Strategic Housing Market Assessment Addendum

1. This note serves as an addendum to the Strategic Housing Market Assessment (SHMA) to inform and support planning for the Mayoral housing target of 55,800 homes.
2. It first discusses how and why the SHMA methodology has been adapted to fit a 'fixed' target and then provides the bedroom size and tenure breakdown for the new target.
3. The SHMA provides evidence on housing need in London. It forms part of the evidence base of the 2026 London Plan. It contains contextual information on demographics, housing supply and market conditions, and an analysis of housing requirement in the plan period broken down by bedroom size and tenure.
4. The SHMA uses multiple methodologies to tackle this, including the Demographic Projection Based Method and having regard to the government's Standard Method. At the time of writing, the Standard Method and the SHMA headline scenario of the Demographic Projection Based Method yield a housing requirement of c85-89,000 homes per year. The Demographic Projection Based Method provides breakdowns of tenure and bedroom size need.
5. The SHMA is an unconstrained assessment of need – it looks at achieving a minimum acceptable level of housing standard to all Londoners at a maximum acceptable cost for households. However, the housing targets set in the London Plan have to respect other pieces of evidence, in particular the Strategic Housing Land Availability Assessment (SHLAA) and viability assessment. These moderate the headline need figure of the SHMA, and establish a housing target of 55,800 homes (as of June 2026).
6. For the London Plan, we require evidence on the bedroom size and tenure breakdown of this new target. In a scenario where 55,800 homes are built annually, a different mix of households form than in the headline SHMA scenario where 89,000 homes are assumed to be built annually. This means that the same breakdowns of bedroom size and need are not applicable.
7. Therefore, we developed a modified SHMA methodology that answers the question: "given an annual number of new homes, what tenure and size mix best meets the needs of Londoners?"
8. In the SHMA Demographic Projection Based Method, the final housing requirement figure is determined by a handful of factors:
   a) The demographic scenario chosen
   b) The household formation rates (i.e. for a given growth in a subset of the population, how many new households form)
   c) The backlog
   d) The empty homes rate
9. Factors a, c and d above are fixed across scenarios. The household formation rates can be adjusted by a factor x (allowing more or fewer households to form than the historic baseline) such that the overall number of homes required matches a given number (in this case 55,800). Running the microsimulation,

affordability and size needs tests on the resulting modelled population will provide us with a breakdown of housing need by size and tenure in the same way it would in any other SHMA scenario.

10. Compared to the baseline SHMA methodology:
    a. We are no longer running an 'unconstrained' assessment of need
    b. We are still meeting 'backlog need' of people in TA and rough sleepers
    c. We are no longer aiming at eliminating all 'concealed' households as we deliberately limit household formation to align with the target.
    d. We are still assigning each household a tenure they can afford (or that they say are happy to pay for).
    e. We are still assigning each household an adequately sized home based on the Housing Size Test in the SHMA
11. The numbers resulting from this methodology and new scenario are appended below:

SHMA headline scenario					
Tenure	**1 bed**	**2 bed**	**3+ bed**	**Total**	**%**
Low-cost rent	10,700	13,000	7,600	31,300	35%
Intermediate tenures	5,500	52,00	3,400	14,200	16%
Market rent & sale	33,100	11,000	- 300	43,800	49%
Total	49,300	29,200	10,700	89,300	
%	55%	33%	12%		

55.8k scenario					
Tenure	**1 bed**	**2 bed**	**3+ bed**	**Total**	**%**
Low-cost rent	7,482	10,023	6,338	23,843	43%
Intermediate	4,807	4,897	3,198	12,902	23%
Market rent & sale	24,007	4,346	- 9,298	19,055	34%
Total	36,295	19,266	238	55,800	
	65%	35%	0%		

Difference				
Tenure	**1 bed**	**2 bed**	**3+ bed**	**Total**
Low-cost rent	- 3,218	- 2,977	- 1,262	- 7,457
Intermediate tenures	- 694	- 303	- 202	- 1,299
Market rent & sale	- 9,093	- 6,654	- 8,998	- 24,745

Total	- 13,005	- 9,934	- 10,462	- 33,500	
%	10%	2%	-12%		

12. We can see that the biggest difference is in family-sized market housing, as this is the type of household that is least likely to form in scenarios with lower levels of building. The low-cost rented sector is the least affected because a large part of need in this sector is driven by the backlog.
13. While the 55.8k scenario does not allow for the redressing of household formation rates in full, it does support some improvement, with more households being able to form than under the static scenario (which best approximates the position under current trends).