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Dover District Council

Modelling the future demand for First Homes

Final draft

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November 2021

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# 1. Scope

- 1.1 A Strategic Housing Market Assessment (SHMA) for Dover District Council was published in December 2016 alongside a parallel study for the neighbouring authority of Shepway. In 2019 Dover Council an update to this study was published which had a limited remit, revising only the outputs which dealt with the Council's housing requirements over the 2020 to 2040 plan period.
- 1.2 The analysis included in this update report considered demand for a discount home ownership product modelled on the Starter Homes concept, which was being considered by the Government at the time. On 24<sup>th</sup> May 2021 the Government published detail on First Homes and their implementation<sup>1</sup>, after a period of consultation in the second half of 2020. The Government is now mandating First Homes as the preferred discount home ownership model, with a requirement of 25% of affordable homes being First Homes. The likely requirement for First Homes, as part of the housing mix, required to accommodate the future population is therefore assessed in this report. To ensure that the results are up to date, the local housing need in Dover is re-calculated for 2021 and the future population to be housed through the plan period is derived using the latest population and household projections.
- 1.3 This report is focused on how First Homes fit into the current housing market in Dover (presented in chapter 2) and what the demand for this product across the plan period is likely to be (presented in chapter 4). Chapter 3 sets out the calculation of the latest local housing need figure for the district, which informs the profile of the future population required to be housed in Dover. Chapter 4 also concludes the policy implications of First Homes for the Council.

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<sup>1</sup> <https://www.gov.uk/guidance/first-homes>



## 2. First Homes within the Dover Housing Market

### Introduction

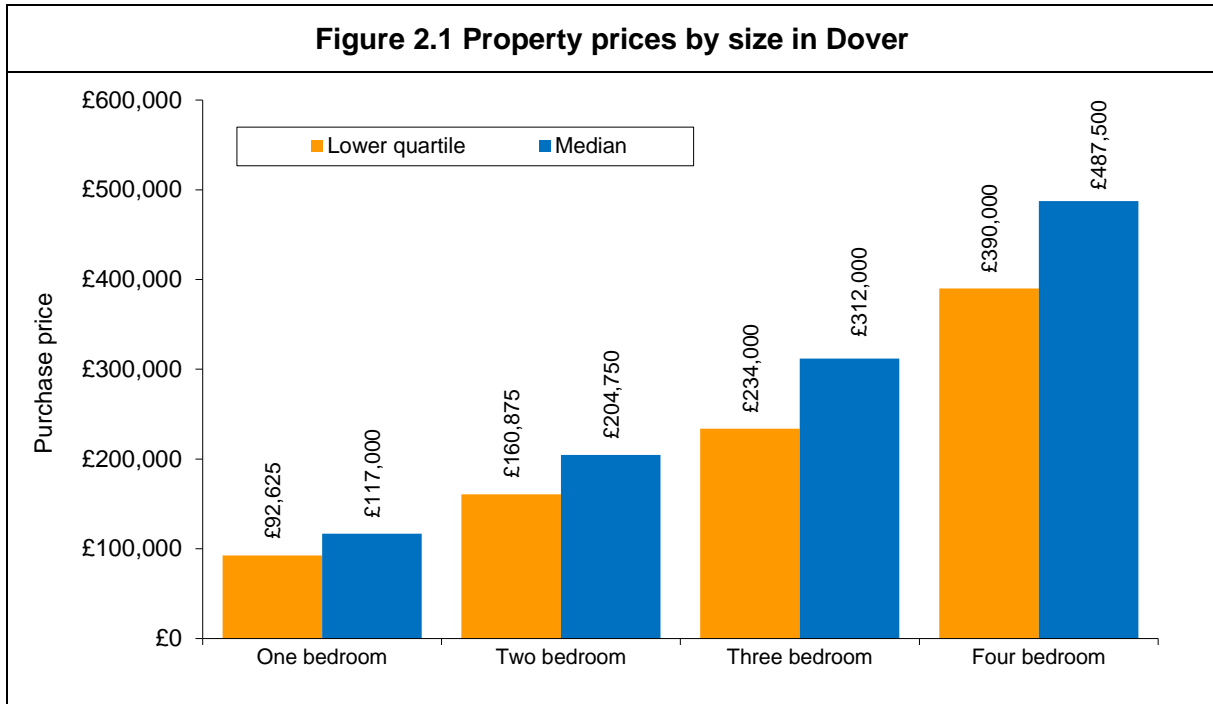
- 2.1 Chapter 3 of the 2016 SHMA presented a detailed profile of the cost of housing in the District, which was used to identify the intermediate products that would be most useful. This found that shared ownership homes with a 35% equity share as the most helpful intermediate product in Dover. The report also profiled a discount home ownership product modelled on the Starter Homes concept, which was being considered by the Government at the time.
- 2.2 On 24th May 2021 the Government issued a Ministerial Statement which stated that First Homes would be brought into the national definition of affordable housing on 28th June 2021. This was accompanied by changes to Planning Practice Guidance. In light of national policy, it is helpful to consider the potential costs of First Homes in Dover District and compare these to the potential costs of other types of affordable housing. This section does not contain a full update of the analysis presented in chapter 3 of the original report, only the key data to allow the assessment of First Homes.

### Market Housing

- 2.3 Median and lower-quartile<sup>2</sup> asking prices by number of bedrooms in Dover were collected via an online search of properties advertised for sale during September 2021. The results of this online price survey are presented in the figure below. The prices recorded include a discount to reflect that the full asking price is not usually achieved (with sales values typically 2.5% lower). The figure indicates that entry-level prices in Dover range from £92,675 for a one bedroom home, up to £390,000 for a four bedroom property.

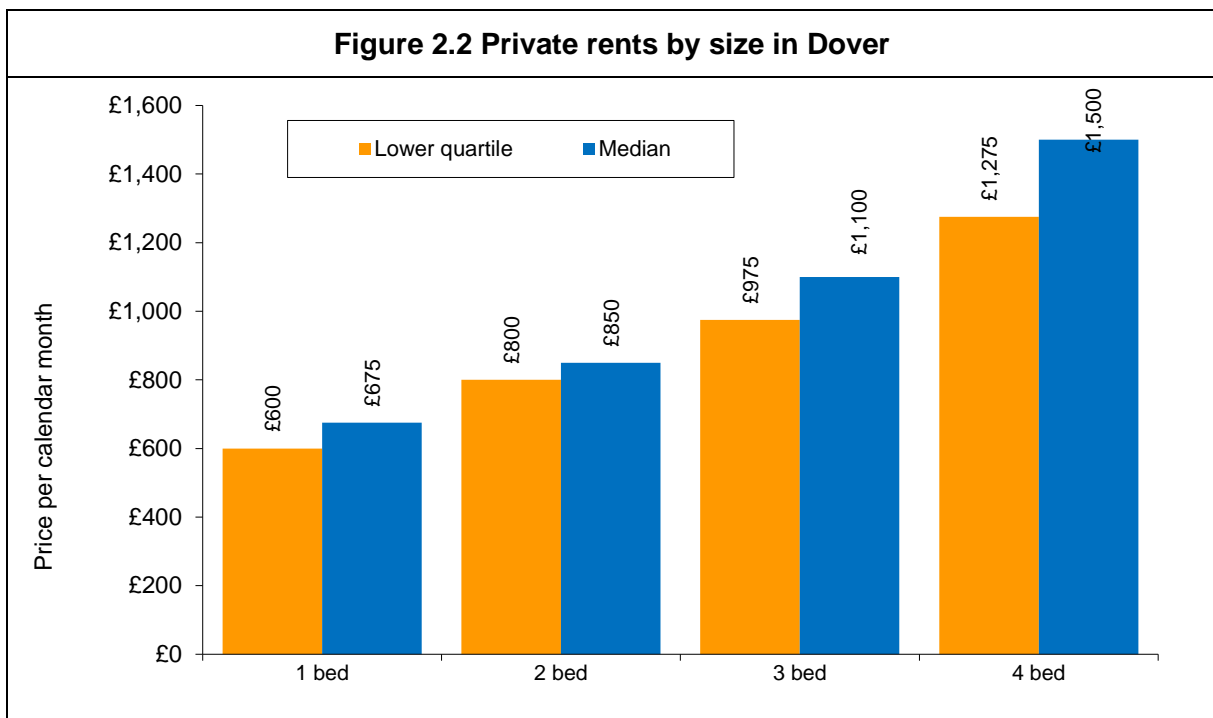
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<sup>2</sup> Lower quartile prices represent entry-level prices according to the PPG (paragraph 021 Reference ID: 2a-021-20190220).



Source: Online estate agents survey September 2021

2.4 The median and lower quartile (entry-level) price for private rented accommodation by property size in Dover is presented in the figure below. The figure indicates that entry-level rents range from £600 per month for a one bedroom home, up to £1,275 per month for a four bedroom property.



\* Shared room is a room in a shared dwelling. Source: Online estate agents survey September 2021



## Affordable Accommodation

- 2.5 The cost of Social Rented and Affordable Rented accommodation by dwelling size in Dover can be obtained from the Regulator of Social Housing’s Statistical Data Return dataset. The table below illustrates the cost of these two tenures in Dover in 2020. The costs are significantly below those for private rented housing, particularly for larger homes, indicating a significant gap between the affordable and market sectors.

<b>Table 2.1 Average cost of affordable accommodation (per month (includes service charges))</b>		
<i>Bedrooms</i>	<i>Social Rented</i>	<i>Affordable Rented</i>
One bedroom	£377	£358
Two bedrooms	£404	£498
Three bedrooms	£441	£613
Four bedrooms	£494	£695

Source: HCA’s Statistical Data Return 2020

## First Homes

- 2.6 First Homes are a new initiative to help deliver discounted homes to local people. They are intended to be newly built properties sold with a discount of at least 30% below market value. No interest is paid on the un-bought equity, rather, when the home is sold on in the future, it will be available at the same proportion of discount for which it was originally bought. First Homes are subject to price caps – outside of London a First Home cannot be sold for more than £250,000.
- 2.7 Local Planning Authorities can set specific local connection restrictions provided they are evidenced; however, these restrictions should only apply for the first three months the property is available for sale, to ensure First Homes do not remain unsold. First-time buyers are the target market for this product and this group is identified using the same definition that is used for Stamp Duty Relief for First-Time Buyers as set out in the Finance Act 2003. However, mechanisms also exist to help prioritise members of the armed forces and key workers.
- 2.8 Whilst the product is available to those with notable savings levels, First Homes can only be purchased using mortgage finance or equivalent which covers at least 50% of the purchase value. The product is not suitable for investors as a First Home can only be bought if it is the buyer’s only home. Outside of London, households acquiring a First Home cannot have an income over £80,000. Whilst the Government does allow Local Planning Authorities to set lower income caps, where the need and viability of this option can be evidenced, these local caps are time limited to first three months that the property is for sale.

2.9 The guidance is clear that 30% is the minimum level of discount applied, however Local Planning Authorities will *'be able to require a higher minimum discount of either 40% or 50% if they can demonstrate a need for this'*<sup>3</sup>. It is useful therefore to understand whether a larger discount would be needed in Dover currently. This is presented in the table below. The table suggests that for one to three bedroom homes a 30% discount will be sufficient to ensure newbuild properties are notably cheaper than entry-level owner-occupation and will therefore address a gap in the housing market locally. The cost of a four bedroom home with a 30% discount however is above the £250,000 threshold set out in the First Homes Guidance.

<b>Table 2.2 A comparison of the potential price of a First Home with entry-level owner-occupation</b>			
<i>Bedrooms</i>	<i>Newbuild prices</i>	<i>Newbuild prices with a 30% discount</i>	<i>Entry-level owner-occupation</i>
One bedroom	£125,000	£87,500	£140,000
Two bedrooms	£220,000	£154,000	£235,000
Three bedrooms	£310,000	£217,000	£320,000
Four bedrooms	£420,000	£294,000	£425,000

Source: Online survey of property prices September 2021

2.10 Four bedroom homes with a 30% discount are still priced in excess of the cap level of £250,000 (a discount of 40% is required for a four bedroom home to be priced at the cap level of £250,000). It is therefore presumed that the cap will be the limiting factor for four bedroom homes, rather than the level of discount, and all modelling done on the future demand for four bedroom First Homes will be based on the assumption that it is available for £250,000.

2.11 It is useful to assess the ability of households to build up the 10% deposit likely to be required for a First Home in Dover. The table below shows the average income of households in the private rented sector by number of bedrooms that they require alongside the income required to afford lower quartile private rent in the District<sup>4</sup>. The cost of a 10% deposit for a First Home is presented in the fourth column. The next column indicates the time in years it would take on average for a household in the private rented sector to save enough money to afford the 10% deposit required for an entry-level owner-occupied home<sup>5</sup>. The final column sets out the

<sup>3</sup> Paragraph: 004 Reference ID: 70-004-20210524

<sup>4</sup> Following the approach used in the original SHMA the annual private rent was multiplied by 2.857 to produce a figure for the annual income required to afford this accommodation (based on 35% of gross income being spent on rent).

<sup>5</sup> This is calculated by taking the difference between the average income of households in the private rented sector and the income required to afford entry-level private rent and dividing this figure by the cost of a 10% deposit for an entry-level property (set out in figure 3.1).



time it would take on average households resident in the private rented sector paying lower quartile rents to afford a 10% deposit for a First Home instead.

- 2.12 The table shows that many households in the private rented sector would be able to build up the deposit required for a First Home is between 2.1 and 4.2 years compared to between 3.3 and 7.1 years for a second-hand entry-level home in the District. It is therefore is a faster avenue into home ownership than purchasing a second-hand home. Although it will prove a useful entry-point for many households, it will be unobtainable for a notable number of households in the private rented sector.

<b>Table 2.3 Average time taken for households residing in the private rented sector to afford a 10% deposit for a First Home</b>					
<i>Bedrooms</i>	<i>Average income of applicable* households</i>	<i>Annual income required to afford entry-level private Rent**</i>	<i>Cost of 10% deposit of discount market housing</i>	<i>Length of time in years taken to acquire deposit – entry-level second hand home</i>	<i>Length of time in years taken to acquire deposit – First Home</i>
One bedroom	£24,781	£20,571	£8,750	3.3	2.1
Two bedrooms	£33,478	£27,429	£15,400	3.9	2.5
Three bedrooms	£39,418	£33,429	£21,700	5.3	3.6
Four bedrooms	£49,721	£43,714	£25,000	7.1	4.2

\*This refers to households that would otherwise be renting in the private rented sector. \*\*This presumes that 35% of the stated gross income were to be spent on the private rent, with the remainder of the income available for other expenditure.

### **Shared Ownership**

- 2.13 As stated above the original SHMA identified that shared ownership with a 35% equity share was the most useful intermediate product in the District. It is useful to set out the cost of this product in the current housing market and to compare it to the other key tenures. The table below presents the estimated monthly cost of a Shared Ownership home in Dover with a 30% equity share, as this is now the most common low level equity-share shared ownership option available. The monthly costs are based on a 30-year repayment mortgage with an interest rate of 3.79<sup>6</sup> paid on the equity share owned and a rent payable at 2.75% on the remaining equity (i.e. the part of the house not purchased). The table shows that a 30% equity share Shared Ownership is priced between Affordable Rent and market entry rent for all dwelling sizes.

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<sup>6</sup> This interest rate is available as a five-year fixed product to potential homeowners with a high loan to value ratio currently. It is also a rate with no additional product fee associated with it. Whilst there are lower interest rates available for those with lower loan to value ratios we are principally assessing households looking to purchase a home for the first time who are likely to have higher loan to value ratios. Lower interest rates are available for those choosing a shorter fixed term period, however we feel that the use of a five-year period provides a known cost for households becoming owners for a good amount of time.

<b>Table 2.4 Housing cost comparison in Dover (monthly cost)</b>					
<i>Bedrooms</i>	<i>Affordable Rent</i>	<i>Shared Ownership – 25% equity</i>	<i>First Home* 70% OMV</i>	<i>Entry-level private rent</i>	<i>Entry-level owner- occupation*</i>
One bedroom	£358	£375	£407	£600	£652
Two bedrooms	£498	£660	£717	£800	£1,094
Three bedrooms	£613	£930	£1,010	£975	£1,490
Four bedrooms	£695	£1,260	£1,164	£1,275	£1,978

\*The monthly cost of entry-level owner-occupation presuming a 30-year repayment mortgage with an interest rate of 3.79%. Source: Online estate agents survey, September 2021

## 3. Overall housing need

- 3.1 The NPPF indicates that planning authorities should use the Standard Method to establish the overall need for housing. The Standard Method was introduced in 2018 to allow a simple and transparent assessment of the minimum number of homes needed in an area. The full Standard Method was then set out within the PPG published in February 2019<sup>7</sup>. In August 2020, the Government opened a consultation on changes to the Standard Method<sup>8</sup>, which led to a revised Standard Method being published within the PPG on 16<sup>th</sup> December 2020.
- 3.2 The revised Standard Method calculation retains the majority of the features of the previous iteration to retain stability in the plan-making process, however greater emphasis has been placed on delivering houses in the largest urban areas with the addition of a further step in the calculation that affects the 20 largest cities in England. The aim is to ensure that the Government's ambition for 300,000 new homes per year nationally is deliverable, but the strain is not too great in rural areas and instead there will be greater opportunity for development in large cities. This prioritisation of large cities (within which brownfield sites will be prioritised) is intended to make the best use of existing infrastructure, to provide the flexibility for housing development to respond to the structural change currently taking place in the retail and commercial sector related to both technological developments and behavioral changes resulting from the coronavirus pandemic, and finally to reduce the environmental impact of new housing development by maximizing the use of sustainable locations. The approach is still based on a standardised calculation using publicly available data.
- 3.3 This chapter will describe the steps involved in the revised Standard Method, following the approach described in the revised PPG<sup>9</sup>. It is expected that authorities will follow the Standard Method to determine the minimum annual local housing need figure. The latest approach will be followed to calculate the minimum housing need figure for Dover. The PPG makes it clear that, whilst it is not mandatory, any deviation from the Standard Method should only be pursued in exceptional circumstances.

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<sup>7</sup> All the steps were described in paragraph 004 (Reference ID: 2a-004-20190220)

<sup>8</sup> See footnote 5.

<sup>9</sup> All the steps are described in paragraph 004 (Reference ID: 2a-004-20201216).

*Step 1 – Setting the baseline*

3.4 The baseline is set using the 2014-based household projections in England<sup>10</sup>. The PPG indicates that ‘Using these projections, calculate the projected average annual household growth over a 10-year period (this should be 10 consecutive years, with the current year being used as the starting point from which to calculate growth over that period).’ The table below sets out the results of Step 1 of the Standard Method. The baseline figure in Dover for the current year of 2021 is therefore 468.

<b>Table 3.1 Calculating the baseline figure in Dover</b>			
<i>Local authority area</i>	<i>Totals households in 2021</i>	<i>Totals households in 2031</i>	<i>Average annual household growth</i>
Dover	57,756	57,435	468

Source: 2014-based household projections, 2016

*Step 2 – An adjustment to take account of affordability<sup>11</sup>*

3.5 The average annual projected household growth figure produced in Step 1 should then be adjusted to reflect the affordability of the area using the most recent median workplace-based affordability ratios.<sup>12</sup> Paragraph 006 of the PPG<sup>13</sup> describes why an affordability ratio is applied, to account for any constrained household formation and to ensure that people aren’t prevented from undertaking employment opportunities by the prohibitive cost of housing in the area near their proposed workplace. An affordability adjustment is only required where the ratio is higher than 4 and ‘for each 1% the ratio is above 4 (with a ratio of 8 representing a 100% increase), the average household growth should be increased by a quarter of a percent.’ The full formula is detailed in the PPG:

$$\text{Adjustment factor} = \left( \frac{\text{Local affordability ratio} - 4}{4} \right) \times 0.25 + 1$$

<sup>10</sup> <https://www.gov.uk/government/collections/household-projections>. Paragraph 005 of the PPG (Reference ID: 2a-005-20190220) states that the 2014-based projections are used (in preference to the more recently published 2016-based projections) as they are more suitable for meeting ‘the Government’s objective of significantly boosting the supply of homes.’

<sup>11</sup> Paragraph 006 of the PPG (Reference ID: 2a-006-20190220) describes why an affordability ratio is applied – principally to account for any constrained household formation and to ensure that people aren’t prevented from undertaking employment opportunities by the prohibitive cost of housing in the area near their proposed workplace. The affordability adjustment also accounts for past under-delivery as described in Paragraph 011 of the PPG (Reference ID: 2a-011-20190220).

<sup>12</sup> <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian>

<sup>13</sup> Reference ID: 2a-006-20190220

3.6 The table below sets out the results of Step 2 of the Standard Method calculation for Dover. The 2021 baseline figure, adjusted to take account of 2020 affordability ratios in the District, is 557.

<b>Table 3.2 Adjusting to take account of affordability</b>				
<i>Local authority area</i>	<i>2020 affordability ratio* (a)</i>	<i>Adjustment factor (((a-4)/4)*0.25)+1</i>	<i>Baseline figure</i>	<i>Baseline figure adjusted for affordability</i>
Dover	7.03	1.189275	468	557

Source: Ratio of median house price to median gross annual workplace-based earnings by local authority 2020  
\*ONS, March 2021

### *Step 3 – Capping the level of any increase*

3.7 As the PPG describes:

*A cap is then applied which limits the increases an individual local authority can face. How this is calculated depends on the current status of relevant strategic policies for housing. Where these policies were adopted within the last 5 years (at the point of making the calculation), the local housing need figure is capped at 40% above the average annual housing requirement figure set out in the existing policies.<sup>14</sup> Alternatively 'where the relevant strategic policies for housing were adopted more than 5 years ago..., the local housing need figure is capped at 40% above whichever is the higher of:*

- a. the projected household growth for the area over the 10-year period identified in step 1; or*
- b. the average annual housing requirement figure set out in the most recently adopted strategic policies (if a figure exists).*

3.8 In Dover, the most recent published completed plan is the 2010 Core Strategy which was adopted in February 2010. This is over five years old so the second of the two approaches described by the PPG is applied.

3.9 The first potential cap is based on a 40% increase to the annual projected household growth set out in step 1. This cap is therefore 655 (468 x 1.4). The second potential cap is based on a 40% increase to the annual housing requirement set out in the 2010 Core Strategy. This document stated an aim to build 14,000 dwellings in the district over the 20-year plan period, an annual total of 700. This cap is therefore 980 in Dover (700 x 1.4). The second of these two figures is higher and therefore forms the cap limit in Dover. The annual local housing need figure of 557 per year in Dover is within this cap and therefore does not need to be modified.

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<sup>14</sup> 'This also applies where the relevant strategic policies have been reviewed by the authority within the 5-year period and found to not require updating.'

*Step 4 – Cities and urban centres uplift*

- 3.10 This is the step that has been introduced within the December 2020 modifications to the calculation. The PPG states that, after the housing need figure has been adjusted as a consequence of the cap, *‘a 35% uplift is then applied for those urban local authorities in the top 20 cities and urban centres list.’* The PPG advises that the list of the top 20 cities and urban centres in England is identified by ranking the ONS’s list of Major Towns and Cities by population size based on the most recent mid-year population estimates.
- 3.11 The boundaries of the urban areas created by the ONS’s method for identifying the major towns and cities in England are not conterminous with local authority boundaries, with urban areas often spread over several local authorities. The PPG therefore clarifies that it is only the 20 authorities which contain the largest proportion of the city or urban centre’s population in which the 35% uplift is applied – any other local authority in which the urban area is partly situated is not required to apply the uplift<sup>15</sup>. The PPG finally lists the twenty largest cities and urban centres, as at December 2020, as London, Birmingham, Liverpool, Bristol, Manchester, Sheffield, Leeds, Leicester, Coventry, Bradford, Nottingham, Kingston upon Hull, Newcastle upon Tyne, Stoke-on-Trent, Southampton, Plymouth, Derby, Reading, Wolverhampton, and Brighton and Hove. Dover is not within this list therefore no adjustment is required to the figure for Dover.

*Overall level of housing need*

- 3.12 The final housing need in Dover, as assessed using the revised Standard Method in 2021, is **557** per year. Paragraph 008 of the PPG<sup>16</sup> notes that whilst *‘the standard method may change as the inputs are variable..., local housing need calculated using the standard method may be relied upon for a period of 2 years from the time that a plan is submitted to the Planning Inspectorate for examination.’* As noted in Paragraph 012 of the PPG<sup>17</sup>, this approach provides an annual figure which can be applied to a whole plan period. The NPPF requires strategic plans to identify a supply of sites for 15 years, however the emerging Local Plan for Dover will run from 2020 to 2040, so for the plan-period modelling presented in Chapter 4 of the report, a 20-year period is used.
- 3.13 As at 2021, across the twenty-year plan period a minimum of **11,140** new additional households should be planned for in Dover.

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<sup>15</sup> In London the uplift applies to all the authorities that comprise Greater London.

<sup>16</sup> Reference ID: 2a-008-20190220

<sup>17</sup> Reference ID: 2a-012-20190220



## 4. Type and tenure of future housing needed

### Introduction

- 4.1 The LTBHM model is used to fulfil the requirement within paragraph 61 of the NPPF to disaggregate the local housing need figure to ‘assess the size, type and tenure of housing needed for different groups in the community’. It determines the future demand for housing by size and tenure based on the profile of the population derived within the local housing need calculation. Chapter 4 of the original report presented the results of this model based on the level of housing need identified at the time. The model outputs were then revised to take account of the new standard method approach and the latest published projections in chapter 4 of the update report. In this report these outputs will be updated to reflect the current level of housing need identified in chapter 3. The revised outputs will also reflect that First Homes are now an affordable product available to households (at the time of the update report Starter Homes were being proposed as the preferred discount market housing option).
- 4.2 As discussed in chapter 2, First Homes are an intermediate product that have been introduced to specifically help potential first-time buyers access home ownership. It is clear from the cost profile of First Homes that their likely price-level will mean that they could be suitable for a notable number of households that would otherwise reside in the private rented sector<sup>18</sup>. However, as it is a product that has only recently been introduced into the market, it cannot be modelled using trend data. The potential demand for this new product over the plan period can be derived by making assumptions about the likelihood of different household groups within the private rented sector to try and acquire this form of housing, informed by an affordability analysis of the tenure and the length of time required to save a deposit.
- 4.3 The population and household projections that underpin the changing demography over the plan period in Dover are set out in the section below. This brief chapter will then set out the revised model outputs and indicate the policy implications of this new tenure mix for the Council.

### Disaggregating the local housing need

- 4.4 In Dover, the 2021 Standard Method local housing need figure of 557 per annum will necessitate the construction of more homes than is implied by the official projections as described in Chapter 4. If these 557 homes are built, the population will be larger than projected in the published projections, as the Standard Method calculation makes an upward adjustment to account for affordability. It is necessary to determine the profile of this additional

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<sup>18</sup> The likely price of First Homes is markedly cheaper than entry-level owner-occupation in Dover and households unable to access owner-occupation without this product would instead find accommodation in the private rented sector.

population and disaggregate the total local housing need, so that appropriate accommodation can be provided for the whole population of Dover in 2040.

4.5 The model takes as its starting point the 2018-based population projections<sup>19</sup>. These projections are then adjusted to make them align with the local housing need figure in Dover using the following assumptions:

- The Standard Method makes it clear that what the uplift in housing is trying to achieve is partly to reverse the falling level of household formation that has been recorded amongst younger people. The first step is therefore to progressively increase the household formation for all age groups under 45 towards the peak national rate recorded in 2001. This group is prioritised ahead of an increase in in-migrants moving into the district in response to guidance in the PPG.
- The age and gender profile of this adjusted population (increased household formation and increased in-migrants) will be aged-on (presumed to grow older each year) and have the same propensity to have children, move away from the area and die as other residents in Dover of the same gender and age. In this way it will be possible to estimate how the additional population (above that suggested by the latest population projections) is likely to develop over time.

#### *Population profile*

4.6 The table below sets out the age profile of the population in Dover in 2040 according to the population projections produced to populate the Standard Method figure, in comparison to the age profile of the district at the start of the plan period (2020). The table suggests that those aged 75 or over are going to constitute a greater section of the population by the end of the plan period – those aged 75 or over will rise from 12,759 in 2020 to 21,227 in 2040, an increase of 66.4%.

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<sup>19</sup> The 2018-based population projections are used as a basis as these are the most recent and benefit from the ONS's latest methodology and their most recent data and assumptions on key factors such as fertility and mortality rates and migration flows. In accordance with the PPG, we have used the 2014-based projections to determine the local housing need, we are using the 2018-based projections to disaggregate this figure in terms of age and gender profile

Age	2020 Population	2020 Percentage	2040 Population	2040 Percentage
0-14	20,914	17.5%	20,621	15.2%
15-29	16,868	14.1%	17,006	12.5%
30-44	19,841	16.6%	21,981	16.2%
45-59	25,297	21.1%	26,955	19.9%
60-75	23,960	20.0%	27,905	20.6%
75+	12,759	10.7%	21,227	15.6%
Total	119,640	100.0%	135,695	100.0%

*Household profile*

4.7 This population projection is then converted into a household projection by:

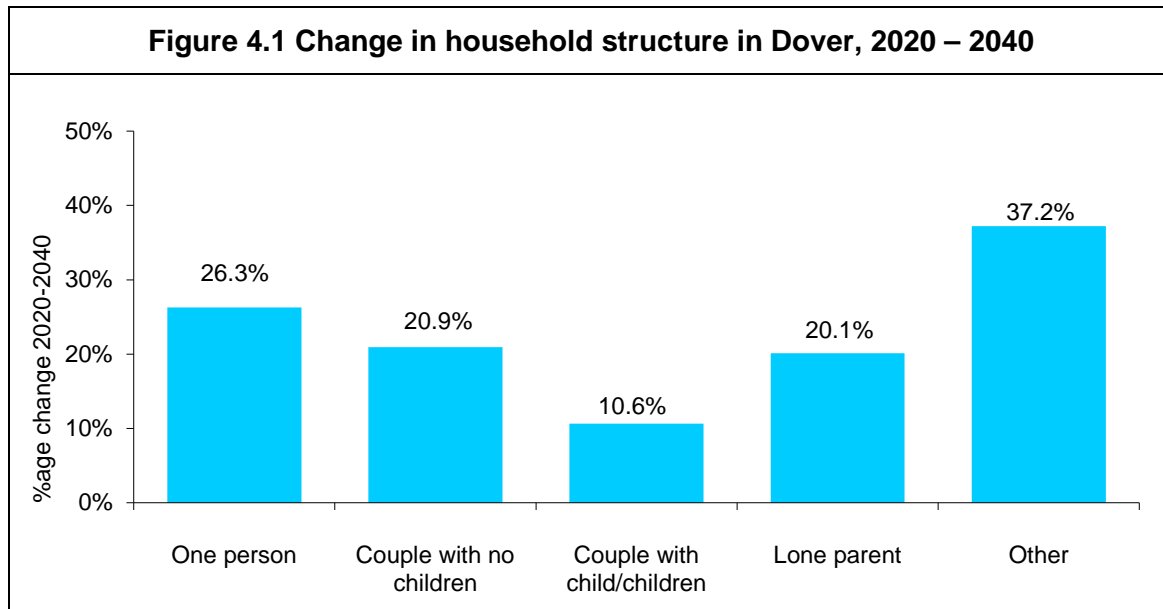
- Removing from the population projection an estimate of those living in communal establishments such as old people’s homes. This is done using the same assumptions as in the official projections. The resulting population is known as the household population.
- Household formation rates are then applied to the household population to produce a household projection. The household formation rates are taken from the official 2018-based household projections, with the adjustments made to return household formation rates towards national 2001 levels amongst younger age groups as described earlier in the chapter.

4.8 The table below sets out the number of households that will be resident in Dover in 2040 disaggregated by broad household type according to these projections. The 2020 household profile is also presented as a reference point, as 2020 is the base date for this model.

Household type	2020 Number	2020 Percentage	2040 Number	2040 Percentage
One person	17,358	33.1%	21,917	34.5%
Couple with no children	14,804	28.2%	17,905	28.2%
Couple with child/children	12,276	23.4%	13,580	21.4%
Lone parent	4,657	8.9%	5,594	8.8%
Other*	3,329	6.4%	4,569	7.2%
Total	52,425	100.0%	63,565	100.0%

\*Other households include multi-generational households, student households, households of unrelated people sharing accommodation as well as other groups.

4.9 The figure below indicates the change in these household types that will occur between 2020 and 2040 in Dover. The figure indicates that the largest relative growth will be in ‘other’ households (from a relatively low base), with the number of single person households also projected to grow notably. The absolute growth in households will be largest for one person households, followed by couple households with no children.



**Tenure of housing required**

4.10 The table below shows the tenure profile required by households resident in Dover in 2040, in comparison to the tenure profile recorded in the District at the start of the plan period. The difference between these two distributions is the change required to the housing stock over this period. The results show that 62.6% of new housing in Dover should be owner-occupied, 6.3% private rented, 8.8% First Homes, 5.9% should be Shared Ownership and 16.4% Social Rent/Affordable Rent.

**Table 4.3 Tenure of new accommodation required in Dover over the plan period**

Tenure	Current tenure profile (2020)	Tenure profile 2040	Change required	% of change required
Owner-occupied	33,930	40,906	6,975	62.6%
Private rent	11,310	12,010	700	6.3%
First Homes	0	977	977	8.8%
Shared Ownership	262	918	656	5.9%
Social Rent/Affordable Rent	6,923	8,754	1,831	16.4%
Total	52,425	63,565	11,140	100.0%

### Size of housing required within each tenure

- 4.11 The tables below present the size of owner-occupied accommodation required in Dover in 2040 in comparison to the size profile recorded in the sector at the base date. The implied change to the housing stock is also presented. The data shows that some 38.5% of new owner-occupied housing in Dover should be three bedroom homes, with 35.6% being four bedroom units, 20.9% should have two bedrooms and 5.0% one bedroom accommodation.

<i>Size of home</i>	<i>Current size profile (2020)</i>	<i>Size profile 2040</i>	<i>Change required</i>	<i>% of change required</i>
One bedroom	1,076	1,424	348	5.0%
Two bedroom	8,674	10,132	1,457	20.9%
Three bedroom	16,577	19,262	2,686	38.5%
Four or more bedrooms	7,603	10,088	2,484	35.6%
Total	33,930	40,906	6,975	100.0%

- 4.12 This analysis can be repeated for private rented housing and is presented in the table below. The data indicates that, of the 700 private rented homes required within Dover, 44.3% should be three bedroom properties and a further 36.2% should have four bedrooms. Some 5.9% should be one bedroom accommodation and 13.5% should be homes with two bedrooms.

<i>Size of home</i>	<i>Current size profile (2020)</i>	<i>Size profile 2040</i>	<i>Change required</i>	<i>% of change required</i>
One bedroom	2,427	2,468	42	5.9%
Two bedroom	4,931	5,026	95	13.5%
Three bedroom	3,293	3,604	310	44.3%
Four or more bedrooms	658	912	253	36.2%
Total	11,310	12,010	700	100.0%

- 4.13 The table below shows the size of First Homes that would be required to house some households that would otherwise reside in the private rented sector. The model indicates that in Dover, 34.1% of the First Homes should have three bedrooms, 33.0% four bedrooms, 17.0% two bedrooms and 16.0% one bedroom. over the plan period.

<b>Table 4.6 Demand for First Homes in Dover over the plan period</b>		
<i>Size of home</i>	<i>Number required</i>	<i>Proportion required</i>
One bedroom	156	16.0%
Two bedroom	166	17.0%
Three bedroom	334	34.1%
Four or more bedrooms	322	33.0%
<b>Total</b>	<b>977</b>	<b>100.0%</b>

4.14 The table below sets out the equivalent analysis for Shared Ownership housing. The data indicates that of the 697 Shared Ownership dwellings required within Dover, 31.9% should be two-bedroom properties with a further 25.6% three bedroom accommodation. Some 24.3% should have one bedroom and 18.1% should have four or more bedrooms.

<b>Table 4.7 Size of new Shared Ownership accommodation required in Dover over the plan period</b>				
<i>Size of home</i>	<i>Current size profile (2020)</i>	<i>Size profile 2040</i>	<i>Change required</i>	<i>% of change required</i>
One bedroom	56	216	160	24.3%
Two bedroom	98	308	210	31.9%
Three bedroom	84	252	168	25.6%
Four or more bedrooms	24	143	119	18.1%
<b>Total</b>	<b>262</b>	<b>918</b>	<b>656</b>	<b>100.0%</b>

4.15 The table below shows the size of accommodation required in the Affordable Rented/Social Rented sector. The table shows that, of the 1,912 additional Affordable Rented units required within Dover over the plan period, 33.8% should have four or more bedrooms, 25.1% three bedrooms, 31.0% one bedroom and 10.1% two bedrooms.

<b>Table 4.8 Size of new Social Rent/Affordable Rent required in Dover over the plan period</b>				
<i>Size of home</i>	<i>Current size profile (2020)</i>	<i>Size profile 2040</i>	<i>Change required</i>	<i>% of change required</i>
One bedroom	1,981	2,549	568	31.0%
Two bedroom	2,815	2,999	184	10.1%
Three bedroom	2,001	2,460	459	25.1%
Four or more bedrooms	126	746	620	33.8%
<b>Total</b>	<b>6,923</b>	<b>8,754</b>	<b>1,831</b>	<b>100.0%</b>

- 4.16 Detailed analysis of the nature of the requirement for intermediate housing identifies that it will be particularly useful for family households; it is estimated that by 2040, 69.4% of Shared Ownership dwellings and 58.7% of First Homes will be occupied by family households.

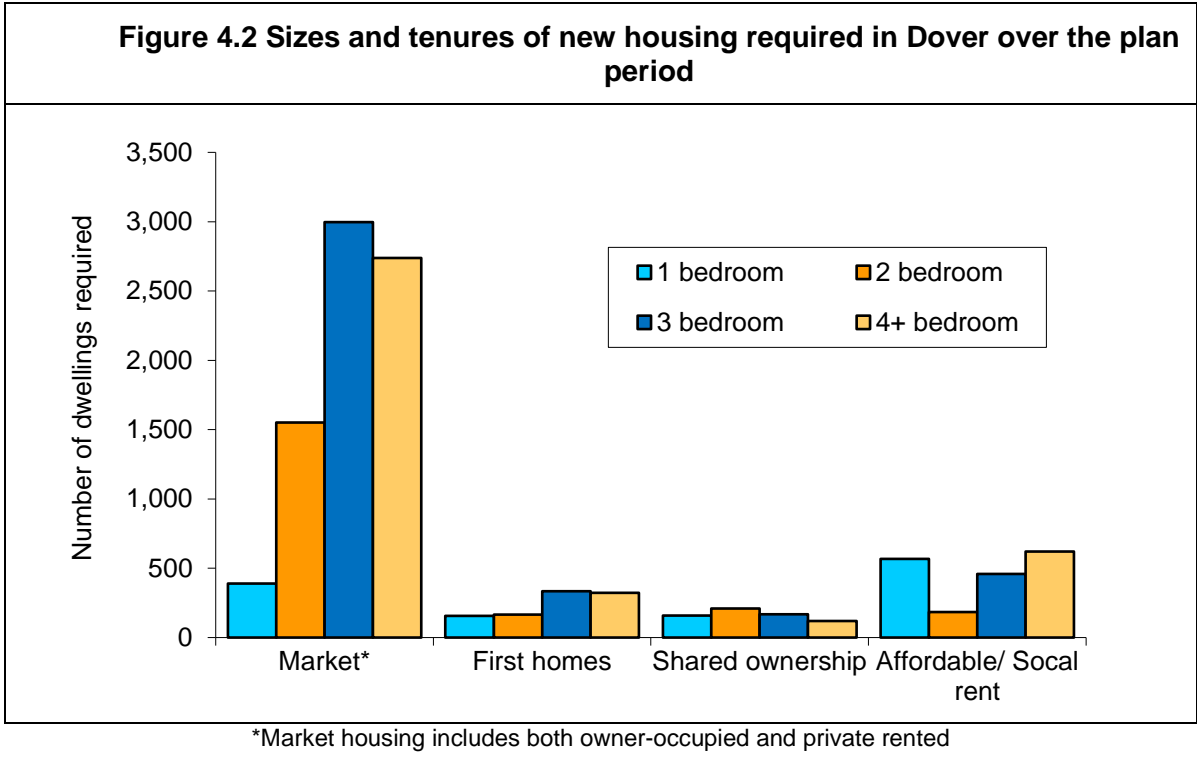
### **Policy implications**

- 4.17 The NPPF sets out a clear policy expectation that housing sites deliver a minimum of 10% affordable home ownership units, but this can include Shared Ownership homes and discounted market sales products as well as potentially First Homes. The Government's guidance on First Homes<sup>20</sup> indicates that *'a minimum of 25 per cent of all affordable housing units secured through developer contributions should be First Homes.'*
- 4.18 The guidance is clear that there will be an expectation for local authorities to also provide Affordable Rented/ Social Rented accommodation where this meets the identified needs. We have therefore provided a further distinction within the proposed housing mix to include the potential demand for First Homes. The overall requirement for 16.4% of housing to be Affordable Rented/ Social Rented and 14.7% affordable home ownership (of which 5.9% could be Shared Ownership<sup>21</sup> and 8.8% First Homes) reflects the mix of housing that would best address the needs of the local population. Within the affordable sector it is proposed that 52.9% of homes are Affordable Rented/ Social Rented, 18.9% shared ownership and 28.2% First Homes.
- 4.19 The tenure mix requirement does not take into account the funding that will be available to help provide subsidised housing, and it is acknowledged that current funding stream priorities mean that it will be easier to deliver intermediate housing rather than Affordable Rent/ Social Rent. It is important that these affordable home ownership products are priced at the relative level identified in chapter 2, varying the cost of these options slightly notably affects the number of households that would be able to afford them.
- 4.20 It is worth noting that a discount of 30% is sufficient to make First Homes a useful product to address a gap in the housing market, however a four bedroom home discounted by 30% would be priced at a higher level than the cap. It is therefore acknowledged that for four bedroom homes the cap will be the limiting factor in terms of how they are priced. The gap is around 40% lower than the cost of a typical new build four bedroom home in the district.
- 4.21 Figure 4.2 sets out the size and tenure requirement for the 11,140 dwellings (557 per annum) required over the period between 2020 and 2040. The profile set out is a guide to the overall mix of accommodation required in the District although it is acknowledged that the Council may wish to divert away from this profile in particular instances.

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<sup>20</sup> <https://www.gov.uk/guidance/first-homes> (Paragraph: 012 Reference ID: 70-012-202105240)

<sup>21</sup> Shared Ownership refers to the version with a 30% equity share as this has been evidenced to cost less than market entry housing in the part 1 update report.







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