Housing and neighbourhoods monitor 2011

Fragility and recovery

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This report explores the interaction between housing and neighbourhood trends across the UK throughout the economic downturn and the start of the recovery.

The recession has generated wide-ranging impacts on housing market performance and socio-economic conditions within neighbourhoods. This report looks at these pressures and how they manifest themselves from the national to the neighbourhood level, highlighting the fragile and uneven recovery from the recession. This has major implications for how national policies, such as fiscal incentives, result in very different effects locally, because of the institutional, economic and tenure structure of local housing markets.

The report examines:

- the market policy context of how each UK nation has dealt with the economic downturn and recovery process;
- trends within key housing and neighbourhood indicators in the four nations;
- changes in the interaction between housing and neighbourhoods circumstances;
- the policy challenges for housing markets and neighbourhoods in a devolved national context.

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Executive summary

The Housing and Neighbourhoods Monitor (HNM) was established in 2008, just as the depth and severity of the global financial crisis became fully apparent. The monitor seeks to make a unique contribution to understanding the interaction between housing and neighbourhood trends across the UK and within each of its four nations.

As in previous market recessions, the UK housing market has responded unevenly and inconsistently at local and regional level. Northern Ireland, for instance experienced the largest house price boom, followed by the deepest (and continuing) subsequent contraction. Somewhat surprisingly, given the last price cycle in the early 1990s, London and the South East appear to have been more resilient. However, when we drill down further there remains considerable intra-regional variation in market performance, affordability and housing construction.

The changing dynamics of housing market conditions across different parts of the UK are related to the wider socio-economic context of their local areas. The analysis of neighbourhood indicators is suggestive of the local consequences that play out when unemployment rises, economic activity is discouraged and long-term patterns of multiple deprivation become ingrained.

Housing and neighbourhood change: fragility and recovery

Housing and neighbourhood circumstances have shifted since the previous monitor reported conditions in 2009. While individual data sources vary, this report is primarily focused on the 2007 to 2010 period, capturing the start of the economic decline and beginning of the recovery.

The recession has generated a variety of long-term pressures on housing affordability within neighbourhoods. These pressures manifest themselves at a variety of scales, from the national down to the neighbourhood level. Housing affordability remains a problem despite decreasing house prices in certain neighbourhoods, a situation which may be exacerbated in the future due to the sharp decline in housing starts seen throughout many parts of the UK. Similarly coinciding with severe increases in unemployment rates throughout the UK, the recession has resulted in a sharp rise in repossessions and mortgage arrears. By combining the analysis of individual indicators, it is clear that certain dynamics of change across housing and socio-economic conditions have been shaping changes in different neighbourhoods across the UK.

Northern Ireland is the country that has suffered the worst impacts from the economic downturn and exhibits dramatic changes in its indicator values. This was clearly shown by the drastic drop in house prices and employment levels as well as rising unemployment and economic inactivity rates. In contrast, the trajectories of change in Scotland suggest that it had been more insulated from the shock of the downturn. Many neighbourhoods have benefited from the rippling effects of house price inflation and relatively high levels of social new build. Scotland's labour market conditions were also found to be less problematic (e.g. with the lowest level of economic inactivity rates and the high level of employment rates). The picture is less positive in Wales, with poor performance across most indicators, although the situation was not as severe as those found in Northern Ireland.

In England, neighbourhoods in London and the wider South East and, to a certain extent, the East Midlands have already shown signs of market recovery in terms of the picking up of house price levels and an increase in new build activities. The wider economies of these areas have also shown some positive

signs with an increase in new enterprise start-ups. However, such recovery needs to be viewed with caution as high enterprise starts-up are also associated with high failure rates and in some neighbourhoods there had been an increase in unemployment rates and economic inactivity rates. These more prosperous areas continue to perform better than the rest of the country against many of the housing and socio-economic indicators; they also continue to suffer from the problems of housing affordability.

The patterns of change varied between the urban areas outside London and the rural areas. House price increases, population and household increases and more favourable socio-economic conditions were found in rural England, particularly, in North Yorkshire and the Lakelands. Housing markets of the metropolitan areas in northern England have not been so badly affected by the downturn, which is in part due to the success of the brownfield housing development policy. There have not been major negative impacts on the labour market and economic growth dynamics in these areas, which is probably related to the fact that these economies tend to be public sector-oriented and the impact of the government expenditure cut has not yet been felt.

Fragility and recovery by neighbourhood types

Based on the HNM indicators, four composite indices were calculated for 13 neighbourhood types based on the 2001 Office for National Statistics (ONS) Area Classification, which groups local authorities based on similar characteristics, such as Centres with Industry and Prospering Small Towns.[1] These indices aim to cover different dimensions of housing and neighbourhood issues:

- Housing market index (HI-Mkt): including indicators on house price, house price change, affordability ratio, and market rent levels to measure the general level of pressure of the housing market.
- Housing supply index (HI-S): including indicators on household dwelling ratio, and private and social sector new builds to provide a measure of the level of housing supply.
- Socio-economic conditions (NI-SE): this index includes population change, deprivation level, economic inactivity rate, and unemployment rate as the core indicators.
- Economic growth dynamics (NI-EG): indicators included are new enterprise start-up rates and death rates, employment rates and education qualification levels.

The housing market and supply indices highlight the extensive variations in housing conditions across the UK. Housing markets across many different neighbourhoods have been stagnant since the economic downturn in 2007. Low levels of housing pressure are common for Centres with Industry and Manufacturing Towns while housing market pressures seem to continue in the lower-price areas of Regional Centres and Coastal and Countryside, as well as in the prospering Small Towns and Southern England.

In terms of housing supply, areas around London have suffered from a significant reduction in new build activities. However, the weak performance in other areas in the UK makes the recent improving situation in London neighbourhoods look relatively superior and significantly improves their rankings in the housing supply index.

The composite indices also highlight the extensive variations between local areas in the socio-economic conditions of neighbourhoods and their economic growth potential. Again, Southern England, and wealthy new and small towns, saw generally positive conditions for both measures in contrast to Centres with Industry, Industrial Hinterlands and Regional Centres, which suffered from poor socio-economic conditions and low levels of economic growth activities.

Typologies of housing and neighbourhood interaction demonstrate a range of spatial issues throughout the UK. Inner London suffered from the paradoxical situation of having very high demand housing market conditions as well as negative socio-economic conditions. The Home Counties and Southern England also had pressurised housing markets but not as negative neighbourhood

socio-economic conditions as in inner London. The key challenges facing outer London were largely related to housing pressure, although the level of pressure was not as high as that of inner London or the Home Counties and Southern England because there are high levels of new build activity in outer London.

In contrast to London, the industrial northern areas had more sluggish housing markets and suffered from poor socio-economic conditions. Regional Centres housing markets benefited from the government's brownfield regeneration redevelopment policies yet socio-economic conditions and economic growth activities remained poor. Significant variation was seen within manufacturing, growing and prospering townships while Coastal and Countryside and Northern Ireland Countryside had stable levels of housing market pressures and low levels of deprivation but suffered from sluggish economic growth activities.

Housing and neighbourhood circumstances have shifted since the previous monitor reported conditions in 2009. The recession has significantly affected housing supply as private and social house building decreased, resulting in a decrease in relative ranking for both prosperous areas such as Southern England and more industrial areas. Areas such as those in and around London as well as the Northern Ireland Countryside improved their relative housing supply ranking, due to supply levels in these locations being extremely low prior to the economic downturn.

Socio-economic conditions and economic growth dynamics indices also saw a significant shift between the 2009 monitor and this report. Neighbourhoods in London and the prosperous areas tend to suffer a greater relative decline in socio-economic conditions, economic growth activities. On the other hand, the more industrialised and peripheral areas have improved their relative positions. This to a certain extent leads to a convergence between the more prosperous and buoyant Southern England and the more industrial and sluggish north.

This paradox of closing the gaps between the relative positions of the better off and the more industrial areas is anticipated to be short lived, as it simply reflects the process of market collapse and market recovery in London and the South East. This in part is the result of the delay of government expenditure cuts on the lagging northern regions. With the government's major public expenditure cuts introduced in 2011 and 2012, it is anticipated that neighbourhoods outside London and the South East will soon be significantly affected. This phenomenon very much mirrors the situation observed in the early 1990s recession where the socio-economic gaps of the north–south divide narrowed. In the last recession, the recovery follows a restoration of the spatial disparities with quicker and stronger recovery in London and southern England (Mansley and Rhodes, 1992).

Policy challenges

The housing system and our neighbourhoods are at the centre of current interrelated challenges confronting British society. The first challenge is supporting the housing market and thereby allowing it to support the fragile and uneven recovery. Second, housing investment and neighbourhood services and programmes are particularly susceptible to the public expenditure cuts facing both capital spending and local authorities in 2011–12 and set to intensify in the medium term. Third, and at the same time, government in England is pursuing a cross-department 'localism' initiative and legislation, which will have profound implications for communities, local government and housing development. Linked to these challenges is the agenda promoted by the Joseph Rowntree Foundation (JRF) Housing Market Taskforce: to reduce housing market volatility and protect the vulnerable in the housing market in order to reduce future volatility.

A feature of contemporary British society is the evolutionary progress of devolved government and institutions and this is key to understanding the divergent institutional responses to these challenges, filtered by different local market contexts and path dependencies across the constituent nations of the UK. Thus, we find, for example, a highly volatile housing market in Northern Ireland coping with the economic and social consequences of 40% plus reductions in house prices since the local market peak. In Scotland, a variety of policy innovations aimed at securing more affordable housing in Scotland are being introduced,

within a much-reduced public budget envelope. In England, debate is around just how housing planning will function strategically in a context of localism ending regional planning, supporting local residents to influence new development decisions and far-reaching reforms planned for brownfield development.

We are moving into a highly uncertain period combining significant policy change and fragmentation of policies across the UK alongside a fragile and unsteady economic background. The HNM suggests that different neighbourhood types interact with similarly unique housing market conditions, which implies considerable local and regional complexity when thinking about future policy challenges. One policy area is to promote new affordable housing by registered social landlords (RSLs) at 80% of market rents. In some places that will generate intermediate rented housing, but in areas of low private demand there will be little scope for such niche investment because the market rent and social rent are so similar. Also, the complex layered picture emerging from the monitor suggests that it will be harder to support wider neighbourhood change in a joined up and coherent fashion because of the way the localism agenda downgrades interventions from the centre and, arguably, is too willing to dismiss the scope and scale economy arguments in favour of local knows best. Rarely is either side of this artificially constructed dichotomy wholly right or wrong. Local innovation can and should work alongside higher-level and strategic planning and resourcing.

Conclusion

The HNM indicators suggest that recession does bring a degree of convergence between the regions, but that this is already diminishing as the south pulls away fastest as the economy recovers. Nonetheless, rapidly growing regions such as London and the South East can be strongly segmented with considerable social and housing problems found in the inner areas of the capital.

The indicators and neighbourhood typology suggest considerable variations in housing market performance, in unmet needs and in affordability. There are wider specific neighbourhood challenges, in particular, referring to the future of place-based approaches in the light of policy development by the coalition government, fiscal retrenchment and the uneven economic recovery:

- Current government thinking underestimates the potential for neighbourhood regeneration to facilitate growth.
- It also underplays the spatial and neighbourhood impacts of national policies to tackle major symptoms of disadvantage such as worklessness through the proposed universal credit i.e. there needs to be better systematic understanding of the role that neighbourhoods play in local labour markets.
- Downgrading the leadership role from the centre fits with the bottom-up localism imperative but risks losing the positive sum benefits of joining up economic, social and environmental interventions.
- The concerns about housing and planning reform relating to localism, the new home bonus, benefit reform and the planning system also have a neighbourhoods and regeneration dimension. How will the financial incentives be used? Will regional inequalities increase? Will deprived neighbourhoods be able to generate the required neighbourhood plans?

The HNM analysis across space and over time tells a lot about the context for future policy making and planning in all parts of the UK. More importantly, the government's commitment to housing delivery and the pro-growth agenda have led to further reforms of the planning system which has a presumption in favour of sustainable development. The indicators and the analysis presented in the HNM continues to serve as a vital policy instrument to ascertain the impact and effectiveness of local authorities to achieve sustainable forms of housing provision and neighbourhood regeneration across different parts of the UK.

1 Market and policy contexts

Introduction

The Joseph Rowntree Foundation Housing and Neighbourhoods Monitor (HNM) was established in 2008, just as the depth and severity of the global financial crisis became fully apparent. The UK has since moved through a lengthy economic recession followed by sluggish recovery, a process mirrored in the housing market. The UK and devolved governments have responded with policy interventions aimed at the housing sector and the socio-economic conditions found in residential neighbourhoods. In May 2010, the UK coalition government was formed. The new administration is prioritising a massive fiscal restructuring that will imply unprecedented spending cuts to, among others, local government, social security, housing and the voluntary sector. At the same time, the Department for Communities and Local Government (DCLG) is a key player, championing an agenda of localism which, if the current bill is enacted, will have profound consequences for housing and neighbourhoods.

The HNM harnesses key spatial statistics to provide a longitudinal and a cross-country overview of contemporary changes to the UK's housing and neighbourhoods. Rather than simply compiling the statistics, the HNM has the clear objective of connecting analysis with policy-making in relation to housing and neighbourhood issues. Housing has a complex and multifaceted relationship with the wider economy. Since the housing market is situated within a wider spatial context, the analysis examines both housing and neighbourhood outcomes for different area types. The housing and neighbourhood indicators are combined to show the relative performance of different areas and to identify the very different policy challenges faced by these areas.

Since 2008, the HNM team have produced and refined a methodology setting out the key housing and neighbourhood indicators used and our 13-fold neighbourhood typology that permits local spatial analysis throughout the UK. As well as a national report in 2009 (plus this final report which has a time series comparison) and separate national studies in 2010 for England, Scotland, Wales and Northern Ireland, the HNM runs an interactive website (www.hnm.org.uk), which allows users to readily analyse local processes and policy through interaction between maps and indicators. Our analysis suggests a sluggish and patchy recovery from recession and market downturn. This will remain fragile for some time to come.

Devolved housing and neighbourhood policies and data to track them are fundamental to the HNM and we analyse instances of both policy divergence and transfer in Chapter 4 of this report. Similarly, the Joseph Rowntree Foundation Housing Market Taskforce has highlighted the local and regional patterns of housing market performance in the wake of the credit crunch and, throughout the HNM programme, this has been a critical aspect of our examination of affordability, price and rent patterns, new build and neighbourhood dynamics.

Housing market and neighbourhood context

As in previous market recessions, the UK housing market has responded unevenly and inconsistently at local and regional level. Northern Ireland, for instance experienced the largest house price boom, followed by the deepest (and continuing) subsequent contraction. Somewhat surprisingly, given the last price cycle in the early 1990s, London and the South East appear to have been more resilient. However, when we drill

down further there remains considerable intra-regional variation in market performance, affordability and housing construction. At the same time, local market outcomes are clearly dominated by national, even global forces. The most important of these is currently tight lending and credit conditions which serve to negate any lessening of affordability pressures caused by lower prices. This has been most clearly manifested in higher deposit requirements and lower maximum loan to value ratios (and by increasing the cost and terms of credit to developing social landlords).

The changing dynamics of housing market conditions across different parts of the UK are related to the wider socio-economic context of their local areas. The analysis of neighbourhood indicators is suggestive of the local consequences that play out when unemployment rises, economic activity is discouraged, and long-term patterns of multiple deprivation become ingrained. Again, this report is premised on the basis that the spatial pattern of outcomes is in part shaped by local and regional factors but is also conditioned by broader recessionary trends that impinge, for instance, on patterns of new business start-ups and survival rates. Furthermore, this is prior to the spatial impacts of deep spending cuts budgeted for 2011–12 and thereafter by local government, public agencies and their partners.

Devolved responses

Part of the impetus for regional and country-level variation originates in independent action by the devolved governments (and the UK government on behalf of England). In Scotland in 2008–09, a series of housing market interventions were explicitly used to mitigate the housing construction downturn (e.g. accelerating public expenditure), which complemented the actions of the then UK government to limit repossessions and thus support the housing market. In Northern Ireland the initial impacts of the recession were lessened by the Assembly's support of construction and infrastructure projects. Scotland has also successfully used funding rules creatively to expand capital spending on council house building outside of the normal supported spending rules.[2] However, funding through the Barnett formula[3] ensures that each of the devolved administrations has had to cope with significant reductions in resources as a result of the Comprehensive Spending Review feeding into their allocations.

A distinctive feature of the post-devolution landscape is the differential powers existing in each of the devolved countries. Not only does Scotland, for instance, have stronger legislative functions than Wales, but Northern Ireland, for historical reasons, has a completely different set of arrangements. Moreover, these powers are not fixed but rather are fluid with processes of reform and change under way in different parts of the UK. This is relevant because, for instance, enhancing the tax-raising powers and other responsibilities enjoyed by the Scottish Government will affect housing and neighbourhoods. The current Scotland Bill is based on the 2009 Calman Commission (Commission on Scottish Devolution, 2009) and among its proposals is to devolve Stamp Duty. The current Scottish Government have already unveiled plans of how they would like to use such powers to stimulate the private rented sector (Scottish Government, 2011).

Fiscal austerity and localism

While it is true that a major ongoing constraint on housing markets originates in the tight mortgage credit conditions facing home buyers and social landlords, the key policy challenge is fiscal in nature. The UK government has implemented policies to bring the fiscal deficit under control over the life of the parliament. This context provides wide-ranging challenges to policy-making for local housing markets and neighbourhoods in the years to come, although it will not yet show up in our data. The cuts will reduce capital spending by government on housing and infrastructure. Public sector job losses will, at least in the short term, put downward pressure on spending and local government support of the voluntary sector will be sharply reduced. Towns and cities with large public sectors will be disproportionately affected,

also through reduced service provision. This risks impeding the fragile economic recovery and potentially exacerbating regional and local inequalities. Policy-making at the local housing market and neighbourhood level therefore faces considerable challenges.

At the same time, DCLG is moving forward with its Localism Bill. Although this applies initially to England it has much wider ramifications. On assumption of power the government tried to abolish the previous government's regional supply targets (temporarily suspended by order of court) and ended brownfield density targets, paving the way for its wider set of policies. Localism is about public sector reform, which is intended as decentralisation throughout government: cutting red tape, opening up government to scrutiny and diversifying the supply of public services. However, it is also about local agendas: empowering communities, increasing local control of local government finance and strengthening local accountability. In practical terms this will:

- Create rights so that local people can direct the level and nature of local development (the risk that this may curtail development will in theory be offset by giving councils financial rewards for awarding planning permission – the New Homes Bonus).
- Create space for local referenda on spending/tax decisions, including business rate discounts and retaining a proportion of the proceeds from the community infrastructure levy where it was raised.
- Provide councils with a general power of competence so as to encourage innovation and local decision-making.
- Introduce neighbourhood plans and a community right to purchase threatened local assets.

At this juncture it is unclear what the net effect of these changes will be, other than to unpick the policy assumptions of the recent past. What is certain, however, is that these are wide-ranging reforms with both predictable and unintended consequences for housing and neighbourhoods – presenting major challenges for policy-makers.

Report structure

The rest of the report is in three main chapters, plus a short conclusion. Chapter 2 is an analysis of key housing and neighbourhood indicators, grouped together to provide a narrative of changing fortunes set against the market and policy context just discussed. Chapter 3 explores different types of neighbourhoods through an examination of spatial variation to look at issues such as housing market pressure or weakness. There is also a more considered analysis of the different typologies of neighbourhoods in terms of their overall performance. Chapter 4 is a more detailed assessment of the policy challenges created by the present context for our housing and neighbourhoods, taking into account a range of factors such as divergent devolved responses and prospective future challenges.

2 Housing and neighbourhood change: fragility and recovery

This chapter summarises the different patterns of housing and neighbourhood change across the UK throughout the 2000s with adjusted data from officially published sources. More detailed analysis is presented in Appendix I and alongside the statistics, more detailed description of the data sources can be found on the Housing and Neighbourhoods Monitor (HNM) web page (www.hnm.org.uk).

The analysis of the housing and neighbourhood indicators of the HNM and their changes since the last UK-wide report two years ago have highlighted some very interesting patterns outlined below. While individual data sources vary, this report is primarily focused on the 2007 to 2010 period, capturing the start of the economic decline and beginning of the recovery.

The analysis focuses on some common issues across the four nations around housing affordability, housing supply, demographic change, socio-economic conditions and economic growth dynamics. The next step of exploring the patterns of interaction across different spatial typologies is presented in Chapter 3.

Affordability

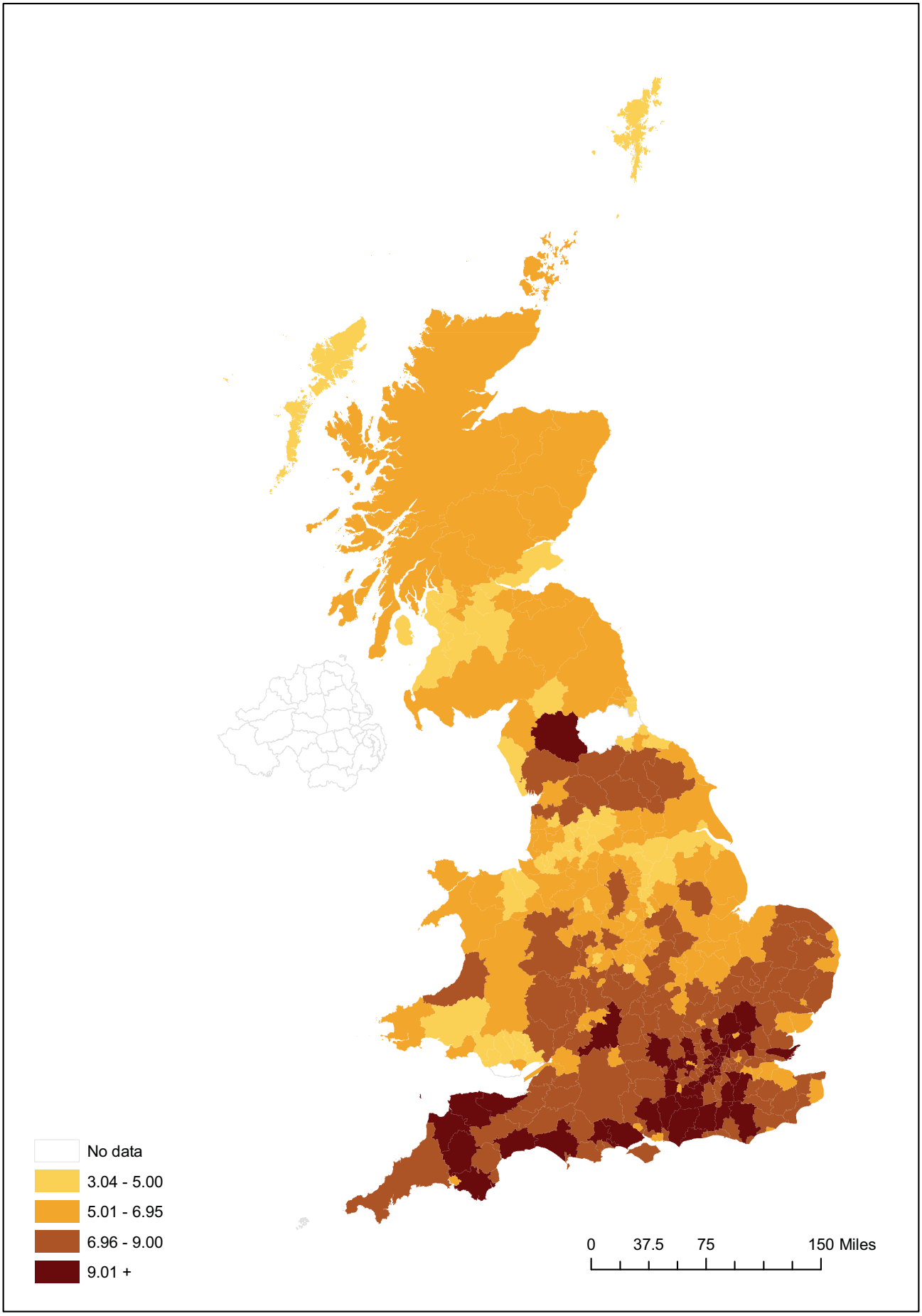
The performance of different housing markets varied significantly. Since the onset of the economic downturn, headline house prices in England and Wales have dropped by over 10%. However, it is most interesting to see the different trajectories of house price change in Scotland and Northern Ireland. While Northern Ireland saw major house price inflation before 2007, its house price level plummeted in one year by over 20%. Prices in Scotland decreased only slightly between 2007 and 2009 (–1.2%), in part reflecting the distance of the ripple effect of house price inflation from London to the north, but also the relatively lower house price inflation through the boom period experienced in Scotland as a whole (i.e. there were pockets of high price inflation).

Our own analysis of standardised house price allows more consistent comparisons across different areas. Average English neighbourhood standardised house prices decreased by 10.4% between 2007 and 2009. However, different neighbourhoods had very different patterns of change, with the greatest decrease found in a Birmingham neighbourhood (–40.3%) and the greatest increase in the London Borough of Camden (+81.4%).

Despite the overall drop of house price levels house prices remain high relative to incomes, resulting in continued housing affordability issues. In 2009, the ratio between prices to income for Great Britain was seven times in 2009, down from 7.7 in 2008 (Figure 1). Scotland is the only place that has experienced an increase in price to income ratio from 4.4 to 5.2. Acute affordability problems remain in southern England, North Yorkshire and the Lakelands.

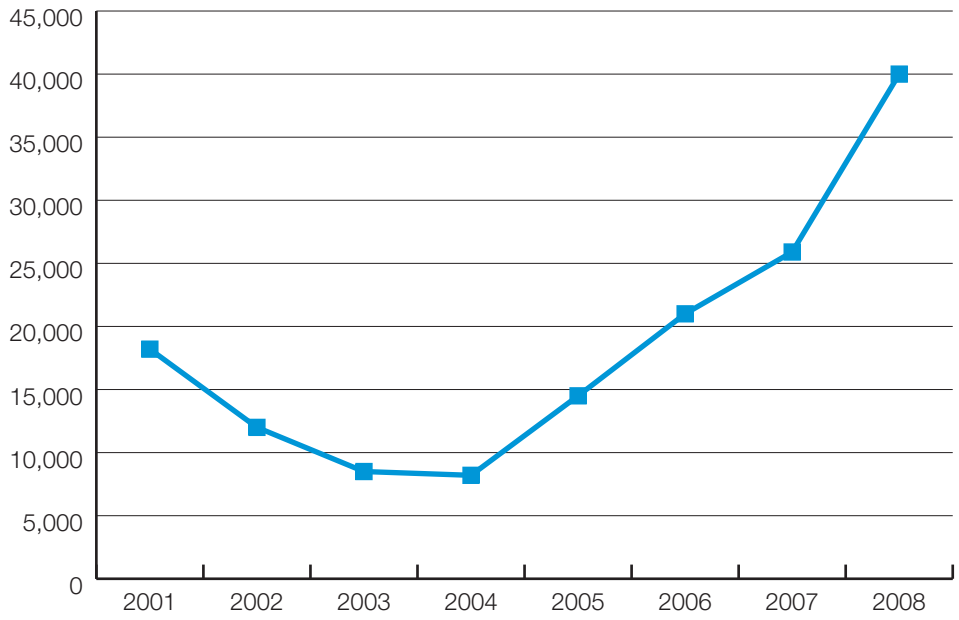
Since 2001 the number of repossessions dropped from 18,200 to 8,200 cases in 2004 across the UK. However, repossessions began increasing in 2005. From 2007 to 2008 repossessions increased substantively from 25,900 to 40,000 as the economic downturn set in (see Figure 2). Similarly, the pattern of mortgage arrears declined from its peak of 62,900 in 2001 to 40,900 in 2004. However, this number has increased since 2004, nearly doubling from 55,800 to 101,500 within a year between 2007 and 2008 (see Figure 3).

Figure 1: Housing affordability (house price to household income ratio), 2009



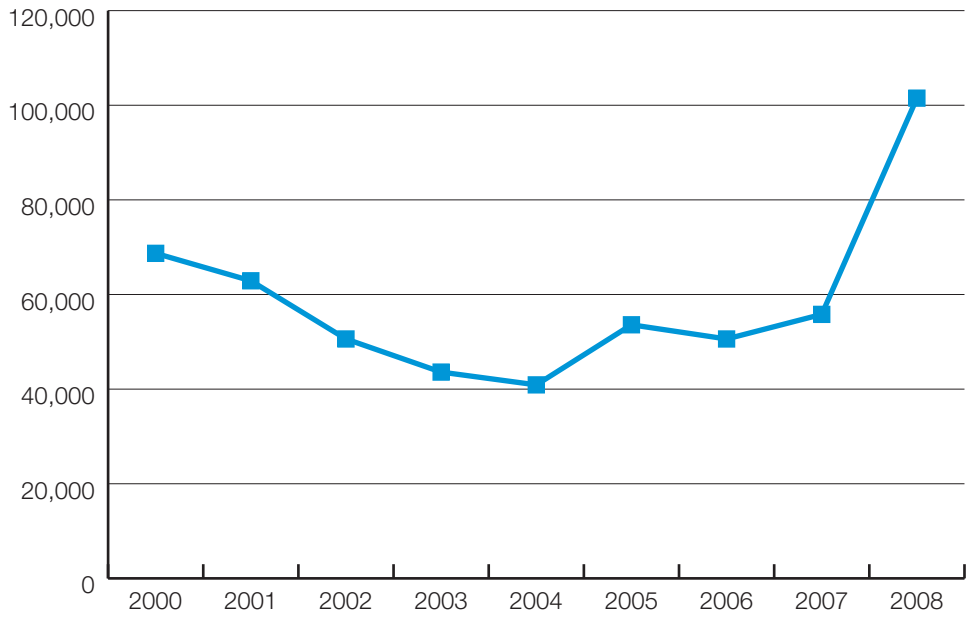
Source: House Price Data: CLG (2011), NIHE (2011a), Scottish Government (2011b), WAG (2011). Household Income Data: England and Wales: ONS (2011); Scotland: Scottish Neighbourhood Statistics (2011); Northern Ireland: Northern Ireland Neighbourhood Information Service (2011)

Figure 2: Repossessions, 2001–08



Source: CIH/BSA, 2009, p 159

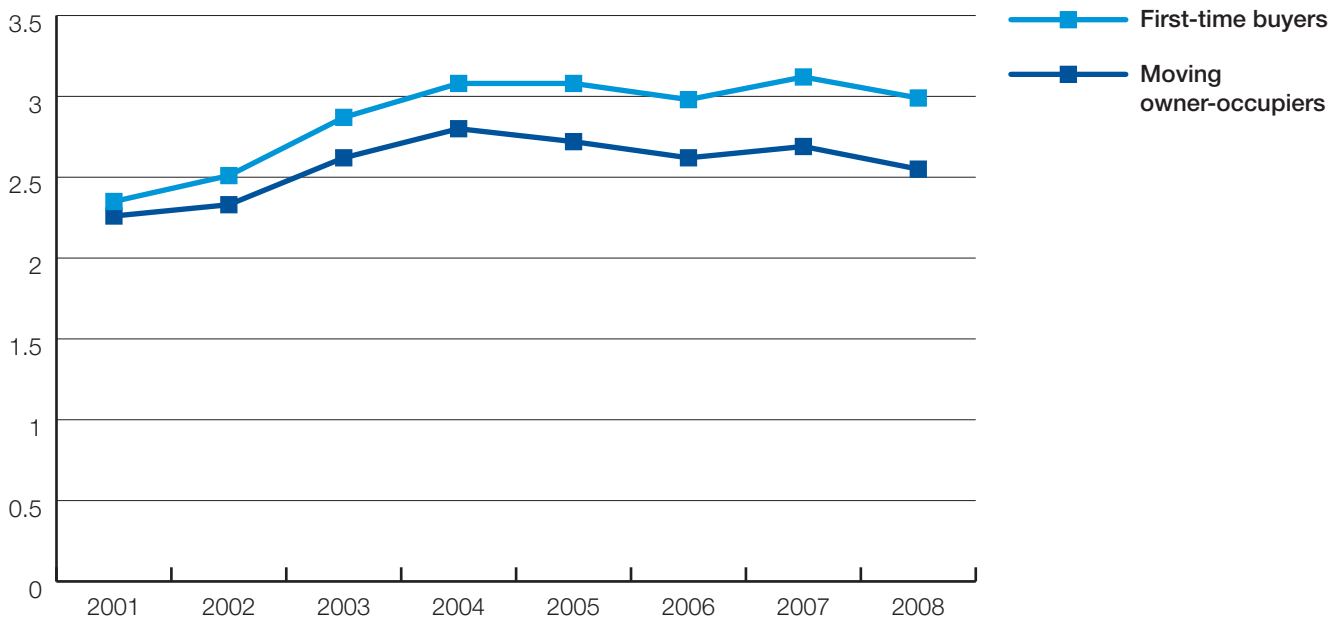
Figure 3: Six months and more in arrears, 2001–08



Source: CIH/BSA, 2009, p 159

Affordability can also be examined by comparing the proportion of mortgage advance with household income. The advance is the funds lent to people for their household mortgage by a lending institution. The average mortgage advance has always been more than twice the level of average household incomes between 2001 and 2008. Figure 4 illustrates that first-time buyers have to bear a higher mortgage advance compared with moving owner-occupiers in the UK and that the gap has widened since 2001. The year 2004 saw the ratio of advance to income exceed 3:1 for first-time buyers, a picture that continued in 2007. While the economic downturn saw a reduction in 2008 the ratio remains high when compared with historical patterns, suggesting major housing affordability problems persist.

Figure 4: Average mortgage advance compared with average household income, 2001–08



Source: CIH/BSA, 2009, pp 148-9

It is important to note that the average mortgage advance as a proportion of overall dwelling prices have been relatively stable and hovered around 60–65% for moving owner-occupiers between 2001 and 2008. The advance level for first-time buyers by contrast has fluctuated from 78.8% in 2001, to a high of 81.9% in 2007 followed by a downward trend prompted by the recession to 76.1% in 2008. The advance of moving owner-occupiers reduced from 63.9% in 2001 to 59.9% in 2008.

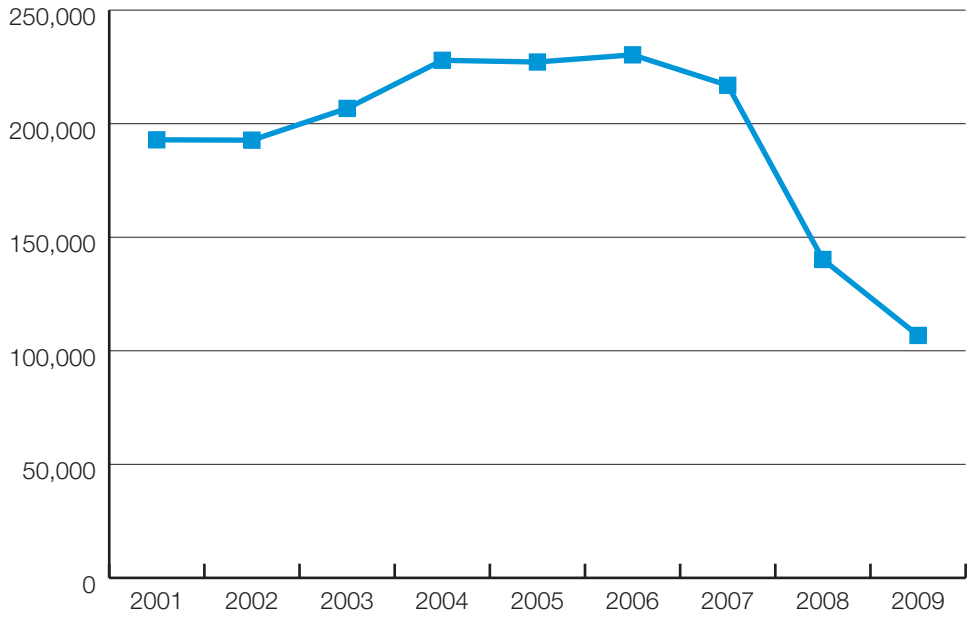
Housing supply

During the economic downturn, the number of new housing starts in the UK reduced by 50.8% between 2007 and 2009 (see Figure 5). England recorded a fall of 53%, while Wales had a drop of 54% and Northern Ireland 42.4%. Scotland, however, had the lowest level of reduction at 40%.

The impact of the recent economic downturn is also evident in the decrease in private sector housing completions (see Figure 6). Between 2007 and 2009, private sector housing completions decreased significantly to 92,530 units in England (–39.2%), 5,450 in Wales (–40.1%), 11,450 in Scotland (–47.1%) and 8,090 in Northern Ireland (–36.1%). More importantly, there were hardly any private sector house building activities in 2009/10. The average UK local authority saw 200 new builds, with higher averages seen in Scotland (over 400 units). Northern Ireland and Wales both had an average of 200, while housing starts in England were at 173 which was below the UK average.

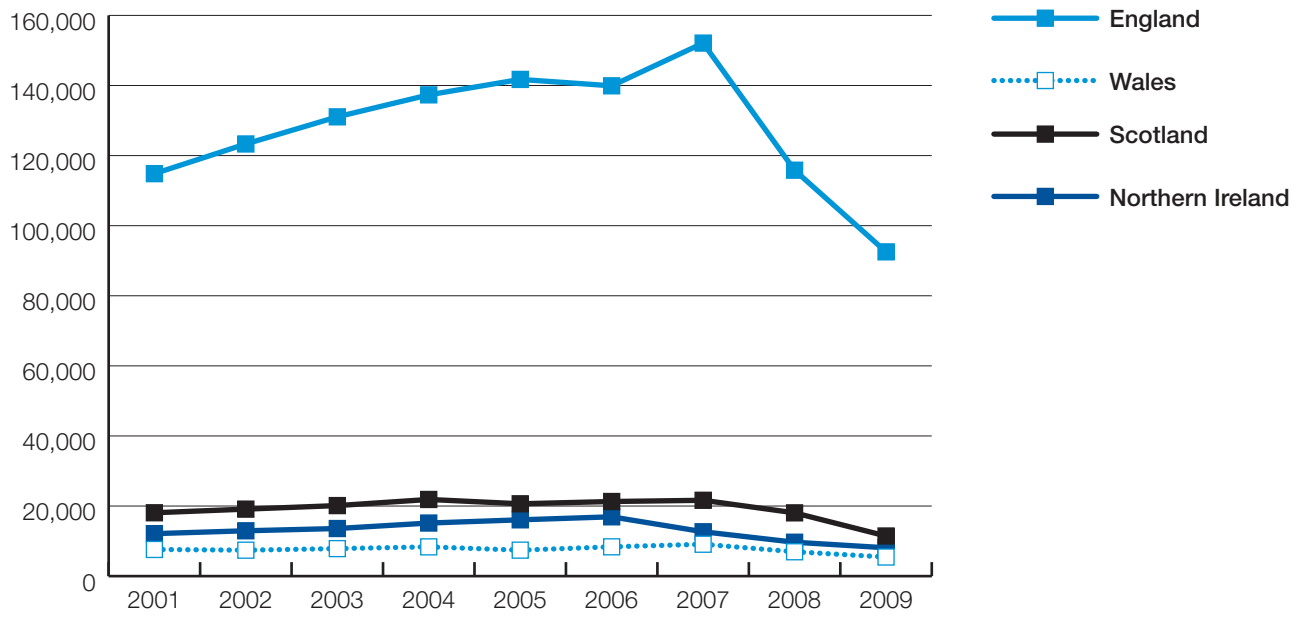
Turning to social housing supply, most social sector completions were concentrated in Scotland, the outer boroughs of London and a few authorities in the east and south west of England. No new social sector housing was built in 106 English local authorities in 2009/10 (the English local authority average was 50 units), while Scotland had the highest average social new builds by local authority (at 180) compared with the UK average of 58. Northern Ireland (33) and Wales (23) had below UK average levels of new social sector housing being built. Glasgow built 1,575 new social sector homes in 2009/10, over three times higher than the highest local authority in England (480 in Peterborough).

Figure 5: Total UK housing starts, 2001–09



Source: CIH/BSA, 2010 (Table 19k)

Figure 6: Private sector housing completions, 2001–09



Source: CIH/BSA, 2010 (Tables 19b, d, f and j)

However, there has been an increase in new social housing starts between 2007/08 and 2009/10, which is most likely due to the £400m Local Authority New Build Initiative that saw more than 2,000 homes started in 2009/10 for social rent purposes. In England there was a 48% increase in social sector housing starts, in Wales 12% and Scotland 1%. In Northern Ireland, the picture of new social housing starts has been highly variable but with an overall increase of 39% between 2007/08 and 2009/10. However, in view of the current government imperative on reducing public spending, this activity level in the social housing sector throughout the UK may be under threat.

The ratio of households to dwellings is an important indicator in the long-run models of housing supply and affordability. In 2009 the UK average of 0.98 suggests that there is a generally tight balance of housing. England (0.98) and Wales (0.98) are generally experiencing higher levels of housing demand

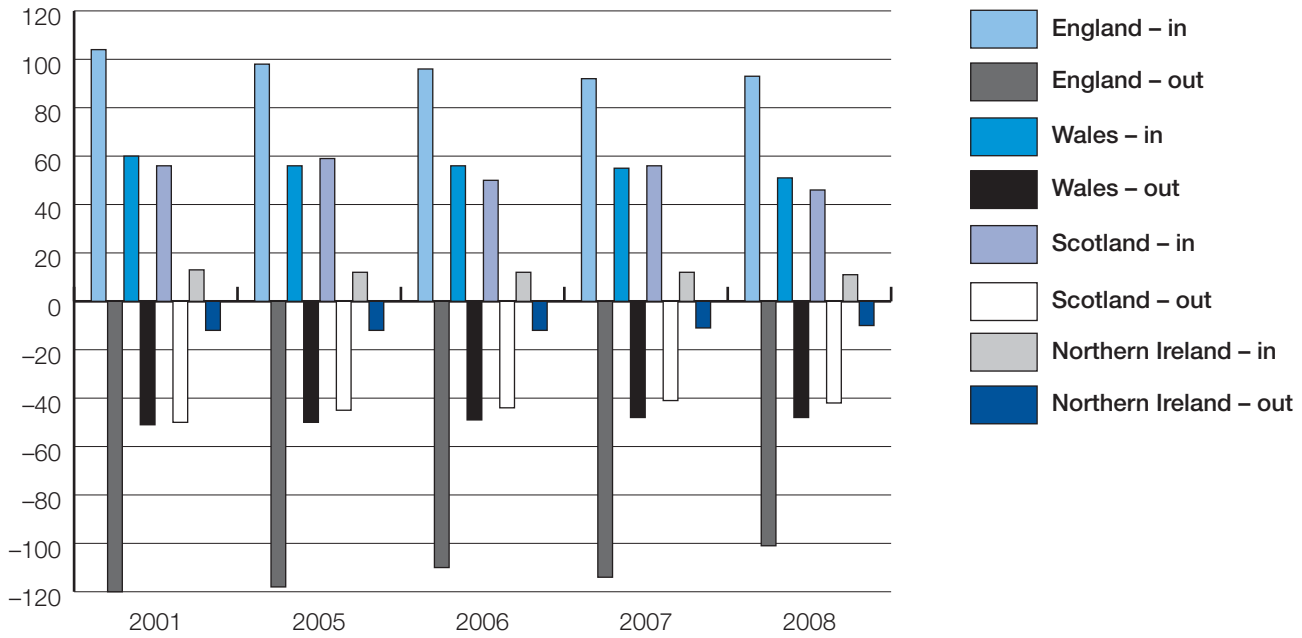
than Scotland (0.94) and Northern Ireland (0.94). The spatial pattern suggests that the main outer urban commuting belts are experiencing the most pressure while the more rural coastal areas of the UK may have an oversupply of housing. The areas with the highest levels of pressure are in London where the boroughs of Camden (1.15) and Westminster (1.13) have the highest ratios.

Demographic change

Housing supply will be further pressurised in the UK when taking into account the potential demand from projected household growth between 2008 and 2033, with average local authority household growth of 24.6%. The highest growth is being projected for England (26.6%), particularly in the East Anglia local authorities such as Colchester (50%), Suffolk Coastal (46.3%) and Ipswich (45.4%). Wales has the lowest projected growth (10.5%) in the UK, but contains wide variations from 41.6% growth in Cardiff to a 1.6% decline in Torfaen. Scotland's growth (18.6%) is more evenly spread across different local authorities. Most areas in Northern Ireland (average 18.7%) are projected to see double-digit growth between 2006 and 2023.

Between 1981 and 2008, the UK population grew by 8.9% from 56.4 million to 61.4 million. Northern Ireland has experienced stronger than average UK growth in this period (14%), while England is closer to the average (9.1%), and Wales's population has increased at a slower pace (5.9%). Scotland gradually lost population between 1981 and 2001, with the total falling from 5.18 to 5.06 million; however, this trend has reversed and risen to 5.17 million in 2008. Looking at each nation individually, migration accounted for approximately one third of population growth in Northern Ireland, 43% of total population growth in England, and almost all of the population growth in Wales and Scotland in 2008. England has been the predominant country of choice for international migrants, offsetting its population losses caused by people moving to other parts of the UK. This trend continued in 2008 despite the economic downturn, albeit with a significant decrease (74,000 fewer migrants) compared with 2007. Wales (3,000) and Scotland (4,000) saw an overall net increase in the number of migrants from other parts of the UK in 2008 (see Figure 7).

Figure 7: Migration between UK countries, 2001–08



Source: Regional Trends, 2010 (Table 10.6)

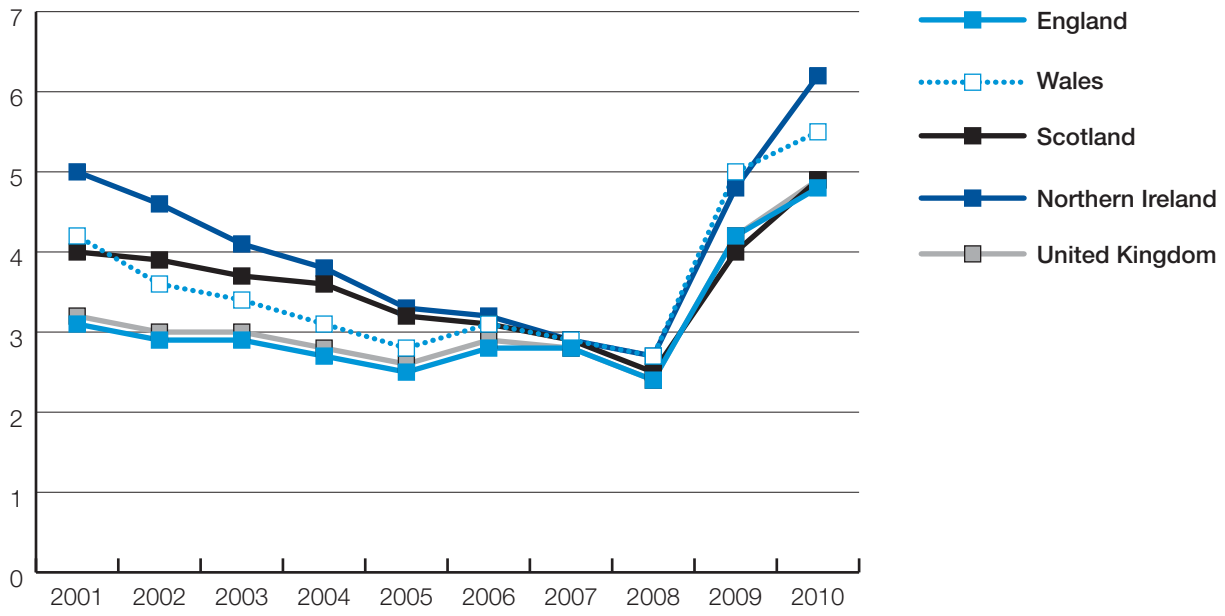
Socio-economic conditions

The Index of Multiple Deprivation[4] (IMD) is shown in Figure 8 (opposite) using the most current IMDs available at the time of publication, comprising England (2007), Scotland (2009), Wales (2008) and Northern Ireland (2010). Over 5 million (5,118,313) people were found living in the 10% most deprived areas in England, followed by Scotland (491,245), Wales (287,026), and Northern Ireland (152,600). The pattern closely mirrors the location of urban areas including inner London as well as around parts of Manchester and Liverpool, Tyne and Wear, the coastal area around Hartlepool, the Welsh Valleys, Belfast, Derry/Londonderry, Crossmaglen, Glenderg and Glasgow. Neighbourhoods in East England and South West England, as well as the most rural areas across the UK, are least affected by the problem of extreme deprivation as measured by the IMD.

While IMD scores cannot be directly compared across time, previous HNM analysis of the IMD for Scotland (2006), Wales (2005) and Northern Ireland (2005) highlights that there has been little change in spatial patterns of deprivation.

The economic downturn had resulted in increased unemployment rates across the UK (+2.3% point between 2008/09 and 2009/10), with the average rate reaching 4.9% in 2010. Similar to its trend of house price change, Northern Ireland experienced the sharpest fall in the unemployment rate before the recession, followed by a major rise in 2008 to 6.2% in 2010 (+4% point) (see Figure 9). Unemployment levels above the UK average (3.7%) in 2009/10 were in coastal areas, inner city areas, the Welsh Valleys, the central belt of Scotland and large parts of Northern Ireland.

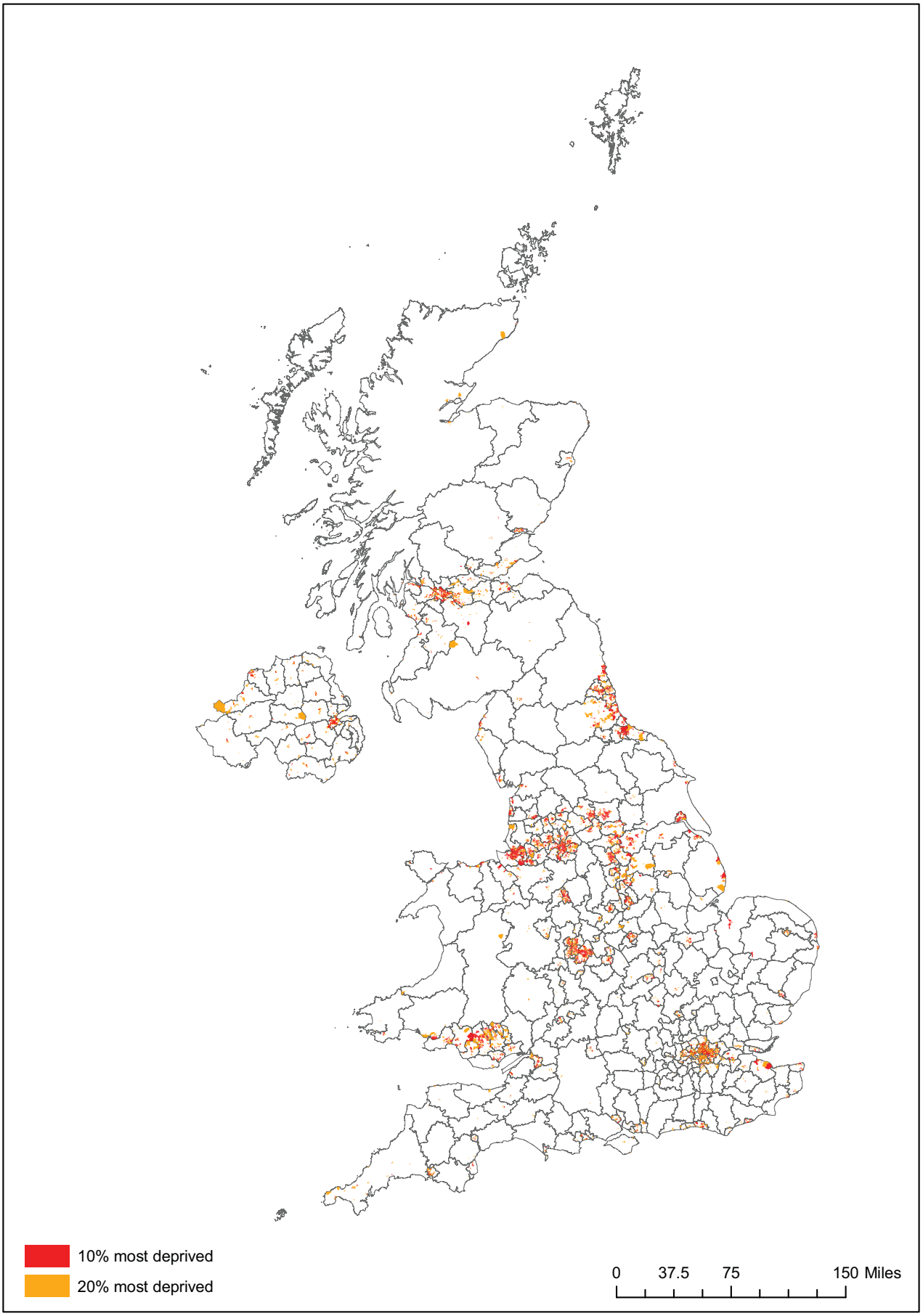
Figure 9: Unemployment rate, 2001–10



Source: NOMIS (2011)

Economic inactivity rates varied widely across UK local authorities in 2009/10, from 10.8% in Ryedale to over 37.9% in Omagh. Scottish local authorities had the lowest average level of inactivity (21.6%), but the highest (28.9%) was found in Northern Ireland – a similar pattern to their respective recent housing market performance. The highest inactivity rates tended to be found in inner London and major urban areas in the northern regions. There was an overall increase in economic inactivity rates throughout the UK between 2007/08 and 2009/10, with the greatest increases in urban centres outside Greater London and in Northern Ireland.

Figure 8: 10% and 20% most deprived neighbourhoods



Source: England: ONS (2011); Wales: WAG (2011); Scotland: Scottish Neighbourhood Statistics (2011); Northern Ireland: Northern Ireland Neighbourhood Information Service (2011)

Economic growth dynamics

All four countries in the UK saw a decline in new enterprises between 2007 and 2008, with Northern Ireland seeing the sharpest decline, followed by Scotland, England and Wales. Most of Greater London, South East and the East Midlands saw a rise in new enterprises despite the overall UK decline. This mirrors the patterns of high levels of employment rate and the stronger housing market performance in these areas. Northern Ireland again performed worst in terms of small enterprise start-ups, as did Scotland.

It is interesting to note that the patterns of local authority enterprise deaths (per 1,000 employees) how that those areas with high business start-ups, particularly London and the South East, also have the highest level of business failures. This reflects the fragility of new businesses, particularly during a period of economic recovery. English local authorities had the highest rate of enterprise closures (7.6), closely followed by Wales (6.8), Northern Ireland (6.2) and Scotland (5.3).

There were significant variations in employment rates across the UK in 2009/10, with the highest level in Scotland and the lowest in Northern Ireland (see Figure 10, opposite). Northern Ireland saw its employment rate improve the most between 2004 and 2008, rising from 66.7% to 70.3%, but was hit the hardest by the economic downtown, dropping to 65.7% (–5% point) in 2009, which mirrors its performance in economic inactivity rates, unemployment levels and house price drops. England saw the smallest decrease (–3.9% point), followed by Wales (–4.7% point) and Scotland (–4.8% point) between 2007/08 and 2009/10.

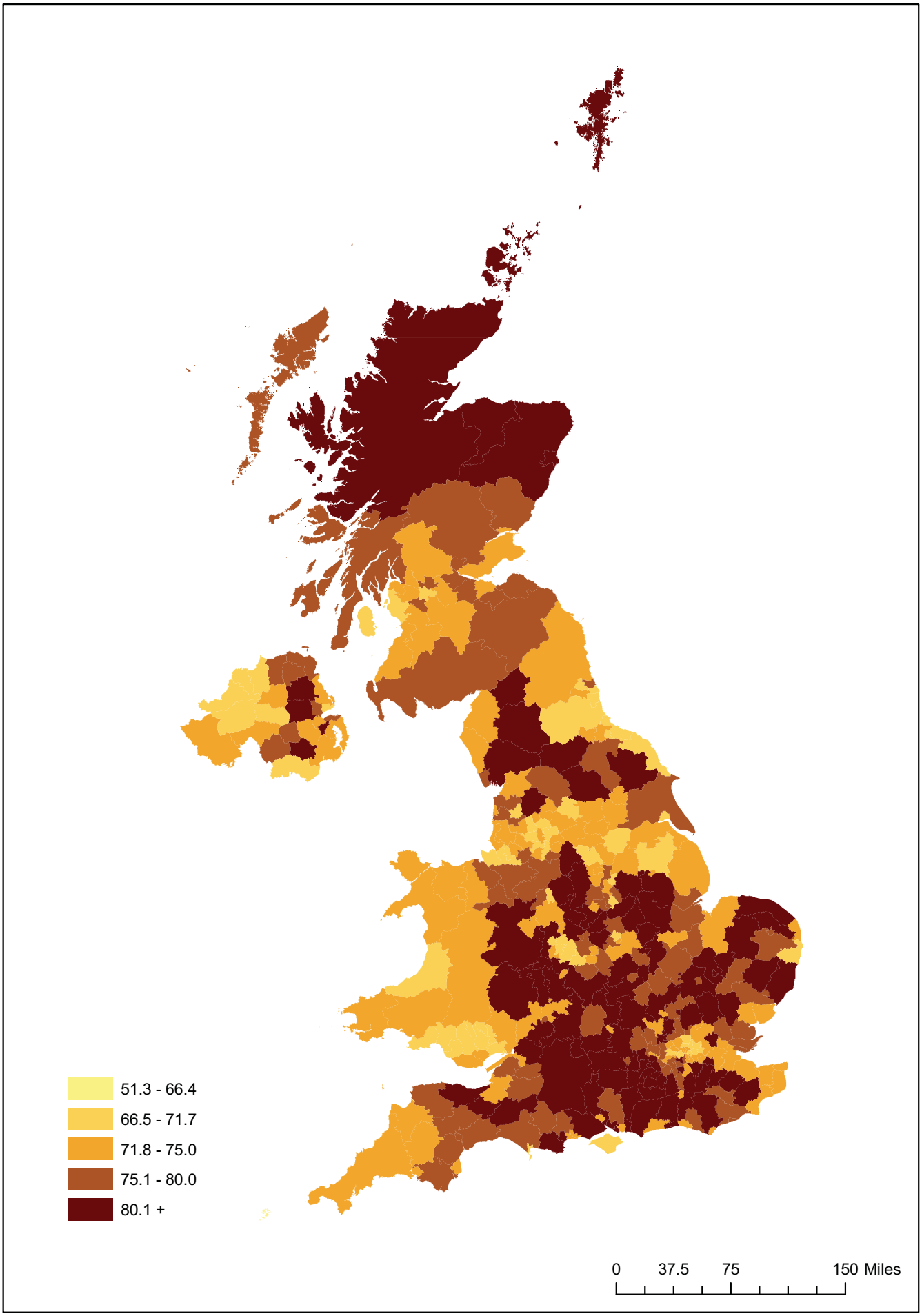
Education qualifications as well as the improvement patterns varied widely in England, the range of education achievement tends to be narrower in Wales and Northern Ireland. The average education qualification across the UK had improved by 10.1% point between 2006/07 and 2008/09. Attainment levels also improved in Wales (+3.0% point), Scotland (+2.1% point) and Northern Ireland (+5.5% point), but neighbourhoods in England (+12.6%) saw a mix of experiences, ranging from sharp rises to decreases in attainment levels.

Conclusion: broad patterns of interaction

The recession has generated wide-ranging impacts on housing market performance and socio-economic conditions within neighbourhoods. These pressures manifest themselves at a variety of scales from the national down to the neighbourhood level. Housing affordability remains a problem despite decreasing house prices in certain neighbourhoods, a situation which may be exacerbated in the future due to the sharp decline in housing starts seen throughout many parts of the UK. Similarly, and coinciding with severe increases in unemployment rates throughout the UK, the recession has resulted in a sharp rise in repossessions and mortgage arrears. By combining the analysis of individual indicators, it is clear that certain dynamics of change across housing and socio-economic conditions have been shaping changes in different neighbourhoods across the UK:

- In England, neighbourhoods in London and the wider South East and, to a certain extent, the East Midlands have already shown signs of market recovery in terms of the picking up of house price levels and an increase in new build activities. The wider economies of these areas have also shown some positive signs with an increase in new enterprise start-ups. However, such recovery needs to be viewed with caution as high enterprise starts-up are also associated with high failure rates and in some neighbourhoods there had been an increase in unemployment rates and economic inactivity rates. These more prosperous areas continue to perform better than the rest of the country against many of the housing and socio-economic indicators; they also continue to suffer from the problems of housing affordability.

Figure 10: Employment rate, 2009/10



Source: NOMIS (2011)

- The patterns of change varied between the urban areas outside London and the rural areas. House price increases, population and household increases and more favourable socio-economic conditions were found in rural England, particularly, in North Yorkshire and the Lakelands. Housing markets of the metropolitan areas in northern England have not been so badly affected by the downturn, which is in part due to the success of the brownfield housing development policy. There have not been major negative impacts on the labour market and economic growth dynamics in these areas, which is probably related to the fact that these economies tend to be public sector-oriented and the impact of the government expenditure cut has not yet been felt.

- Northern Ireland is the country that has suffered the worst impacts from the economic downturn and exhibits dramatic changes in its indicator values. This was clearly shown by the drastic drop in house prices, rent levels and employment levels as well as rising unemployment and economic inactivity rates. In contrast, the trajectories of change in Scotland suggest that it had been more insulated from the shock of the downturn. Many neighbourhoods have benefited from the rippling effects of house price inflation and relatively high levels of social new build. Scotland's labour market conditions were also found to be less problematic (e.g. with the lowest level of economic inactivity rates and the high level of employment rates). The picture is less positive in Wales, with poor performance across most indicators, although the situation was not as severe as those found in Northern Ireland.

These broad patterns of interaction between housing and socio-economic change will be investigated in more detail in the following chapters, focusing on the different trajectories of development and change across the UK at the neighbourhood level.

3 Fragility and recovery by neighbourhood types

The analysis of the Housing Neighbourhoods Monitor (HNM) indicators in Chapter 2 shows the latest patterns of housing and neighbourhood development and the different trajectories of recovery across the UK since our 2009 report. While the analysis in Chapter 2 shows some broad patterns of interaction between housing and the wider socio-economic conditions of the neighbourhood, this chapter further explores these interactive characteristics by focusing on the 13 Office for National Statistics (ONS) neighbourhood types. This approach helps to identify the interaction between the housing market and the wider spatial characteristics of the neighbourhood.

Neighbourhood types

Area classifications are useful to provide simple and robust contextual information on similarities and differences between areas and for monitoring policy performance. While there are different typologies available, the analysis here adopts the 2001 ONS Area Classification for local authority districts (see Figure 11). This 13-fold area classification provides a consistent basis by which to examine different types of area across the UK. While the use of local authority districts is not ideal, it overcomes the problem that many housing and neighbourhood indicators can only be collected at this level. The following explains the main characteristics of the 13-fold area classification.

(1) Thriving London Periphery

Local authorities located on the periphery of London, such as Kingston-upon-Thames and Bromley. The local authorities in this group are characterised by above national average levels of people who work in professional or managerial occupations; single person households (not a pensioner); people who are aged 25 to 44; people who travel to work using public transport; people with higher education qualifications; and above national average student populations.

(2) Regional Centres

This group consists of built-up areas throughout England and Wales and includes areas such as Leeds and Cardiff. Local authorities in this group have above average levels of single person households (not pensioners); flats; and above the national average of student populations.

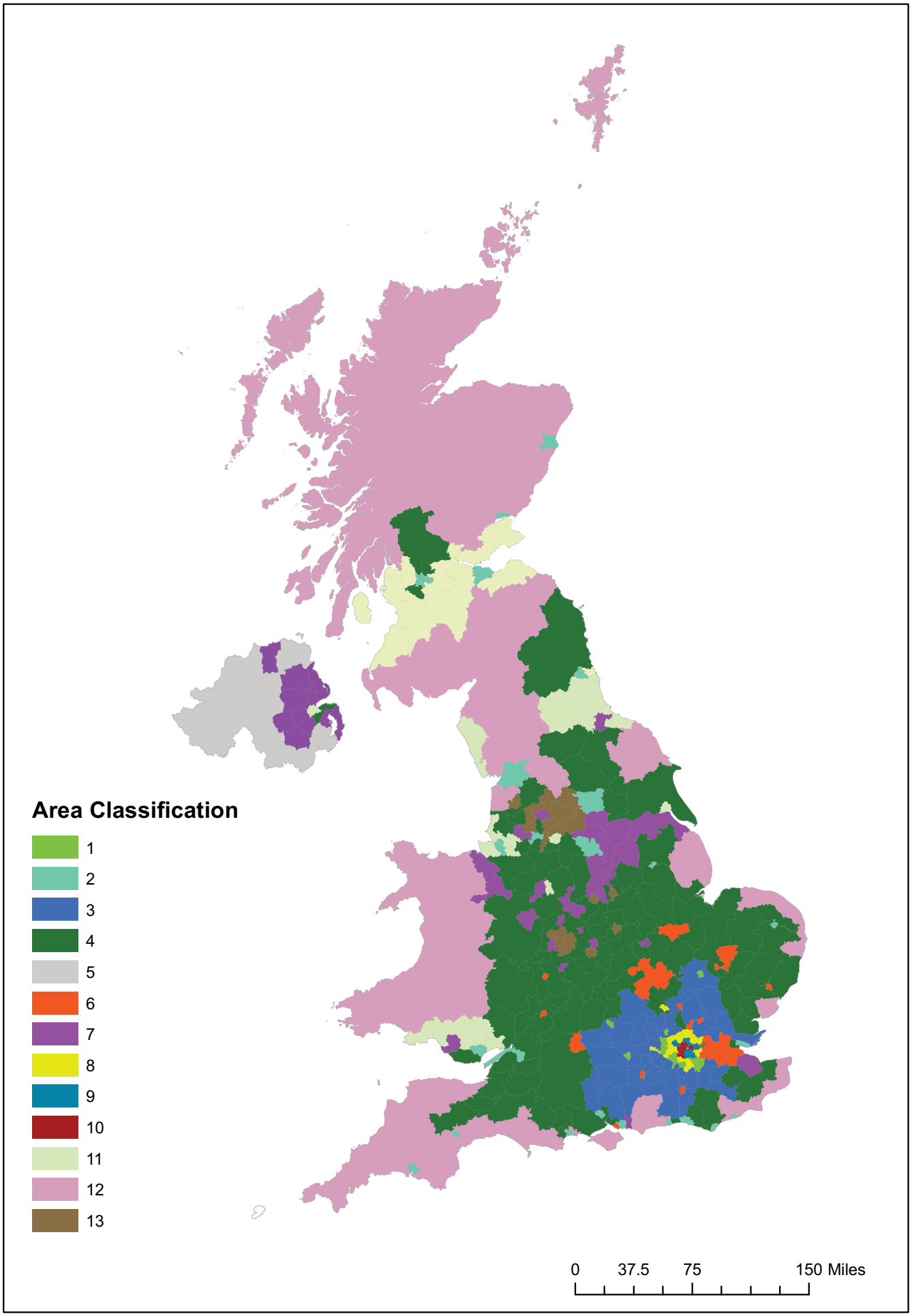
(3) Prospering Southern England

Members of this group are located in and around the Home Counties and include areas such as Epping Forest and South Oxfordshire. This group is characterised by local authorities with above national average levels of households with two or more cars and people who work in professional or managerial occupations.

(4) Prospering Small Towns

Members of this group are located throughout the UK but are typically concentrated in the middle of England and include areas such as Stafford and Harrogate. The group is characterised by local authorities

Figure 11: ONS area classifications by local authority districts, 2001



Source: ONS (2008)

with national average levels of single person pensioner households; people who work in the finance industry; and people with higher education qualifications.

(5) Northern Ireland Countryside

Members of this group are located in western Northern Ireland and include areas such as Omagh and Armagh. The local authorities in this group typically have above national average levels of people of working age suffering from limiting long-term illness; people who work in agriculture or fishing; long-term unemployment; and people who work in routine occupations.

(6) New and Growing Towns

This group is spread throughout southern England and includes places such as Milton Keynes and Stevenage. Local authorities in this group are characterised by national average levels of people who work in manufacturing, professional or managerial occupations; households with two or more cars; two person households with no dependent children; as well as above national average levels of public rented housing.

(7) Manufacturing Towns

This group is made up of local authorities that are concentrated in southern Yorkshire and eastern Northern Ireland as well as other more isolated locations. The group includes areas such as Ellesmere Port and Neston, Flintshire and Antrim. The group is characterised by local authorities with national average levels of people who work in the health or social work industry; people aged 45 to 64; two person households with no dependent children; and above national average levels of terraced housing.

(8) London Suburbs

The local authorities in this group are predominantly located in outer London and include Luton and Slough. The local authorities in this group typically have above national average levels of young dependent children (aged 0–4); people aged 25 to 44; flats; people who travel to work using public transport; minority ethnic populations; and above average levels of people born outside of the UK.

(9) London Cosmopolitan

The local authorities in this group are all located in inner London with the exception of Brent. This group is characterised by above national average levels of rented accommodation from the public and private sectors; young dependent children (aged 0–4); people aged 25 to 44; people with higher education qualifications; student populations; single person households with dependent children; people who are unemployed; single person households (not a pensioner); minority ethnic populations; people who travel to work using public transport; and people born outside of the UK.

(10) London Centre

Members of this group are all located in inner London and include areas such as Camden and Islington. The local authorities in this group have above national average levels of unemployment; student populations; people who work in professional or managerial occupations; rented accommodation from both the public and private sectors; minority ethnic populations; people who work in the finance industry; people with higher education qualifications; people aged 25 to 44; people who travel to work using public transport; single person households (not a pensioner); and people born outside the UK.

(11) Industrial Hinterlands

Members of this group cover the M8 corridor, north-east England, a belt through south Wales and Belfast. The local authorities in this group are characterised by national average levels of people aged 25 to 44 and 45 to 64 and above national average levels of people of working age suffering from limiting long-term illness.

(12) Coastal and Countryside

The local authorities in this group are located around the coast of Great Britain as well as in some inland areas. The group includes areas such as Blackpool, Powys and Perth and Kinross. The group is characterised by local authorities with above national average levels of people working in hotel and catering jobs; single person households (who are pensioners); people who work from home; and people who work in agriculture or fishing.

(13) Centres with Industry

The local authorities in this group tend to be located around major urban centres and include areas such as Bolton, Sandwell and Bradford. This group is characterised by above national average levels of terraced housing; properties without central heating; and minority ethnic populations.

Interaction of housing and neighbourhood conditions

Based on the HNM indicators examined in Chapter 2, two composite indices were calculated for the 13 neighbourhood types. These two indices aim to cover different dimensions of housing issues:

- Housing market index (HI-Mkt): including indicators on house price, house price change, affordability ratio and market rent levels to measure the general level of pressure of the housing market.
- Housing supply index (HI-S): including indicators on household dwelling ratio, and private and social sector new builds to provide a measure of the level of housing supply.

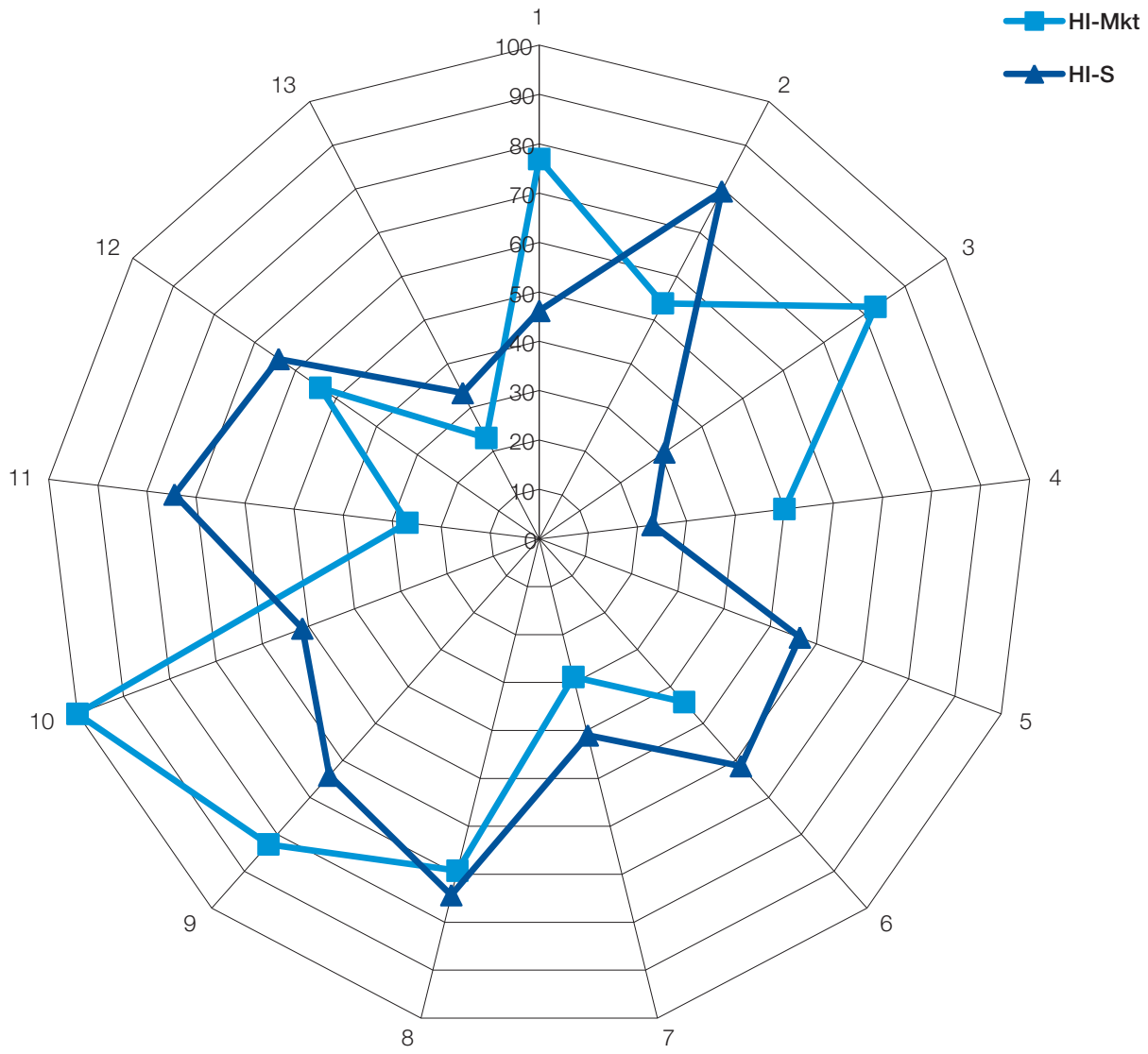
Each housing index is calculated by following a number of steps:

1. Calculate the indicator value for each of the 13 neighbourhood types through statistical aggregation procedures.
2. Rank the 13 neighbourhoods on each indicator used in the housing index.
3. Sum the ranks of the indicators to create a total index rank.
4. Calculate the maximum index rank: that is, the number of indicators in the index times the number of neighbourhoods e.g. HI-S has 3 indicators, so the potential maximum index rank is $3 \times 13 = 39$.
5. Express the total index rank into percentage: by dividing the total index rank in step (3) with the maximum index rank in step (4) and multiply by 100%.

Plotting the value of the two housing indices for each neighbourhood type on a diagram allows contrasts and comparisons of the nature and scale of housing problems faced by different neighbourhoods. Figure 12 provides a useful overview of the trajectories of housing development in these neighbourhoods around 2009 and 2010.

For instance, the two indices are clustering together for Coastal and Countryside (group 12) around 55–65%, which suggests that this neighbourhood type has moderate housing market pressure and has a relatively good housing supply. On the other hand, the two indices are clustered around 60–80% for London suburbs (group 8), suggesting a higher level of housing supply but also a high level of housing market pressure. Areas of low housing supply (around 30%) but high housing market pressure (around 80%) are found in Prospering Southern England (group 3) and London Centre (group 10) where housing supply is hovering around 50% but housing market pressure is around 100%. Inversely, Industrial Hinterlands (group 11) has high housing supply levels (around 75%) but low levels of housing market pressure (around 30%). A similar, albeit not as extreme, pattern is seen for Regional Centres (group 2) where housing supply is around 80% and housing market pressures around 55%.

Figure 12: Housing market and housing supply indices



1 Thriving London Periphery
2 Regional Centres
3 Prospering Southern England
4 Prospering Smaller Towns
5 Northern Ireland Countryside
6 New and Growing Towns
7 Manufacturing Towns
8 London Suburbs
9 London Cosmopolitan
10 London Centre
11 Industrial Hinterlands
12 Coastal and Countryside
13 Centres with Industry

HI-Mkt: Housing Market Index (high = pressurised market)

HI-S: Housing Supply Index (high = high housing supply)

Note: Missing data for Northern Ireland Countryside
Source: See Appendix II

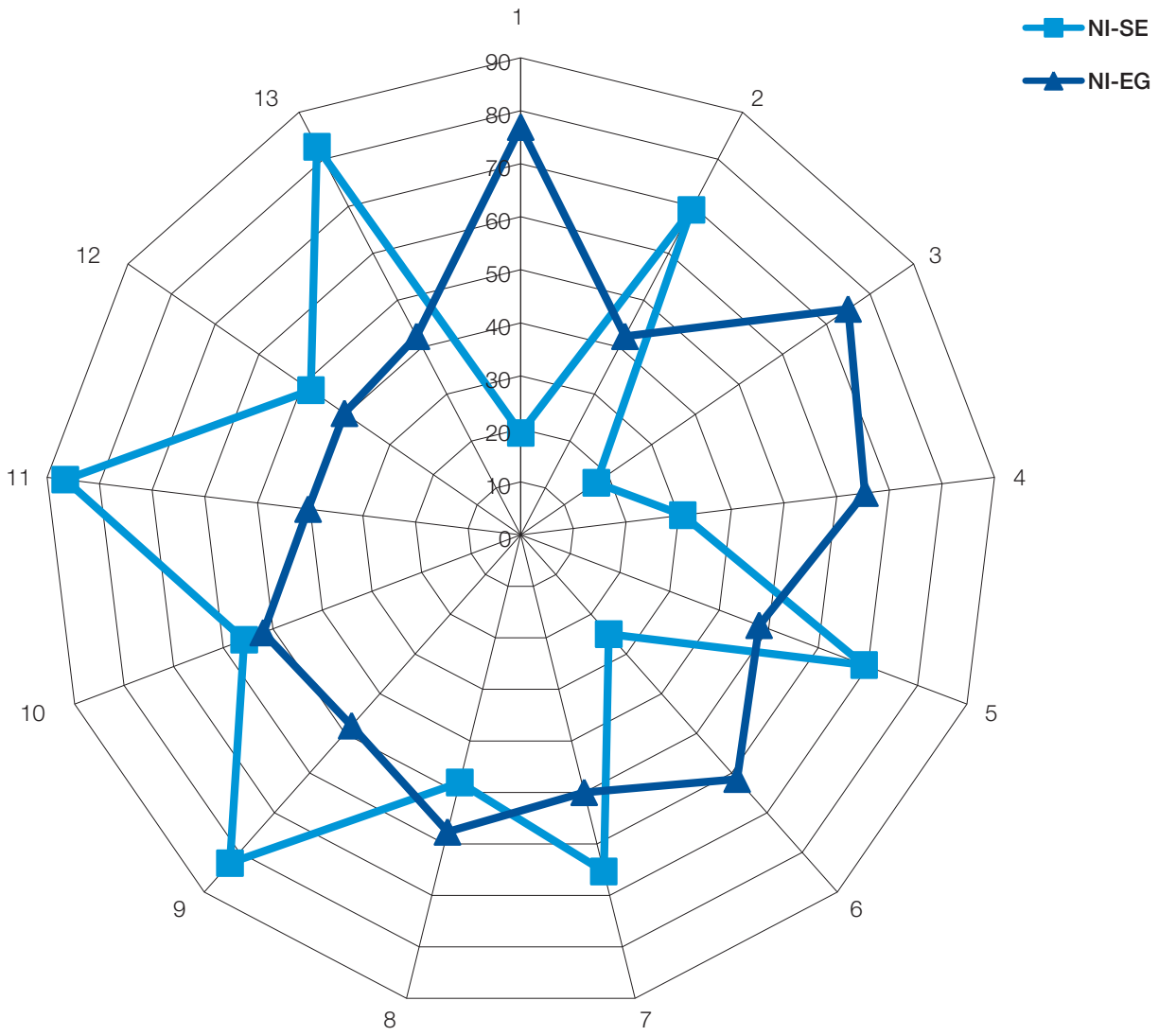
Likewise, two composite indices were also created using the methods described above to measure the socio-economic conditions. They aim to measure two broad neighbourhood conditions:

- Socio-economic conditions (NI-SE): this index includes population change, deprivation level, economic inactivity rate and unemployment rate as the core indicators; and
- Economic growth dynamics (NI-EG): indicators included are new enterprise start-up rates and death rates, employment rates and education qualification levels.

Figure 13 shows the patterns of socio-economic conditions and economic growth dynamics of the 13 neighbourhood types with the most recent data (around 2009/10 time). Again, by plotting the two indices together, it is apparent that both the socio-economic and the economic growth indices for Coastal and Countryside (group 12) meet near 45%, which means that this neighbourhood group has relatively favourable socio-economic conditions (as a low value for this index means positive socio-economic conditions), but with a relatively low level of economic growth activities.

By taking all 4 indices together, we can triangulate the patterns of both housing and neighbourhood issues for each of the 13 neighbourhood groups. From the analysis, there are certain trajectories of housing and neighbourhood conditions that are found common across different neighbourhood groups. The following discussion aims to highlight these interactions.

Figure 13: Socio-economic conditions and economic growth dynamics indices



1 Thriving London Periphery
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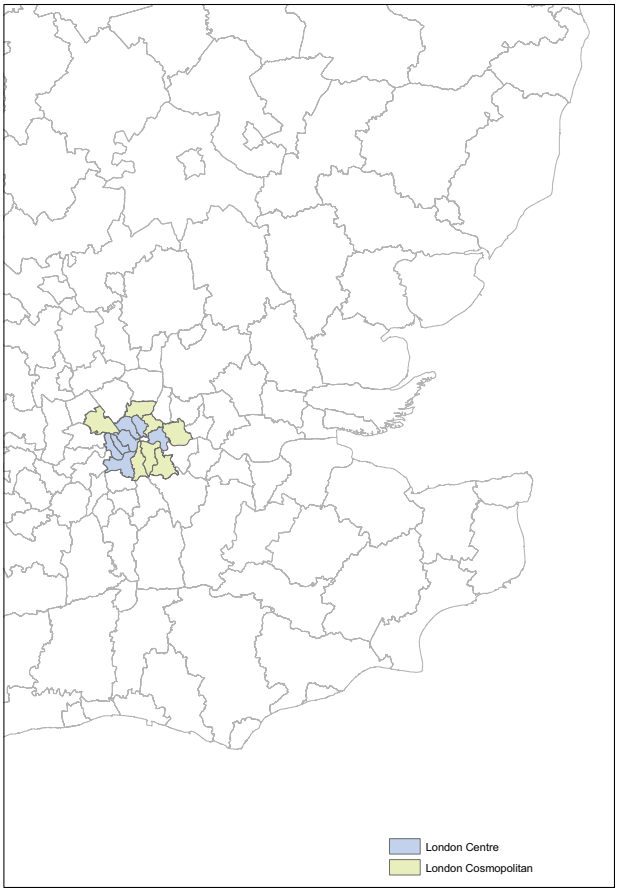
9 London Cosmopolitan
10 London Centre
11 Industrial Hinterlands
12 Coastal and Countryside
13 Centres with Industry

NI-SE: Socio-Economic Conditions Index (high = negative conditions)

NI-EG: Economic Growth Dynamics Index (high = favourable conditions)

Source: See Appendix II

Challenging and pressurised inner London



Commentary

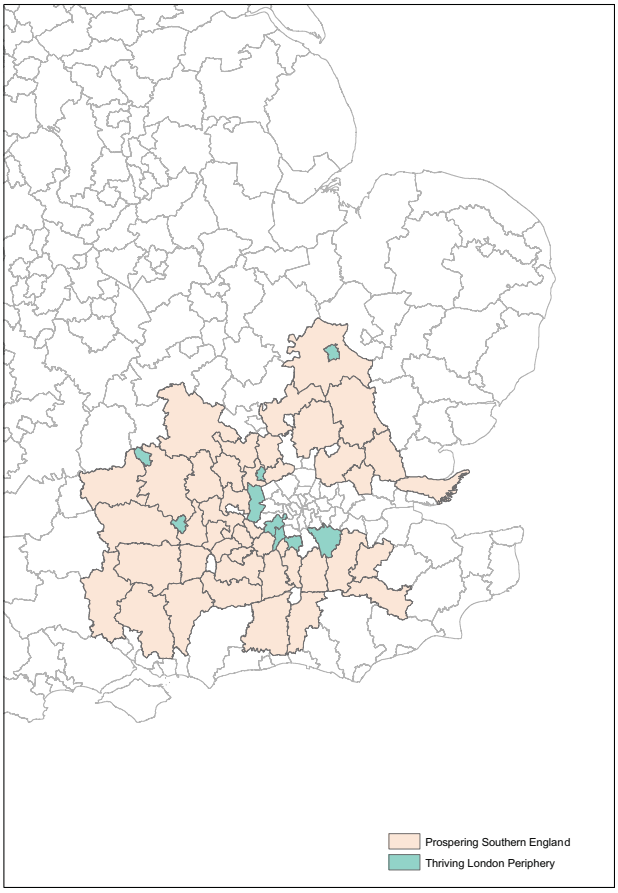
Of the 13 neighbourhood types, London Centre (group 10) had the most pressurised housing market and affordability problems in terms of house price level in 2009 (over £607,000), major price inflation (just over 30% between 2005 and 2009), price to household income ratio (11.9 times) and market rent (£370 per week). A similar situation was also found in London Cosmopolitan (group 9) where the housing market conditions were very dynamic, although the market pressure was not as extreme as those in London Centre. These areas also suffered from major housing demand, especially in London Centre despite the relatively large number of new build activities in both private and social sector housing. Neighbourhoods in both groups also had the highest level of social rents and a high level of homelessness.

These inner London areas tended to suffer from the paradoxical situation of having very high demand housing market conditions as well as many negative socio-economic characteristics such as deprivation problems, economic inactivity, unemployment and burglaries, although the problems tended to be more severe in the London Cosmopolitan area. These areas also had low levels of employment rate and average levels of education qualification. However, they had relatively high levels of business start-ups although this is also associated with very high failure rates. This part of London also suffers from high housing affordability problems as well as other wider socio-economic and labour market issues, which pose very challenging policy issues.

Key indicators

Housing indicators	**London Centre**	**London Cosmopolitan**
House prices 2009	£607,683	£301,277
House price change 2005–09	30.3%	15.2%
Affordability ratio (house price to household income) 2009	11.86	8.47
Market rent (per week) 2010/11	£370	£265
Private new build 2009/10	252	330
Household income 2009	£37,434	£29,088
Neighbourhood indicators		
Deprivation (population 20% most deprived) 2010	4.12%	7.07%
Economic inactivity 2009/10	27.16%	26.19%
Employment 2009/10	65.80%	65.70%
Enterprise births (per 1,000 employed people) 2008	12.50	15.58
Enterprise deaths (per 1,000 employed people) 2008	8.22	9.70
Education (students achieving five or more A*–C grades at GCSE level) 2008/09	70.48%	69.00%

Thriving Home Counties



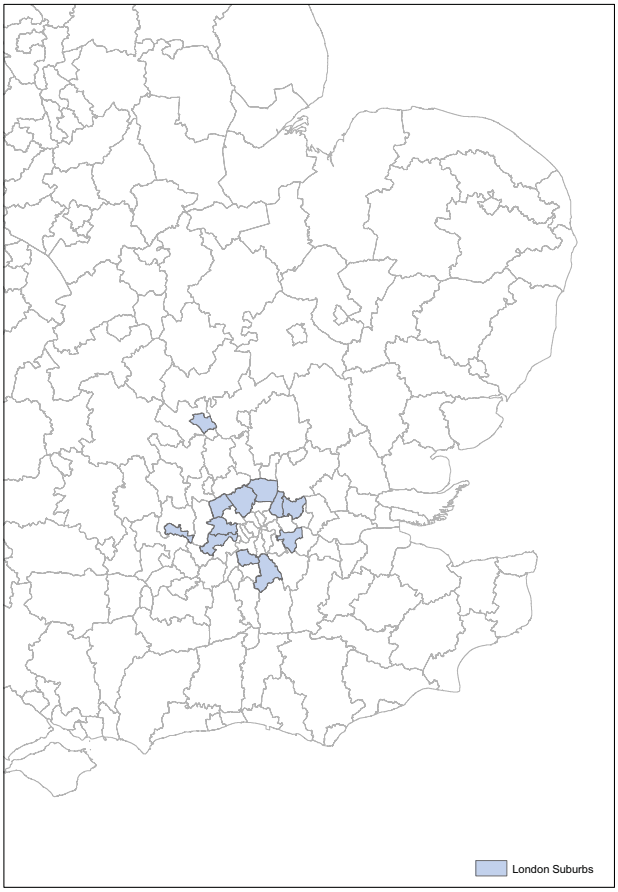
Commentary

The Thriving London Periphery (group 1) and the Prospering Southern England (group 3) had the most pressurised housing market conditions and housing affordability issues after the inner London neighbourhoods. New build activities were moderate in these areas but with high housing demand. High social housing stress was found in Thriving London Periphery both in terms of homeless level and social rental level, but homelessness was less of a problem in Prospering Southern England. These neighbourhoods were in a rather unique and privileged position. The high levels of affluence and positive socio-economic attributes as well as the more dynamic growth conditions in these areas have created pressurised housing markets. The interaction between proximity to the wider London labour market, prosperity and very high quality neighbourhood factors tends to reinforce the desirability of the area and perpetuate further housing demand and housing affordability problems.

Key indicators

Housing indicators	**Thriving London Periphery**	**Prospering Southern England**
Private new build 2009/10	191.25	167.89
Social new build 2009/10	66.67	40.47
Social rent (per week) 2009/10	£91	£88
Supply/demand balance (households to dwellings) 2009	0.993	0.983
Homelessness (per 1,000 households) 2009/10	2.35	0.68
Household income 2009	£30,417	£31,064
Neighbourhood indicators		
Deprivation (population 20% most deprived) 2010	0.02%	0.00%
Unemployment 2009/10	2.50%	1.81%
Enterprise births (per 1,000 employed people) 2008	9.33	11.39
Enterprise deaths (per 1,000 employed people) 2008	6.98	8.94

Buoyant outer London



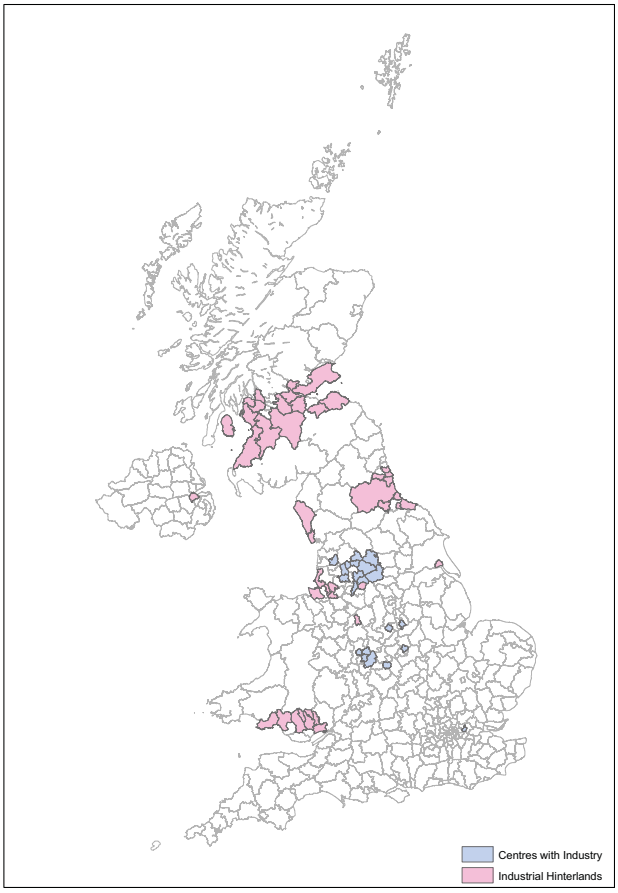
Commentary

After the neighbourhoods in inner London and the Home Counties, London Suburbs (group 8) had the most buoyant housing market and the most severe housing affordability problems. However, these areas only had moderate levels of house price inflation, which was probably due to new build activities in both private and social sectors and the less pressurised demand. The level of social housing stress mainly related to the high levels of social rent, but less so on homeless level. The socio-economic conditions in these areas tended to be stable. Like inner London, it had very high new enterprise start-ups as well as very high failure rates. The education attainment levels were good in these areas and had average levels of employment. In many ways, the housing and wider neighbourhood conditions reinforce each other to make this neighbourhood group a popular residential location.

Key indicators

Housing indicators	**London Suburbs**
House price change 2005–09	5.2%
Social rent (per week) 2009/10	£90
Affordability ratio (house price to household income) 2009	8.52
Private new build 2009/10	270.83
Social new build 2009/10	149.17
House prices 2009	£281,061
Neighbourhood indicators	
Unemployment 2009/10	3.81%
Enterprise births (per 1,000 employed people) 2008	14.08
Enterprise deaths (per 1,000 employed people) 2008	10.55
Education (students achieving five or more A*–C grades at GCSE level) 2008/09	72.22%

Stagnated industrial north



Commentary

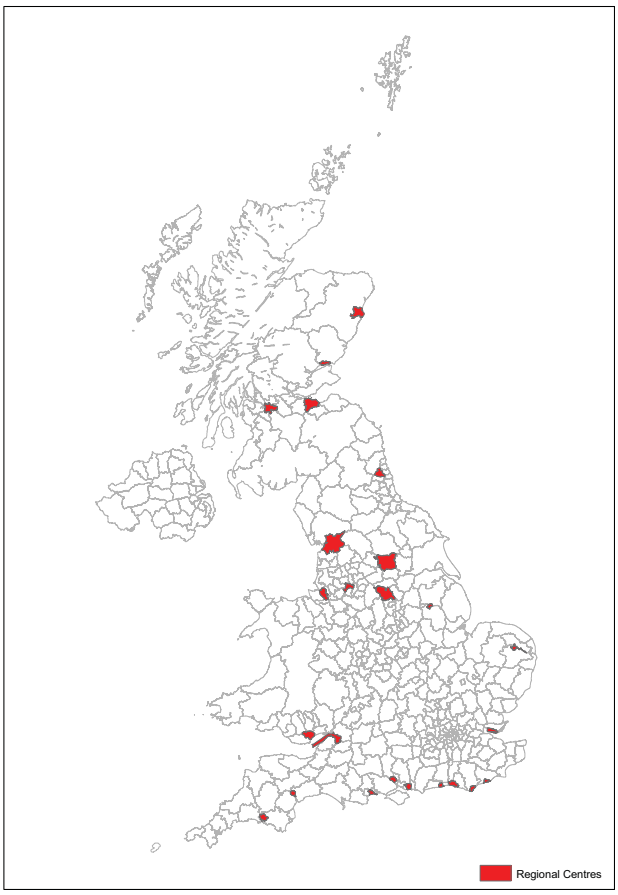
Unlike the above neighbourhood types, the Industrial Hinterlands (group 11) and the Centres with Industry (group 13) tended to have more sluggish housing markets as house price and price inflation levels were low, as were the market rents and price to household income ratios. Neither neighbourhood types had major supply pressure when comparing the household and dwelling numbers. Both neighbourhood types had low levels of social rent, but the Industrial Hinterlands had major homeless problems (which was not a major problem for the Centres with Industry). Areas in these groups tended to have relatively poor socio-economic attributes such as high levels of deprivation, unemployment rates and economic inactivity rates, as well as low levels of population growth. Furthermore, both areas suffered from low levels of economic growth activities. These less favourable socio-economic and labour market conditions have reinforced the more stagnated housing market.

The key difference between these groups is the different levels of housing supply. Relatively high levels of new build activities in both private and social sectors were found in the Centres with Industry areas, while the opposite was true in the Industrial Hinterlands. This suggests government's urban regeneration and brownfield housing redevelopment policies have helped to support new build activities in Centres with Industry.

Key indicators

Housing indicators	**Industrial Hinterlands**	**Centre with Industry**
House prices 2009	£120,945	£128,310
Affordability ratio 2009	4.56	4.76
Market rent (per week) 2010/11	£106	£112
Homelessness (per 1,000 households) 2009/10	7.82	1.89
Private new build 2009/10	267.57	132.14
Social new build 2009/10	62.10	32.63
Neighbourhood indicators		
Deprivation (population 20% most deprived) 2010	8.24%	6.84%
Enterprise births (per 1,000 employed people) 2008	6.61	7.86
Enterprise deaths (per 1,000 employed people) 2008	5.45	6.69

Regional Centres



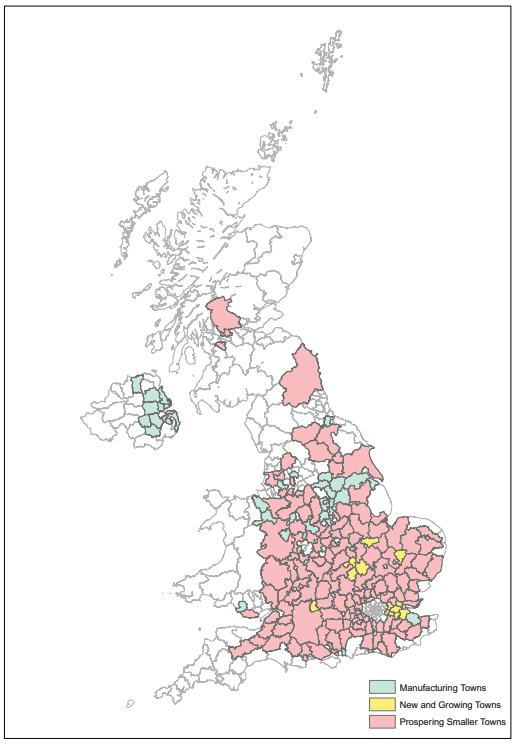
Commentary

Neighbourhoods in Regional Centres (group 2) had experienced major changes in housing market indicators as reflected in the 12% rise in house prices between 2005 and 2009. Despite the major rise in price levels, house prices, market rents and price to income ratios remained at moderate levels compared with London and the South East. These neighbourhoods had very high levels of social housing needs in terms of very high levels of homelessness (although social rent levels were not high), probably related to the very high levels of deprivation, unemployment, and economic inactivity. These areas had moderate levels of employment, but low levels of business start-ups and poor attainment of education qualifications. The levels of social and private new builds were the highest of all the classification groups and there was no major stress in the household to dwelling balance ratios. In these neighbourhoods, the government's brownfield housing regeneration policy has helped to stimulate the housing market. However, these policies have not addressed the wide socio-economic and labour market conditions in these neighbourhoods.

Key indicators

Housing indicators	**Regional Centres**
House price change 2005–09	12.0%
Market rent (per week) 2010/11	£133
Affordability ratio (house price to household income) 2009	6.02
Private new build 2009/10	434.64
Social new build 2009/10	150.69
Neighbourhood indicators	
Deprivation (population 20% most deprived) 2010	11.60%
Unemployment 2009/10	4.15%
Economic inactivity 2009/10	24.58%

Different townships: manufacturing, growing and prospering



Commentary

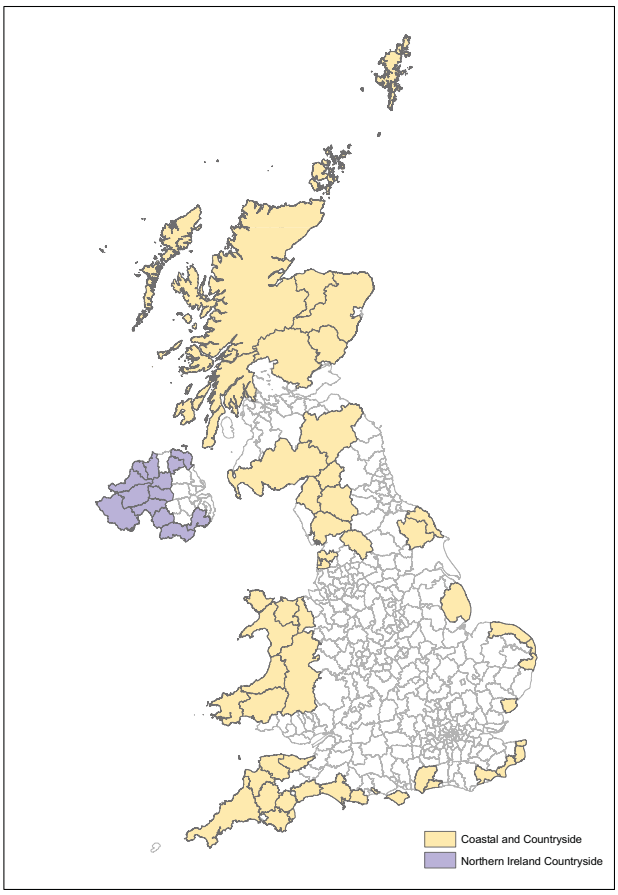
The three different types of townships: Manufacturing Towns (group 7), New and Growing Towns (group 6) and Prospering Smaller Towns (group 4) exhibited very different housing and neighbourhood characteristics. Manufacturing Towns tended to have more sluggish housing markets, low levels of housing supply and demand activities, low social rent levels as well as low level of homelessness. These areas tended to have average levels of socio-economic characteristics with some deprivation, unemployment, and economic inactivity problems. While there were high levels of employment in these areas, the population had low levels of qualification and lacked the dynamic culture of small enterprise start-ups.

The New and Growing Towns and Prospering Smaller Towns tended to have moderate levels of housing market pressure, although more buoyant conditions were found in Prospering Smaller Towns. Both areas have low to moderate levels of social rents and homeless levels. New build activities were at low levels in Prospering Smaller Towns, but high levels of social new build were found in New and Growing Towns, which were probably related to their respective population growth levels. The New and Growing Towns had high population growth, while moderate population growths were found in Prospering Smaller Towns. Neither area had deprivation issues. Both areas had a moderate enterprise culture, and Prospering Smaller Towns had very high employment levels and education qualifications in comparison with good levels of employment but low levels of education attainment in New and Growing Towns. The more positive labour market and living conditions in these neighbourhoods tend to reinforce their more buoyant market conditions and encourage further growth and prosperity in these areas. This follows the government's policy of growth poles and growth points to release the housing pressure from the overheated housing and labour market in London and its commuter belt.

Key indicators

Housing indicators	**Manufacturing Towns**	**New and Growing Towns**	**Prospering Small Towns**
House prices 2009	£139,059	£180,238	£205,225
Supply/demand balance (households to dwellings) 2009	0.979899	0.981274	0.989864
Social rent (per week) 2009/10	£67	£77	£71
Homelessness (per 1,000 households) 2009/10	1.50	2.13	1.69
Private new build 2009/10	171.23	184.29	143.59
Social new build 2009/10	33.05	117.39	37.93
Neighbourhood indicators			
Deprivation (population 20% most deprived) 2010	3.10%	0.60%	0.46%
Unemployment 2009/10	3.98%	3.50%	2.34%
Education (students achieving five or more A*–C grades at GCSE level) 2008/09	67.14%	67.00%	71.54%

Coastal and Countryside and Northern Ireland Countryside



Commentary

The Coastal and Countryside areas (group 12) and Northern Ireland Countryside (group 5) are the two less urbanised neighbourhood groups. There were no complete indicator data on the housing markets and social housing needs of the Northern Ireland Countryside. However, the indicators show that there were very low levels of social new build but moderate levels of private new build. The housing markets in the Coastal and Countryside areas were stable, with below national level of house prices and moderate levels of house price inflation. There had been moderate levels of new build, which was matched by moderate levels of population growth. Planning policies tend to discourage major expansion in these areas as they tend to be less accessible. Both groups of countryside area had no major deprivation issues. The Coastal and Countryside neighbourhood group tended to enjoy many positive socio-economic features such as low unemployment levels, and low economic inactivity. However, both area groups had rather sluggish labour market activities. The enterprise culture was not very buoyant in the Coastal and Countryside area, while there was moderate level of economic growth activities in the Northern Ireland Countryside. In spite of the relatively high level of living conditions in these areas, their remoteness means that there are lower employment levels and fewer enterprise activities, which results in more stable housing market conditions due to a lack of international migration and low growth pressures.

Key indicators

Housing indicators	**Coastal and Countryside**	**Northern Ireland Countryside**
House prices 2009	£184,741	–
House price change2005–09	9.4%	–
Private new build 2009/10	185.97	203.38
Social new build 2009/10	49.32	19.46
Neighbourhood indicators		
Deprivation (population 20% most deprived) 2010	2.91%	1.38%
Unemployment 2009/10	2.52%	5.77%
Enterprise births (per 1,000 employed people) 2008	7.66	8.34
Enterprise deaths (per 1,000 employed people) 2008	7.50	7.02

Changing housing and neighbourhood circumstances

The above discussion highlights the very different development trajectories in different types of neighbourhoods and the interaction between housing issues and wider socio-economic conditions. Rather than focusing on each neighbourhood group's performance, the analysis here turns to examine how these neighbourhoods change their relative positions over housing and socio-economic conditions since the previous HNM analysis published in 2009. The previous report focused on examining the patterns of housing and neighbourhood conditions in 2008, shortly after the start of the economic downturn; this comparison provides a useful snapshot of neighbourhood changes.

The change analysis here compares the latest rankings of the 13 neighbourhood types over the four housing and neighbourhood indices with the data compiled in 2009. The changes in the overall rankings of the housing and neighbourhood indices are shown in Figures 14 and 15 respectively, and it is important to note that such changes only reflect the shift of the relative position between different neighbourhood groups and not their absolute performance level.

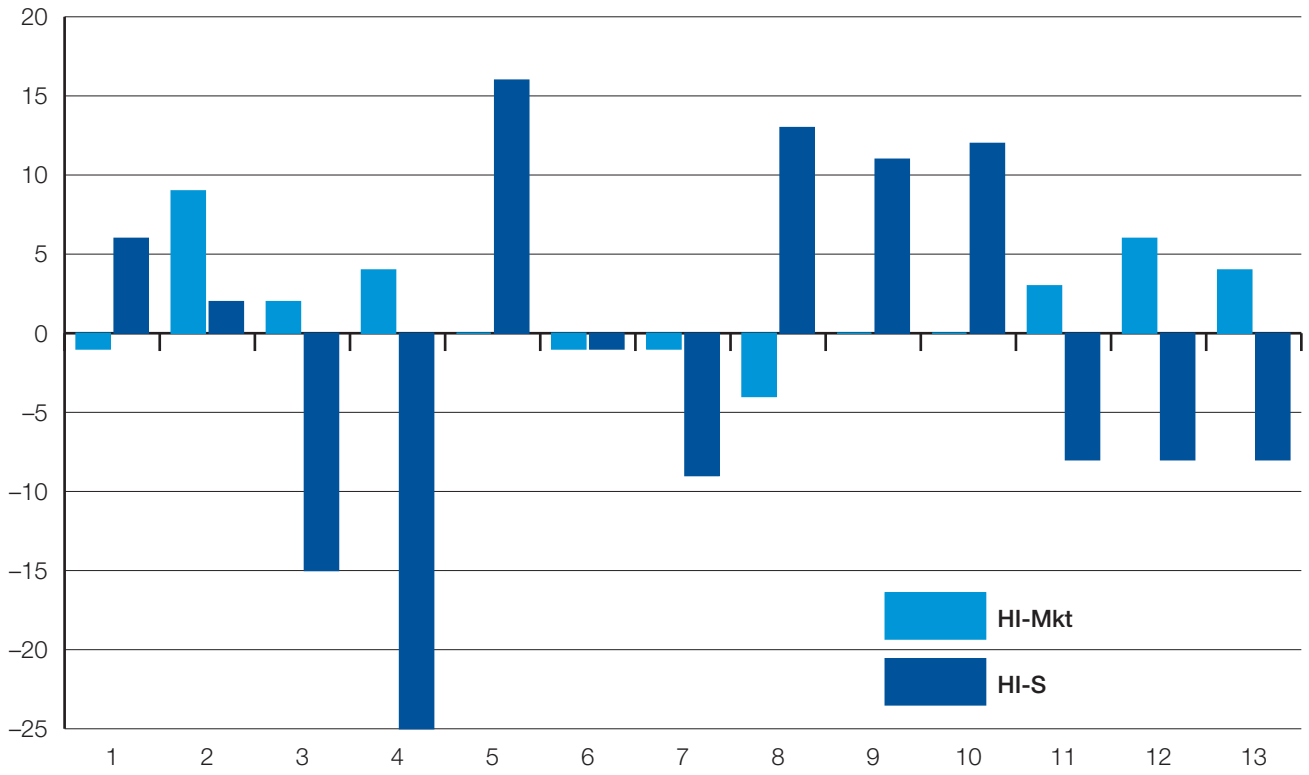
When examining their shifts in the housing market index ranking, six neighbourhood groups had experienced an increase in housing market pressure. Regional Centres (group 2) stand out as the areas that had experienced more pressurised housing market conditions when compared to other areas, which is followed by Coastal and Countryside (group 12), Prospering Small Towns (group 4) and Prospering Southern England (group 3). It is interesting to note that housing market pressure in Centre with Industry (group 13) and Industrial Hinterlands (group 11) had also relatively increased.

The most striking changes are found in the housing supply index as the relative position of most neighbourhood types has significantly shifted. This probably reflects the widespread reaction of housing markets across different types of neighbourhoods to the economic downturn and that there had been a halt of private housing investment as well as a slowing down of government regeneration projects and social new build activities. The extent of the impact can be observed even in the more prosperous areas (Prospering Southern England, group 3 and Prospering Smaller Towns, group 4) where housing supply rankings have significantly gone down when compared with the other area groups. Likewise, Manufacturing Towns (group 7), Industrial Hinterlands (group 11), Coastal and Countryside (group 12) and Centres with Industry (group 13) also reduced their housing supply rankings compared with two years ago. This suggests that both prosperous areas and more sluggish industrial neighbourhoods had relatively lower levels of housing starts and completions when compared with other areas since the economic downturn, probably due to a combination of national and local factors.

At the other end of the spectrum, Northern Ireland Countryside (group 5) has experienced the greatest increase in housing supply index ranking relative to other areas since its housing supply was very low before the downturn. Areas with relative improvement in housing supply ranking tend to be in London, including London Suburbs (group 8), London Centre (group 10), London Cosmopolitan (group 9) and Thriving London Periphery (group 1). This does not necessary mean that these London neighbourhoods had very high levels of new build activities, rather it simply reflects the fact that new build activities in the rest of the UK had reduced so drastically, with many having had no activities at all. The weak performance in other areas makes London neighbourhoods' recent improving situation look relatively superior and significantly improves their rankings in the housing supply index.

Turning to the rank shifts of the socio-economic index, it is clear that the socio-economic conditions of three London area groups (London Suburbs, group 8; London Cosmopolitan, group 9; London Centre, group 10) have performed relatively less well in relation to other areas. This suggests that the social and economic conditions in London had deteriorated at a quicker speed than other neighbourhood types; the same is also true for the more prosperous areas of Thriving London Periphery (group 1) and Prospering Southern England (group 3). This is probably reflected in the fact that areas with strong market-oriented economies tended to be hard hit first by the recession, whereas areas not at the forefront of private sector activities rely more on public sector employment and the impact of the downturn has not affected them

Figure 14: Change in the rankings of housing market and housing supply needs indices



1 Thriving London Periphery
2 Regional Centres
3 Prospering Southern England
4 Prospering Smaller Towns
5 Northern Ireland Countryside
6 New and Growing Towns
7 Manufacturing Towns
8 London Suburbs
9 London Cosmopolitan
10 London Centre
11 Industrial Hinterlands
12 Coastal and Countryside
13 Centres with Industry

HI-Mkt: Housing Market Index
(+tive = relatively increase in market pressure)

HI-S: Housing Supply Index
(+tive = relatively improvement in housing supply)

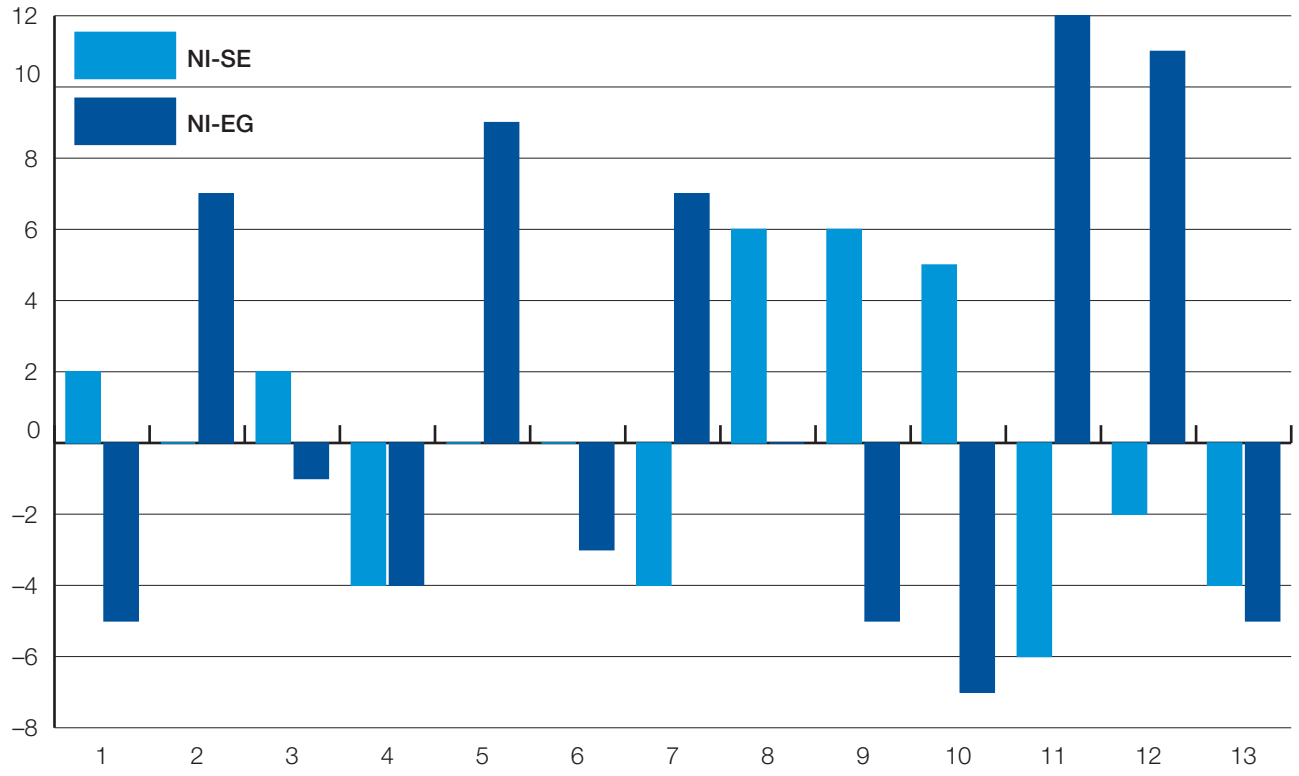
Note: Missing data for Northern Ireland Countryside
Source: See Appendix II

at similar levels. Hence, the relative conditions of Industrial Hinterlands (group 11), Centres with Industry (group 13), Prospering Small Towns (group 4) and Manufacturing Towns (group 7) had relatively improved.

The rankings of the economic growth dynamics index have shifted significantly in some areas. Major improvement in the economic growth dynamics were found in Industrial Hinterlands (group 11), Coastal and Countryside (group 12), Northern Ireland Countryside (group 5), Regional Centres (group 2) and Manufacturing Towns (group 7) when compared with other areas. On the other hand, the economic growth conditions have performed relatively less well in London Centre (group 10), Thriving London Periphery (group 1), London Cosmopolitan (group 9), and Centres with Industry (group 13). Again, this reflects the same interactive response between the market and government process during economic downturns.

This paradox of closing the gaps between the relative positions of the better off and the more industrial areas is anticipated to be short lived, as it simply reflects the process of market collapse and market recovery in London and the South East. This in part is the result of the delay of government expenditure cuts on the lagging northern regions. With the government's major public expenditure cuts introduced in 2011 and 2012, it is anticipated that neighbourhoods outside London and the South East will soon be significantly affected. On the contrary, with the recovery of the market, London and the South East are likely to bounce back quicker than other neighbourhoods elsewhere in the country, particularly the sluggish industrial neighbourhoods.

Figure 15: Change in the rankings of socio-economic conditions and economic growth dynamics indices



1 Thriving London Periphery
2 Regional Centres
3 Prospering Southern England
4 Prospering Smaller Towns
5 Northern Ireland Countryside
6 New and Growing Towns
7 Manufacturing Towns
8 London Suburbs
9 London Cosmopolitan
10 London Centre
11 Industrial Hinterlands
12 Coastal and Countryside
13 Centres with Industry

HI-SE: Socio-Economic Index (high = negative conditions)

NI-EG: Economic Growth Dynamics Index (high = favourable conditions)

Source: See Appendix II

Summary

- The housing market and supply indices highlight the extensive variations in housing conditions across the UK. Housing markets across many different neighbourhoods have been stagnant since the economic downturn in 2007. Low levels of housing pressure are common for Centres of Industry and Manufacturing Towns while housing market pressures seem to continue in the lower-price areas of Regional Centres and Coastal and Countryside, as well as in the Prospering Small Towns and Southern England.

- In terms of housing supply, areas around London have suffered from a significant reduction in new build activities. However, the weak performance in other areas in the UK makes London neighbourhoods' recent improving situation look relatively superior and significantly improves their rankings in the housing supply index.

- Two additional indices were created to measure socio-economic conditions and economic growth dynamics. Centres with Industry, Industrial Hinterlands, Cosmopolitan London, and Regional Centres saw high levels of poor socio-economic conditions and poor levels of economic growth activities. This

compares with the outer areas of London, Southern England and wealthy new and small towns, which saw generally positive conditions for both measures. Meanwhile, central London and its suburbs, coastal and countryside areas, manufacturing towns, and Northern Ireland's countryside had a combination of medium levels of socio-economic conditions and economic growth activities.

- Typologies of housing and neighbourhood interaction demonstrate a range of spatial issues throughout the UK. Inner London suffered from the paradoxical situation of having very high demand housing market conditions as well as negative socio-economic conditions. The Home Counties and Southern England also had pressurised housing markets but neighbourhood socio-economic conditions were not as negative as in inner London. The key challenges facing outer London were largely related to housing pressure, although the level of pressure was not as high as that of inner London or the Home Counties and Southern England because there are high levels of new build activity in outer London.

- In contrast to London, the industrial northern areas had more sluggish housing markets and suffered from poor socio-economic conditions. Regional Centres' housing markets benefited from the government's brownfield regeneration redevelopment policies, yet socio-economic conditions and economic growth activities remained poor. Significant variation was seen within manufacturing, growing, and prospering townships while Coastal and Countryside and Northern Ireland Countryside had stable levels of housing market pressures and low levels of deprivation but suffered from sluggish economic growth activities.

- Housing and neighbourhood circumstances have shifted since the previous monitor reported conditions in 2009. The recession has significantly affected housing supply as private and social house building decreased, resulting in a decrease in relative ranking for prosperous areas such as Southern England as well as more industrial areas. Areas such as those in and around London as well as the Northern Ireland Countryside improved their relative housing supply ranking, due to supply levels in these locations being extremely low prior to the economic downturn.

- Socio-economic conditions and economic growth dynamics indices also saw a significant shift between the 2009 monitor and this report. Neighbourhoods in London and the prosperous areas tend to suffer a greater relative decline in socio-economic conditions, economic growth activities. On the other hand, the more industrialised and peripheral areas have paradoxically improved their relative positions. This to a certain extent leads to a convergence between the more prosperous and buoyant southern England and the more industrial and sluggish north. This phenomenon very much mirrors the situation observed in the early 1990s recession where the socio-economic gaps of the north–south divide narrowed (Mansley and Rhodes, 1992). In the last recession, the recovery follows a restoration of the spatial disparities with stronger recovery in London and southern England.

4 Differential patterns of market fragility and recovery: implications and challenges for housing markets and neighbourhoods

Introduction

Having established the study's context, highlighted key changes in our primary indicators and the implications of these changes by neighbourhood type, the report now moves on to examine differential patterns of market fragility and recovery which vary across the different countries of the UK, raising specific challenges that require potentially different policy responses. This chapter first outlines some of the pressing policy challenges raised in the 2009 Housing Neighbourhood Monitor (HNM) report (Wong *et al.*, 2009) and links these to contemporary challenges. Currently, these include the localism programme, the housing market and economic implications of the wider fiscal crisis and issues associated with housing market volatility identified in Joseph Rowntree Foundation's recent Housing Market Taskforce (HMT) report (Stevens, 2011). These impacts, as suggested in the HMT report, are uneven with different challenges and implications across the four nations of the UK, and in the case of Northern Ireland potential contagion effects from the crisis in the Republic of Ireland. The impacts of devolution and national policy challenges are then discussed through the use of five short case studies, which set out particular perspectives and themes relating to the fragile and patchy recovery of the housing market and implications at a neighbourhood level. Finally, this chapter concludes by focusing on the future and prospective challenges both for the UK and at more localised levels.

Policy challenges

Before the Flood

Immediately prior to the onset of the credit crunch and the crises that followed, there was a relatively clear set of policy challenges operating on housing and neighbourhoods in different parts of the UK. By 2007, the housing markets of the UK had experienced more than ten years of uninterrupted, although locally variable, growth. At the same time, sustained economic and employment growth plus sustained real terms public spending growth combined to create shared expectations about the future continuing in similar fashion. There were of course marked spatial inequities as measured by relative deprivation and performance on many of the indicators operating at a housing and neighbourhood level. Nonetheless, the principal housing and neighbourhood policy challenges operating prior to the 2007–08 crises involved:

- Growing concern about housing affordability for would-be first time buyers.
- Worries about the unresponsiveness of housing supply, particularly in higher growth areas, drawing on the Barker Review (Barker, 2006) narrative, and embracing supply targets in the English regions (including emerging worries about the mix and location of new flats versus houses).

- Continuing controversy and debate over the efficacy of housing market renewal areas in England.
- Recognition of the varying quality of the existing housing stock and the mixed progress with the Decent Homes Standard.
- Acknowledging the strongly pro-cyclical nature of affordable housing agreements in Scotland and Northern Ireland, in particular in relation to their proposals to implement local versions of established English S106 planning agreements[5] to provide affordable housing and mixed communities. These will require much stronger local markets and confidence in new private housing before they can generate positive wider impacts.

The 2009 HNM report (Wong *et al*., 2009) argued that by the end of 2008, the policy focus had shifted from affordability and new supply towards dealing with the symptoms of the economic crisis (with its prominent housing dimension). The report recognised that public resources would in time fall sharply for social and affordable housing, a process made worse by the permanently lost capacity associated with the recession in the private construction sector. Moreover, it suggested that the concern with the short run would not help or be consistent with the longer-term policy challenges. The 2009 report identified two key challenges in the broad housing-led area regeneration policy sphere:

- Maintain housing market momentum within regenerated areas and sustain those neighbourhoods that have relied on larger and now seemingly vulnerable investments from private landlords.
- Improve the declining neighbourhood areas in the wider industrial hinterland and other smaller industrial centres in the wake of the recession and falling public spend.

Current challenges

Moving to the present, we can readily identify a series of challenges that have to be addressed at local, regional and national policy levels. The first of these concerns supporting what has been a fragile and patchy housing market recovery. Second, there is no avoiding the central fact of large real terms and sustained reductions in public spending in key areas associated with housing, welfare benefits, regeneration and neighbourhoods. Third, and returning to the need to link to long term policy requirements, the agenda established by the Joseph Rowntree Foundation's Housing Market Taskforce – seeking to develop policies to protect vulnerable owners and promote market stability – is directly relevant to the health of local and national housing markets and communities. Fourth, particularly in the English setting, the UK coalition government has advanced legislative proposals around the concept of localism, which has profound implications for communities, local government and housing development.

Of course, these challenges are highly interdependent. Economic and housing market recovery will be affected by the effects of spending cuts, public sector job losses and tax increases. At the same time, arguably, weak recovery and the continued sluggishness of mortgage lending may stiffen the resistance of those not wishing to pursue the taskforce's reform agenda.

Undoubtedly, the housing market led the economy into a downward spiral and market activity and mortgage finance will be critical to the shape of the recovery. It is the low level of transactions compared with 2007, tighter lending (particularly for first-time buyers and social housing), a lack of confidence about the future of the market (e.g. in Northern Ireland) and the continuing damage this is doing to the private development and construction sectors that signal slow recovery, and, in some weaker markets, continuing difficulties. While private renting has proven more robust than many expected, it is evident from the recent experience in Scotland (see p 48 for case study) that creative high value for money (to the public purse) social and affordable housing models will continue to be required to deliver new affordable housing and help promote local economies. With significantly lower prices, notably in Northern Ireland, the main barrier to improved affordability is breaching the deposit gap.

The major fiscal correction, as delivered by the medium-term cuts announced in the Comprehensive Spending Review, means that the devolved government budgets and local government settlements for 2011–12 create unprecedented policy challenges for all of those involved in housing and neighbourhood policy-making. In particular, we anticipate significant negative impacts on voluntary sector and local government services with obvious concerns for disadvantaged neighbourhoods. Housing budgets have been cut back by more than 25% in 2011–12 in Scotland and much more for the Department for Communities and Local Government (a 33% reduction in total and more than 70% in capital spend over the period till 2014–15). Cuts to benefits will have an impact on housing demand, depending on how private landlords respond. Moreover, beliefs that social landlords can provide more intermediate rent supply presuppose that there is sufficient differential between market and social rents. In areas like Hull there is very little difference between social and market rents, giving no opportunity for social landlords to produce new intermediate projects at, for example, 80–85% of market rents. This is also true in other parts of the UK where private demand and rents are relatively low.

The JRF Housing Market Taskforce is focused on the benefits of achieving a more stable housing market with a flatter trajectory in long-term prices, activity, lending and building – to take the steam out of the market and normalise it as a commodity and asset. Barker (2006) and others have recognised the social and economic damage associated with volatile and unstable housing markets. Of course, achieving these goals at an aggregate level will not prevent different local market outcomes, which in part will reflect localised economic fundamentals of demand and supply. Nonetheless the HNM's indicators of affordability and market balance, among others, do suggest that there is much to gain from a more mature housing system. There remains much resistance to these ideas, as there was to the abolition of mortgage interest tax relief. The evidence from the HNM also shows the regional effects of very locally differentiated housing markets exhibiting different levels of volatility. This is another example of the phenomenon whereby national policies on lending or taxation have marked effects because of the local institutional, economic and tenure structure characteristics of local housing markets.

The Localism Bill is in part about the decentralisation of government and the 'big society' agenda, and it has specific local dimensions: empowering communities, increasing local control of local government finance and strengthening local accountability. The coalition government wishes to create rights to enable local people to direct the level and nature of local development. It also wants to set up local referenda on spending/tax decisions, including business rate discounts and retaining a proportion of the proceeds from the community infrastructure levy where it was raised. Third, the bill will provide councils with a general power of competence (i.e. apart from specific exclusions, local government will implicitly be able to pursue its agenda as it sees fit), so as to encourage innovation and local decision-making. Fourth, there is a desire to introduce neighbourhood plans and a community right to purchase threatened local assets. These policies apply to England currently but are being examined closely in the rest of the UK.

Devolution and the national policy challenge

A feature of the HNM programme has been not just to look at local markets and neighbourhoods per se but also to recognise fully the dynamic reality of a devolved UK and the varying institutional and legal capacities to pursue and implement country-specific housing and neighbourhood policies in response to local conditions and demands. Devolution was enacted in 1999 with different 'speeds' in Wales, Scotland and Northern Ireland. Since then, there has been evidence of both divergence and convergence in policy substance, a degree of pressure building to resolve more or less perceived anomalies in England, and, most recently, growing demands for greater powers in Wales and Scotland which look likely at the time of writing to be enacted. While it is clearly true that housing and neighbourhoods policies are affected both by national and global market contexts and by UK fiscal tightening, they are also constrained by reserved matters that impinge directly: housing benefit, housing and land taxation, public expenditure rules, etc.

Nonetheless, housing policy, physical planning policy and neighbourhood- or area-based regeneration strategies are devolved and devolved governments do not have the same political make-up as at Westminster.

This section considers particular perspectives relating to the fragile and patchy recovery of the housing markets in the different countries of the UK and implications at a neighbourhood level. Set within the broad canvas of a post-recessionary economy with anticipated low and variable rates of economic growth, particular policy challenges in each of the jurisdictions of the UK are illustrated through the use of five short case studies.

Policy change over housing targets and strategic co-ordination in England

The localism agenda of housing delivery

Spatial planning in England has gone through major change and uncertainty since the formation of the coalition government (JRF, 2011; TCPA/JRF, 2011). The new government made a wholesale revocation of regional spatial strategies in July 2010 and abolished all the existing housing targets. This undercurrent of change is seen as a shift from the previous top-down, target-driven approach to an open source, locally oriented style of spatial planning. The revocation of the regional strategies was then followed by the introduction of explicit fiscal incentives for councils to build in the form of the New Homes Bonus scheme and the Right-to-Build powers (HM Treasury, 2010) which pose challenges and provides opportunities for local authorities to develop a more contextualised approach to address local issues. The localism agenda aims to encourage local planning authorities to establish 'the right level of local housing provision in their area, and identifying a long term supply of housing land without the burden of regional housing targets' (Quartermain, 2010).

In addition, local authorities are supposed to develop a partnership approach to address wider housing market issues that would result in 'a more efficient use of resources and secure a better outcome than operating in isolation' (HM Treasury, 2010a, para 2.14). The use of incentives will need to be closely aligned to local benefits regarding infrastructure and other investments (as is planned with the Community Infrastructure Levy) if they are to win local support. The coalition government's more localised approach to planning may, ironically, necessitate further centralisation by Whitehall through more stringent guidance to bridge the growing institutional gap of coordinating major spatial development strategies. As already stated in the 2010 White Paper (HM Government, 2010, para 3.22), '…some nationally important decisions need to be taken at the national level', which is clearly also reflected by the government's publication of the first ever National Infrastructure Plan (HM Treasury, 2010b) along with the establishment of the Major Infrastructure Planning Unit within the Planning Inspectorate to replace the previous government's ideas of an Infrastructure Planning Commission to carry out a similar remit. It is thus difficult to see how housing developments can be detached from the broader spatial context of infrastructural provision and urban development.

Wholesale abolition of brownfield housing development and density targets

The coalition government has shifted planning and regeneration decisions to the local level. It also abolished the minimum density requirement through the reissue of Planning Policy Statement 3 in June 2010 (CLG, 2010a). This is a reverse of the previous government's policy introduced in February 1998 to have at least 60 per cent of all new housing in England to be built on brownfield land by 2008. This target was subsequently achieved eight years ahead of schedule, but since then the share of new housing built on brownfield land had been consistently rising, reaching a provisional estimate of 80 per cent in 2008, and unchanged in 2009 (CLG, 2010b).

The strategic reuse of brownfield land is an instrument deployed to achieve multiple objectives, aiming at reducing urban sprawl and greenfield development, as well as contributing to the delivery of the previous government's sustainable communities agenda in urban areas (ODPM, 2003). Facing severe housing pressure and rising house prices, as well as the continuous challenge of urban regeneration, the notion of working against processes of counter-urbanisation and bringing people back to towns and cities by exploiting the untapped 'urban capacity' has been politically appealing (DETR, 2000). The 1999 Urban Task Force report set out how to develop desirable towns and cities to accommodate an extra 4 million new households over the 25 year period; the figure was later revised upwards by the then Prime Minister, Gordon Brown, to a target of 3 million new dwellings (an annual target of 240,000) by 2020. Since then, there has been continuous debate over the balance between the physical development capacity of areas and new build density. The coalition government argues that such housing targets have not effectively addressed the shortage of housing supply and associated affordability issues. It is proposing alternative solutions such as the New Homes Bonus scheme and empowering local people to be able to decide what types of housing development they want by having the opportunity to prepare neighbourhood plans.

The success of using a brownfield target in the past had been to focus policy-makers and the development industry's attention on the importance of conserving land resources and simultaneously revitalising our towns and cities. Notwithstanding the positive outcomes achieved in our most deprived neighbourhoods under the brownfield residential reuse policy, concerns have been widely raised about the sustainability and appropriateness of continuing such a high density brownfield regeneration approach to deliver the government's ambitious housing target in the future. It is, therefore, timely at the turn of a new decade to reconsider the strategy of housing planning to meet projected housing needs in the most sustainable manner.

House price ripple effects and housing market recovery in England

The analysis of the housing and neighbourhood indicators has helped to enrich the contextual understanding and the nuances of different trajectories of development of different parts of England. Since the economic downturn in 2007, neighbourhoods in London and the prosperous areas tended to suffer more from relative decline in socio-economic conditions and economic growth activities. On the other hand, the more industrialised and peripheral areas have paradoxically improved their relative positions. This to a certain extent leads to a convergence between the more prosperous and buoyant southern England and the more industrial and sluggish north, however these areas are traditionally more dependent on public sector activities and may be heavily affected by public sector cuts currently being implemented. This phenomenon very much mirrors the situation observed in the early 1990s recession where the socio-economic gaps of the north–south divide narrowed. In the last recession, the recovery restored spatial disparities with stronger recovery in the economy and the housing markets in London and southern England. Recent evidence suggests that housing markets in London and the South East are picking up and the pattern of regional inequality is being re-established.

Two Londons

One of the most interesting findings regarding the interaction of housing and labour markets are the 'two Londons' – the inner London and the wider London and South East commuting belt. Due to the lengthening of journey to work distance of the London Labour Market Area, house prices in London and its commuting areas rocketed to a very high level before the economic downturn. The housing markets in these areas, however, have started their recovery since 2008 and have witnessed house price increases, although private rent levels have declined slightly. In terms of housing supply, areas around London have suffered

from a significant reduction in new build activities. There are early signs that enterprise activities of business start-ups have increased over the last 12 months, although the situation is rather volatile with high levels of failure as well.

This creates a paradoxical situation for those living in inner London as housing affordability remains a major issue even in the current economic downturn and there are still high concentrations of deprived neighbourhoods suffering from poor quality of living as well as high levels of unemployment and economic inactivity. The housing pressure is partly related to continuous population growth caused by international migration which exceeds the loss of domestic population. However, their more affluent counterparts in the outer commuter belt, stretching to 60 km outwards from the City of London, are enjoying a higher quality of living. Nonetheless, the overheated housing market does not only create a serious housing affordability issue and the pressure for the release of greenfield land for housing development, it also raises wider concerns regarding the sustainability of the continuous lengthening of commuting distance.

While the Labour government's brownfield housing target had been met consistently since 2000, the actual amount of brownfield land used for residential purposes during 2000–06 (2,774 ha per annum) was only marginally higher than that achieved throughout the period 1989–98 (2,644 ha per annum). There has actually been a decline in the total amount of land used for residential development from 5,660 ha to 4,765 ha per annum over the two time periods. The meeting of the brownfield target has, therefore, been a function of a parallel decrease in the use of greenfield land, however the most valuable brownfield land has largely been developed throughout this period. This, coupled with the recent removal of brownfield targets, suggests that less desirable brownfield locations may not be developed at the same rate as the previous decade. The coalition government's localism agenda and the New Homes Bonus scheme aim to encourage local authorities to be more innovative in addressing the housing affordability issues. However, the more well-off areas such as outer London and the South East tend to have less brownfield land and its reuse tends to be related to redevelopment of previous residential sites. These areas also have a strong NIMBYism[6] culture and are thus not prone to support large-scale housing development in greenfield land. The success of the coalition government's policy is thus highly uncertain.

The lagging northern industrial urban areas

Throughout the 2000s, there had been an increase in the proportion of brownfield land used for housing in the most deprived neighbourhoods. The JRF Housing and Neighbourhoods Monitor report on brownfield residential redevelopment in England (Wong and Schulze-Bäing, 2010) demonstrated that nearly a quarter of England's brownfield land reused for housing development was located in the 20% most deprived neighbourhoods in 2005–08, compared with 17% in 2001–04. Indeed, the amount of brownfield land recycled for housing use increased most rapidly in the 10% most deprived neighbourhoods in England, with a 25% increase between 2001–04 and 2005–08. The increasing level of brownfield development in the most deprived neighbourhoods was also mirrored by relatively strong housing market performance in these areas. The house price gap between the most deprived neighbourhoods and the England average narrowed between 2001 and 2008. House prices increased by 102% in the 10% most deprived neighbourhoods and by 96% in the 20% most deprived neighbourhoods, compared with 81% in England overall. Between 2005 and 2008, even with a slowdown in the property market, house price increases in deprived neighbourhoods outperformed the England average.

Since most deprived areas are located in the large conurbations in northern England, they benefited from these brownfield redevelopment activities. Overall, these redeveloped areas have also seen improvements in economic and income deprivation rankings (as measured in the government's Economic Deprivation Index[7]) when compared with other neighbourhoods which have not experienced brownfield redevelopment for housing. House price increases, population growth and improvements in deprivation indices are broad signs of brownfield regeneration policy success in deprived neighbourhoods. However,

the brownfield housing market in these areas has been the result of selective activities of developers who have targeted areas with greatest development potential within the constraint of the planning framework which has been restrictive with greenfield development.

Housing markets in the northern industrial areas have been rather sluggish since 2008. There has been a decline in housing new build activities and the socio-economic conditions in these areas are found declining. Since the public sector played a major part of the local economy, the coalition government's major funding cut will bear more significant impact in these locations. The uptake of brownfield land for housing development has already fallen following the economic downturn. While brownfield land reuse has supported urban containment and regeneration in some deprived neighbourhoods, there are concerns about whether this approach is sustainable. There are also concerns that this policy has encouraged the building of an excessive number of flats in city centre locations, which may not be versatile enough to adapt to households going through different stages of their family life cycle and thus may result in population churn and neighbourhood instability. This means that we need to consider sustainable development in a more locally sensitive way to reflect the conditions and character of a site and its surrounding environment. It is also important to ensure that there is a mix of housing choices to meet local housing needs.

New models for Scottish affordable housing

In February 2011, the Scottish Government published its long-term housing strategy document, *Housing Fit for the 21st Century* (Scottish Government, 2011a). After a consultation period, the Scottish Government has in effect wound up the long-standing affordable housing programme that has funded housing association development since 1988, and replaced it with a number of concrete proposals, a number of pilot experiments and other longer-term aspirations. In the short term there are specific new models that are being implemented:

- Council house building: councils receive £30,000 grants and complement this with prudential borrowing and internal resources – so far building more than 3000 homes.
- Innovation and investment fund of £50m in 2011–12: £20 million of this goes to the council building programme, £10 million to innovative partnership projects that will seek funding and £20 million will go to housing associations at a benchmark grant rate of £40,000, down from £67,000.
- National Housing Trust (NHT): councils and developers from local joint ventures to let intermediate rent (85% of the relevant local housing allowance) for five to ten years before these are sold off. The councils' risks – void rent loss and capital losses on resale (as set against their borrowing) are guaranteed by government loan guarantees at £2,500–£4,000 per unit.

It appears that the pragmatic thrust of the government's search for new ways that work to provide affordable housing (buttressed by a continuing commitment to shared equity and mid-market rents models for housing associations) will radically change the landscape of affordable housing options in Scotland.

Will it work? The evidence is that the council building programme does work and the first 1,000 units of NHT were fully subscribed. However, there are questions about rent levels (will they be social rents for the new housing association developments – which will require extensive cross subsidy), about the interaction with Housing Benefit reforms and the cross-tenure dynamics of social providers investing in intermediate rented housing. A key assumption here is that the sector has large volumes of untapped financial capacity that can and will be used to facilitate the new developments. We wait to see whether this is an heroic assumption.

A further consequence is the apparent retreat by government from centrally controlling and directing resources. A number of smaller (and frequently localised) schemes may help to tackle a wider range of housing problems but they will be less easy to control or direct from the centre. While there are participative

and efficiency arguments in favour of bottom-up approaches to housing policy, in a climate of rationed resources with value for money at a premium, one may see over time an emerging loss of strategic grasp on new affordable housing policy within Holyrood.

Neighbourhood regeneration in Wales

Following devolution in 1999 the Welsh Assembly Government made a commitment to tackle the problems of poverty and deprivation head on. This commitment culminated in the launch in 2001 of the flagship regeneration programme Communities First. The Communities First programme was established with the intention of improving the conditions and prospects of people living in the most disadvantaged neighbourhoods in Wales. The adoption of the Communities First model, which actively promotes the management and delivery of regeneration by local communities in conjunction with mainstream public services, was a response to the perceived procedural and structural deficiencies of grant-aided regeneration, including the short-termism attached to the outputs of many regeneration projects and the loss of organisational capacity and knowledge at the end of a programme's life span. A previous evaluation found that community members have important skills and knowledge that are needed to ensure the success of Communities First partnerships and that as a result of involvement in the Communities First process, community members had begun to recognise the important role they play in influencing positive change in their area.

The promotion of active community involvement in the development and delivery of local initiatives in the Communities First programme would sit comfortably within a localism agenda, such as that promoted by the coalition government. However, the Wales country-specific report raises questions as to whether Communities First, as an isolated programme, could ever be expected to deliver the wider outcomes needed to improve the conditions of people living in the most deprived neighbourhoods in Wales. In June 2010, revenue reductions of £113.5 million and capital reductions of £49 million were imposed on the Welsh budget. At a time when such funding constraints require a more nuanced approach to reduce economic and social fragility, effective community empowerment needs to form part of a holistic policy targeting approach that links wider policy agendas, objectives and funding streams. The Welsh Assembly Government's Framework for Regeneration Areas (WAG, 2010) which was published in October 2010 actively promotes holistic neighbourhood regeneration for Wales. However, the current economic climate coupled with the severity of recent public sector cuts risk undermining the gains that have been made to date in aiding the most deprived neighbourhoods in Wales while also potentially working to restrict the scope of stakeholders, agencies and policy-makers to engage in a meaningful discussion on the future of neighbourhood regeneration in Wales.

Northern Ireland: an exposed and fragile housing market

The impact of the global financial crisis and the recession has arguably impinged to a greater extent in Northern Ireland than any other region of the UK. This is particularly the case in terms of the exposure and performance of the housing market. The average price peaked in the third quarter of 2007 (£250,586); in the final quarter of 2010 the overall average price was £149,795. The ongoing correction in the market is the first time that the majority of home owners in Northern Ireland have experienced the impact of a falling market; Northern Ireland escaped the market recession in the early 1990s. However the effect on market participants has not been uniform. Those first-time buyers who purchased in the period 2005–07 are the most vulnerable group, and while not neighbourhood specific there is evidence of impact in both urban neighbourhoods in north and west Belfast and also in more rural neighbourhoods in the west of Northern Ireland; neighbourhood type 5 (Northern Ireland Countryside) as defined in Chapter 3 of this report. In

contrast, higher-priced neighbourhoods such as South Belfast and North Down experienced less volatility of house prices and, while not avoiding impact, have been more resilient to the market downturn. These spatial differences by market areas raise a number of policy challenges arising from the market downturn and the impact on more vulnerable neighbourhoods.

The growth scenario had been partly fuelled by spatial planning policy with the principal planning policy tool for managing housing growth in Northern Ireland, the Regional Development Strategy (RDS) adopting a plan-monitor-manage approach, notably in relation to housing demand through the use of Housing Growth Indicators (HGIs). The five-year review of the RDS in 2006 increased the number of new units by 48,000 units to 208,000 across the period 1998–2015 although the extent to which housing demand matched the socio-economic spatial dynamics of neighbourhoods is questionable. As shown in the Northern Ireland country-specific report, most new development either took place in high-profile regeneration neighbourhoods in Belfast or greenfield locations and not in the most deprived neighbourhoods. Perhaps, marking a swing away from targets the consultation document *Regional Development Strategy 2025* (Department for Regional Development, 2001) published in January 2011 infers that HGIs might be seen as guidelines rather than a rigid framework. This may reflect a more pragmatic response to the realities of the housing sector which has seen the total number of new dwellings (private and social sectors) constructed declining from 17,948 in 2006–07 to 8,427 in 2009–10. While the majority (81%) of these were still provided by the private sector, social sector/housing association provision was higher in 2009–10. However, there is not the capacity or financial means by the social sector to pick up the slack created by declining private provision, suggesting that the potential for a growing housing imbalance in Northern Ireland places more stress on the housing system at the neighbourhood level. The recent report on the *Northern Ireland Housing Market Review & Perspectives 2011–14* (NIHE, 2011b) by the Housing Executive highlights that proposed changes to Housing Benefit will have an impact on the support of what had been a growing private rental sector, with the prospect of tenants losing their homes, a scenario which is most likely to have differential impacts across inner- and middle-city neighbourhoods.

While the overall position suggests a testing time for housing over the short to medium term, there are some positives. The Northern Ireland country report identified that investment which is helping to improve the quality, standards and energy efficiency of the existing housing stock is occurring, including housing in some of the most deprived, as measured by the Multiple Deprivation Index, and low-priced neighbouhoods identified under the Neighbourhood Renewal Area (NRA) policy. There are, however, regional imbalances apparent within Northern Ireland, with a focus of activity on Belfast. The pattern of private sector new development tends to differ from the pattern of improvements to the existing stock, notably within the city of Belfast, where new development is still occurring on brownfield sites and some of the high-profile regeneration areas but not in the most deprived wards, thereby limiting the scale of renewal associated with new build. With the current housing market decline there will be increasing difficulties for the private sector to make a return on new development in NRAs. Hence the policy focus will need to increasingly promote sustainability, notably through retrofitting exisiting housing stock in relation to energy efficiency. New development within the social sector will need to be a complementary policy focus, although with a reduced budget for the social housing programme there will be a need for new innovative models of delivery.

Prospective challenges

We evidently live in very challenging times. Over the next few years, how might these pressures operating at local housing market and neighbourhood level, and through public finance constraints at all levels of government in the UK, shape the policy and market environment?

Reducing housing market volatility and protecting the vulnerable among existing home owners are the key objectives of JRF's Housing Market Taskforce. The taskforce's proposals include counter-cyclical

policies to stabilise mortgage credit and lending decisions by banks alongside demand-side tax reforms to stamp duty and primarily council tax. A key aspect of the latter proposals is to ensure their wider legitimacy and credibility through sensitive and transitional introduction. Evidence from the HNM suggests that this will be challenging because of the widespread volatility and variability in housing market conditions within a broader UK market trend. In supporting the Housing Market Taskforce, Ferrari and Rae (2011, pp 51–4) argue that sensitive and well-designed policies can be sufficiently flexible to work with the grain of local market trends and still achieve the wider goal. This is a big challenge for policy design and delivery. We should also note that non-regional, i.e. macro-policy, reforms often have regional effects because of the different composition and drivers operating at local level. These unintended consequences need greater analysis and thought in any UK policy discussion of the housing market.

The localism policy agenda and the changes to land release planning in terms of regional targets and brownfield densities is likely to have a major evolving impact across England and perhaps beyond if the policy is embraced more widely. The key question is how might localism play out and affect the quantity, quality and location of new supply in a patchy market recovery context? By removing regional targets and assessments it becomes essential that there is consistent and resourced support for local needs and demand assessments. It is the case that prior emphasis on brownfield has often led to the wrong type of land being in the wrong place, i.e. not where there is most demand such as in outer London and the South East (where there is often most pressure to protect the green belt). It remains unclear whether the new bottom-up approach will generate more units and indeed whether the New Homes Bonus and other incentives can override understandable concerns about anti-development sentiment where there is unmet need. Policy in this sphere is in a period of uncertainty where the impacts and results will not be known for some time.

At a broader scale the Localism Bill also creates uncertainties and challenges for regional co-ordination and strategic planning, poses questions for the development of infrastructure across broader housing market areas and potentially threatens inter-local authority collaboration. These are further overlapping reasons to imagine that localism will have to be integrated within broader supra-local arrangements, although it may require time and cost (including to the most disadvantaged) before this is recognised and acted on.

Our indicator and neighbourhood typology suggests considerable variations in housing market performance, in unmet needs and in affordability. It suggests that social rent levels vary considerably and may in some regions be not much different from weak private rental markets – calling into question the ability of new social housing built at 80% of local housing allowance rent levels to ever stack up financially. This will encourage more social housing investment out of areas in the North and reinforce spatial inequalities The balance between social and private rents (and therefore the Local Housing Allowance) will shift new 'affordable' social housing to the South, as weaker demand in the North (in terms of little relative difference in private and social rents) will make it difficult to develop. At the same time, the Housing Benefit reforms will makes London's rented housing much less affordable and induce outward migration with knock-on consequences for the capital's economy and transport systems.

There are wider, specific neighbourhood challenges, in particular referring to the future of place-based approaches in the light of policy development by the coalition government, fiscal retrenchment and the uneven economic recovery:

- Current government thinking underestimates the potential for neighbourhood regeneration to facilitate growth.
- It also underplays the spatial and neighbourhood impacts of national policies to tackle major symptoms of disadvantage such as worklessness through the proposed universal credit, i.e. there needs to be better systematic understanding of the role neighbourhoods play in local labour markets.
- Downgrading the leadership role from the centre fits with the bottom-up localism imperative but risks losing the positive sum benefits of joining up economic, social and environmental interventions.

- The concerns about housing and planning reform relating to localism, the New Home Bonus, benefit reform and the planning system also have a neighbourhoods and regeneration dimension. How will the financial incentives be used? Will regional inequalities increase? Will deprived neighbourhoods be able to generate the required neighbourhood plans?

The indicators also suggest that recession does bring a degree of convergence between the regions but that this is already diminishing as the South pulls away fastest as the economy recovers. Nonetheless, rapidly growing regions such as London and the South East can be strongly segmented with considerable social and housing problems found in the inner areas of the capital. All of these points reinforce the dynamic and structural relationships that exist across and within our regions. This is precisely why even relatively simple HNM analysis across space and over time can tell us so much about the context for future policy-making and planning in all parts of the UK. More importantly, the government's commitment to housing delivery and the pro-growth agenda have led to further reforms of the planning system which has a presumption in favour of sustainable development. The indicators and the analysis presented in the HNM continues to serve as a vital policy instrument to ascertain the impact and effectiveness of local authorities to achieve sustainable forms of housing provision and neighbourhood regeneration across different parts of the UK.

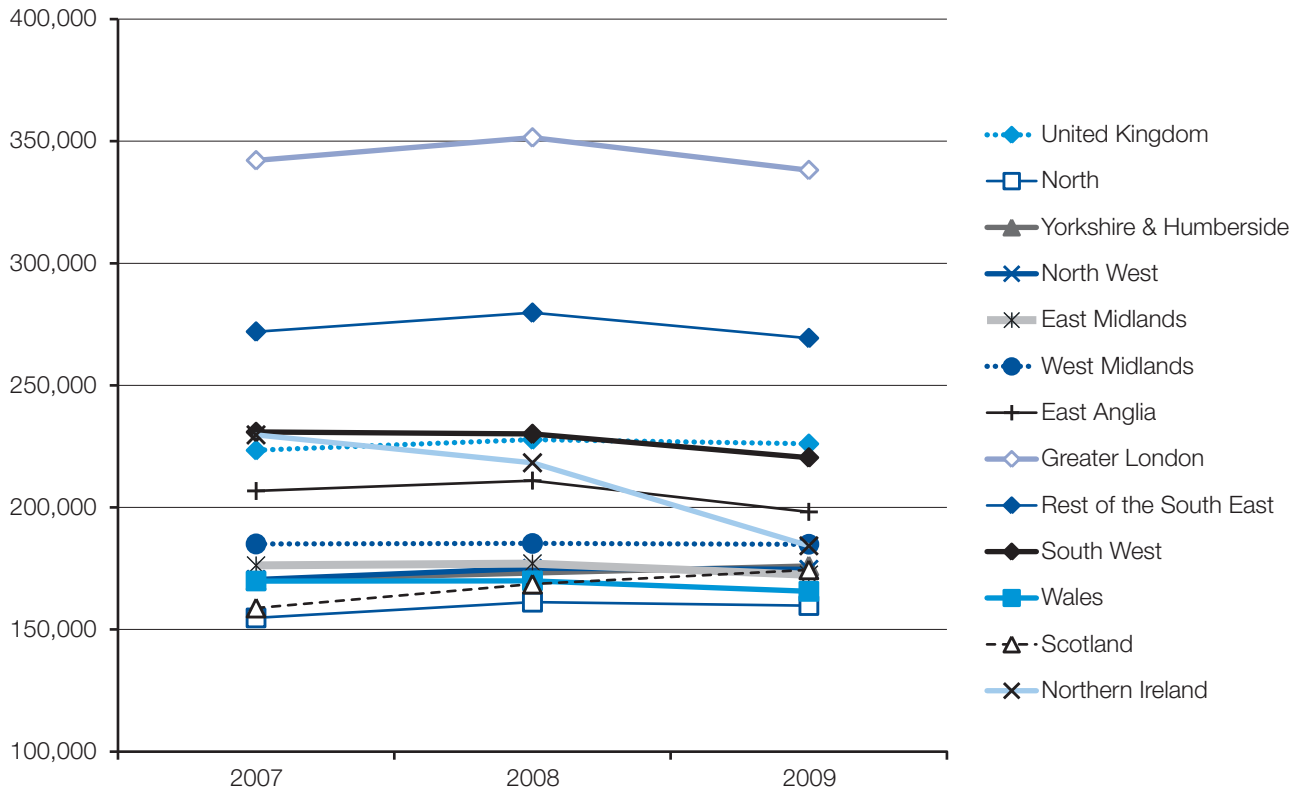
Appendix I

A detailed look at housing and neighbourhood change

Housing market and housing affordability

Despite a relatively slow recovery from the recession in the early 1990s, average house prices rose from around £113,000 in 2001 to a peak of around £228,000 in autumn 2008 (a 102% increase) (CIH/BSA, 2009, table 47a). Despite the onset of the recent recession, house prices continued to rise, albeit only slightly at 2%, from 2007 to 2008 before dropping only slightly in 2009 by 0.7% to an average of £226,000 (see Figure 16). This seems to be counterintuitive, but the average house price change conceals the complex patterns of change which varies from location to location and between different types of property within the same location. For instance, the prime locations in central London have continued to enjoy house price inflation due to the interest of international buyers for prime properties, whereas the house price inflation rippling effect eventually reached Scotland in 2008. Northern Ireland saw a slightly different trend, following a short span of rapid house price inflation between 2001 and 2007, house prices started to fall in 2008 which was a year ahead of the rest of the UK resulting in 19.8% decrease between 2007 and 2009.

Figure 16: Average regional house prices, 2007–09



Source: CIH/BSA, 2010 (Table 47a)

Major spatial variations in house price levels and price changes, as well as private rental levels, exist despite an overall stagnated UK market. House price increases were found in London, South East and Scotland, while market rents in London and the South East fell.

The analysis of standardised price[8] allows more consistent comparison across different local areas in Great Britain (see Figure 17). In 2009 the average standardised neighbourhood price in England was £214,045, with the highest house prices found in the Greater London and South East region. Properties over £1 million in Great Britain were almost exclusively located in a few London neighbourhoods, with the highest in a neighbourhood in Westminster (£2,043,358). Average English neighbourhood standardised house prices decreased 10.4% between 2007 and 2009. While the greatest decrease was seen in a Birmingham neighbourhood (–40.3%), the greatest increase was seen in a neighbourhood in the London borough of Camden (+81.4%). Compared with England, in 2009 Wales (£151,446 average standardised neighbourhood price) generally saw more moderate price levels throughout the country, with an average standardised neighbourhood decrease of 10.7% between 2007 and 2009. Rhondda Cynon Taff (–27.8%) suffered from the largest price fall during the period compared with Swansea (+12.3%) which saw the greatest increase. In 2009 Scotland (£136,034 average standardised neighbourhood price) had wider variation in house price levels; while the average house price in Northern Ireland was £185,183.

Standardised market rents, based on a local housing allowance for a two-bedroom property, were calculated for the 2010/11 period (Figure 18). The highest market rents were found in London and the South East mirroring the higher property prices in this part of the UK. Areas with rents over £200 per week are concentrated almost exclusively in Greater London. Market rents were found next highest (£138–£200 per week) in the rest of the South East and extending to the south coast, west along the M4 corridor to Bristol and also the north of London. Outside southern England, areas with highest rents include Solihull in the West Midlands and a number of local authorities in Scotland (Edinburgh City, East Lothian, Mid Lothian, Aberdeen City and Aberdeenshire). On the opposite end, the lowest standardised market rents (£80 to £100 per week) are found in Northern Ireland, south west Scotland and the Scottish Borders, the north west and north east of England, and in central Wales.

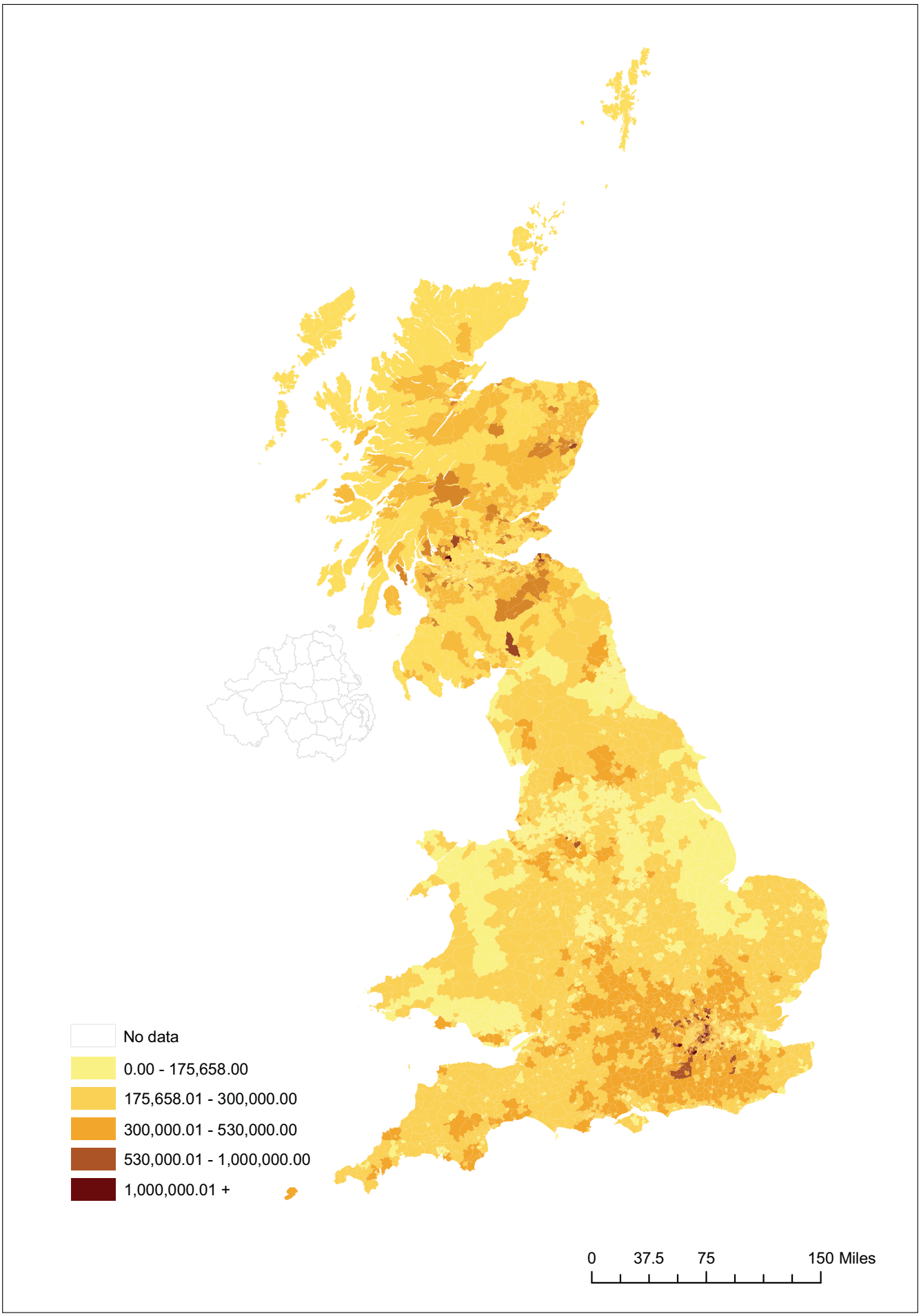
There has been an overall decline in average local authority standardised market rents throughout the UK (–0.5%) between 2009/10 and 2010/11. Most areas, notably the Midlands and the south of England, have a reduction in rents between 2009/10 and 2010/11 reflecting the effect of the property market downturn and more competitive rental markets. There are, however, areas showing an increase in standardised market rent (although for less than 3%) such as the West Midlands, the north of England, western Scotland and the north east of Scotland where property costs were lower than the south of England and potentially experiencing less impact on rental values.

With the exception in Scotland, house price affordability ratios had generally reduced and acute affordability problems remained in southern England, North Yorkshire and the Lakelands.

Despite the economic downturn and the overall drop of house price levels, house prices remain high resulting in continued housing affordability issues for people on low and middle incomes. By calculating the ratio of house price to household income, a crude measure of housing affordability can be calculated (although England has a different definition from Wales and Scotland[9]). In 2009, the ratio between prices to income for Great Britain was seven times in 2009, down from 7.7 in 2008, implying marginal improvement in housing affordability. The ratio has fallen slightly for England from 8.1 to 7.3 and Wales has a bigger drop from 6.5 to 5 between 2008 and 2009. However, Scotland is the only place that has experienced an increase in price to income ratio from 4.4 to 5.2.

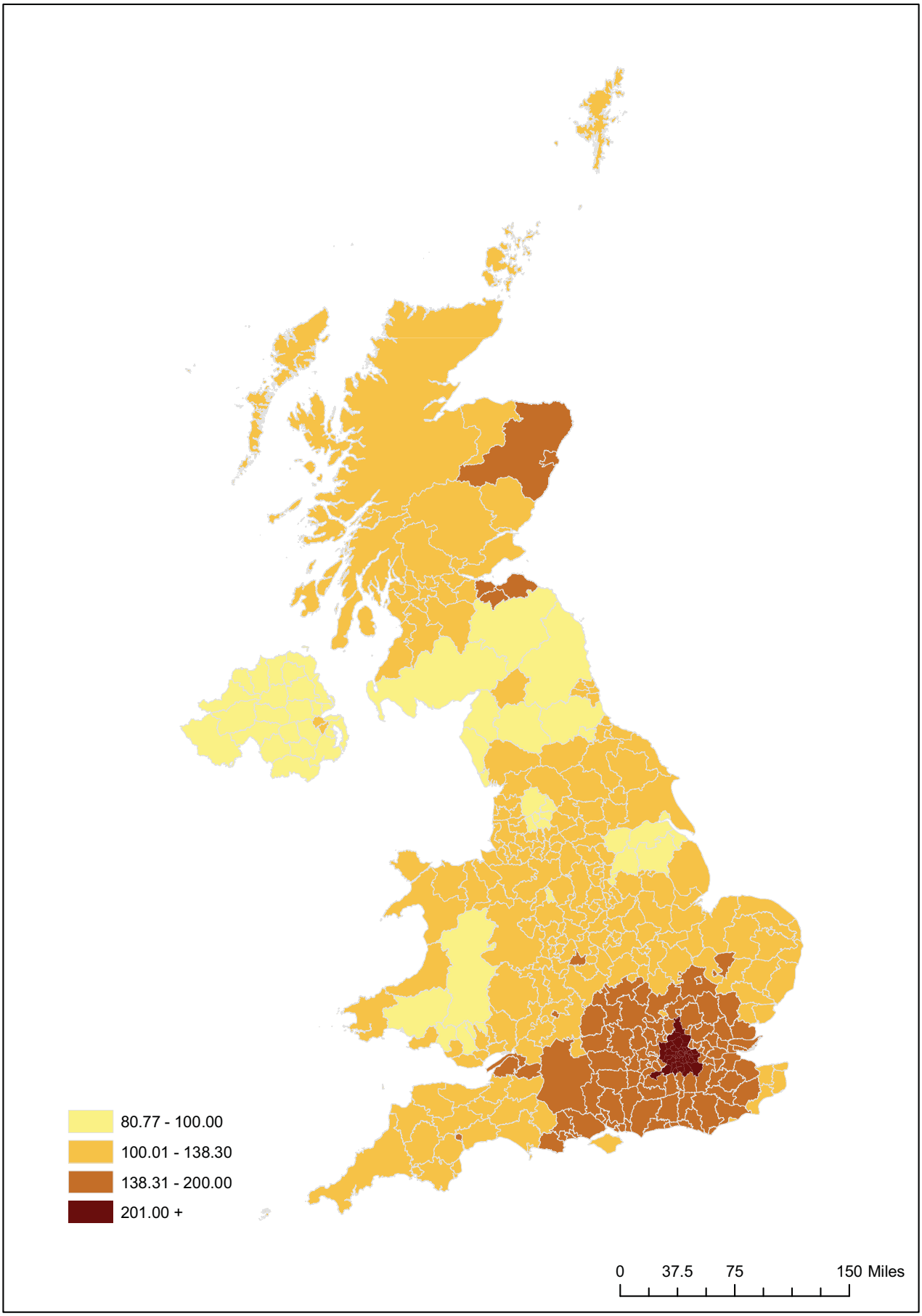
High levels of price to income ratio are mostly found in the South East, South West, East and West Midlands. However, North Yorkshire, the Lakes and Cumbria also stand out in the north with major housing affordability problem. For most areas in the UK, house price to income ratio has reduced, suggesting slight improvement over affordability. There are nevertheless some exceptions, notably in London and parts of Scotland. Affordability problems are acute in most areas in Scotland, reflecting a different stage of the

Figure 17: Average standardised house price, 2009



Source: CLG (2011); Scottish Government (2011b); WAG (2011)

Figure 18: Standardised market rents, per week, 2010/11



Source: Scottish Government (2011b); Rent Service Scotland (2011); Valuation Office Agency (for England) (2011); NIHE (2011a); Rent Officers Wales (2011), WAG (2011)

market cycle, particularly those within commuting distance of urban centres such as Aberdeenshire, Moray and Scottish Borders. In Wales, the mean-based ratios fell across the board, reflecting the weak economic conditions. The mean affordability ratio for Northern Ireland was 7.96 for the period 2007–09. The lowest ratio in Northern Ireland was Larne's 5.5, while the highest was Belfast at nearly 11.3. It is well known that after 2008 house prices fell further in Northern Ireland than anywhere else.

Housing supply

Volatile housing starts in England and total new starts in UK had halved during the economic downturn, resulting in sluggish private sector new starts and slow increase in social sector new builds. Major housing supply pressure was found in outer urban commuting belts and strong projected household growth in England and Northern Ireland.

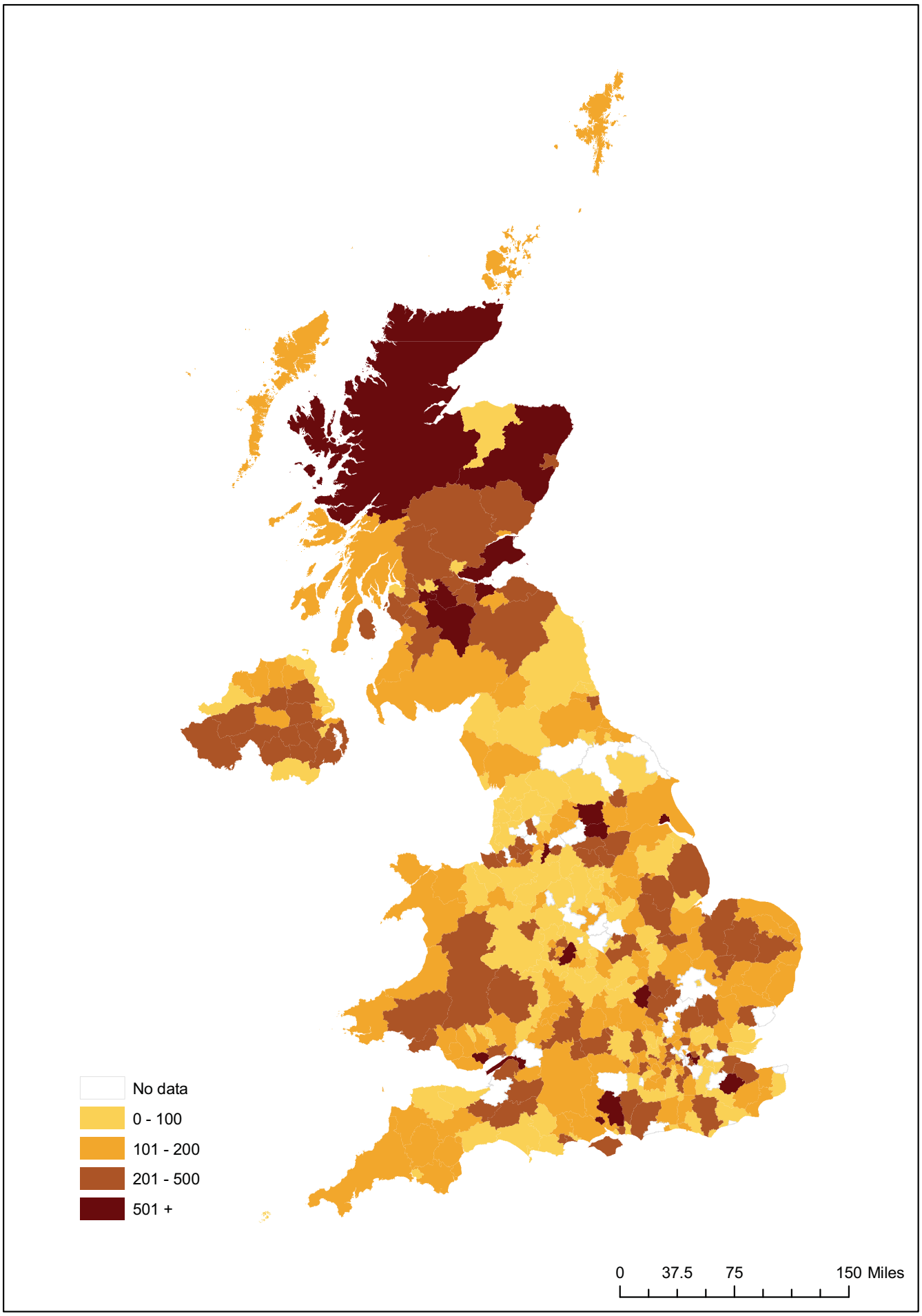
During the economic downturn, the number of new housing starts in the UK reduced by 50.8% between 2007 and 2009. England recorded a fall of 53%, while Wales had a drop of 54% and Northern Ireland 42.4%. Scotland, however, had the lowest level of reduction by 40%. Most new-build starts in the UK are for market housing (homes for private sale) and are undertaken by the private sector (about 80%) with only around 20% undertaken by housing associations (2008 figures). Scotland, however, has different new-build start patterns from the rest of the UK, with less private sector housing (73%) and a larger proportion provided by the social sector (26.3%). Government policy in Scotland thereafter strengthened the social build share by in 2008–09 and 2009–10 by a range of policies, such as council house building, accelerating public funding for housing associations and, later, forward funding for social housing in response to the recession in the private sector, although it was recognised that this would only be a temporary precedent The average number of new-build starts across the UK during the period 2001 to 2009 was 193,515 per annum, well below the 240,000 per annum target set by the previous Labour government for England alone. New build starts in England, Wales and Scotland in 2009 represent the lowest levels recorded during the 2001–09 period. Likewise, the average annual housing completions across the UK during 2001 and 2009 was 192,222 and the number fell significantly by 32.1% in the year between 2007 and 2009.

The impact of the recent economic downturn is also evident in the decrease in private sector housing completions. Between 2007 and 2009, private sector housing completions decreased significantly to 92,530 units in England (–39.2%), 5,450 in Wales (–40.1%), 11,450 in Scotland (–47.1%) and 8,090 in Northern Ireland (–36.1%). More importantly, there were hardly any private sector house building activities in 2009/10. The average UK local authority saw 200 new builds, with higher averages seen in Scotland (over 400 units). Northern Ireland and Wales both had an average of 200, while housing starts in England were at 173 which was below the UK average.

New private sector house building was particularly high in Scotland, with over 2,000 units in Glasgow, and over 1,200 units in South Lanarkshire and Aberdeenshire, which mirrors the stronger housing markets witnessed in many parts of Scotland (see Figure 19). Winchester and Birmingham had the highest levels in England with over 1,000 units, while Cardiff (917) had the highest levels in Wales and Fermanagh (454) had the highest in Northern Ireland. New private sector housing levels were lowest in the rural areas of Northern England and the Midlands. Out of 326 English local authorities, only 24 showed an increase in private sector new build starts between 2007/08 and 2008/09, only a few Scottish local authorities, no Welsh authorities and only one Northern Irish authority reported an increase in private new build activities. There is little evidence that substantial increases in private sector investment in housing will be achieved in the short to medium term.

Turning to social housing supply, most social sector completions were concentrated in Scotland, the outer boroughs of London and a few authorities in the east and south west of England. No new social sector housing was built in 106 English local authorities (the English local authority average was 50 units) in 2009/10, while Scotland had the highest average social new builds by local authority (at 180) compared

Figure 19: New-build housing – private sector, 2009/10



Source: CLG (2011); NIHE (2011a); WAG (2011); Scottish Government (2011b)

with the UK average of 58. Northern Ireland (33) and Wales (23) had below UK average levels of new social sector housing being built. Glasgow built 1,575 new social sector homes in 2009/10, over three times higher than the highest local authority in England (480 in Peterborough), while Belfast had the highest in Northern Ireland at 240 and Cardiff at 101 in Wales. However, there has been an increase in new social housing starts between 2007/08 and 2009/10. In England there was a 48% increase in social sector housing starts, in Wales 12% and Scotland 1%. In Northern Ireland, the picture of new social housing starts has been highly variable but with an overall increase of 39% between 2007/08 and 2009/10. However, in view of the current government imperative on reducing public spending, this activity level in the social housing sector throughout the UK may be under threat.

The ratio of households to dwellings[10] is an important indicator in the long-run models of housing supply and affordability. In 2009 the UK average of 0.98 suggests that there is a generally tight balance of housing. England (0.98) and Wales (0.98) are generally experiencing higher levels of housing demand than Scotland (0.94) and Northern Ireland (0.94). The spatial pattern suggests that the main outer urban commuting belts are experiencing the most pressure while the more rural coastal areas of the UK may have an oversupply of housing. The areas with the highest levels of pressure are in London where the boroughs of Camden (1.15) and Westminster (1.13) have the highest ratios.

Housing supply will be further pressurised in the UK when taking into account the potential demand from projected household growth between 2008 and 2033, with average local authority household growth of 24.6%. The highest growth is being projected for England (26.6%), particularly in the East Anglia local authorities such as Colchester (50%), Suffolk Coastal (46.3%) and Ipswich (45.4%). Wales has the lowest projected growth (10.5%) in the UK, but contains wide variations from 41.6% growth in Cardiff to a 1.6% decline in Torfaen. Scotland's growth (18.6%) is more evenly spread across different local authorities. A decline in growth is projected for Inverclyde (–5%) and slow growth is projected in East Dunbartonshire (1%) and Argyll & Bute and West Dunbartonshire at 4% each. Most areas in Northern Ireland (average 18.7%) are projected to see double-digit growth between 2006 and 2023, apart from Coleraine (7.4%) and North Down (7.6%).

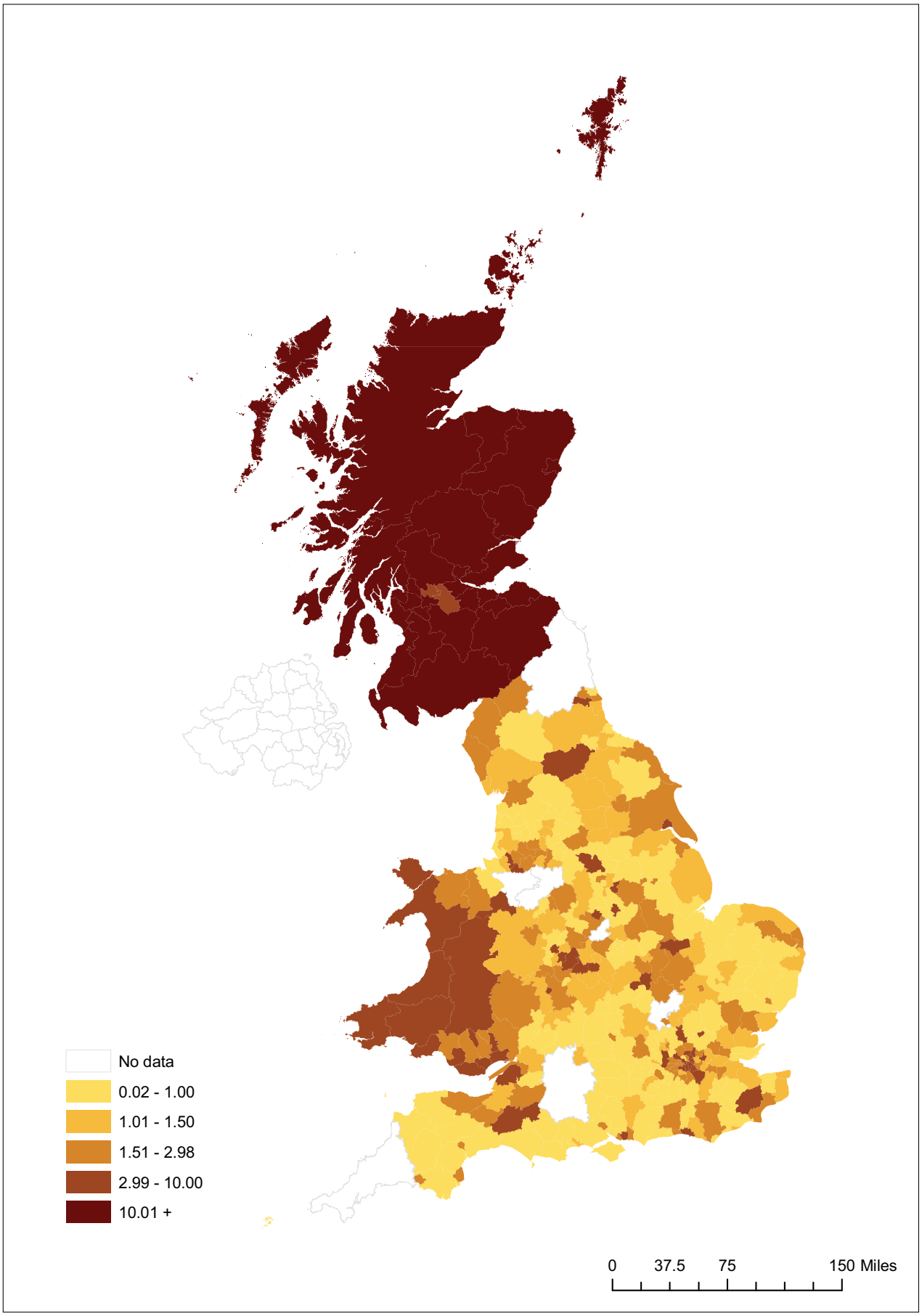
Housing pressure

Homeless distribution differed from that of affordability and the overall level has slightly declined, reflecting wider social causes and policy regimes rather than just housing market outcomes.

Homelessness,[11] standardised as showing the number of households accepted as homeless by local authorities per 1,000 households, measures the stress on housing supply and the wider community. The pattern of homelessness across different areas of Great Britain in 2009/10 (see Figure 20) differs from the picture of affordability problems, which probably reflects the wider social causes of homelessness rather than just the outcome of the housing market. In England, the average local authority level of homelessness was 1.6 per 1,000 households, with Greater London and urban areas in the East Midlands and North West having higher levels of homelessness. Wales had an average homelessness rate of 3.9 with homeless levels more evenly distributed throughout the country. Scotland's broader definition of homelessness explains the reason that its local authorities had the highest average homelessness rate in the UK at 16.6. Urban areas in Scotland tend to suffer a higher level of homelessness than the rural areas.

The average local authority level of homelessness in Great Britain went down by 1.21 per 1,000 households between 2007/08 and 2009/10. English local authorities saw the largest decline in homelessness (–1.43), with the decrease evenly spread throughout the country, although significant declines were found in urban areas such as Salford (–8.6) and Islington (–6.0). Scotland saw a decline of its homeless level of 0.43, with decreases found in both urban and rural areas such as North Lanarkshire (–13.8) and Scottish Borders (–7.8). Wales saw a slight increase in homelessness (+0.56), mainly in the

Figure 20: Number of households accepted as homeless by local authorities per 1,000 households, 2009/10



Source: CLG (2011); WAG (2011); Scottish Government (2011b)

southern and central parts of the country. In Northern Ireland there was a decline of 1.9% between 2007/08 and 2009/10 (no data was available at local authority level).

Areas with highest social rents also had highest land values, particularly in southern England, but lowest in Scotland and the rent levels had generally increased across England and Wales.

Housing affordability in the social sector is measured by examining housing associations' weekly rent of 'general needs' lets in 2009/10. As expected, social rents peak in and around Greater London where land values are highest, followed by the South East and parts of the South West. The remaining areas of England, along with Wales, Scotland and Northern Ireland, have much lower levels of social rent compared with the Greater London area. The average weekly social rent in Great Britain's local authorities is £72.9, with England having a slightly higher average rent level of £75.3 followed by Wales (£63) and Scotland (£52.1). The highest weekly social rents are found in the London boroughs of Camden (£111.2), Hammersmith and Fulham (£107.3) and Westminster (£106.8). The lowest weekly social rents are found in the Scottish local councils of Moray (£40.5), East Lothian (£42.5) and Angus (£46.2).

Social rent in English local authorities increased by an average of 5.9% between 2008/09 and 2009/10 and the increase was widely dispersed across all regions, albeit with a slight trend towards higher increases in urban areas than in rural areas. Wales saw an even larger local authority average increase in social rents (+8%) in most parts of the country, while Scotland saw a slight decrease in average social rent levels (–0.1%), with only Renfrewshire and Edinburgh seeing slight increases. However, data for a number of Scottish local councils was unavailable, thereby affecting the overall average figure.

Socio-economic conditions

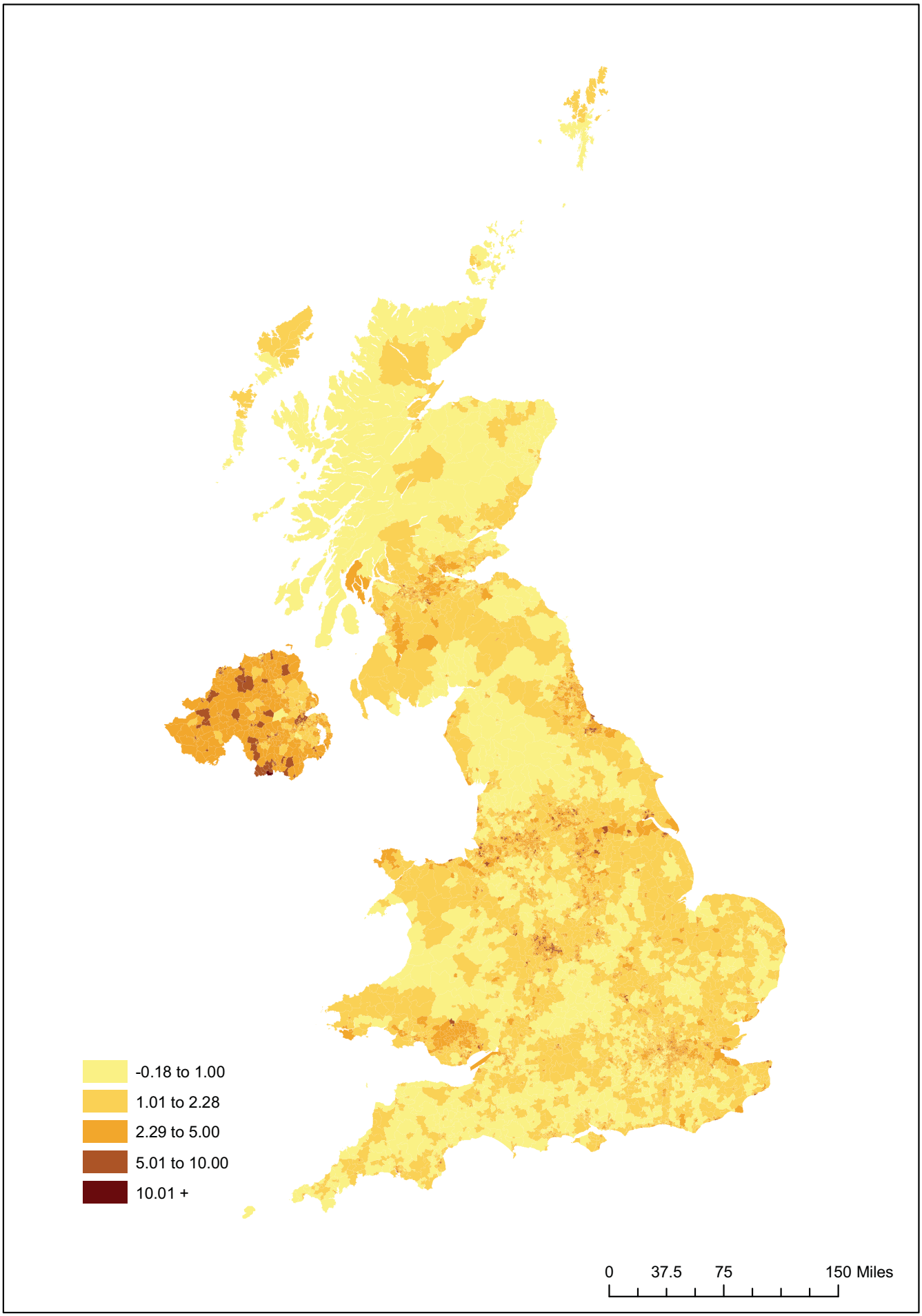
Economic downturn results in increased unemployment rates and economic inactivity rates across the UK, especially in urban areas of northern England and Northern Ireland, although inactivity rates were also up in some rural areas in England and Northern Ireland.

The UK unemployment rate, based on adjusted trend data, has continuously declined between 2001 and 2008, decreasing to a low of 2.4% in 2008 (see Figure 13). The economic downturn has, however, resulted in increased unemployment rates across the UK with the average rate reaching 4.9% in 2010. Similar to its trends of house price change, Northern Ireland experienced the sharpest fall in the unemployment rate before the recession, from 5.0% in 2001, to 2.7% in 2008, followed by a major rise to 6.2% in 2010.

The percentage of people claiming Jobseeker's Allowance is used to measure unemployment and social distress at the neighbourhood level. English neighbourhoods had the lowest average rate (3.4%), followed by Wales (3.5%), Scotland (4.1%) and Northern Ireland (5.4%) in 2009/10. Unemployment levels above the UK average (3.7%) were found in coastal areas, inner city areas, the Welsh Valleys, the central belt of Scotland and large parts of Northern Ireland. The highest unemployment rates of over 16% were found in four neighbourhoods in Northern Ireland. The UK unemployment level rose from 1.4% to 3.7% (+2.3% point) between 2008/09 and 2009/10, with England seeing a rise of 2.1% point, Wales an increase of 2.2% point, Scotland a rise of 1.9% point and Northern Ireland a rise of 4% point (see Figure 21). In England, the greatest increases were found in urban areas of the northern regions. Increases in Scotland were largely focused on the central belt, and Wales saw increases in some of the northern and southern areas, while most Northern Ireland experienced saw significant increase.

The level of labour market activities is further ascertained by measuring the percentage of working-age population (16–64 years old) who are economically inactive (often due to sickness or disability). Economic inactivity rates in 2009/10 varied widely across UK local authorities, from 10.8% in Ryedale (North Yorkshire) to over 37.9% in Omagh (Northern Ireland). Scottish local authorities had the lowest average level of inactivity at 21.6% compared with 22.2% in England, 27.4% in Wales and 28.9% in Northern

Figure 21: Unemployment rate change, 2008/09–2009/10



Source: ONS (2011)

Ireland. Local authorities in England with the highest inactivity rates tend to be inner London and major urban areas in the northern regions. In Wales, rates over 30% were largely concentrated in the north of Cardiff; while in Scotland only Glasgow had an over-30% rate. There was an overall increase in average local authority economic inactivity rates throughout the UK, ranging from 3% point in Wales and 2.9% point in Scotland and 2.5% point in England and Northern Ireland[12] between 2007/08 and 2009/10 (see Figure 22). In England, the greatest increases are seen in urban centres outside Greater London along with smaller increases in a number of rural areas, particularly in the South West and the north. In Northern Ireland, Castlereagh, Coleraine and Craigavon all saw increases greater than 13% point.

Economic growth dynamics

Significant variations in employment rates across the UK and Scotland had the highest level while Northern Ireland suffered most from the economic downturn.

The average local authority percentage of working-age population (16–64 years old) in employment in the UK was 71.7% in 2009/10. Average local authority employment rates of Scotland (72.9%) and England (72.1%) were above the UK average, but Wales (66.4%) and Northern Ireland (65.7%[13]) were below the national average. In English local authorities, the highest employment levels were found in the shire areas of Ryedale (86.1%), Purbeck (83.8%) and East Cambridgeshire (81.7%), while inner London (Newham 56.1%; Haringey 59.4%) and urban areas in the Midlands (Nottingham 56.7%; Birmingham 59.4%; Sandwell 59.9%) and along the M62 corridor (Manchester 58.3%; Liverpool 60.2%) had the lowest rates. Lower employment rates were common across many areas of Wales, while Scotland had significant variations between its urban (Glasgow 62%; Dundee City 68.6%) and more rural areas (Shetland Islands 86.1%; Highlands 81%). Northern Ireland experienced the most extreme variations, with Limavady (51.3%) showing the lowest employment rate and Castlereagh (81%) the highest.

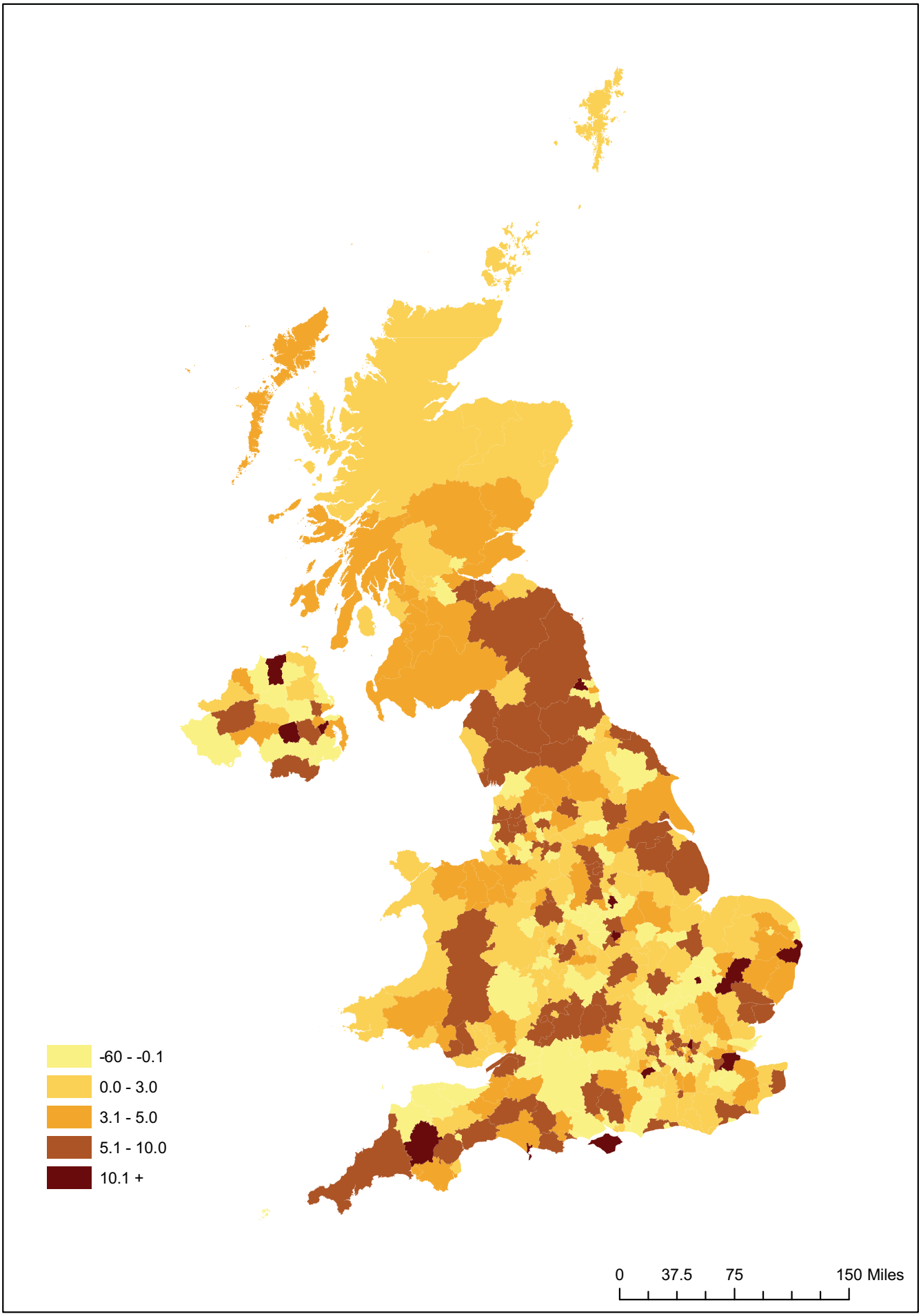
Between 2007/08 and 2009/10, average local authority employment levels in the UK decreased from 75.3% to 71.7% (–3.8% point). England saw the smallest decrease (–3.9% point), followed by Wales (–4.7% point) and Scotland (–4.8% point). Northern Ireland saw its employment rate improve the most between 2004 and 2008, rising from 66.7% to 70.3%, but was hit the hardest by the economic downtown, dropping to 65.7% (–5% point) in 2009.The largest increase in employment rates was found in West Somerset (+12.1% point) and Dartford (+11.5% point), while the greatest decrease was found in the City of London (–24.1% point) and Cookstown (–16.1% point).

Most of Greater London saw a rise in new enterprises despite an overall UK decline between 2007 and 2008, with Northern Ireland seeing the sharpest decline; and areas with high business start-ups also had the highest level of business failures.

English local authorities had the highest rate of new enterprise start-ups (births per 1,000 employees) at 9.2 in 2008 (compared with the UK average of 8.7), followed by Northern Ireland (7.6), Wales (7.1) and Scotland (6.5). Local authorities with high levels of enterprise dynamics tend to concentrate in Greater London such as Wandsworth (20.2) and Harrow (18.9), followed by the South East and the East Midlands (see Figure 23), which mirror the patterns of high levels of employment rate and the stronger housing market performance in these areas. The lowest rates of new enterprise development were found in the shire areas of Durham (1.2), Cornwall (1.2) and Northumberland (1.5) in England. Enterprise activities within Wales, Scotland and Northern Ireland tended to be at the lower level. Most local authorities in Greater London, such as Barking and Dagenham (3.9) and Newham (3.8), actually saw a rise in new enterprises despite the overall decline in the UK.

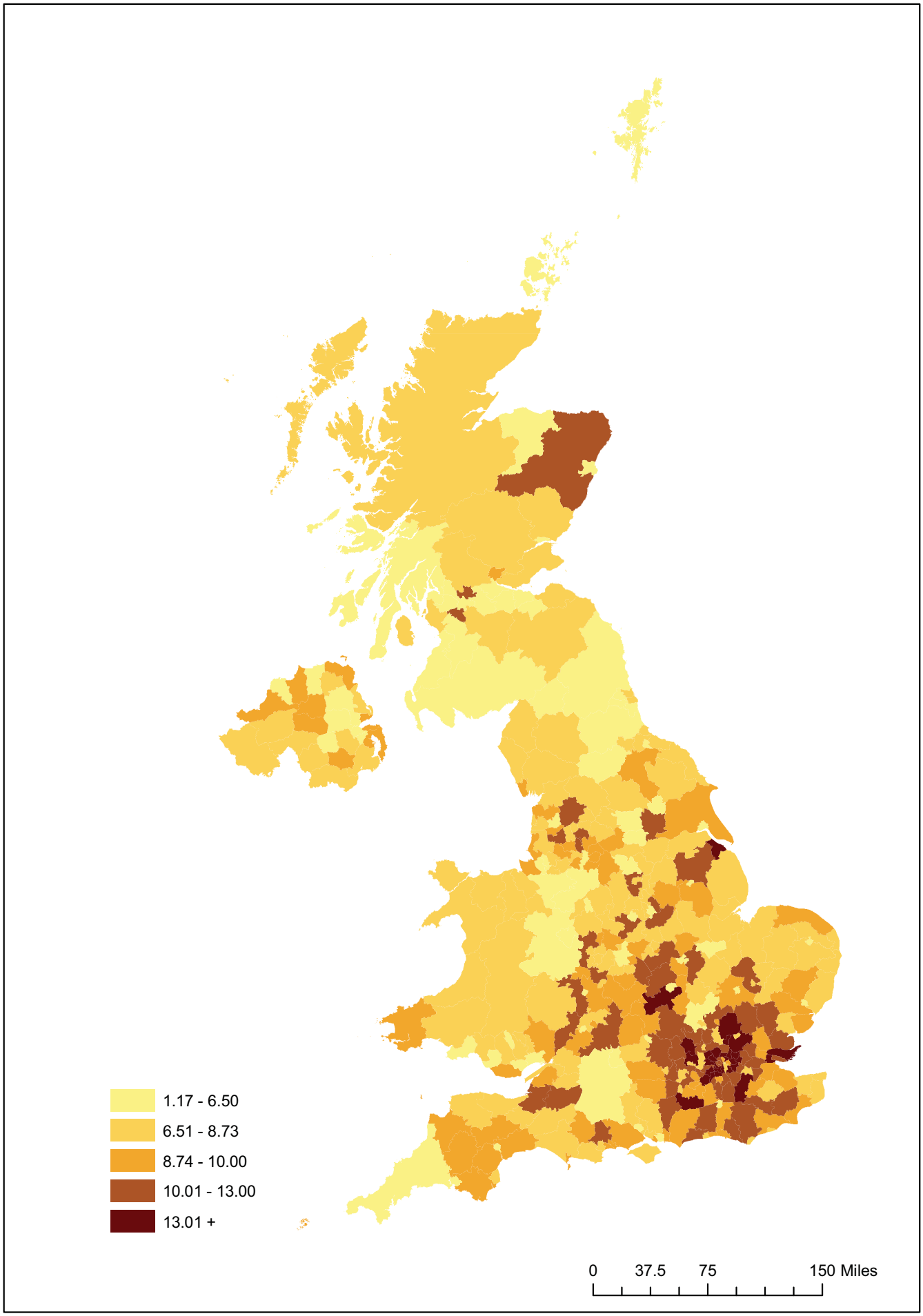
Enterprise closures in England were highest in urban areas, with the highest failure rates found in the London boroughs of Barnet (16.4) and Harrow (15.6). In Wales, the Vale of Glamorgan (8.8) had the highest rate of enterprise closures; high levels of business failure also occurred in East Renfrewshire (9.1) in Scotland and Moyle (9.0) in Northern Ireland. The closure rates have marginally gone down in England,

Figure 22: Economic inactivity rate change, 2007/08–2009/10



Source: NOMIS (2011)

Figure 23: New enterprise start-ups, 2008



Source: NOMIS (2011)

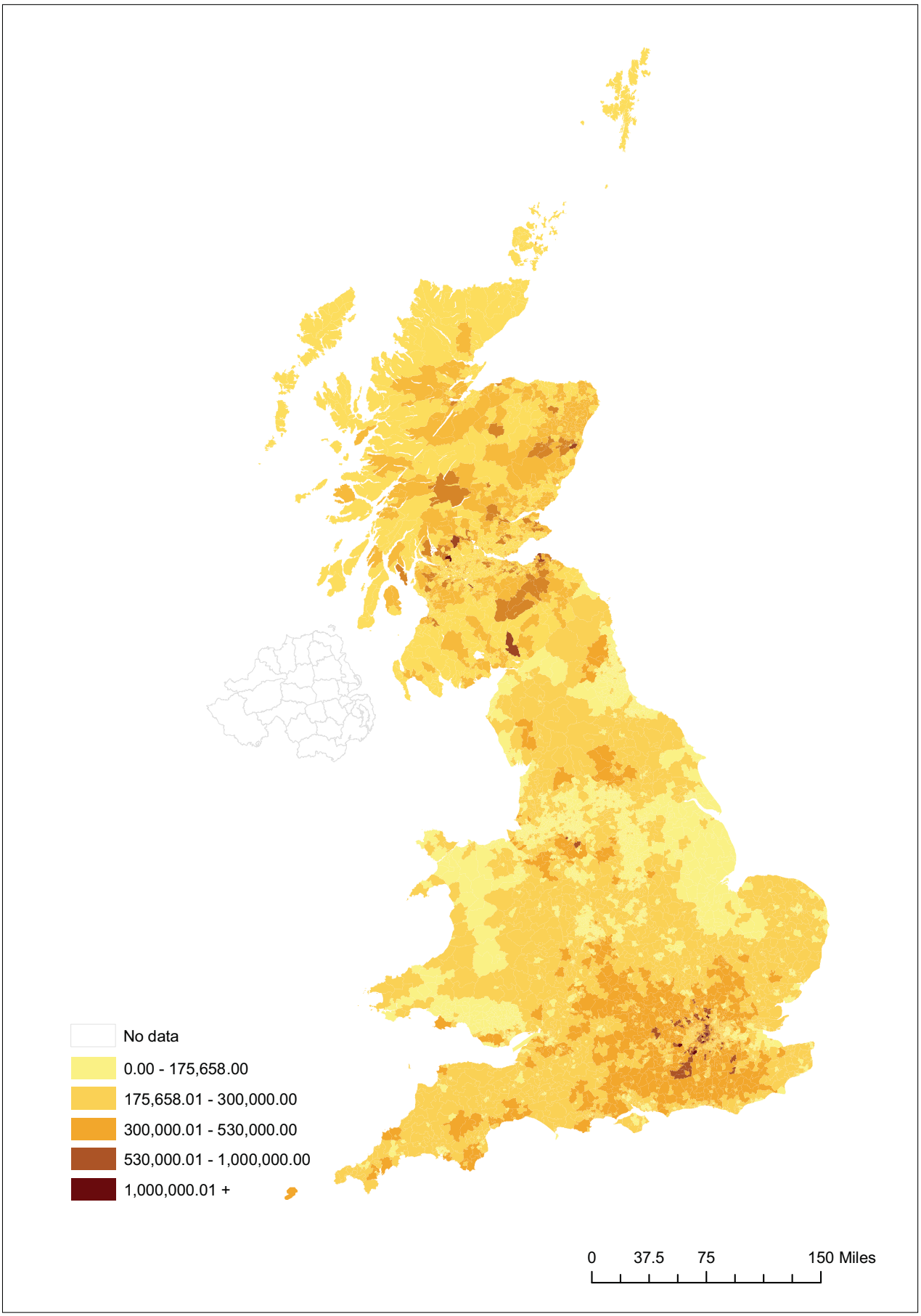
but slightly gone up in the rest of the UK. In England, enterprise closures were largely concentrated in the northern regions. However, the spatial spread of business closure is more evenly spread in the other three countries.

Education qualifications as well as the improvement patterns vary widely in England. The range of education achievement tends to be more narrowed in Wales and Northern Ireland.

Secondary school qualifications not only serve as an important indicator of the quality of potential workforce to the local labour market, but also provide a broad measure of the quality of local secondary schools which is widely seen as a factor affecting household choice of residential location at the neighbourhood level and house prices (Gibbons and Machin, 2008). Figure 24 shows the percentage of students achieving five or more A*–C grades at GCSE level and the equivalent level in Scotland. The average GCSE student achievement level across the UK was 68.1% in 2008/09. However, education qualifications varied widely in England (70.4%), with concentrations of high and low figures in particular areas, ranging from 100% in some neighbourhoods of Kensington and Chelsea, Newcastle upon Tyne, Camden, and Brighton and Hove, compared with those with less than 30% passes in parts of Peterborough, Leicester, Leeds and Bassetlaw. Both Northern Ireland (64.8% to 77.5%, average of 70.1%) and Wales (41.4% to 67.4%, average of 57%) had a narrower range of performance. Scotland (58.3%) had marked variations in the attainment level from 45.3% to 76.5%, with Dundee City and Glasgow City achieving less than 50%.

The average education qualification across the UK had improved by 10.1% point between 2006/07 and 2008/09. Attainment levels also improved in Wales (+3.0% point), Scotland (+2.1% point) and Northern Ireland (+5.5% point), but neighbourhoods in England (+12.6%) saw a mix of experiences, ranging from sharp rises to decreases in attainment levels. A number of local neighbourhoods, including some in Eastbourne, Wandsworth, Wycombe and Doncaster, saw a drop of GCSE pass level by more than 25% point. Conversely, a neighbourhood in Salford and in Scarborough saw a significant improvement of over 50% point. Flintshire in Wales, Eilean Siar in Scotland, and Limavady and Castlereagh in Northern Ireland each had an increase in attainment of over 10% point.

Figure 24: Percentage of students achieving five or more A*–C grades at GCSE level and the equivalent level in Scotland, 2008/09



Source: England: Department for Children, Schools and Families (2011); Wales; WAG (2011); Scotland: Scottish Government Education Directorate (2011); Northern Ireland: Northern Ireland Neighbourhood Information Service (2011)

Appendix II

Index data sources

Housing Market Index (HI-Mkt)	
House Price, 2009	Source: CLG (2011); Scottish Government (2011b); WAG (2011)
House Price Change, 2005-2009	Source: CLG (2011); Scottish Government (2011b); WAG (2011); Northern Ireland Housing Executive (2011)
Affordability Ratio, 2009	House Price Data Source: CLG (2011), NIHE (2011a), Scottish Government (2011b), WAG (2011). Household Income Data Source: England and Wales: ONS (2011); Scotland: Scottish Neighbourhood Statistics (2011); Northern Ireland: Northern Ireland Neighbourhood Information Service (2011).
Market Rent, 2010/11	Source: Scottish Government (2011b); Rent Service Scotland (2011); Valuation Office Agency (for England) (2011); NIHE (2011a); Rent Officers Wales (2011), WAG (2011)
Housing Supply Index (HI-S)	
Household Dwelling Ratio, 2009	Source: CLG (2011); Scottish Government (2011b); WAG (2011); Northern Ireland Housing Executive (2011)
Private Sector New Build, 2009/10	Source: CLG (2011); Scottish Government (2011b); WAG (2011); Northern Ireland Housing Executive (2011)
Social Sector New Build, 2009/10	Source: CLG (2011); Scottish Government (2011b); WAG (2011); Northern Ireland Housing Executive (2011)
Socio-economic Conditions (NI-SE)	
Population Change, 2008-2023	Source: ONS (2011)
Deprivation: England (2007), Wales (2008), Scotland (2009), Northern Ireland (2010)	Source: England: ONS (2011); Wales: WAG (2011); Northern Ireland: Scottish Neighbourhood Statistics (2011); Northern Ireland: Northern Ireland Neighbourhood Information Service (2011)
Economic Inactivity Rate, 2010	Source: NOMIS (2011)
Unemployment Rate, 2009/10	Source: ONS (2011)
Economic Growth Dynamics (NI-EG)	
New Enterprise Start-ups, 2008	Source: NOMIS (2011)
Enterprise Deaths, 2008	Source: NOMIS (2011)
Employment Rates, 2009/10	Source: NOMIS (2011)
GCSE Student Achievement Level, 2008/09	Source: England: Department for Children, Schools and Families (2011); Wales; WAG (2011); Scotland: Scottish Government Education Directorate (2011); Northern Ireland: Northern Ireland Neighbourhood Information Service (2011)

Notes

1 Details of the 13-fold 2001 ONS Area Classification and how it is used in this report are detailed in Section 3: Fragility and Recovery by Neighbourhood Types. These 13 area groups include: (1) Thriving London Periphery ; (2) Regional Centres; (3) Prospering Southern England; (4) Prospering Smaller Towns; (5) Northern Ireland Countryside; (6) New and Growing Towns; (7) Manufacturing Towns; (8) London Suburbs; (9) London Cosmopolitan; (10) London Centre; (11) Industrial Hinterlands; (12) Coastal and Countryside; (13) Centres with Industry.

2 Borrowing by councils that is supported by grants would normally count as capital spend within the controlled departmental expenditure limit for Scotland. Agreements at the time of devolution in 1999 mean that the borrowing slips through as (in effect, uncontrolled) annual managed expenditure. This also applies to other council borrowing for intermediate rent projects that are underpinned by a public loan guarantee.

3 The Barnett formula is a mechanism used by the Treasury to adjust the amount of public expenditure allocated to the devolved administration of Northern Ireland, Scotland and Wales. The adjustments for Scotland and Wales reflects changes in public expenditure in England and are apportioned to Scotland and Wales roughly on the basis of population shares; while adjustment for Northern Ireland is based on changes to programmes comparable to Britain.

4 Each nation develops individual indices of multiple deprivation and therefore IMDs are not comparable between nations. Furthermore, similarly constructed IMDs cannot be compared between two time periods. IMD scores for each area are relative to the other areas and therefore it is not possible to determine whether a change in deprivation score is an actual change or whether it has gone up or down as a result of another area's score increasing or decreasing.

5 English Section 106 planning agreements are legally binding contracts generally entered into between local councils and developers that require developers to make a reasonable financial or practical contribution to a community in order to compensate for the burden of development or to deal with existing problems in the area as a condition of planning permission.

6 NIMBY: Not in my back yard acronym. A term used to describe opposition by local people to development in their neighbourhood.

7 The Economic Deprivation Index is constructed using indicators from the Income and Employment components of the Index of Multiple Deprivation and has been constructed in a consistent way at Lower Super Output Area (LSOA) level in order to allow comparison across time.

8 Standardised house prices are created using mean house price data from the Land Registry recorded at postcode sector level. The house prices are adjusted using dwelling stock information on factors such as dwelling type and number of bedrooms obtained from the census to calculate the predicted price of a standardised dwelling (e.g. a three-bedroom 1980s-built semi-detached house with single garage and average size garden).

9 Different definitions of affordability are used between UK countries. In England, the lower quartile price to lower quartile income measure is used. This is the preferred measure, but is not available in Scotland or Wales. In Scotland, the median house price to median household income ratio is used, and in Wales

the mean price to income ratio is shown. In Northern Ireland, the measure of affordability represents the ratio of mean, mix-adjusted house price to mean, gross household income for the period 2007–09 (i.e. it is a three-year average).

10 The household to dwellings ratio has been used by the Department for Communities and Local Government and the Scottish Government over recent years. The underlying logic is that house prices come under stronger upward pressure in areas with a high ratio of households to dwellings. An overall score of 1 means there is an approximate balance between demand and supply, whereas a number higher than 1 indicates excess demand over supply, which is likely to result in higher house price growth and pressures for additional housing.

11 Homelessness definitions vary in each country with some, for example Scotland, adopting a broader definition than others. Therefore, the data between different countries in the UK cannot be directly compared.

12 For Northern Ireland, the figure is for change of economic inactivity rate between 2007 and 2009.

13 Data for 2009 only.

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