are age 20 to 24. Lastly, 12% of students in the Borough are age 25+.

Figure 75: Student accommodation profile by age, Epsom & Ewell, 2011



Source: Census table, [DC6108EW](#)

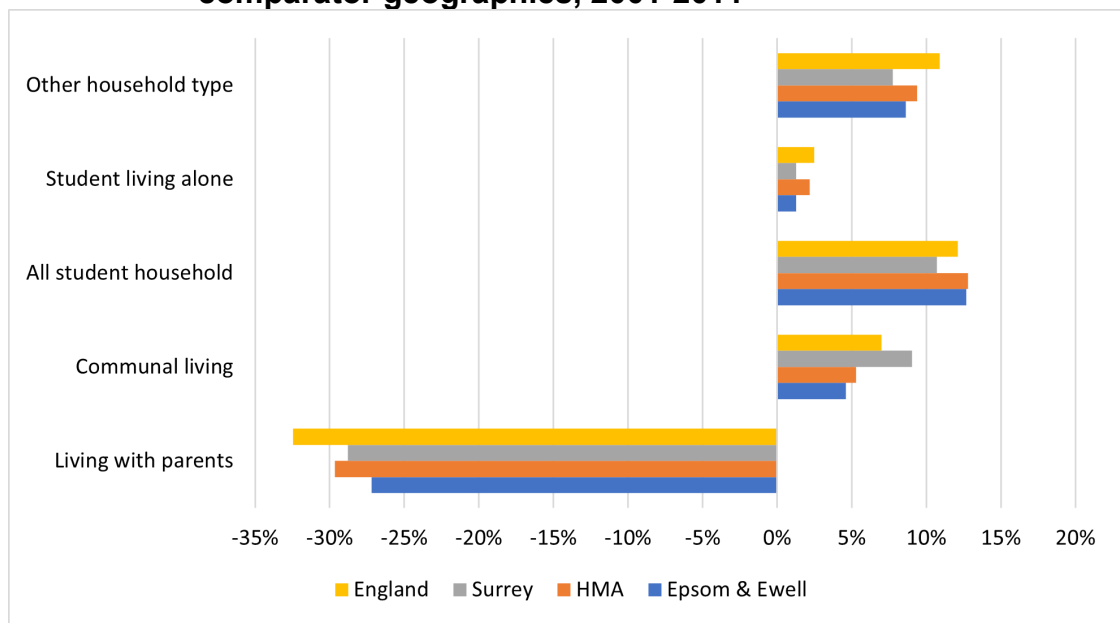
16.187 The majority of students (81%) age 16 to 19 in the Borough live with their parents. In comparison, 40% and 15% of students aged 20 to 24 and aged 25+ live with their parents.

16.188 Of the students aged 20 to 24, 41% live in all student households compared to 19% of students aged 25+ and 6% of students aged 16 to 19.

16.189 Over a third of students aged 25+ live in a one-family household (36%), with the next most common living arrangement being living in an all-student household (19%).

16.190 The figure below displays the percentage change in student accommodation types between 2001 and 2011 for Epsom & Ewell, the HMA, Surrey and England.

Figure 76: % change by accommodation type, Epsom & Ewell and comparator geographies, 2001-2011



Source: Census 2011, [DC6108EW](#) and Census 2001, [ST063](#)

16.191 In the Borough, the most significant increase that has been recorded is in those living in all student households (13%). In comparison the same category has increased by 13%, 11% and 12% in the HMA, Surrey and England respectively.

16.192 The largest decrease in the Borough has been among those students who live with their parents (equal to 27%). This rate of decrease is similar to that realised by the HMA (30%), Surrey (29%) and England (32%).

16.193 It is important to note that apart from Epsom & Ewell and Kingston upon Thames, the other three boroughs in the HMA are not home to universities and therefore the majority of students within these boroughs (83% in Elmbridge, 81% in Mole Valley and 82% in Reigate & Banstead) live at home with their parents.

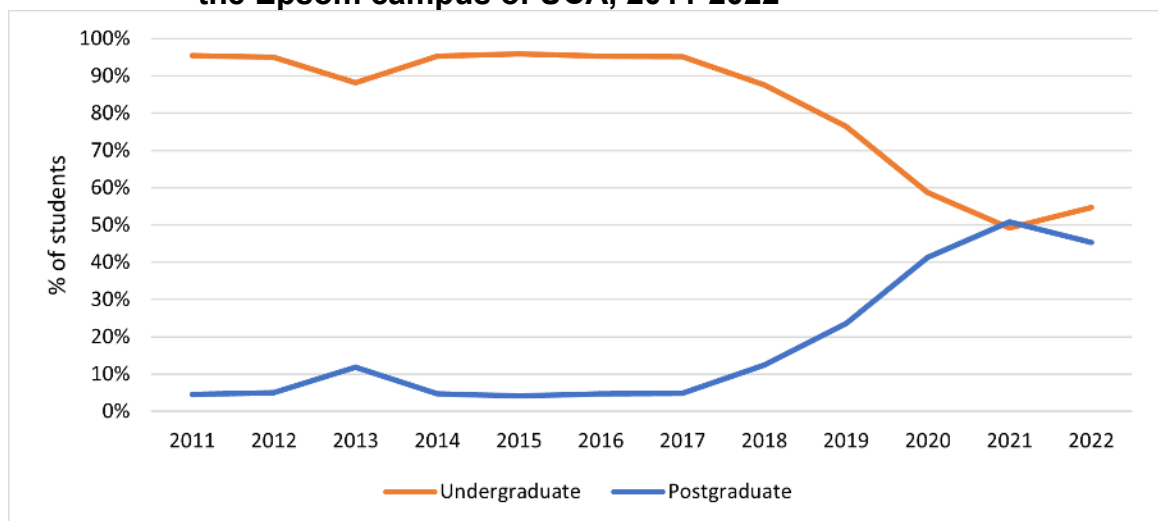
University for the Creative Arts, Epsom campus

16.194 Following PPG, data was sought regarding the Epsom campus of UCA. The data relates to historical and forecast growth in student numbers and how the University envisages its student body being housed in future years.

16.195 The total number of students studying at the Epsom campus of UCA has increased by 27% from 2011. In the current academic year, there are 1,731 full-time students, with no part-time students.

16.196 Of the 1,731 students studying at the Epsom campus of UCA approximately 55% are undergraduate students and 45% are postgraduate. The chart below shows how the number of undergraduate and postgraduate students have changed since 2011.

Figure 77: Proportion of undergraduate/postgraduate students studying at the Epsom campus of UCA, 2011-2022

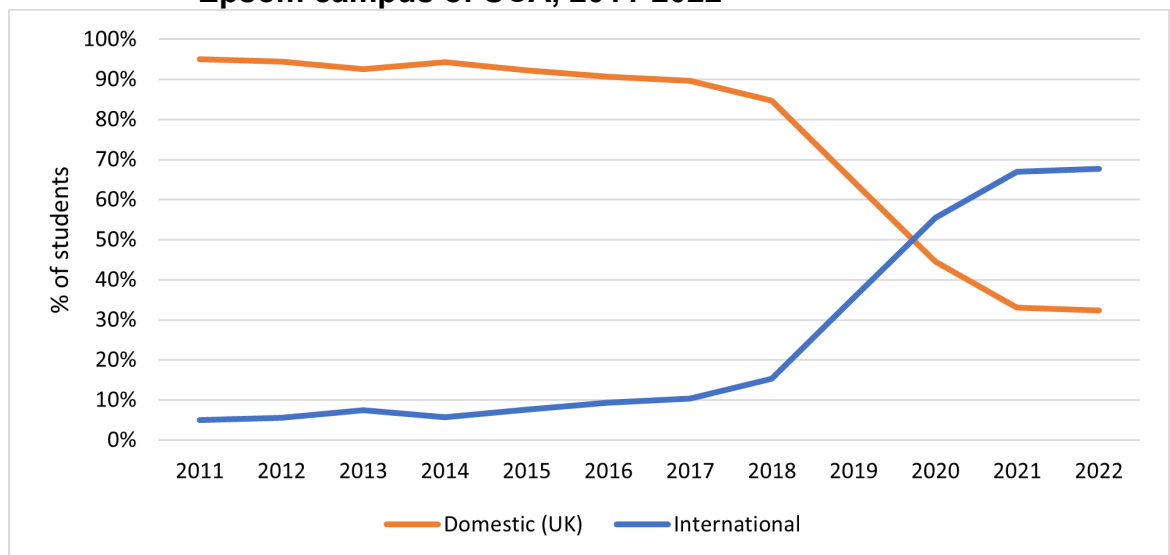


Source: UCA, 2022

16.197 The data shows a large increase in the number of postgraduate students since 2011, from 62 students to 784 in 2022. This could be as a result of the introduction of the Business School for the Creative industries at the Epsom campus, which was established in 2018.¹⁷³ On the other hand, the number of undergraduate students has decreased from 1,306 students to 947 over the same period.

16.198 The graph below shows the change in the proportion of domestic and international students at the Epsom campus of UCA since 2011.

Figure 78: Proportion of domestic/international students studying at the Epsom campus of UCA, 2011-2022



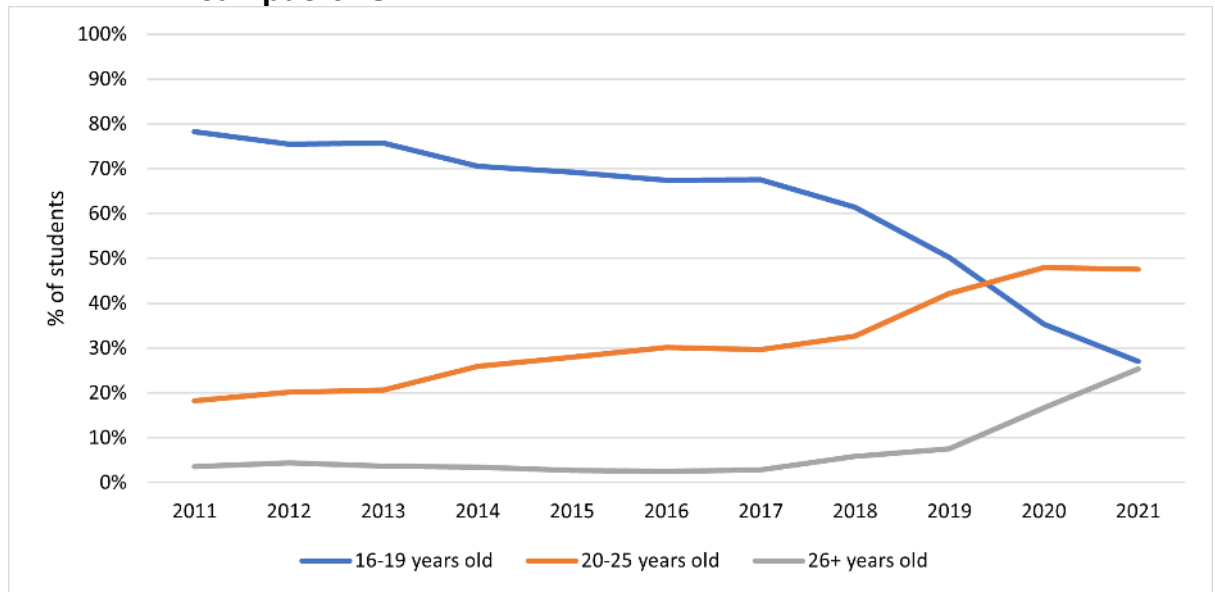
Source: UCA, 2022

16.199 The data shows a very substantial increase in the number of international students at the Epsom campus of UCA, from 68 international students in 2011 to 1,172 in 2022.

¹⁷³ UCA, [The Business School of the Creative Industries](#)

16.200 The University was not able to provide a breakdown of their students by age for the current academic year. That said, the chart below shows how three different age groups of students (16-19, 20-25 and 26+) have changed from 2011 to 2021.

Figure 79: Proportion of students by age group studying at the Epsom campus of UCA



Source: UCA, 2022

16.201 The data shows a rapid decline in the number of students aged 16-19 over the past five years, equal to 40%. In comparison the age groups of 20–25-year-olds and 26+ year olds have grown significantly from 249 20–25-year-old students in 2011 to 792 in 2021 and 49 26+year old students in 2011 to 422 in 2021.

16.202 When asked to indicate the housing arrangements for current students studying at the Epsom campus of UCA, the University indicated that 23% of students live in all student households in private rented accommodation (HMOs), closely followed by 22% of students living with their parents. Approximately 19% of students live alone and 18% live in halls of residence.

UCA student growth

16.203 UCA has recently commissioned an accommodation strategy which is currently being prepared. The accommodation strategy will aid the Council to accurately plan for sufficient student accommodation in the Borough, complying with PPG.¹⁷⁴

16.204 When asked about growth aspirations for the Epsom campus, the university stated that they expect the student population to increase by 10% per annum for at least the next three years. This means that in the academic year of 2025/26, UCA expects a total of 2,304 students (equal to an additional 573 students) to study on the Epsom campus.

16.205 In addition, they also said that:

“growth will be prioritised at Home level in the first instance (approximately 9-16% over three years) whilst also continuing to grow overseas numbers by approximately 5 to 10%.”

“Growth will be higher at undergraduate level in the home market (approximately 13-16%) and focussed on postgraduate level in the overseas market.”

“All growth will be full-time and the age groups are expected to follow a similar pattern.”

16.206 When asked if UCA have any plans for how these students will be housed they stated that the university “has no plans to deliver student housing on the Epsom campus” and that “discussions are ongoing with several private providers for purpose-built student accommodation”.

¹⁷⁴ PPG (Housing needs of different groups) Para 003, Ref ID: 67-003

16.207 Given that UCA plans to grow its numbers of students but has no plans to deliver accommodation on campus, demand for purpose-built student accommodation in Epsom & Ewell will be borne by the private sector. This has the potential to place a significant additional burden on the housing stock within the Borough, especially in areas, such as Epsom’s town centre, that are close to the campus.

16.208 Lastly, UCA was asked if it was aware of how the cost of living in halls of residence at the Epsom campus compares with living off-campus in private student accommodation. The University stated that:

“UCA has student residences located on Epsom campus at Wilberforce Court (70 beds) and at Worple Road (53 beds). 10 mins away from Epsom campus at East Street is Bradford house (99 beds) and Crossways House (99 beds).

It is too soon to say how the utility price increases of 1st Oct 2022 will affect rent in the future although it is safe to say that rent will go up. UCA do monitor rent in the private accommodation sector compared to halls of residence and it is included in the annual Rent Review which is written every Autumn. For last year’s Rent Review rent levels for UCA halls of residence were set for 22/23.”

16.209 Below is the table included in that paper to show how average rent in the private sector in Epsom compares to UCA average rent.

Table 84: Student housing rent data in Epsom & Ewell

Location	Private Accommodation			UCA Accommodation 51 (PG)			UCA Accommodation 38 weeks (UG)		
	Avg wkly rent	No. wks	Rent over contract period	Avg wkly rent	No. wks	Rent over contract period	Avg wkly rent	No of wks	Rent over contract period
Epsom	£163	52	£8,476	£167	51	£8,517	£167	38	£6,346

16.210 UCA go on to state that:

“For ease of reference, the average rent in UCA Accommodation in 2021/22 was included for comparison purposes. Most rooms in shared student houses in the private sector are not en-suite and most rents are payable over 52 weeks and do not include bills. To make it closer to a level playing field, £18 was added to the weekly rent in the private sector to take account of utility bills, internet and contents insurance, all of which are included in the rent for university accommodation. When comparing rents in preparation for the 23/24 Rent Review, UCA is aware that more will have to be added to the private rent than £18 in order to make it an effective comparison.”

16.211 In conclusion, it is clear that the growth ambitions of UCA regarding their Epsom campus require additional purpose-built student accommodation to meet these ambitions and satisfy the housing needs of students in Epsom & Ewell.

16.212 Given that the university plans to grow by 10% per annum for at least the next three years but has no plans to deliver additional housing on campus, the Council should give consideration to the most appropriate way to house at least part of the expected additional 573 students.

16.213 Therefore, the evidence gathered supports the recommendation that the Council should adopt a positive stance to student housing coming forward in appropriate locations.

16.214 Additionally, it is important that Epsom & Ewell Borough Council take note of the findings from the emerging accommodation strategy commissioned by UCA, which will aid the Council to fully understand the housing needs of the students that attend the Epsom campus of UCA.

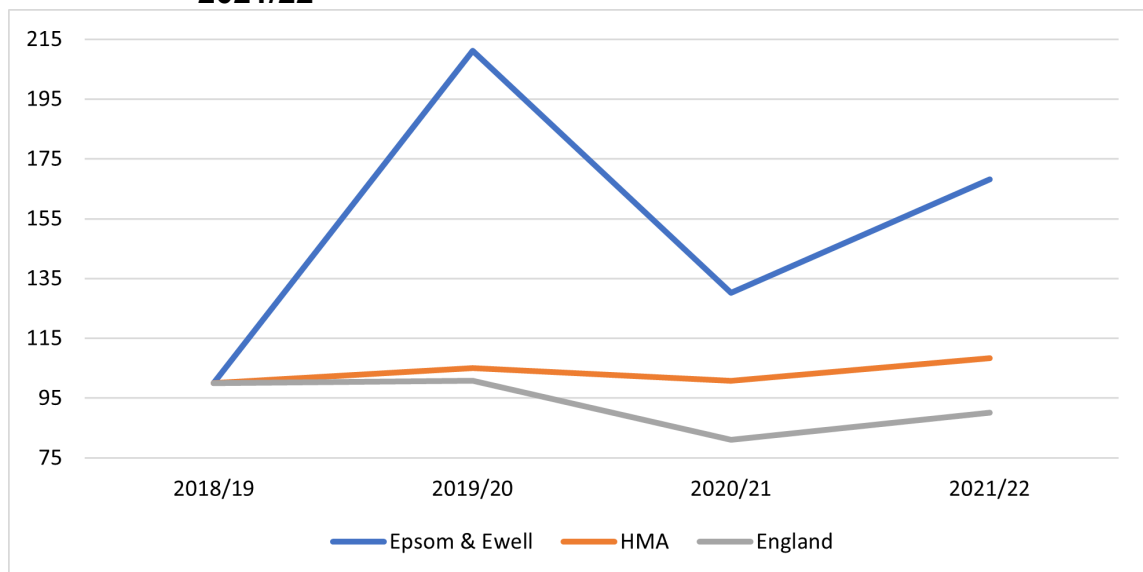
Households threatened by homelessness

16.215 The introduction of the Homelessness Reduction Act in 2018 means that LAs have an increased duty to not only help households recover from homelessness but also help households who are likely to become homeless in the next 56 days¹⁷⁵.

16.216 This section of the report gathers data relating to the number of households in Epsom & Ewell threatened with homelessness within this period. For comparison purposes, data has also been collected for the HMA and England as a whole.

16.217 The chart below shows the change in the number of households threatened by homelessness in Epsom & Ewell, the HMA¹⁷⁶ and England.

Figure 80: The number of households threatened with homelessness indexed (2018/19=100), Epsom & Ewell and comparators, 2018/19-2021/22



Source: [Department for Levelling Up](#), live tables on homelessness

16.218 From April 2021-March 2022, the number of households threatened by homelessness in Epsom & Ewell was equal to 106 (equivalent to 0.3% of households in the Borough). In comparison 0.4% and 0.6% of households in the HMA and England were in this position.

¹⁷⁵ [Epsom & Ewell Borough Council](#), homelessness

¹⁷⁶ Data regarding the number of households threatened by homelessness in LB Kingston upon Thames does not exist for 2019/20.

16.219 However, the chart above shows that, over the period 2018/19-2021/22, the number of households threatened by homelessness in Epsom & Ewell increased by 68%. This compares with an increase in the HMA between 2018/19 to 2021/22 of 8% and a decline at the national level by 10% over the same period.

16.220 Studies of homelessness suggest that homeless rates are higher in areas where prices are high for low-quality housing. Studies estimate that the elasticity of homelessness with respect to rent on low-quality housing is 1.25, meaning that a 10% increase in rent increases homelessness by 12.5%.¹⁷⁷

16.221 The table below sets out the change in lower quartile rents over the period 2011-22. This indicates rents at the low end of the market have increase substantially in the Borough over this period (by an average of 13% each year). Applying the value of 1.25, this would produce an increase in homeless households by 17% per year.

Table 85: Change in lower quartile rents, 2011-2022 (Epsom & Ewell and comparator geographies)

Area	2011	2022	% Change
Epsom & Ewell	£425	£1,050	147%
HMA	£606	£1,026	69%
Surrey	£750	£950	27%
England	£450	£595	32%

Source: ONS, [Private Rental Market Statistics](#)

16.222 Despite an overall lower proportion of households in Epsom & Ewell threatened by homelessness, the recent greater relative increases compared to comparator regions indicates a need for the Council to monitor the number of households threatened by homelessness.

16.223 The evidence gathered would justify policies targeted at this vulnerable group, for example ensuring dwellings for Social Rent are included within the mix of affordable homes or delivering a pilot “[housing-first](#)” approach.

¹⁷⁷ Honig & Flier (1993) cited by O’Sullivan, A, [Urban Economics](#) (9th edition), pp 280

Housing for specific groups summary

Older and disabled persons

16.224 There is projected to be a 38% increase in the population aged 65 or over between 2022 and 2040 in Epsom & Ewell from 15,284 to 21,107 people, an increase of 5,823.

16.225 The ageing population will lead to an increase in the number of people requiring specialist accommodation in the future. Based on prevalence rates and the identified population growth of those aged 75 or over the need for different types of SHOP is summarised in the table below.

Table 86: SHOP, needs summary and tenure split

Type	Tenure	2040 Need
Housing with support	Market	645
Housing with support	Affordable	293
Housing with care	Market	215
Housing with care	Affordable	132
Care bed-spaces	N/A	1,004

Source: GL Hearn calculations

16.226 The number of people aged 65+ with dementia is expected to increase by 59% from 2022 to 2040. This is an increase from 1,084 to 1,724 people, or 640 individuals. There are also significant increases projected for those with mobility problems (49% increase over the same period).

16.227 Using data from the ONS and the English Housing Survey (EHS) there is forecast to be an uplift in the number of wheelchair user households by 42% between 2022 and 2040. This is an increase from 896 to 1,272, or 376 households. The total estimated current and future need for wheelchair user homes in Epsom and Ewell is set out in the table below.

Table 87: Estimated need for wheelchair user homes, 2022-40

Local Authority	Current need	Projected need (2022-40)	Total current and future need	Housing need (2022-40)	% of Housing Need
Epsom & Ewell	224	376	600	10,370	5.79%

Source: Derived from a range of sources

16.228 Drawing this information together there is a need to increase the supply of M4(2) accessible and adaptable dwellings and M4(3) wheelchair user dwellings. In seeking M4(2) compliant homes, the Council should also be mindful that such homes could be considered “homes for life” and would be suitable for any occupant, regardless of whether or not they have a health problem or disability at the time of initial occupation.

16.229 All new homes should, therefore, be M4(2) compliant. It is worth noting that a Government [consultation](#) on this issue concluded that M4(2) should be mandated as a minimum standard for all homes.

16.230 Where possible the Council should also seek 10% of all new market homes to be M4(3)a (adaptable) compliant and, in the affordable sector, 20% M4(3)b (accessible) compliant.

16.231 Higher numbers may also be considered but in all cases, the numbers applied in policy should be viability tested.

Self-build and custom housebuilding

16.232 Epsom & Ewell's self-build register shows that eight individuals are currently on the register. In total, from 2016, when the register was first created, to October 2022, 57 individuals have been on the register.

16.233 Based on the current register, 7 self- and custom build plots should be provided each year.

Students

16.234 According to Census 2011 data, the majority (64%) of the 4,627 students in Epsom & Ewell aged 16 and above live at home with their parents. The second largest accommodation type is all student households; these house 16% of the Borough's students. Just 2% of students live in halls of residence.

16.235 In comparison, Epsom & Ewell has a larger proportion of students living with their parents compared to the HMA (60%), Surrey (60%) and England (56%) but has a lower proportion of students living in halls of residence compared to the HMA (6%), Surrey (10%) and England (8%).

16.236 In terms of age groups, 65% of the students in Epsom & Ewell are between the ages of 16-19 years old; 23% are between the ages of 20 and 24 and lastly 12% are aged 25 and above.

a. University for the Creative Arts

16.237 The only Higher Education Institute (HEI) that is a university in the Borough is the Epsom campus of the University for the Creative Arts (UCA). It is worth noting that UCA also has three other campuses located in Canterbury, Farnham and Rochester, of which Farnham is the largest.

16.238 The total number of students studying at the Epsom campus in the current academic year (2022/23) is equal to 1,731 full time students. There are no part-time students studying at the Campus.

16.239 Of the 1,731 students, approximately 55% are undergraduates and 45% are postgraduates.

16.240 The growth of international students studying at the campus has grown substantially from 162 in 2018 to 1,172 in 2022. In contrast, the number of domestic students studying at the campus has fallen from 894 in 2018 to 559 in 2022.

16.241 Data provided by the UCA related to the age structure of the student population shows a rapid decline in the number of students aged 16-19 between 2017 to 2021 (equal to 40%).

16.242 In comparison, the age groups of 20 to 25 year olds and 26+ year olds have grown significantly from 249, 20 to 25 years in 2011, to 792 in 2021 and 49, 26+ year old students in 2011, to 422 in 2021.

16.243 In terms of housing arrangements, the university indicated that 23% of students live in all student households in private rented accommodation (HMOs), closely followed by 22% of students living with their parents. Approximately 19% of students live alone and 18% live in halls of residence.

b. *UCA student growth*

16.244 UCA have recently commissioned an accommodation strategy which is currently being prepared. The strategy provides evidence as to the number of homes that will be required to meet the need for student accommodation in the Borough in the medium term.

16.245 When asked about growth aspirations for the Epsom campus, UCA stated that they expect the student population to grow by 10% per annum for at least the next three years (which is equivalent to an additional 573 students) but have no plans to deliver additional housing on the campus.

16.246 This has the potential to place a significant additional burden on the housing stock within the Borough, especially in areas such as Epsom's town centre, that are close to the Campus.

16.247 Therefore, the evidence gathered supports the recommendation that the Council should adopt a positive stance to student housing in appropriate locations to meet current and future housing needs of students.

People employed in the horse-racing sector

16.248 As noted in Chapter 9, the horse-racing sector in Epsom, while a minor contributor to employment in numerical terms, operates the iconic Epsom Downs Racecourse. As such, it forms a key cultural and social, as well as economic asset, for the Borough.

16.249 The future of the racecourse relies to a large degree on the network of horse-racing stables in the local area. The strategic objective of the sector is to expand its capacity to train more race-horses. In order to achieve this, they need to recruit around 60 new members of staff over the next five years.

16.250 Given the status of the sector within Epsom, consideration should be given to the housing needs of people seeking to join this industry. To this end, the HEDNA has undertaken a survey of training stables to understand their current circumstances and their housing need as the sector expands.

- 16.251 Of the 12 stables, representatives of 4 completed the survey. All the respondents describe their work as training racehorses and employ a staff to assist them. To this extent, the sample can be treated as a reasonable guide to the circumstances and views of employers within the sector as regards housing.
- 16.252 When asked whether their current home was adequate for their needs, all respondents state "yes".
- 16.253 Respondents were then asked whether their work included dealing with business critical emergencies and whether they needed to be at work outside usual working hours (i.e. early in the morning or after dark) on a regular basis to deal with them. In each case, respondents reply that it does, and cite dealing animal welfare issues as the reason.
- 16.254 The 4 respondents collectively employ 17 staff. Of these, 6 undertake duties that require them to be regularly available at the stable at short notice to address emergency issues relating to animal welfare. Allowing for the employers themselves, this suggests that around 50% of staff employed at the stables are required to be available to address issues of this nature.
- 16.255 This provides an evidential starting point for treating these staff as "rural workers" with a legitimate expectation that policy should support them in being able to access accommodation at or close to, their place of employment.

16.256 The table below seeks to identify the proportion of employees that are likely to have a strong case for this in order to deal with emergency animal welfare issues and whose housing need may not currently be met in full.

16.257 Assuming the respondents who took part in the survey are representative, the number of staff currently employed at all 12 stables in the Borough that have these responsibilities number 18 (for the purposes of this analysis, employers have been excluded given that the evidence suggests their housing needs are properly addressed).

16.258 To arrive at an estimate of the number of new employees to be recruited as part of the sector's expansion plans who will be required to address emergency issues, the 35% has been applied to the target number of new employees (60) to arrive at a figure of 21.

Table 88: Proportion of staff employed at stables to deal with emergency animal welfare issues

Employer	Staff	Staff involved with animal welfare	% of staff	Indicative need for essential rural workers	Future need
4	17	6	35%	18	21

Source: Survey of rural households and horse-racing training stables

16.259 In terms of their own household income, the employers reported income levels ranging from £30,000 to £45,000, an average of £35,000 per year. Data was also provided as regards salary levels for their staff. The highest paid employee was paid £30,000 and the lowest £11,000. The average for all staff was £21,833 and the median was £22,000.

16.260 This places employers in the horse-racing sector below the median income for the Borough of £49,000 and staff in the bottom 10% of the income distribution.

16.261 In terms of accessing housing, despite their relatively low incomes, as noted, employers have been able to access satisfactory accommodation in the private sector. The evidence suggests they are able to afford accommodation either at their place of work, or close to it to enable them to discharge their animal welfare responsibilities.

16.262 As regards the needs of their staff, their choices will be limited to living in a home in multiple occupation (HMO) and there can be no guarantee that this HMO will be in close proximity to their place of work. Furthermore, assuming the majority of staff are single, employed people, many will have low eligibility for affordable housing.

16.263 The NPPF states that, while development of isolated homes in the countryside should be avoided exceptions can be made where *“there is an essential need for a rural worker...to live permanently at or near their place of work in the countryside”*.¹⁷⁸

16.264 PPG states that

“Considerations that it may be relevant to take into account when applying paragraph 80a of the NPPF could include: evidence of the necessity for a rural worker to live at, or in close proximity to, their place of work to ensure the effective operation of an agricultural, forestry or similar land-based rural enterprise (for instance, where farm animals or agricultural processes require on-site attention 24-hours a day and where otherwise there would be a risk to human or animal health or from crime, or to deal quickly with emergencies that could cause serious loss of crops or products);”

16.265 The evidence suggests that it is appropriate for staff working at stables to be treated as “rural workers” where they are required to deal with animal welfare issues around the clock. That said, this should take into account the location of the stable in question and evidence of supply.

¹⁷⁸ NPPF, para 80, criterion a)

16.266 In order to house junior members of the horse-racing industry, it is therefore recommended that residential development suited to their needs should be permitted on sites on or close to horse-racing stables to ensure that the industry is able to attract and retain staff. This will enable staff to address readily horse welfare issues while also maintaining an acceptable quality of life.

Households threatened by homelessness

16.267 From April 2021 to March 2022, the number of households threatened by homelessness in Epsom & Ewell was equal to 106 (equivalent to 0.3% of households in the Borough). In comparison 0.4% and 0.6% of households in the HMA and England were in this position.

16.268 However, the number of households threatened by homelessness in Epsom & Ewell increased by 68%. This compares with an increase in the HMA between 2018/19 to 2021/22 of 8% and a decline at the national level by 10% over the same period.

16.269 Despite an overall lower proportion of households in Epsom & Ewell threatened by homelessness, the recent greater relative increases compared to comparator regions indicates a need for the Council to monitor the number of households threatened by homelessness.

16.270 The evidence gathered would justify policies targeted at this vulnerable group, for example ensuring dwellings for Social Rent are included within the mix of affordable homes or delivering a pilot "[housing-first](#)" approach.

17 EMPLOYMENT LAND REQUIREMENTS

- 17.1 This chapter examines future projected economic growth and the latest market evidence to provide recommendations as regards need for employment land by Use Classes in the Borough.
- 17.2 According to PPG, when translating the employment and output forecasts into land requirements, there are 4 key relationships which need to be quantified:¹⁷⁹
- Standard Industrial Classification (SIC) sectors to use classes;
 - SIC sectors to type of property;
 - employment to floorspace (employment density); and
 - floorspace to site area (plot ratios based on industry proxies).
- 17.3 This chapter quantifies the employment land requirements based on the results of jobs growth forecasts and factoring in the 4 key relationships set out by PPG. This considers the requirements for employment land for offices, light industrial, general industrial and warehousing over the period from 2022 to 2040.
- 17.4 As required by the PPG, three techniques are recommended to estimate the future employment land requirements are broken down by different market segments (e.g. different types of properties).¹⁸⁰ This includes the assessments based on:
- labour demand;
 - labour supply; and
 - past take-up.
- 17.5 The OE baseline forecasts are the basis for labour demand and labour supply scenarios. The OE baseline forecasts take account of the past economic performance and move forward to estimate expected performance in the future. It also considers the sectoral composition of growth. Based on the OE baseline forecast, a detailed model is applied to relate the net jobs growth forecasts to relevant types of land uses and to estimate the gross employment floorspace and land requirements.

¹⁷⁹ PPG (Housing and economic needs assessment). Ref ID: 2a-030

¹⁸⁰ PPG Paragraph 029 Ref ID: 2a-029

- 17.6 On the other hand, the assessment of past take-up is based on the actual delivery of employment floorspace. The past take-up is potentially influenced by past land supply policies but does not take account of the implications in the growth of labour supply (i.e. housing growth) nor the differences in past economic performance.
- 17.7 Since OE baseline forecasts are available at the local authority level, the employment land scenarios are presented at Epsom & Ewell Borough level.

Labour demand scenarios

- 17.8 This section takes forward the economic growth forecasts set out in the “Employment Forecast” Chapter of this HEDNA. This includes a scenario based on the OE baseline forecast and a Custom Growth Scenario (CGS) based on the adjusted forecast factoring in recent local economic developments and key growth sectors set out in the SEGS 2020.

Baseline scenario

- 17.9 The baseline scenario considers the quantum of employment land required related to the increase of 6,069 jobs between the period 2022 to 2040 as presented in the OE baseline forecast.
- 17.10 Based on the latest BRES data in 2021, the FTE conversion ratios by SIC sectors in the Borough are applied (81% on average).¹⁸¹ Therefore, the OE baseline forecasts show a net job increase of 5,207 full-time employees over the period 2022 to 2040.
- 17.11 The estimation has considered the proportion of employment in each of the employment sectors in OE data which is likely to take place in office or industrial floorspace. This is broken down into Use Classes of E(g) Class (former B1 Class) for office, R&D or light industrial uses, B2 Class for general industrial uses and B8 Class for storage or distribution uses.

¹⁸¹ [Business Register and Employment Survey](#), 2021

- 17.12 A conversion model based on a range of sources and professional judgement is adopted. This estimates the proportion of FTE jobs in each employment sub-sector which are relevant to different types of employment in Epsom & Ewell. In reality, the proportion might differ within the sectors; however, the model assumes an average proportion will be applied to simplify the estimation.
- 17.13 By applying the model with the same assumed apportionment, the net growth in FTE employment between 2022 to 2040 is estimated by types of land use in the Borough. The table below shows the estimation by the 5-year band throughout the period from 2022 to 2040.

Table 89: FTE Job growth by B-Class and E(g)-Class sector, Baseline scenario 2022-40, Epsom & Ewell

Baseline	2022-26	2022-31	2022-36	2022-40
Offices / R&D - E(g)	454	851	1,201	1,483
Light industrial - E(g)	41	65	84	100
General industrial - B2	120	143	160	174
Warehousing -B8	129	158	175	185
Other Non-B class	1,085	1,962	2,688	3,264
Total	1,829	3,179	4,308	5,207

Source: Oxford Economics, 2022; GLH Calculation¹⁸²

- 17.14 It should be noted that this estimation is based on the latest OE baseline forecast which has accounted for the impacts of the Pandemic and the expected shape of the post-pandemic recovery. Also, this HEDNA considers the latest Use Class category which the former B1 Class is now part of, the E(g) Class.
- 17.15 The latest guidance on employment density is documented in the HCA Density Guide 2015. Since this employment density assumption does not reflect the latest Use Class category (B1 to E Class), this HEDNA applies the assumptions for B1 Class in order to be consistent with the HCA Density Guide.

¹⁸² Figures including rounding

- 17.16 As the table below shows, the employment density assumptions are applied to convert the FTE job growth figure into gross employment floorspace and summed up into the relevant B or latest E(g) Use Class.

Table 90: Employment density assumptions

Use Class	Density (sqm)
B1a/b - current E(g) Class	11
B1c - current E(g) Class	47
B2	36
B8	70

Source: [HCA Density Guide](#), 2015

- 17.17 Based on the assumptions of employment density, the net changes in employment floorspace by Use Classes between 2022 to 2040 are derived.
- 17.18 The floorspace is converted into the land requirement by the plot ratio assumptions.¹⁸³ Relevant employment land studies of the neighbouring local authorities of Epsom & Ewell are reviewed, as the table below shows.

Table 91: Plot ratio assumptions

Use Class	<u>Mole Valley EDNA Addendum 2018</u>	<u>LB Sutton ELR 2013</u>	<u>LB Kingston upon Thames ELR 2022</u>	HEDNA 2022
(Indicator)	(Average of developments)	(Avg. of higher/lower density developments)	(Avg. of higher/lower density developments)	(Avg. of higher/lower density developments)
B1a/b - Offices / R&D	0.6	1.9	1.5	1.7
B1c - Light industrial	0.4	0.4	0.4	0.4
B2 - General industrial	0.4	0.4	0.4	0.4
B8 - Warehousing	0.4	0.4	0.4	0.4

Source: Various, 2013 to 2022

- 17.19 Based on the consultation with the Council, it is suggested that 80% of office developments will have a plot ratio of 2, which reflects that new office accommodation in the borough is predominantly anticipated to be delivered through higher-density mixed-use schemes within Epsom Town Centre.

¹⁸³ Plot ratio indicates how development will relate to its surroundings and the provision of open space within the site. For example, the site coverage ratio (gross external ground floor area ÷ site area) indicates the ratio of building cover to other uses (e.g., parking area, green or amenity spaces).

- 17.20 The remaining 20% of office developments will have a plot ratio of 0.4 to reflect a new office campus located at an existing employment site (such as Kiln Lane) or lower-density schemes.
- 17.21 In line with neighbouring local authorities, the plot ratio is assumed as 0.4 for industrial, storage and distribution spaces. This indicates that a 1-hectare site would accommodate 4,000 sqm of warehousing floorspace while the remainder (6,000 sqm) will serve as operational yards (e.g., parking, greenery or open spaces).
- 17.22 The table below shows that, under the baseline scenario, the net requirement for office floorspace will substantially increase by 16,315 sqm over the period 2022 to 2040. The light industrial floorspace will increase by 4,695 sqm in the same period.
- 17.23 The general industrial (B2 Class) and warehousing (B8 Class) floorspace will increase by 6,278 sqm and 12,978 sqm respectively between 2022 to 2040.

Table 92: Net employment land requirements, Baseline labour demand scenario 2022-40, Epsom & Ewell

Baseline 2022-40	Employment floorspace requirement (sqm)	Employment land requirement (ha)
Offices / R&D	16,315	1.0
Light industrial	4,695	1.2
General industrial	6,278	1.6
Warehousing	12,978	3.2

Source: Oxford Economics, 2022; GLH Calculation

- 17.24 The degree to which changes in working practices that were triggered by the Pandemic, (e.g., working-from-home) will become entrenched is relevant to assessing the demand for office space. However, there is still some uncertainty regarding the extent of the change. The potential impacts of changing working practices are further discussed in the later section.

- 17.25 A sensitivity test has been undertaken to assess these changes; this assumes the quantum of office floorspace needs will fall by around one-third. This equates to a lower office floorspace need of 10,877 sqm and employment land need of 0.6 ha. For other land uses (e.g., Light/General industrial, Warehousing), the change in working practices are less likely to affect the land requirement.
- 17.26 It should be noted that the application of sensitivity is subject to potential revisions. Given the fluctuating economic trends and uncertainties around the future working practices, the Council will need to refresh the employment land need during the 5-year Local Plan review process.

Custom growth scenario (high growth)

- 17.27 This section estimates the quantum of employment land required to support the growth of 9,315 jobs in the Borough between 2022 to 2040, based on the Custom Growth Scenario (CGS) as set out in the previous chapter.
- 17.28 The CGS reflects the greater influence of the recent trends in job growth of key growth sectors in the Borough, resulting in a net job increase of 8,068 full-time employees over the period 2022 to 2040.

17.29 By applying the same modelling assumptions and the stepped approach as the baseline scenario, the table below presents the forecast of net FTE job growth by types of land use over the period 2022 to 2040 in the Borough.

Table 93: FTE Job growth by B-Class and E(g)-Class sector, Custom growth scenario 2022-40, Epsom & Ewell

CGS	2022-26	2022-31	2022-36	2022-40
Offices / R&D - E(g)	616	1,377	2,201	2,934
Light industrial - E(g)	52	109	169	220
General industrial - B2	136	192	251	305
Warehousing -B8	123	173	214	247
Other Non-B class	1,155	2,325	3,432	4,362
Total	2,082	4,176	6,267	8,068
B-Class Total	259	365	465	552

Source: Oxford Economics, 2022; GLH Calculation

17.30 The table below shows the employment land requirements under the high labour demand scenario. The net changes in employment floorspace are derived by applying the employment densities to the forecasts of net FTE job growth.

Table 94: Net employment land requirements, high labour demand scenario 2022-40, Epsom & Ewell

CGS 2022-40	Employment floorspace requirement (sqm)	Employment land requirement (ha)
Offices / R&D	32,277	1.9
Light industrial	10,340	2.6
General industrial	10,980	2.7
Warehousing	17,283	4.3
Total	70,880	11.6

Source: Oxford Economics, 2022; GLH Calculation

17.31 As a result, under the CGS, the net floorspace requirement for office space is 32,277 sqm between 2022 to 2040. The light industrial floorspace will increase by 10,340 sqm in the same period.

17.32 The general industrial (B2 Class) and warehousing (B8 Class) floorspace requirement is estimated at 10,980 sqm and 17,283 sqm respectively over the period 2022 to 2040.

- 17.33 Considering the Pandemic sensitivity of less demand for office floorspace, an adjustment has been applied to decrease the ratio of floorspace requirements by one-third. This equates to a need for office floorspace with 21,518 sqm and employment land of 1.3 ha. For other land uses (e.g., Light/General industrial, Warehousing), the change in working practices are less likely to affect the land requirement.
- 17.34 This application on sensitivity is subject to potential revisions. Given the fluctuating economic trends and uncertainties around the future working practices, the Council will need to refresh the employment land need during the next cycle of Local Plan review process.

Summary of labour demand and labour supply scenarios

- 17.35 The associated population growth of the Government’s standard method housing figure will lead to a growth in the workforce. As a result, the standard method-based housing need figure (576 dpa) will change the economically active population (and hence the jobs growth).¹⁸⁴ This is set out in the previous chapter “Economic-led housing need” which represents the labour supply-led scenario as opposed to the labour demand scenarios.
- 17.36 The table below sets out the associated change in employment that reflects the labour demand and supply-led scenarios.

Table 95: Jobs growth scenario comparison, Epsom & Ewell

ID	Scenario	Jobs 2020	Jobs 2040	Jobs Change	Avg. annual change
A	Labour demand baseline	35,645	41,714	6,069	337
B	Labour demand high (CGS)	35,846	45,217	9,371	521
C	Labour supply (Dwelling-led LHN)	35,645	44,773	9,128	507

Source: GLH calculation based on Oxford Economics (2020) and EEBC data

¹⁸⁴ Section: Jobs Supported by Growth in the Resident Labour Force

17.37 This shows that the level of job growth in the labour supply-led scenario is slightly lower than the growth in the high labour demand scenario. As a result, the requirement for employment floorspace will be correspondingly lower compared with the high labour demand scenario. That said, it will be higher than for the baseline labour demand scenario.

Past take-up trends and scenarios

17.38 This section looks at the trend in past take-up based on VOA employment floorspace records. Also, the Council’s monitoring data of trends for employment floorspace in the Borough is reviewed.

17.39 The analysis of past take-up is set out in Chapter “Commercial market review” in this HEDNA. The following summarises the key findings of the analysis of trends of VOA employment floorspace take-up:

- office floorspace decreased by 2,000 sqm per annum in the short-term (2011 to 2021) and 1,650 per annum in the long-term (2001 to 2021); and
- industrial floorspace decreased by 400 sqm per annum in the short-term (2011 to 2021) and 550 per annum in the long-term (2001 to 2021).

17.40 Based on the long-term and recent trends of VOA data, the need for floorspace for office and industrial use is projected over the period 2022 to 2040. These scenarios are provided as sensitivity tests without considering the potential economic growth or policy effects but purely assuming the past take-up trends will continue between 2022 to 2040.

Table 96: VOA floorspace trend 2001 to 2040, Office and Industrial (‘000s sqm), Epsom & Ewell

(Period)	2001-2021	2011-2021	2022-40	2022-40
(Type)	Per annum	Per annum	long-term trend estimates (total)	recent trend estimates (total)
Office / R&D	-1,650	-2,000	-29,700	-36,000
Industrial / Warehousing	-550	-400	-9,900	-7,200

Source: [VOA](#), 2021; GLH Calculation

- 17.41 Both long-term and the recent trend of VOA employment floorspace indicates a declining need. Also, the VOA data shows much lower industrial floorspace requirements than both baseline and high labour demand scenarios.
- 17.42 According to Council's monitoring data between the period 2010 to 2022, the following summarises the take-up trend of employment floorspace by types of land use:
- Office floorspace decreased by 1,726 sqm per annum;
 - Light industrial floorspace has no take-up records within this period;
 - General industrial floorspace increased by 185 sqm per annum; and
 - Warehousing floorspace has no take-up records within this period.
- 17.43 The Council's monitoring data on office floorspace (relevant to E Class) shows a similar trend of loss compared with the VOA data. However, for industrial floorspace (B2 and B8 Class), the Council data shows positive growth.
- 17.44 However, as noted in previous chapters, the Council's monitoring data is based on permitted planning applications of employment floorspace. Therefore, some of the employment sites with planning consent may have not yet delivered floorspace on-site as indicated by the VOA record. In reality, the actual floorspace completion and take-up for different Use Classes can only be definitively stated once buildings have been built and occupied.

Flexible margin allowance

- 17.45 In addition to demand modelling, it is considered appropriate to include a flexible margin for the employment floorspace and land needs. The flexible margin is a buffer that allows for market selection and churns, accounting for:
- the potential error margin associated with the forecasting process;
 - providing a choice of sites to facilitate competition in the property market;
 - allowance for sites lost to alternate uses; and
 - providing flexibility to allow for any delays in individual sites coming forward and the time it takes to deliver individual sites.
- 17.46 The flexible margin is arrived at through trends in annual take-up of floorspace monitored by the Council.
- 17.47 The 5-year margin figure is included in the requirement figure in each labour demand scenario. Based on the latest Council data of floorspace take-up between 2010 to 2022, the 5-year margin would be:
- E(g) (i)(ii) Class office floorspace (land): -8,632 sqm (-1.7 ha); and
 - B2 Class general industrial floorspace (land): 925 sqm (0.2 ha).¹⁸⁵
- 17.48 Therefore, it is considered appropriate to apply a 5-year floorspace margin to the employment floorspace and land need for B2 Class. However, for E(g)(i)(ii) Class office space, since the recent market in the Borough shows a decreasing trend of floorspace, the 5-year margin allowance is not applied but an alternative approach for arriving at the margin will be considered.

¹⁸⁵ B2 Class only considers general industrial uses, excluding light industrial activities.

17.49 The Council's monitoring shows there is insufficient data relating to light industrial (E(g)(iii) Class) and warehousing (B8 Class) floorspace completions. Therefore, a proportionate margin has been applied to the need figure instead of the 5-year margin based on monitored trends. Typically, the level of this proportionate margin is set between 20% to 40% reflecting local characteristics and professional judgement by accepted practices.

17.50 In this HEDNA, the 20% margin is adopted for assessing B8 and E(g) Class floorspace needs. This lower level of the buffer (compared to 40%) within the 5-year growth margin aims to reflect the recent declining trend of employment floorspace based on VOA data.

Quantitative employment land requirements

17.51 The table below summarises the forecast employment floorspace requirements by different types of land use. The different scenarios of the jobs growth forecast show a large range of future employment floorspace needs from 70,874 sqm (High labour demand) to a decrease of 53,150 sqm (VOA short-term trend).

Table 97: Range of Employment Floorspace Needs (sqm) (including 5-Year or 20% margin) 2022 to 2040, Epsom & Ewell

Land use	Baseline	High growth	VOA Short Term	VOA Long Term
Offices / R&D (E(g)(i)(ii))	13,052	25,822	-43,200	-35,640
Light industrial (E(g)(iii))	5,634	12,408	-9,950	-12,650
General industrial (B2)	7,203	11,905		
Warehousing (B8)	15,574	20,740		
Total	41,464	70,874	-53,150	-48,290

Source: GL Hearn calculation based on OE and VOA data¹⁸⁶

¹⁸⁶ The figures include rounding practice.

17.52 It should be noted that the employment floorspace need projected by VOA floorspace trends is treated as a sensitivity test to reflect past take-up in the Borough. However, the VOA scenarios (both short-term and long-term) do not consider the potential growth of employment and the key economic opportunities of Epsom & Ewell. The baseline forecast and CGS are considered more robust to estimate the quantitative needs for the Borough over 2022 to 2040.

17.53 The table below summarises the employment land needs by different types of land use. The jobs growth forecast under different scenarios shows a large range of future employment land needs from 12.8 ha (High labour demand) to a decrease of 6.6 ha (VOA short-term trend).

Table 98: Range of Employment Land Need (Ha) (including 5-Year or 20% margin) 2022 to 2040, Epsom & Ewell

Use Class	Baseline	High growth	VOA Short Term	VOA Long Term
Offices / R&D (E(g)(i)(ii))	0.8	1.5	-4.2	-3.4
Light industrial (E(g)(iii))	1.4	3.1	-2.5	-3.2
General industrial (B2)	1.8	3.0		
Warehousing (B8)	3.9	5.2		
Total	7.9	12.8	-6.6	-6.6

Source: GL Hearn calculation based on OE and VOA data¹⁸⁷

17.54 As stated above, the VOA long-term and recent trend scenarios are provided as sensitivity tests. These scenarios do not consider potential economic growth or policy effects while purely assuming the past take-up trends will continue between 2022 to 2040. Therefore, the quantitative needs for employment land will only take baseline forecast and CGS into account.

17.55 Based on the quantitative need for employment floorspace and land in the Borough, the following summarises the key implications and the potential impacts of changing working practices.

¹⁸⁷ Ibid.

Potential impacts of changing working practices and Use class changes

- 17.56 Two factors may influence future employment floorspace demand in the Borough:
- changes in working practices arising from impacts of the Pandemic; and
 - recent Use Class order changes.
- 17.57 These factors are reviewed in the previous section of “Views of local business on impacts of the Pandemic” in the “Economy and labour market” Chapter. Also, the latest stakeholder surveys carried out by this HEDNA have confirmed similar trends in employment floorspace needs.
- 17.58 The SEGS 2021 Addendum indicates that there exists a broad local consensus that future working practices are likely to include more home and flexible space working. Also, during the Pandemic period, local property agents have observed a downsizing trend and slightly weakening demand for office floorspace in the Borough. The agents indicate that there is no demand to change size or configuration for B2 and B8 Use Class floorspace due to the impacts of the Pandemic.
- 17.59 Recent ONS research has assessed the impacts of the Pandemic on hybrid working practice in Great Britain.¹⁸⁸ In February 2022, around 42% of workers who worked from home during the Pandemic are planning to spend most of their working hours at home. This is 12% higher than the proportion indicated in April 2021.
- 17.60 Also, higher earners (income level higher than £40k per annum) are more likely to have hybrid working practices than workers in the lower income groups (less than 40k). The higher income group have 38% of workers with hybrid working practice while the lower income group have around 21%.¹⁸⁹

¹⁸⁸ ONS (2022). [Is hybrid working here to stay?](#). May 2022

¹⁸⁹ Ibid.

- 17.61 The ONS article has indicated that the following industry sectors are more likely to adopt homeworking permanently:
- information and communication;
 - professional and scientific activities;
 - education; and
 - arts, entertainment and recreation.
- 17.62 These are in line with the sectors where the Borough have strengths as identified by the location quotient analysis in the Economic and Labour Market Chapter. Therefore, it is possible that the Borough will have substantial step-change toward remote or hybrid working practice across many industries which reduces the need for employment floorspace.
- 17.63 However, it is also possible that even with the wide application of a hybrid model of remote working, the quantum of demand for office floorspace could remain broadly unchanged.
- 17.64 The type of demand could change, however. For example, an increase in demand for more flexible and interaction-led space. This may mean that older format stock becomes less attractive and that a stock adjustment process is timely.
- 17.65 Therefore, planning policy should remain flexible and open to the possibility that the quantum of office space required could be lower, particularly if a more substantial step-change occurs. In light of this, the sensitivity test applied in this HEDNA has considered modelling a fall in the quantum of office floorspace needs of around one-third. The Council should monitor the situation and build in additional flexibility.

- 17.66 Use Class order changes also have implications for the office market. The inclusion of B1 within the broad E Town Centre Use Class brings permitted development rights enabling owners to change between the sub-uses without the need for planning permission. Evidence in the SEGS 2021 Addendum shows that the local agents indicated that this allows local business to diversify their services, stimulating demand for floorspace.
- 17.67 On the other hand, the introduction of Class E means that existing policies to protect employment space will become less effective in relation to existing B1(a/b/c) premises.
- 17.68 Consequently, the supply of this space may be reduced and the characteristics of existing employment areas altered. As a result, the effects of Use Class order changes are uncertain at this stage.

Employment land requirement summary

- 17.69 The following section summarises the need for office and industrial floorspaces and land requirements. The figures reflect the range of quantitative needs derived in this HEDNA. In addition, policy recommendations to accommodate these needs in the Borough is provided.

Office

- 17.70 The demand for office space has fallen in Epsom & Ewell in recent years based on the recent trend of VOA floorspace and Council's monitoring data. It is likely to have a structural change in the office market and a reduction in floorspace needs in the Borough given the trend of hybrid working practices in the post-Pandemic period. The evidence gathered suggests future need for office spaces will be limited, especially for the traditional format of stock.

17.71 Considering the economic growth in the Borough, both OE baseline and CGS forecasts indicate that there will be an additional need for office floorspace and land in the long-term (2022 to 2040). However, given the recent VOA floorspace trend and the implications of the Pandemic, the CGS is considered overly optimistic. Therefore, it would be appropriate for the Council to plan for a future need based on the mid-point between the baseline forecast and the CGS at **19,437 sqm or 1.2 ha for office (E(g)(i)(ii) Class) floorspace/land needed over the period 2022 to 2040.**

Industrial

- 17.72 For industrial floorspace (E(g)(iii), B2 and B8 Class), both baseline forecast and CGS indicate an increasing need over the period 2022 to 2040. The CGS model shows a higher degree of increase than OE baseline forecasts based on the assumptions made for certain key jobs growth sectors.
- 17.73 The recent VOA floorspace trend shows a decreasing need for industrial floorspace. However, based on the Council's inputs, the data of take-up for B2 Class (industrial) floorspace indicates that the VOA trend is not in line with the Council's monitoring records. As a result, there is likely to be a slight increase in B2 Class floorspaces take-up in the period 2022 to 2040 based on the permitted sites.
- 17.74 The degree of jobs growth as indicated by the CGS captures the Borough's growth opportunities in key economic sectors such as transportation and storage. However, given the recent declining trend of VOA floorspace, it would be appropriate for the Council to plan for a future need based on the mid-point between the baseline forecast and the custom growth scenario. This results in a minimum of **9,021 sqm or 2.3 ha for light for industrial (E(g)(iii)) floorspace/land, 9,554 sqm or 2.4 ha for industrial (B2) floorspace/land and 18,157 sqm or 4.5 ha for warehousing (B8) floorspace/land needed over the period 2022 to 2040.**

17.75 The table below summarises the recommended need for employment spaces.

Table 99: Recommended employment floorspace and land need, Epsom & Ewell

(Use Class)	Floorspace (sqm)	Land (ha)	Method
Offices / R&D	19,437	1.2	Mid-range forecast with 20% buffer margin
Light industrial	9,021	2.3	Mid-range forecast with 20% buffer margin
General industrial	9,554	2.4	Mid-range forecast with 5-year margin
Warehousing	18,157	4.5	Mid-range forecast with 20% buffer margin
Total	56,169	10.3	

Source: GL Hearn calculation

17.76 This suggests approximately 56,170 square metres of employment floorspace or 10.3 hectares of employment land are needed in the Borough over the period 2022 to 2040.

Policy recommendation

17.77 As indicated by the Council and SEGS 2020, key employment areas of offices in the Borough are the Town Centre area and the sites at East Street. Also, the Longmead and Kiln Lane industrial estates have the potential to provide a new office campus that serves technology-based companies, office users such as professional and business services companies and regional headquarters operations.¹⁹⁰

17.78 In order to accommodate the employment growth in the Borough, it is suggested to intensify the current land use for offices and regenerate the outdated office buildings to enhance the supply of office floorspaces. The current office clusters, such as Epsom Town Centre and the sites at East Street represent opportunities for office spaces to meet demand.

¹⁹⁰ Epsom and Ewell Borough Council (2020). [Local Plan Spatial Economic Growth Strategy for Epsom and Ewell](#). Page 13

- 17.79 Given the prominent role of Longmead and Kiln Lane industrial estates in providing industrial and warehousing spaces in the Borough, it is essential to safeguard the employment land supply of these estates from loss to other land uses. This will accommodate the additional needs for employment spaces and attract companies to invest.
- 17.80 Currently, both industrial estates provide around 35 ha of employment land. However, as indicated by the C2C LEP commercial property study and CoStar records, the vacancy rates of the two industrial estates are very low (2.2%) in recent years (2020 to 2022).¹⁹¹ Therefore, it is suggested to redevelop the estates to increase the job density to absorb the additional floorspace (36,732sqm) or land needs (9.1ha) relevant to light industrial, general industrial and warehousing purposes.
- 17.81 Finally, it should also be noted that the employment forecast (both baseline and CGS) presented in this HEDNA report are subject to uncertainty given the long-term effects of the Pandemic. The C2C LEP has, for example, taken a cautious view on the employment growth and the land required to support economic development in future years. Plan-makers should be mindful of changing economic circumstances and, where justified, review their policy stance accordingly.

¹⁹¹ Coast to Capital LEP (2019). [Capital to Coast Commercial Property Study](#). Page 20

18 APPENDICES

APPENDIX A: POPGROUP Forecasting

Population

- 18.1 Historical population statistics are provided by ONS mid-year population estimates (MYEs), with all data disaggregated by single year of age and sex. MYEs are used up to 2020. In 2021, the Census population is used.
- 18.2 From the 2021 base year onwards, future population counts are estimated by single year of age and sex, using the defined assumptions. Note that as no MYE data is available for 2020/21, all scenario assumptions are derived.

Births & Fertility

- 18.3 Historical mid-year to mid-year counts of births by sex have been sourced from the ONS MYEs. Birth counts are applied from 2001/02 to 2019/20. From 2020/21, an area-specific and age-specific fertility rate (ASFR) schedule is derived from the ONS 2018-based sub-national population projection (SNPP). In combination with the 'population at risk' (i.e. all women between the age of 15–49), these ASFR assumptions provide the basis for the calculation of births in each year of the forecast period.

Deaths & Mortality

- 18.4 Historical mid-year to mid-year counts of deaths by sex and 5-year age-group have been sourced from the ONS MYEs. Counts of deaths by age and sex are applied from 2001/02 to 2019/20. From 2020/21, an area-specific and age-specific mortality rate (ASMR) schedule is derived from the latest 2018-based SNPP.

Internal Migration

- 18.5 Historical mid-year to mid-year estimates of internal in- and out-migration by five-year age-group and sex have been sourced from the 'components of population change' files that underpin the ONS MYEs. Future internal migration rate assumptions are derived from a five-year historical period to mid-year 2020, with the level of migration altered by the model to meet defined annual dwelling growth targets.

International Migration

- 18.6 Historical mid-year to mid-year estimates of immigration and emigration by five-year age-groups and sex have been sourced from the 'components of population change' files that underpin the ONS MYEs. Future international migration counts are derived from a five-year historical period to mid-year 2020.

Households & Dwellings

- 18.7 The 2011 Census defines a household as, *“one person living alone, or a group of people (not necessarily related) living at the same address who share cooking facilities and share a living room or sitting room or dining area”*.
- 18.8 In POPGROUP, a dwelling is defined as a unit of accommodation which can either be occupied by one household or can be vacant.
- 18.9 In a dwelling-led scenario the level of population growth required to meet a defined dwelling growth target is estimated through the application of a dwelling vacancy rate, household representative rates (headship rates), and communal population statistics. In an employment-led scenario, these key assumptions are used to derive the level of household and dwelling growth from the population growth outcome.

Vacancy Rate

- 18.10 The relationship between dwellings and households is modelled using a 'vacancy rate', derived from the 2011 Census, using statistics on households (occupied household spaces) and dwellings (shared and unshared).
- 18.11 A vacancy rate of 2.47% for Epsom and Ewell has been applied and fixed throughout the forecast period.

Household Presentative Rates

- 18.12 A household representative rate is defined as the "*probability of anyone in a particular demographic group being classified as being a household representative*"¹⁹²
- 18.13 The household representative rates used in the POPGROUP modelling have been taken from the MHCLG 2014-based and ONS 2018-based household projections models, which are underpinned by the ONS 2014-based and 2018-based SNPPs. The official household projections are derived through the application of projected headship rates to a projection of the private household population (i.e. the total population minus the communal population). The methodology used by MHCLG and ONS consists of two stages:
- **Stage One** produces the national and local authority projections for the total number of households by age and sex, age-group and relationship-status group.
 - **Stage Two** provides the detailed 'household type' projection by age-group, controlled to the previous Stage One totals.

¹⁹² [2014-based Household Projections](#), MHCLG

18.14 In each POPGROUP scenario, the **Stage Two** headship rates have been applied by age-group, sex and 'household type' (see tables below) to the private household population to derive the number and type of households. The headship rates have been rescaled so that, in 2021, the recorded Census household figure is replicated, with the original trend followed thereafter.

Table 100: MHCLG 2014-based Stage Two household type classification

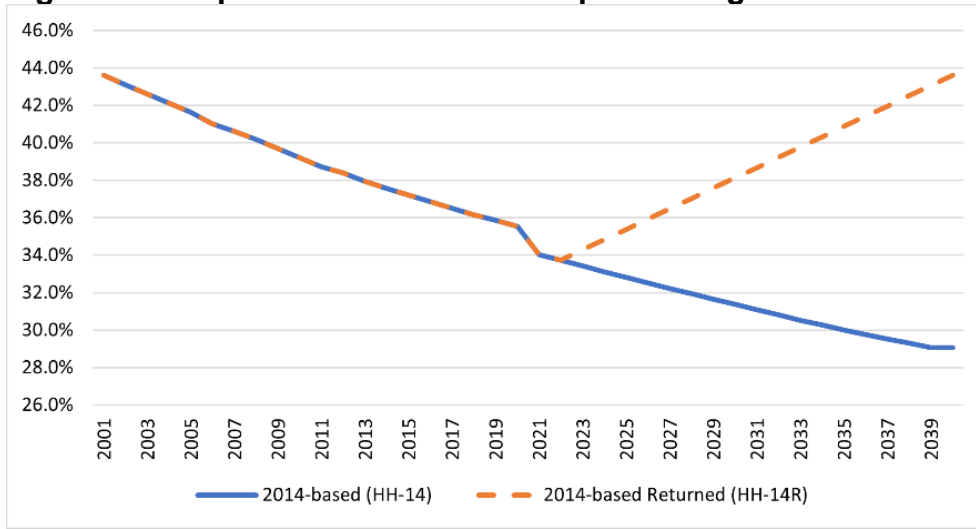
MHCLG Category	Description
One person male	One person households: Male
One person female	One person households: Female
Couple no child	One family and no others: Couple households: No dependent children
Cple+adlts no child	A couple and one or more other adults: No dependent children
One child	Households with one dependent child
Two children	Households with two dependent children
Three+ children	Households with three or more dependent children
Other households	Other households with two or more adults

Table 101: ONS 2018-based Stage Two household type classification

ONS Category	Description
One person male	One person households: Male
One person female	One person households: Female
One child	Households with one dependent child
Two children	Households with two dependent children
Three+ children	Households with three or more dependent children
Other households	Other households with two or more adults

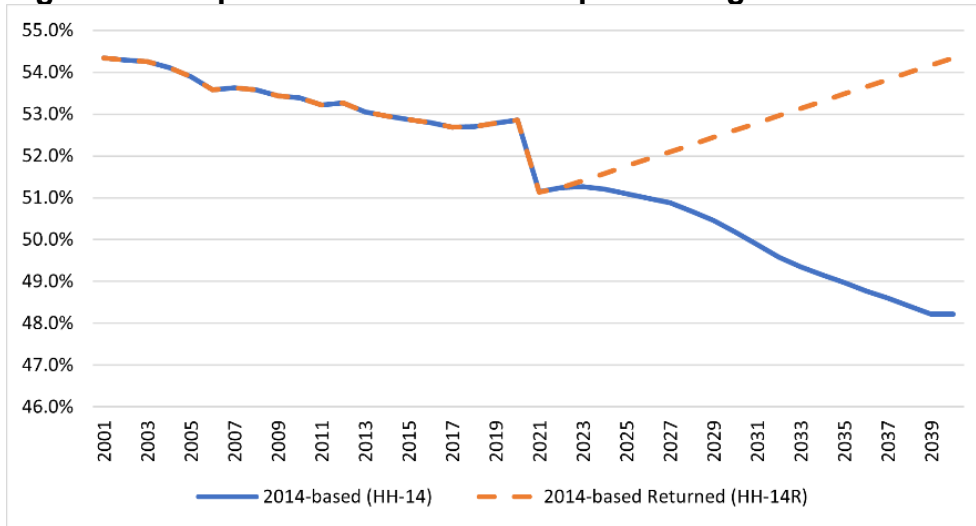
18.15 The HH-14R scenarios have been produced with a variation on the 2014-based headship rates, with the rates returning to higher levels of household formation experienced in 2001 in the younger adult age-groups (25–34 and 35–44) between 2022 and 2040 (see figure below). All other age-groups remain unadjusted.

Figure 81: Epsom & Ewell - Headship rates: Age 25-34



Source: MHCLG, POPGROUP

Figure 82: Epsom & Ewell - Headship rates: Age 35-44



Source: MHCLG, POPGROUP

Communal Population Statistics

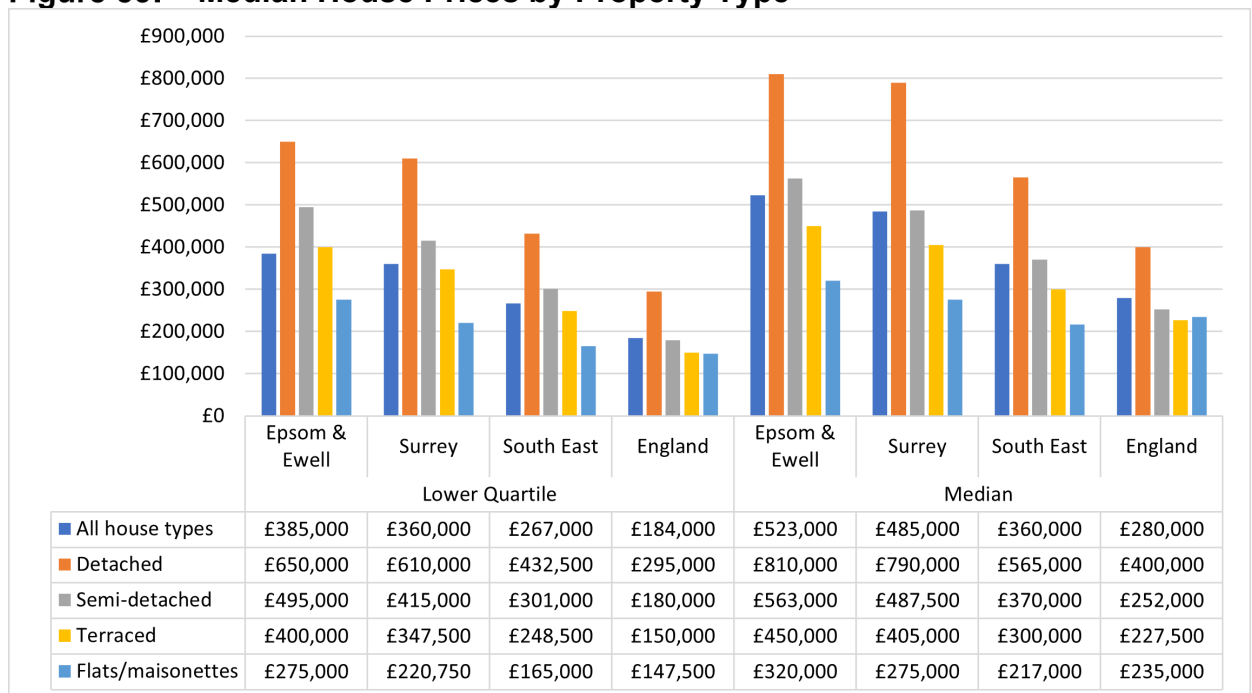
- 18.16 Household projections in POPGROUP exclude the population 'not-in-households' (i.e. the communal/institutional population). These data are drawn from the 2014-based household projections, which use statistics from the 2011 Census. Examples of communal establishments include prisons, residential care homes, student hall of residence, and certain armed forces accommodation.
- 18.17 For ages 0–74, the number of people in each age-group 'not-in-households' is fixed throughout the forecast period. For ages 75–85+, the population 'not-in-households' varies across the forecast period depending on the size of the population.

APPENDIX B: House Prices, Rents, Affordability & Income

House Prices

18.18 The median house price in Epsom and Ewell as of December 2021 was £523,000, with properties more expensive than across Surrey, the South East and England. Lower quartile (entry-level) properties cost £385,000, over double the England figure of £184,000 (as shown below).

Figure 83: Median House Prices by Property Type

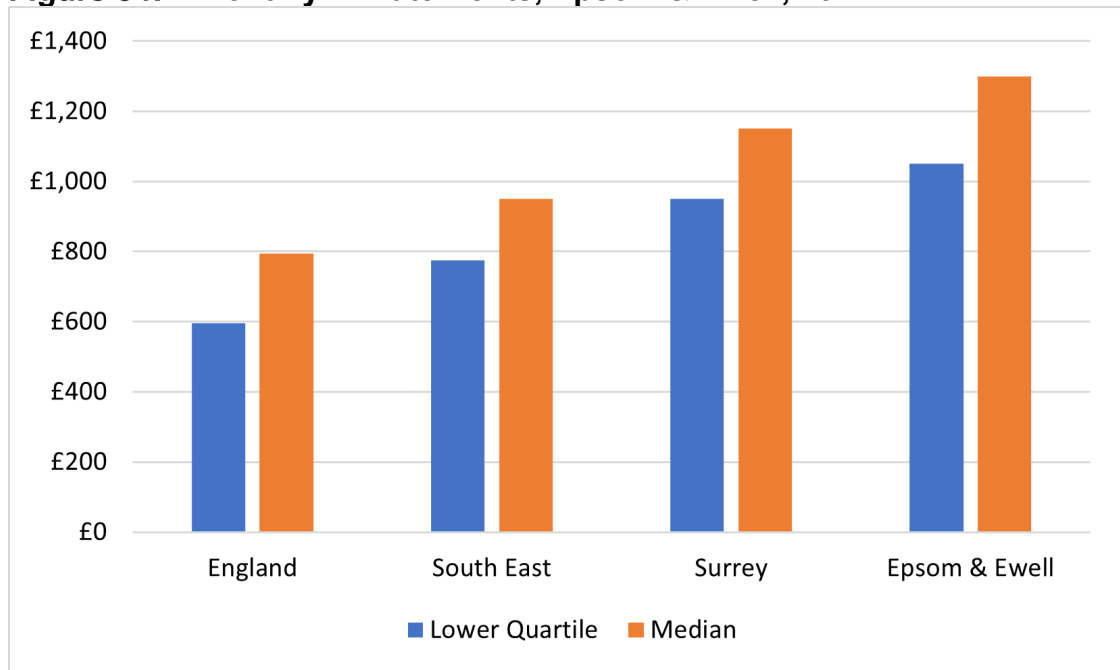


Source: ONS HPSSA datasets 9 and 15

Rental Costs

18.19 ONS data on private market rental costs records a median rental cost of £1,300 per month in Epsom and Ewell, more expensive than the county, regional and national averages. Lower Quartile rents are recorded at £1,050 per month, again higher than the regional and national averages (as shown below).

Figure 84: Monthly Private Rents, Epsom & Ewell, 2021/22



Source: ONS [private rental market summary statistics](#), 2021-2022

18.20 Data from DLUHC and the Regulator of Social Housing (RSH) indicates that affordable rents in Epsom and Ewell average around £795 per month, 61% of the median rental cost of £1,300 per month. Social Rents average around £498 per month, 38% of the median rental cost (see table below)

Table 102: Epsom & Ewell, monthly rental cost comparison

Description	Monthly Rent
Median private rent (ONS Private rental statistics)	£1,300
Lower quartile rent (ONS Private rental statistics)	£1,050
Affordable rent (80% of median rent)	£1,040
Affordable rent PRPs, including charges (CoRe)	£717
Affordable rent PRPs (RSH 2020-21)	£874
Average recorded affordable rent	£795
Social Rent (60% of median rent)	£780
Social Rent, PRPs, incl. charges (CoRe)	£460
Social Rent (net), PRPs (RSH 2020-21)	£536
Average recorded Social Rent	£498

Source: CORE¹⁹³, RSH^{194, 195}.

¹⁹³ [Social Housing Lettings in England 2019-20](#), DLUHC

¹⁹⁴ [Private Registered Provider Social Housing Stock & Rents 2020-21](#), Regulator of Social Housing

¹⁹⁵ [Registered Provider Social Housing Stock & Rents 2020-21](#), Regulator of Social Housing

Household Income

- 18.21 Local income levels are a key determinant of affordability. Household incomes have been drawn from CAMEO Income data, which classifies each postcode into one of 8 income groups (see table below).
- 18.22 Using Royal Mail’s Postcode Address File (PAF) data, the household count for each listed postcode in the borough has been used to calculate the proportion of households that fall within each income bracket. Based on this analysis, the median household income in Epsom and Ewell is estimated to be around £49,000, slightly higher than that identified in the previous SHMA (£48,229). Epsom and Ewell has a relatively high proportion of higher-income households: over 13% of households have annual incomes greater than £75,000, compared to only 3.1% nationally.

Table 103: CAMEO income bands: Epsom & Ewell

Income Band	CAMEO Income Group Description	% Epsom & Ewell Households	% UK Households
1	Many households with an income of over £100K +	1.6%	0.7%
2	Many households with an income of between £75 - £100K	11.4%	2.4%
3	Many households with an income of between £50 - £75K	34.1%	10.1%
4	Many households with an income of between £40 - £50K	26.0%	13.3%
5	Many households with an income of between £30 - £40K	16.6%	19.5%
6	Many households with an income of between £20 - £30K	7.4%	23.2%
7	Many households with an income of between £10 - £20K	2.1%	26.5%
8	Many households with an income of less than £10K	0.7%	4.1%

Source: Cameo Income, TransUnion; Royal Mail PAF 2021

Income Variations by Age & Tenure

- 18.23 Data from the English Housing Survey (EHS) on average weekly household incomes suggests that newly-forming households (ages 16–44) have an income that is approximately 96% that of the ‘all households’ average.¹⁹⁶

¹⁹⁶ [English Housing Survey Housing 2018-19](#) Housing Costs and Affordability

18.24 The table below presents the EHS household income data by *tenure* for the South East, indicating that Social Renters earn 55% of the ‘all households’ average, whilst private renters earn 83% of this.

Table 104: English Housing Survey: weekly household income by tenure

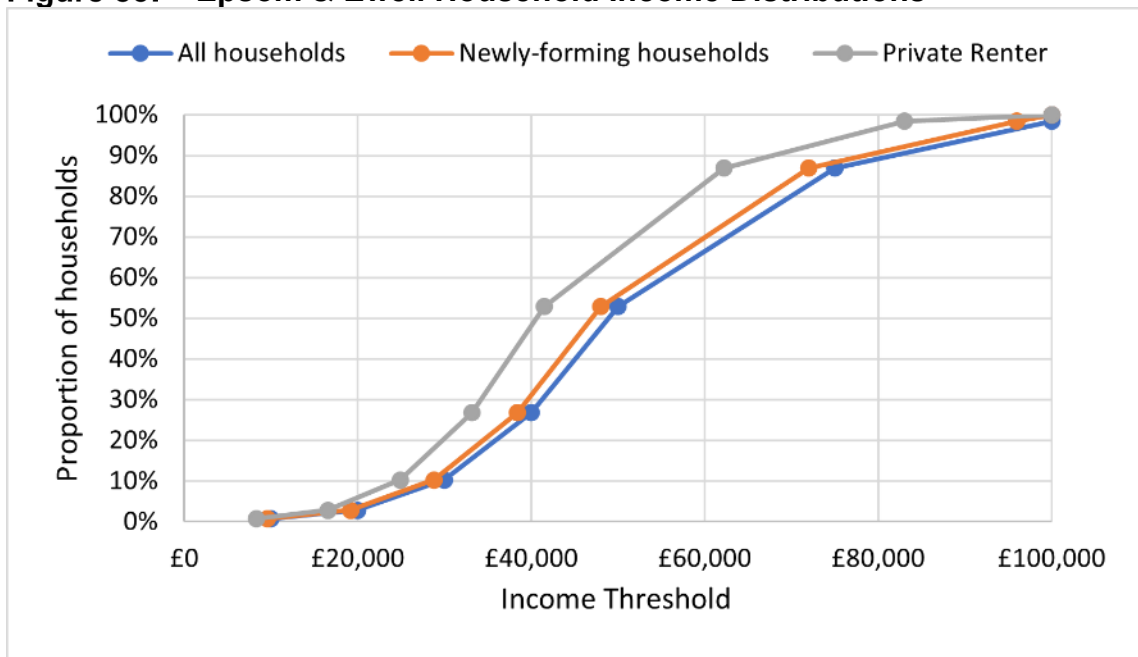
Tenure	England		South East	
	Mean Weekly Income	% of all Households Average	Mean Weekly Income	% of all Households Average
Owners	£945	114%	£1,052	113%
Social Renters	£472	57%	£508	55%
Private renters	£749	91%	£772	83%

Source: EHS 2018-19

18.25 The CAMEO Income data has been used in combination with the EHS tenure and age data described above to generate a range of income distributions for Epsom and Ewell (Figure 8). For newly-forming households, the CAMEO Income brackets have been reduced to 96% of the ‘all household’ figures. For private renters, the CAMEO Income brackets have been reduced to 83%.

18.26 These income distributions are used to calculate the proportion of households who earn less than the threshold amounts needed to afford open market housing in the borough (to rent or buy), and to access affordable home ownership products.

Figure 85: Epsom & Ewell Household Income Distributions



Source: CAMEO Income, EHS, Edge Analytics

Housing Costs & Affordability

18.27 Calculating the household income required to afford open market property prices involves making an assumption about the size of the deposit, and an estimate of the income relative to the size of the loan (mortgage). For the purposes of the calculations set out here, a deposit of 15% is assumed, with a loan to income multiple of 4.

18.28 With a median property price of £523,000, a household income of £111,138 is required in Epsom and Ewell. For lower quartile properties, it is assumed that a household must earn at least £81,813. Using the household income profile for Epsom and Ewell (shown by figure above), it is estimated that 98% of households are unable to afford median property prices, and 90% are unable to afford the entry-level, lower quartile cost.

Table 105: House prices and affordability

Open Market House Prices: Costs & Affordability	Lower Quartile	Median
Open market property price	£385,000	£523,000
Income needed (15% deposit and 4x loan to income multiplier)	£81,813	£111,138
Proportion of households unable to afford	90%	98%

Sources: Edge Analytics, Cameo Income, EHS, UK Finance

Rental Costs & Affordability

18.29 The lower quartile rent in Epsom and Ewell is £1,050 per month (see Table 15). In terms of the income needed to afford an annual rental cost of £12,600, the 2007 CLG SHMA guidance states: “A household can be considered able to afford market house renting in cases where the rent payable was up to 25 per cent of their gross household income”. This would equate to an annual household income requirement of £50,400.

18.30 When viewed by tenure, however, the proportion of household income spent on housing costs varies. The latest data from the English Housing Survey¹⁹⁷ suggests that for private renters, around 32% of household income (including housing benefits) is spent on housing costs, compared to 27% for Social Renters, and 18% for owner occupiers. Across all tenures, the EHS data suggests around 26% of a household’s income is spent on housing.

¹⁹⁷ EHS 2020-21

18.31 Using CAMEO Income data, including adjustments to the income distributions to account for differences in household incomes across ages and different tenures, the incomes required to afford various rental products are summarised below, with an estimate of the proportion of households unable to afford these (see table below).

Table 106: Epsom & Ewell rental costs and affordability

Lower Quartile Open Market Rent	
Lower Quartile rent (pcm)	£1,050
Lower Quartile rent (annual)	£12,600
Income required	£48,462
Proportion of <u>all</u> households unable to afford	49%
Proportion of newly-forming households unable to afford	53%
Proportion of private renter households unable to afford	64%
Affordable Rent	
Affordable rent (pcm)	£795
Affordable rent (annual)	£9,544
Income required	£36,708
Proportion of <u>all</u> households unable to afford	21%
Proportion of newly-forming households unable to afford	24%
Proportion of private renter households unable to afford	38%
Social Rent	
Social Rent (pcm)	£498
Social Rent (annual)	£5,978
Income required	£22,994
Proportion of <u>all</u> households unable to afford	34%
Proportion of newly-forming households unable to afford	37%
Proportion of private renter households unable to afford	50%

Note: It is assumed that private renters have household incomes that are 83% of the 'all households' figure. For newly-forming households, the equivalent figure is 98% (Source: Regulator of Social Housing, DLUHC, Edge Analytics, CAMEO Income, EHS).

Affordable Home Ownership Costs & Affordability

18.32 The incomes needed to afford Shared Ownership, Help to Buy, Rent to Buy, and First Homes are summarised below (see table below).

Table 107: Affordable Home Ownership costs and affordability

Shared Ownership: Costs & Affordability	25%	50%
Full Market Value (median house price)	£523,000	£523,000
Share price	£130,750	£261,500
Deposit % on equity share	5%	10%
Deposit needed	£6,538	£26,150
Mortgage	£124,213	£235,350
Income needed	£81,750	£98,052
Proportion of households unable to afford	90%	97%
Help to Buy: Costs & Affordability		
Full Market Value	£523,000	
Share price	£418,400	
Equity loan (20%)	£104,600	
Homebuyers deposit needed (%)	5%	
Homebuyers deposit needed	£26,150	
Mortgage needed	£392,250	
Income needed (15% deposit and 4x loan to income multiplier)	£98,063	
Proportion of households unable to afford	97%	
Rent to Buy: Costs & Affordability		
Full Market Rental Cost pcm (median)	£1,300	
80% market rent pcm	£1,040	
Income needed	£48,000	
Proportion of households unable to afford	48%	
First Homes: Costs & Affordability		
Full Market Value	£523,000	
Value with 30% reduction	£366,100	
Income needed (15% deposit and 4x loan to income multiplier)	£77,796	
Proportion of households unable to afford	88%	

APPENDIX C: Housing Market – Property Agent Consultation

18.33 GL Hearn undertook a consultation with letting and estate agents working in Epsom & Ewell and the HMA.

18.34 The survey aimed to understand the agents' perspective of the housing market in its current state and their opinions regarding future trends.

Sales Agents

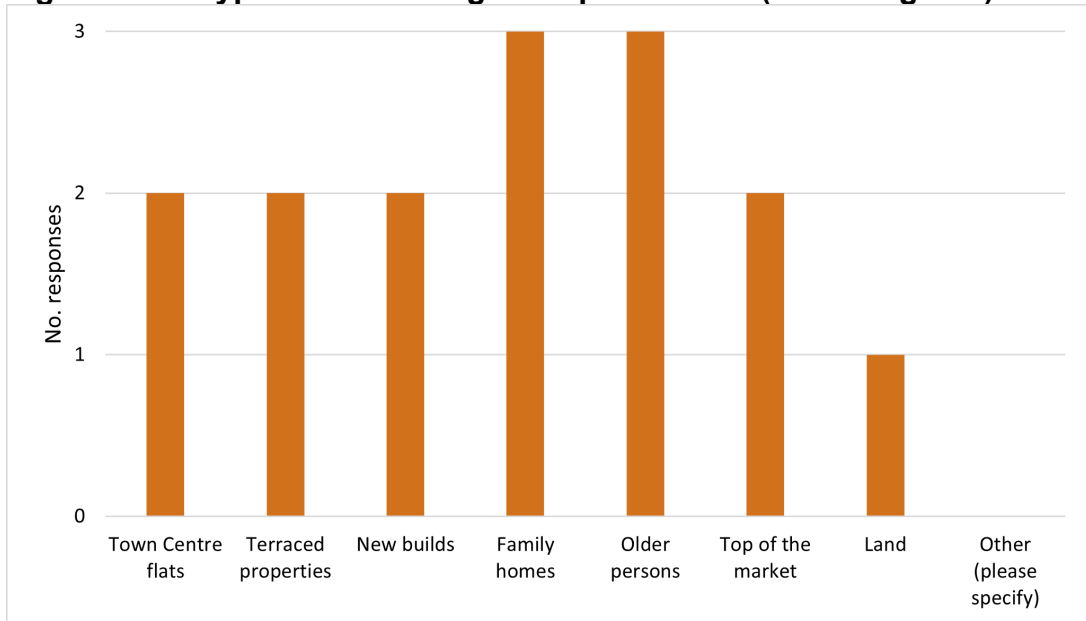
18.35 Of all the three sales agents that responded to the questionnaire, they all stated that they sell properties in Epsom & Ewell. All three agents also sell properties in Reigate & Banstead. Between the agents, they also sell properties in Kingston upon Thames, Mole Valley and elsewhere in Surrey.

18.36 It should be noted that none of the three agents that responded to the survey sell properties in Elmbridge.

18.37 The companies that all three agents work for specialise in a number of types of homes. All three companies specialise in family homes and older person homes. Two of the companies specialise in town centre flats, terraced properties, new builds and top of the market dwellings.

18.38 It is therefore reasonable to conclude that the survey reflects a perspective on the whole housing market in Epsom & Ewell and most of the HMA.

Figure 86: Types of homes agents specialise in (Estate Agents)



Source: GLH analysis of Survey Monkey Results

18.39 Agents were asked to describe the property market for each of the areas they operate in by scoring each area between 1 (very strong) and 5 (very weak). Overall, two agents scored Epsom & Ewell 2 and the final agent scored Epsom & Ewell 4, resulting in a weighted average of 2.67. In comparison to the rest of the HMA (a weighted average of 3.33 excluding Mole Valley), London (weighted average of 4), and England (weighted average of 3), Epsom & Ewell has a relatively strong property market.

Table 108: Property market strength (Estate Agents)

	1 (very strong)	2	3 (Neither strong nor weak)	4	5 (very weak)	Total responses	Weighted average
Epsom & Ewell	0	2	0	1	0	3	2.67
Kingston upon Thames	0	0	0	1	0	1	4
Mole Valley	0	0	1	0	0	1	3
Reigate & Banstead	0	1	1	1	0	3	3
Elmbridge	0	0	0	0	0	0	0
Surrey	0	0	1	1	0	2	3.5
London	0	0	0	1	0	1	4
South East	0	0	1	1	0	2	3.5
England	0	0	1	0	0	1	3

Source: GLH analysis of Survey Monkey results

18.40 When asked how the COVID-19 Pandemic has affected market conditions within each area the agents operated in, all three stated that market conditions have strengthened to a degree across all areas.

Table 109: Impact of the COVID-19 Pandemic on the housing market (Estate Agents)

	1 (greatly strengthened)	2	3 (no impact)	4	5 (greatly weakened)	Don't know
Epsom & Ewell	2	1	0	0	0	0
Kingston upon Thames	1	0	0	0	0	1
Mole Valley	0	1	0	0	0	1
Reigate & Banstead	1	1	0	0	0	0
Elmbridge	0	0	0	0	0	2
Surrey	1	1	0	0	0	0
London	0	1	0	0	0	1
England	0	1	0	0	0	1

Source: GLH analysis of Survey Monkey results

18.41 Agents were asked to comment on the number of days properties of different sizes in Epsom & Ewell typically remain on the market before they are sold. The agents stated that one-bedroom properties could take anywhere between 40 to 100 days to sell, and two-bedroom properties take approximately 30 days to sell. On the other hand, larger properties (three-bedroom plus) take only 10 to 20 days to sell.

18.42 Additionally, the agents were asked to comment on what size (in terms of bedrooms) of home attracts the most demand in Epsom & Ewell. Overall, agents saw three- and four- bedroom properties as having the highest demand. The weighted average of the scores given by the agents for three- and four- bedroom properties were 4.33 and 4 respectively where scores closer to 5 indicate very strong demand. One-bedroom properties had the weakest demand with a weighted average of 1.33.

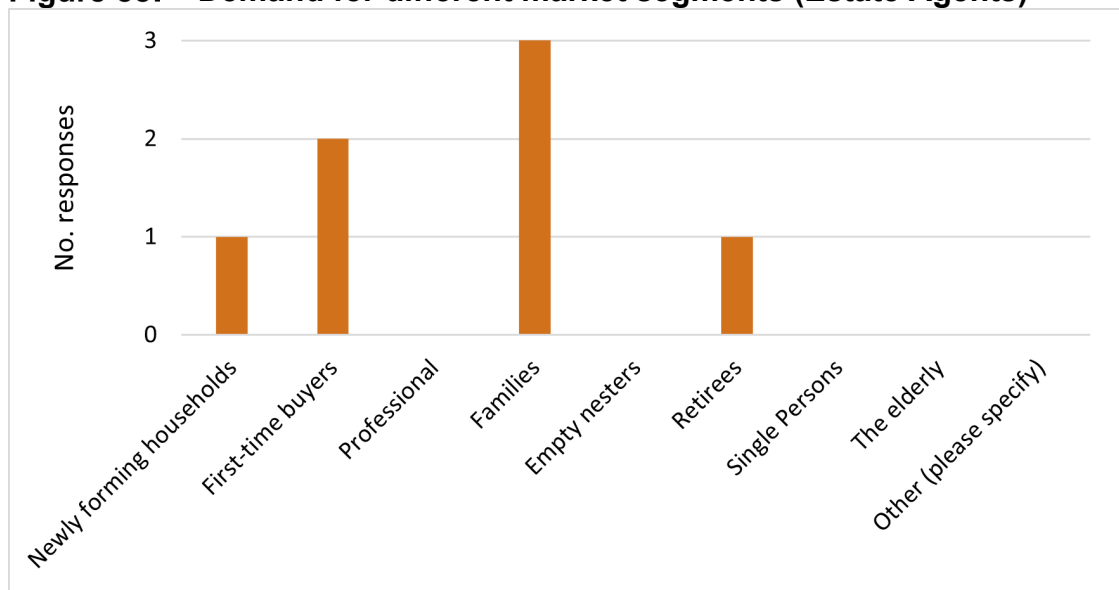
Figure 87: Demand for different sizes of homes (Estate Agents)



Source: GLH analysis of Survey Monkey results

18.43 The agents were asked to indicate the level of demand coming from different market segments in Epsom & Ewell. All agents agreed that families were a strong source of demand, followed by first-time buyers, new forming households and retirees. None of the agents saw demand in the professional, empty nesters, single persons or elderly segments.

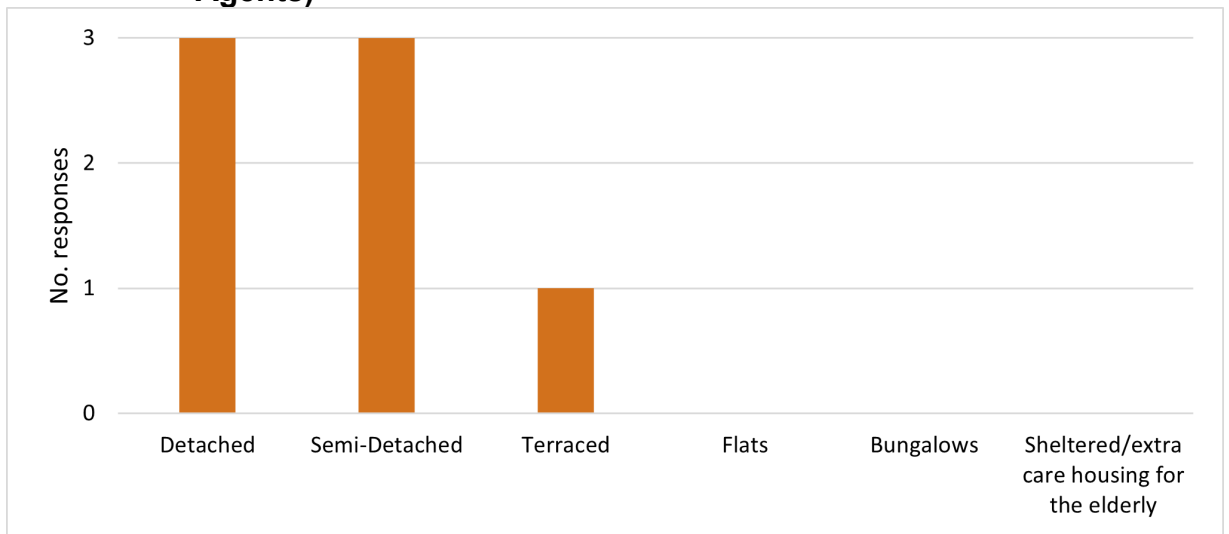
Figure 88: Demand for different market segments (Estate Agents)



Source: GLH analysis of Survey Monkey results

18.44 All agents signalled that detached and semi-detached properties are the dwelling types in greatest demand in Epsom & Ewell. Apart from one agent stating that there was demand for terraced properties, none of the agents saw demand for other types of properties.

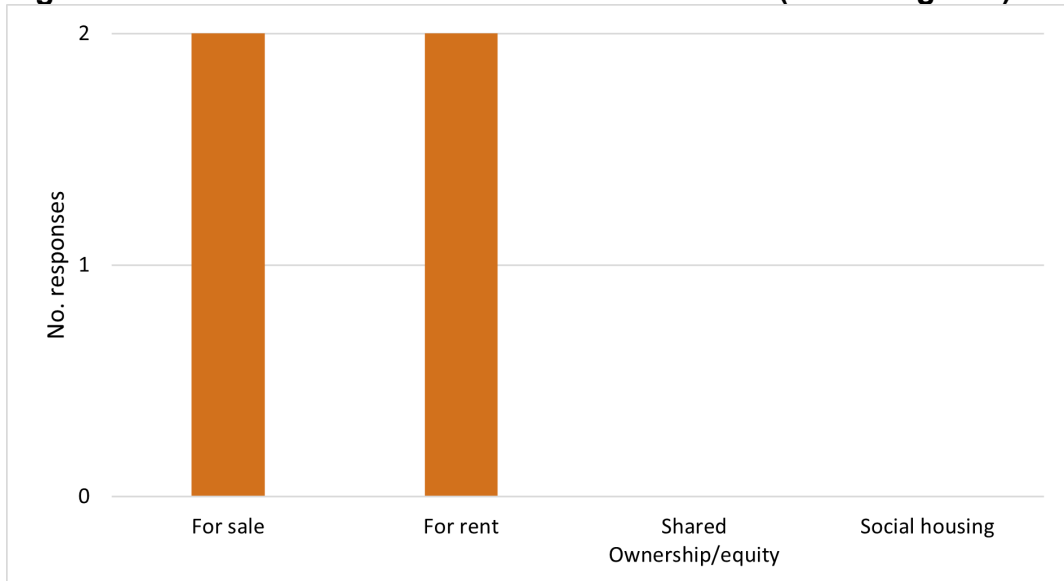
Figure 89: Types of property in high demand in Epsom & Ewell (Estate Agents)



Source: GLH analysis of Survey Monkey results

18.45 Agents were asked about the strength of demand for different tenures of homes in Epsom & Ewell. The two agents that responded to this question indicated high demand for both for sale and for rent dwellings. They also indicated that they saw no demand for shared ownership and social housing dwellings.

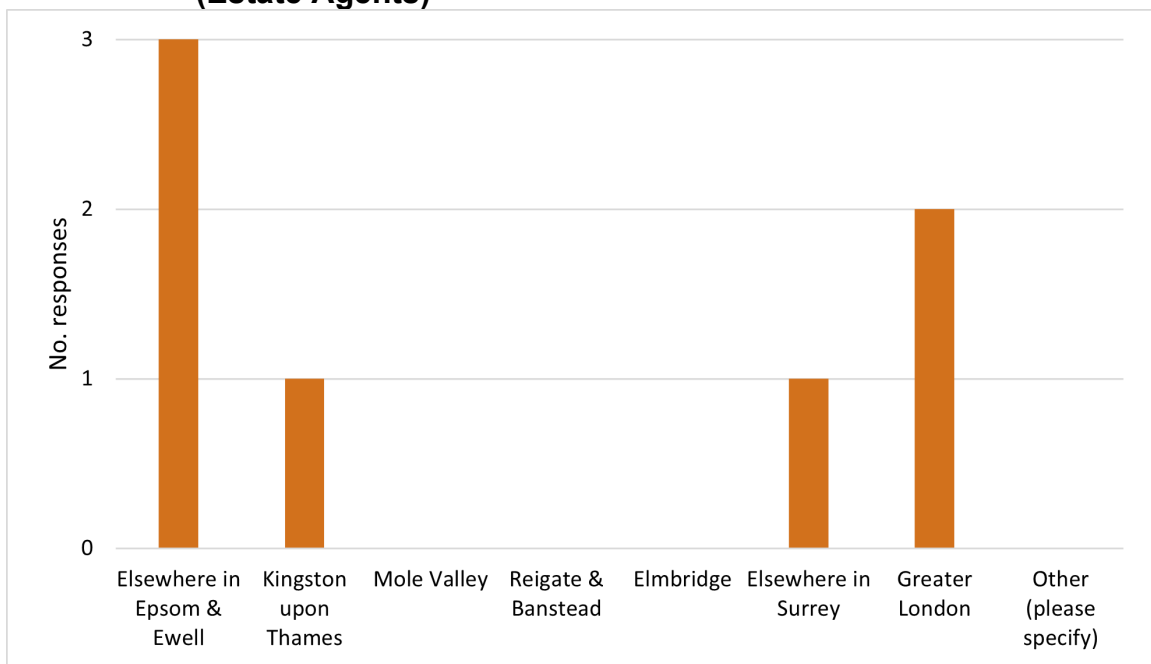
Figure 90: Demand for different tenures of home (Estate Agents)



Source: GLH analysis of Survey Monkey results

18.46 The agents indicated that the majority of households moving to Epsom & Ewell are moving from already within the Borough as well as from Greater London. The other areas, agents recognised that people are moving from, are LB Kingston upon Thames and elsewhere in Surrey. Apart from LB Kingston upon Thames, the agents indicated that households are not moving from other areas of the HMA.

Figure 91: Where are households moving to Epsom & Ewell moving from? (Estate Agents)



Source: GLH analysis of Survey Monkey results

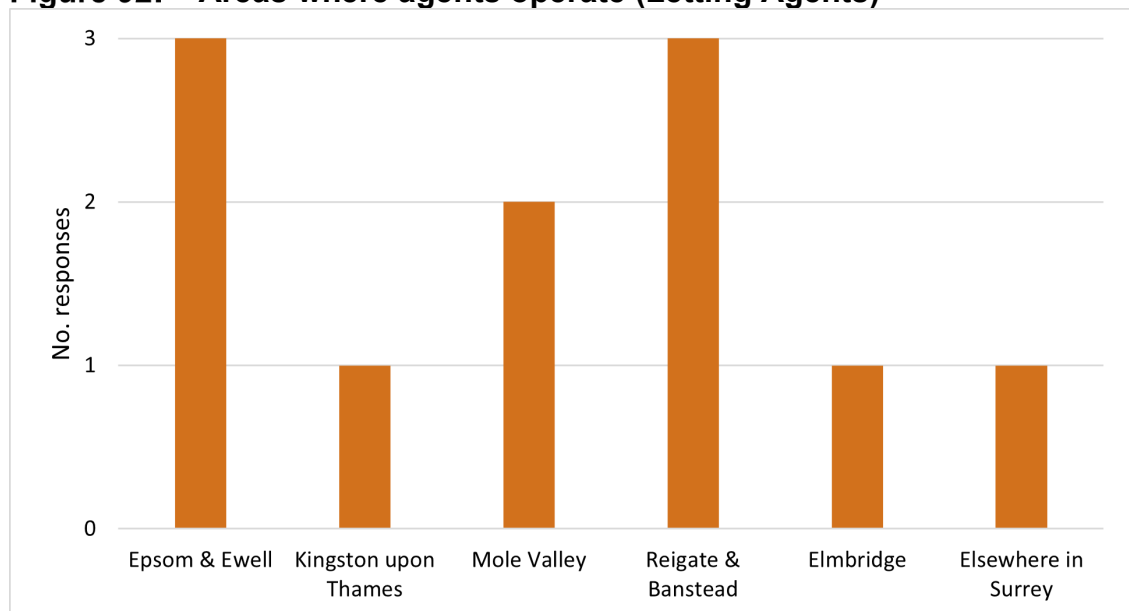
18.47 Agents' responses when asked how sales prices compare to asking prices varied. One agent stated that their properties were achieving more than asking price. Another agent stated that their properties were achieving asking price and lastly, the final agent stated that their properties were achieving 0-2% less than the asking price.

18.48 Going forward, given that is very difficult to predict future house price, the agents' responses regarding how house prices will change over the next 12 months ranged from remaining the same to falling by 6-10%. None of the agents indicated that they thought that house prices were going to increase over the next 12 months.

Letting Consultation

18.49 Of the three lettings agents that responded to the survey, all had let properties in Epsom & Ewell and Reigate & Banstead. Between all three agents, at least one of the agents covered the other boroughs in the HMA and elsewhere in Surrey.

Figure 92: Areas where agents operate (Letting Agents)



Source: GLH analysis of Survey Monkey results

18.50 Agents were asked to describe the market for rented properties for each of the areas they operate in by scoring each area between 1 (very strong) and 5 (very weak). Overall, two agents scored Epsom & Ewell 1 and the final agent scored Epsom & Ewell 3, providing a weighted average of 1.67. In comparison to the rest of the HMA, London, and England, Epsom & Ewell has a relatively weaker but still very strong rented property market.

Table 110: How agents describe the market for rented properties (Letting Agents)

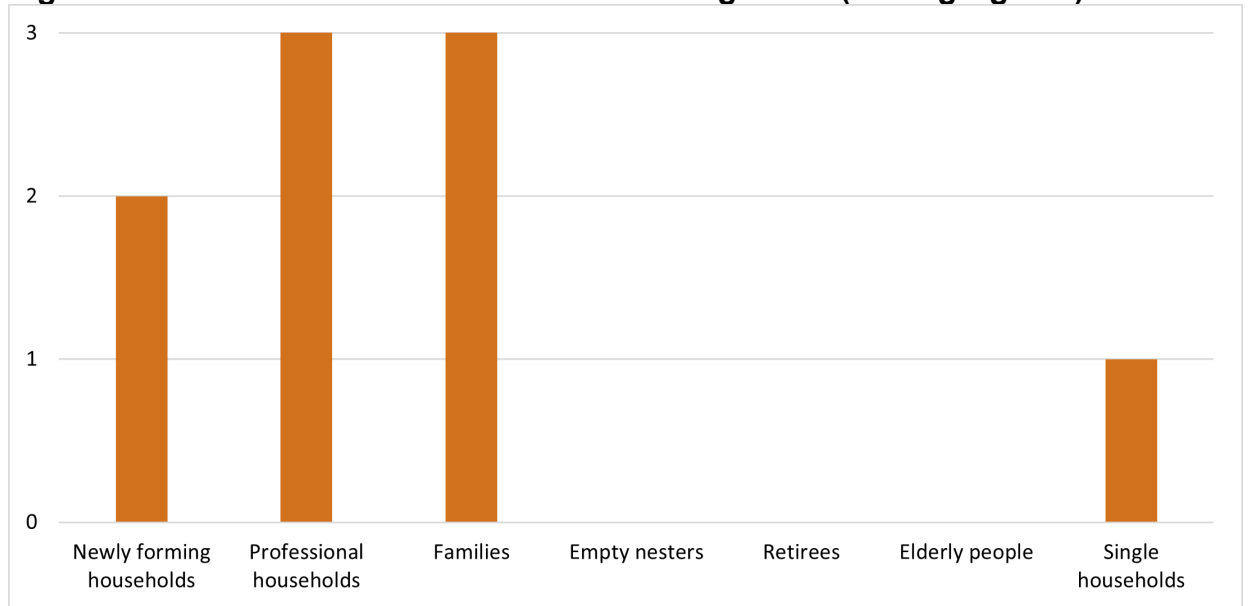
	1 (very strong)	2	3 (neither strong nor weak)	4	5 (very weak)	Total responses	Weighted average
Epsom & Ewell	2	0	1	0	0	3	1.67
Kingston upon Thames	1	0	0	0	0	1	1
Mole Valley	1	0	1	0	0	2	2
Reigate & Banstead	2	0	1	0	0	3	1.67
Elmbridge	1	0	0	0	0	1	1
Surrey	1	0	0	0	0	1	1
London	1	0	0	0	0	1	1
South East	2	0	0	0	0	2	1
England	2	0	0	0	0	2	1

Source: GLH analysis of Survey Monkey results

18.51 Letting agents were asked to comment on the effect of COVID-19 on the rental market. All three agents agreed that demand has increased with one agent stating that demand has increased significantly.

18.52 When asked about demand from different market segments, all agents see strong demand from both families and professional households. Demand is also strong for newly forming households. On the other hand, the agents indicated that they saw no demand from empty nesters, retirees and elderly people.

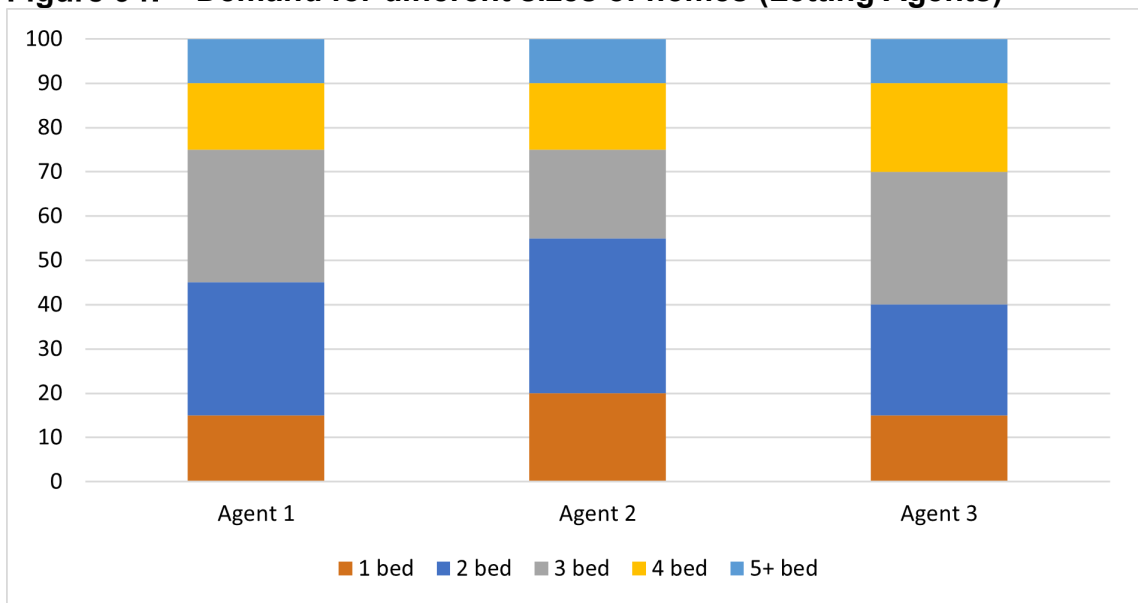
Figure 93: Demand from different markets segments (Letting Agents)



Source: GLH analysis of Survey Monkey results

18.53 Agents were asked to comment on what size of homes (in terms of bedrooms) attract the most demand across the areas they operated in. Overall, agents saw two- and three-bedroom properties as having the highest demand. On the other hand, the agents indicated that demand was lowest for five-bedroom and above properties.

Figure 94: Demand for different sizes of homes (Letting Agents)



Source: GLH analysis of Survey Monkey results

18.54 Agents were then asked to comment on what type of properties are seeing high rental demand. Overall, agents indicated that rental demand is highest for semi-detached properties, closely followed by detached properties, terraced properties and flats.

Table 111: Demand for dwellings of different types (Letting Agents)

	1 (highest demand)	2	3	4	5	6 (lowest demand)	Total responses	Weighted average
Detached	1	1	0	1	0	0	3	2.3
Semi-detached	1	1	1	0	0	0	3	2.0
Terraced	0	1	1	1	0	0	3	3.0
Flats	1	0	1	1	0	0	3	2.7
Bungalows	0	0	0	0	3	0	3	5.0
Sheltered/extra care housing for the elderly	0	0	0	0	0	3	3	6.0

Source: GLH analysis of Survey Monkey results

18.55 When asked about the typical length of tenancy in Epsom & Ewell, the agents gave a range of responses indicating that tenants occupy their rented property for anywhere from less than a year to over three years. The agents also indicated that on average, 50% of tenants renew their tenancies.

18.56 Agents were asked to provide typical rents for different sizes of homes. The average rental prices range from £900pcm for a one-bed property to as high as £5,000pcm for a five-bed and above property.

Table 112: Typical rents achieved per bedroom (Letting Agents)

	1-bed	2-bed	3-bed	4-bed	5+ bed
Agent 1	£900	£1,350	£2,000	£2,700	£3,500
Agent 2	£900	£1,200	£1,500	£2,000	£2000 to £5000
Agent 3	£1,000	£1,400	£1,800	£2,400	£3,000
Average of agents	£933	£1,317	£1,767	£2,367	£2833 to £3833

Source: GLH analysis of Survey Monkey results

18.57 Although very difficult to predict future changes in rent, all three agents indicated that they thought rents would increase over the next 12 months. One agent indicated that rents would increase at least by 5%.

18.58 Letting agents were then asked to comment on the number of days properties of different sizes remain on the market before they are let. The agents indicated that one-to-two-bedroom properties are let within 5 to 7 days, whereas larger properties can take anywhere from 8 to 20 days to be let.

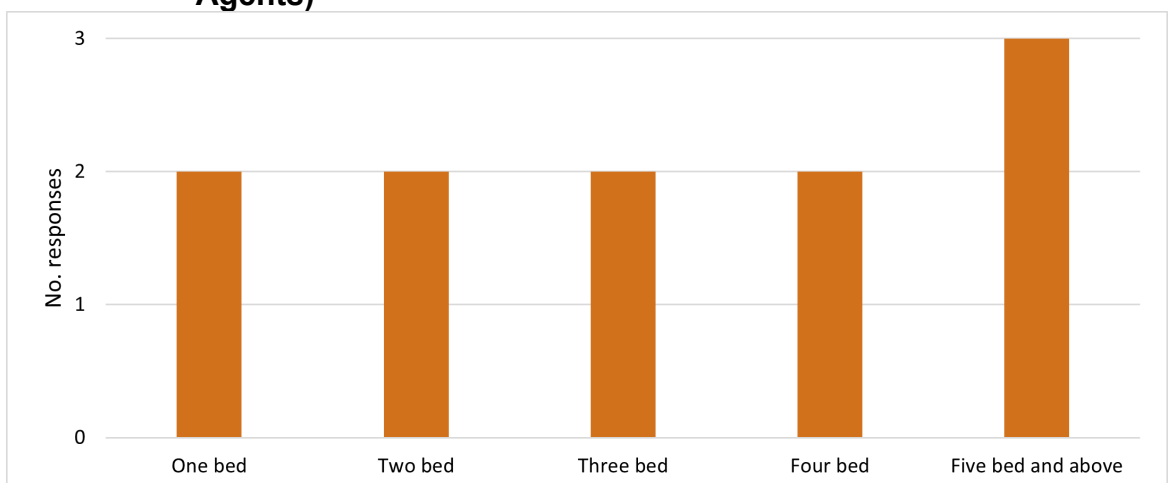
Table 113: How long a property is expected to stay on the rental market (Letting Agents)

	1-bed	2-bed	3-bed	4-bed	5+ bed
Agent 1	5	5	8	10	8
Agent 2	5	5	7	14	20
Agent 3	7	7	7	14	14
Average of agents	6	6	7	13	14

Source: GLH analysis of Survey Monkey results

18.59 Two letting agents indicated that supply fails to meet demand for all sizes of properties across the areas they operate in. The final agent indicated that supply fails to meet demand only for five+ bedroom dwellings.

Figure 95: Sizes of homes where supply does not meet demand (Letting Agents)



Source: GLH analysis of Survey Monkey results

18.60 Finally, agents were asked where rental supply comes from. Three sources of rental supply were recognised by agents: re-lets, buy to let and sub-division. On average, the agents indicated that approximately 53% of rental supply comes from re-lets and 33% of rental supply comes from buy to let. The other 13% of supply comes from sub-division.

Agent consultation summary

18.61 Three estate agents and three letting agents responded to our survey.

Estate Agents

18.62 A weighted average of 2.67 was given to Epsom & Ewell from agents when they were asked to score the strength of the property market, with scores closer to 1 indicating a very strong market. The weighted average for comparators, Surrey, London and England were 3.5, 4 and 3 respectively.

18.63 Agents stated that they thought the COVID-19 Pandemic had strengthened market conditions within each area they operated in.

18.64 On average, the agents stated that one-bedroom properties could take anywhere between 40 to 100 days to sell, and two-bedroom properties take approximately 30 days to sell. On the other hand, larger properties (three-bedroom plus) take only 10 to 20 days to sell.

18.65 Three- and four-bedroom properties attract the greatest demand in Epsom & Ewell. Conversely, one-bedroom properties have the least demand.

18.66 In terms of demand from market segments, families and first-time buyers show the strongest demand. On the other hand, the agents saw no demand from professional households, empty nesters, single persons and the elderly.

- 18.67 All agents signalled that detached and semi-detached properties are the dwelling types in greatest demand in Epsom & Ewell. The popularity of these dwellings combined with the attractiveness of Epsom & Ewell for families and first-time buyers suggest households are attracted to the Borough as a result of the opportunity to have more space.
- 18.68 In terms of demand for different tenures, the agents indicated high demand for both for sale and for rent dwellings.
- 18.69 The agents indicated that the majority of households moving to Epsom & Ewell are moving from already within the Borough as well as from Greater London. According to the agents, apart from LB Kingston upon Thames, households are not moving to Epsom & Ewell from other boroughs within the HMA.
- 18.70 Agents' responses when asked how sales prices compared to asking prices varied/ One agent stated that their properties were achieving more than asking price. Another agent stated that their properties were achieving asking price and lastly, the final agent stated that their properties were achieving 0-2% less than the asking price.
- 18.71 Going forward, agents expect future house prices to either remain the same or fall. That said one of the agents predicted house prices to fall by 6-10% over the next 12 months.

Letting Agents

- 18.72 When asked to describe the market for rented properties for each of the areas they operated in, Epsom & Ewell received a weighted average score of 1.67, with a score closer to 1 indicating very strong demand. In comparison, the weighted average score for Surrey, London and England were all 1.

- 18.73 All three agents agreed that demand has increased within the rental market as a result of the COVID-19 Pandemic.
- 18.74 In terms of demand from market segments, families and professional households showed the strongest demand. On the other hand, the agents stated that they saw no demand from empty nesters, retirees and elderly people.
- 18.75 Overall, agents saw two-bedroom and three-bedroom properties as having the greatest demand in the rented sector. On the other hand, the agents indicated that demand was lowest for five-bedroom and above properties.
- 18.76 On average, agents signalled that rental demand is highest for semi-detached properties, closely followed by detached properties, terraced properties and flats.
- 18.77 The agents indicated that tenants occupy their rented property for anywhere from less than a year to over three years. They also indicated that on average, 50% of tenants renew their tenancies.
- 18.78 The average rents across the areas operated in by letting agents ranged from £900pcm for a one-bedroom dwelling up to £5,000pcm for a 5-bed and above property. Looking forward, the agents thought rents would increase over the next 12 months with one agent stating that rents could increase by over 5%.
- 18.79 On average, the letting agents stated that one- and two-bedroom properties could take anywhere between 5 to 7 days before they are let, whereas larger properties can take anywhere from 8 to 20 days to be let.
- 18.80 Two of the letting agents indicated that supply fails to meet demand for all sizes of properties across the areas they operate in. The final agent indicated that supply fails to meet demand only for five+ bedroom dwellings.

18.81 Lastly, the agents indicated that approximately 53% of rental supply comes from re-lets and 33% comes from buy to let. The other 13% of supply comes from subdivision.

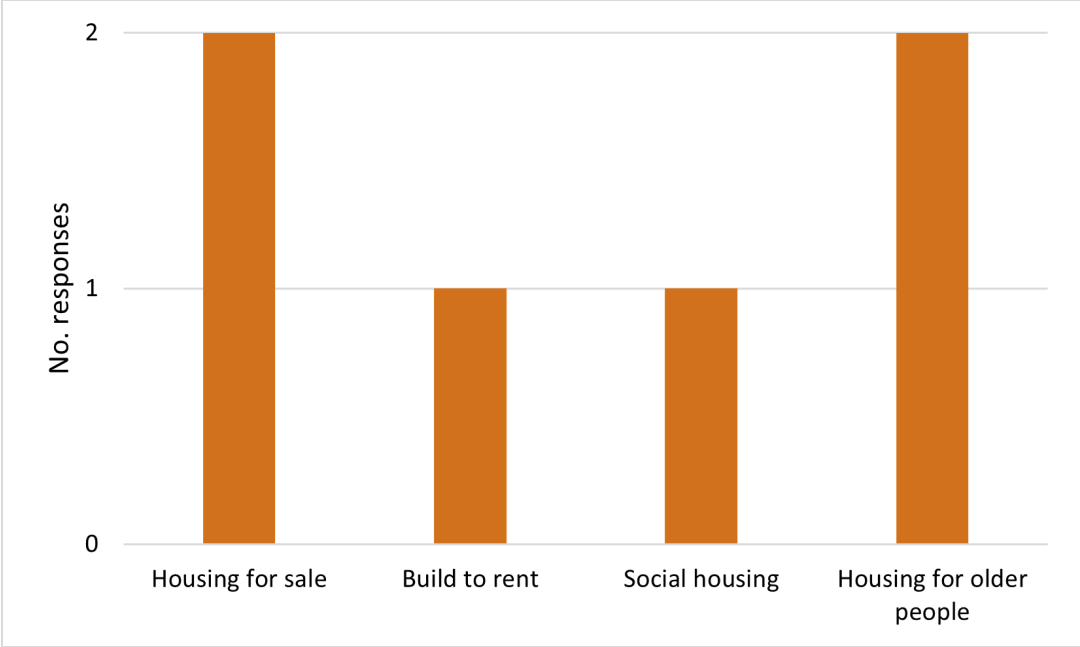
APPENDIX D: House Builders Consultation

18.82 A survey into the opinions and views of housebuilders in Epsom & Ewell was undertaken in August 2022. Overall, 3 developers responded to our survey.

18.83 The housebuilders indicated their development activity focused on Epsom & Ewell, elsewhere in Surrey, the South East and London. Therefore, none of the respondents to our survey focus their development activity on the other boroughs of the HMA.

18.84 To understand the profile of the housebuilders, respondents were asked which types of development they specialise in. Two housebuilders indicated that they specialised in housing for sale as well as housing for older people. One developer stated that they specialised in social housing while another developer specialised in build to rent properties.

Figure 96: Which types of development do the housebuilders specialise in? (Housebuilders)



Source: GLH analysis from Survey Monkey results

18.85 When the housebuilders were asked to describe the market conditions in the areas they operate in (with 1 being very strong and 5 being very weak), one developer scored Epsom & Ewell 1, while the other two developers scored the Borough 2. Overall, market conditions appear strong across all areas.

Table 114: How would the developers describe market conditions? (Housebuilders)

	1 (very strong)	2	3 (neither strong nor weak)	4	5 (very weak)	Total responses	Weighted average
Epsom & Ewell	1	2	0	0	0	3	1.7
Kingston upon Thames	1	2	0	0	0	3	1.7
Mole Valley	1	2	0	0	0	3	1.7
Reigate & Banstead	1	2	0	0	0	3	1.7
Elmbridge	0	2	1	0	0	3	2.3
Surrey	1	2	0	0	0	3	1.7
London	0	2	0	0	0	2	2.0
England	0	1	1	0	0	2	1.7

Source: GLH analysis of Survey Monkey results

18.86 A follow-on question was asked about how the COVID-19 Pandemic has changed market conditions in the same geographical areas. Of the two developers that answered the question, one house builder stated that the pandemic had somewhat weakened conditions across all geographies, while the other stated that the market was unaffected.

Table 115: Effect of the COVID-19 Pandemic (Housebuilders)

	1 (strengthened)	2	3 (remain the same)	4	5 (weakened)	Total responses	Weighted average
Epsom & Ewell	0	0	1	1	0	2	3.5
Kingston upon Thames	0	0	1	1	0	2	3.5
Mole Valley	0	0	1	1	0	2	3.5
Reigate & Banstead	0	0	1	1	0	2	3.5
Elmbridge	0	0	1	1	0	2	3.5
Surrey	0	0	1	1	0	2	3.5
London	0	0	1	1	0	2	3.5
South East	0	0	1	1	0	2	3.5
England	0	0	1	1	0	2	3.5

Source: GLH analysis of Survey Monkey results

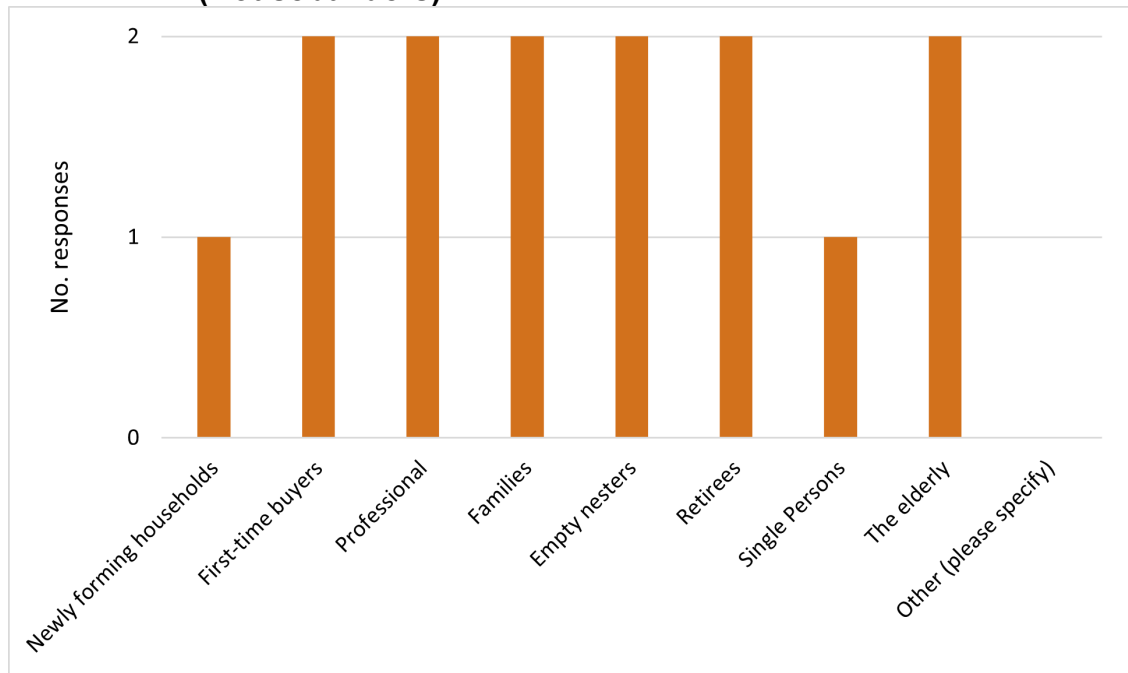
18.87 All three developers stated that their capacity to bring forward development has been affected by material shortages. The developers stated that high prices as a result of shortages is causing uncertainty.

18.88 Additionally, all three developers stated that their capacity to bring forward development has been affected by labour shortages.

18.89 The housebuilders were then asked to comment on the impact of Brexit on their business. While one developer indicated that Brexit has had minimal impact on their business, the other two stated that Brexit has not been good for their business mostly due to a reduction in labour availability.

18.90 When asked which segments of the market were showing the greatest demand in Epsom & Ewell, the developers indicated strong demand for first-time buyers, professional households, families, empty nesters, retirees as well as the elderly.

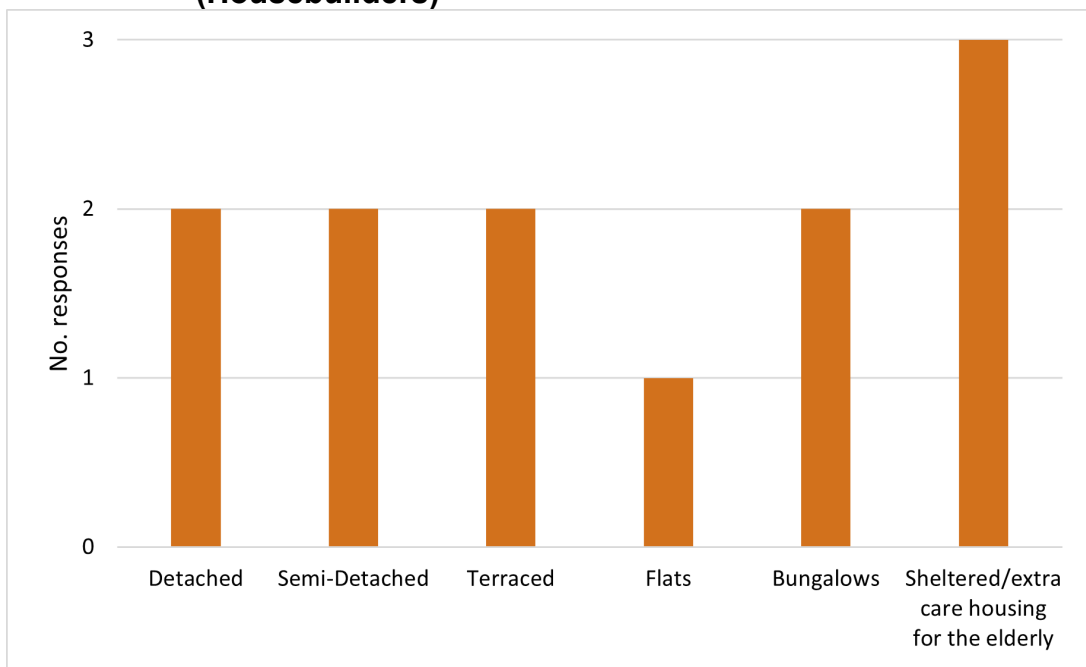
Figure 97: Market segments showing strongest demand in Epsom & Ewell (Housebuilders)



Source: GLH analysis of Survey Monkey results

18.91 The housebuilders were then asked to indicate which types of properties are in high demand in Epsom & Ewell. The developers indicated that sheltered/extra care housing for the elderly has the greatest demand. Additionally, there is strong demand for detached, semi-detached, terraced and bungalow properties. Although less recognised by the developers, there is also demand for flats.

Figure 98: Type of property in high demand in Epsom & Ewell (Housebuilders)



Source: GLH analysis of Survey Monkey results

18.92 All three housebuilders responded that dwellings for rent and sale were most in demand. That said, shared ownership and social housing dwellings were recognised by two of the developers as in demand.

18.93 When asked where households are moving from into Epsom & Ewell, two housebuilders stated Greater London. One response was given to LB Kingston upon Thames, elsewhere in Surrey and also elsewhere from within Epsom & Ewell. Apart from LB Kingston upon Thames, no responses were given to the other boroughs within the HMA.

18.94 The three housebuilders all have very different development pipelines in terms of the sizes of homes. One developer's pipeline consists of 70% one-bedroom dwellings and 30% two-bedroom dwellings. The second developer's pipeline consists of 20% one-bedroom dwellings, 50% two-bedroom dwellings, 20% three-bedroom dwellings and 10% four-bedroom dwellings. The final developer's pipeline consists of 25% of one-bed, two-bed, three-bed and four-bedroom dwellings. None of the developers have five-bed and above dwellings in their pipelines.

Table 116: How the developers' pipelines breakdown in terms of sizes of homes (Housebuilders)

	One bed	Two bed	Three bed	Four bed	Five and above bed
Housebuilder 1	70	30	0	0	0
Housebuilder 2	20	50	20	10	0
Housebuilder 3	25	25	25	25	0

Source: GLH analysis of Survey Monkey results

18.95 In addition, the developers were asked to break down their pipelines in terms of types of homes. Two of the developers indicated that the majority of their pipelines consist of flats while the final agent indicated that their pipeline was evenly split between houses and flats.

Table 117: How the developers' pipelines breakdown in terms of types of homes (Housebuilders)

	Houses	Flats
Housebuilder 1	0	100
Housebuilder 2	20	80
Housebuilder 3	50	50

Source: GLH analysis of Survey Monkey results

18.96 Moreover, housebuilder 1 indicated that all their dwellings are built for rent properties. housebuilder 2 indicated that 70% of their dwellings are build for sale, while the remaining 30% is split equally between shared ownership and social housing dwellings. Lastly, housebuilder 3 indicated that all their dwellings will be build for sale properties.

Table 118: How the developers' pipelines breakdown in terms of tenures (Housebuilders)

	Build for sale	Build for rent	Shared ownership	Social housing
Housebuilder 1	0	100	0	0
Housebuilder 2	70	0	15	15
Housebuilder 3	100	0	0	0

Source: GLH analysis of Survey Monkey results

18.97 The housebuilders were then asked to indicate the degree to which a number of topics pose a difficulty to delivering new homes in Epsom & Ewell. The developers indicated that land availability is the greatest issue, followed by viability and the need to satisfy policy.

Table 119: To what degree do the following pose a difficulty to delivering new homes in Epsom & Ewell? (Housebuilders)

	1 (little difficulty)	2	3	4	5 (great difficulty)	Total responses	Weighted Average
Land availability	0	0	0	2	1	3	4.3
Viability	0	0	1	2	0	3	3.7
Satisfying policy	1	0	1	0	1	3	3.0
Demand levels	1	1	1	0	0	3	2.0
Infrastructure provision	0	2	0	1	0	3	2.7
Perceptions of the area	2	1	0	0	0	3	1.3

Source: GLH analysis of Survey Monkey results

Housebuilder consultation summary

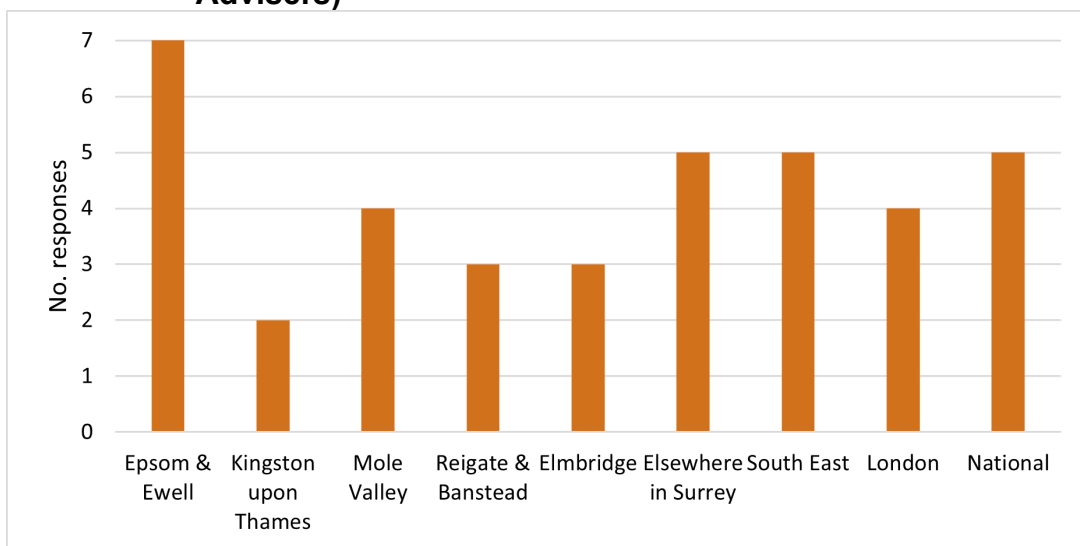
- 18.98 Three housebuilders answered the survey. Overall, the housebuilders saw strong market conditions across all the areas they operate in. The weighted average score for market conditions in Epsom & Ewell was 1.67, where closer to 1 indicates very strong market conditions.
- 18.99 One of the two housebuilders that answered the question indicated that the COVID-19 Pandemic had somewhat weakened conditions across all geographies, while the other stated that the market was unaffected.
- 18.100 All three developers indicated that their capacity to bring forward development has been affected by material shortages as well as labour shortages.
- 18.101 While one housebuilder stated that Brexit has had minimal impact on their business, the remaining two developers indicated that Brexit has had a negative effect on their businesses.
- 18.102 In terms of market segments, the developers indicated strong demand for first-time buyers, professional households, families, empty nesters, retirees as well as the elderly.
- 18.103 In terms of types of properties, the developers stated that sheltered/extra care housing for the elderly has the greatest demand. Additionally, there is strong demand for detached, semi-detached, terraced and bungalow properties. Although less recognised by the developers, there is also demand for flats.
- 18.104 All three housebuilders responded that dwellings for rent and for sale were most in demand. Shared ownership and social housing dwellings were recognised by two of the developers as in demand.

- 18.105 Housebuilders identified Greater London, LB Kingston upon Thames, elsewhere in Surrey as well as Epsom & Ewell itself as origins of home buyers in Epsom & Ewell. The rest of the boroughs within the HMA, apart from LB Kingston upon Thames, were not identified as significant in this respect.
- 18.106 In terms of the housebuilders' pipelines, each housebuilder's pipeline consisted of a range of different sizes, types and tenures of homes. That said, none of the developer's pipelines consist of five and above bedroom dwellings.
- 18.107 The greatest difficulty for housebuilders in terms of delivering new homes in Epsom & Ewell are land availability, viability and the need to satisfy policy.

APPENDIX E: Development Advisers

18.108 A survey was sent out to development advisers operating in and around Epsom & Ewell. Overall, 10 advisers responded to our survey with seven of the advisers advising development activity in Epsom & Ewell. Between the 10 advisers, they cover a range of geographies such as the rest of the boroughs in the HMA, Surrey, London, the South East and England as a whole.

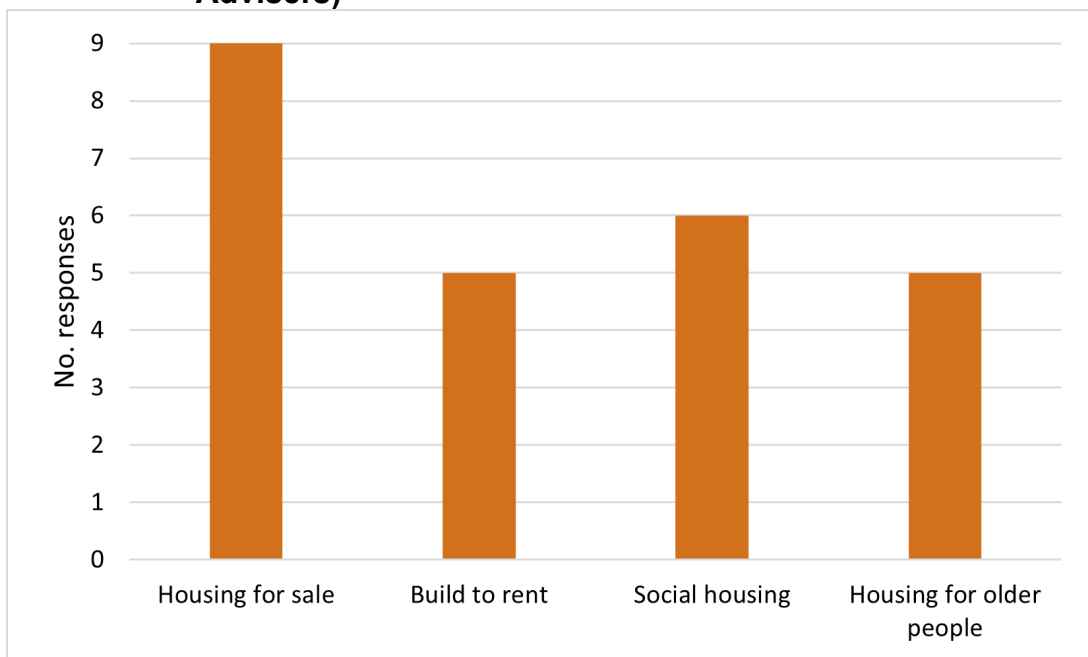
Figure 99: Areas where development advisers operate (Development Advisers)



Source: GLH analysis of Survey Monkey results

18.109 Nine of the respondents specialise in housing for sale, while six specialise in social housing and five specialise in build to rent and housing for older people.

Figure 100: Types of developments advisers specialise in (Development Advisers)



Source: GLH analysis of Survey Monkey results

18.110 When asked about market conditions, the development advisers were asked to rank each area they operated in from 1 (very strong) to 5 (very weak). Overall, the development advisers scored Epsom & Ewell 2.3 indicating strong market conditions. It is interesting to note that one adviser scored the market conditions in Epsom & Ewell as very weak.

18.111 In comparison, market conditions across the HMA (1.8), Surrey (2,0), London (1,9), the South East (2.0) and England (2.3) were scored strongly by the development advisers.

Table 120: Strength of market conditions (Development Advisers)

	1 (very strong)	2	3 (neither strong nor weak)	4	5 (very weak)	Total responses	Weighted average
Epsom & Ewell	2	4	1	0	1	8	2.3
Kingston upon Thames	2	3	0	0	0	5	1.6
Mole Valley	2	2	0	0	1	5	2.2
Reigate & Banstead	1	1	0	0	0	2	1.5
Elmbridge	3	1	0	0	0	4	1.3
Surrey	1	6	1	0	0	8	2.0
London	2	5	1	0	0	8	1.9
South East	1	5	1	0	0	7	2.0
England	1	2	3	0	0	6	2.3

Source: GLH analysis of Survey Monkey results

18.112 Regarding the impact of the COVID-19 Pandemic on market conditions, the advisers indicated that the Pandemic has somewhat strengthened market conditions across all geographies with Epsom & Ewell scoring a weighted average of 2.6.

Table 121: Impact of COVID-19 Pandemic (Development Advisers)

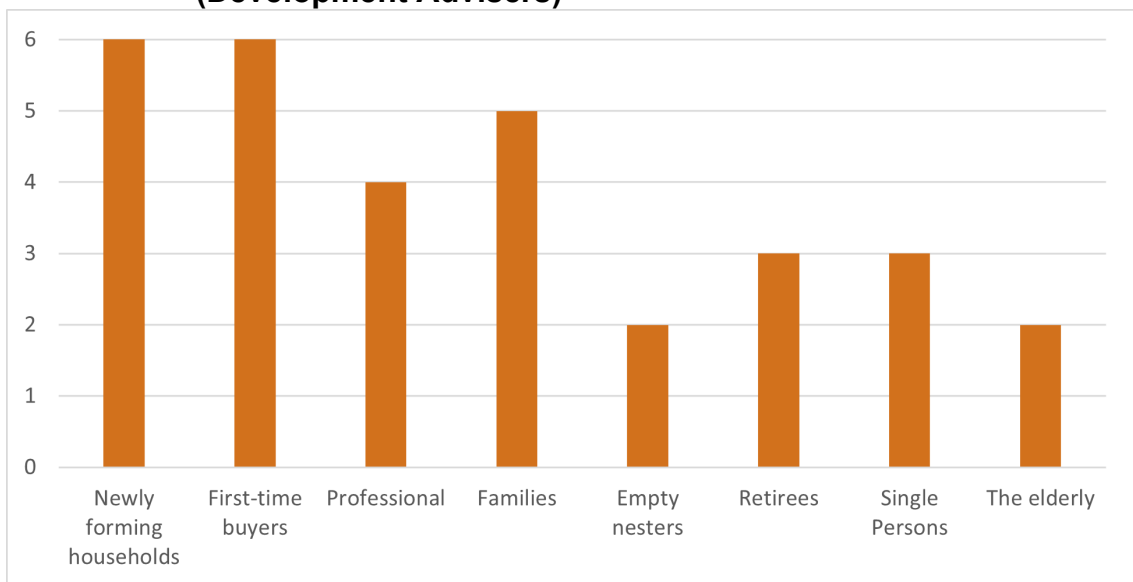
	1 (strengthened)	2	3 (remain the same)	4	5 (weakened)	Total responses	Weighted average
Epsom & Ewell	0	2	3	0	0	5	2.6
Kingston upon Thames	1	1	2	0	0	4	2.3
Mole Valley	0	1	3	0	0	4	2.8
Reigate & Banstead	0	0	2	0	0	2	3.0
Elmbridge	1	0	2	0	0	3	2.3
Surrey	0	3	1	0	0	4	2.3
London	0	2	1	0	0	3	2.3
South East	0	2	2	0	0	4	2.5
England	0	2	2	0	0	4	2.5

Source: GLH analysis of Survey Monkey results

18.113 When advisers were asked if Brexit has been good for their business, six of the advisers stated they neither agree nor disagree. That said, one of the advisers disagreed while three strongly disagreed with the statement.

18.114 The market segments which show the strongest demand in Epsom & Ewell, according to the advisers, are newly forming households and first-time buyers, closely followed by families and professional households. The segment with the weakest demand according to the advisers is the elderly.

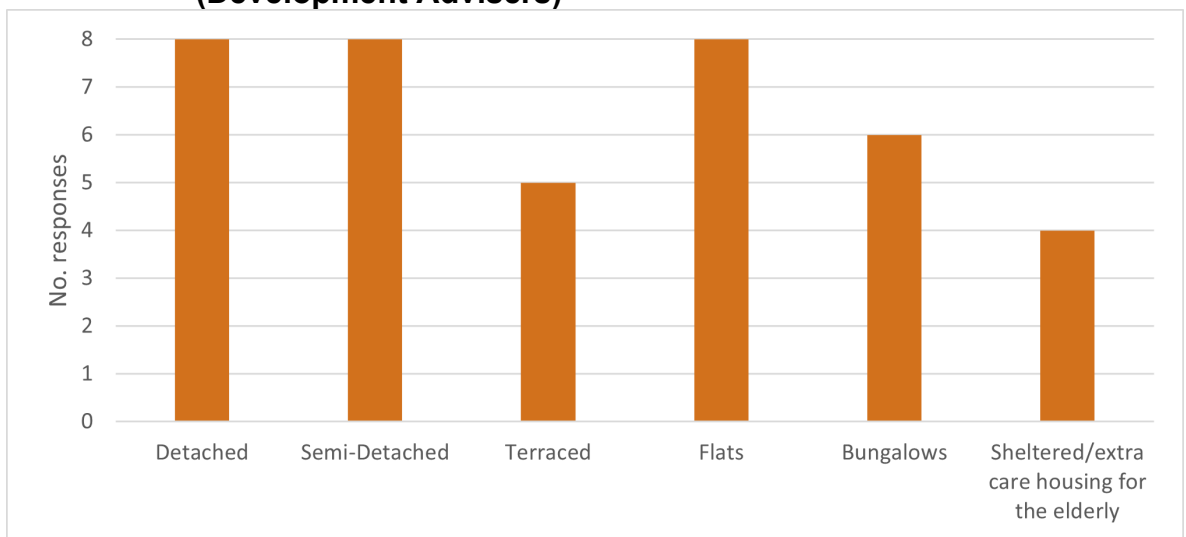
Figure 101: Market segments showing strongest demand in Epsom & Ewell (Development Advisers)



Source: GLH analysis of Survey Monkey results

18.115 Respondents were then asked which types of property were in high demand in Epsom & Ewell. Eight of the advisers indicated that detached, semi-detached and flats were the types with the greatest demand, followed by bungalows and terraced properties. Although not recognised by the majority of advisers, there is demand for sheltered/extra care housing for the elderly.

Figure 102: Types of property showing strongest demand in Epsom & Ewell (Development Advisers)



Source: GLH analysis of Survey Monkey results

18.116 Nine of the 10 advisers agreed that properties for sale were the most popular tenure type in Epsom & Ewell. Properties for rent are the second most popular, followed by shared ownership and social housing.

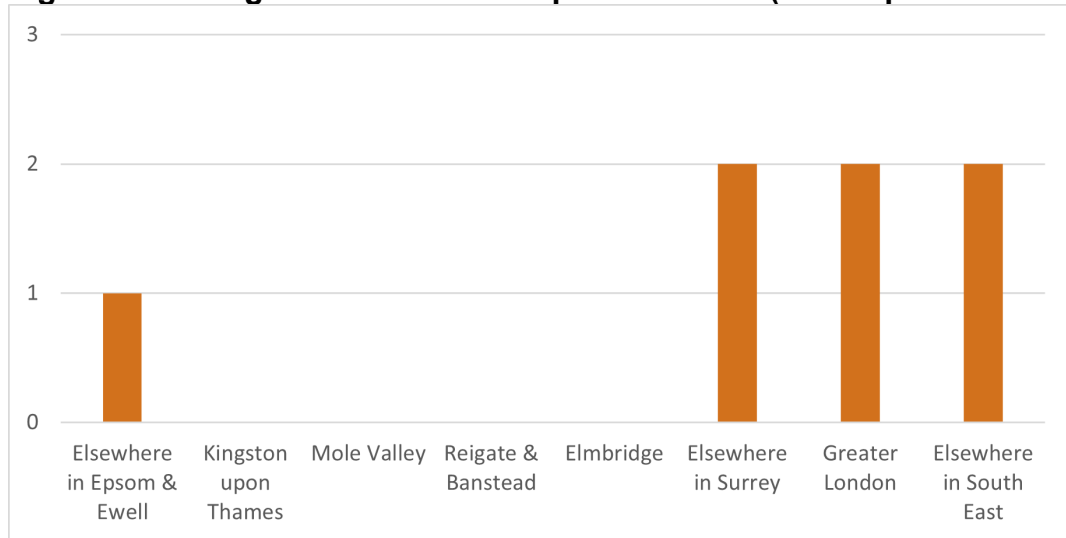
Figure 103: Tenures of property showing strongest demand in Epsom & Ewell (Development Advisers)



Source: GLH analysis of Survey Monkey results

18.117 The advisers were then asked about the origins of movers into Epsom & Ewell. The advisers indicated that moves into the Borough come from Greater London, elsewhere in Surrey (excluding the boroughs in the HMA) and elsewhere in the South East.

Figure 104: Origin of movers into Epsom & Ewell (Development Advisers)



Source: GLH analysis of Survey Monkey results

18.118 When asked about the development pipeline of companies, the development advisers indicated a fairly even split of houses (56%) and flats (44%). The bedroom split of these pipelines indicates that 30% of dwellings are two-bed, followed by 27% being one-bed dwellings, 23% three-bedroom dwellings, 17% four-bedroom dwellings and just 4% of company’s pipelines being five-bedroom dwellings

18.119 The tenure split of these pipelines indicates that 66% of dwellings are build for sale, 20% of dwellings are build for rent, 10% are shared ownership dwellings and 4% of dwellings are social housing.

18.120 The developer advisers were then asked to indicate the degree to which a number of topics pose a difficulty to delivering new homes in Epsom & Ewell. The developer advisers indicated that land availability is the greatest issue, followed by viability and the need to satisfy policy.

Table 122: To what degree do the following pose a difficulty to delivering new homes in Epsom & Ewell (Development Advisers)

	1 (little difficulty)	2	3	4	5 (great difficulty)	Total responses	Weighted average
Land availability	0	0	1	2	7	10	4.6
Viability	0	2	1	3	4	10	3.9
Satisfying policy	0	0	5	2	3	10	3.8
Demand levels	4	2	1	0	1	8	2.0
Infrastructure provision	1	1	7	0	0	9	2.7
Perceptions of the area	4	3	1	0	0	8	1.6

Source: GLH analysis of Survey Monkey results

18.121 The development advisers provided the following final comments from the survey:

“Continue to positively engage with Developers and Key Stakeholders to overcome barriers to development and to create new sustainable communities through allocating land for development to assist in creating more confidence and certainty in the market. Ensure the planning and building control department is well resourced.”

“The Local Plan should identify parcels of land which can only be brought forward for genuinely sustainable development. These land parcels should be subject to very strict criteria regarding carbon footprint, human health and local nature”

“Adopt a far more positive approach to planning applications, and stop refusing perfectly good applications on spurious grounds”

Development adviser summary

- 18.122 10 development advisers responded to our survey.
- 18.123 In terms of the strength of market conditions, the development advisers scored Epsom & Ewell 2.3, where closer to 1 indicates very strong conditions and 5 indicates very weak conditions). Overall, market conditions across all geographies were scored very strongly by the advisers.
- 18.124 The advisers stated that the COVID-19 Pandemic has somewhat strengthened conditions across all geographies. Epsom & Ewell received a weighted average score of 2.6, where scores closer to 1 indicate strengthened conditions as a result of the pandemic, and scores closer to 5 indicate weakened conditions.
- 18.125 When advisers were asked if Brexit has been good for their business, six of the advisers stated they neither agree nor disagree. That said, one of the advisers disagreed while three strongly disagreed with the statement.
- 18.126 The market segments which show the strongest demand in Epsom & Ewell, according to the advisers, are newly forming households and first-time buyers, closely followed by families and professional households. The segment with the weakest demand according to the advisers is the elderly.
- 18.127 According to eight of the advisers, detached, semi-detached and flats dwellings are the property types most in demand.
- 18.128 Nine of the advisers agreed that properties for sale were the most popular tenure type in Epsom & Ewell, followed by properties for rent.
- 18.129 The advisers indicated that moves into Epsom & Ewell come from Greater London, elsewhere in Surrey (excluding the boroughs in the HMA) and elsewhere in the South East.

- 18.130 When asked about the development pipeline of companies, the development advisers indicated a fairly even split of houses (56%) and flats (44%). The bedroom split of these pipelines indicates that 30% of dwellings are two-bed, followed by 27% being one-bed dwellings, 23% three-bedroom dwellings, 17% four-bedroom dwellings and just 4% of company's pipelines being five-bedroom dwellings.
- 18.131 The tenure split of these pipelines indicates that 66% of dwellings are build for sale, 20% of dwellings are build for rent, 10% are shared ownership dwellings and 4% of dwellings are social housing.
- 18.132 The greatest difficulty according to the development advisers, in terms of delivering new homes in Epsom & Ewell are land availability, viability and the need to satisfy policy.

APPENDIX F: Analysis of stakeholder consultations (Employment land)

18.133 This section presents the analysis of stakeholder consultations. The consultations were carried out by online questionnaire and sent to contacts of:

- developers and land promoters; and
- commercial property agents (Letting and Sales)

Developers and land promoters

18.134 In total, two respondents among developers and land promoters responded to the questionnaires; one operates locally in Epsom & Ewell and one operates nationally in the UK. They specialised in a wide range of properties, from B and E Use Classes to retail spaces.

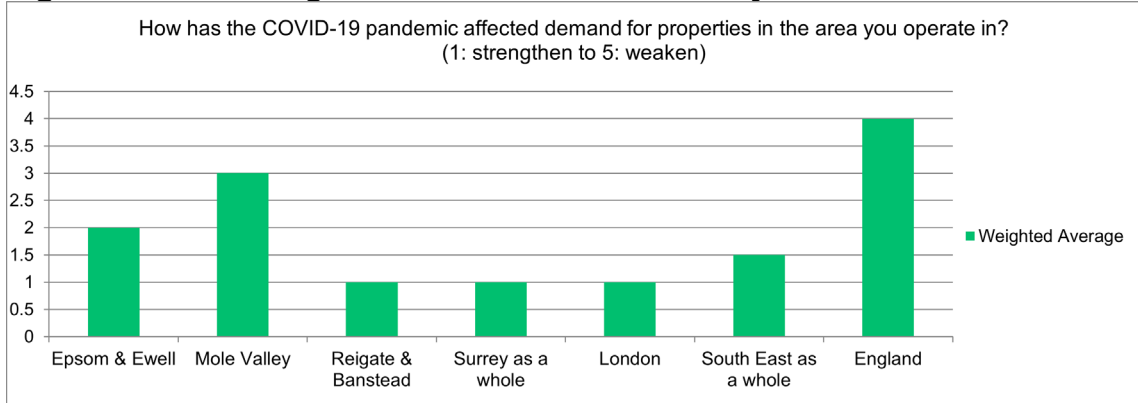
i. *Market conditions*

18.135 The respondents consider the Borough to have strong demand, similar to the market of Reigate & Banstead and Surrey as a whole. As pointed out by the respondents, this is possibly due to companies migrating out from central London and the good transport infrastructure within this area.

18.136 In contrast, the respondents consider the demand in South East and England is weak.

18.137 The figure below shows the impacts of the Pandemic on the demand for property in the Borough and the comparators in the view of the respondents.

Figure 105: Housing market condition affected by the Pandemic



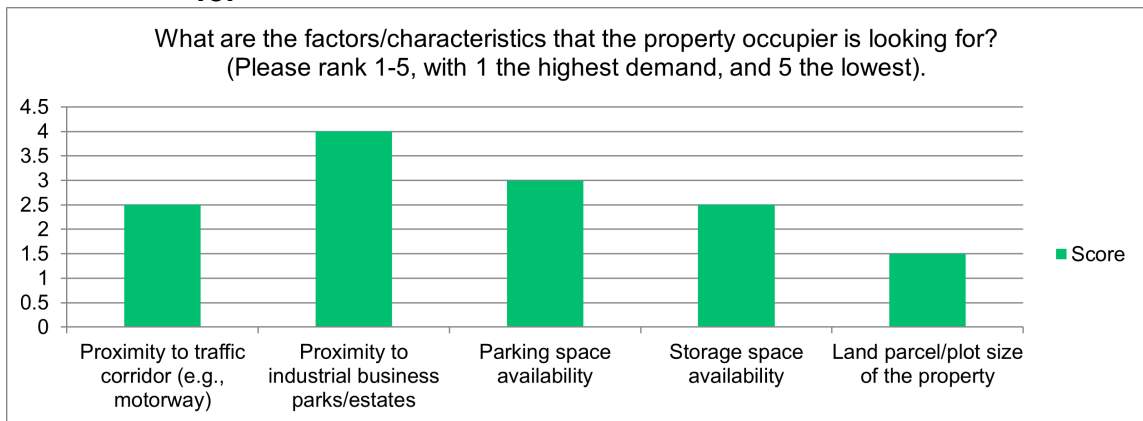
Source: GLH analysis of responses to the market survey

18.138 It is considered that the impact of the Pandemic has slightly strengthened the demand for commercial properties in the Borough, this is consistent with most of the comparators except for the England level. Also, the respondents suggest that the employment land market will continue to strengthen in the next five years.

18.139 The respondents have indicated that the most demand for employment land is coming from the “Accommodation and food service activities” and “Professional, scientific and technical activities” sectors. Most floorspace demand is for properties of less than 1,000 sqm.

18.140 The factors or characteristics that the property occupier is looking for are mostly “Proximity to traffic corridor (e.g., motorway)”, “Storage space availability” and “Land parcel/plot size of the property”, as the figure below shows. Other characteristics including “Conditions of building” or “Security” are mentioned by the respondents.

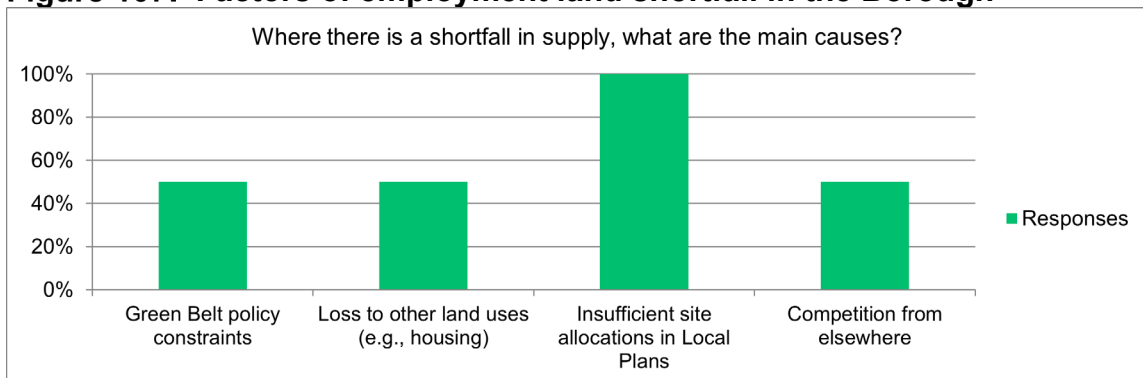
Figure 106: Factors or characteristics that the property occupier is looking for



Source: GLH analysis of responses to the market survey

18.141 The respondents consider that there is a shortfall in employment land supply, especially for office floorspace sizes over 185 sqm (2,000 sq. ft.). The respondents suggest this is caused by insufficient sites being allocated in the Local Plan, as the figure below shows.

Figure 107: Factors of employment land shortfall in the Borough



Source: GLH analysis of responses to the market survey

18.142 Moreover, all respondents expect the market rent of commercial properties will increase by zero to 5% over the next twelve months.

ii. *Development prospects*

18.143 None of the respondents are planning to bring forward employment land development in Epsom & Ewell.

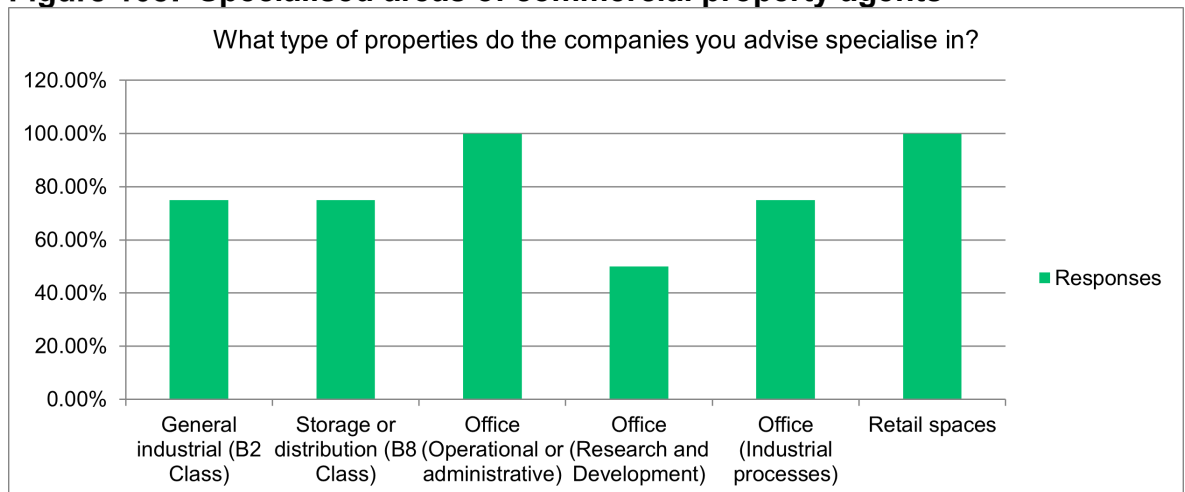
18.144 Also, all respondents skipped the question regarding “In what ways do you think the further development of Epsom's racecourse and equestrian sector may influence the commercial property market?”. This might imply that the respondents consider the influence is minor or that they are not qualified to answer this question.

Commercial property agents

18.145 To confirm the key market findings, commercial property agents that operate within the Borough and the wider FEMA are consulted. This is done by an online questionnaire developed in Survey Monkey platform.

18.146 In total, there are four property agents responded to the questionnaires, in which most of them operates within the local authorities of the FEMA and half of the respondents also operates in Greater London or elsewhere in Surrey (e.g., Elmbridge).

Figure 108: Specialised areas of commercial property agents



Source: GLH analysis of responses to the market survey

18.147 As indicated by the table above, these agents specialised in a wide range of properties, from B and E Use Classes to retail spaces.

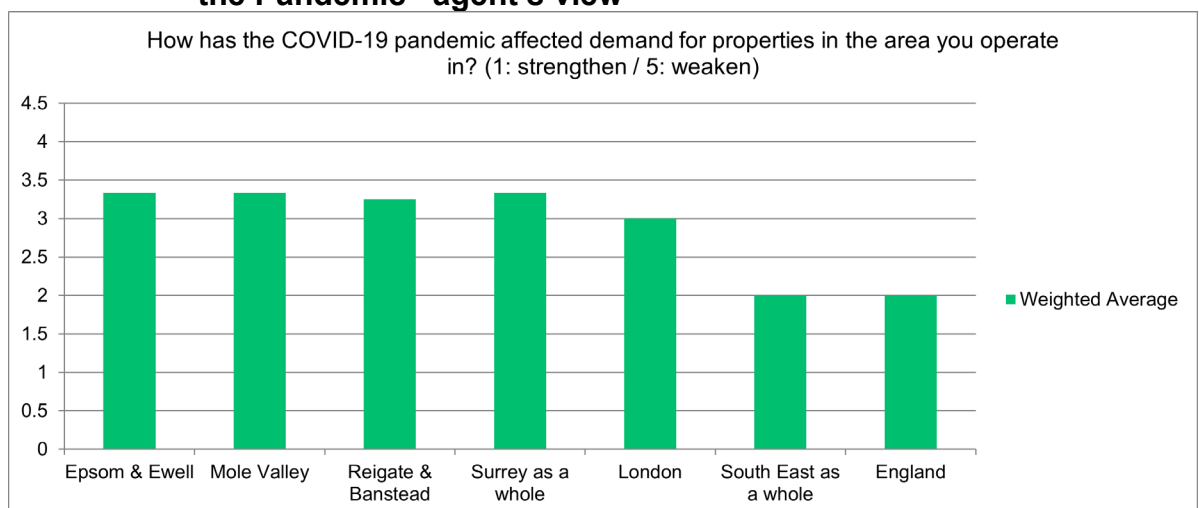
i. *Market conditions*

18.148 The responded agents consider the Borough's demand on employment land/properties is strong, similar with the market of all the wider geographies including Surrey, South East and England. They indicated the occupier's demand varies per sector in the Borough, including

- office floorspace demand is weak due to the trend of home-working;
- warehousing/industrial floorspace demand is strong; and
- retail premises have strong demand, but not for larger sizes of floorspace.

18.149 Based on the agent's view, the figure below shows the impacts of the Pandemic on the property demand in the Borough and the comparators.

Figure 109: Commercial property market condition affected by the impacts of the Pandemic –agent's view



Source: GLH analysis of responses to the market survey

18.150 Due to people working from home, the agents considered that the Pandemic has slightly weakened the demand for commercial properties in the Borough, especially for offices. This is consistent with the comparators of Surrey and Greater London. However, based on the agent's view, this trend is slightly different from the South East and the England level, which the property demand has slightly strengthened.

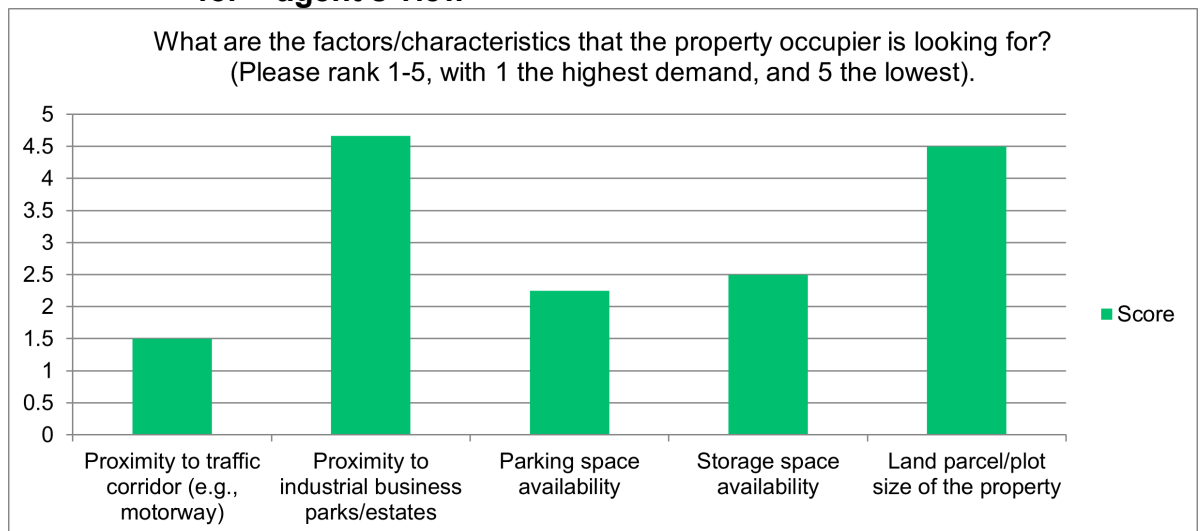
18.151 Property agents have different views regarding the changes in employment property market over the next five years:

- one agent indicated a stronger demand for nurseries, care homes or warehousing while offices and retail floorspaces will need to adapt; and
- one agent suggests that there will be a downturn in the market due to many properties which will need investments to meet energy performance and sustainability requirements.

18.152 The agents have indicated that the most demand for employment properties is coming from the industry sectors of “Wholesale” and “Transport & Logistics (including postal)”. In terms of properties sizes, most floorspace demand is less than 1,000 sqm such as small flexible offices/business units.

18.153 The factors or characteristics that the property occupier is looking for are mostly “Proximity to traffic corridor (e.g., motorway)” and “Parking space availability”, as the figure below shows. Other key characteristics including “Energy efficiency”, “Planning restrictions on use”, “Office configuration” and “Local catchment area” are highlighted by the survey responses.

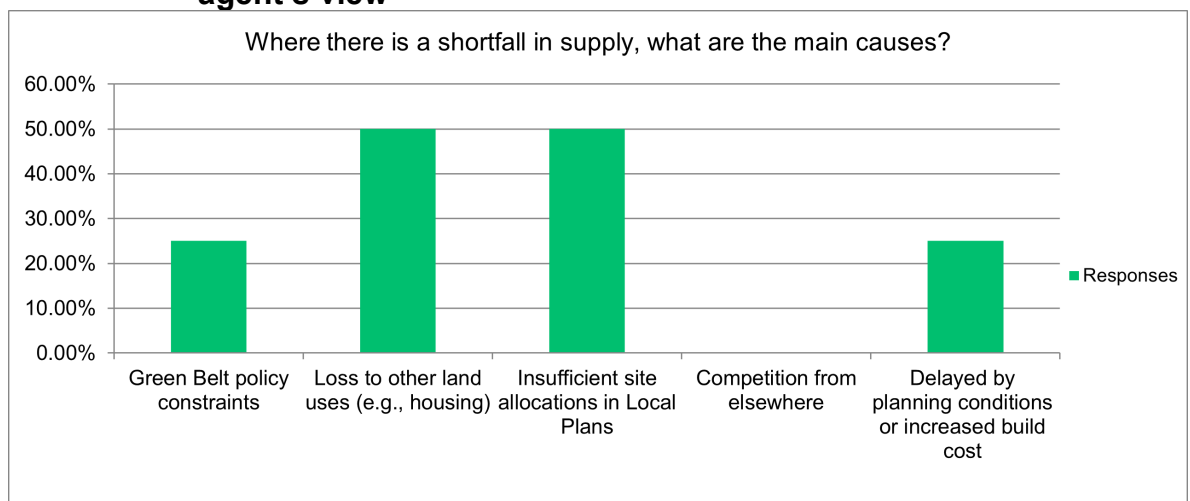
Figure 110: Factors or characteristics that the property occupier is looking for – agent’s view



Source: GLH analysis of responses to the market survey

18.154 Most agents (75%) consider that there is a shortfall in employment property supply, especially for warehousing/industrial floorspaces (e.g., large mixed-use business parks). This is mainly caused by insufficient sites allocated in the Local Plan or losses to other land uses such as housing, as the figure below shows.

Figure 111: Factors of employment property shortfall in the Borough – agent’s view



Source: GLH analysis of responses to the market survey

18.155 However, it should be noted that one of the responded property agents indicated that there is a risk of oversupply in retail and office floorspace. Exacerbated by the Pandemic, this is mainly caused by the unfit (need for downsizing) or outdated stock.

18.156 The agents have indicated that the typical length of property leasing agreements is “3-6 years” or “6-10 years”. Also, the market rents are expecting to remain or fall by 0 to 5% in the next twelve months due to the economic recession in the UK.

ii. *Development prospects*

18.157 Half of the responded agents consider that the development of Epsom's racecourse and the equestrian sector has little influence on commercial property market. However, one agent indicated that the link between Epsom and the racecourse should maintain as the related events (e.g. Derby) will boost the local businesses.

18.158 When asking “Are there any other policies or developments that you think are having an influence on the market?”, the property agents have responded with the following key issues:

- Use Class changes in September 2020;
- planning restrictions and timescales; and
- high business rates of retailers.

Summary – Stakeholder consultation (Employment land)

Developer and land promoters

- the respondents consider the Borough has strong demand for employment properties, possibly due to companies migrating out from central London and good transport systems in the FEMA;
- as opposed to the trend in England, the employment land developers consider the Pandemic has slightly strengthened the demand for commercial properties and will continue to strengthen in the next five years;
- the most demand for employment land is smaller properties (less than 1,000 sqm.) and is coming from the sectors of “Accommodation and food service activities” and “Professional, scientific and technical activities”; and
- the employment land developers consider that there is a shortfall in employment land supply, mainly caused by insufficient sites allocated in the Local Plan.

Commercial property agent

- The commercial property agents consider the Borough’s overall demand for employment land/properties to be strong but varies by sector;
- the office floorspace demand is weak due to the trend of home-working while demand for warehousing/industrial and retail floorspace is strong;
- the agents considered that the Pandemic has slightly weakened the demand for commercial properties in the Borough, especially for offices;
- the agents have indicated that the most demand for employment properties is coming from the industry sectors of “Wholesale” and “Transport & Logistics (including postal)”;
- the main factors or characteristics that the property occupier is looking for are “Proximity to traffic corridor (e.g., motorway)” and “Parking space availability”;
- the property occupiers are also concerned with key characteristics including “Energy efficiency”, “Planning restrictions on use”, “Office configuration” and “Local catchment area”;

- most agents (75%) consider that there is a shortfall in employment property supply, especially for warehousing/industrial floorspaces (e.g., large mixed-use business parks). This is due to insufficient sites allocated in the Local Plan or losses to other land uses (e.g. housing);
- the respondents point out that the market rents are expected to remain or fall by 0 to 5% in the next twelve months due to the economic recession; and
- half of the responded agents consider that the development of Epsom's racecourse and the equestrian sector has little influence on the commercial property market while one agent suggests the relevant events (e.g. Derby) will help boost the local businesses.

APPENDIX G: First Homes viability assessment

- 18.159 GL Hearn has been asked to determine the level of discount to open market value (OMV) which could be applied to properties being sold as 'First Homes' (FH) and what effect this level of discount has on the development viability.
- 18.160 To complete the exercise, developments in the Borough have been identified which already have a planning permission. Financial appraisals have then been run to compare the outcomes from the approved permission to the outcomes assuming a policy-compliant proportion of FH are included within the overall mix.
- 18.161 The Sites selected to appraise, are sites within the Borough which have either been built out within the last 2 years or which have received a recent planning consent have been reviewed. From these considered, four sites have been reviewed and appraised in detail. The details of the developments chosen can be found at section "Development appraisals".
- 18.162 FH is an Affordable Housing sales product providing market sale housing sold at 30% to 50% discount against the market value, to households meeting the eligibility criteria, with the discount being applied in perpetuity and registered against the title.
- 18.163 The property value must be no higher than £250,000 after the discount has been applied and FH should account for 25% of all Affordable Housing units on site through planning obligations.

18.164 The structure of this appraisal is as follows:

- **Economic overview:** This provides a commentary of current economic, housing trends and prospects on a macroeconomic level.
- **Methodology:** The methodology section sets out the inputs used to create the appraisals and provides a justification as to why these inputs were selected and how they will impact the findings from the appraisals; and
- **Development appraisals:** The development appraisals section describes the sites we have selected which comply with the characteristics required set out in point 1.4. The section will also display our findings and the numerical inputs that went into the appraisals.

Economic Overview

18.165 In a bid to control inflation, the Bank of England increased interest rates to 3% which is the eighth consecutive rise since December 2021. This rise will directly impact on mortgage rates and will add to the slowing down on the sales market which has already been reported.

18.166 Gross domestic product (GDP) in the UK is estimated to have fallen by 0.3% in August 2022. There has been a continued slowing in the underlying three-month on three-month growth, where GDP also fell by 0.3% in the three months to August compared with the three months to May 2022. Construction grew by 0.4% in August 2022, after growth of 0.1% in July 2022¹⁹⁸.

18.167 On 19 October 2022, the ONS reported that average house prices in England increased by 13.6% over the year to August 2022 down from 16.0% in July 2022. .¹⁹⁹

18.168 The September 2022 RICS UK Residential Survey results remain indicative of the sales market losing momentum. The increase in house prices are underpinned by the lack of stock available with the pace now slowing with twelve-month expectations turning negative.

198 [GDP monthly estimate, UK : August 2022](#)

199 [UK House Price Index: August 2022](#)

18.169 Higher interest rates and a weakening macroeconomic landscape are widely cited by contributors to be causing this softening in momentum. That said, it's important to note that the survey sample was largely gathered prior to the Bank of England's latest 0.5% interest rate increase on 22 September 2022. For the time being at least, underpinned by low levels of supply available for purchase, prices continue to rise across all parts of the UK.²⁰⁰

18.170 UK House price index reports that overall property prices in Epsom and Ewell as a whole have increased between June 2021 and July 2022 by 10.6%. This is at a slower rate than England as stated above. During this timeframe flats and maisonettes increased by circa 6.9% from £296,474 to £318,425.

Methodology

18.171 The methods and best practice for the valuation of land and property lie in various Professional Statements, Guidance Notes, and Information Papers published by the Royal Institution of Chartered Surveyors (RICS), including but not limited to:

- RICS Valuation – Global Standards (2021)
- RICS Financial Viability in Planning Conduct and Reporting (2019)
- RICS Viability in Planning Guidance Note (2012)
- RICS Valuation of Land for Affordable Housing Guidance Note (2016)

18.172 We have valued the Sites adopting a residual method of valuation, which requires the estimation of the value of the completed scheme, the deduction of the costs of achieving it and for developer's profit.

²⁰⁰ [UK Residential Market Survey: July 2022](#)

- 18.173 Residual valuations have been undertaken using Argus Developer, the industry leading software used by developers and consultants throughout the property development industry. Relying upon this software gives confidence in the underlying financial calculations, removes risks related to bespoke excel-based models, and allows for a wide range of scenarios to be modelled alongside the ability to easily interrogate cashflows.
- 18.174 In order to provide a residual land value of the affordable housing e.g. Affordable Rent and Shared Ownership, we have used PodPlan which is a market standard piece of software specifically used for affordable housing schemes, designed to construct fully cash flowed development appraisals using the discounted cashflow methodology.
- 18.175 Our approach is based on our material assumptions such as: development period, gross development value, development costs, developers profit, and interest charges. Subjective judgements are involved in this process and material changes in the input data may produce significant changes in the resultant valuation.
- 18.176 We have used the comparable methodology to determine the market values of the completed homes. The comparable method relies upon the analysis of comparable market transactions to determine the Gross Development Value (the value of the completed units at the on the day the valuation was undertaken) of the proposed development scheme.
- 18.177 BCIS rates have been reviewed and advice sought from quantity surveyors with regards to build costs. We have adopted a rate of £3,000m² which is higher than BCIS on the basis that we believe this rate to be reflective of the market given rises in material costs and inflation. BCIS data is a measure of the average price paid by clients on construction projects however it contains historic information and currently does not reflect the current market prices.

18.178 Affordable housing providers typically pay for the affordable housing provided through Section 106 Agreements via monthly valuations and this can greatly aid the cashflow for a developer. We have adopted this approach in the appraisals which have been completed.

Development appraisal

18.179 The sites below were selected as they had either been built out within the last 2 years or had recently received planning consent.

18.180 For each site, the approach adopted to the discount is set out. In all cases, to assess viability of the development with FH, 25% of the affordable units have been discounted by a minimum of 30% against the Open Market Value (OMV).

18.181 For comparison purposes, a 40% discount was also applied to all the developments bar site 3, Woodcote Grove. For this site, only a 50% discount is appropriate due to the need to achieve the £250,000 post-discount sales value threshold.

18.182 The percentage of affordable homes on each site reflects the level achieved or proposed. The percentage of affordable housing therefore varies on each site.

18.183 The affordable homes selected to be FH units will change tenure type to FH whilst the remaining affordable homes will remain as the same tenure type.

18.184 To increase the viability of the site, a developer is likely to select the lowest value units to be discounted, therefore this methodology has been adopted in the appraisals.

Site 1 – 65 London Road

Planning ref: 20/01079/FUL – Construction of a three to six storey building comprising 45 flats (Use Class C3) with associated car and cycle parking, refuse storage and ancillary works.

FH discount approach: Due to the relatively low average values of Site 1, discounts of 30% and 40% of OMV have been applied. A 50% discount would not be attractive to a developer due to the fall in the residual land value so in this case was not adopted.

Unit Type	No. of Market Sale	No. of Affordable Units	Average Values	Total
1 bed apartment	15	6	£345,000	21
2 bed apartment	13	2	£420,000	15
3 bed apartment	5	5	£460,000	10
Total	-	-	-	46

Factor	Assumptions
Land	£1.26m as per planning permission
Build	£10.5m (£3,000m/2)
Professional Fees	10%
Sales and Marketing	2.5%
Finance Rate	6.5%
Demolition	£25,000
Contingency	5%
Profit	17.5% on cost market sale 6% on cost affordable 15% FH
FH Land Value @ 30% Discount	£1.17m
FH Land Value @ 40% Discount	£1m

Site 2 – The Old Mill

Planning ref: 18/01430/FUL - Demolition of existing buildings, and erection of 80 new dwellings with access, associated parking and landscaping works

FH discount approach: A discount of 30% and 40% was applied to the OMV of 1-bedroom flats. While 2 bed units are within the threshold, the assumption has been applied to those units with the lowest value (1-bedroom). The price following the discount was below the required £250,000 threshold.

Unit Type	No. of Market Sale	No. of Affordable Units	Average Values	Total
1 bed apartment	22	4	£337,500	26
2 bed apartment	24	12	£410,000	36
3 bed houses	18	0	£547,500	18
Total	-	-	-	80

Factor	Assumptions
Land	£0.90m as per planning permission
Build	£20.2m (£3,000m/2)
Professional Fees	10%
Sales and Marketing	2.5%
Finance Rate	6.5%
Demolition	£14,000
Contingency	5%
Profit	17.5% on cost market sale 6% on cost affordable 15% on cost FH
FH Land Value @ 30% Discount	£1.13m
FH Land Value @ 40% Discount	£1.02m

Site 3 – Woodcote Grove

Planning ref: 19/00999/FUL – Development of 98 apartments/dwellings, including conversion of the Grade II Listed Woodcote Grove and Grade II Listed Stable Block, with parking, access, landscaping and other associated works, following the demolition of the existing reprographics centre and conference centre*

FH discount approach: Site 3 has generated 8 affordable units of 6x2 bedroom apartments and 2x3 bedroom apartments. These units command a relatively high average value therefore only a 50% discount to OMV would allow the £250,000 threshold to be met.

Unit Type	No. of Market Sale	No. of Affordable Units	Average Values	Total
1 bed apartment	42	0	£345,000	42
2 bed apartment	43	6	£420,000	49
2 bed houses	14	0	£645,000	14
3 bed apartment	4	2	£775,000	6
Total	-	-	-	111

Factor	Assumptions
Land	£6.8m as per planning permission
Build	£26.2m (£3,000m/2)
Professional Fees	10%
Sales and Marketing	2.5%
Finance Rate	6.5%
Demolition	£28,000
Contingency	5%
Profit	17.5% on cost market sale 6% on cost affordable 15% on cost FH
FH Land Value @ 50% Discount	£6.6m

Site 4 – Wells Social Centre

Planning ref: 19/00929/FUL - The redevelopment of the existing site to provide 23 residential units comprising a mix of 5 x 1 bed, 15 x 2 bed and 3 bed properties (40% affordable), a new community hall, playground and associated car parking and landscaping following demolition of the existing building

FH discount approach: 25% of the affordable units were discounted by 30% and 40% to reflect the FH scheme discount. At a 40% discount, this produced a negative land value.

Unit Type	No. of Market Sale	No. of Affordable Units	Average Values	Total
1 bed apartment	3	2	£345,000	5
2 bed apartment	9	6	£420,000	15
3 bed apartment	2	1	£500,000	3
Total	-	-	-	23

Factor	Assumptions
Land	£22.3k (as per planning permission)
Build	£5.6m (£3,000m/2)
Professional Fees	10%
Sales and Marketing	2.5%
Finance Rate	6.5%
Demolition	£14,000
Contingency	5%
Profit	17.5% on cost market sale 6% on cost affordable 15% on cost FH
FH Land Value @ 30% Discount	£19k
FH Land Value @ 40% Discount	-£33.3k (negative)

Conclusion

- 18.185 The Viability Assessment (VA) concludes that, were these schemes to have FH, they would remain viable. In each case, the Residual Land Value (RLV) is positive. The exception is site 4, the RLV is negative where a 40% discount is applied.
- 18.186 That said, the OMV of a FH should be at or below around £357,000 in order to meet the threshold requirements. This indicates that FH in Epsom & Ewell are likely to be restricted to dwellings of 1- and 2-bedrooms in size.
- 18.187 Moreover, a key assumption of the VA is that a developer will select the lowest value units to be discounted. This may not align with an intention that FH should enable a range of households to access affordable home ownership.
- 18.188 It is notable that discounts of 30% and 40% applied at Site 2 had a positive impact on the residual land value whereas, when applied to Sites 1, 3 and 4 they had a negative impact.
- 18.189 This can be explained by the lower market values of the units to be discounted at Site 2 in comparison to the other sites, resulting in FH discount producing a higher market value than the other affordable units (i.e. non-FH affordable units) in the scheme.

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