

Housing and neighbourhoods monitor

UK-wide report

November 2009

Analysis of trends in housing and neighbourhoods and how these interact across different parts of the UK.

The Housing and Neighbourhood Monitor (HNM) brings together key spatial statistics to provide a longitudinal and cross-country overview of contemporary changes to the UK's housing and neighbourhoods and an assessment of progress against key Government policy objectives. Following political devolution in 1999, the relevant policy frameworks now vary across the different jurisdictions of the UK.

The HNM:

- focuses on how housing issues interact with wider neighbourhood characteristics;
- identifies major policy outcomes of housing and neighbourhood change by performing analysis of cross-cutting themes and highlighting key policy implications;
- covers both the macro spatial level of the UK and the micro level of neighbourhoods/local authority districts.

The website, www.hnm.org.uk, enables readers to access and interact with the maps and charts to support further analysis.

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Executive summary

The housing and neighbourhoods monitor (HNM) seeks to make a unique contribution to the understanding of the interaction between housing and neighbourhoods and the consequence of shaping spatial change across different parts of the UK through analysing key housing and neighbourhood statistics. Its purpose is to enable people to understand how housing and neighbourhood trends are changing.

There are a number of contributions of the HNM that set it apart from other statistical reports:

- It is a UK-wide monitoring exercise, reflecting developments in England, Wales, Scotland and Northern Ireland.
- The spatial scales of analysis cover both the macro-spatial level of the UK and the micro level of neighbourhoods/local authority districts.
- The analysis is not just related to individual housing or neighbourhood indicators, but considers how housing issues interact with wider neighbourhood characteristics to affect the overall trajectories of different types of neighbourhood across the UK through the analysis of area typologies.
- It identifies major policy outcomes of housing and neighbourhood change by performing an analysis of cross-cutting themes and by highlighting key policy implications.
- It is also supported by a new website – www.hnm.org.uk – which enables readers to access the maps and charts to support further analysis.

Neighbourhoods are here defined as the bundle of spatially based attributes (for instance, the layout of streets, public spaces, local schools and convenience stores) associated with clusters of residences, sometimes in conjunction with other land use (Galster, 2001). This definition puts housing at the centre of the neighbourhood, but at the

same time recognises the importance of different neighbourhood characteristics (with different spatial boundaries) that matter to residents when choosing a location to live in.

While acknowledging that there is not an ideal set of neighbourhood boundaries, it is important to identify the most robust spatial building blocks from which to collect indicators. The analysis is further complicated by the varied statistical geographies for the statistical reporting of ‘neighbourhoods’ across the UK. The HNM has to take different geographies from each of the four constituent countries of the UK and use these as the basis for data analysis and comparison. These are as follows (more detailed explanation is provided in Appendix A):

- Middle Layer Super Output Areas in England and Wales (the minimum is 5,000 people and the average is 7,200);
- Intermediate Geography in Scotland (2,500–6,000 people);
- Super Output Areas in Northern Ireland (1,300–2,800 people).

Due to the different data collection practice across the UK, there are instances where data is not available at these different spatial levels for various jurisdictions. However, as far as possible, data has been collected at comparable geographies to support local analysis. When neighbourhood-level data was not available, local authority district data was collected to measure the wider spatial context of the neighbourhood.

The starting point for analysis of the indicators in this HNM is 2008. For trend analysis across the four countries in the UK, we review the last ten years. For trends, it is important to use adjusted time series data to ensure meaningful and consistent comparison. However, these were not always available for 2008 at the time of writing and so the HNM uses the latest adjusted data available.

The analysis is therefore supplemented by commentaries on more recent developments from other unadjusted data sources where appropriate.

Trend analysis

The HNM provides trend analysis of economic and demographic change and the overall performance of the UK housing market that informs housing and neighbourhood developments across the UK. The analysis here led us to the following key conclusions. Demographic change is a key factor underpinning both changing housing demand and neighbourhood dynamics. Between 1981 and 2007, the UK experienced an 8.2% increase in total population. Net increase through migration (regional and international) accounted for over half of the population increase in the UK in 2007 and accounted for most of the population growth in Scotland and over four-fifths of population increase in Wales. International migration has played a particularly significant role in population gains made across the UK but especially England.

Household numbers in Great Britain increased by around 24% between 1981 and 2006 and are projected to increase by a further 28% by 2031. This high growth trend is evident in England and to a lesser extent in Wales and Scotland. This suggests that the high level of housing demand pressure being placed on housing markets across the UK as a result of new household formation and net migration gains is likely to continue in the future.

The collapse of the global financing system has contributed to a fall of 17% in average house prices since the housing boom in the autumn of 2007 and recent GDP figures suggest that the UK economy contracted by 5.2% between the third quarter of 2008 and the third quarter of 2009. In terms of the local economic climate, the analysis reveals that in terms of relative labour productivity only England has consistently outperformed the UK average and improved its relative productivity steadily. Scotland experienced relative decline in the late 1990s but has slowly improved its position since the late 2000s. In contrast, Wales and Northern Ireland experienced steady decline in labour productivity between 1997 and 2005. In light of the analysis of labour productivity it is perhaps unsurprising to find that England and Scotland experienced the highest

rates of small firm births across the four countries. There has, however, been a general improvement in the survival rates of VAT-registered businesses between 2002 and 2006 across the four countries.

In terms of the labour market, employment and unemployment trends suggest that there has been an economic convergence between the four countries in recent years. The average employment rate for the working-age population in the UK remained around 74% between 2004 and 2008. From peaking in 1993, unemployment was in continuous decline across the four countries until 2007 and was capped below 4%. However, this trajectory has changed following the emerging world financial crisis and recent data shows that by August 2009 unemployment in the UK had climbed to 7.9%, the highest level since 1996. This reflects the increasing pressures being exerted on the labour market as a result of the global economic downturn.

The functioning of the housing market is also a key factor underpinning neighbourhood development. At the peak of the housing boom in the autumn of 2007, the average house price in the UK was around £223,000. However, since the economic downturn in 2007, house prices have been falling rapidly, although the impacts have varied between areas and between different types of property within the same location. Overall, the regions that experienced the greatest increase in house prices between 1991 and 2007 are now experiencing the greatest level of decline.

The effective supply of housing is critical for the healthy functioning of the housing market and for tackling affordability problems. Housing stock in the UK increased by 12.2% between 1992 and 2006. Most new build starts in the UK were for market housing by the private sector (nearly 90%) and only around 10% of new builds were for housing associations. The policy push towards increasing housing supply to overcome the problem of housing affordability has resulted in a rising trend in the number of housing completions since 2001. However, the housing downturn in late 2007 in terms of both private demand and lending has halted this trend, suggesting that levels of new housing completions in the short to medium term will be lower than for the period 2001 to 2007. Coupled with a projected increase in household

numbers to 2031, lower housing completion levels mean that affordability problems are likely to continue as the housing market recovers in the future.

The boom in the housing market since 2000 has meant that policy-makers have placed increasing emphasis on offsetting problems of affordability. The gap between mortgage costs to income ratios has widened over the years between first-time buyers and moving owner-occupiers, and in particular, for those in Northern Ireland, Scotland, Wales and North East England. On the whole, differential affordability between different parts of the UK has been narrowed for both first-time buyers and moving owner-occupiers. However, first-time buyers have been subject to higher mortgage advance ratios than moving owner-occupiers, which suggests that first-time buyers have been experiencing significant housing affordability pressures.

The broad trends of statutory homeless acceptances are very similar across England and Wales. The rise and fall of homeless acceptances tended to swing more dramatically in England, reflected in a dramatic increase of homelessness of 33,590 households between 1997 and 2003 (with more than 130,000 recorded homeless in England in 2003). Likewise, Wales experienced a 134% rise between 1997 and 2004 but this declined by 37% in 2007. In Scotland, the number of people in temporary accommodation increased by 114% between 2001 and 2007. However, the underlying cause of this trend rise is likely to differ from those witnessed in England and Wales and is probably related to the fact that the statutory safety net in the housing market in Scotland is more extensive and more generous than in England and Wales.

Recent trends in dwelling standards and environmental quality suggest impacts on the quality of life. The standard of dwellings has been improving across the UK most likely as a result of the introduction of a common Standard Assessment Procedure (SAP) by the UK Government as well as country-specific housing standards. SAP ratings across the four countries have improved over recent years. Although new housing quality standards appear to have had a positive effect on the quality of dwellings, there is no consistently collected data to show the

progress towards achieving these standards, which demonstrates the need to adopt a more rigorous approach to collating information on improvements in housing and environmental quality.

Housing indicators

The analysis of key housing indicators presented here indicates that:

- The housing to household ratio in a large share of the UK's main urban and commuter areas shows a tight balance or shortage of housing.
- Within the UK, there is considerable difference in projected household growth – Scotland lags behind the rest of the UK. There is further differentiation at regional and local level, for instance, high growth is projected in Eastern England and in cities such as Manchester, Leeds and parts of Inner London. High growth is also predicted for the areas that form the suburbs of Belfast.
- The spatial pattern of private sector new build is highly dispersed, with growth nodes around Bristol, Norwich, Birmingham, Manchester, Leeds and specific London boroughs. Several Scottish and Northern Irish councils also have relatively high levels of new build activity.
- The geographical pattern of social housing new build is concentrated in Liverpool, Belfast, Outer London, Milton Keynes and several Scottish councils.
- A fairly simple place-to-place house price index indicates that Northern Ireland had the highest price increases from 2005 to 2008. The English evidence suggests that the recent price falls have reversed the earlier regional gains from the previous boom period.
- The highest market rents are found in London, the South East and along the M40 corridor. Average market rents are much lower in Northern Ireland. Scottish rents are still nearly £30 a week less than the English average. Scottish rents were sufficiently varied that the

lowest levels were comparable to Northern Ireland and the highest (Lothians) were on a par with England.

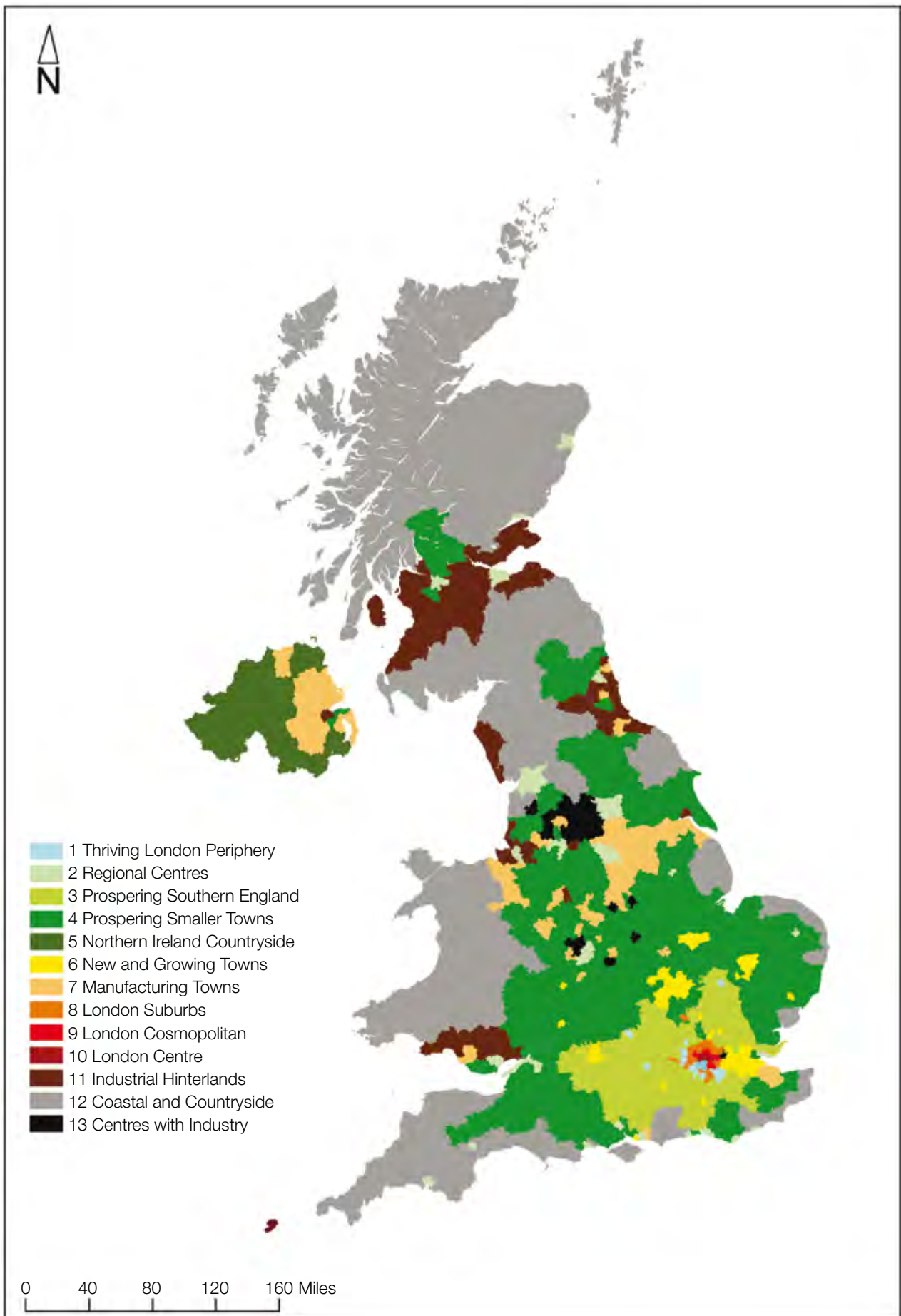
- Social sector rents, consistently much lower than private rents, were highest in London, the South East, the Midlands and East Anglia. There were also pockets of higher social rents in parts of Northern England. In Northern Ireland, social sector rents varied locally by a factor of 100% and were more differentiated than elsewhere.
- Household income varied considerably in the UK, with only England above the average, Northern Ireland well below the average and much more variation in incomes in England and Wales than elsewhere.
- Working with slightly different definitions, policy contexts and data gathering techniques, standardised measures of homelessness indicate higher levels in Northern Ireland than elsewhere in the UK, with England significantly below the average standardised figure. Pockets of urban areas throughout the UK face high levels of homelessness (especially Glasgow, Cardiff, Belfast, Bristol and parts of London).
- Wales and Scotland face easier affordability conditions (various definitions of house price to income for first-time buyers) than is the case in England and Northern Ireland. It appears therefore that on these measures, affordability is less of a problem in many parts of Scotland and Wales (although a price to income ratio is a blunt indicator compared with down payment or deposit constraints facing potential first-time buyers).
- Population growth is projected in Scotland, which is only at 40% of the UK average growth figure. High growth regions will be Northern Ireland, the East of England, the East Midlands, Kent, the South West and North Yorkshire.
- Population density is a crude measure of built form, service viability and living style. Density varies widely, from high density in Inner London to low levels in remote Highland Scotland. The core cities and planned growth areas all have relatively high densities.
- The population in the most deprived areas reflects to an extent the urban footprint, although there are some pockets of rural deprivation apparent in the data. There is a high concentration of deprivation across the M62 corridor, in Tyne & Wear (especially around Hartlepool) and in concentrations in the Welsh Valleys, Belfast, Derry/Londonderry, Crossmaglen, Glenderg and Glasgow.
- Spatial patterns of unemployment were captured prior to the recession. This suggests lower unemployment in England and pockets of high levels in particularly disadvantaged places often in older industrial neighbourhoods and towns.
- Economic inactivity rates suggest a more structural or long-term and enduring set of issues for non-working across different parts of the UK. Over a fifth of those of working age were inactive in the UK in 2008. Scotland had the lowest figure and Northern Ireland and Wales the highest scores. Inner London boroughs had relatively high shares, along with rural and coastal areas across the UK.
- Scotland had the highest employment rate; again, reflecting the previous indicator, the lower scores were found in Wales and Northern Ireland. English employment rates varied considerably with higher rates found in parts of the South and much lower rates in Inner London but also on the M62 corridor between Manchester and Leeds. There was less variation across Wales but more in the case of

Neighbourhood indicators

The key findings reported in relation to neighbourhood indicators are:

- Projected UK population growth to 2017 will be above average in England and significantly below average in Wales, although the lowest

Figure 5.1: ONS area classifications by local authority districts, 2001



Source: Adopted from ONS 2001 Area Classification (ONS, 2008)

Northern Ireland, with noticeably lower rates on the North West coast.

- VAT registration (birth) rates of new businesses were highest in England, marginally below the UK average in Northern Ireland but below average in Wales and Scotland. Beyond the City, relatively high new firm growth rates were to be found in Inner London and the wider South East but also in Gloucestershire, Hereford, Worcester and North Yorkshire.
- Business failure rates (VAT de-registrations) were relatively low in Northern Ireland and highest in England. Often, it is the areas with high new firm 'births' that also have high levels of failure and this was found in the Midlands, the M62 corridor, Tyne & Wear and the Scottish central belt.
- Secondary school attainment levels indicate a strong performance in Northern Ireland (a different measure is used in Scotland and is not strictly comparable). English evidence suggests strong polarisation of performance, although the best and worst performances were both found in urban locations.
- Standardised domestic burglaries are comparatively rare in Northern Ireland but above average in England. The worst figures were in Greater London, Cardiff, Swansea, Aberdeen and Edinburgh.

Neighbourhood typologies

In Chapter 5, the data was reclassified into a 13-fold typology based on statistical association (reference) (see Figure 5.1, which has been reproduced here for ease of reference). This allowed the research team to examine housing pressure (a composite of problematic scores on housing indicators) alongside neighbourhood quality (a proxy for a cluster of positive neighbourhood characteristics, similarly scored on the neighbourhood indicators).

One of the most interesting findings regarding the interaction of housing and labour markets (Figure 5.4, which has been reproduced here for ease of reference, takes housing pressure on

the horizontal axis and neighbourhood quality on the vertical axis – both are aggregations of the, respectively, housing and neighbourhood indicators) are the 'two Londons' – 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 have rocketed. This, however, creates a paradoxical situation for those living in Inner London as there are still high concentrations of deprived neighbourhoods suffering from poor quality of life as well as severe housing affordability problems. However, their more affluent counterparts in the outer commuter belt, stretching to 60 kilometres outwards (see Wong et al, 2006) from the City of London, are enjoying a higher quality of living. The sustainability of the continuous lengthening of commuting distance is an important future issue.

The relationship between smaller towns is also very interesting. While New and Growing Towns and Prospering Small Towns share many similar characteristics, the growth policy of the former has led to the development of more pressurised housing markets and also lower neighbourhood quality in comparison with the latter. Again, they both perform better than Manufacturing Towns, which tend to be found in Northern England, Wales and the East of Northern Ireland.

It is also worth noting the relative position between Regional Centres, Centres with Industry

Figure 5.4: Housing market and neighbourhood development trajectories



and Industrial Hinterlands. Traditionally, these areas tend to suffer the same level of problems. It is clear, however, that the development trajectories of Regional Centres have been different from their neighbouring industrial areas. The Government's urban regeneration policy over the last 20 years may have, along with market forces, contributed to the success of the larger cities across the UK. While these cities still have deprivation and homelessness issues, their housing and labour markets are performing reasonably well, and there has been an increase in population and an improvement in educational achievement. The advantage of large cities is that they tend to enjoy the positive externalities of an urban economy, while also benefiting from higher education institutions and other infrastructure. The challenge is then how to improve less buoyant neighbouring areas in the wider industrial hinterland and other smaller urban centres.

Reflections on policy performance

The final chapter returns to the main policy questions addressed at the beginning of the report:

Supply

With the strong Government policy push to increase housing supply, there has been a rising trend in the number of English housing completions since 2001. However, the downturn beginning in late 2007 has halted this trend. The implication is that new housing completions are likely to be significantly lower for some years to come.

Despite increasing population and household estimates and clear policy targets for Northern Ireland indicating the need for a vibrant new build programme, there still appears to have been a shortfall in the number of units developed over the last two years by both the private and the social sectors.

Data on the total number of new build starts nationally for Wales between 1991 and 2007 and the balance between household and dwelling numbers suggests that, in the aggregate, housing supply has broadly kept pace with demand for housing over the last two decades or so. Of course, this obscures significant local and regional variations.

In Scotland, the Firm Foundations target for total housing supply involved a step-change of a 50% increase in long-term annual completions. This looked ambitious prior to the downturn; but now with falling industry capacity and expected future reductions in public funding support for new affordable housing, the outlook is comparatively bleak. As with all parts of the UK, key measures that would facilitate the share of new build that would be affordable (public funding, developer contributions and social housing cross-subsidy from sales) are all directly and detrimentally affected by the downturn. The collapse in lending to developers and housing associations, as well as for home-ownership, reinforces the problems facing the sector in the medium term.

Affordability

In England, significant affordability problems were found in the South East and in a number of hotspots in the South West where the price to household income ratio exceeded 10 in many neighbourhoods and did not fall below 6 in any others. The average private market rent level was also highest in England.

Scottish affordability problems, if measured by the ratio used here, are less severe in most places than in other parts of the UK. However, when a broader perspective is taken, considering how many affordable (low cost or below market or social) homes are being added to the stock in order to combat unmet need, there is a growing shortfall. Second, private market renting is less embedded in Scotland, even though it has enjoyed the UK-wide recovery in the sector. Third, the credit crunch has led to higher deposits effectively pricing out many prospective home-owners who could readily afford the repayment on mortgages even if they were at a high loan to value ratio.

Between 1991 and 2007, house prices in Wales increased by over 230% and although average prices remain lower in comparison to other parts of the UK, increases in mortgage costs to incomes for first-time buyers indicate problems of affordability in the owner-occupied sector. Indeed, the ratio-based affordability indicator clearly highlights problems of affordability in Wales, with ratios of between 6 and 10 being commonplace. The Welsh Assembly Government's target of delivering 6,500 affordable

homes by 2010/11 and any future affordable housing target, in addition to problems created by the recession, could be compromised by the absence of an administrative and policy framework at sub-regional level needed to underpin housing delivery. This is particularly relevant for Cardiff and rural areas, which have experienced increased in-migration from England.

The issues facing first-time buyers in Northern Ireland have changed from one of over-inflated prices to a more fundamental problem of people being unable to borrow money to finance house purchase. The level of deposits required has led to some would-be purchasers accessing the private rental market. Although Northern Ireland appears to have a relatively affordable private rental market, it is considerably more expensive renting in the social sector. A significant future challenge is the ability of the private rented sector to provide a longer-term housing solution for those who have been unable to access the market as first-time buyers.

Homelessness

Since the introduction of the 2002 Homelessness Act, a more proactive approach has been adopted to combat homelessness in England. While there has been a significant drop in the number of households placed in temporary accommodation, the success of the Government in achieving its target is debatable given the corresponding drop in the overall number of households accepted as homeless. There is also a concern that the homelessness grant to English local authorities is likely to come to an end in 2011 and this is likely to lead to reduced capacity to tackle the symptoms of homelessness, something worsened by the current economic downturn.

The Welsh Assembly Government's revised *National Homelessness Strategy for Wales* (WAG, 2005) coupled with the *Better Homes for People in Wales* (WAG, 2006) strategy are intended to help address homelessness, in part through the delivery of more affordable housing in both the public and the private sectors. Although there is a high level of unmet housing needs, the total number of homeless households in Wales is comparatively low and is below the UK standardised average. Developing mechanisms to address homelessness in the longer term, as opposed to the short-

term measures currently employed, is crucial if a sustained reduction in homelessness is to be achieved in Wales.

Scotland is on a path of seeking to implement their 2003 homelessness legislation. Government is progressively removing priority need and making other complementary reforms that will radically improve the safety net. The policy faces two key challenges. First, implementation has to be funded across Scotland's local authorities. This is costly, time-consuming and not without risks. A second consequence of implementation is the likely increasing share of new general social housing lets that will go to formerly homeless households, and it is widely thought that this will generate problems among existing communities for housing management across the social sector, particularly in areas of higher demand. Innovative and creative local solutions are being rolled out in the run-up to the 2012 target but these will need to be evaluated and disseminated to overcome the inevitable local difficulties that will arise.

The absence of specific homelessness targets in Northern Ireland differs from other parts of the UK but there is a benefit from homelessness being a core responsibility of the strategic housing authority, the Northern Ireland Housing Executive (NIHE), and part of the waiting list allocations. The numbers of those applying for homelessness status is decreasing but they are still considerably higher in comparison to other parts of the UK. Future policy issues surround the standard of temporary accommodation for the homeless and how to tackle the linkage between wider social issues such as ill-health and homelessness.

Housing and environmental quality

The introduction of major English and UK initiatives such as the Decent Homes Standard, the Lifetime Homes Standard, SAP ratings and eco-towns over the last few years have focused attention on improving the quality of individual dwellings as well as the wider living environment in the neighbourhood. The standard for social housing is being steadily met and often through stock transfer and arm's length management organisation (ALMO) mechanisms, in spite of some concerns about the durability of the standard. The lack of adaptability and flexibility of newly built homes, however, is

seen as problematic and in particular the Lifetime Homes standard does not seem to resolve the problem, leading back to unresolved debates once more over density, new supply levels and improving quality. In spite of significant scrutiny and criticism, the Government recently announced the go-ahead of four eco-towns.

In Scotland, the target date for the Scottish Housing Quality Standard is 2015 and the progress to the target is measured annually. The options are fewer in Scotland (no ALMOs and no Private Finance Initiative/Public–Private Partnership [PFI/PPP] routes) and the short-lived wave of stock transfers has now ended with just a handful of the 32 Scottish councils opting for that route (and all dwarfed by the Glasgow stock transfer). This has led to higher rents to pay for improvements and, probably, a greater appetite for demolition of problematic stock. Attainment of the target is slightly below plan according to the Regulator but the overall policy seems broadly secure at this juncture, six years before the key date. The wider issue of the future relative obsolescence of the stock (as consumer aspirations go on to outstrip what is available across all but the most modern parts or best-quality segments of social housing) is a concern but one tempered by the constraints on both public finance and private borrowing capacity.

The *Better Homes for People in Wales* strategy (WAG, 2006) set out the Welsh Assembly Government's long-term vision that all households in Wales shall have the opportunity to live in good-quality homes. The second Housing Quality Assessment conducted in 2008 found that 50% of local authorities failed to meet the minimum housing quality standard. The agenda of delivering sustainable communities means that the provision of high-quality housing cannot be seen in isolation from the provision of public infrastructure and social amenities in the neighbourhood. Many local authorities have been slow to respond to stock transfer requests and some are still to decide whether they will proceed with transfers. The implication of this is that the Welsh Assembly housing quality target is unlikely to be met by 2012.

The main issue in Northern Ireland surrounds thermal comfort and the grant funding mechanism 'Warm Homes Scheme' that has benefited 70,000 homes since 2001. The focus of this funding has

been reconsidered and will now endeavour to assist those on low incomes to make their homes more energy efficient. The introduction of Energy Performance Certificates in December 2008 should assist to some extent.

Urban and neighbourhood regeneration

In England, a series of area-based regeneration programmes have been introduced through the New Deal for Communities, the National Neighbourhood Renewal Initiative and the Housing Market Renewal Pathfinders. Our analysis suggests that some success has been achieved in large cities, but less so in the wider urban hinterland and northern industrial areas. The issues faced by the industrial heartland and many declining urban areas in Northern England tend to be related to high levels of deprivation and low levels of housing and labour market activities.

There is a continuous challenge to make the connection between housing and neighbourhoods. Housing driven by the private market and, in particular, the most profitable areas of that market, might not necessarily be what individual neighbourhoods require. This may lead to processes of gentrification and this has been identified as a problem in places like London. Similarly, the issue of international migration has also become a major concern in many places. The links between economic development (for example job creation), community cohesion and housing conditions are often not sufficiently stressed.

In Scotland, there is a detailed evidence base now stretching over three decades suggesting that the same areas confront, to differing degrees, the consequences of intergenerational multiple deprivation. While there are important focused policy interventions (the Urban Regeneration Companies, infrastructure spend, and large physical spend programmes such as the Glasgow Housing Association investment), there is scepticism about the impact thus far of Community Planning. To the extent that councils are the appropriate lead agency for regeneration in their own patches and can integrate across a range of physical, economic and social disciplines – time will tell whether this limited double devolution will impact positively and sustainably.

The deprivation indicator reveals that social deprivation is spatially concentrated in the Welsh Valleys. This means that there is a need to connect housing policy with the wider sustainable community development agenda. Traditionally, housing and neighbourhood issues have been tackled separately in Wales. The Welsh Assembly is funding Communities First, a Wales-wide community regeneration strategy to promote community involvement and empowerment rather than physical regeneration. This focus suggests that there is currently a shift under way to bring housing into the focus of Communities First.

In Northern Ireland, the most acute problems appear to be found in rural communities. However, the neighbourhood renewal strategy continues to concentrate its funding on 36 'urban' areas (DSD, 2003). While residential segregation does exist particularly in public sector housing and in interface areas this is a very localised issue and difficult to capture through indicators. Previously there were issues of poor-quality housing, particularly in social housing stock, but this has generally been tackled effectively and, according to the House Condition Survey, the number of unfit dwellings (those not meeting the Decent Homes Standard) fell from 50% in 2001 to 25% in 2006.

1 Introduction: policy and methodological challenges

The Government's preoccupation with housing has shifted from the national issues of housing supply and affordability to one aimed at responding to the symptoms associated with the global financial crisis or 'credit crunch'. At this juncture of unprecedented financial crisis and collapse of the house building industry, home-buyers and certain sectors of the housing market are going through a period of substantial change and uncertainty. The publication of the Joseph Rowntree Foundation's *Housing and neighbourhoods monitor* (HNM) is, therefore, particularly timely as it aims to provide a robust framework to monitor the key housing and neighbourhood trends across the UK and identify areas of key concern for the Government relating to the underlying issues of long-term housing and neighbourhood change. This includes both the immediate financial concerns evident in 2008/09 and the longer-term impact of economic, social and environmental trends on the operation of the house building industry and the housing market across different parts of the UK.

Purpose

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, along with an assessment of progress against key Government policy objectives on housing and neighbourhoods. Rather than simply compiling the statistics, the HNM has a clear objective of connecting analysis with policy-making by tracking progress towards achieving policy outcomes in relation to housing and neighbourhood issues. This involves exploring the data infrastructure in different jurisdictions within the UK, their political contexts, policy agenda and instruments, socioeconomic situations and the views of different stakeholders. Engagement with key stakeholders and policy-makers across the four countries has informed the overall development

of the HNM. The indicators collected for the HNM will also be accessible to different stakeholder groups via an interactive website and through other dissemination activities.

Scope and contribution

The nature of housing issues has changed markedly over the last ten years. There are now less physical problems with housing stock, but more concerns over housing affordability and the external neighbourhood characteristics that accompany housing consumption, as well as increasing concerns about the environmental sustainability of housing. More recently, policy attention has turned to grapple with the impact of the global financial crisis on the collapse of the housing market.

Following political devolution in 1999, the relevant policy frameworks now vary across the different jurisdictions of the UK and there are different trajectories of development in the four national housing markets. It is, therefore, important to identify the value added of the HNM to the wider policy monitoring landscape and debate.

The HNM is intended to provide a unique contribution to understanding the interaction between housing and neighbourhood development and spatial change across different parts of the UK. There are a number of contributions of the HNM that make it different from other statistical reports:

- It is a UK-wide monitoring exercise reflecting developments in England, Wales, Scotland and Northern Ireland.
- The spatial scales of analysis cover both the macro-spatial level of the UK and the micro level of neighbourhoods/local authority districts.
- The analysis is not just related to individual housing or neighbourhood indicators, but considers how housing issues interact with

wider neighbourhood characteristics to affect the overall trajectories of different types of neighbourhood across the UK through the analysis of area typologies.

- It identifies major policy outcomes of housing and neighbourhood change by performing analysis of cross-cutting themes and by highlighting key policy implications.
- It is also supported by a new website – www.hnm.org.uk – which enables readers to access and interact with the maps and charts to support further analysis.

What is a neighbourhood?

There is a lack of clarity of what precisely constitutes a neighbourhood. Many definitions assume that a neighbourhood can be rigidly defined with a set of boundaries and neglect the fact that the local residential environment is defined by a wide range of attributes, each of which has its own spatial boundaries. Definitions of a neighbourhood therefore range from a few street blocks close to people's homes where it may feel safe for children to play to the wider district where major local civic amenities can be accessed. This means that the spatial extent of a neighbourhood may be defined differently by residents and by service providers.

For the purpose of this study, neighbourhoods are defined as the bundle of place-oriented attributes associated with clusters of residences (Galster, 2001). This definition puts housing at the centre of the neighbourhood, but at the same time recognises the importance of different neighbourhood characteristics (with different spatial boundaries) that residents will consider when choosing a location to live in.

While acknowledging that there is not an ideal set of neighbourhood boundaries, it is important to identify the most robust spatial building blocks from which to collect indicators. This is, however, complicated by the varied geographical characteristics of statistical reporting across the UK. The HNM has to take different geographies from each of the four constituent countries of the UK and use these as the basis for data analysis and

comparison. These are as follows (more detailed explanation is provided in Appendix A):

- Middle Layer Super Output Areas in England and Wales (the minimum is 5,000 people and the average is 7,200);
- Intermediate Geography in Scotland (2,500–6,000 people);
- Super Output Areas in Northern Ireland (1,300–2,800 people).

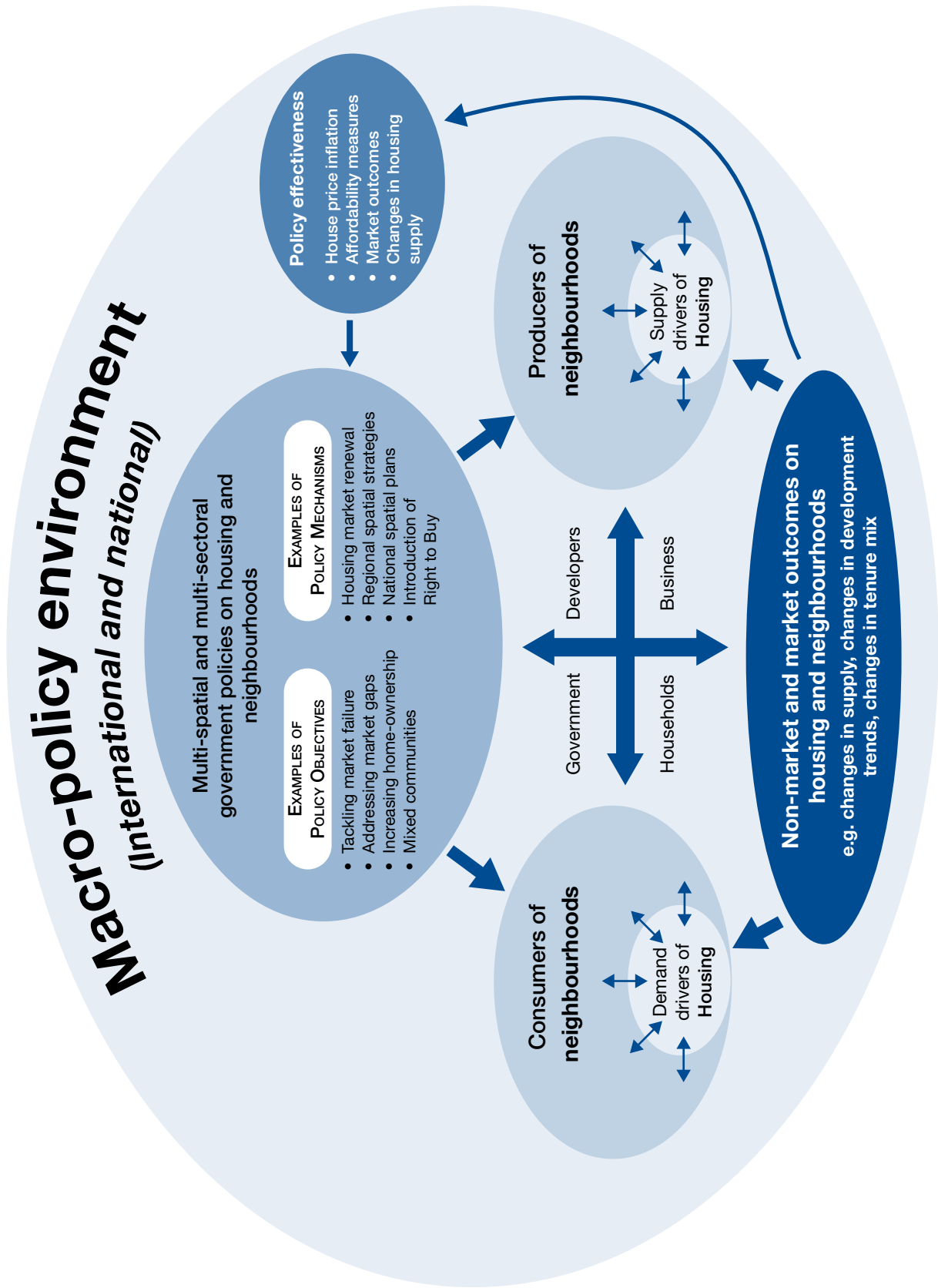
Due to the different data collection practices across the UK, there are instances where data is not available at these different spatial levels for various jurisdictions. However, as far as possible, data has been collected at comparable geographies to support local analysis. When neighbourhood-level data was not available, local authority district data was collected to measure the wider spatial context of the neighbourhood.

The starting point for analysis of the indicators in this HNM is 2008. For trend analysis across the four countries in the UK, we review the last ten years. For trends, it is important to use adjusted time series data to ensure meaningful and consistent comparison. However, these were not always available for 2008 at the time of writing and so the HNM uses the latest adjusted data available. In addition, the analysis is supplemented by commentaries on more recent developments from other unadjusted data sources where appropriate.

Conceptualising housing and neighbourhood change

The central characteristics of a neighbourhood are defined by the presence of housing. A conceptual framework has been developed by the research team (Figure 1.1) to illustrate the strong interaction between housing and neighbourhoods. It shows how the key actors of households, businesses, property developers and the Government affect market supply and demand. These create both market and non-market outcomes (spatial disparity, socioeconomic and environmental consequences), which in turn affect the operation of the housing market and the neighbourhood. These outcomes

Figure 1.1: Conceptual framework of housing and neighbourhood interaction



can then inform the assessment of policy effectiveness and provide a feedback loop to the further development of housing and neighbourhood policies.

Housing has a complex and multifaceted relationship with the wider economy. Since the housing market is situated within a wider spatial context, the framework also places emphasis on examining policy operation at multiple spatial levels. More importantly, the drivers of change to a local housing market and a neighbourhood come from local as well as national forces.

Policy challenges and targets

Trends in housing development and the dynamics of neighbourhood change have been rather different across different parts of the UK. However, the four nations have all faced some common issues revolving around:

- housing supply;
- housing affordability;
- homelessness;
- housing and environmental quality;
- neighbourhood regeneration.

These issues, in a broad sense, could be subsumed within the Government's policy objective of achieving 'sustainable communities'. The discussion here aims to set out the context of housing and regeneration policy priorities, and targets set by the respective governments in England, Wales, Scotland and Northern Ireland as well as some of the policy outcomes, which inform the analysis in this report.

Housing supply

In England, following the 2004 Barker Review of Housing Supply (Barker, 2004), the Government has supported an acceleration of house building. The Office of the Deputy Prime Minister's (ODPM, 2005) *Sustainable Communities: Homes for All* Five Year Plan further explained that the shortage of homes is related to the failure of building enough

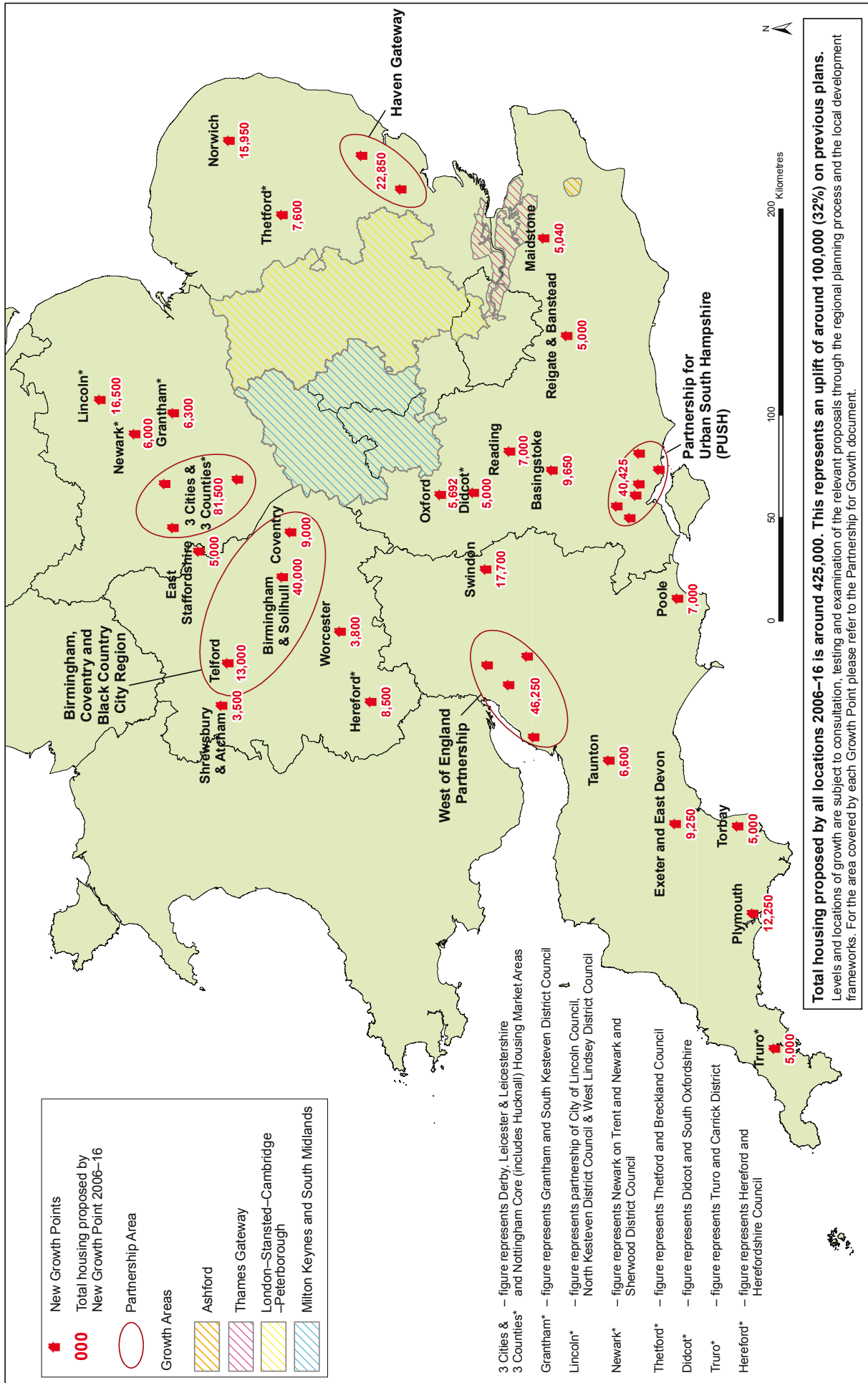
homes in the right places, especially in Southern England. The Government set a target of building 240,000 extra new homes per annum by 2016 and a total of three million homes by 2020.

To achieve the ambitious housing supply target, Growth Areas and Growth Points (see Figures 1.2 and 1.3) are identified as spatial planning instruments. Announced through the 2003 Sustainable Communities Plan (SCP) (ODPM, 2003), the four Growth Areas are Ashford, London-Stansed-Cambridge-Peterborough, Milton Keynes and South Midlands and the Thames Gateway. Along with London, the aim is for these areas to sustainably provide 200,000 additional homes above previously planned levels by 2016. In October 2006, 29 New Growth Points with a wide regional spread covering the East and West Midlands, the East, South East and South West of England were announced. The Growth Points Programme was extended by adding a further 21 local authorities and partnerships as a second round of Growth Points in 2008. The Government's intention is to have an additional 180,000 dwellings by 2016 delivered via these Growth Points.

The Government's housing policy for England is very much centred on the view that home-ownership is the preferred tenure choice (ODPM, 2003). However, there is a sizable question mark over whether the private house building industry has the capacity to deliver all these ambitious growth schemes during such difficult economic circumstances (Parkinson et al, 2009). Economists have noted the asymmetric supply response – inelastic and unresponsive in the boom (hence the stimulus for the Barker Review), yet highly responsive (in a contractionary way) when the market turned down (Pryce and Levin, 2009).

The Scottish Government elected in 2007 made housing supply the centrepiece of its Firm Foundations policy statement. There was recognition that Scotland's housing supply was not responding to house price inflation, particularly in recent years, and that the housing system was not delivering sufficient affordable housing (or housing to meet need). In response, the Government established a target that by the middle of the next decade, typical annual completions would rise from around 21,000 to 35,000. This did not specify the shares of private and affordable housing but

Figure 1.3: Round 2 Growth Points



it was recognised that the absolute size of the affordable new housing sector would need to substantially grow within this step change in output. These ambitious targets were to be achieved through a combination of improved planning, greater use of Section 75 planning agreements for new developments (the equivalent of S106 in England), plans to secure procurement value for money in the social sector and, of course, the underlying economic conditions that facilitate new housing supply. The market downturn has led to a significant reduction in private house building, raising future industry capacity issues and even though public expenditure on new affordable housing has been accelerated to alleviate the crisis, the medium-term prospects are bleak for supply.

In Northern Ireland, the delivery of 10,000 new social and affordable dwellings over the next five years is considered fundamental by the Government to resolving the supply-side deficit arising from the lack of building, particularly in the social sector and affordability issues that have prevailed since 2005 (Northern Ireland Housing Executive, 2008). However, the net stock model produced by NIHE estimates that 3,000 new social dwellings per annum are required to correct the shortfall that occurred over 2001–08. Due to the high demand for social housing and the pressure that this will place on public expenditure, a recent report recommends that there is a need to further investigate the possibility of net stock transfer of public sector stock due to the high maintenance costs associated with the existing NIHE housing stock (OFMDFM, 2009). This represents a major policy shift for Northern Ireland but would bring it in line with the rest of the UK. According to NIHE, the drop in capital receipts, due to the downturn in house prices and land values, raises a major challenge in meeting housing targets (NIHE, 2009). The case has been made for more funding, and in July 2009 a further £20 million was made available from the Northern Ireland Housing Executive specifically for social housing.

While hot spots can be identified throughout the UK where more housing supply is needed, the Council of Mortgage Lenders points out that Scotland and Northern Ireland have the least deficits in terms of housing supply.¹

The rate of new house building in Wales on the whole broadly matches the demand levels (with the exception of part of South Wales), although there is a backlog of unmet demand. Therefore, the housing supply issues in Wales must be examined in connection with housing affordability.

Housing affordability

One recommendation of the Barker Review was to improve the affordability of housing overall in the UK and regionally. Although this increased supply would be largely for home-ownership, the report also argued for an increase in social housing provision, though there was no indication of its required location. The ODPM's (2005) *Sustainable Communities: Homes for All* document committed to increase the annual supply of new social homes by 10,000 per year (50% increase) by 2008, although this is lower than the estimated figure of 18,000 required in the Barker Review to meet new need. In addition, Empty Dwellings Management Orders introduced as part of the 2004 Housing Act are intended to bring approximately one quarter of the usable homes (around 25,000) back into use by 2010.

The National Housing Strategy for Wales, *Better Homes for People in Wales* (NAW, 2001), advocates a balanced approach between supporting home-ownership and the social and private rented sectors. The Welsh housing vision is that everyone in Wales should have 'the opportunity to live in good quality affordable housing; to be able to choose where they live and decide whether buying or renting is best for them' (NAW, 2001, p. 8). However, there is a shortage of affordable rented housing in Wales, partly due to a relatively small social housing stock, exacerbated by Right to Buy sales and a low rate of new builds in the 1990s. The Welsh Assembly Government has a target of building an extra 6,500 affordable homes between 2007/08 and 2010/11. Under the 2006 Government of Wales Act, the Affordable Housing Delivery Statement (AHDS) is used as a key policy tool in achieving this global target through establishing at local authority level a clear four-year target and setting out the various means by which the target will be delivered. Affordable Housing Delivery Incentives (AHDIs) are offered by the Welsh Assembly Government to reward those councils

delivering high levels of affordable housing and who have identified at least five years' supply of available land for housing. The incentive comes in the form of a Social Housing Management Grant. This has generally been used to improve housing management and pilot innovations in housing.

In Scotland, Firm Foundations prioritised measures to enhance affordability. The additional supply targets were perceived to be a market tool to reduce house price pressure in the long term but this was to be set alongside developer contributions to be delivered through local affordable housing policies and a range of measures to widen access to home-ownership (known collectively as LIFT). This included a range of shared equity products, but also a commitment to provide modest grant-in-aid to facilitate new general needs council house building and a pledge to abolish the Right to Buy for new social housing. The Scottish Government also favoured a wider range of housing options to facilitate the housing system and affordability – mid-market rent and scope for social housing developers to sell off some of their stock in order to further mix tenure.

The affordability gap in Northern Ireland has been widening progressively since 2005. By 2007, this became an issue for all local authority areas and hence the Semple Review² was carried out. Even with the decline of house prices throughout 2008, there were still ten local authority areas with an affordability gap of at least £50,000 between household income and house price. In 2008–09, the nature of the affordability problem has changed to one of problems for first-time buyers in accessing loans and raising a deposit (now commonly 15% of the purchase price). Therefore, the policy challenge is about how to create the housing market and mortgage environment where first-time buyers can return to the market.

Developer contributions to help fund the delivery of social and low-cost affordable housing as a policy tool have had varying degrees of success. Northern Ireland has lagged behind other locations in the use of such mechanisms. However, draft Planning Policy Statement 21 (PPS21) (superseding draft PPS14) addresses sustainable development in the countryside and contains some provisions for developer contributions. Ministerial announcements in early 2008 were designed to

pave the way for the wider introduction of developer contributions. Affordability means that the role of the Northern Ireland Co-ownership Housing Association (for the provision of shared equity housing) is increasing. Support for co-ownership is important and often provides the means by which households can move from the private rented sector into home-ownership, most notably for those finding difficulty in raising a deposit for a full equity purchase.

With the current problems surrounding the UK mortgage market, social housing is seen to play a critical role in delivering affordable housing (although it faces its own public and private finance shortages). The issue is whether there are resources to open up opportunities for the social rented sector to make more strategic and longer-term investments (Knight Frank, 2009). A lack of purchasing power and job losses means that the demand for social and private rented housing is likely to increase in the short-term future.

Homelessness

A shortage of suitable housing can lead to individuals and families being without stable accommodation. Since 2002, the Homelessness and Housing Support Directorate of the Department for Communities and Local Government (DCLG) has coordinated Government policy on homelessness in England. The approach has focused on helping the most vulnerable or those considered to be at greatest risk. The Housing Green Paper (DETR, 2000) published in 2000 set out the Government's current agenda for homelessness. These became part of the legislation in the 2002 Homelessness Act. Since this Act came into force, a more proactive approach has been adopted to prevent homelessness. Target setting has continued to be a theme of the Government's approach with regard to homelessness, with a two-year target to end the long-term use of bed and breakfast accommodation for families with children being introduced in 2002, as well as more recently, in 2005 (ODPM, 2005), a target to halve the number of households living in temporary accommodation by 2010.

Since the introduction of the temporary accommodation target, there has been a significant

drop in the number of households placed in temporary accommodation in England. However, this drop is not entirely attributable to homeless households being placed in more permanent accommodation. It correlates with a drop in the overall number of households accepted as homeless (Shelter, 2007). A homelessness grant has been specifically allocated to local authorities to tackle the problem since 2003. In 2007/08, this amounted to £74 million nationally, but this grant is likely to end in 2011.

The 2004 Housing Act in England aims to improve access to the private rented sector through the mandatory licensing of houses of multiple occupation and licensing of private landlords to make letting more attractive for potential landlords. The Act also extends the right of companies that are not registered as social landlords to build affordable homes. It also allows the local authority to act as owners if a property has been empty for a long period of time and if its owners have turned down voluntary offers of help to make it useful again under the Empty Dwellings Management Orders.

It is striking that in the critical area of homelessness, policy has significantly diverged post-devolution, particularly in Scotland where legislation (2003) has led to the development of a stronger and statutory set of protections, to be implemented progressively up to 2012. It does this by removing the category of priority need – essentially increasing everybody's right to a home on presentation of being homeless. Legislation also facilitated this much stronger approach through the possible suspension of local connection referral rules and by lessening homeless intentionality provisions.³

The Welsh Assembly Government published its first National Homelessness Strategy in 2003 (WAG, 2003) to adopt a partnership approach to tackle the continuous rise of recorded and non-statutory homelessness between 2001 and 2004. The revised *National Homelessness Strategy for Wales 2006–2008* (WAG, 2005) builds on the 2003 Strategy and places a greater emphasis on prevention and joint working. The Strategy contains an Action Plan, which sets out a range of additional commitments to be pursued through joint action. Targets for improving performance will be adopted at the local level. The Welsh Assembly Government

will agree individual targets in some areas with local authorities (using policy agreements if appropriate), and with voluntary bodies receiving homelessness grants.

There were a number of headline targets at the all-Wales level to be achieved by April 2008:

- to prevent homelessness among 50% of households who considered themselves as at risk of homelessness;
- to reduce the number of homeless households by 20% from 9,856 in 2004/05;
- to reduce the numbers of households in bed and breakfast accommodation by 50% from 761 in 2004/05;
- to reduce the average length of time spent in temporary accommodation by 20% from 2004/05.

However, the latest available figures showed that 1,334 households were homeless, with 2,823 more in temporary accommodation in 2008. Hence, in summer 2008, the Welsh Assembly Government announced its preparation for a new national 'Ten Year Homelessness Plan' to replace the current National Homelessness Strategy to tackle homelessness.

Homelessness in Northern Ireland has been dealt with by NIHE since 1989. Its first homelessness strategy was produced in 2002 (and is currently being reviewed). Homelessness appears to be a declining problem year on year but of all applications made to NIHE for priority status only 50% are accepted (9,234 in 2007/08 and 8,934 in 2008/09). A Promoting Social Inclusion Working Group report on homelessness was published in 2007 by the Department for Social Development (DSD, 2007). This report contains a range of recommendations particularly aimed at the prevention of homelessness.

Housing and environmental quality

Different housing quality standards have been introduced across the UK. These include the Decent Homes Standard in England and Northern Ireland, the Welsh Housing Quality Standard and

the Scottish Housing Quality Standard. While all these standards focus on provisions in relation to disrepair, modern facilities and insulation requirements, there are some variations in their specification. The Decent Homes Standard in England and Northern Ireland covers a wide range of requirements on health and safety issues. The Welsh standard is deeply entwined with its community agenda, which covers both individual dwellings as well as the wider neighbourhoods. The Scottish standard has more specific requirements over energy efficiency.

In 2000, the Government set the target that by 2010, 95% of social housing will meet the 'decent homes' standard of being warm and weatherproof with reasonably modern facilities. This means that around 3.6 million homes would have work carried out on them. Where local authorities require additional funding in order to meet the Decent Homes Standard, the Government has outlined three options: setting up an ALMO to manage the homes; using the PFI to encourage extra private sector investment; or transferring housing stock to a registered social landlord (RSL). In 2002, a target of increasing the proportion of vulnerable households living in private sector decent homes to 70% by 2010 was added. Overall, there has been some progress on this agenda. Between 2001 and 2008, the number of non-decent homes in the social housing sector reduced by over 50% in England.

The *Better Homes for People in Wales* strategy (NAW, 2001) set out the Welsh Assembly Government's long-term vision that all households in Wales shall have the opportunity to live in good-quality homes. To achieve this, the physical standard and condition of existing housing must be maintained and improved to the Welsh Housing Quality Standard. The target is for all RSLs to adopt the Standard and to devise realistic programmes for bringing all their properties to meet the standard by the end of 2012. In 2008, a second Housing Quality Assessment was undertaken, which suggested that around 50% of local authorities failed to meet the Standard.⁴ Raising the quality of social housing will continue to be a major policy objective in Wales. While the Welsh Assembly Government sees stock transfer to RSLs as being a way of helping to improve housing quality, many local authorities

have been slow to respond to this agenda and some have still to decide whether they will go ahead with stock transfer.

In Scotland, the Scottish Housing Quality Standard (SHQS) was introduced in February 2004. The SHQS consists of five criteria. Dwellings must:

- be above the statutory tolerable standard;
- be free from serious disrepair;
- be energy efficient;
- have modern facilities and services;
- be healthy, safe and secure.

The Scottish Government's target is for all social sector housing to pass the SHQS by 2015. Around 50% of RSL stock is now up to standard although the social sector as a whole is believed by the Scottish Housing Regulator to be slightly behind its 2015 target for all housing to attain the standard. Much of the progress in recent years can be attributed to one landlord – Glasgow Housing Association – which is undertaking a massive programme of capital works across the city. In the last year of data collected, the Association accounted for half of all of the Scottish RSL stock achieving the SHQS.

In Northern Ireland, the number of properties failing the decent homes standard has decreased on the basis of the 2006 House Condition Survey compared to 2001 (32% falling to 23%). Those houses that do not meet the standard mainly fail on the basis of thermal comfort. A key policy objective is, therefore, to tackle the issue of fuel poverty. The Warm Homes Initiative offers grants to encourage better insulation of properties in the private sector with a higher level of grant aid available to older people. The Fuel Poverty Advisory Group in 2007 (DSDNI, 2007) recommended the revision of Warm Homes grant levels to cover the cost of improvements to increase energy efficiency. It also drew attention to the need for a tool to measure the effectiveness of fuel poverty strategies like the one produced by the Centre for Sustainable Energy in England. Currently, the only measure of fuel poverty

in Northern Ireland is through the House Condition Survey.

While unfitness rates in the housing stock are also declining in Northern Ireland, policy challenges surround the higher levels of unfitness in rural compared to urban areas. Also, the problem of unfitness is most acute among vacant dwellings and in older housing stock, raising policy issues regarding the feasibility of bringing such stock back into the usable supply. A major policy challenge centres on the costs incurred by the developer in adhering to the Code for Sustainable Homes, with lower potential returns to the developer acting as a constraint on the overall output and type of property developed. With Energy Performance Certificates a legal requirement for the transaction of a home from July 2008, the challenge is the implementation of this policy in practice and the enforcement of fines where the Energy Performance of Buildings (Certificates and Inspections) Regulations (Northern Ireland) 2008 are not adhered to.

In addition to statutory housing standards, there has been increasing awareness in recent years of the key role that housing plays in the creation of sustainable, healthy and balanced communities. The agenda of delivering sustainable communities means that housing provision should not be seen in isolation from the provision of public infrastructure and social amenities in the neighbourhood or its wider housing market. In addition, new build has been much criticised as being of poor quality and poor design. CABI (2007) in England has championed the need to have good design and a high-quality building and built environment. The lack of adaptability and flexibility of newly built homes, in particular apartments, is seen as problematic and it is unlikely that the application of the Lifetime Homes Standard can resolve the problem. This leads back to the density debate once more and to the need to set minimum size standards. Closely related to the good design agenda is the green agenda of reducing carbon emissions as housing accounts for over a quarter of the UK's emissions. Furthermore, the Government announced its plan to build 10 eco-towns in 2007, which was met with much criticism and scrutiny. In July 2009, the Government announced the go-ahead of four eco-towns across England: Whitehill-

Bordon in Hampshire, St Austell (China Clay) in Cornwall, Rackheath in Norfolk and North West Bicester in Oxfordshire. This first wave of eco-towns is due to be completed by 2016.

Neighbourhood regeneration

Housing is increasingly seen as part of the urban regeneration strategy across the UK. In England, the key objective of the Urban Task Force's *Towards an Urban Renaissance* (Rogers, 1999) is to focus on improving the quality of the physical fabric of the city and promoting sustainable lifestyles and social inclusion in towns and cities. With the rapid increase in the number of projected households, policies must not only find more capacity to accommodate people in urban areas, but also make them more attractive so that people will choose to live within cities. In order to encourage the use of brownfield urban sites and thereby reduce the need to build on greenfield land, the Government set a target of 60% of all new homes to be built on brownfield land by 2008. This target was achieved by 2002 with a figure of 64%. The target refers to the percentage of homes built on all recycled or brownfield land (not just urban) and includes conversions. There has been some debate as to how meaningful a national brownfield target is. For example, London achieved a figure of 87% between 1991 and 1993, but only 37% was achieved in the South West due to a lack of brownfield land. As a result of these disparities, the Government now requires regions to set their own targets in their Regional Spatial Strategies. This national target will be the sum of the regional targets.

The Social Exclusion Unit, established in December 1997 within the Cabinet Office by the Labour Government, published *Bringing Britain Together: A National Strategy for Neighbourhood Renewal* (SEU, 1998). The neighbourhood renewal strategy aimed to develop an integrated and sustainable approach to the problems of people in the most deprived neighbourhoods. This included the introduction of the New Deal for Communities programme, an integrated area-based programme, in 1998 for a ten-year period (with a £2 billion budget). In addition, an £800 million Neighbourhood Renewal Fund (NRF) was established to support 88 local authorities containing the most deprived neighbourhoods

(identified on the basis of the 2000 Index of Multiple Deprivation) for the period 2001-04. Resources are allocated on the basis of needs indices rather than through competitive bidding, but must be agreed by the Local Strategic Partnership.

Under the Government's sustainable community plans, English housing has been seen as part of the urban regeneration strategy. As well as the designation of Growth Areas in Southern England, the Government has targeted areas of urban decline in some lagging regions in the North and Midlands for major redevelopment and the use of brownfield land for house building. In order to address low housing demand, nine Housing Market Renewal Pathfinders were created in the North of England and the Midlands in April 2002. Weak housing markets in these areas were evident through high vacancy rates, low sales values and, in some cases, neighbourhood abandonment. A holistic approach through local pathfinder partnerships was adopted to tackle problems of the economy, environment and housing at a sub-regional level. This in part involved demolition of surplus housing, alongside other measures to make these areas more popular again. An Audit Commission review⁵ into the progress of pathfinders confirmed that over 7,000 new homes have been built or converted over the last six years.

Scottish regeneration policy has seen a series of place-targeted initiatives, often based on deprivation scores. The most recent version of this strategy, which seeks to deliver integrated focused urban regeneration strategies, is the urban regeneration company model. Six areas have been selected including neighbourhoods in Edinburgh and Stirling and the east end of Glasgow but also in coastal Ayrshire. Scotland has also had mixed results with the implementation of Community Planning Partnerships aimed at ensuring wider community involvement in the delivery of public services. A Cities Review in 2002 led ultimately to a Cities Growth Fund that spent more than £170 million between 2002 and 2008, primarily focused in areas such as work to recycle brownfield urban land. A distinctive feature of Scottish neighbourhood policy is the leading role played by local community-based housing organisations (CBHOs). The community and regenerative role of CBHOs was seen to be at odds with the

housing delivery focus of Firm Foundations and there is an undoubted policy tension between the desire to achieve new supply-scale economies on the one hand for affordable housing and the embedding and support of CHBOs in their wider neighbourhood role.

The flagship Wales-wide community regeneration policy, Communities First,⁶ was launched in 2001. This has been the Welsh Assembly Government's main strategy to improve living conditions and prospects for people in the most disadvantaged communities across Wales. It is new and different in a number of ways: it is a long-term programme (for at least a ten-year period); and local people themselves decide what is needed and are helped to make it happen by bringing in funding and support from a range of sources.⁷ The programme initially worked with 142 communities comprising the 100 most deprived wards from the Welsh Index of Multiple Deprivation (WIMD) 2000, 32 pockets of deprivation and ten Communities of Interest. Following the publication of the WIMD 2005, a further 46 areas identified by the Index as being in the 10% most deprived in Wales were invited to apply for inclusion in the programme. There are now a total of 188 Communities First areas, some of which are working with existing Communities First Partnerships for inclusion in the programme. Other larger areas are establishing their own Communities First Partnerships. The focus of the initial strategy was on promoting community involvement and empowerment rather than physical regeneration, although there has been a shift underway to bring housing into the wider neighbourhood policy agendas.⁸

In Northern Ireland, the neighbourhood renewal strategy, People and Place, aimed to target those communities suffering the highest levels of deprivation based on the Noble Index of Multiple Deprivation. From a policy perspective, a multi-agency approach has been adopted to tackle disadvantage and deprivation in all aspects of everyday life. A cross-Government strategy has been adopted to bring together the work of Government departments in partnership with local people. In total, 36 urban areas have been targeted for intervention, with one in six people in Northern Ireland living in the targeted areas. This will be delivered through community

partnership boards. The policy challenge is how to tackle persistent disadvantage in light of tighter public sector spending, the lack of private sector investment and diminishing returns. Government in Northern Ireland has committed to the 'Shared Future' agenda across all departments, led by the Community Relations Unit in the Office of the First Minister and Deputy First Minister. One aspect of this policy is the principle of 'Shared Communities', which resonates beyond the traditional Catholic/Protestant divide to include other ethnic groups. It is hoped that operationalising this strategy will contribute to the enhancement of neighbourhood quality.

Structure of the HNM

This introductory chapter has set out some of the key policy challenges and objectives faced across the UK and the differing approaches in train across each of the four nations to address these issues. Chapter 2 provides an overview of key economic, demographic and housing market trends driving housing and neighbourhood change in the UK since 2001. This trend analysis focuses on examining the changing trajectories of development over the four constituent countries across the UK. Chapters 3 and 4 then provide a more fine-grained analysis of the spatial patterns emerging by mapping a series of key housing and neighbourhood indicators. Where possible, these relationships are analysed at the neighbourhood level to provide a more in-depth understanding of the differential circumstances and policy outcomes across different neighbourhoods in the UK. The analysis in Chapter 5 examines the housing and neighbourhood outcomes of 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. The HNM concludes by summarising the key findings in relation to policy performance and outcomes.

2 Key housing and development trends

This chapter aims to examine the trends of key demographic, economic, labour market and housing indicators between 1991 and 2008 across the UK to highlight the changing trajectories of the housing market and macro-spatial development across each of the four nations. Broadly speaking, the time-span of this analysis takes us up to the key turning point of the credit crunch and global downturn.

For trend analysis across the four countries in the UK, it is important to use adjusted time series data to ensure meaningful and consistent comparison. However, such data is not always available for 2008 and so the HNM uses the latest data available. This analysis is supplemented by commentaries on the latest developments from other unadjusted data sources to give an indication of the precipitous decline in key housing indicators that have occurred since the summer of 2007.

The key indicators included in the analysis were extracted or recalculated from the housing statistics compendia compiled in the annual *UK Housing Review* (CIH/BSA, 2008) and with data from *Regional Trends* (ONS, 2009a).

The trend data covers the demographic and economic context as well as the housing market, namely:

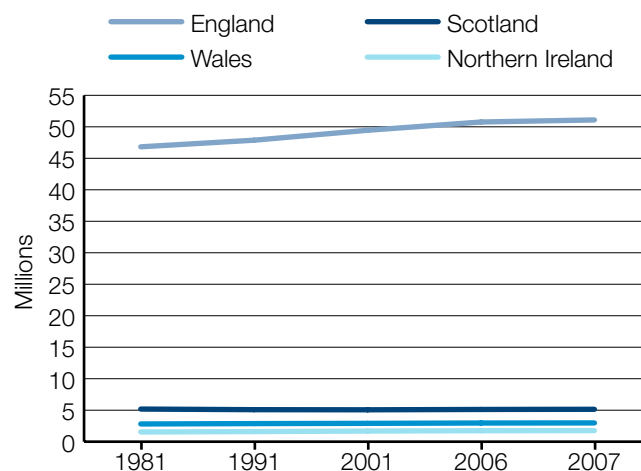
- demographic trends;
- economic climate;
- labour market;
- housing supply;
- house prices;
- housing affordability;
- homelessness;

- housing and environmental quality.

Demographic trends

Demographic changes are one of the key driving factors of changing housing demand as well as a barometer of the dynamics of the neighbourhood. Between 1981 and 2007, the UK underwent major economic restructuring and the total population slowly increased by 8.2% from 56.4 million to just below 61 million. However, as shown in Figure 2.1, the trends of change were rather different across the four countries of the UK. Northern Ireland experienced a continuous upward trend of population increase from 1.54 million to 1.76 million (14% increase). England also had an above UK average level of increase of 9.1%. Wales, however, had a lower level of increase of 5.9%. The most interesting case is Scotland, which continued to lose population (from 5.18 million to 5.06 million) in the two decades between 1981 and 2001, although this trend has reversed since 2001, with the population reaching 5.14 million in 2007. This means that population growth in Scotland has been volatile although ultimately stagnant over the past 25 years.

Figure 2.1: Trends of population change, 1981–2007



Source: ONS (2009: Table 1.2)

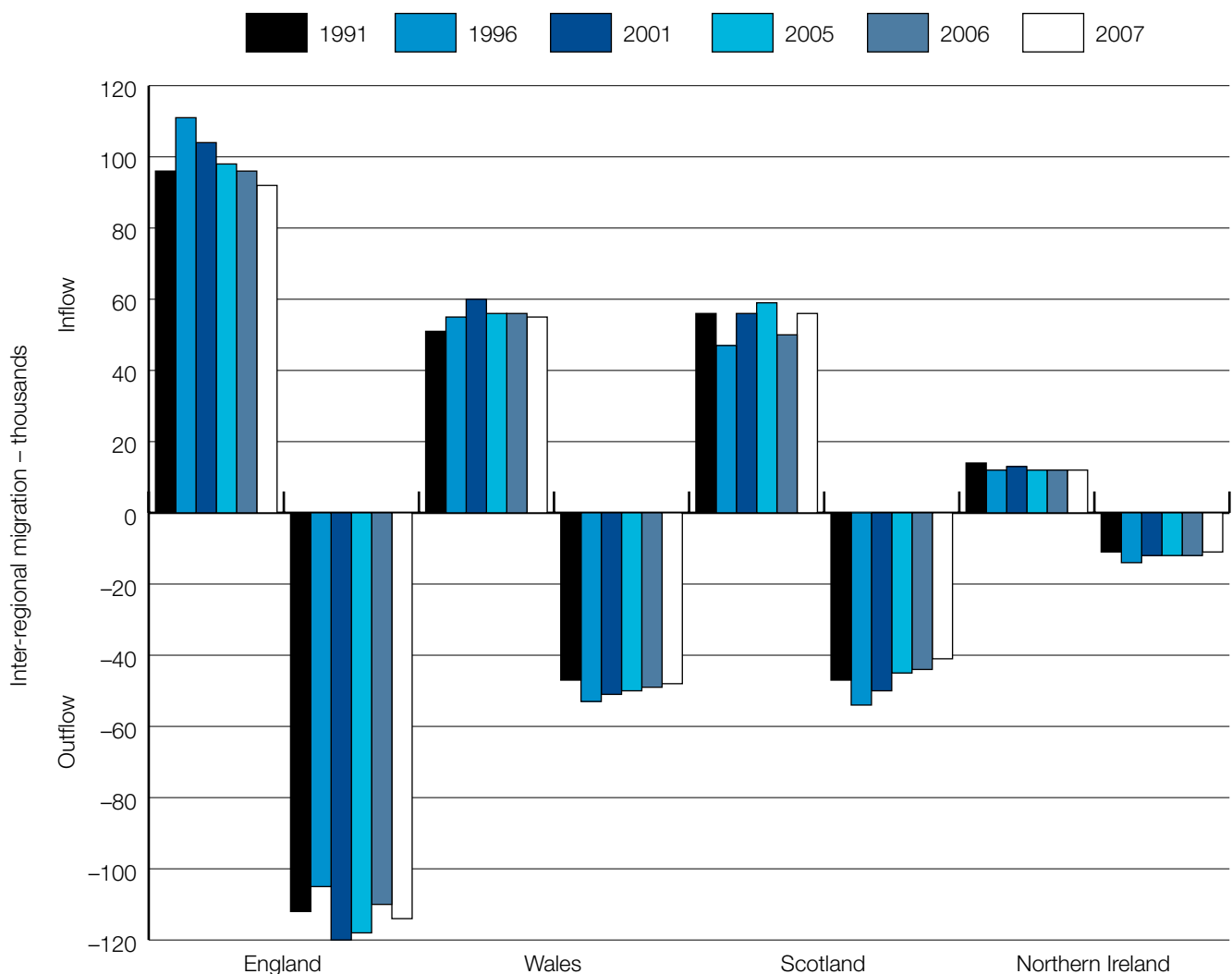
Of the different components of demographic change, migration is the one that can dramatically alter the socioeconomic composition of a neighbourhood and affect the level of demand for housing and the socioeconomic characteristics of a neighbourhood within a relatively short period of time. There has been much debate over the problem of housing gentrification in neighbourhoods through the influx of affluent middle-class residents. Likewise, the flight of residents from a neighbourhood can cause low demand and abandonment, as witnessed in housing market pathfinder areas in the past.

Migration in the UK can be examined in two forms – considering, first, internal migration flows between the four nations, and second, international migration of people moving into the UK from abroad. In recent years, the net increase in inward migration has accounted for over half of

the population increase in the UK (52% in 2007). However, it is important to note that the impact of migration is more profound in Scotland as it more or less accounts for all of its population growth (96%). Similarly, net increase in migration constitutes 84% of the population growth in Wales. The impact of migration relative to natural change is less in Northern Ireland (48%) and England (47%).

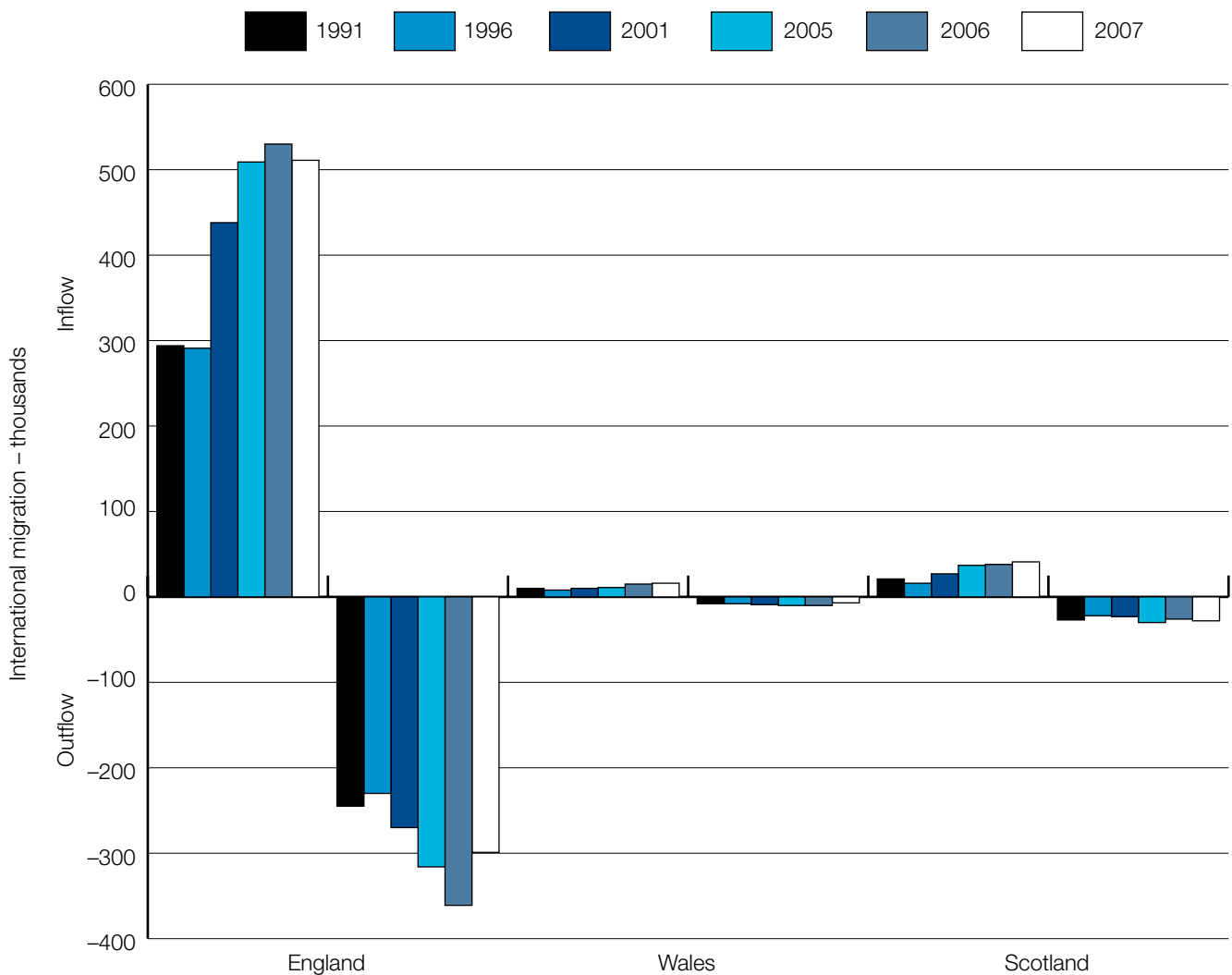
When further examining the nature of migration movement, it is interesting to note that different parts of the UK have experienced very different in and out flows of population (see Figure 2.2). England has been a net exporter of population over the last two decades, while Scotland and Wales on balance have gained population through inter-regional migration within the UK. There has been a more balanced in–out flow of population in Northern Ireland.

Figure 2.2: Trends of domestic migration, 1991–2007



Source: ONS (2009: Table 10.6)

Figure 2.3: Trends of international migration, 1991–2007



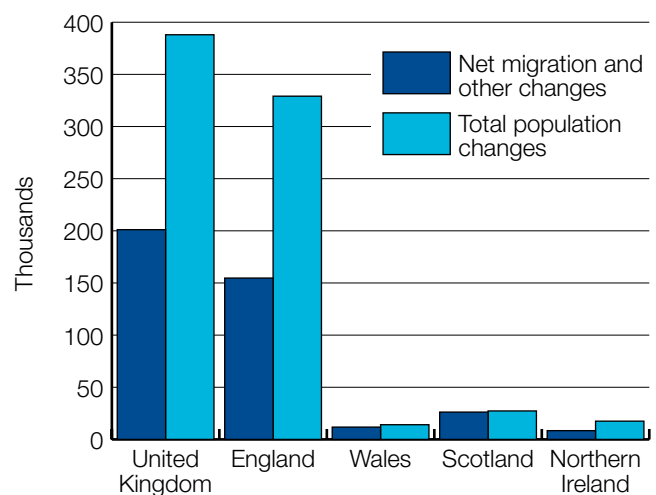
Source: ONS (2009a: Table 10.6)

A sensitive political issue in recent times has been the rate of international migration. Figure 2.3 clearly shows that UK has become a net importer of international migrants since 2001. It is estimated that in 2007 the UK saw a net gain of 237,000 people through international migration. The rapid inflow of international migration has been particularly stark in England since 2001, offsetting its loss of domestic population to other parts of the UK. Scotland and Wales have also gained population through international migration, but this has not reached the level of domestic migration flows. No data on international migration is available for Northern Ireland.

Overall, the high level of in-migration has policy implications not just for the provision of housing, but also for the social amenities and other facilities required in the neighbourhood to create a cohesive and sustainable community.

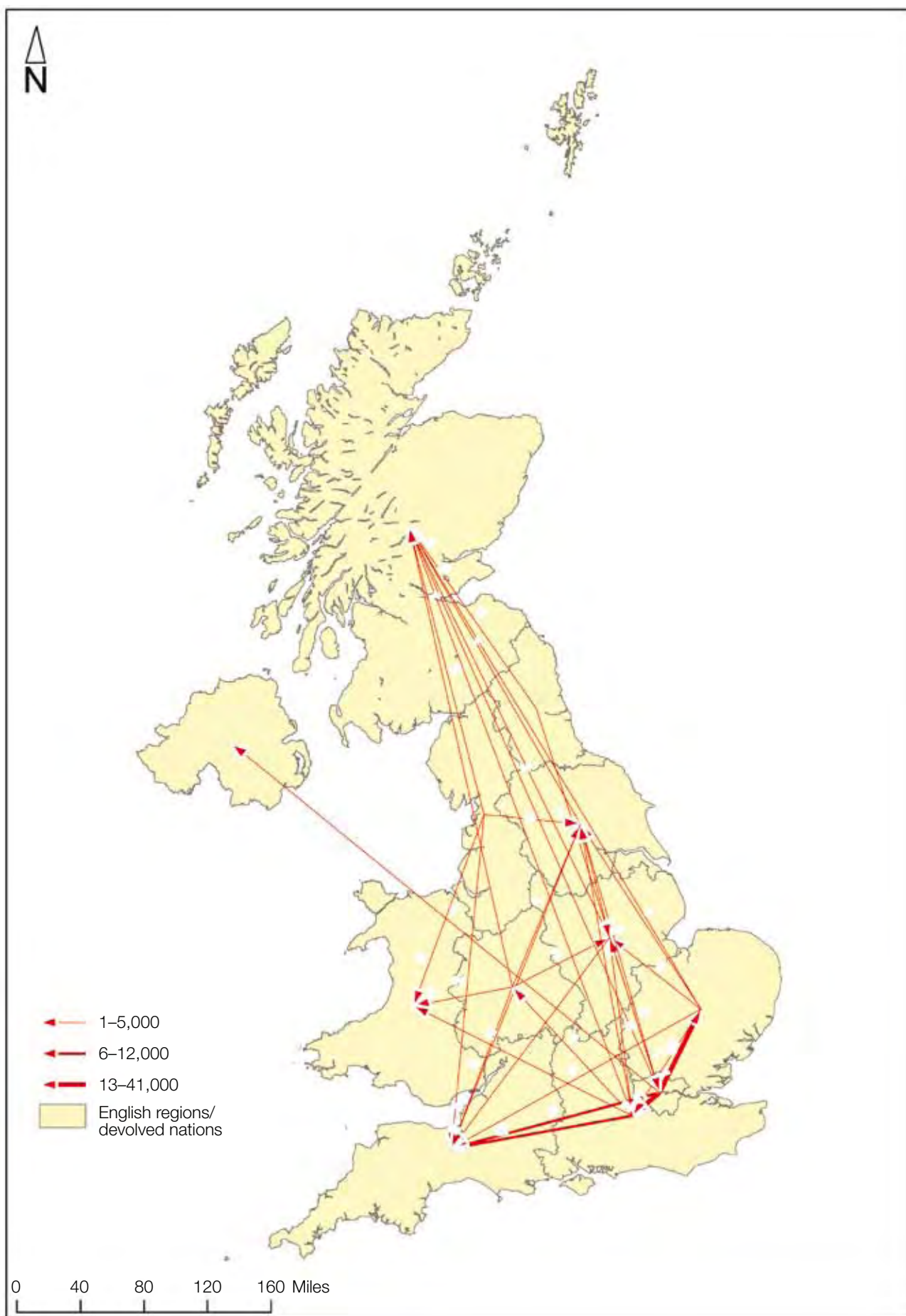
Figure 2.4 shows the significant impact of net migration (both domestic and international) flows over total population change. It is interesting to note

Figure 2.4: Migration and population change, 2007



Source: ONS (2009a: Table 10.8)

Figure 2.5: Migration flows, 2007



Source: ONS (2009a: Table 10.7)

that the net migration flow more or less accounts for the level of population change in Scotland and Wales.

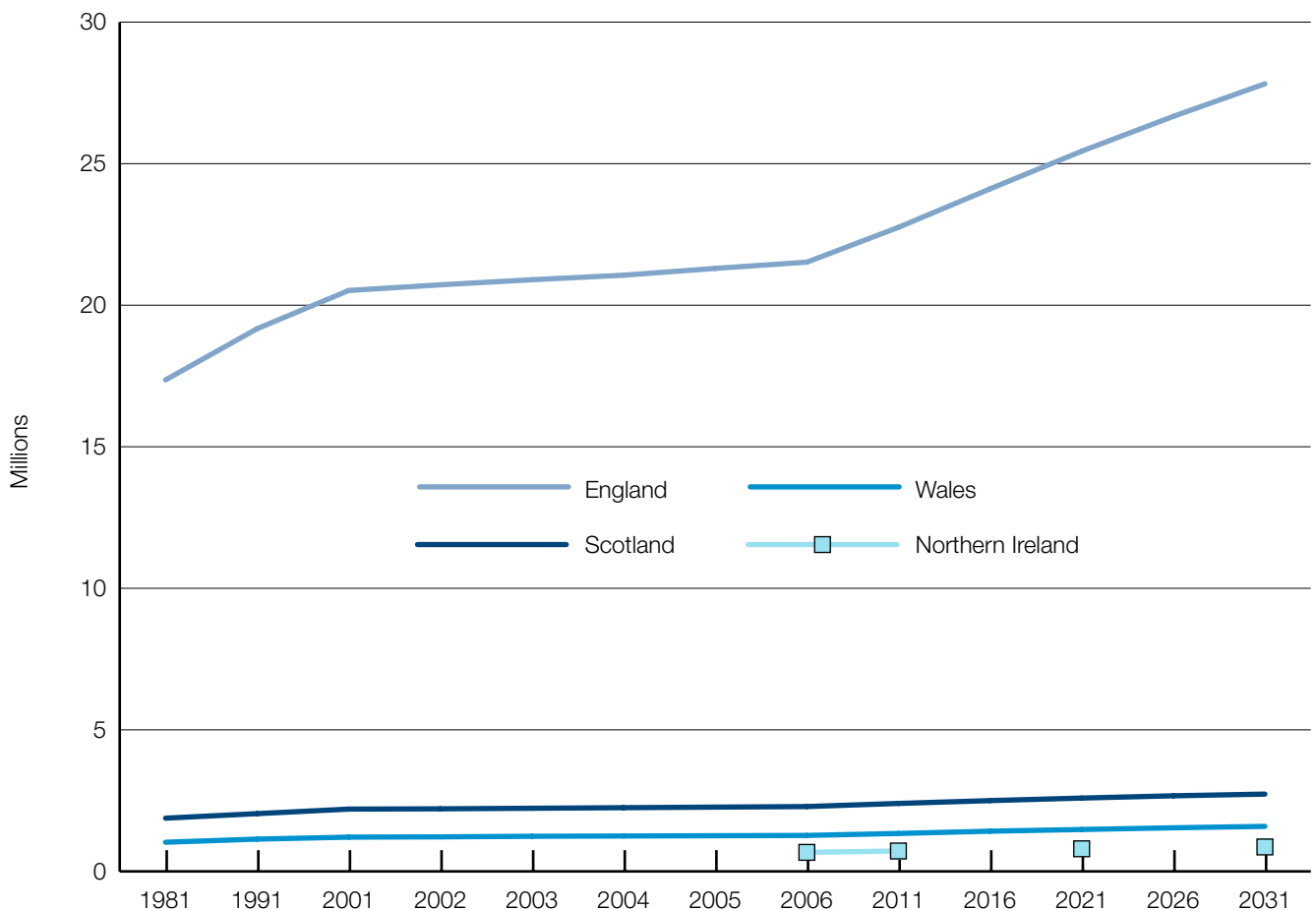
The figures for population change in England conceal the spatial variations of both inter-regional and international migration flows. It is interesting to note that the major outflow of population was from London (−82,000) and there was a concomitant increase in net inter-regional migration flows in the South West (29,000), the South East (23,000), the Eastern Region (19,000), and the East Midlands (15,000). However, there were net outflows from Northern England (see Figure 2.5). This confirms the North–South migration drift theory as well as the cascading effect of migrants moving from Northern England to London, which provides more career opportunities, while people then move out from London mid career to seek a better quality of life in other southern regions (Breheeny and Hall, 1996; Wong et al, 2006).

The net inflow of international migrants into London (70,000) balances the major outflow of

population. All English regions have gained from the net inflow of international migrants, and the largest net gains were found in the Eastern Region (31,000), the South East (30,000) and Yorkshire and the Humber (23,000).

While the changing level of population affects household formation rates, it is the total number of households that is of particular interest, as this has a direct relationship with the level of housing demand. Figure 2.6 shows household numbers between 1981 and 2006 and detailed projections to 2031. Household numbers in Great Britain have shown a continuous trend of growth from 20.3 million in 1981 to 25.1 million in 2006 (a 23.7% increase) and are projected to increase to 32.1 million in 2031 (a 28.2% increase from 2006). This high growth trend is evident in England and to a lesser extent in Wales and in Scotland. Unfortunately, the publication of projected figures for Northern Ireland has been delayed. However, headline figures here indicate a projected household increase of 28.3%, from 672,600 in 2006

Figure 2.6: Household projections, 1981–2031



Source: ONS (2009a: Table 10.15) and NISRA (2008)

to 863,200 in 2031. Demographic pressure on housing markets across the UK is therefore likely to continue for the foreseeable future.

Economic climate

In the wake of the collapse of the global financial market, average house prices in the UK fell by 17%⁹ from the peak of the housing boom in the autumn of 2007. Figure 2.7 shows the trends of three key national economic indicators since the last UK recession in the early 1990s: GDP growth, inflation and interest rates.

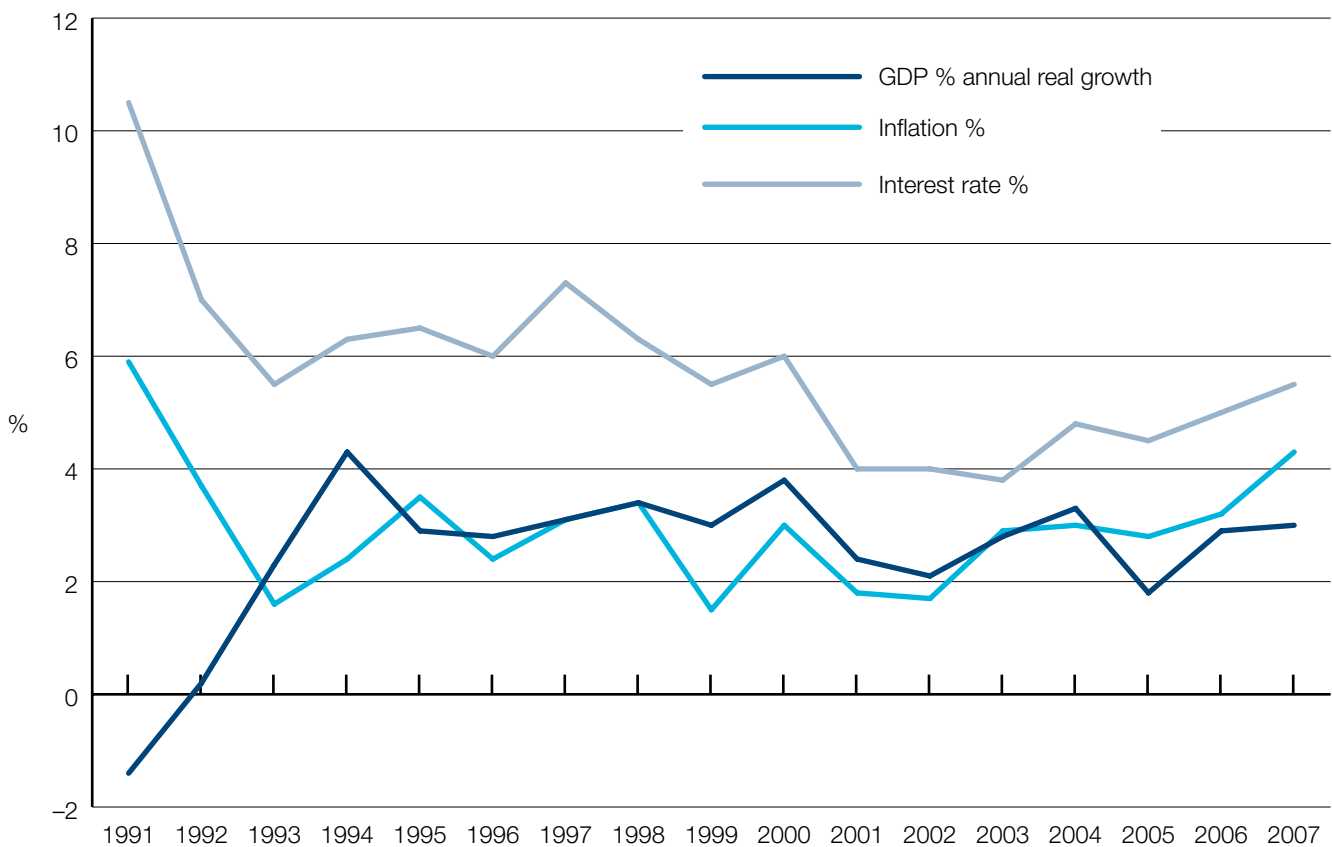
The nature and characteristics exhibited in the recent crisis are rather different from that in the 1990s (see Stephens et al, 2008). While the recession of the 1990s was characterised by high inflation (5.9%), high interest rates (10.5%) and negative GDP growth (-1.4%), the current collapse has occurred following a sustained period of low inflation and economic growth. Moreover, there has not been major divergence between the three indicators (4.3%, 5.5% and 3% respectively in

2007). This signifies the extraordinary nature of the current global downturn, triggered by the banking and financial sector collapse.

According to preliminary estimates of gross domestic product for the 3rd quarter of 2009 the GDP rate decreased 5.2% year over year (ONS, 2009b). This means the UK economy contracted by 0.4% compared with the previous quarter, which is the sixth successive quarter of negative growth. This represents the longest period of negative growth ever recorded in the UK. Likewise, the UK inflation rate continues to go down and the CPI Inflation rate in September 2009 was 1.1% (ONS, 2009c).

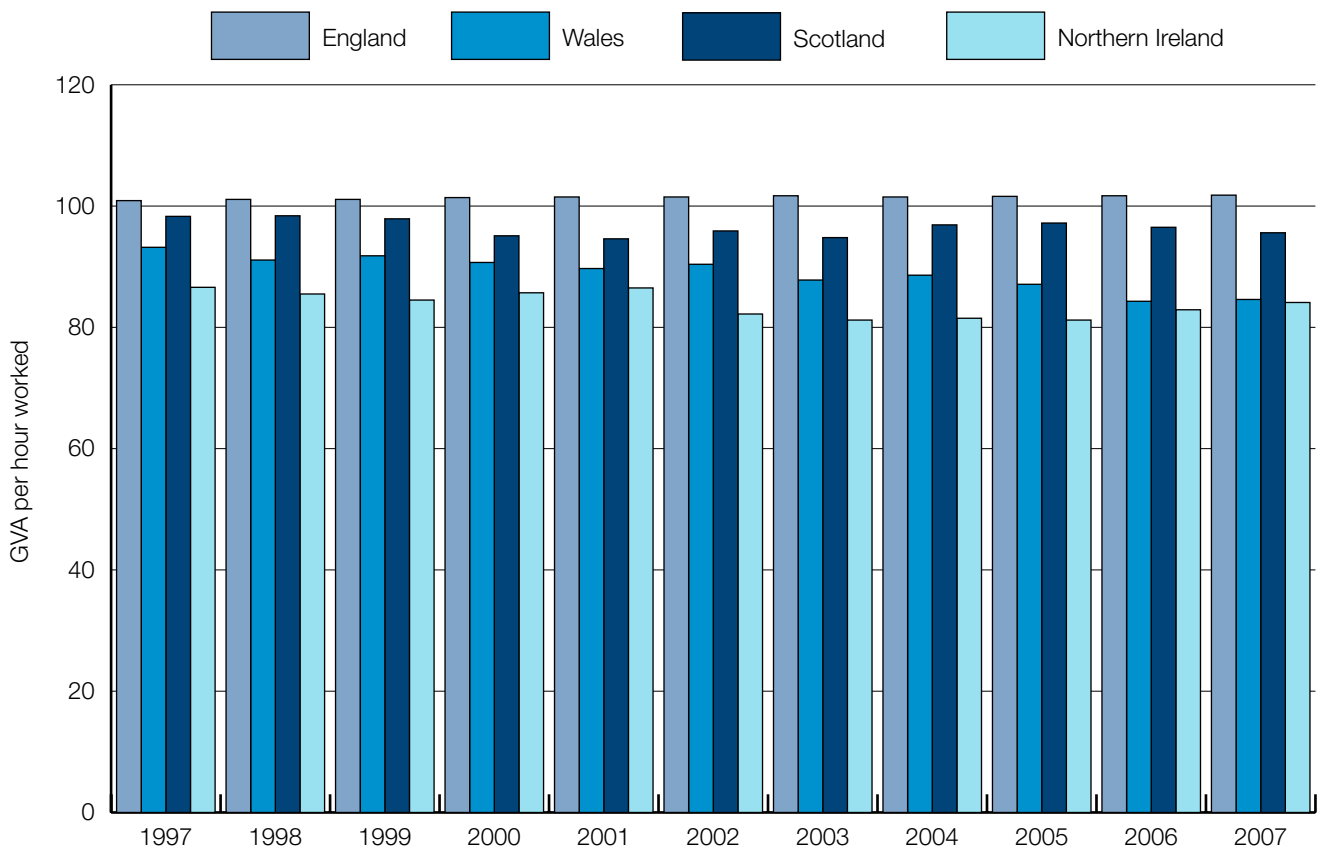
Having examined the macro-economic climate in the UK, it is also important to examine the relative performance of its constituent countries. Figure 2.8 shows the relative labour productivity, measured by gross value added (GVA) per hour worked, in the four countries against the benchmark of the UK (100). It is clear that only England has consistently performed well and improved its relative productivity. The trend for Wales is just the

Figure 2.7: Key economic indicators for the UK, 1991–2007



Source: CIH/BSA (2008: 76)

Figure 2.8: Labour productivity (workplace based), 1997–2007



Source: ONS (2009a: Table 3.3)

opposite, as the index value shows a steady decline from 93.2 in 1997 to 84.6 in 2007. After England, Scotland has the second highest level of labour productivity. In comparison to the UK average, GVA per hour in Scotland decreased slowly in the late 1990s but slowly improved its position during the early to mid 2000s, although it has since declined slowly again. The conventional wisdom in Scotland is that the larger public sector, lower savings and asset prices will to some extent insulate Scotland from the recession. Labour productivity has been consistently lower in Northern Ireland where there was a steady declining trend between 1997 and 2005. It is, however, interesting to note that its position improved over 2006 and 2007 and caught up with Wales.

Another way to measure local economic climates is to examine the start-up (birth) and closure (death) rates and resilience of small businesses. In 2007, there was a larger number of start-ups than closures of small businesses across the four countries of the UK (see Table 2.1). The small firm start-up rate¹⁰ was higher in England

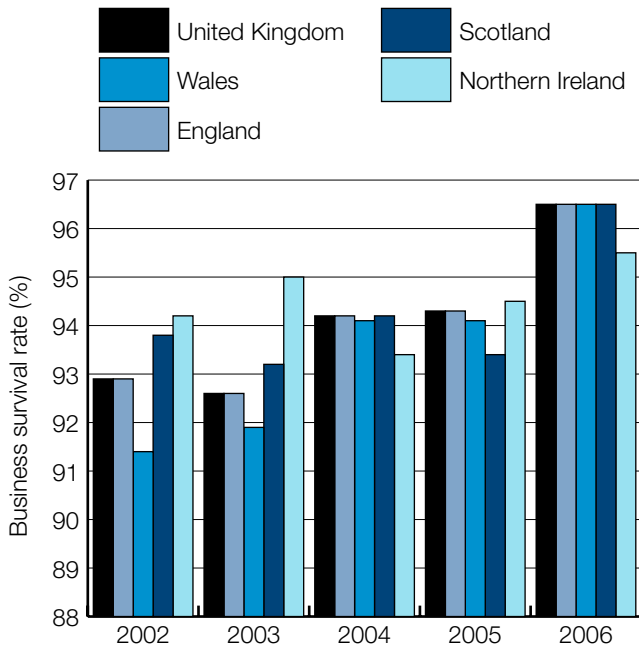
and Scotland, although the latter also had a lower closure rate. From Figure 2.9 we can see that there was a general improvement in the survival rates (over 12 months) of VAT-registered businesses between 2002 and 2006. While Wales had slightly lower levels of business survival rates in the early 2000s, there were minimal variations across the different countries of the UK by the mid 2000s. It will, however, be important to examine how the changing macro-economic climate affects the survival of small businesses in the coming years.

Table 2.1: VAT-registered businesses: start-ups and closures, 2007

	Active enterprises (thousands)	% start-ups (births)	% closures (deaths)
England	2,007.2	13.3	10.1
Wales	91.0	11.1	9.6
Scotland	145.4	13.3	8.5
Northern Ireland	57.7	10.3	6.9

Source: ONS (2009a: Table 3.15)

Figure 2.9: Business survival rate for 12 months, 2002–06



Source: ONS (2009a: Table 3.16)

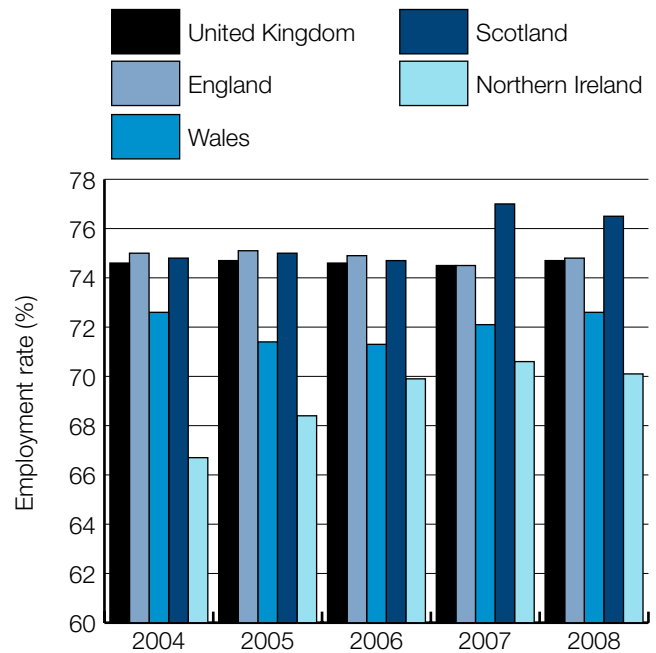
Labour market

Both the employment and unemployment rates suggest that there has been a continuous trajectory of economic convergence between the four countries of the UK. This is mainly due to the strong economic performance of Northern Ireland throughout the 2000s.

The average employment rate for the working-age population of the UK consistently stayed around 74% between 2004 and 2008 (see Figure 2.10). The latest 2008 figures suggest that Scotland has the highest employment rate of 76.5%, followed by England (74.8%) and Wales (72.6%). Employment rates in these three countries have been relatively stable over the last five years, with minor fluctuations. It is Northern Ireland that has experienced the largest increase in employment rate during this period, rising from 66.7% to 70.1%.

The buoyant economic conditions between the mid 1990s and early 2008 have clearly impacted on the continuous decline in unemployment rates in the four countries (see Figure 2.11). Unemployment rates peaked in 1993 and continuously dropped thereafter, remaining at a low level across the UK and staying under 4% since 2000. Major falls in unemployment rates were witnessed in Northern

Figure 2.10: Employment rate, 2004–08



Source: ONS (2009a: Table 9.1)

Ireland in particular, from 12.6% in 1991 to 2.8% in 2008.

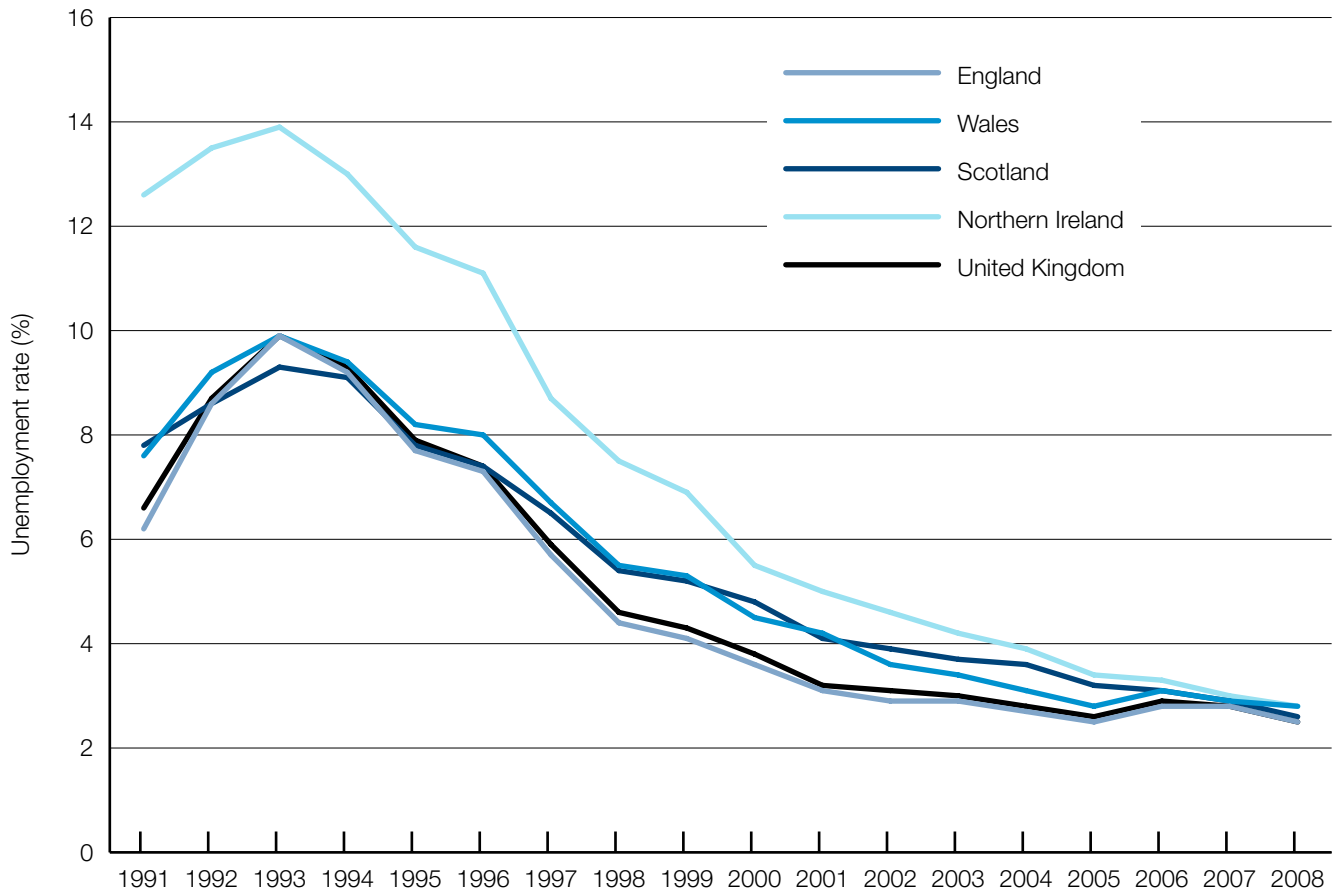
Despite the scale of the global economic climate, there has been a time lag between the economic downturn and actual company closures and redundancies. According to the International Labour Organization headline measure of unemployment, the UK unemployment rate reached a high level of 7.9% in August 2009 (ONS, 2009d), up 2.1% from the previous year, which was the highest level since 1996. The highest unemployment rate increase was found in Scotland (+53%), followed by Northern Ireland (+48%) and Wales (+45%), while England (+30%) saw the lowest level of change between April 2008 and April 2009 (ONS, 2009e).

Housing supply

Stock and tenure

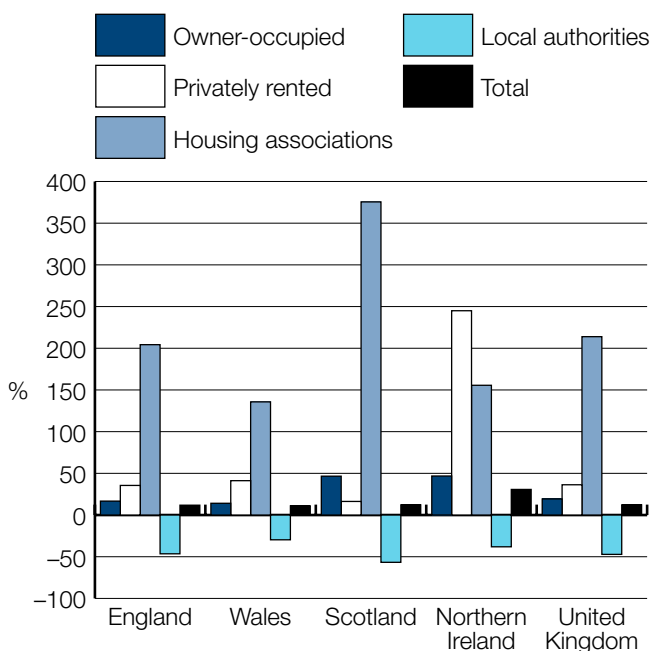
Housing stock in the UK increased from 23.8 million to 26.4 million (12.2%) between 1992 and 2006, with similar rates of increase in England, Scotland and Wales. However, Northern Ireland increased its stock by the much higher rate of 30.7% over this period (see Figure 2.12). In 2001, fewer housing units were built than at any time since the First World War. This low level of house building (of just

Figure 2.11: Unemployment rate, 1991–2008



Source: CIH/BSA (2008: 79)

Figure 2.12: Percentage change of stock by tenure, 1992–2006



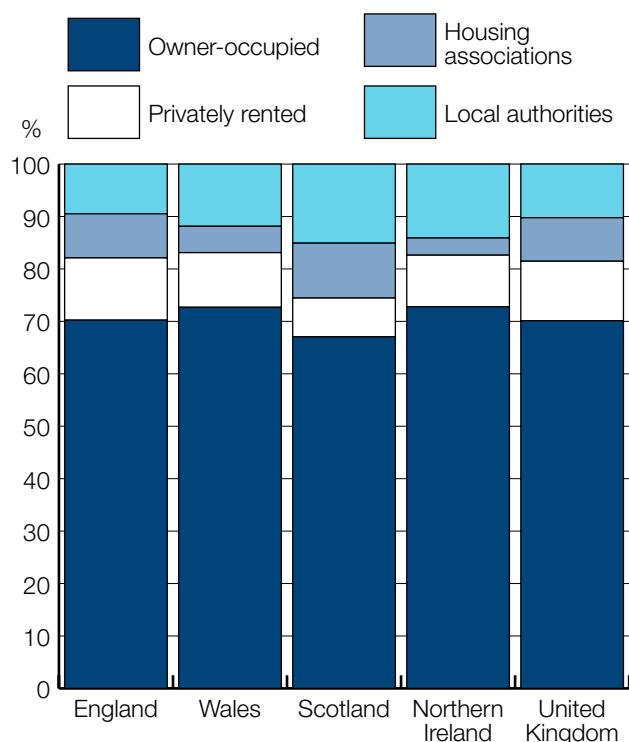
Source: CIH/BSA (2008: 107)

under 190,000 dwellings per annum in England) was the prompt for the Barker Review in 2003. This led the Government to set an ambitious target of building three million homes by 2020.

The UK is a country of home-owners, with over 70% of the dwelling stock in private ownership in 2006 (see Figure 2.13). This contrasts with the small social housing (10.2% local authority and 8.3% RSL) and private rental (11.3%) sectors. There has been rapid expansion in the owner-occupied sector in Scotland and Northern Ireland and a concomitant reduction of local authority stock, although councils are still major landlords in both countries. Throughout the UK, the private rented sector, although relatively small, has been transformed by the Buy to Let phenomenon and has enjoyed unusually high levels of lending to the sector (even if it is often to refinance existing rather than new investment).

In England, over a million council homes have shifted to new ALMOs. ALMOs, tasked to achieve the Decent Homes Standard, are able to

Figure 2.13: Dwelling by tenure, 2006



Source: CIH/BSA (2008: 94)

access additional public funds and work at arm's-length through service-level agreements with their respective councils. RSL housing has also expanded its role rapidly throughout the UK, and this is related to policy change in terms of both filtering social housing new build through the sector and encouraging wholesale stock transfer from councils to RSLs. Scotland has the lowest level of owner-occupation (67.1%) and a larger social housing sector (25.5%) but also the largest growth in home-ownership of the four nations in the last 20 years.

In light of the current downturn, it is unlikely that RSLs can continue their building rate when there is less scope to secure contributions through planning gains (e.g. Section 106 agreements in England) and when they also have to deal with the lack of finance and non-performing assets on their balance sheets. Some commentators (Knight Frank, 2009) argue that with the yield from private rental beginning to rise, the changing market conditions and consumer behaviour may make private rental sector stock more attractive in the future. Certainly, unlike recent recessions, the recovery when it comes will be different because of the much larger role played by the rental market in private sector housing (as distinct from lower-

income rental competition between social and private sectors).

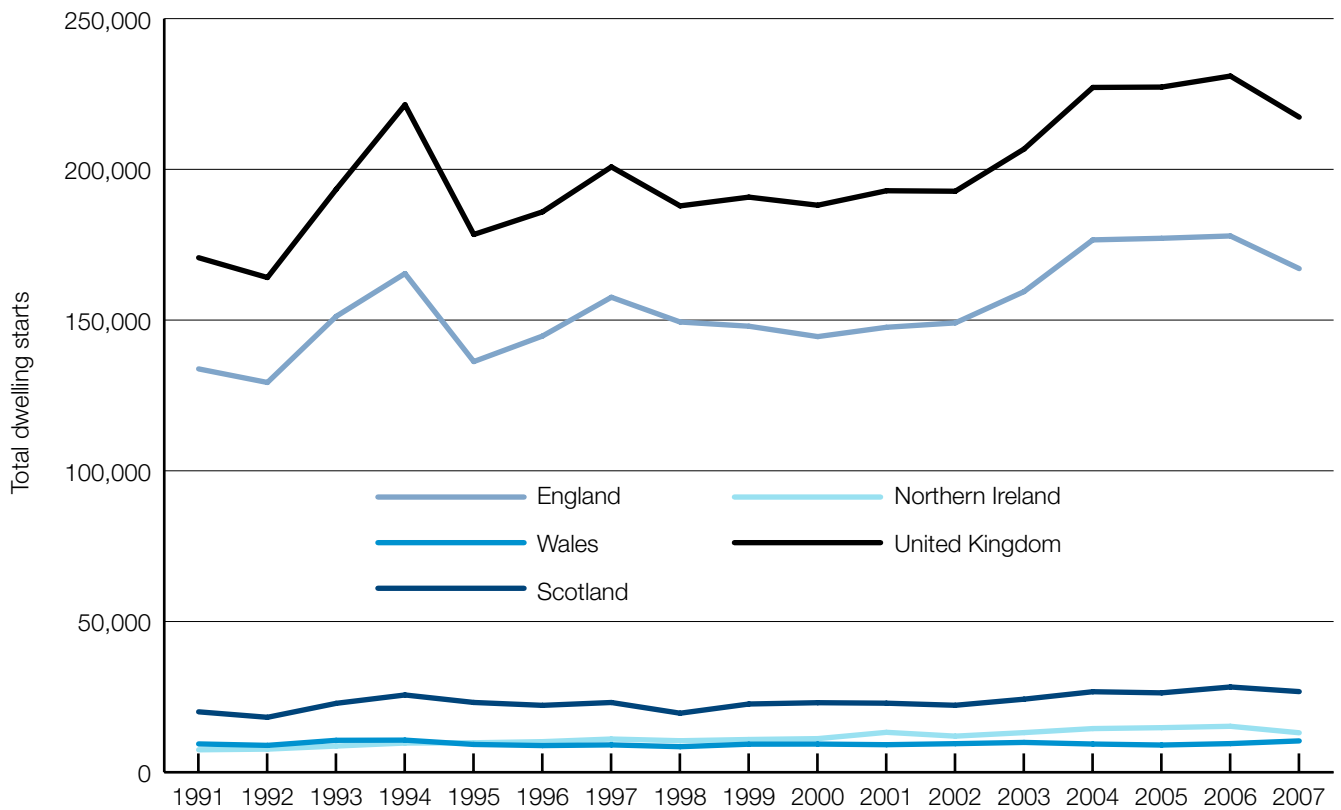
New build rate

The average annual number of new build starts across the UK during the period 1991 to 2007 was 198,620 per annum and the number of average completions was 192,040. As shown in Figure 2.14, the building rate tended to be under 200,000 across this period and never went above 240,000 per annum. With the strong Government policy push towards increasing housing supply, there was a rising trend in the number of housing completions from 2001. However, the latest housing downturn in late 2007 halted this trend. The trend of housing completions in Figure 2.15 shows that in 2007 the number of completions was still increasing, reflecting the rising number of starts in the previous few years (caused by using a moving average).

The latest figures from the DCLG (2009a) suggest that there has been a decline in housing starts and completions. In the financial year 2008/09, there were 90,430 housing starts in England, down 42% compared with the previous year. Likewise, housing completions (133,710) fell by 20% in comparison with the previous year. This slowdown is further evident from the decrease in the number of new planning applications in the second quarter of 2009, which was at only 30% of the level seen in the same quarter in 2008 in England. The implication is that new housing completions are likely to be significantly lower, compared with 2001–07, for some years to come.

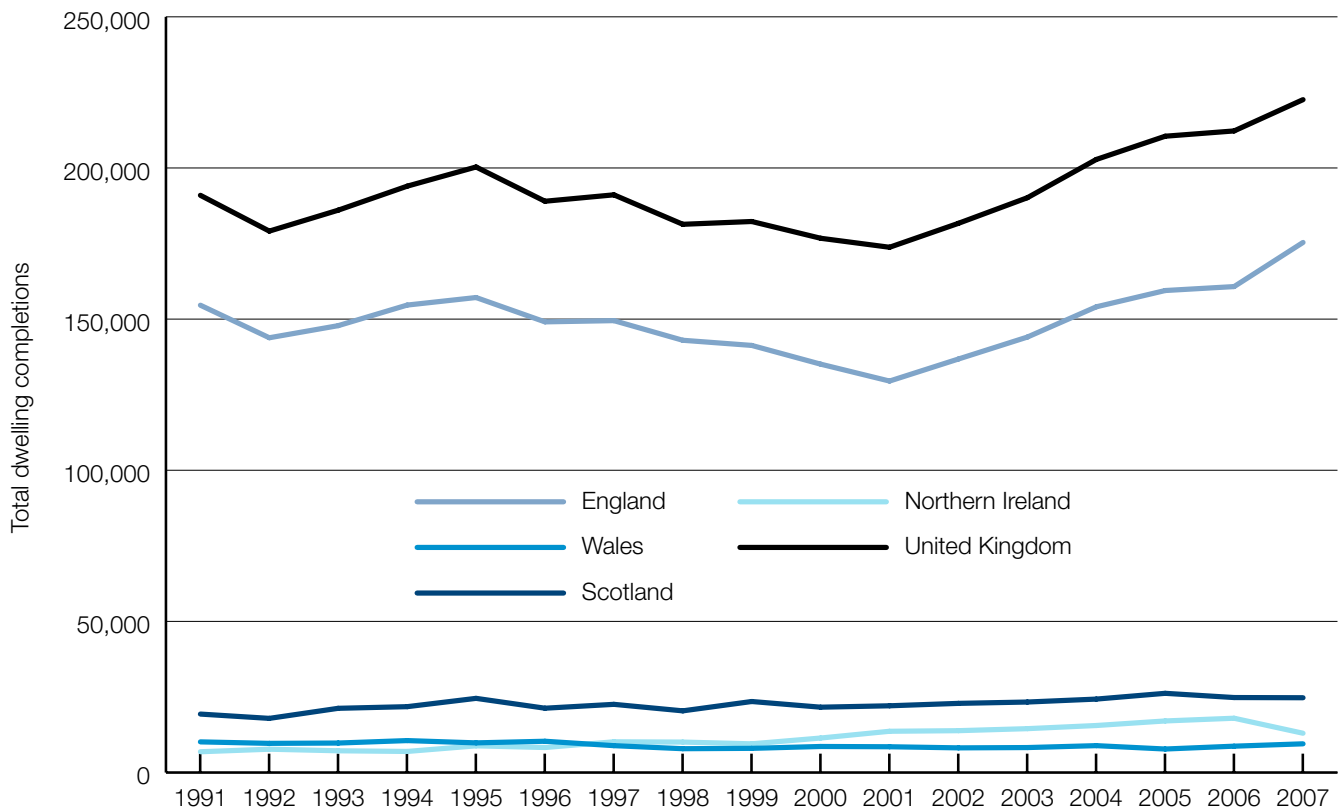
When examining the tenure distribution of new builds, it is clear that most new build starts in the UK are for market housing by the private sector (nearly 90%) and only around 10% was built by housing associations. It is interesting to note that Scotland has different new build start patterns (see Figure 2.16) in comparison to the rest of the UK: a smaller private housing sector (78%) and a larger social sector (20%). There are, however, less variations in the new build completions patterns (see Figure 2.17). It is important to point out that local authorities in Scotland continue to build council housing, while the other parts of the UK have largely stopped new build activities due to policy changes. Looking forward, the policy decision to accelerate public spending on new

Figure 2.14: Total number of dwelling starts, 1991–2007



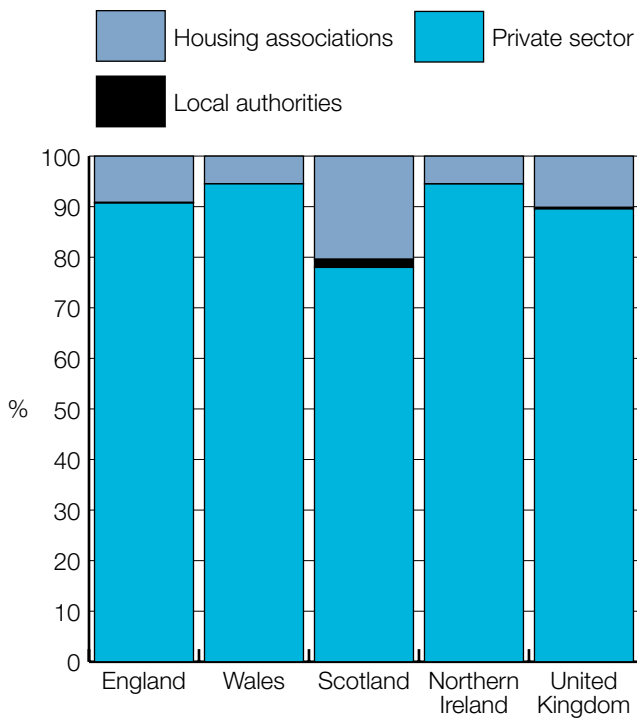
Source: CIH/BSA (2008: 99)

Figure 2.15: Total number of dwelling completions, 1991–2007



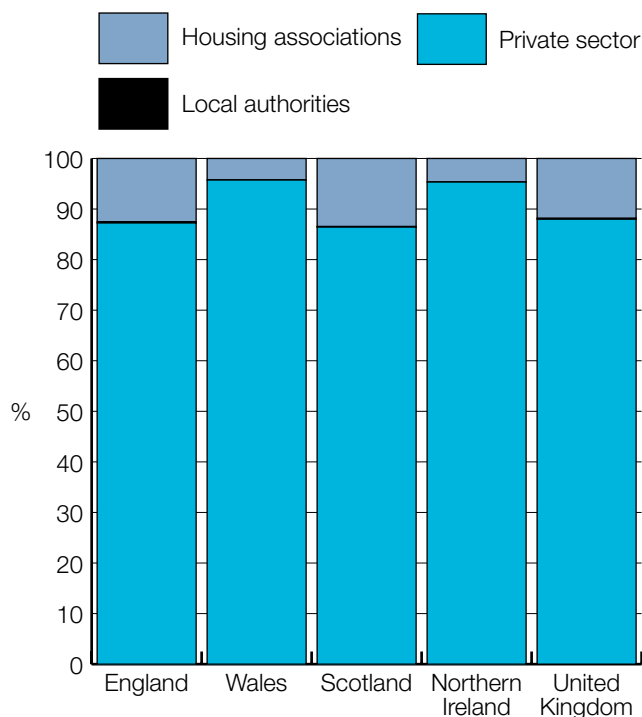
Source: CIH/BSA (2008: 99)

Figure 2.16: Housing starts by tenure, 2007



Source: CIH/BSA (2008: 99)

Figure 2.17: Housing completions by tenure, 2007



Source: CIH/BSA (2008: 99)

affordable housing will boost or at least support output in the short run but thereafter, in the face of expected public expenditure cuts, there is uncertainty over the availability of housing finance.

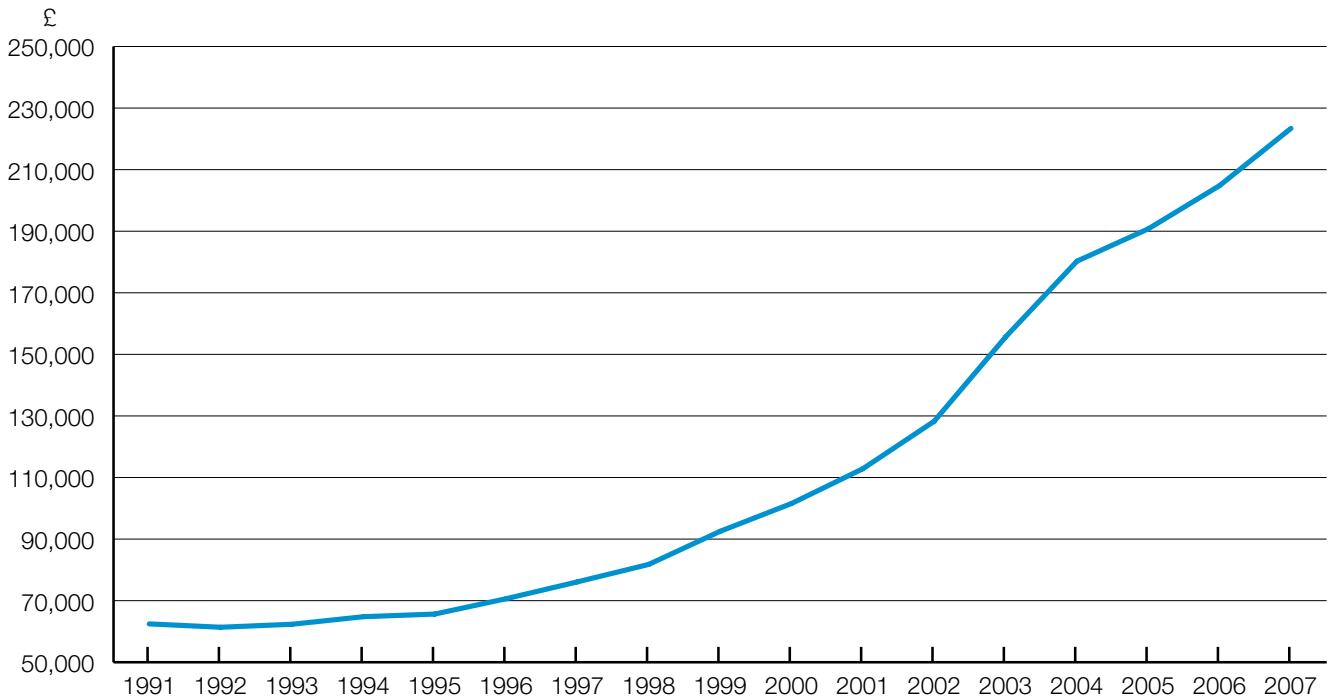
House prices

The housing market made a slow recovery from the recession in the early 1990s, which was followed by a major housing boom starting in 2000. As Figure 2.18 shows, the average house price in the UK was about £62,000 in 1991 and this pushed over the £100,000 mark in 2000 and then over £200,000 in 2006. At the peak in autumn 2007, the average house price in the UK was around £223,000.

The overall trend of house price changes also conceals major spatial variations in the housing market. Figure 2.19 maps the percentage change in house prices between 1991 and 2007. Throughout the 17-year period, property prices in different regions went up by over 200%. The most extreme increase was found in Northern Ireland, which experienced a 549% increase, rising from the lowest house price level of £35,000 in 1991 to £230,000 in 2007, bypassing the house price levels in the Midlands and Northern England. Another notable increase was London, where the average house price rose from £86,000 in 1991 to £342,000 in 2007 (an increase of 299%). The next region with a major increase was the South West (an increase of 253%). Besides Northern Ireland, other relatively low price regions such as Wales, Scotland and North East England were found to experience most of the relative price increase.

Since the downturn in 2007, housing prices have been falling rapidly, although the nature of the fall varies from location to location and between different types of property within the same location. According to the DCLG's House Price Index (based on completions) (DCLG, 2009b), the average UK house price in April 2009 was £189,215, a 13% drop from April 2008. While all regions across the UK experienced falls in house prices, the largest drops were found in Northern Ireland (-22%), London (-21%) and the South East (-20%), according to the Halifax House Price Index (based on mortgage approvals). Similar spatial patterns were also found by the DCLG's House Price Index. This suggests that regions that have experienced the greatest house price increases are now facing the biggest decreases in house prices.

Figure 2.18: UK average house price, 1991–2007



Source: CIH/BSA (2008: 143)

Housing affordability

Housing affordability has become a pressing policy concern in recent years. The National Housing and Planning Advice Unit (NHPAU) was established in response to the pressing issue of housing affordability in England, as highlighted by the Barker Review. There is a range of different ways to measure housing affordability. Figure 2.20 shows that the ratio of mortgage advance to dwelling price (the average percentage of funds provided to individuals for their household mortgage by a lending institution) stayed at just over 60% for moving owner-occupiers for almost all of the period from 1991 to 2007. However, the trend for first-time buyers fluctuated more – the ratio climbed from 83% in 1991 to 90% in 1996, then declined to 76% in 2003 – but has risen again since then to above 80% of households.

By comparing the advance with income in Figure 2.21, it is clear that first-time buyers always bear a higher mortgage advance ratio than moving owner-occupiers in the UK. It is noticeable that the gap widened during the mid 1990s and then narrowed down in 2000, but it has gradually widened again over the 2000s. 2004 was the first time during this period that the average ratio of

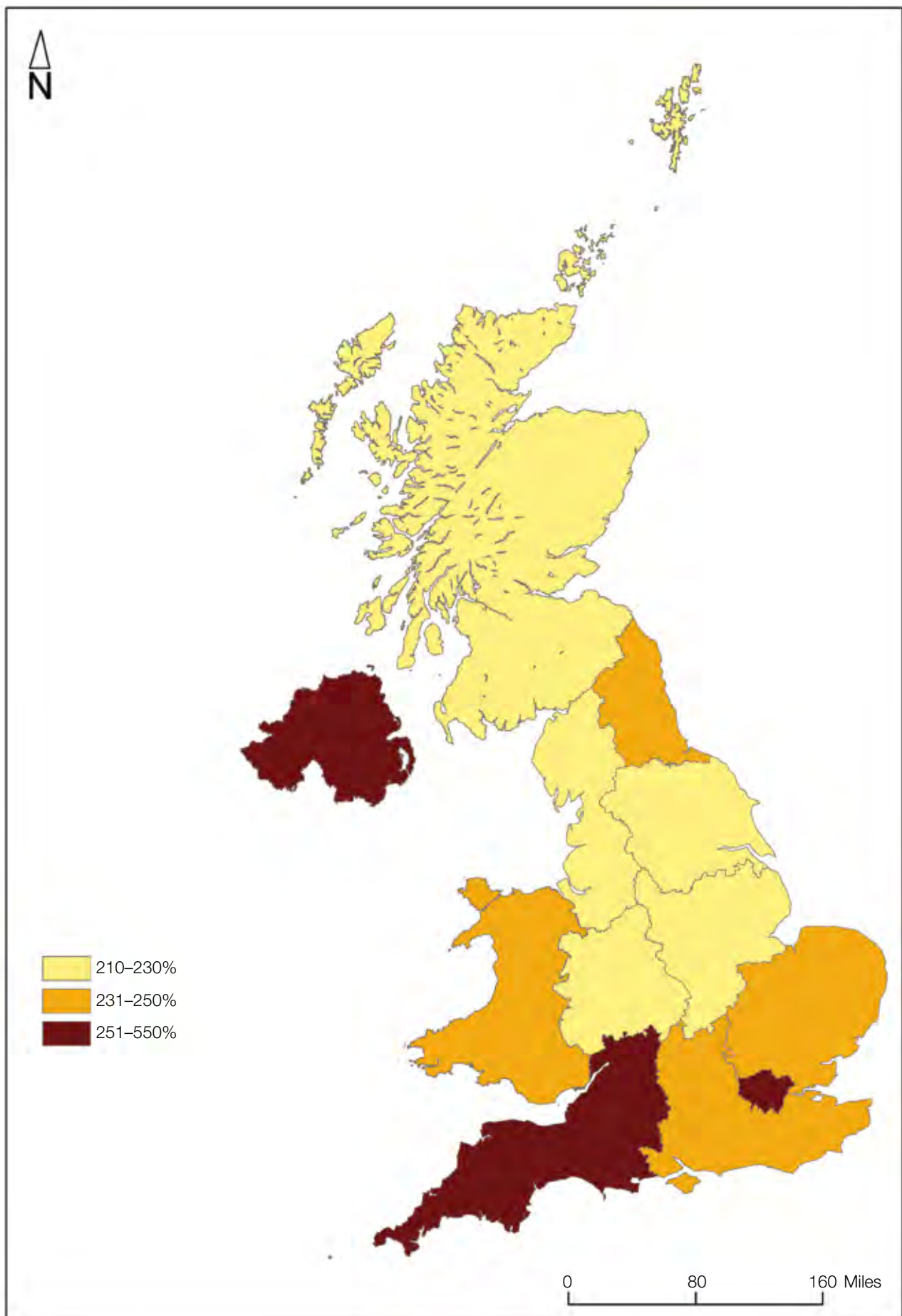
advance to income for first-time buyers exceeded 3 in the UK. This suggests major housing affordability problems for first-time buyers.

The impact of housing affordability also varies across different parts of the UK. This can be examined with another affordability indicator, the mortgage cost¹¹ to income ratio. The patterns in 1991 and 2007 were mapped for both first-time buyers in Figures 2.22 and 2.23 and for moving owner-occupiers in Figures 2.24 and 2.25.

Figure 2.22 shows that the mortgage cost to income ratio for first-time buyers in 1991 was highest in London (25.8%) and the South East (25.3%), followed by the Eastern Region (24.7%) and the South West (24.1%) and then with a declining gradient according to the physical distance moving outwards to the rest of the country. The ratio was lowest in Northern Ireland (16%) and Scotland (17.3%), followed by the North East (19.5%) and Wales (20.3%).

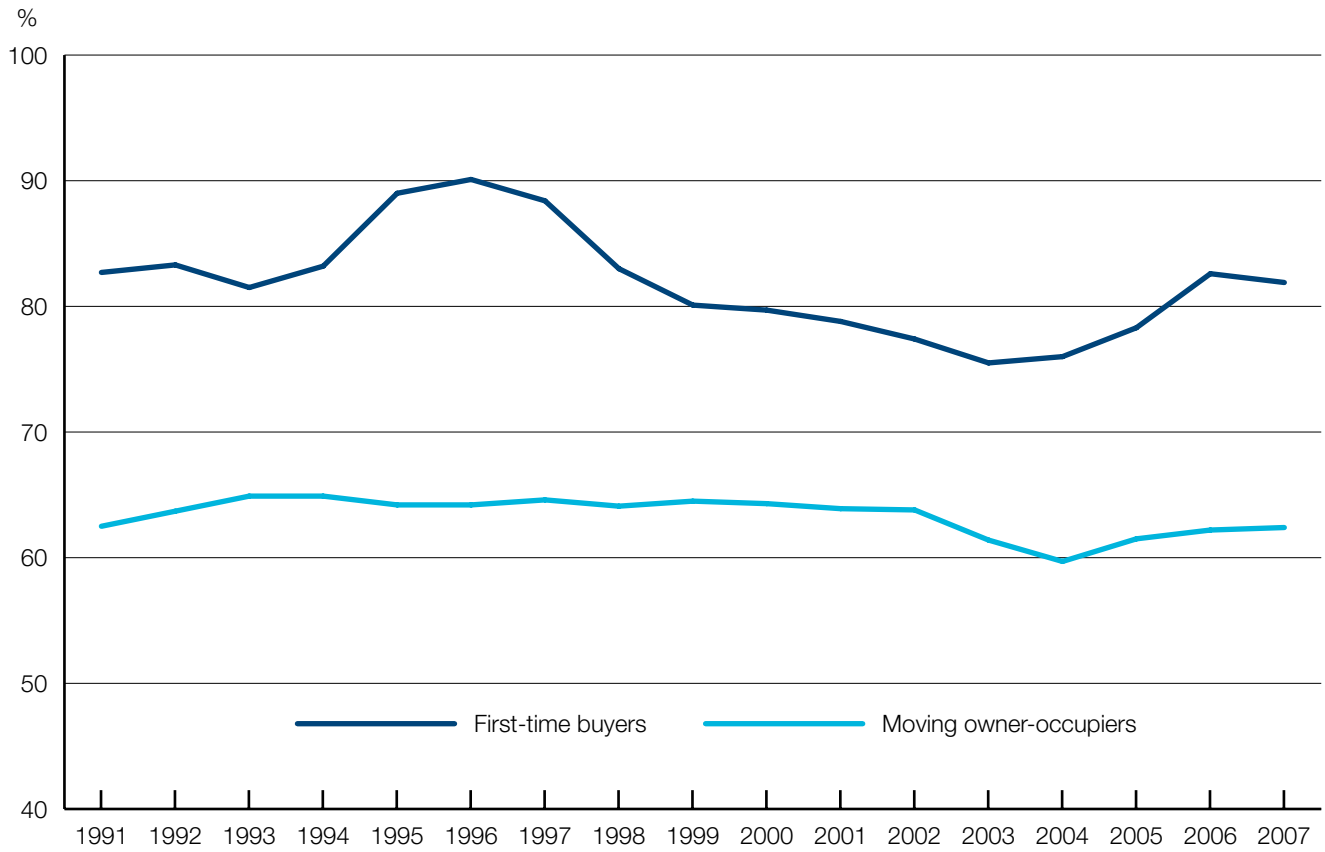
It is, however, interesting to note that the mortgage cost to income ratio for first-time buyers had marginally decreased or remained stable in London, the South East, the Eastern Region, the South West and the West Midlands by 2007 (see Figure 2.23). This contrasted with the rising ratios in the rest of the UK. It is those locations with the

Figure 2.19: Percentage change in house prices, 1991–2007



Source: CIH/BSA (2008: 143)

Figure 2.20: UK average ratio of mortgage advance to dwelling price, 1991–2007



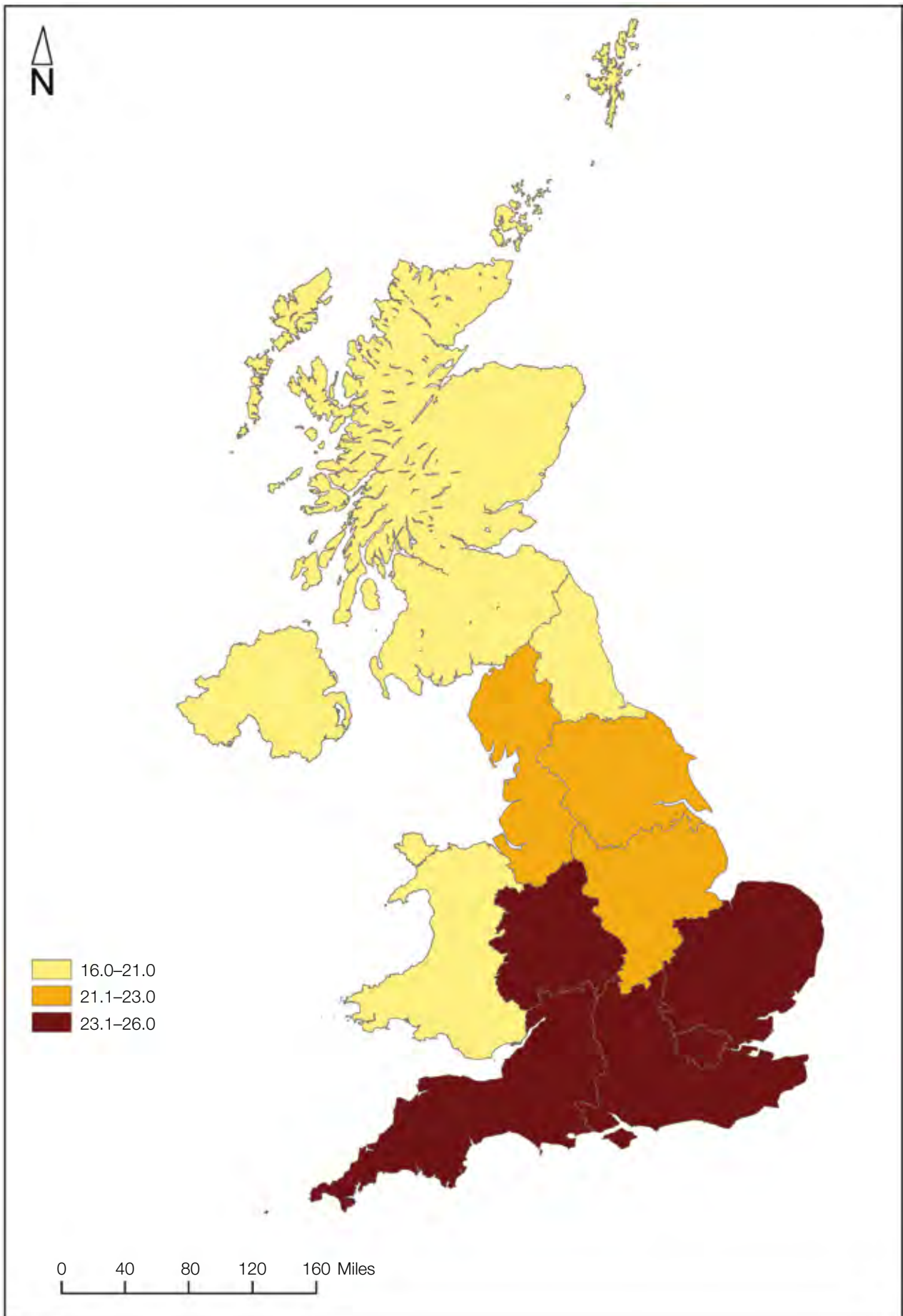
Source: CIH/BSA (2008: 136–7)

Figure 2.21: UK average ratio advance to income, 1991–2007



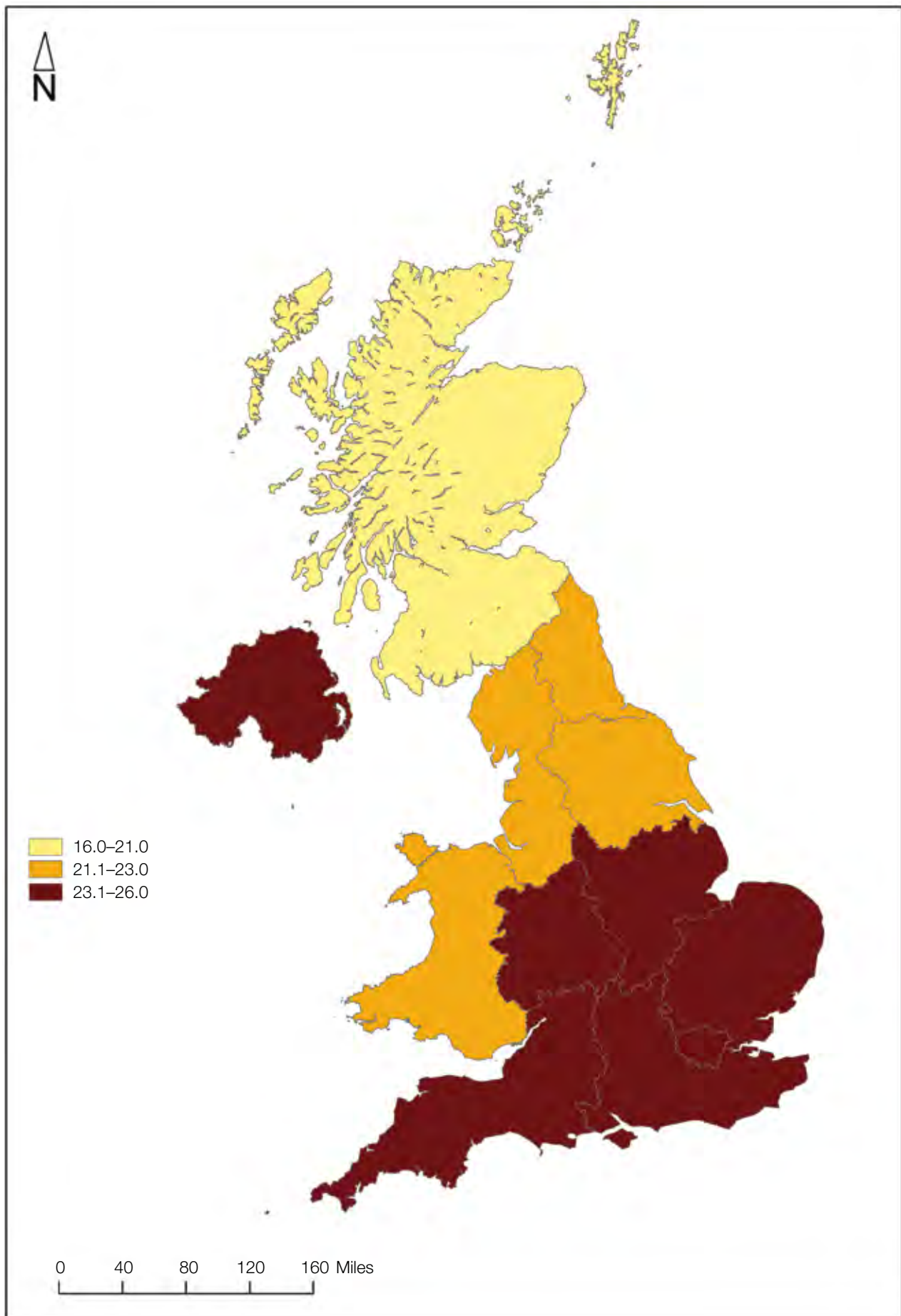
Source: CIH/BSA (2008: 136–7)

Figure 2.22: Mortgage cost to income ratio of first-time buyers, 1991



Source: CIH/BSA (2008: 138)

Figure 2.23: Mortgage cost to income ratio for first-time buyers, 2007



Source: CIH/BSA (2008: 138)

lowest ratios in 1991 that saw the starkest increase in the ratio by 2007: Northern Ireland (16% to 24.1%), Scotland (17.3% to 20.6%), Wales (20.3% to 22.7%) and the North East (19.5% to 22%). This means that the spatial differentials of mortgage cost to income ratios significantly narrowed within the UK between 1991 and 2007. Of course, there is a long tradition that the housing markets in London, and elsewhere in the South East, tend to respond more rapidly to economic changes, with a ripple effect to other regions. This shift in mortgage to income ratios in 2007 in London may therefore be observed elsewhere in the UK during 2008 and beyond.

The broad spatial patterns for moving owner-occupiers in 1991 (Figure 2.24) were very similar to those for first-time buyers, with those in Southern England housing markets spending more of their income on their mortgage compared to those in Northern England and the rest of the UK. In 2007, England and Wales witnessed a drop in mortgage cost to income ratios (see Figure 2.25). On the contrary, the ratios went up significantly in Northern Ireland (from 16.3% to 20.8%) and marginally in Scotland (19.6% to 20%).

The findings here suggest, first, that the gap between mortgage costs and incomes has widened over the years between first-time buyers and moving owner-occupiers (in particular, for those in Northern Ireland and Scotland, Wales and the North East). Second, it is clear that differentials between different parts of the UK have been narrowed for both first-time buyers and moving owner-occupiers.

In light of high house prices in London and the South East, the above trend patterns seem to be counterintuitive as the low house price locations in the rest of the UK seem to have a higher mortgage cost to income ratios. What this suggests is that the ratio of mortgage advance to income cannot be used as a measure of affordability as many who have housing affordability problems are not included in the statistics because they never manage to enter the owner-occupation market. However, it is also well known that house price changes have both cyclical and regional spatial differences. As the housing market cycle has come to the end of a pronounced growth phase in 2007/2008, our expectation (based on historical patterns) is that the market will drop

off more quickly in London and the South East. Past experience of these ripple effects suggests a delayed and more muted drop in house price growth rates in other regions. This phenomenon also goes some way to explaining what might on first appearance be counterintuitive regional patterns of mortgage cost burdens.

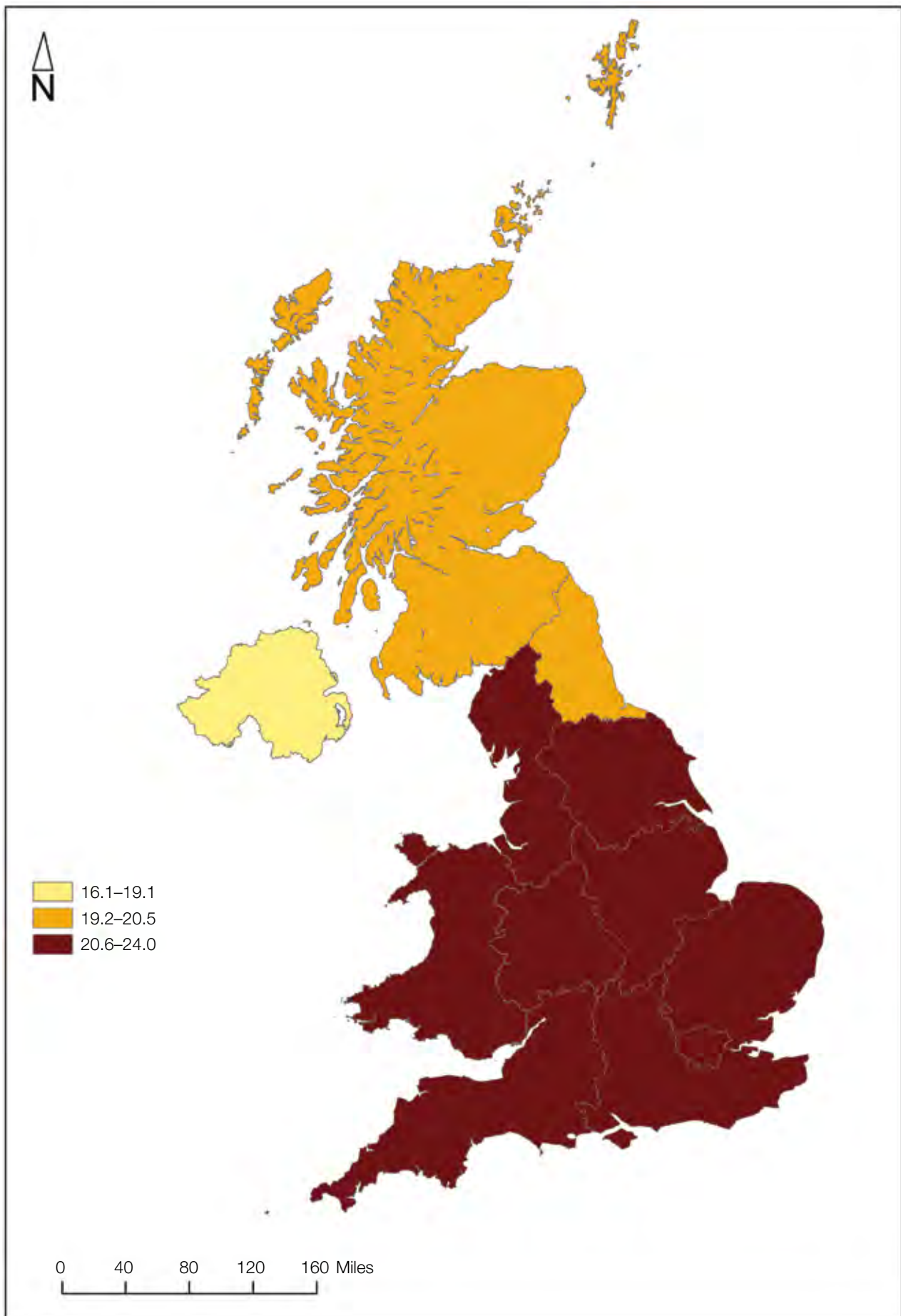
While the mortgage advance to income ratio tells us about the burden on those who have managed to enter the housing market, what we do not know is the number of people who cannot enter the market due to soaring house prices. It is probably a bigger hurdle to enter the housing market in London and the South East than elsewhere in the UK. However, for those who have managed to enter the market, the mortgage advance to income ratio is more or less similar to the rest of the country.

In the light of this discussion, it is clear that housing affordability has to be interpreted within both local and wider housing market contexts and it would be difficult to ascertain housing affordability by only examining information about those who own properties already.

The extreme test of housing affordability is through an examination of how sustainable it is to remain an owner-occupier. The numbers of mortgage arrears (over six months) and repossessions are good indicators. Figure 2.26 shows that there was a downward reduction in the number of repossession cases from 75,540 cases in 1991 to only 8,200 cases in 2004 across the UK. However, there has been a rising trend since 2004 and the number was 27,100 in 2007, 40,000 in 2008, with projections of over 60,000 cases in 2009. Similarly, the pattern of mortgage arrears declined from its peak of 352,000 in 1992 to 40,900 in 2004. Since 2004, however, the number of cases in mortgage arrears of over six months has been rising and reached a total of 56,800 in 2007.

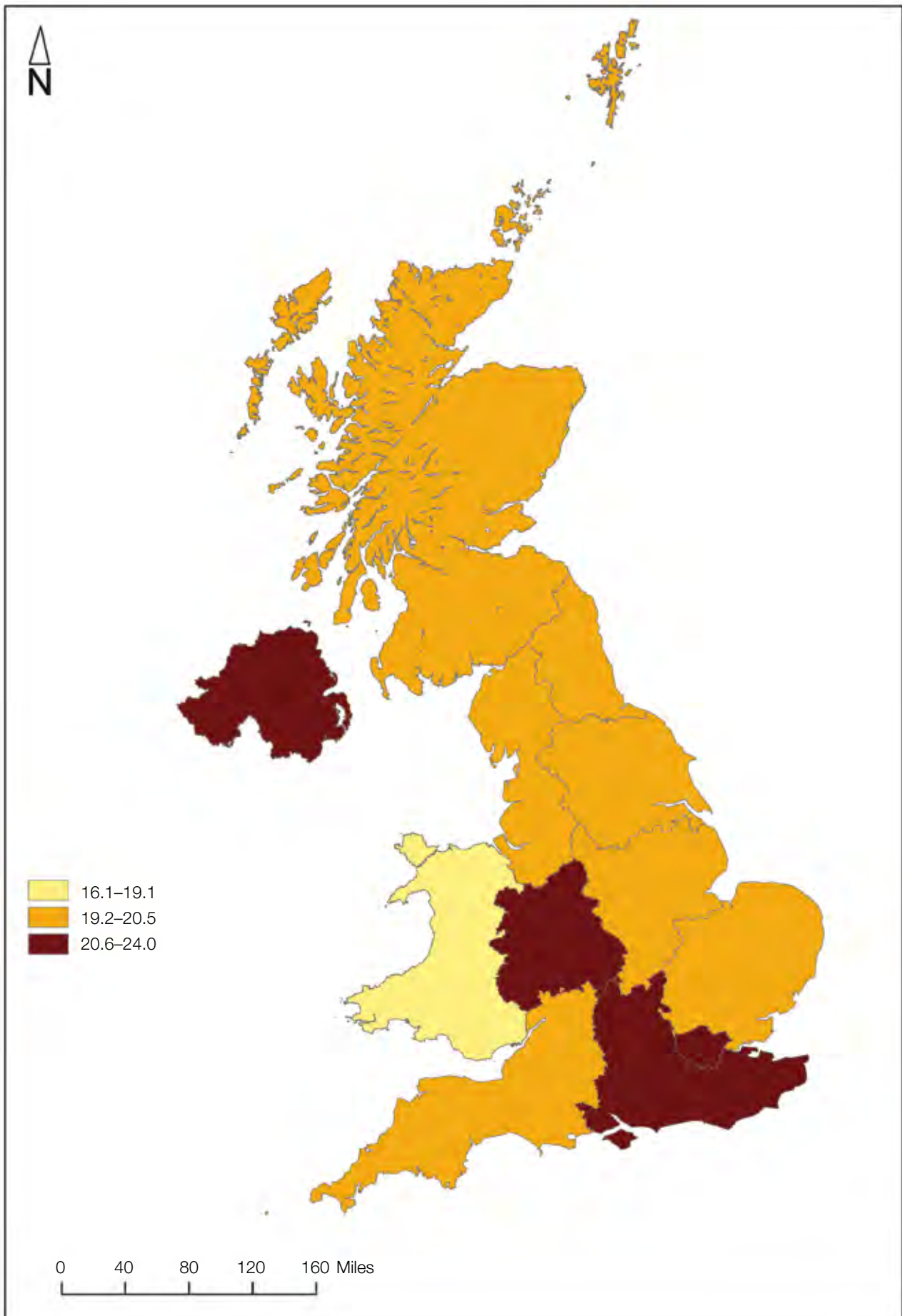
Some of those in long-term arrears will face full repossession of their homes by mortgage lenders. According to the Council of Mortgage Lenders, by the third quarter of 2008, mortgage arrears of more than three months exceeded 1.4% of the total number of mortgages and had risen to 168,000 cases. Mortgage possessions in the same period stood at 11,100 cases, although subsequent data from the Council of Mortgage Lenders indicates

Figure 2.24: Mortgage cost to income ratio for owner-occupiers, 1991



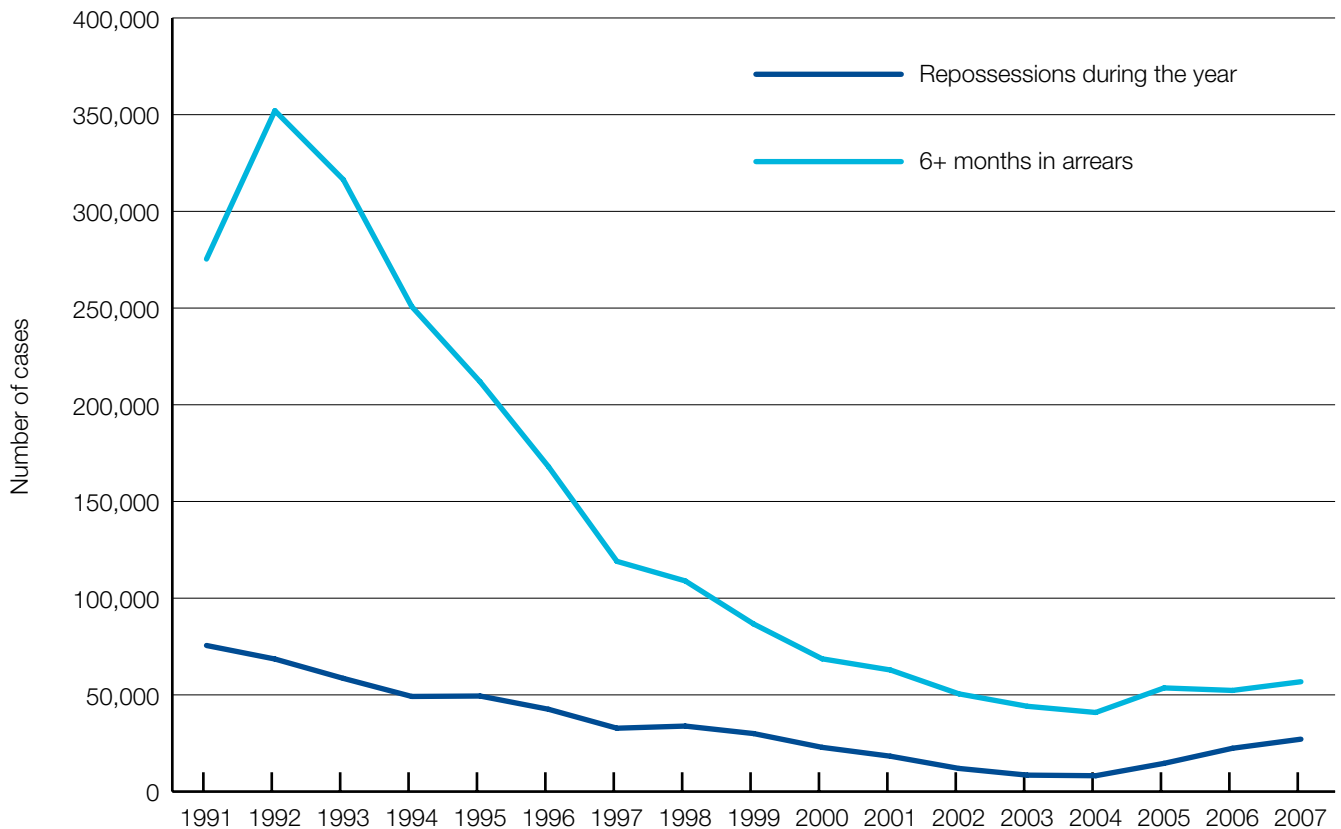
Source: CIH/BSA (2008: 138)

Figure 2.25: Mortgage cost to income ratio for owner-occupiers, 2007



Source: CIH/BSA (2008: 138)

Figure 2.26: UK mortgage arrears and repossessions, 1991–2007



Source: CIH/BSA (2008: 147)

that around 40,000 homes were repossessed in the whole of 2008.¹² The latest Regional Trends figures (Table 2.2) also show that there has been a major rise in the number of mortgage possession orders¹³ since 2003. The figures for different stages of court orders more or less doubled between 2003 and 2006 in England, and continued to rise in 2008. For example, the number of actions entered increased by 112% between 2003 and 2008, by 124% for suspended orders and by 276% for orders

made. An even higher level of possession orders was found in Wales. While there was an increase in court orders in Northern Ireland, the level of increase was not as sharp as those observed in England and Wales. It is difficult as yet to assess the scale of the moderating impact of Government policies to protect home-owners in difficulty, primarily through income support assistance, temporary loan guarantees and agreed code of practice reforms to promote forbearance.

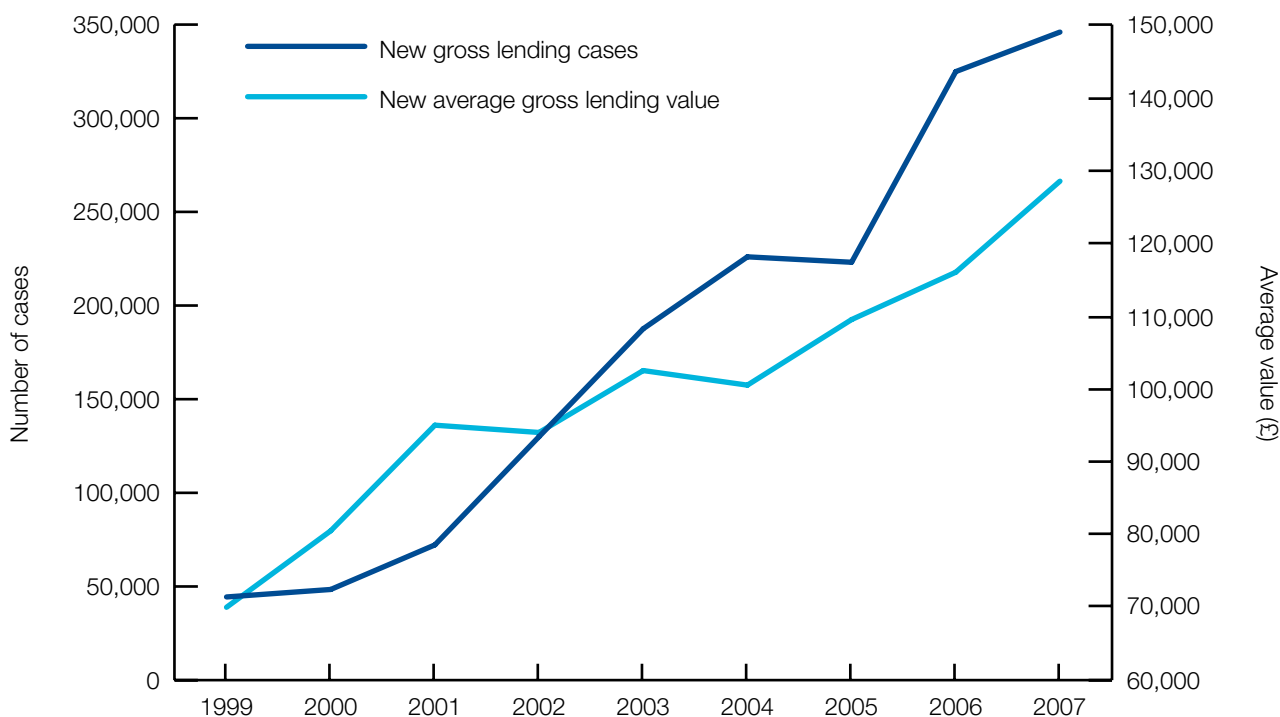
Table 2.2: County court mortgage possession orders, 2008

	Year	Actions entered	Suspended orders	Orders made
England	2008	133,000	50,900	57,900
	2006	123,000	42,000	43,400
	2003	62,700	22,700	15,400
Wales	2008	9,700	3,900	4,200
	2006	8,200	2,700	2,700
	2003	4,200	1,700	1,100
Scotland		–	–	–
Northern Ireland	2006	2,500	400	1,700
	2003	1,700	300	600

Source: ONS (2009a: Table 7.9)

The rising housing market since the 1990s has made housing an attractive investment option and the Buy to Let market has been particularly buoyant. As shown in Figure 2.27, the number of new gross lending cases rose steeply from 44,400 cases in 1999 to 346,000 cases in 2007. The average value of Buy to Let loans also increased, from £70,000 in 1999 to £128,500 in 2007. For several years in the late 2000s, Buy to Let lending was the largest part of the UK mortgage market, although as previously indicated, much of this investment was refinancing existing properties to facilitate improvement and portfolio expansion. When we consider the flows of properties in and

Figure 2.27: UK buy to let loans, 1999–2007



Source: CIH/BSA (2008: 153)

out of the market, the numerically small rental market becomes much more important as a player in the wider housing market and there is considerable uncertainty as to how the activities of landlords will impact on the owner-occupied market recovery.

Following the economic downturn, lending is the area most directly affected by the credit crunch. Nationally, lending to movers fell by 59% and to first-time buyers by 57% in the year to November 2008.¹⁴ These are disastrous figures for the ‘housing economy’, which relies on lending to fuel transactions and market activity. Buy to Let lending¹⁵ also fell in 2008 but the comparative decline was much less, only 15%. While there is evidence that Buy to Let specialist lenders have suffered badly in the market collapse, there is good reason to believe that some Buy to Let landlords will still be ready to purchase at the bottom of the market.

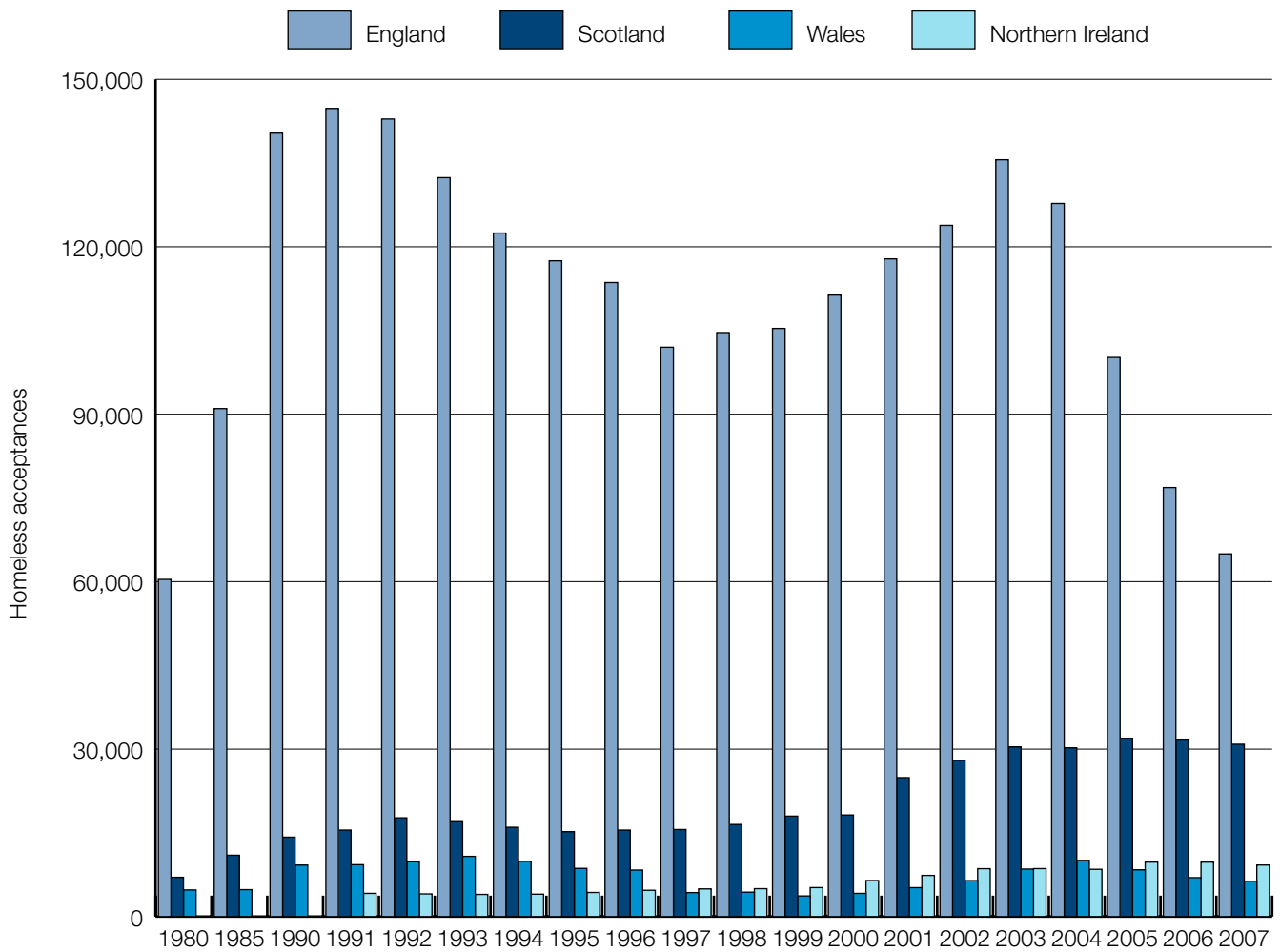
Homelessness

The broad trends of statutory homeless acceptances are very similar across England and Wales – with rising numbers during the recession

in the early 1990s, which then decreased during the mid 1990s, but rose again in the late 1990s and early 2000s. However, the rise and fall of homeless acceptances tended to swing more dramatically in England, with a dramatic increase of homelessness of 33,590 households between 1997 and 2003 to reach 135,590 households that year (see Figure 2.28). This reflects the fact that the buoyant housing market squeezed many low-income households out of the market and, without any safety nets, many were seriously affected by the problem of housing affordability. It is interesting to note that since the peak in 2003, there has been an unprecedented reduction in the number of homeless acceptances by over 70,000 in England. In Wales, the number of homeless acceptances also climbed steeply and reached a peak in 2004, an increase of 134% between 1997 and 2004. Between 2004 and 2007, the number dropped by 37%. The rapid decline in the level of homelessness in England and Wales is probably related to the homelessness prevention agenda in these two countries (as discussed in Chapter 1).

In Scotland, with its different statutory framework and the 2012 target, the outcomes

Figure 2.28: Households accepted as unintentionally homeless, 1980–2007



Source: CIH/BSA (2008: 196) and Northern Ireland Homelessness Statistics

are rather different in size and interpretation. The number of homelessness acceptances increased steadily from the mid 1990s, although the number has dropped slightly since 2006. The patterns were very similar in Northern Ireland.

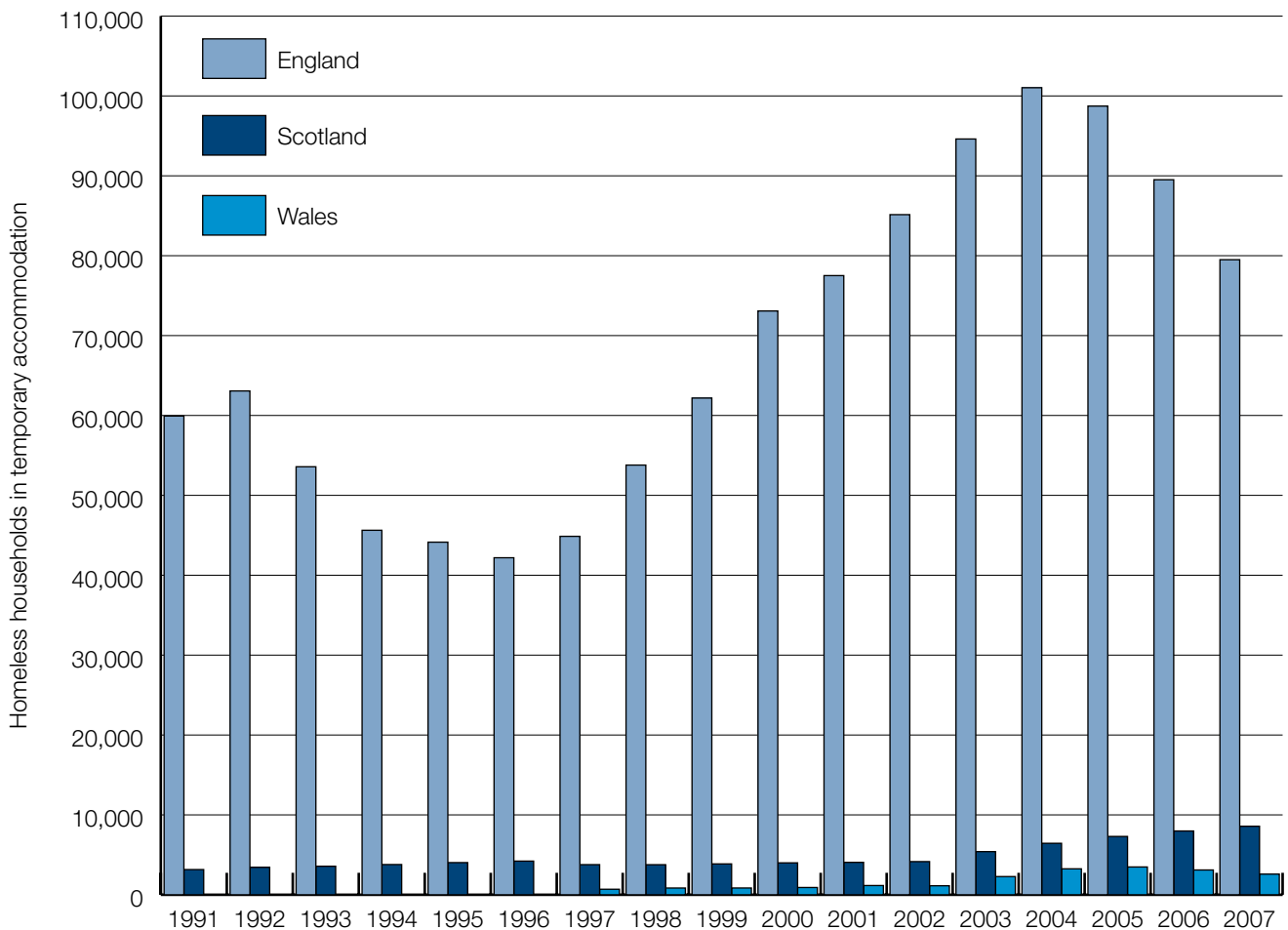
In responding to homelessness, local authorities have a duty to provide temporary accommodation to those households accepted as homeless while they wait to be rehoused in 'settled' housing. The trajectories of change in the number of homeless households in temporary accommodation (see Figure 2.29) follow the number of statutory homeless acceptances. In England, the number in temporary accommodation peaked in 2004, with over 101,030 households. The number then reduced by 21% to 79,500 in 2007. This suggests that the Government's target of halving the number of households living in temporary accommodation by 2010 could only

be achieved if this trajectory is not affected by the current economic downturn.

Likewise, in Wales, the number in temporary accommodation fell by 25% in 2007 from its peak of 3,480 in 2005. However, the latest available figures show that this increased again to 2,823 in 2008. Hence, the Welsh Assembly Government announced its preparation for a new national 'Ten Year Homelessness Plan' to replace the current National Homelessness Strategy in the summer of 2008.

In Scotland, the number of households in temporary accommodation continued to rise from around 4,000 in 2000 and 2001 to 8,577 in 2007 (a 114% increase). This continuous increase differs from those witnessed in England and Wales and is probably related to the fact that the statutory safety net in Scotland is more extensive and more generous.

Figure 2.29: Households in temporary accommodation, 1991–2007



Source: CIH/BSA (2008: 197–8)

Housing and environmental quality

While new housing quality standards have been introduced across the four countries of the UK, there is no consistently collected data to chart the progress towards achieving these standards. This is partly related to the fact that such information can only be collected via household surveys, which tend to be rather expensive.

According to the 2007 English House Condition Survey (DCLG, 2009c), 7.7 million dwellings in England were non-decent (just under 35% of the housing stock), 1.1 million of which were in the social sector. In comparison with the private sector, the RSL stock was in better condition, as only 26% of RSL homes were non-decent. The figure for the private rented sector was 45% and for homeowners was 34%.

The Scottish Housing Quality Standard (SHQS) consists of five criteria and the failure rate in 2002 of both private and social sectors was 77%. The

latest Scottish House Condition Survey shows that the failure rate in 2007 for the private sector was 67% and 71% for the social sector. This suggests a gradual improvement over the five-year period and that the private sector's overall failure rates were similar to those of the social sector in the period.¹⁶

In Wales, the rate of unfit dwellings continued to fall from 19.5% (199,000) in 1986 to 4.8% (57,700) in 2004, according to findings from the Welsh House Condition Surveys and Living in Wales Survey 2004.¹⁷ Each house was judged on 11 aspects (e.g. disrepair, dampness, ventilation) and if any one of the items did not meet the required standard, it was deemed as an unfit dwelling. In Northern Ireland, the number of unfit dwellings gradually reduced from 8.8% (50,360) in 1991 to 3.4% (24,160) in 2006.¹⁸

The sustainability agenda has led to the introduction of the Standard Assessment Procedure (SAP) by the UK Government. Based on the energy costs of heating, ventilation and lighting,

SAP is used to grade the energy rating of homes on a scale of 1 to 100: the higher the number the greater the predicted energy efficiency. Figure 2.30 shows that the average SAP ratings in England and Northern Ireland have steadily improved since 1996. While both England and Northern Ireland's SAP ratings were just above 40 in 1996, greater improvement was found in Northern Ireland by 2006, with a rating of 52.5 in comparison to England's 48.7. According to the 2007 English House Condition Survey, the latest average SAP rating in England was 50 and social housing (57.8) was more energy efficient than the private sector (48.1).

In Wales, funding has been made available to improve the energy efficiency of social housing from the Home Energy Efficiency Scheme (HEES) since 2000. Over 24,000 households received an HEES grant to improve their heating between March 2001 and January 2004.¹⁹ The HEES measures have increased the average SAP of all dwellings from 44 to 58.

In 2005, the average SAP rating for homes in Scotland was 60 and newly built homes had a typical SAP score of around 80.²⁰ However, the National Home Energy Rating (NHER) is the most commonly used assessment method in Scotland because it allows for regional temperature variations whereas SAP uses the same standard for the whole of the UK. The NHER rates dwellings

on a scale of 0 (poor) to 10 (excellent) based on the total energy costs per square metre of floor area. In 2002, an estimated 31% of Scottish dwellings achieved a 'good' rating of 7 or above, which rose to 44% by 2004/05.²¹ Correspondingly, only 5% of dwellings were given a poor rating of 2 or below in 2004/05.

Since different parts of the UK adopt slightly different assessment approaches and given that the SAP ratings are survey-based information, it is difficult to make a direct comparison of progress made.

Summary

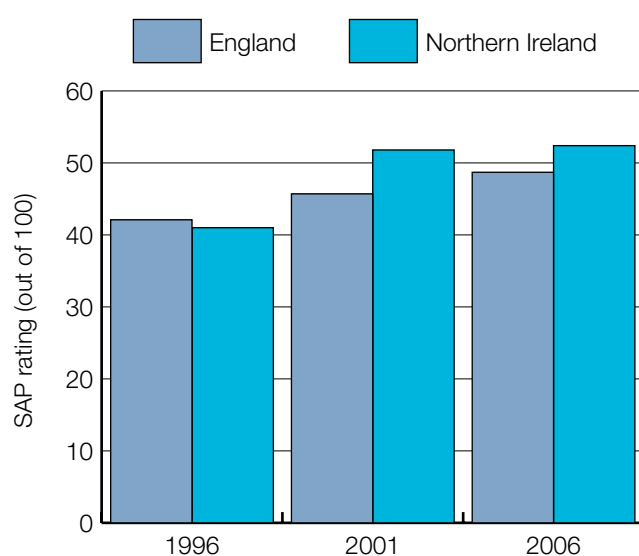
This chapter has examined key demographic, economic, labour market and housing trends between 1991 and 2008 across the UK and highlighted the changing trajectories of the housing market and the macro-spatial development of the UK.

Demographic changes are one of the key factors underpinning changing housing demand and are a good indicator of neighbourhood dynamics. Between 1981 and 2007, the UK experienced an 8.2% increase in total population. Net increase through migration (both domestic and international) accounted for over half of the population increase in the UK in 2007, most of the population increase in Scotland and over four-fifths of the population increase in Wales. International migration has played a particularly significant role in the population gains made across the four countries, but especially England.

The analysis also found that household numbers in Great Britain increased by around 24% between 1981 and 2006 and are projected to increase by a further 28% by 2031. This high growth trend is evident in England and to a lesser extent in Wales and Scotland. This suggests that the high level of housing demand pressure being placed on housing markets across the UK as a result of new household formation and net migration gains is likely to continue in the future.

The macro-economic climate adds another layer to understanding housing and development trends. The collapse of the global financing system has contributed to a fall of 17% in average house prices since the housing boom in the autumn of

Figure 2.30: Average energy efficiency (SAP) ratings, 1996–2006



Source: CIH/BSA (2008: 111, 114)

2007 and recent GDP figures suggest that the UK economy contracted by 5.2% between the third quarter of 2008 and the third quarter of 2009. In terms of the local economic climate, the analysis revealed that, in terms of relative labour productivity, only England has consistently outperformed the UK average and improved its relative productivity steadily. Scotland experienced relative decline in the late 1990s but has slowly improved its position since the late 2000s. In contrast, Wales and Northern Ireland experienced steady decline in labour productivity between 1997 and 2005. In light of the analysis of labour productivity, it is perhaps unsurprising to find that England and Scotland experienced the highest rates of small firm births across the four countries. There has, however, been a general improvement in the survival of rates of VAT-registered businesses between 2002 and 2006 across the four countries. Clearly, monitoring business lifecycle trends in the future is important, given that start-up, closure and survival rates of new businesses are useful indicators of the health of the economy.

In terms of the labour market, employment and unemployment trends suggest that there has been an economic convergence between the four countries in recent years. The average employment rate for the working-age population in the UK remained around 74% between 2004 and 2008. After peaking in 1993, unemployment went into continuous decline across the four countries until 2007. However, recent data shows that by August 2009 unemployment in the UK had climbed to 7.9%, the highest level since 1996. This reflects the increasing pressures being exerted on the labour market as a result of the global economic downturn.

The functioning of the housing market is a key indicator of the macro-economic climate but is also a key factor underpinning neighbourhood development. At the peak of the housing boom in autumn 2007, the average house price in the UK was around £223,000. However, since the economic downturn in 2007, house prices have been falling rapidly although the impacts have varied between areas and between different types of property within the same location. Overall, the analysis found that the regions that experienced the greatest increase in house prices between 1991

and 2007 are now experiencing the greatest level of decline.

The boom in the housing market since 2000 has placed increasing emphasis on offsetting problems of affordability. The gap between mortgage costs to income ratios has widened over the years between first-time buyers and moving owner-occupiers, and in particular, for those in Northern Ireland, Scotland, Wales and North East England. On the whole, it is clear that differentials between different parts of the UK have been narrowed for both first-time buyers and moving owner-occupiers. However, first-time buyers have been subject to higher mortgage advance ratios than moving owner-occupiers, which suggests that first-time buyers in the UK have been experiencing significant housing affordability pressures.

The effective supply of housing is critical for the healthy functioning of the housing market and for tackling affordability problems. Housing stock in the UK increased by 12.2% between 1992 and 2006. Most new build starts in the UK were for market housing by the private sector (nearly 90%) and only around 10% were for housing associations. The policy push towards increasing housing supply has resulted in increasing housing completions since 2001. However, the analysis showed that the housing downturn in late 2007 in terms of both private demand and lending has reduced housing starts, suggesting that completions in the short to medium term will be lower than for the period 2001 to 2007. Coupled with a projected increase in household numbers to 2031, lower house building rates mean that affordability problems are likely to re-emerge as the housing market recovers in the future.

A further impact attributed to the functioning of the housing market is the level of homelessness across the UK. The broad trends of statutory homeless acceptances were very similar across England and Wales. The rise and fall of homeless acceptances tended to swing more dramatically in England, reflected in a dramatic increase in homelessness of 33,590 households between 1997 and 2003. Likewise, Wales experienced a 134% rise between 1997 and 2004 but this declined by 37% in 2007. One explanation is that the buoyant housing market has squeezed many low-income households out of the market and

seriously affected their ability to afford housing. In Scotland, the number of people in temporary accommodation increased by 114% between 2001 and 2007. However, the underlying cause of this increase is likely to differ from those witnessed in England and Wales and is probably related to the fact that the statutory safety net in the housing market in Scotland is more extensive and more generous than in England and Wales.

Finally, the analysis considered recent trends in dwelling standards and environmental quality, reflecting the impact of both issues on quality of life. The analysis found that the standard of dwellings has been improving across the UK, most likely as a result of the introduction of a common SAP by the UK Government as well as country-specific housing standards. SAP ratings across the four countries of the UK have improved over recent years. Although new housing quality standards appear to have had a positive effect on the quality of dwellings, there is no consistently collected data to show the progress towards achieving these standards, which demonstrates the need to adopt a more rigorous approach to collating information on improvements in housing and environmental quality.

3 Housing indicators

The previous chapter highlighted housing and economic development trends at the national level. This chapter provides a suite of ten indicators to gauge housing market dynamics, in terms of both demand and supply activities, as well as the outcome of market interaction in terms of house prices and rental levels at a more local level. Indicators are also used to measure important drivers that affect the functioning of the housing market, such as household income, affordability issues and homelessness.

This set of indicators is explicitly designed to examine the spatial distribution of patterns of housing issues across different parts of the UK. The analysis of these housing indicators aims to assess the Government's progress towards addressing these key housing issues in their respective jurisdictions as well as identifying the effectiveness of policies to address specific challenges faced by local neighbourhoods.

The ten housing indicators are:

- (1) household and dwelling balance;
- (2) projected household change;
- (3) new build starts: private sector;
- (4) new build starts: social sector;
- (5) standardised house price;
- (6) standardised market rent level;
- (7) standardised social rent level;
- (8) household income;
- (9) homelessness;
- (10) ratio-based affordability measure.

Compiling neighbourhood-level data for the above indicators is complex and the definitions and data

sources used for each indicator are provided in Appendix B. When different data sources and definitions are involved in compiling an indicator, notes are made so that caution can be paid to the interpretation of data shown in the tables and the spatial distribution patterns presented in the maps.

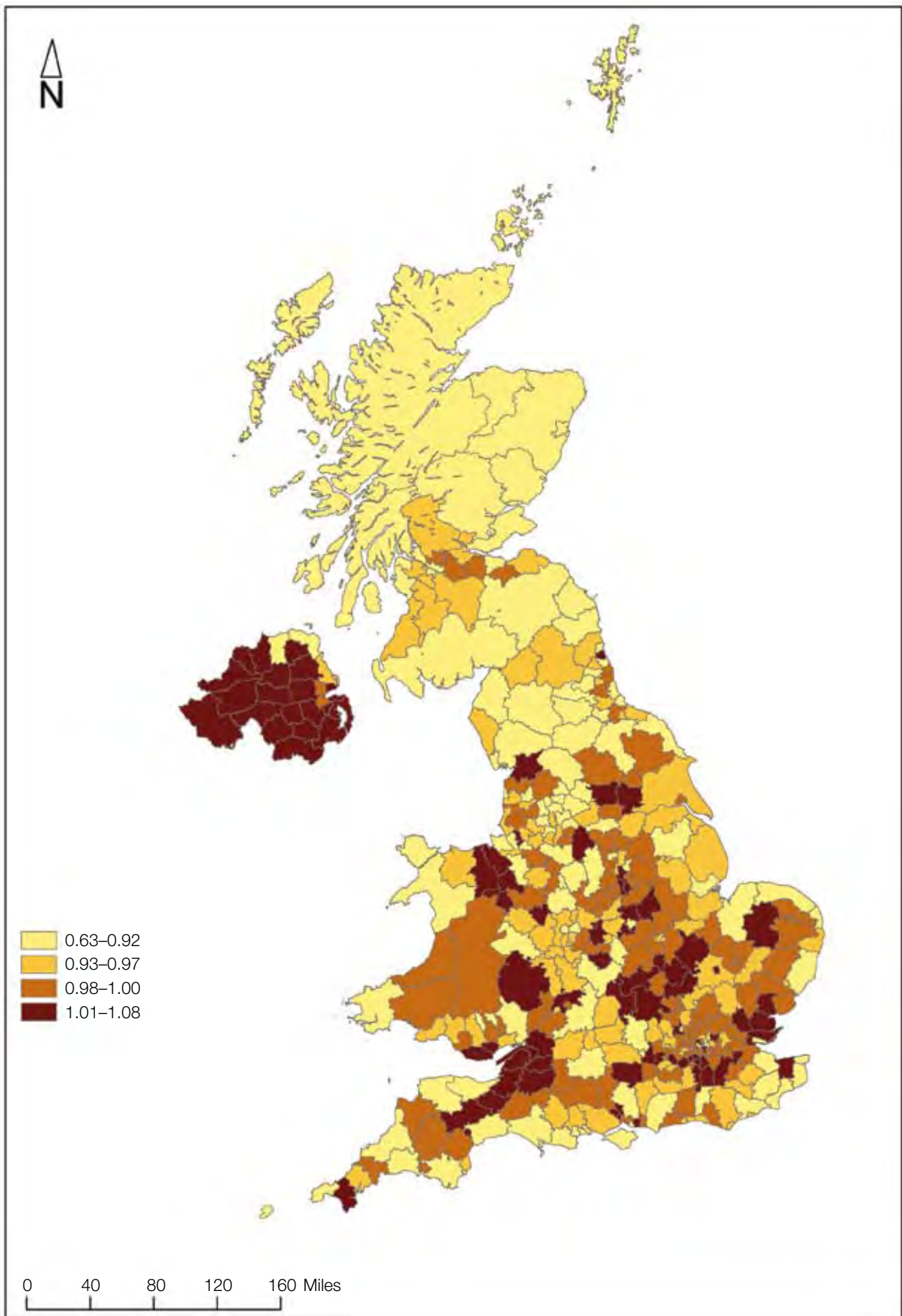
(1) Household and dwelling balance

The overall balance between the number of households (demand) and the number of dwellings (supply) is a simple but powerful measure of the pressure in the local housing market. The ratio of total households to total dwellings, in a crude way, provides an index of excess demand and hence higher levels of the ratio locally would be expected to be associated with higher house price growth and pressures for additional housing supply. According to the DCLG's long-run model of housing supply and affordability (Meen et al, 2005), house price growth is driven partly by the ratio of the number of households to the size of the dwelling stock (although inevitably there will be constraints in new household formation where supply and affordability poses problems, meaning that overall levels of unmet need may be hidden). It is, however, important to note that this indicator does not take into account extra housing pressure caused by second homes and Buy to Let and should not be interpreted as the actual level of housing shortage or oversupply.

Several variations of the measure might be chosen for different policy reasons – here the focus is simply on all households and dwellings. Figure 3.1 and Table 3.1 present the ratio of households to dwellings.

The ratio suggests that a large swathe of the UK's main urban and commuter areas have a tight balance or slight shortage. Shortages appear in southern Wales, Bristol and Gloucester, large parts of Southern and Central England and Northern Ireland. Looking at the specific local authority distribution, we see that most of the councils have a small surplus of dwellings (a third of all councils

Figure 3.1: Household and dwelling balance ratio, 2006 (number of households compared with number of homes in an area)



Source: DCLG, NIHE, Scottish Government, Welsh Assembly Government

Table 3.1: Household and dwelling balance ratio, 2006

	Household	Dwelling	Balance ratio
UK	25,729,475	26,446,971	0.97
England	21,518,000	22,085,741	0.97
Wales	1,247,300	1,275,816	0.98
Scotland	2,291,575	2,417,759	0.95
Northern Ireland	672,600	667,655	1.01

Note: This indicator provides a crude measure of excess housing demand (greater than 1) or excess housing supply (less than 1) in the housing market by comparing the number of households with the number of dwellings.

Source: DCLG, NIHE, Scottish Government, Welsh Assembly Government

have a surplus of 4% or more), indeed only 13% indicate a shortage of housing and less than 2% of the total have a shortage exceeding 4% of the dwelling stock.²² Some parts of South Wales, however, appear to face more severe shortages. It should be noted that the ratio of households to dwellings is not a perfect measure of excess demand for housing. For example, the indicator does not build in any adjustment for the quality or appropriateness of dwellings. In addition, there is no adjustment for second homes. Therefore, we cannot rule out the possibility that this indicator will show a 'surplus' in some areas with poor availability of dwellings that are in demand by households.

(2) Projected household change

Household projections are one of the major factors that underpin the derivation of planning strategies, at both local and regional levels, for housing land allocation. The UK Government's projections suggest that the total number of households across the UK will increase from 25.8 million in 2006 to 33 million in 2031 (a 28% increase). While England and Northern Ireland face similar levels of growth at 28%, the projected growth in Wales is slightly lower, at 25%. Scotland, however, has the lowest level of projected growth, at 19%.

However, within each country, the growth trajectories vary significantly. The highest level of projected growth between 2006 and 2031 (see Figure 3.2 and Table 3.2) is found in the

eastern region of England, particularly in South Northamptonshire (64%) and Colchester (62%). Significant growth in household numbers is also found in the East Midlands, particularly in Lincolnshire, North Yorkshire, Cornwall, Kent and Ashford. It is important to note that most of these areas correspond well with the DCLG's four designated Growth Areas (see Figure 1.2) in its Sustainable Communities Plan. However, the relationship between the household projections and the designated Growth Points (see Figures 1.2 and 1.3) is much less clear. This is probably related to the fact that Growth Points are more of a bottom-up policy process, reflecting the locations where local partnerships would like to see greater housing development and household growth.

It is also interesting to note that major cities such as Manchester (48%) and Leeds (42.4%) as well as Inner London boroughs, Camden in particular (54%), are also high growth areas. This contrasts with the low level of projected growth in Liverpool, Merseyside and coastal areas in the North East. It is also interesting to note the pressures facing some affluent areas in South East England, which may be related to the lack of housing land to cater for future household growth.

Scotland differs from the rest of the UK as some areas are projected to see a decrease in total household numbers, such as East Dunbartonshire (-1.9%) and Inverclyde (-2.9%).

Due to the delay in release of Northern Ireland's projected household numbers for 2031, the analysis

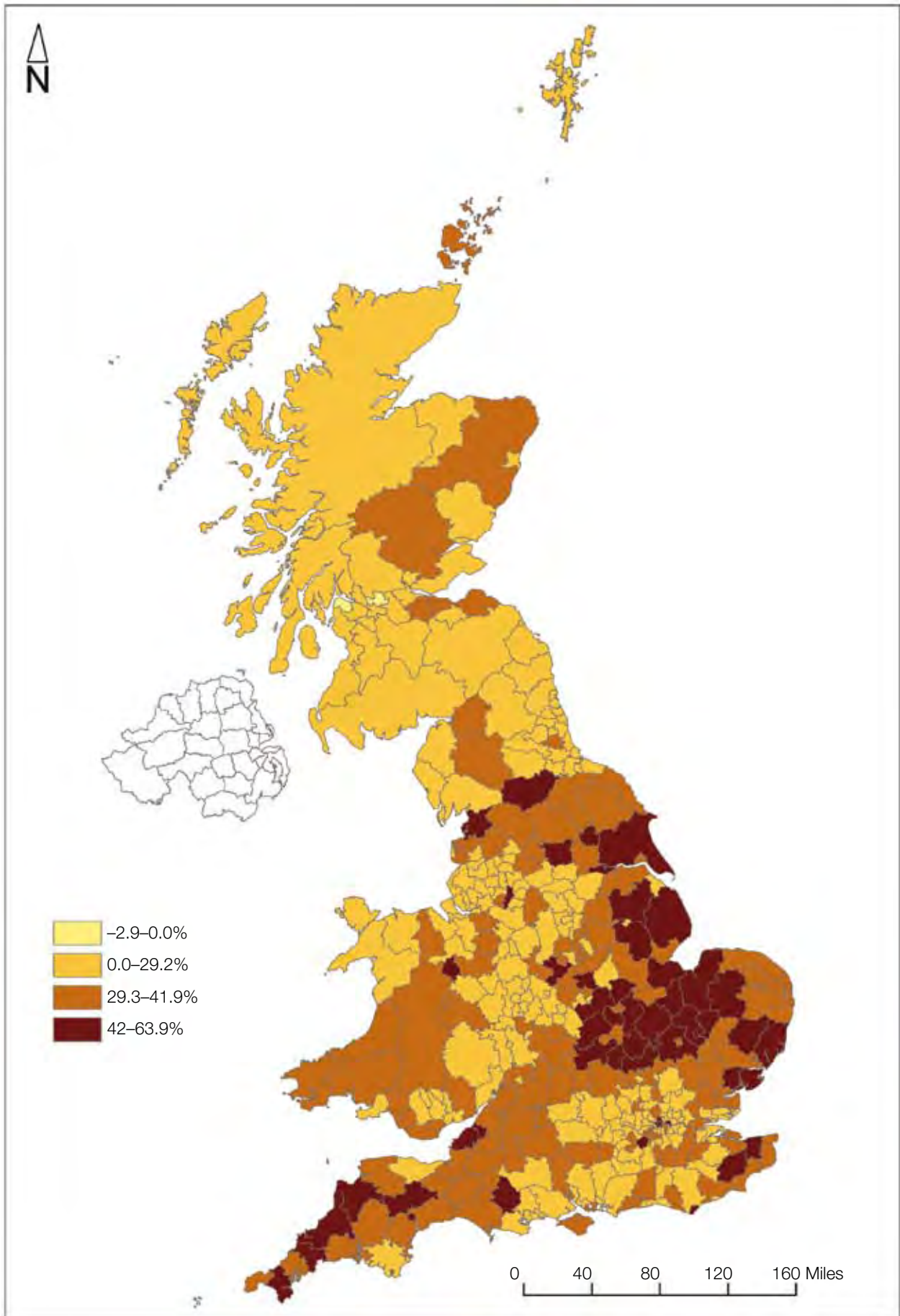
Table 3.2: Projected household change, 2006–31

	2006 millions	2021 millions	2031 millions	2006–31 % change
UK	25.75	30.31	33.00	28.16
England	21.73	25.44	27.82	28.03
Wales	1.27	1.48	1.59	25.20
Scotland	2.29	2.59	2.73	19.21
Northern Ireland	0.67	0.80	0.86	28.40

Note: Population projections are based on assumptions regarding recent demographic trends, including average family size, life expectancy at birth, and in-ward migration. They are one of the key indicators underpinning housing land allocation planning policies at local and regional levels.

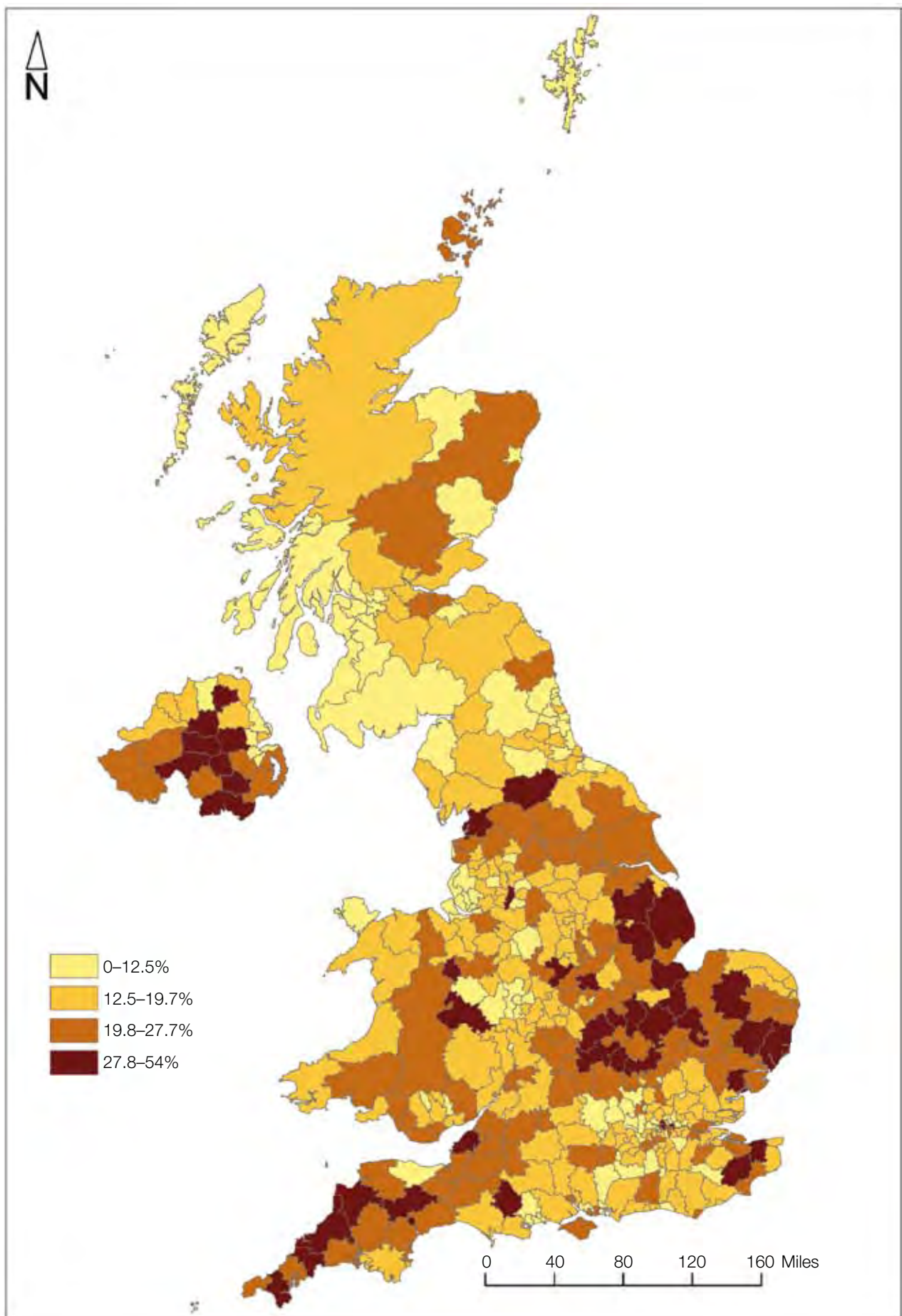
Source: ONS (2009a: Table 10.15)

Figure 3.2: Projected household change, 2006–31



Note: Local projection data is not available for Northern Ireland.
Source: ONS (2009a: Table 10.15)

Figure 3.3: Projected household change, 2006–21



Source: ONS (2009a: Table 10.15)

focuses on its growth patterns between 2006 and 2021 (see Figure 3.3). Northern Ireland has a similar level of projected growth as the UK average. Very high levels of projected increase are found in Dungannon (54%), Graigavon (37%), Banbridge (35%), Newry and Mourne (35%), Ballymoney (34%), Antrim (33%), Magherafelt (32%) and Cookstown (30%).

(3) New build starts: private sector

The pattern of private sector new build starts on the cusp of the credit crunch (see Figure 3.4 and Table 3.3) was highly geographically dispersed relative to other housing indicators. Within England, a few London boroughs were within the highest band whereas other boroughs were among those with the lowest volume of new build. Throughout England there were significant local clusters of new build activity, namely in Birmingham, Bristol, Leeds, Manchester and Norwich.

Several of the Scottish local authorities were included in the highest new build rates and because of the larger physical scale of some of the Scottish local authorities such as the Highlands, there was a disproportionate impact on the geographical pattern.

A number of local authorities in Northern Ireland were also represented among those in the highest new build sectors. The evidence was indicative of significant variation in new build supply across the UK and while pockets of activity were apparent close to major metropolitan areas, the supply-side picture was highly dispersed and variable.

Table 3.3: Number of private sector new build starts, 2007/08

UK (w/o Wales)	164,116
England	132,511
Wales	–
Scotland	20,921
Northern Ireland	10,684

Note: This indicator shows the total number of new build housing unit starts in the private sector.

Source: DCLG, NIHE, Scottish Government

(4) New build starts: social sector

The number of new build housing starts in the social rented sector was much lower than in the private sector in 2007/08. As shown in Figure 3.5 and Table 3.4, the geographical pattern was dominated by local authorities in the lowest volume category.

Local authorities with the highest level of social new build starts included some London boroughs (e.g. 504 units in Hounslow), parts of Outer London, Milton Keynes, Liverpool, Belfast and a number of Scottish local authorities.

The Highlands, due to its large spatial coverage, collectively had a significant volume of new build. Indeed, Scotland in relative terms appears to have experienced a higher level of provision in the social new build sector compared to England.

For England, while there was some evidence of concentration of new build in the social sector in London and the South East, there were also pockets of high rates of social new build in the South West, the West Midlands, the East Midlands, the North West and the North East.

(5) Standardised house price

The ideal place-to-place comparator of local house prices would be a standardised hedonic price, that is, one identifies the predicted price of a standardised dwelling (e.g. a three-bedroom 1980s-built semi-detached house with single garage and average size garden). The use of standardised house prices (rather than actual prices) allows for a more consistent comparison of house prices across different areas as the variation

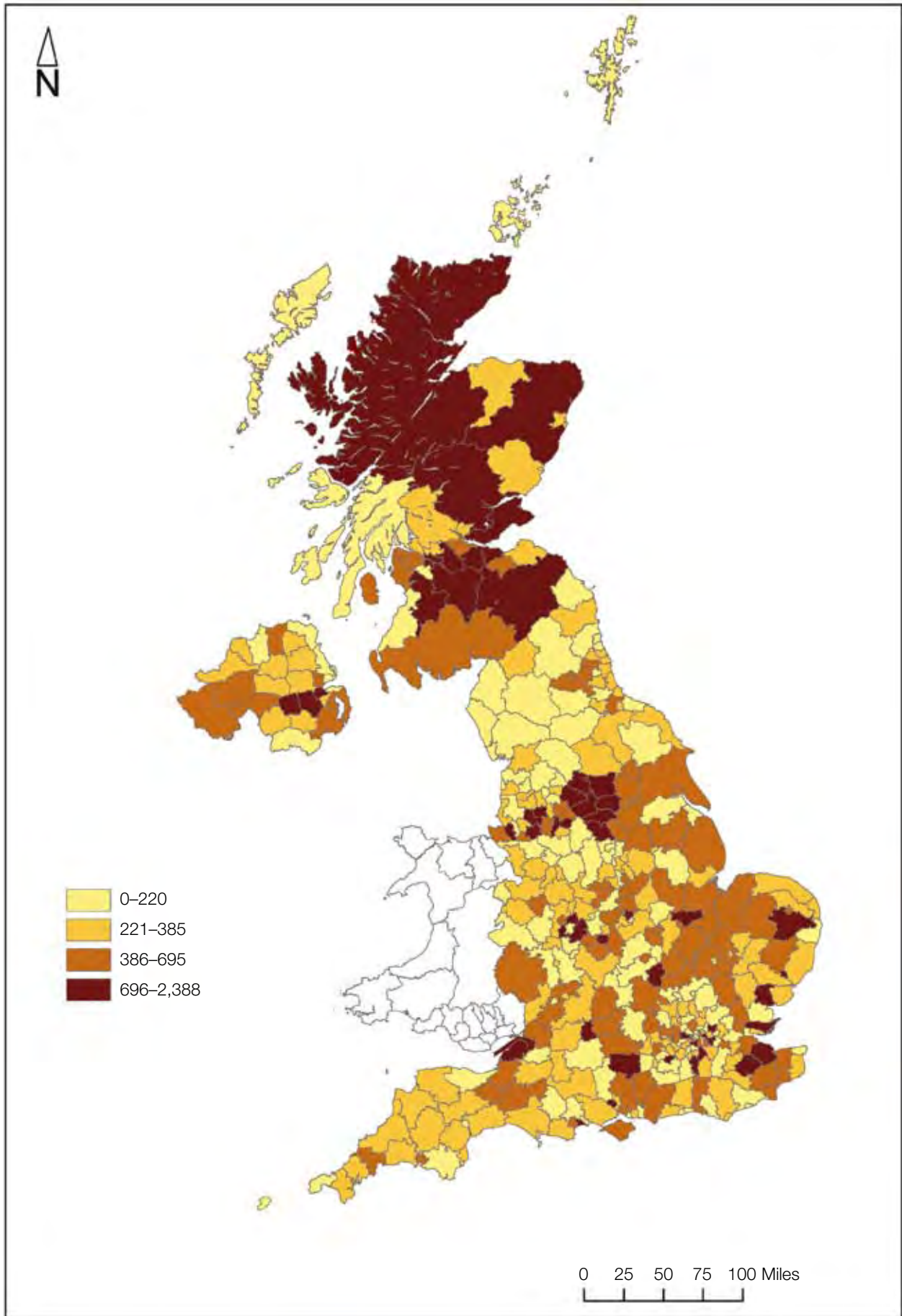
Table 3.4: Number of social sector new build starts, 2007/08

UK (w/o Wales)	21,441
England	15,031
Wales	–
Scotland	5,261
Northern Ireland	1,167

Note: This indicator shows the total number of new build housing starts in the social rented sector (RSLs).

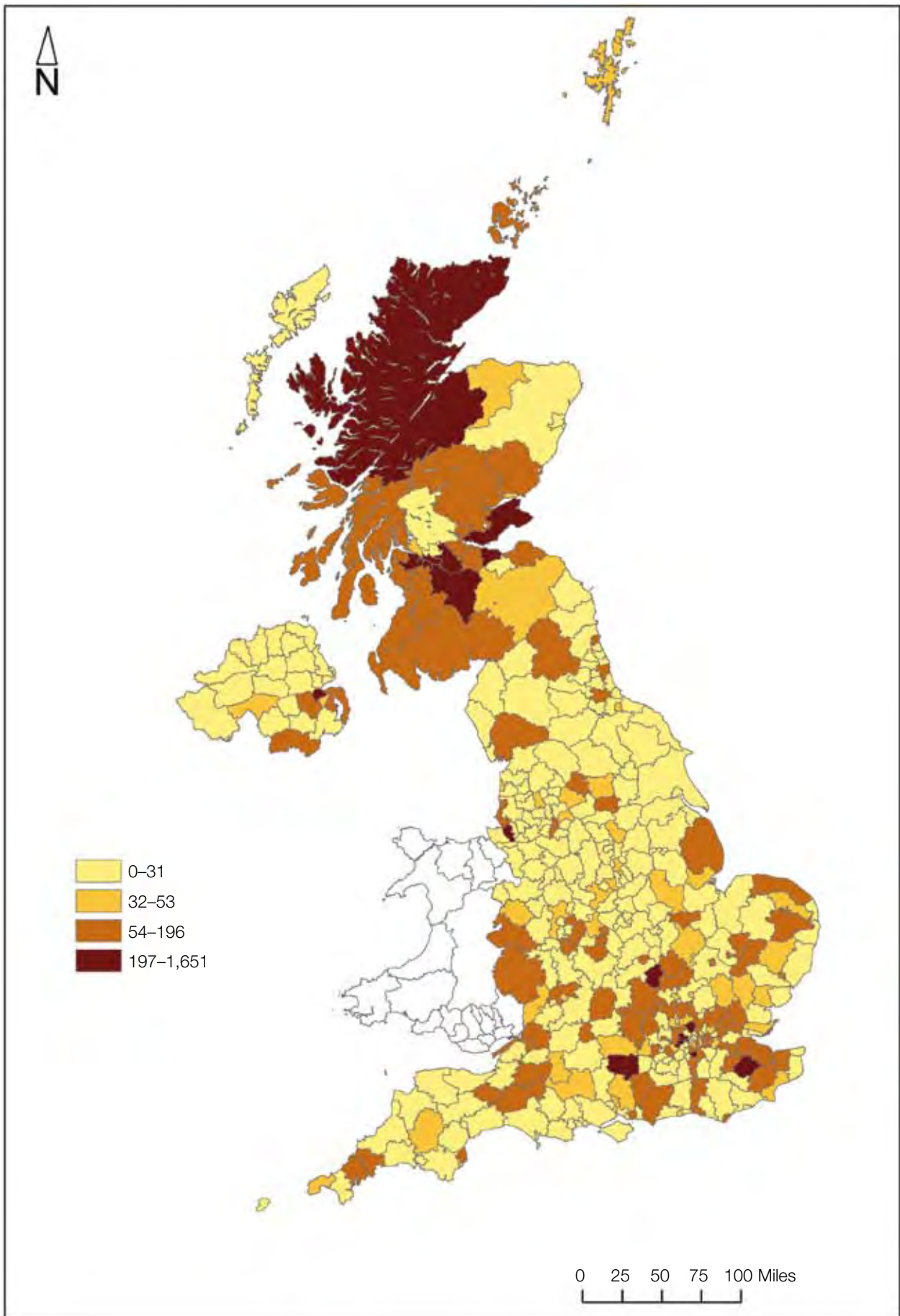
Source: DCLG, NIHE, Scottish Government

Figure 3.4: Number of private sector new build starts, 2007/08



Note: No data is available for Wales.
Source: DCLG, NIHE, Scottish Government

Figure 3.5: Number of social sector new build starts, 2007/08



Note: No data is available for Wales.

Source: DCLG, NIHE, Scottish Government

across space reflects a consistent treatment of the value of locational differences (e.g. land values, accessibility, property characteristics, etc). This is the approach taken, for instance, in the Halifax House Price Index.

In light of data availability constraints, however, at present, it is only possible to construct a simpler place-to-place price index (rather than for different property types), allowing comparisons of house price levels across the UK. Data restrictions mean that slightly different calculations have been used. For England and Wales, we used a mix-adjusted mean price. Note that this is not a standardised house price but rather a quality-adjusted price based on four property types, weighted according to both the 2001 Census and the mix of transactions in 2005, 2007 and 2008, calculated at Middle Layer Super Output Area (MSOA) level (see Figures 3.6–3.8). In Scotland, the Data Zone mix-adjusted median prices for 2005 and 2007 come from the Scottish Neighbourhood Statistics (SNS) and in Northern Ireland the local authority-level data is derived from a sample of estate agent recorded transactions in 2005, 2007 and 2008 and is based on median prices.

Table 3.5 shows that Northern Ireland experienced the highest level of house price inflation between 2005 and 2008 of 17.7%. Wales, on the other hand, had the lowest increase of 3.6%. The average house price increase in Scotland was similar to the average UK level. England had a lower house price increase than the UK average.

In England there was a distinct spatial pattern in the house price appreciation rates. In London and the South East, prices were still significantly higher in 2008 compared with 2005 (see Figure 3.9), despite falling prices in many areas in 2008. However, in Central England, the South West and North East, rates of price change were much lower (although still positive). The suggestion here is that declining market conditions in 2008 reversed much of the house price ‘gain’ towards the end of the housing boom. In England, there were also examples of neighbourhoods with negative price growth between 2005 and 2008. The pattern of these was scattered rather than concentrated in any particular region or areas within regions. However, there appears to be a finer scattering of such neighbourhoods in areas around the

Table 3.5: Standardised house price, 2005–08

	2005 (£)	2007 (£)	2008 (£)	2005–08 % change
UK	151,476	193,106	202,187	9.7
England	202,540	237,780	235,919	6.9
Wales	144,668	168,845	163,974	3.6
Scotland ^a	98,679	128,350	No data	10.6
Northern Ireland ^b	143,233	237,450	206,669	17.7

Notes: ^a 2008 data not available for Scotland, the change was based on 2007 data instead; ^b median data, the rest are mean data.

This indicator shows the predicted price of a standardised dwelling to allow more consistent comparison of house prices across different areas as the variation across space reflects a consistent treatment of the value of locational differences.

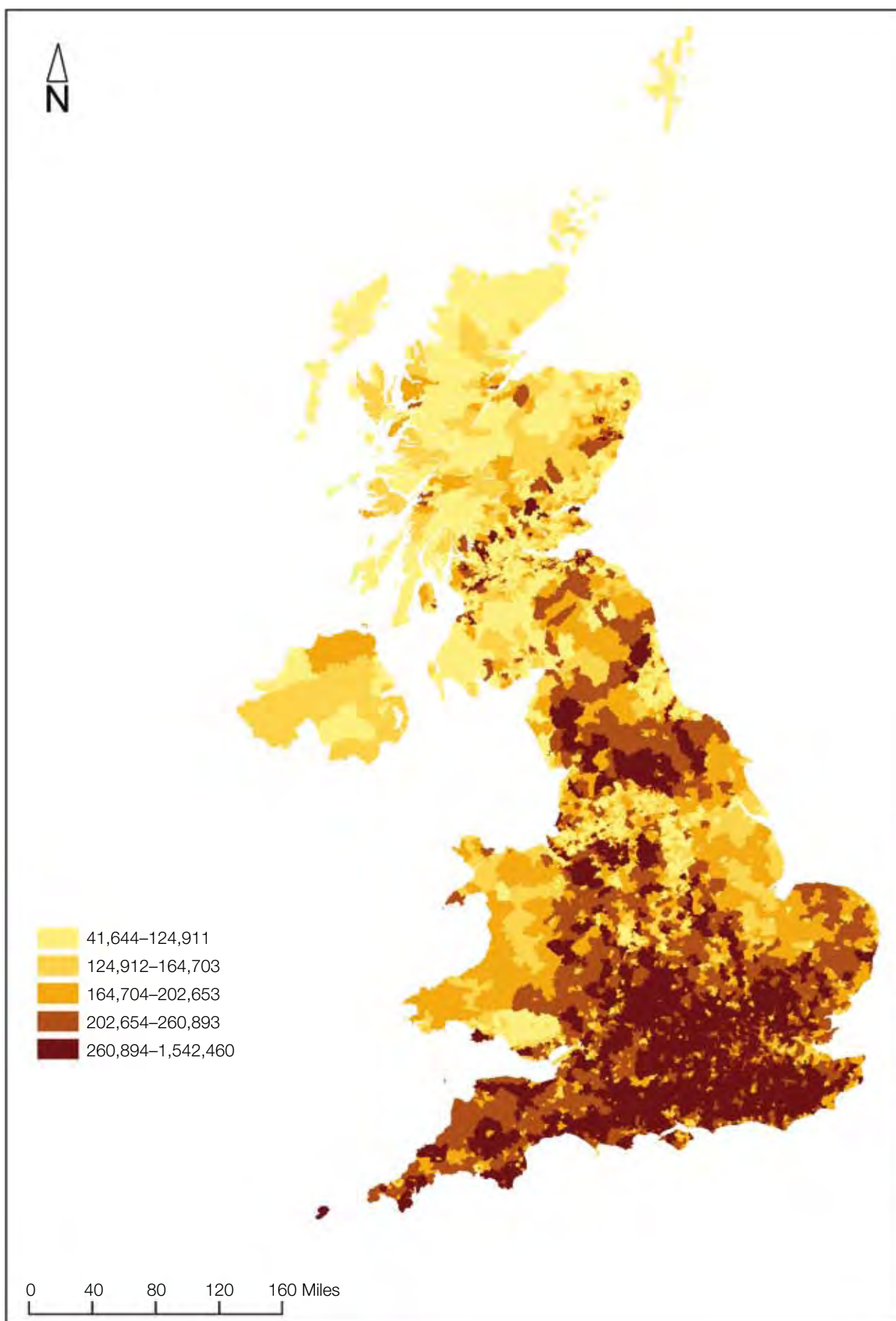
Source: HM Land Registry, SNS, NIHE

perimeter of some northern cities (Newcastle, Manchester, Sheffield, Leeds and Liverpool). There were isolated examples of such neighbourhoods in Central, Eastern and South Western England.

Many neighbourhoods in Wales revealed very low rates of house price appreciation, or house price decline between 2005 and 2008. This effect was more noticeable in northern and coastal areas of Wales, with many neighbourhoods in Southern Wales still showing significantly higher house prices in 2008 compared with 2005. In Northern Ireland, house price levels in 2008 remained significantly higher than in 2005 for urban and commuter areas. The most remote parts of Northern Ireland showed signs of house price decline in that period.

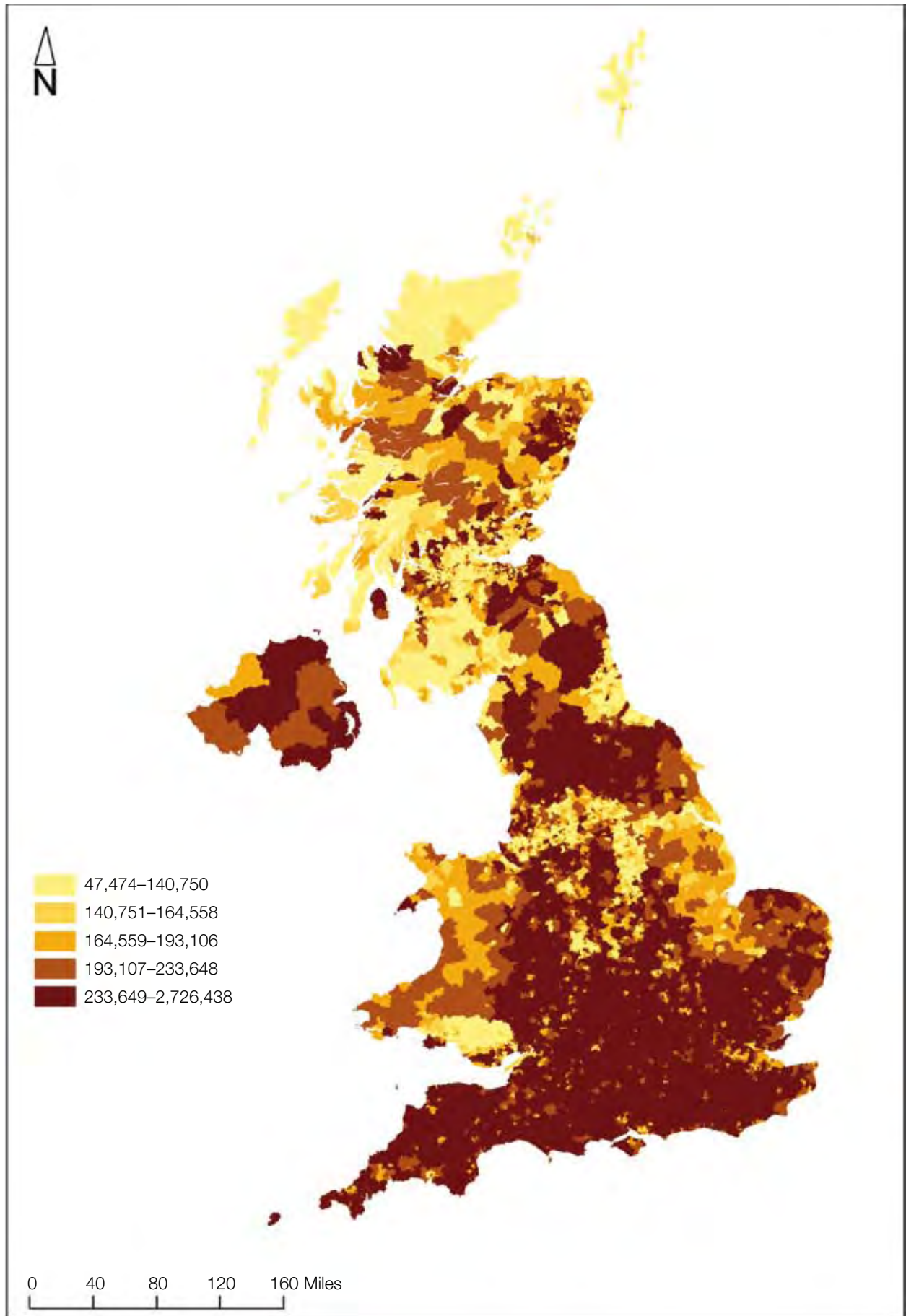
In Scotland, house prices at neighbourhood level represent Data Zone level medians, as produced by Scottish National Statistics. The methodology therefore differs from that used in England and Wales, and this precludes direct comparison of results for Scotland with other regions. Within Scotland, many neighbourhoods showed very high rates of house price appreciation between 2005 and 2007. This was particularly true in many rural areas, including Aberdeenshire, Central Scotland, parts of the Lothians and parts of the Highlands. There were many isolated cases of neighbourhoods having seen an apparent drop in prices between the two years. These cases were particularly found around the fringe of urban areas

Figure 3.6: Standardised house price (£), 2005



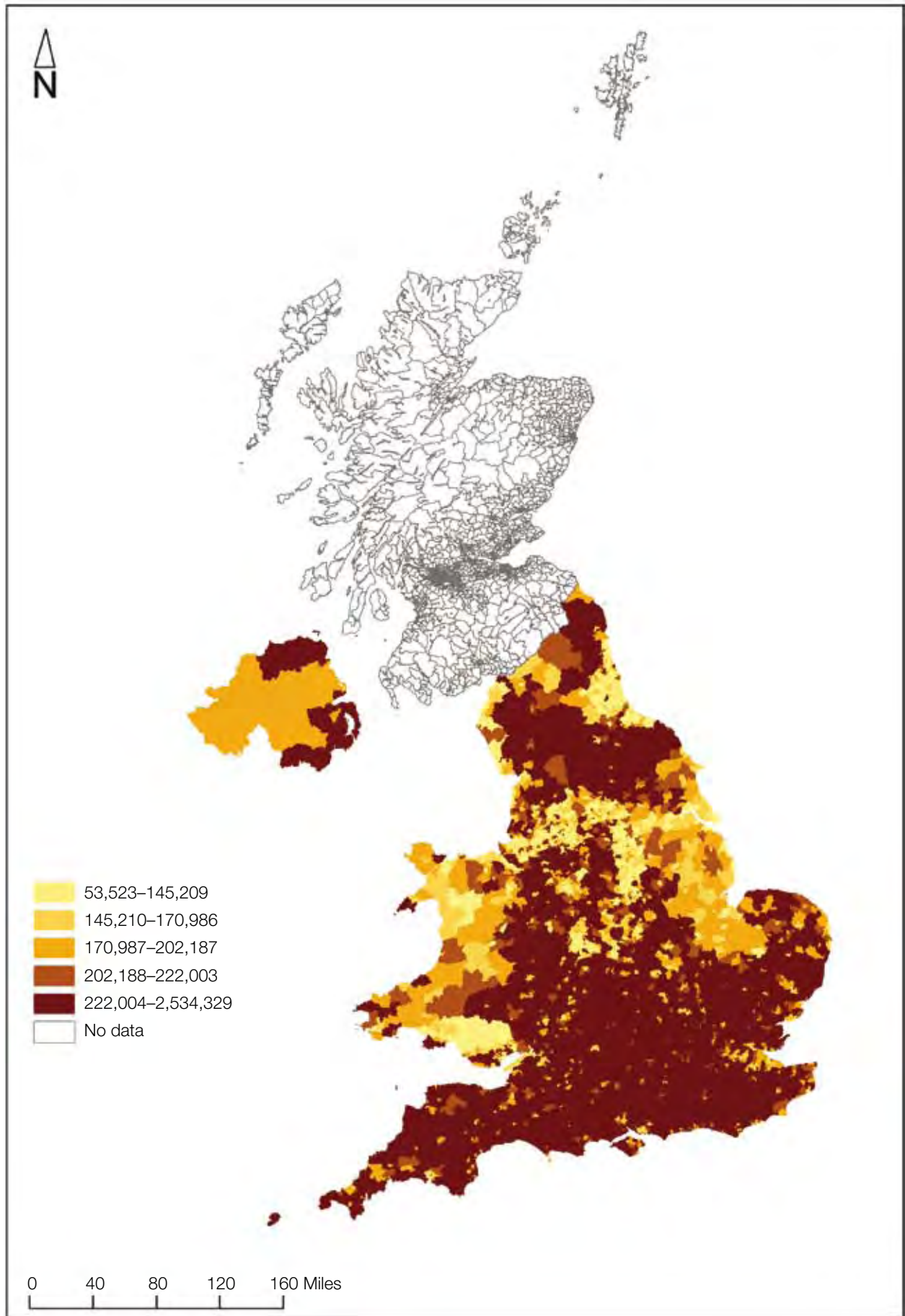
Note: Northern Ireland data is based on median data, while data for England, Wales and Scotland is based on mean data.
Source: HM Land Registry, SNS, NIHE

Figure 3.7: Standardised house price (£), 2007



Note: Northern Ireland data is based on median data, while data for England, Wales and Scotland is based on mean data.
Source: HM Land Registry, SNS, NIHE

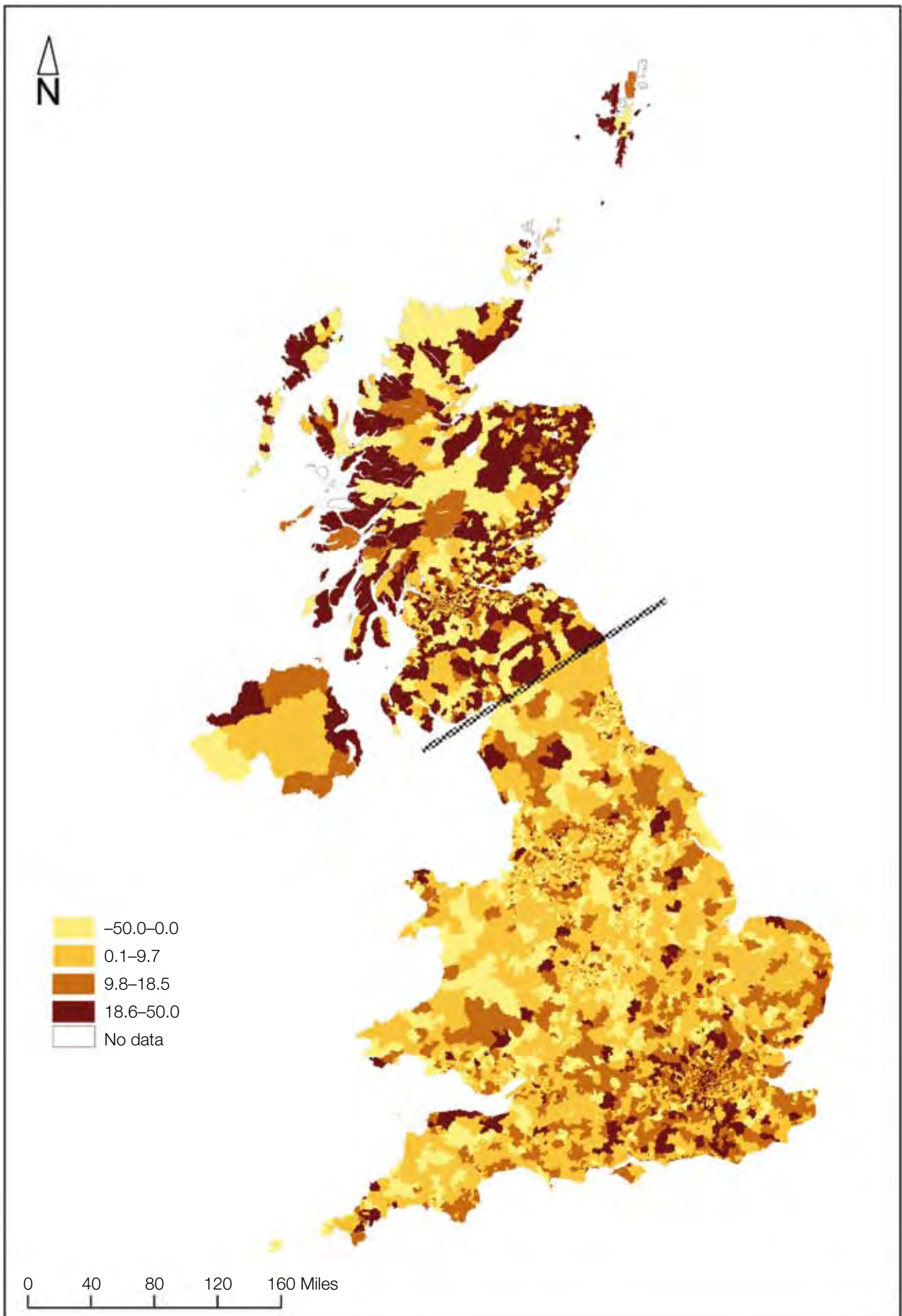
Figure 3.8: Standardised house price (£), 2008



Note: Northern Ireland data is based on median data, while data for England and Wales is based on mean data.

Source: HM Land Registry, NIHE

Figure 3.9: Percentage change in standard house price, 2005–07 (Scotland) and 2005–08 (rest of the UK)



Source: HM Land Registry, SNS, NIHE

as well as in some rural areas in Argyll and Bute and the central Highlands.

There were instances of excessively high house prices recorded in London boroughs such as Camden, Westminster and Chelsea and Kensington of over £1 million. These have been incorporated into the highest price category in Figures 3.6 and 3.7 in order that excessive prices do not obscure the overall picture of house prices.

(6) Standardised market rent level

This indicator shows the Valuation Office Agency's valuation of the weekly median market rent for a given property size in a specific spatial market context. It is based on local housing allowances (LHAs) calculated for broad rental market areas (BRMAs), not local authority boundaries. These can be used as a measure of affordability in the private rented sector. LHAs piloted for pathfinder areas in 2005 have been adopted since April 2008 nationally as a new way of calculating Housing Benefit. LHAs enable tenants to estimate the allowance they will receive towards private rental accommodation and represents the maximum a tenant can expect to receive towards rent costs in the private sector.

The geographical pattern shown in Figure 3.10 indicates that the highest standardised market rents are concentrated in London and the South East and those in the highest quintile (£170.10 and above per week) almost exclusively in local authorities in these regions. This pattern extends north-westerly along the M40 corridor. (See also Table 3.6.)

The standardised market rental levels in the next highest quintile (£139 to £170) essentially form an outer ring, extending into the West of England, along the south coast of England, and local authorities in the Southern Midlands and Eastern England. Outside of this concentrated pattern, only Edinburgh and Aberdeen in Scotland have standardised market rent levels in this quintile. The lowest standardised market rents are found in local authority areas in the North West and North East; Burnley (Lancashire) being the lowest at £85.00.

In Northern Ireland, most district councils are within the lowest quintile; the lack of variation in Northern Ireland, ranging from £89.87 to £103.58, is indicative of the rental market in the province. For

Table 3.6: Standardised market rent level (weekly), 2009

UK	£139.80
England	£147.29
Wales	£105.59
Scotland	£117.95
Northern Ireland	£95.47

Note: This indicator uses the LHA standardised market rent levels as a measure of affordability in the private rented sector. This is produced by the Valuation Office Agency to inform Housing Benefit rates for tenants.

Source: Valuation Office Agency, NIHE

Wales, there is similarly a lower level of variation, ranging from £85 (Merthyr Tydfil) to £121.06 (Cardiff). Scotland has a somewhat wider variation in standardised market rents, being lowest in the Borders (£99.23) and highest in Mid Lothian (£150).

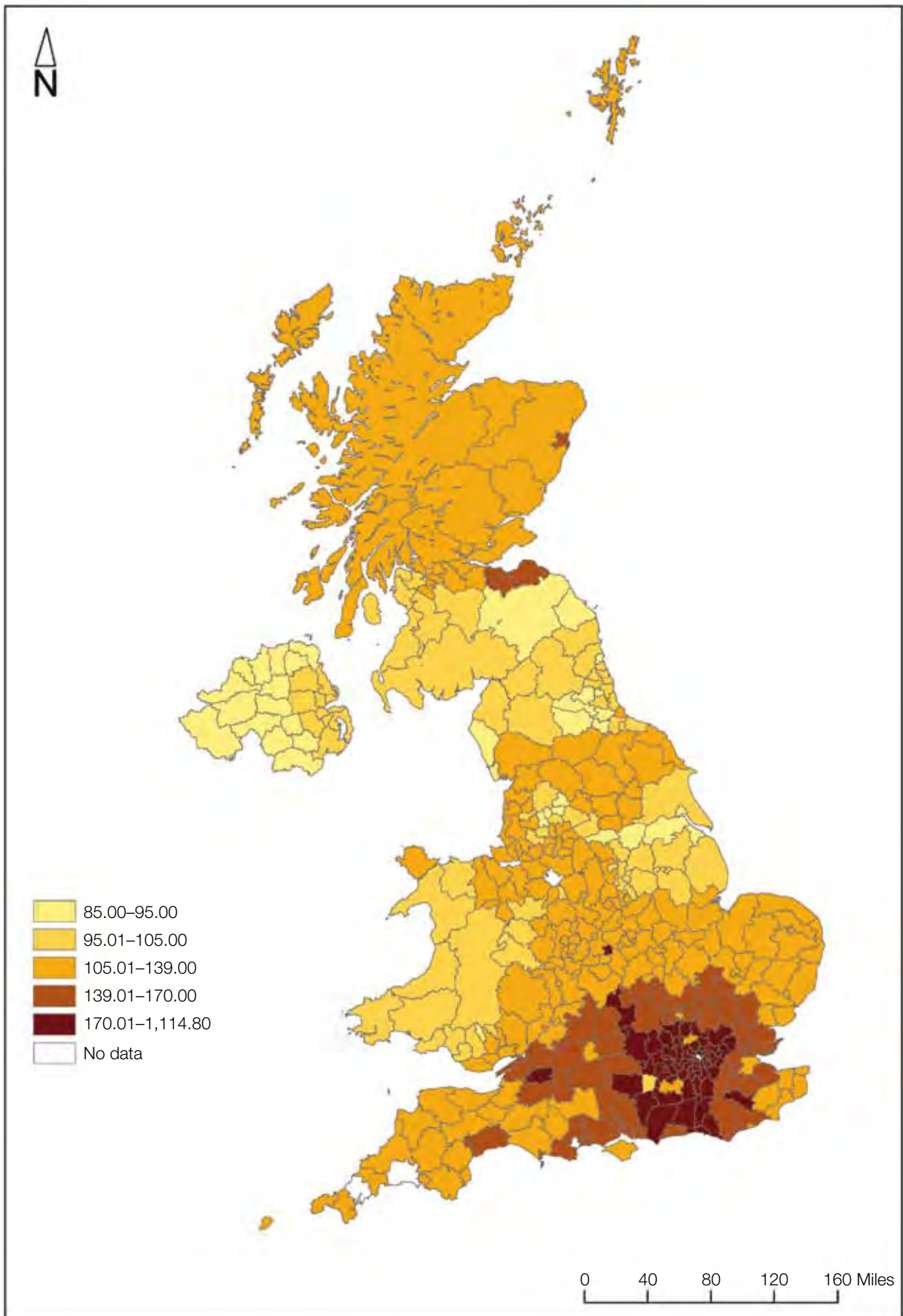
The pattern throughout the UK is indicative of affordability levels, with highest standardised market rent levels concentrated in London and the South East and substantially lower rent levels across most of Northern Ireland.

(7) Standardised social rent level

This indicator provides a measure of affordability in the social sector, based on rent levels for general needs lets by housing associations. These are explicitly below market rents when they are initially established. They are then updated annually by a formula in England and by a range of rules and/or discretion by landlords in the rest of the UK – commonly related to a formula such as the Retail Price Index plus X% where X is between 0 and normally no more than 1.5. The indicator here is an average across local social landlords. The distribution of social rents is much narrower than the market rent indicator, but the geographical pattern is highly similar (see Figure 3.11; and also Table 3.7).

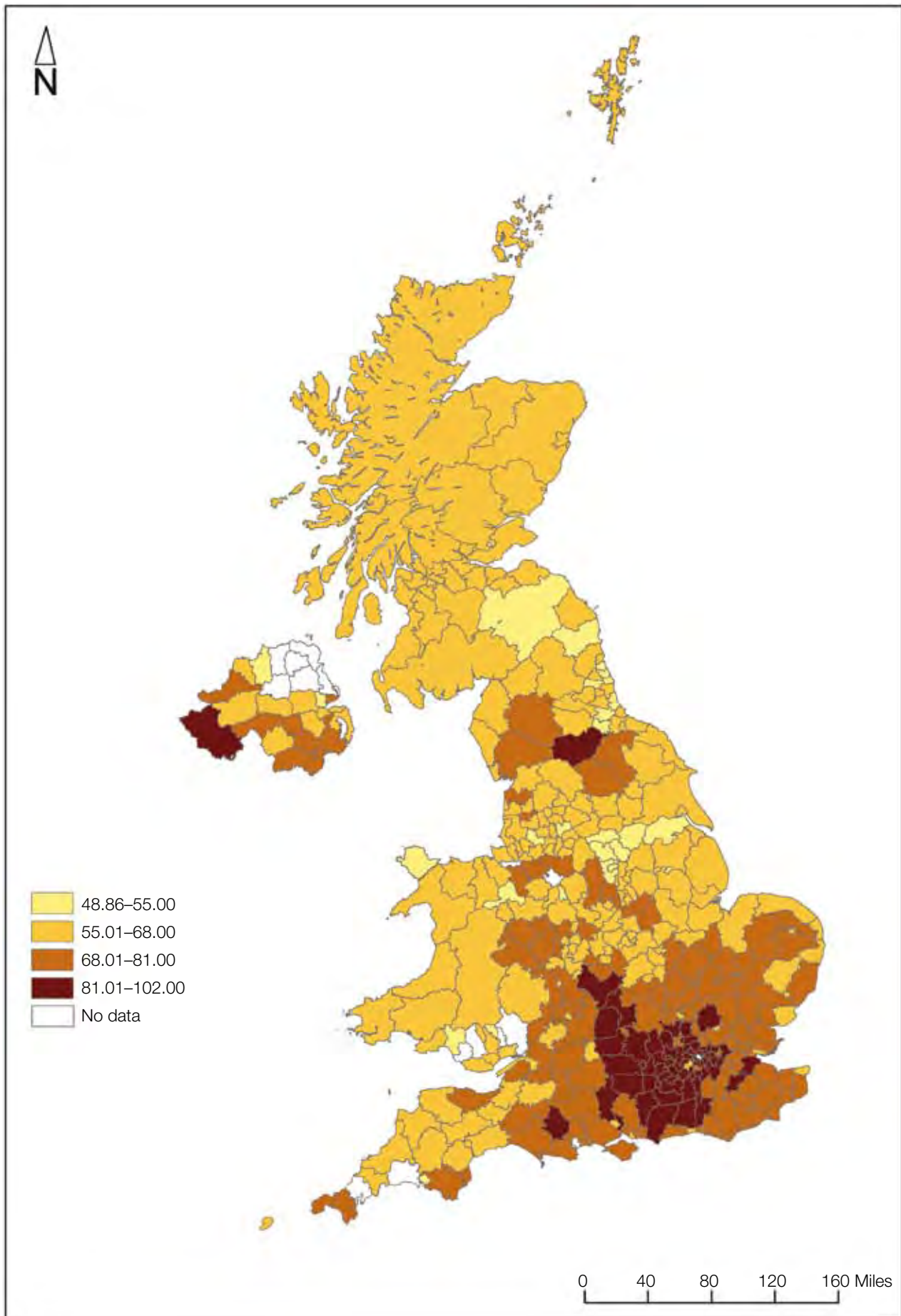
The highest average rents in the social sector are found in London and the South East as well as local authority areas in the West, the Midlands and East Anglia. In addition, there are pockets of higher rents for particular local authorities in the

Figure 3.10: Standardised market rent level (£) (weekly), 2009



Source: Valuation Office Agency, NIHE

Figure 3.11: Standardised social rent level (£) (weekly), 2009



Source: Continuous Recording System (CORE for England and Wales), Scottish Continuous Recording System, Northern Ireland Federation of Housing Associations

Table 3.7: Standardised social rent level (weekly), 2009

UK	£68.00
England	£69.94
Wales	£56.50
Scotland	£57.69
Northern Ireland	£66.70

Note: This indicator is a measure of affordability in the social rented sector based on a tenant's rent for a general needs property.

Source: Continuous Recording System (CORE for England and Wales), Scottish Continuous Recording System, Northern Ireland Federation of Housing Associations

South West, the North West, and Yorkshire and Humberside.

Lower average social rents are found in local authorities in South Yorkshire and the North East (the lowest is in Blyth £48.86). For Scotland, there is little variation, with rent levels being lowest in the Scottish Borders (£51.74) and highest in South Ayrshire (£64.62). Likewise, for Wales there is a lack of any significant variation in average social rental levels, which range from £51.51 in Blaenau Gwent to £65.28 in Cardiff.

Northern Ireland, although broadly in line with the UK average, faces considerable regional variation, with rent levels being lowest in Limavady (£44.71) in the north of the province and highest in Fermanagh in the south of the province (£81.19).

(8) Household income

Total household income provides a measure of wealth and prosperity of the residents and the neighbourhood. However, it should be borne in mind that areas characterised by higher levels of income might also be characterised by relatively high living costs. This indicator provides the contextual background for examining the interaction between income and other housing-related indicators such as house prices. The indicator is calculated slightly differently in each country, so one must be careful in interpreting the data (refer to Appendix B for the different methods of calculation).

The average level of household income in the UK was just under £30,000 in 2004/05 (see

Table 3.8: Household income, 2004/05

UK	£29,568
England	£31,766
Wales	£26,104
Scotland ^a	£21,333
Northern Ireland ^b	£15,083

Notes: ^aData for Scotland and Northern Ireland is only available at local authority district level.

This indicator shows survey-based total household income of the four countries and provides a measure of wealth and prosperity of the residents and a neighbourhood.

Source: ONS Neighbourhood Statistics, Scottish Neighbourhood Statistics, Northern Ireland Neighbourhood Information Service

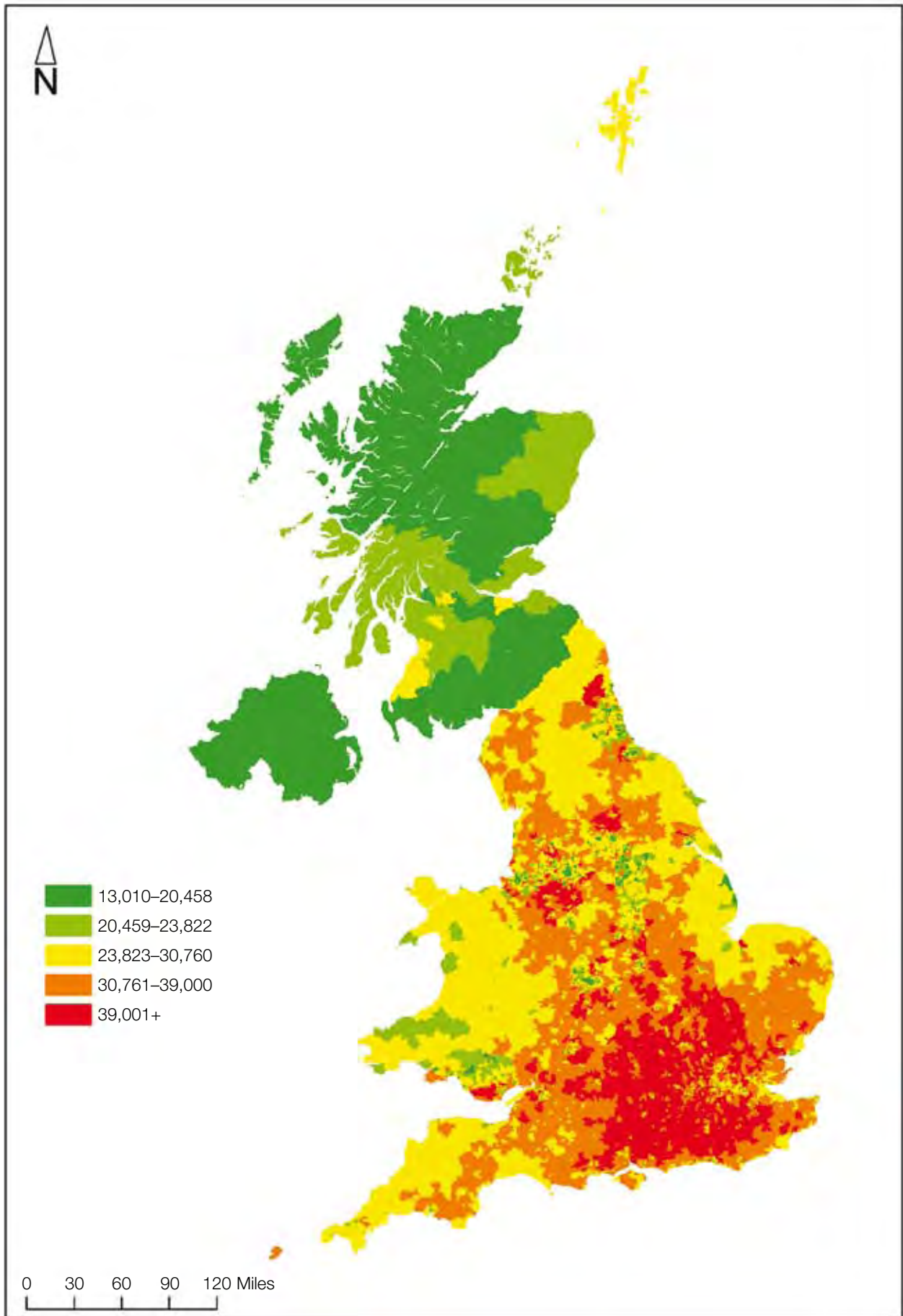
Table 3.8). The average household income levels in Wales, Scotland and Northern Ireland were below the UK average. Northern Ireland, in particular, had the lowest household income level at around half of that for England.

Figure 3.12 highlights the spatial polarisation of household income distribution in 2004/05. In England, the most well-off areas were London and the South East, as well as the commuting suburbia around all main metropolitan areas. In 2004/05, six London neighbourhoods were recorded with an average household income level of over £70,000: Kensington and Chelsea, Wandsworth, Croydon, Basingstoke and Deane, Merton and Barnet.

The neighbourhoods with the lowest level of income tended to cluster around deprived coastal locations in the South West, Lincolnshire and north of Norfolk, as well as the inner-city areas where they were fringed by affluent commuting belts. The English neighbourhoods that had a similar level of household income to Northern Ireland (less than £15,083) were concentrated in Liverpool (three neighbourhoods), Birmingham (two neighbourhoods), Bradford, Leicester, Bolton and Manchester. The remaining high-income areas in England tended to be shire and rural locations.

The picture in Wales shows that average household income ranged from £18,000 to £37,000 and that the more affluent areas were found in the Vale of Glamorgan and the affluent commuting areas around Cardiff. Average household income in the rest of Wales was below the UK level. Neighbourhoods with the lowest household income

Figure 3.12: Household income (£), 2004–05



Note: Only local authority data is available for Scotland and Northern Ireland.

Source: ONS Neighbourhood Statistics, Scottish Neighbourhood Statistics, Northern Ireland Neighbourhood Information Service

were found in Swansea, Cardiff and the Welsh Valleys.

The more broad-brush local authority district level data for Scotland and Northern Ireland makes it more difficult to detect detailed spatial distribution patterns. However, the data suggests that both countries had a narrower range of household incomes and the average was below the UK level, although this should be interpreted with caution.

(9) Homelessness

Homelessness is a measure of housing (and wider social) stress. For those who are unable to secure housing unassisted in the private sector, the supply of social rented housing is critical. It is expressed here as the number of homeless households accepted by local authorities per 1,000 households. It is important to note that the definition of homelessness varies slightly between countries and is explained in Appendix B.

In England, the indicator reflects the total number of accepted (priority need) homeless applications, eligible (intentional and in priority need) and 'homeless at home'. The definition in Wales is the same as England, except that 'homeless at home' figures are not available, hence not included in the indicator. In Scotland, the indicator is the total number of eligible (both priority need, and not in priority need) plus accepted homeless applicants not having been recorded as being housed or with outcome unknown.

The highest level of homelessness in 2006 was found in Northern Ireland where 5.57 out of every 1,000 households were homeless, whereas the level was lowest in England (1.77) (see Table 3.9). Homelessness levels in Scotland and Wales were similar to the UK average level. We should recognise, however, that the outcomes, particularly when comparing between countries, may be an artefact of data collection methods.

The spatial pattern of the level of homelessness (see Figure 3.13) was quite different to that shown by the analyses of house prices and affordability. Rural areas appeared particularly badly affected by the problem of homelessness, with rural neighbourhoods in Scotland, Wales and Northern Ireland scoring highly in terms of this indicator. However, there were also pockets of urban areas

Table 3.9: Homelessness, 2006

	Total number	Number per 1,000 households
UK	65,735	3.68
England	47,077	1.77
Wales	3,950	3.36
Scotland	9,696	3.99
Northern Ireland	5,012	5.57

Note: The level of homelessness is expressed as the number of homeless households accepted by local authorities per 1,000 households. Slightly different definitions of homelessness are used across the four countries.

Source: DCLG, Welsh Assembly Data Unit, Northern Ireland Housing Executive, Scottish Government

with severe homeless issues: within England, Greater London, Bristol and some neighbourhoods within the Midlands stand out. The major cities of Belfast in Northern Ireland, Glasgow in Scotland and Cardiff in Wales all had high levels of homelessness.

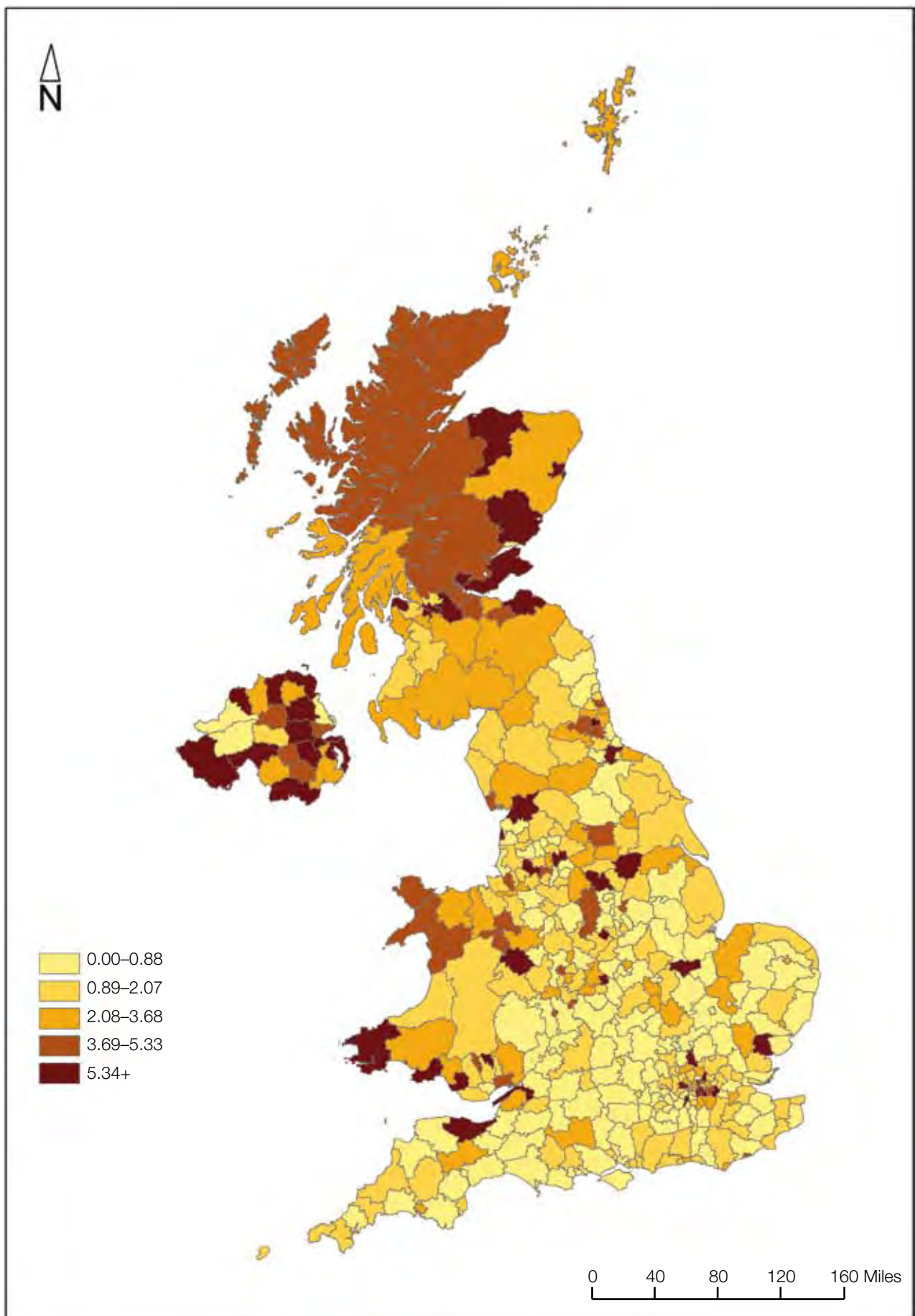
(10) Ratio-based affordability measure

Table 3.10 shows average affordability ratios (house prices to household incomes) for local authorities across the UK in 2008. This indicator provides a reasonable guide to examine the affordability requirements confronting moderate-income first-time buyers.²³ As discussed in Chapter 1, housing affordability of the potential new entrants provides a more accurate picture of the level of affordability problems across the UK.

Due to data availability issues, different methods were used to calculate the ratio-based affordability indicator. Ideally, the measure should calculate the ratio on the basis of lower quartile house price and lower quartile household income. However, this could only be done for England (see Figure 3.14). Elsewhere in the UK, the limited availability of data meant that mean house price and mean full-time earnings were used to compute the ratio (see Figure 3.15).

Analysis of affordability ratios suggests significant affordability problems in many areas of the UK. In South East England, and in a number of hotspots in the South West, the price to full-time

Figure 3.13: Level of homelessness (total households accepted as homeless per 1,000 households), 2006



Note: Slightly different definitions of homelessness are used across the four countries.

Source: DCLG, Welsh Assembly Data Unit, Northern Ireland Housing Executive, Scottish Government

Table 3.10: Ratio-based affordability measure, 2008

UK	7.66
England	8.09
Wales	5.88
Scotland	3.94
Northern Ireland	7.96

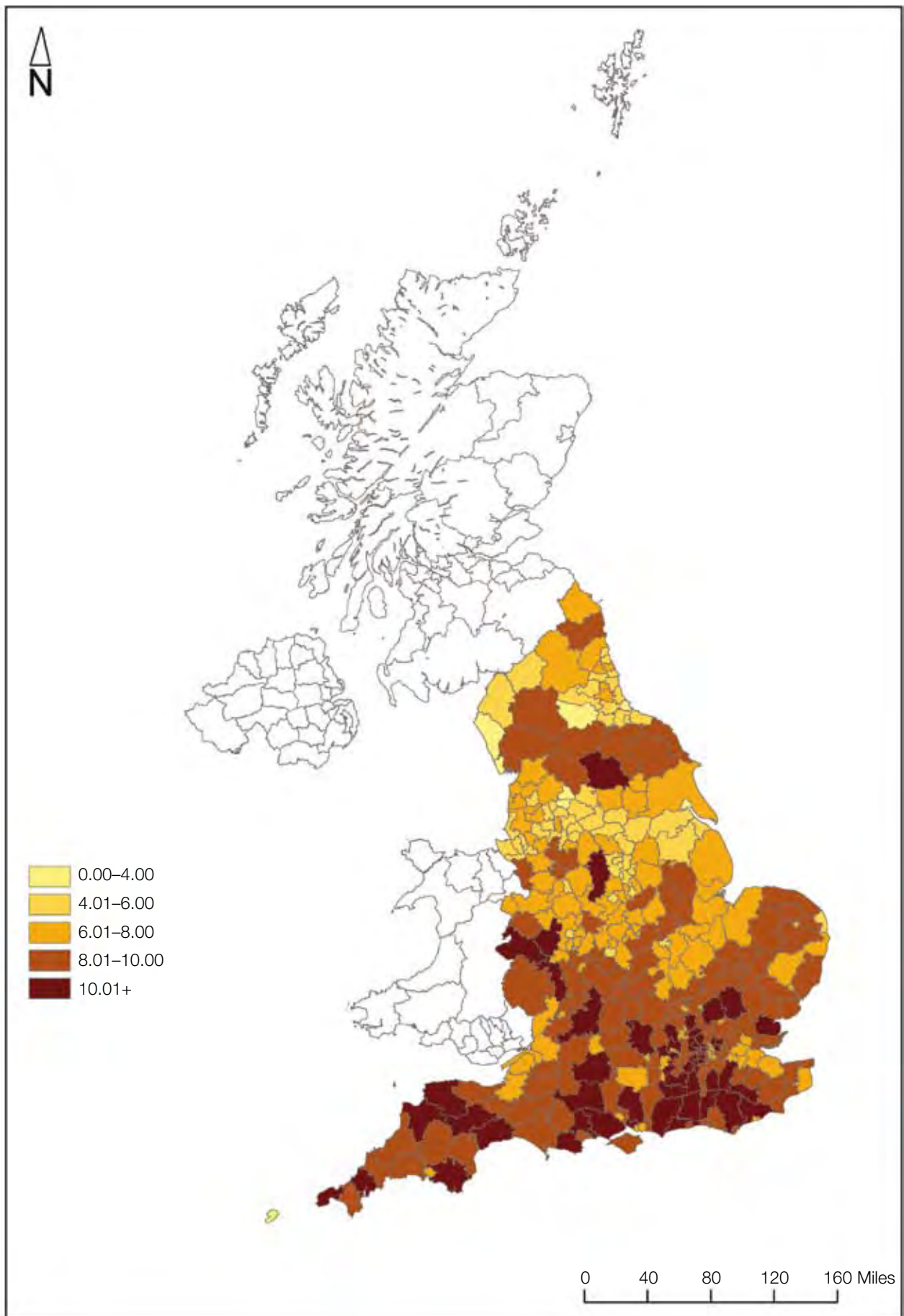
Note: This indicator measures housing affordability by comparing house price with household income. In England, the calculation is based on the lower quartile house price and the lower quartile household income, which is the preferred method. In Wales, Northern Ireland and Scotland, due to data availability issues, this indicator is expressed as a ratio of the mean house price to mean level of household earnings.

Source: House price data: DCLG, NIHE, Scottish Government, Welsh Assembly Government; Household income data: ONS Neighbourhood Statistics, Scottish Neighbourhood Statistics, Northern Ireland Neighbourhood Information Service

household income ratio exceeded 10 in many neighbourhoods and did not fall below 6 in any others. Even assuming a household composition of two full-time earners with the same income level, this suggests a multiple of four to five times total household income for first-time buyers without significant savings.

Prices were between six and eight times household incomes in many neighbourhoods in Wales, the Midlands and Northern England. In Northern Ireland, Belfast and the northern and western coasts of the region showed affordability ratios similar to those in Southern England and in parts of Wales. However, in Scotland, relatively few areas showed evidence of a real affordability crisis, with most neighbourhoods revealing a price to earnings ratio of 6 to 8 and some rural areas (notably Aberdeenshire, Dumfries and Galloway) showing much lower ratios of house prices of two to four times full-time earnings (bearing in mind that these are mean and not lower quartile figures – the affordability problem is even less than equivalent figures would suggest for England).

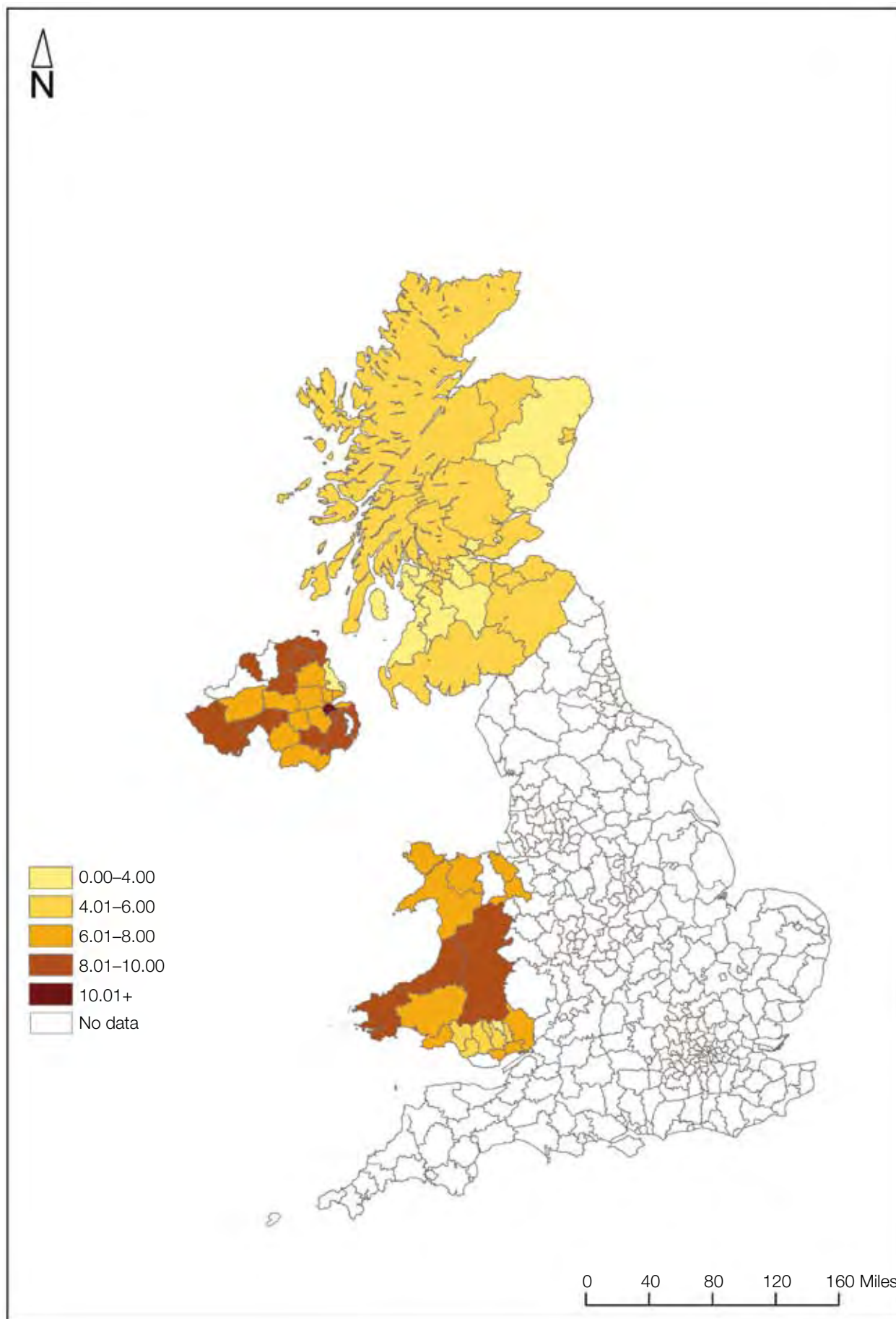
Figure 3.14: Ratio-based affordability measure, 2008, England



Note: Based on calculation of the lower-quartile house price (cheapest housing) compared to the lower-quartile household income (lowest incomes).

Source: DCLG, ONS Neighbourhood Statistics

Figure 3.15: Ratio-based affordability measure, 2008, Northern Ireland, Scotland and Wales



Note: Based on calculation of mean house price compared to household income.
Source: NIHE, Scottish Government, Welsh Assembly Government, Scottish Neighbourhood Statistics, Northern Ireland Neighbourhood Information Service

4 Neighbourhood indicators

The dynamic interaction between housing issues and neighbourhood change means that attention should be paid to the wider spatial context where both housing is located and policy factors have their primary impact. A set of ten indicators have been identified to measure the demographic context, spatial density and socioeconomic circumstances of neighbourhoods.

These wider contextual factors of the neighbourhood are widely seen as the driving forces of neighbourhood change as well as the key factors that affect the level of housing demand and needs and vice versa. While the use of the ten indicators may not fully capture the different characteristics of neighbourhoods across the UK, these indicators are believed to have close interactions with the housing market. Furthermore, area typologies will be used in Chapter 5 to further examine how areas with a similar spatial profile perform in terms of both housing and neighbourhood development.

The ten indicators used to measure neighbourhood characteristics are:

- projected population change;
- population density;
- population in most deprived areas;
- unemployment rate;
- economic inactivity rate;
- employment rate;
- small business birth rate;
- small business death rate;
- secondary school attainment level;
- level of domestic burglaries.

The definition and data sources used for each indicator are provided in Appendix C. When different data sources and definitions have been involved in compiling an indicator, notes are made so that caution can be paid to the interpretation of data shown in the tables and the spatial distribution patterns presented in the maps.

(1) Projected population change

Change in population size is widely used as a measure to gauge the general health and dynamics of a neighbourhood as this will affect the viable threshold to provide certain local services and amenities as well as the demand for housing. The UK is projected to have a 7.3% growth of population size between 2007 and 2017 (see Table 4.1). However, the level of growth is slightly higher for England, and lower for Northern Ireland and Wales. Scotland is projected to experience a relatively low level of increase of 2.8%.

Figure 4.1 shows the spatial distribution of projected growth at the local scale. The high growth areas are found in Northern Ireland, the eastern region of England, the East Midlands, Kent, the South West and North Yorkshire. The patterns basically mirror those discussed earlier on projected household growth, because the household projections are based on the population projection figures.

In England, the high growth areas coincide with the DCLG's designated Growth Areas. However,

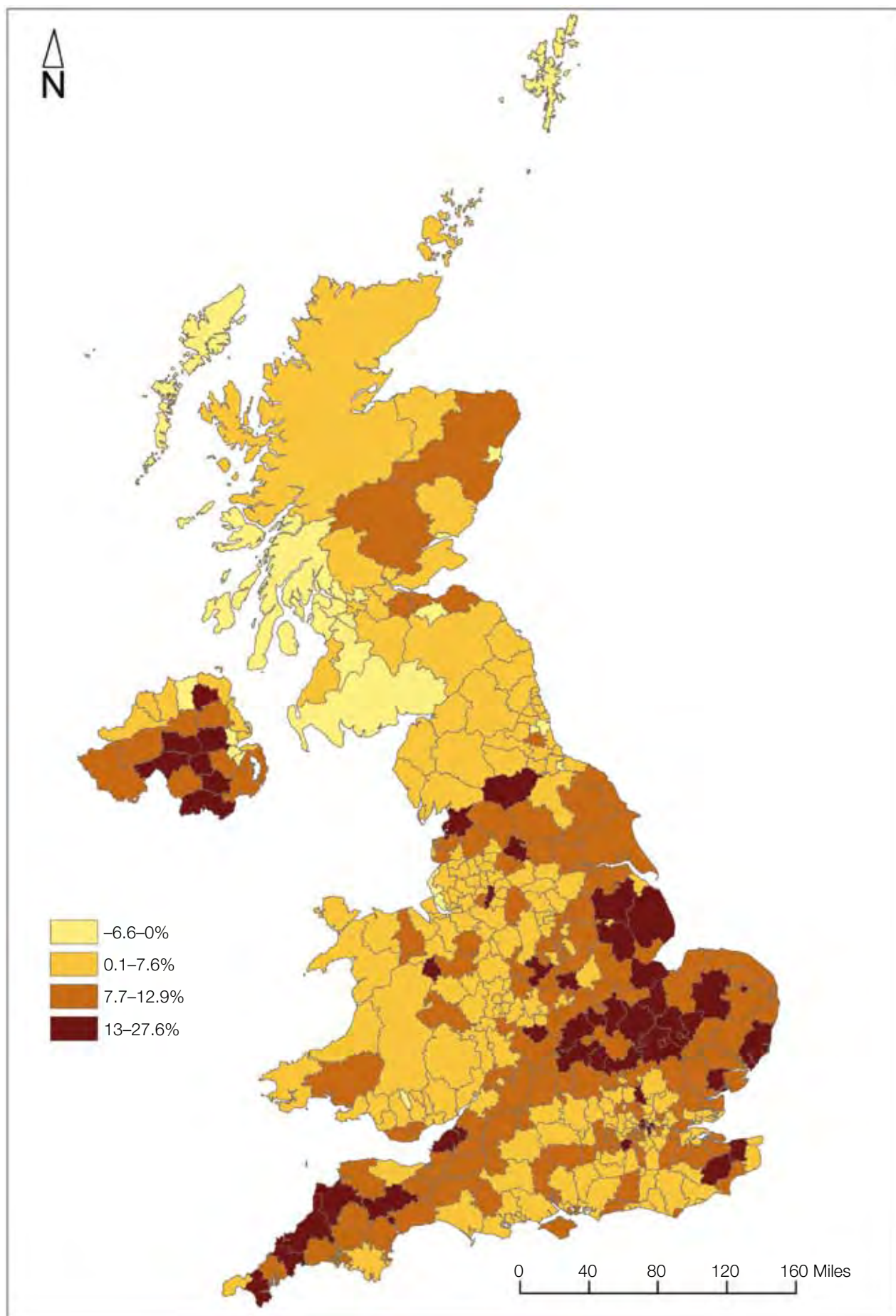
Table 4.1: Projected population change (%), 2007–17

UK	7.3
England	7.9
Wales	5.0
Scotland	2.8
Northern Ireland	6.7

Note: This indicator explores net change in population estimates (2007) and population projection figures (2017) between 2007 and 2017.

Source: ONS (2009a: Table 10.8)

Figure 4.1: Projected population change, 2007–17



Source: ONS (2009a: Table 10.8)

some high growth areas, such as Lincolnshire, East and North Yorkshire and the northern coastal areas of Cornwall and Devon, are neither included in the Government's Growth Areas nor Growth Points. This is probably related to the Government's strategy of encouraging population growth in major urban centres rather than dispersing to rural and coastal locations. It is also important to note that low levels of population growth continue to be projected in the housing pathfinder areas that face low demand problems.

(2) Population density

Population density can be used as a crude measure of the built form and the living style of a place. It also indicates the viable threshold of providing services and amenities. In 2007, the average population density in the UK was 251 people per square kilometre of land, which was much higher in England (392 people) and much lower in the rest of the UK, particularly Scotland (66 people) (see Table 4.2).

However, the density varied widely across the UK. It is clear from Figure 4.2 that Inner London had the highest level of population density and Kensington and Chelsea was at the top of the league (14,728 people per square kilometre). Other London areas with population density above 10,000 persons included Islington, Hackney, Westminster, Tower Hamlets, Camden, Hammersmith and Fulham, and Lambeth. The core cities such as Manchester, Liverpool, Nottingham and Bristol also had very high levels of population density.

On the contrary, very low density were found in Scotland (except the central belt), Wales (except the Welsh Valleys and Cardiff Bay), rural England

Table 4.2: Population density, 2007

UK	251
England	392
Wales	144
Scotland	66
Northern Ireland	130

Note: Population density shows the total number of people per square kilometre of area.

Source: ONS (2009a: Table 1.2)

and most of Northern Ireland (except the Belfast conurbation area).

It is clear that the Thames Gateway and Ashford Growth Areas had higher population density levels than the Cambridge and Milton Keynes Growth Areas, which is probably related to their physical distance from London. However, it is important to monitor the changing population density in these areas to find out whether the Growth Areas policy affects the spatial density distribution of people in these different areas.

(3) Population in most deprived areas

This indicator aims to measure the landscape of multiple deprivation in the UK by using the respective official index of the four constituent countries. It measures the percentage of population living within the 10–20% most deprived Super Output Areas (see Table 4.3).

Figure 4.3 maps the spatial pattern of multiple deprivation in the UK. One striking feature of the spatial pattern of deprivation was its resemblance to the urban footprint, although severe deprivation was variable in the Inner London boroughs along the Thames and included some pockets of rural areas. The spatial distribution highlights the fact

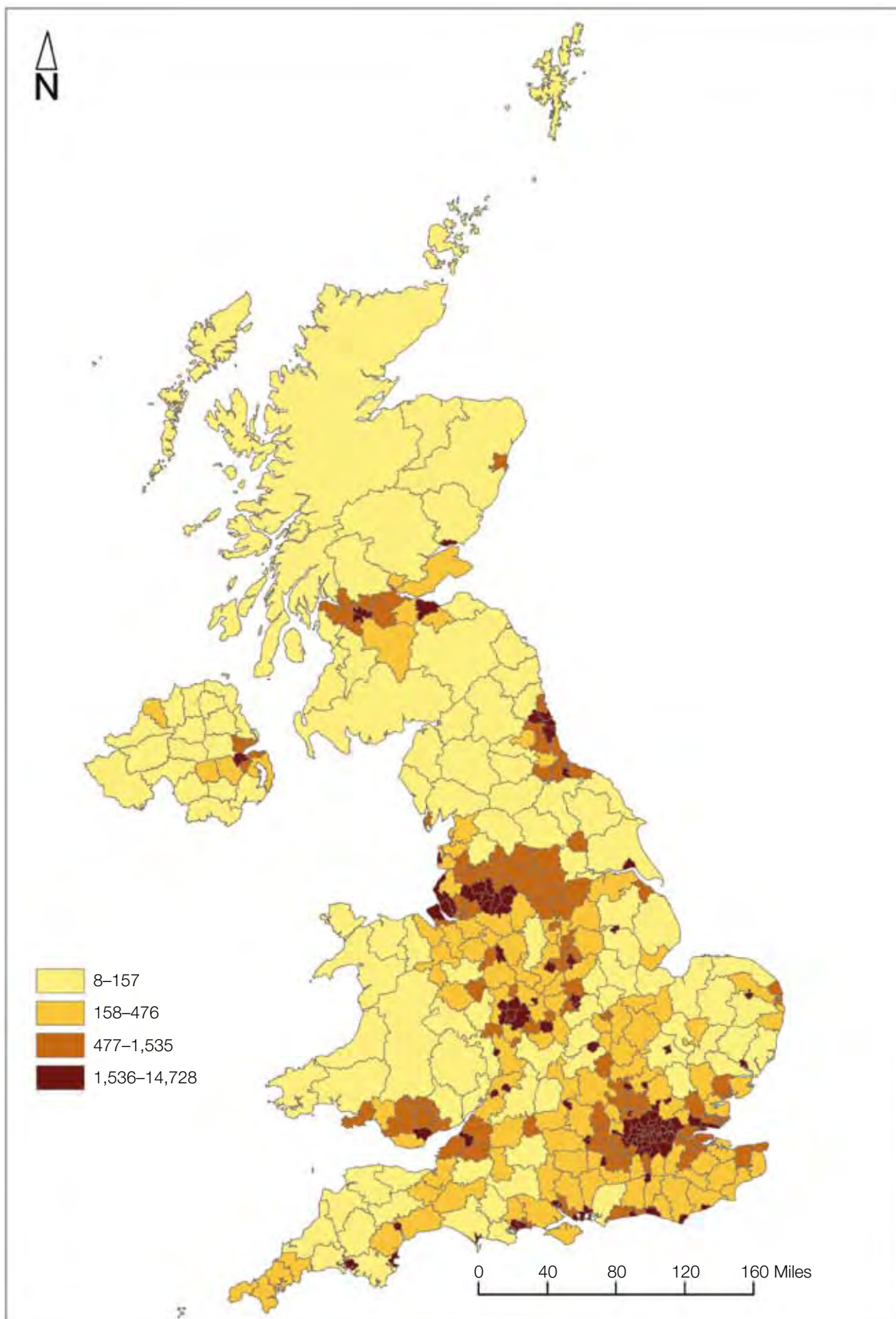
Table 4.3: Population in most deprived neighbourhoods, 2007 for England, 2006 for Scotland and 2005 for Wales and Northern Ireland

	Number of people in 10% most deprived neighbourhoods	Number of people in 20% most deprived neighbourhoods
UK	6,024,099	12,022,608
England	5,055,135	10,088,944
Wales	284,986	569,635
Scotland	518,123	1,032,224
Northern Ireland	165,855	331,805

Note: This indicator measures the number of people living within the 10–20% most deprived Super Output Areas. The indicators and methods used to calculate the index of multiple deprivation are slightly different in England, Wales, Scotland and Northern Ireland.

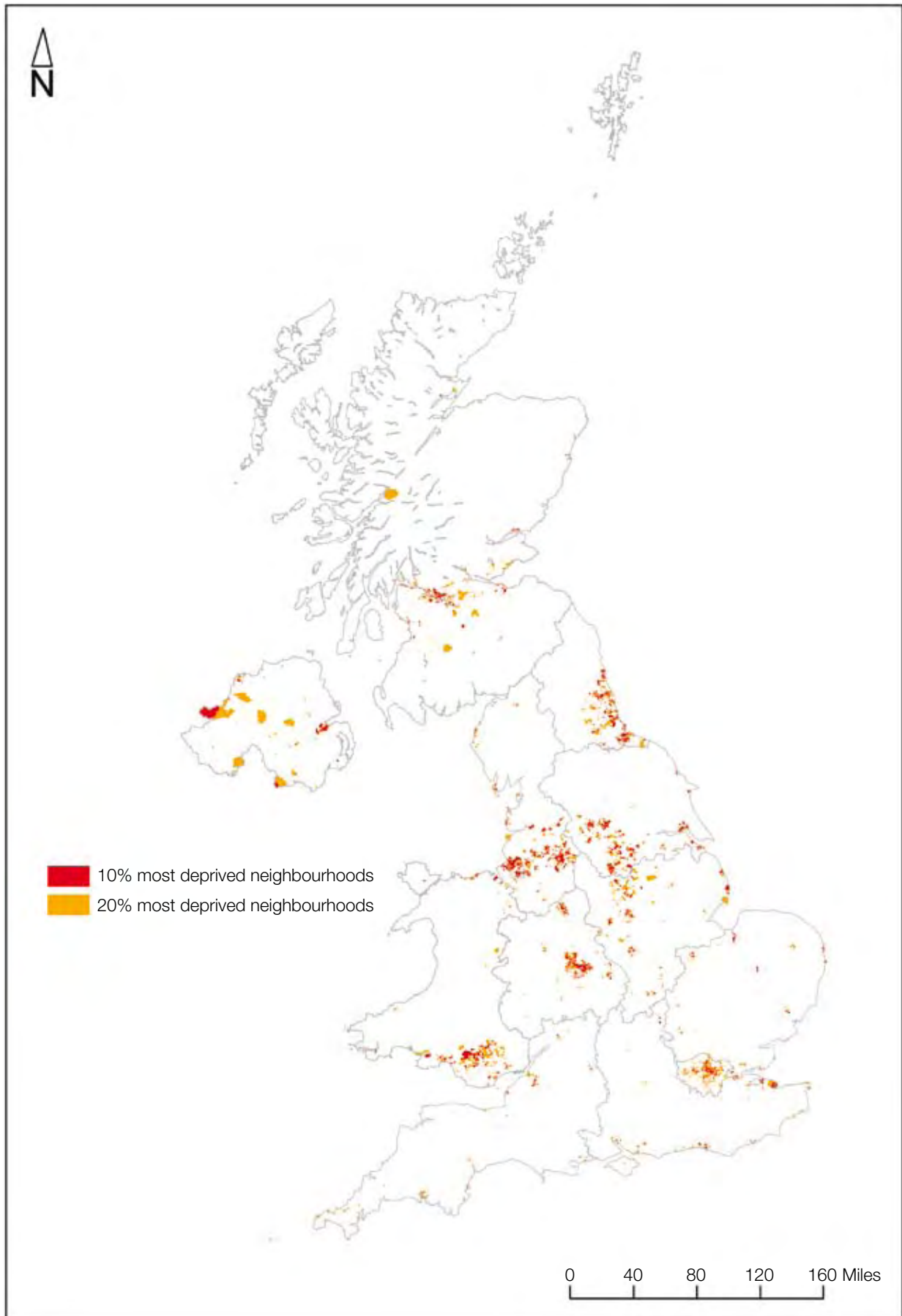
Source: DCLG, Welsh Assembly Government, Scottish Neighbourhood Statistics, Northern Ireland Neighbourhood Information Service

Figure 4.2: Population density (people per square kilometre), 2007



Source: ONS (2009a: Table 1.2)

Figure 4.3: Locations of most deprived neighbourhoods, 2005/06/07



Note: The indicators, methods and base year used to calculate the index of multiple deprivation are slightly different in England (2007), Wales (2005), Scotland (2006) and Northern Ireland (2005).

Source: DCLG, Welsh Assembly Government, Scottish Neighbourhood Statistics, Northern Ireland Neighbourhood Information Service

that the South East, South West, East of England, as well as most rural areas across the UK were least affected by the problem of chronic deprivation. To an extent, this is a consequence of the way multiple deprivation indices are constructed, although it is nonetheless telling that such a significant proportion of our towns and cities were struggling.

The high concentration of deprivation across the M62 corridor, Tyne & Wear and the coastal area along Hartlepool was most striking. Likewise, deprived populations were concentrated in the Welsh Valleys, Belfast, Derry/Londonderry, Crossmaglen, Glenderg and Glasgow.

It is also important to note that there were significant intra-regional variations in the spatial distribution of deprivation. For example, urban areas in the North West of England had the widest range of deprivation values. Even in the more affluent East of England region, significant deprivation was found on the east coast at Great Yarmouth, Lowestoft and King's Lynn.

Another interesting observation is that other than some parts of the Thames Gateway and Ashford, the DCLG's designated Growth Areas and Growth Points tended to be in areas that did not have severe deprivation problems. This is a deliberate Government policy to accommodate the housing pressure of South East England in a more planned manner. While in deprived areas, initiatives like the housing market renewal pathfinders are carrying out demolitions and regeneration.

(4) Unemployment rate

This indicator measures the percentage of the population aged 16–59 who are claiming Job Seeker's Allowance (JSA). At the neighbourhood level, the percentage of people claiming JSA may be interpreted as a measure of social distress and acts as a proxy measure of unemployment. At a wider urban area, and more particularly at a labour market area level, this indicator may be interpreted as a measure of labour market conditions – with a low value being indicative of a tight labour market and a high value being indicative of a 'slack' labour market.

As shown by the figures in Table 4.4, unemployment rates in the UK had reached the record low level in 2008 of 2.5%, which represented

Table 4.4: Unemployment rate (%), 2008

UK	2.5
England	2.5
Wales	2.8
Scotland	2.6
Northern Ireland	2.8

Note: This indicator measures the percentage of 16- to 59-year-olds claiming JSA in 2008.

Source: ONS Neighbourhood Statistics

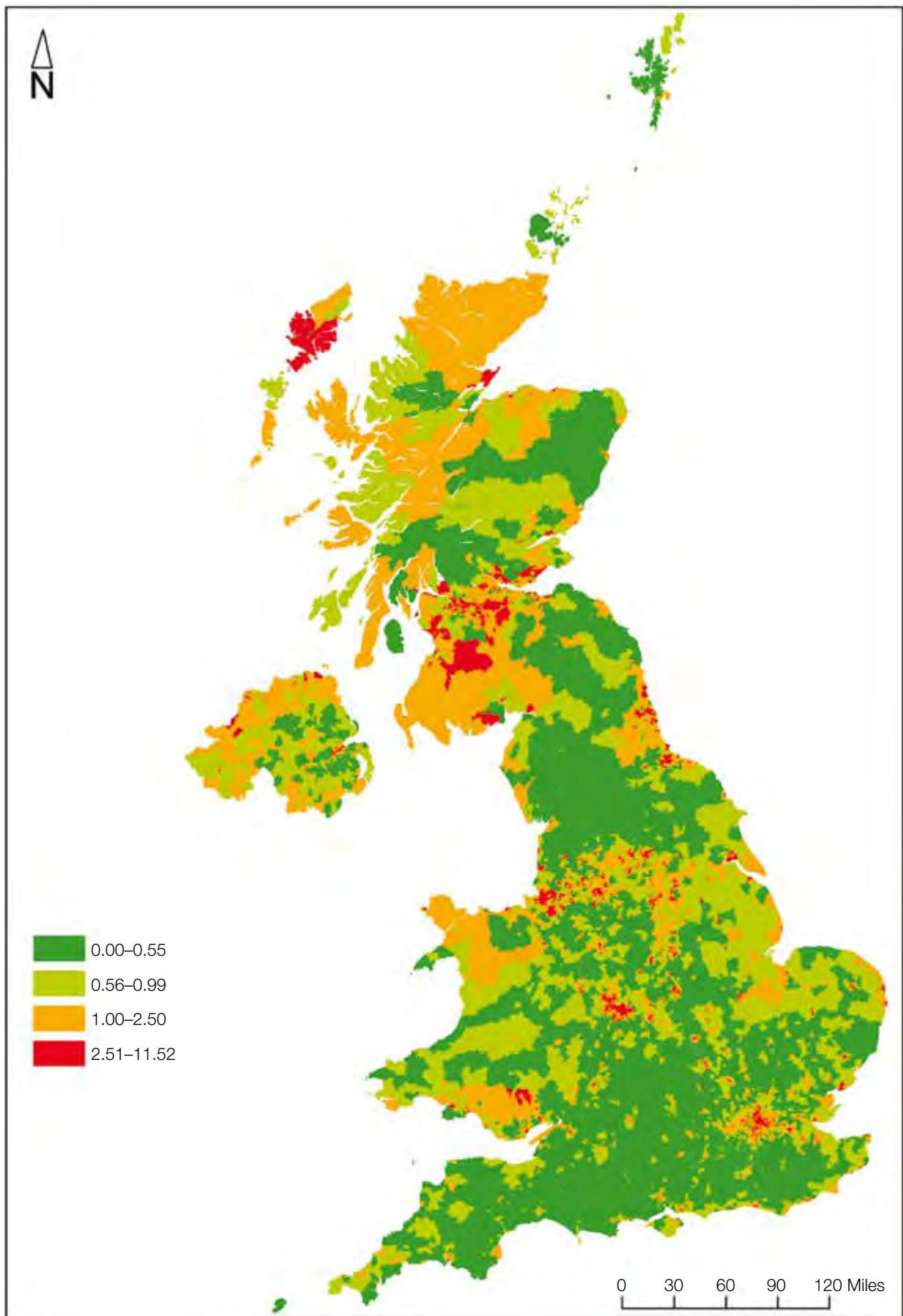
a long-term declining trend since the peak of the last recession in 1993. Within the UK, England enjoyed lower unemployment levels than the other three countries. The economy, however, has gone through a major downturn since the autumn of 2007. The impact on company closure and redundancies is now being fully felt and is evident from the recent rise to a 7.9% unemployment rate (June to August 2009), which is the highest level since 1997. In September 2009, there were 1.63 million claimants representing the largest claimant count since comparable records began in 1971 (ONS, 2009d).

In spite of the low level of national unemployment in 2008, there were areas where higher than average levels of unemployment were found (see Figure 4.4). These included pockets of coastal areas, inner-city cores, the Welsh Valleys, the Central Belt of Scotland and the Western Isles. The highest unemployment rates of over 10% in 2008 were recorded in three neighbourhoods in Scotland (Altonhill South, Longpark and Hillhead; Saltcoast Central; and Ardrossan Central) and in Northern Ireland's Derry/Londonderry. It will be important to see how far unemployment rates in the recession increase in existing areas of high unemployment or affect different areas.

(5) Economic inactivity rate

The economic inactivity rate is an important indicator showing the dynamics of the labour market. This indicator measures the proportion of the working-age population (aged 16–64) who are economically inactive. Sickiness and disability is a major reason for economic inactivity, particularly among men.

Figure 4.4: Unemployment rate (% of working-age population (aged 16-59) claiming Jobseeker's Allowance), 2008



Source: ONS Neighbourhood Statistics

While the level of the official unemployment rate in the UK based on JSA claimants was very low in 2007/08, it was a stark contrast to the high level of economic inactivity rate recorded. Over a fifth of those aged 16–64 in the UK were classified as economically inactive in 2007/08 and the figures were even higher for Northern Ireland (27.2%) and Wales (24.4%). Scotland, however, had the lowest economic inactivity rate of 16% (see Table 4.5).

Table 4.5: Economic inactivity rate (%), 2007/08

UK	21.8
England	19.6
Wales	24.4
Scotland	16.0
Northern Ireland	27.2

Note: This indicator measures the percentage of the working-age population (aged 16–64) who were economically inactive in 2007/08.

Source: Annual Population Survey, Labour Force Survey

Economic inactivity rates varied widely across different parts of the UK (see Figure 4.5), from 7.5% in St. Edmundsbury to over 35% in Merton. Local authority areas that had an inactivity rate of over 30% in 2007/08 included Merton, Knowsley, Bury, Sunderland, Sutton, Wandsworth, and Hammersmith and Fulham. Local authority areas with the lowest level of inactivity rates tended to be found in most parts of the South East, South West, North Yorkshire and Northumberland in England; Aberdeenshire, Moray and Highland in Scotland; Antrim in Northern Ireland; and Flintshire in Wales.

In general, local authorities with the highest level of inactivity rates tended to be Inner London boroughs and major urban areas in the North, which bear similar patterns to those observed in the spatial distribution of unemployment. However, unlike the distribution patterns of unemployment, many rural and coastal areas also suffered from economic inactivity problems. This was clearly the case in areas along the Welsh coastlines, most parts of Northern Ireland, Ayrshire in Scotland, and the northern part of the South West coastal areas.

(6) Employment rate

This indicator shows the percentage of the working-age population who are in employment. The average UK employment rate stood at 75% in 2007/08. England had a slightly higher employment rate while Wales and Northern Ireland had slightly lower levels (see Table 4.6). However, as shown in Figure 4.6, many local authority areas experienced an above UK average level of employment rate. It is important to note that the high employment rate was more uniformly distributed in Scotland and resulted in an overall average figure of 81%.

Table 4.6: Employment rate, 2007/08

UK	74.6
England	76.1
Wales	71.0
Scotland	81.0
Northern Ireland	70.2

Note: This indicator shows the percentage of the working-age population who were in employment in 2007/08.

Source: Annual Population Survey, Labour Force Survey

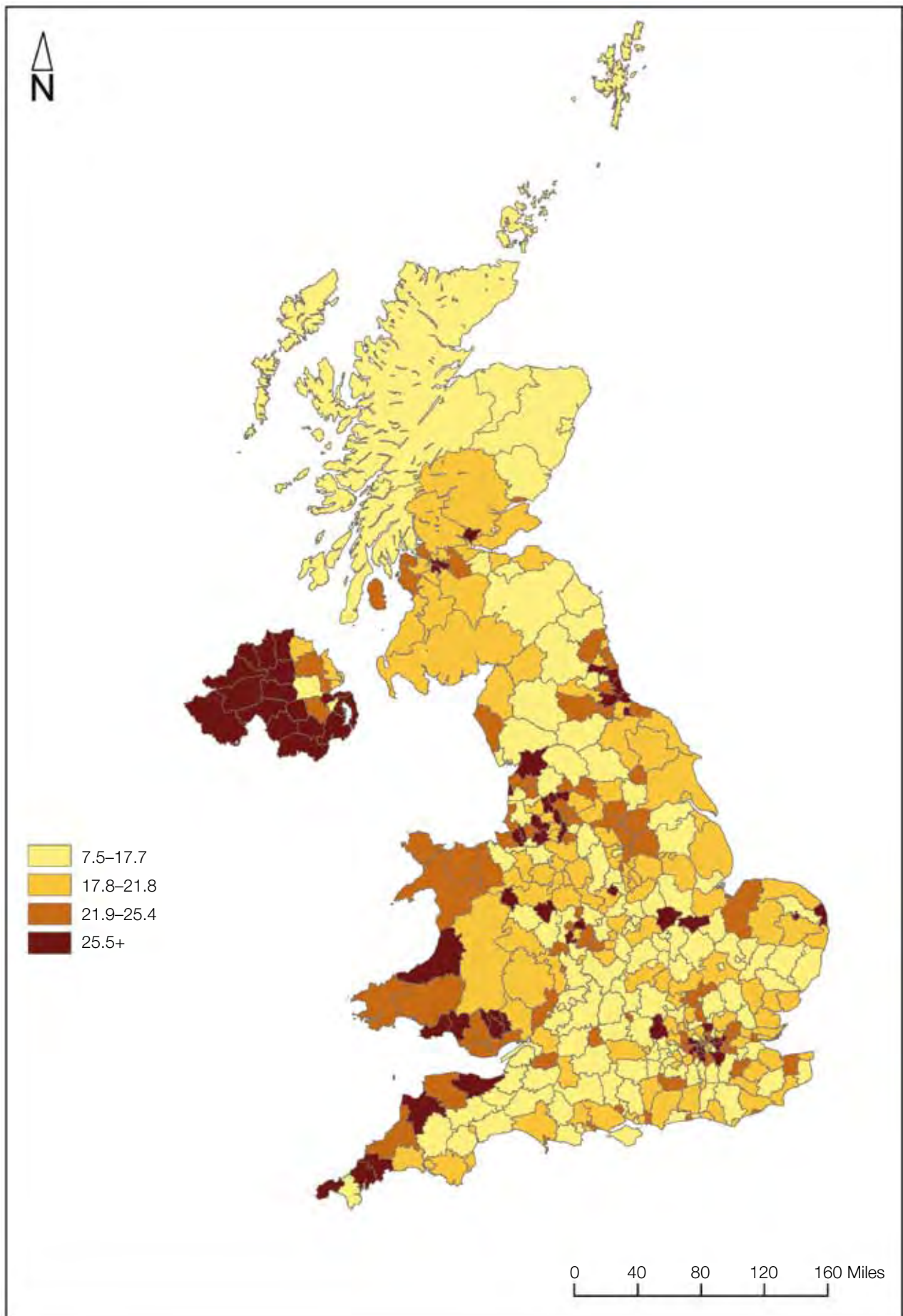
There was, however, a sharper contrast in the case of England, with the best-performing areas found in the southern regions, including Surrey Heath (90%), City of London (89%), St. Edmundsbury (87%), Stroud (87%), East Cambridgeshire (86%) and Vale of White Horse (86%). At the other end of the spectrum, the worst-performing areas were found in Inner London (e.g. Newham 58%, Hackney 64%), the urban areas around the West Midlands (e.g. Birmingham and Sandwell, both at 63%) and along the M62 Corridor (Manchester 62%, Liverpool 63%).

Lower employment rates tended to be common across much of Wales. There were, however, more variations in the distribution patterns in Northern Ireland. Higher levels of employment were found around the Belfast conurbation and the south, with lower rates in the northwest coastal areas.

(7) Small business birth rate

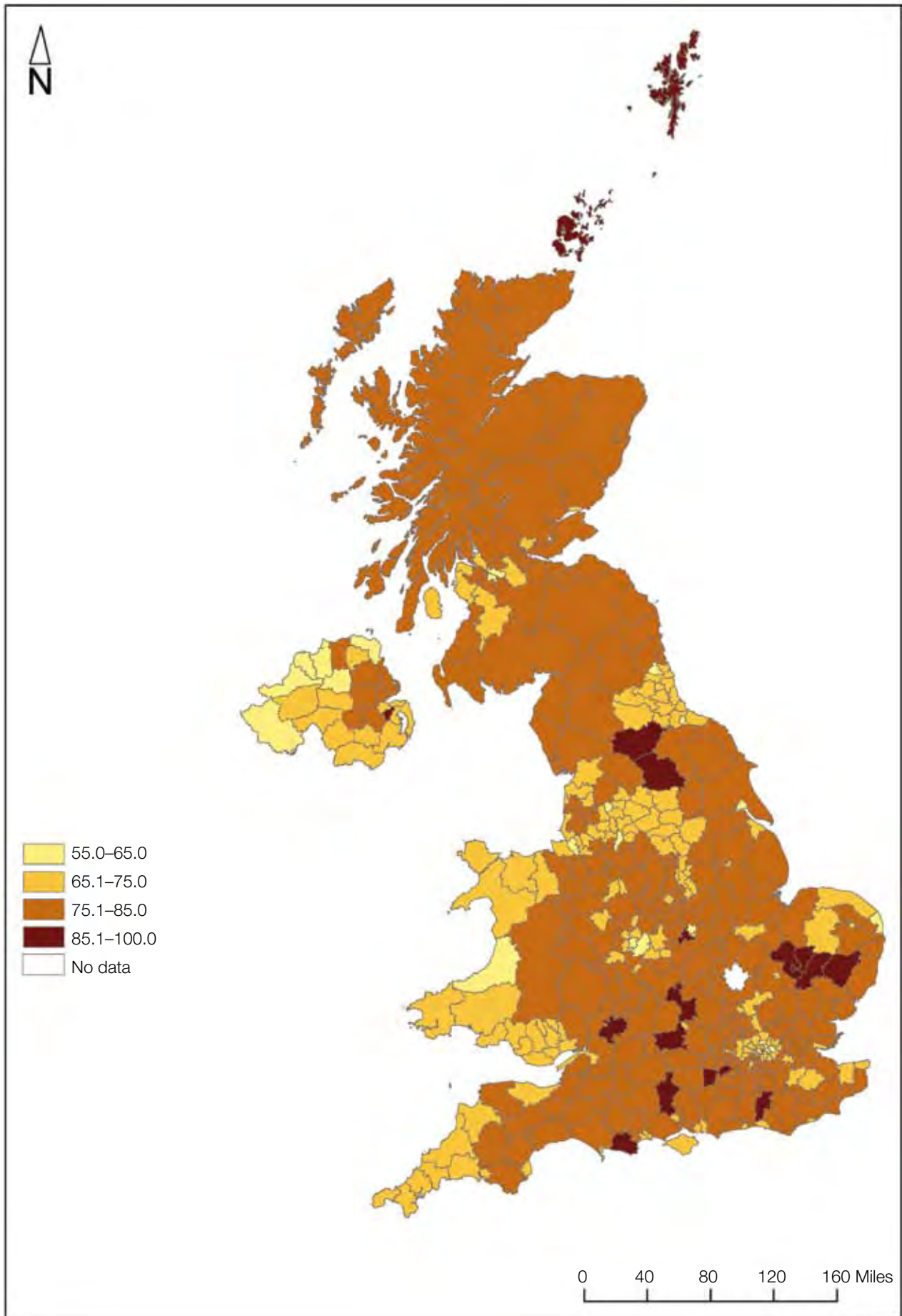
Entrepreneurial culture is found to be related to the differential performance of small business start-ups (see Wong, 2002). The rapid growth of

Figure 4.5: Economic inactivity rate (% of working-age population (aged 16-64) economically inactive), 2007/08



Source: Annual Population Survey, Labour Force Survey

Figure 4.6: Employment rate (% of working-age population (16-64) in employment), 2007/08



Source: Annual Population Survey, Labour Force Survey

small- and medium-sized businesses (SMEs) and their contribution to the large proportion of total job creation has strongly influenced economic development policies in the UK and the European Union. On the negative side, several research studies show that new enterprise creation may not be a big problem in deprived urban areas, but that it is their subsequent development, the constraints on their growth and support for their long-term survival that have been neglected. Hence, high small business birth rates do not necessarily indicate sustainable growth. There is a need to examine both small business birth and death rates to provide a more accurate measure of vitality.

Small business birth rates are measured by VAT registration data. In 2007, the average small business birth rate in England was 7.56 per 1,000 economic active working-age population (see Table 4.7). However, lower levels of start-ups were found in Wales and Scotland. In terms of business dynamics, the international financial centre of London still shows its leadership in small business start-ups. The birth rate was found highest in the City of London (178 per 1,000 economic active working-age population) and Westminster (41), which is related to the fact that these two local authority areas have a low residential population, but a very high concentration of businesses.

The overall spatial patterns shown in Figure 4.7 show that local authority areas with high levels of enterprise dynamics tended to concentrate in Inner London and the wider South East and then in Gloucestershire, Hereford and Worcester, and North Yorkshire.

Table 4.7: Small business birth rate, 2007

UK	5.92
England	7.56
Wales	5.01
Scotland	5.29
Northern Ireland	5.83

Note: This indicator shows the number of new VAT-registered businesses per 1,000 economically active working-age population registered in 2007.

Source: National Online Manpower Information System

(8) Small business death rate

As explained earlier, enterprise dynamics is not just about start-ups, but also about resilience to the wider economic climate and business' associated ability to survive. The small business closure or death rate is measured by the proportion of de-registrations of VAT-registered stock.

In the UK, the average business failure rate was nearly seven businesses out of every 1,000 in 2007 (see Table 4.8). It is interesting to find that Northern Ireland had a low birth rate as well as the lowest closure rate (5.4). Wales, on the other hand, had the lowest birth rate, but experienced a relative large proportion of de-registrations (6.65).

Table 4.8: Small business death rate (per 1,000 registered businesses), 2007

UK	6.90
England	7.05
Wales	6.65
Scotland	6.64
Northern Ireland	5.40

Note: This indicator measures the number of VAT de-registrations per 1,000 VAT-registered businesses in 2007.

Source: National Online Manpower Information System

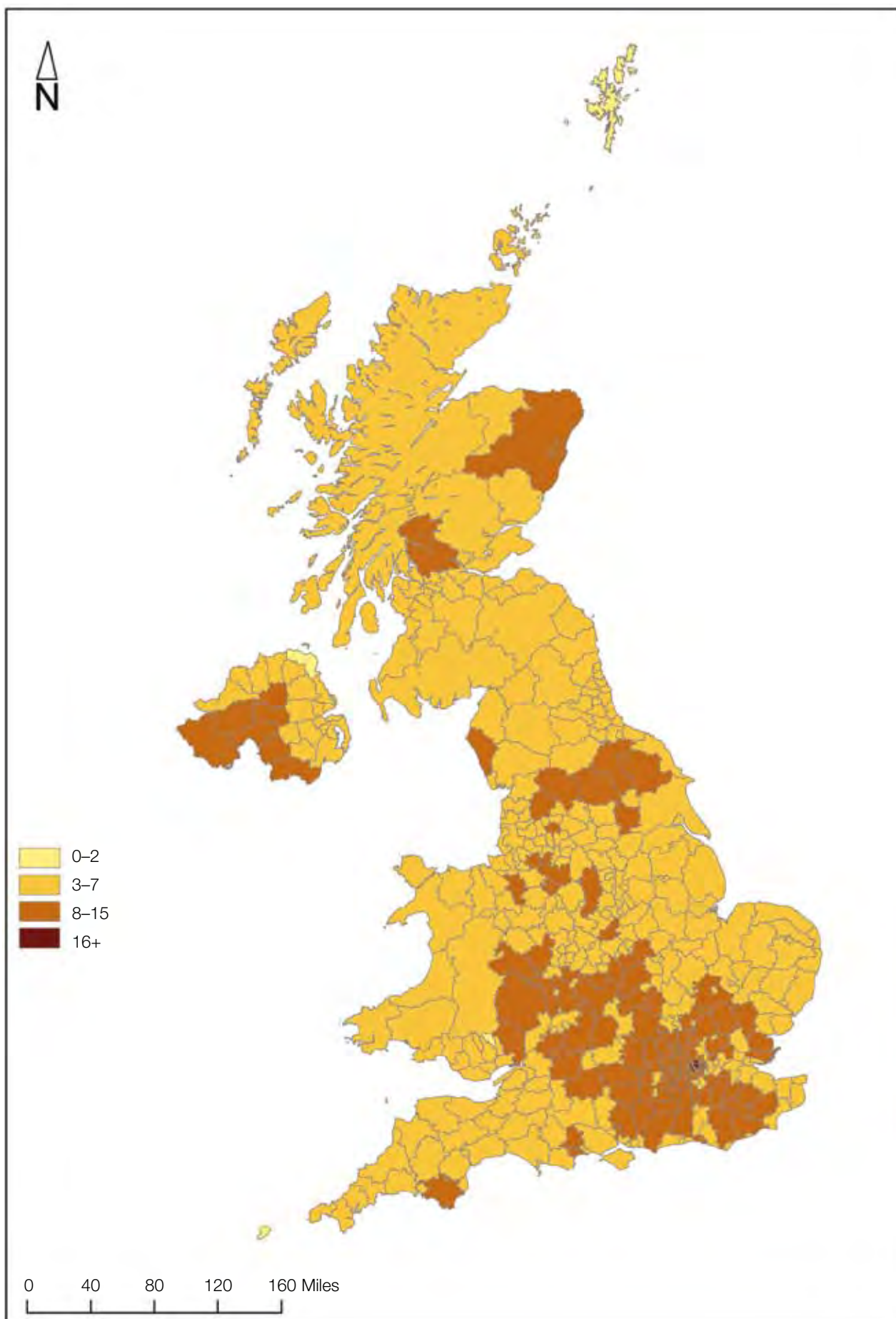
The spatial patterns of small business death rates (see Figure 4.8) show that those areas with high birth rates, particularly in London and the South East, also had the highest level of business failures. However, the core urban areas around the Midlands, the M62 Corridor and Tyne & Wear in England; the central belt of Scotland; as well as the Welsh Valleys, all had high levels of business failure rates without the benefit of high levels of start-ups.

(9) Secondary school attainment level

The quality of education is central to families and affects their choice of residential location and hence impacts on house prices. This indicator also provides a snapshot of the quality of the potential local workforce.

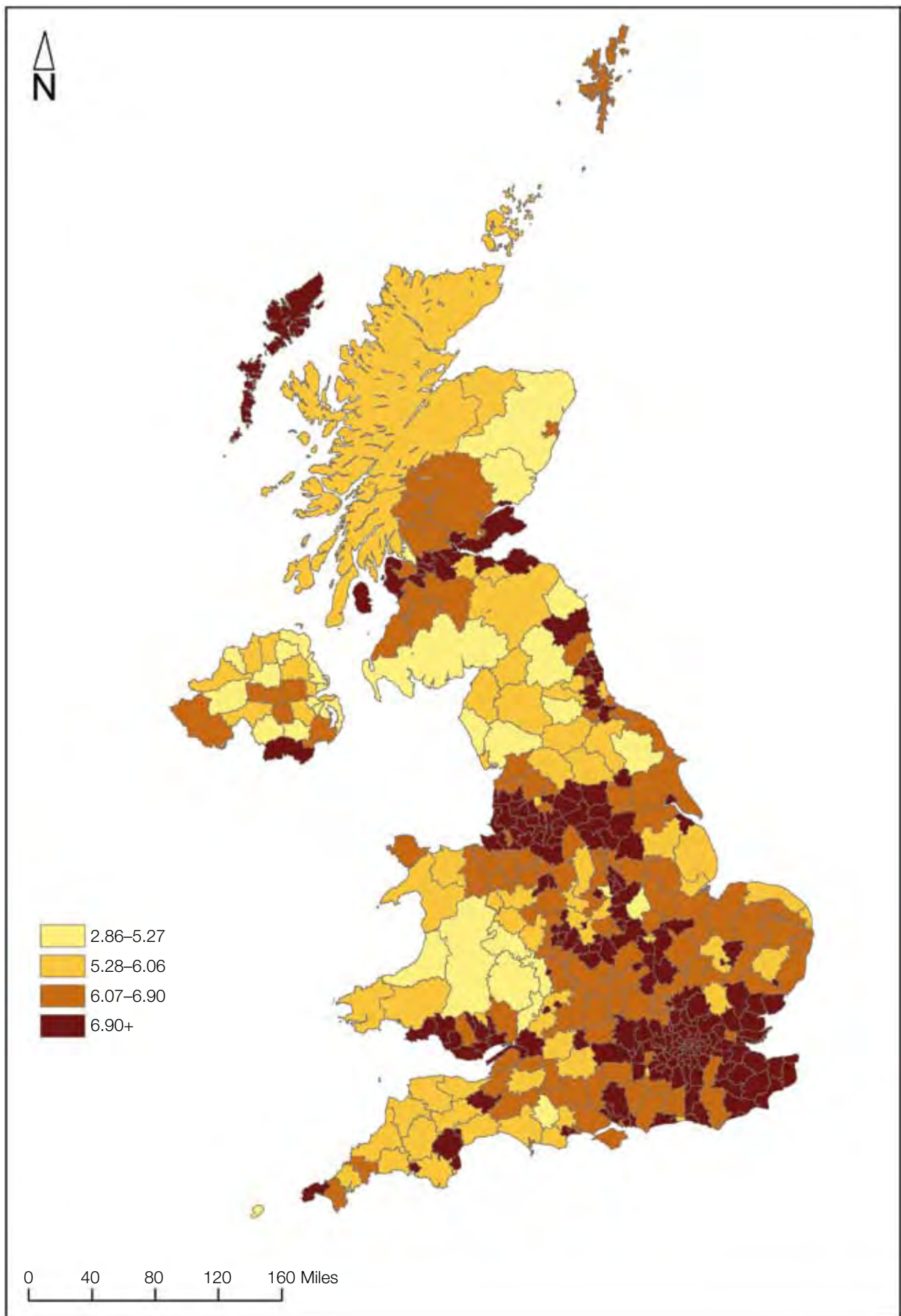
The indicator is a proxy for quality of education and is based on the percentage of students with

Figure 4.7: Small business birth rate (number of new VAT registrations per 1,000 employed people), 2007



Source: National Online Manpower Information System

Figure 4.8: Small business death rate (number of cancellations of VAT-registered stock per 1,000 businesses), 2007



Source: National Online Manpower Information System

five or more A*–C grades in GCSE for England, Wales and Northern Ireland, and Standard Grade in Scotland. The equivalent of five or more A*–C grades in GCSE (General Certificate of Education) in Scotland is the attainment of 1–3 Grades, however, the output of the data is only available at SCQF (Scottish Credit and Qualifications Framework) Level 4, which includes Grade 4. This means that the secondary school attainment level has to take into account those obtaining Grades 1–4, meaning that the results are not directly comparable with GCSE results as they include an additional grade. This means that we would expect a higher proportion of pupils to achieve this level of qualification. Also, in England the data is available at the neighbourhood level whereas in other nations of the UK only local authority level data is available.

Figure 4.9 shows a very mixed picture of secondary school students' examination performance. Across the UK, under two-thirds of secondary graduates achieved the equivalent of five or more GCSE passes in 2006/07 (see Table 4.9). The spatial patterns of England were much polarised, ranging from 100% in neighbourhoods in Kensington and Cheshire, Richmond upon Thames, Westminster, Solihull, Warrington, St. Albans and Trafford, to those that had less than 20% passes in Oxford, Leicester and

Table 4.9: Level of secondary school attainment, 2006/07

UK	64%
England	60%
Wales	54%
Scotland ^a	76%
Northern Ireland	64%

Note: ^a The equivalent of five or more A*–C grades in GCSEs in Scotland is the attainment of 1–3 Grades, but data is only available at Level 4, which includes Grade 4. This means that the Scottish data is not comparable with the data for the rest of the UK as it includes an additional grade at a lower level. This indicator is based on the percentage of students with five or more A*–C grades in GCSEs for England, Wales and Northern Ireland and Standard Grade in Scotland. Only England data is available at neighbourhood level.

Source: Department for Children, Schools and Families, Welsh Assembly Government, Scottish Neighbourhood Statistics, Northern Ireland Neighbourhood Information Service

Bassetlaw. These patterns are rather interesting: the best and worst examination performance were actually found in highly urbanised locations.

Education performance levels in Northern Ireland had the lowest differentials, ranging from 56.3 to 72.4%. This suggests that there was more consistency in secondary school examination performance there. In spite of the fact that Wales seemed to have the lowest average level, it also had a much narrower (41–65%) range of performance. It is, however, important to note that the smaller range of indicator values found in Wales and Northern Ireland is also related to the fact that the data is reported at the broader scale of local authority district level rather than the detailed neighbourhood scale as it is for England.

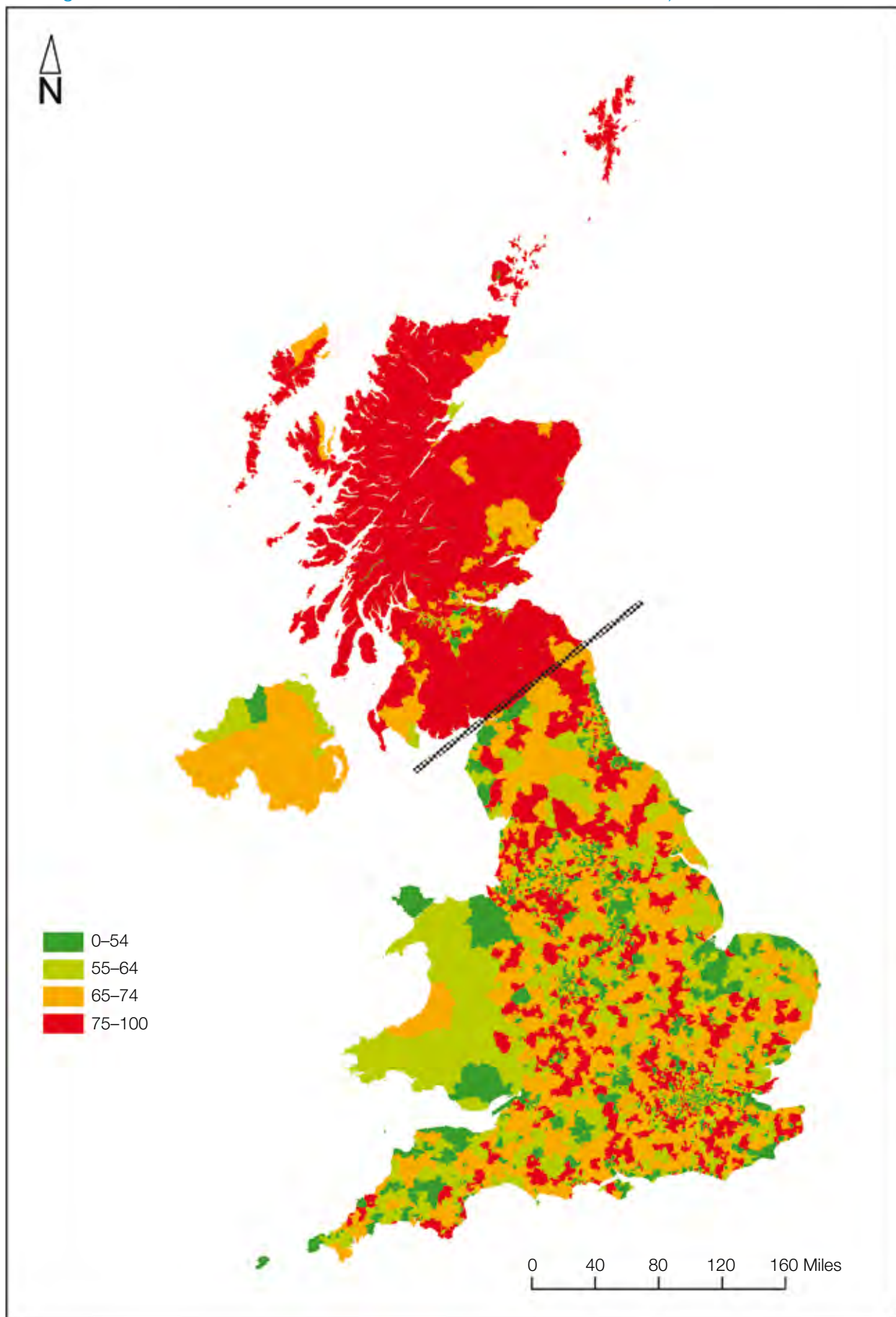
With regard to Scotland, due to the way that the data is released, it is not comparable with the rest of the UK. The figures for Scotland are expected to be higher as they include people achieving an additional grade at a lower level. However, within Scotland, there were major variations in the examination attainment level, from 26.5 to 100%. Local authority areas such as Heathryfold and Middlefield, Woodside, and Cummings Park had the poorest level of less than 30%.

(10) Level of domestic burglaries

This indicator measures the total number of domestic burglaries per 1,000 households. The level of domestic burglaries is an indicator of local property crime, which also serves as a useful proxy of overall community safety, which may affect perceptions of local quality of life. More importantly, domestic burglaries, unlike other types of crime, are closely associated with people's homes and serve to examine the interaction between housing and neighbourhood conditions.

The figures in Table 4.10 and the spatial patterns shown in Figure 4.10 suggest that there were sharply contrasting burglary rates across different parts of the UK. The highest level of burglaries was found in England (10.94 incidences per 1,000 households), while the lowest level was recorded in Northern Ireland (3.5 burglaries per 1,000 households). However, it is important to note that in Scotland, it is defined as 'housebreaking' rather than 'domestic burglary'.

Figure 4.9: Level of secondary school attainment (% of students achieving 5 or more A*-C grades at GCSE level in England, Wales and Northern Ireland, and Standard Grade in Scotland), 2006/07



Note: Scottish data is not directly comparable to the rest of the UK.

Source: Department for Children, Schools and Families, Welsh Assembly Government, Scottish Neighbourhood Statistics, Northern Ireland Neighbourhood Information Service

Table 4.10: Number of domestic burglaries (per 1,000 households), 2007/08

UK	7.25
England	10.94
Wales	6.59
Scotland ^a	7.95
Northern Ireland	3.50

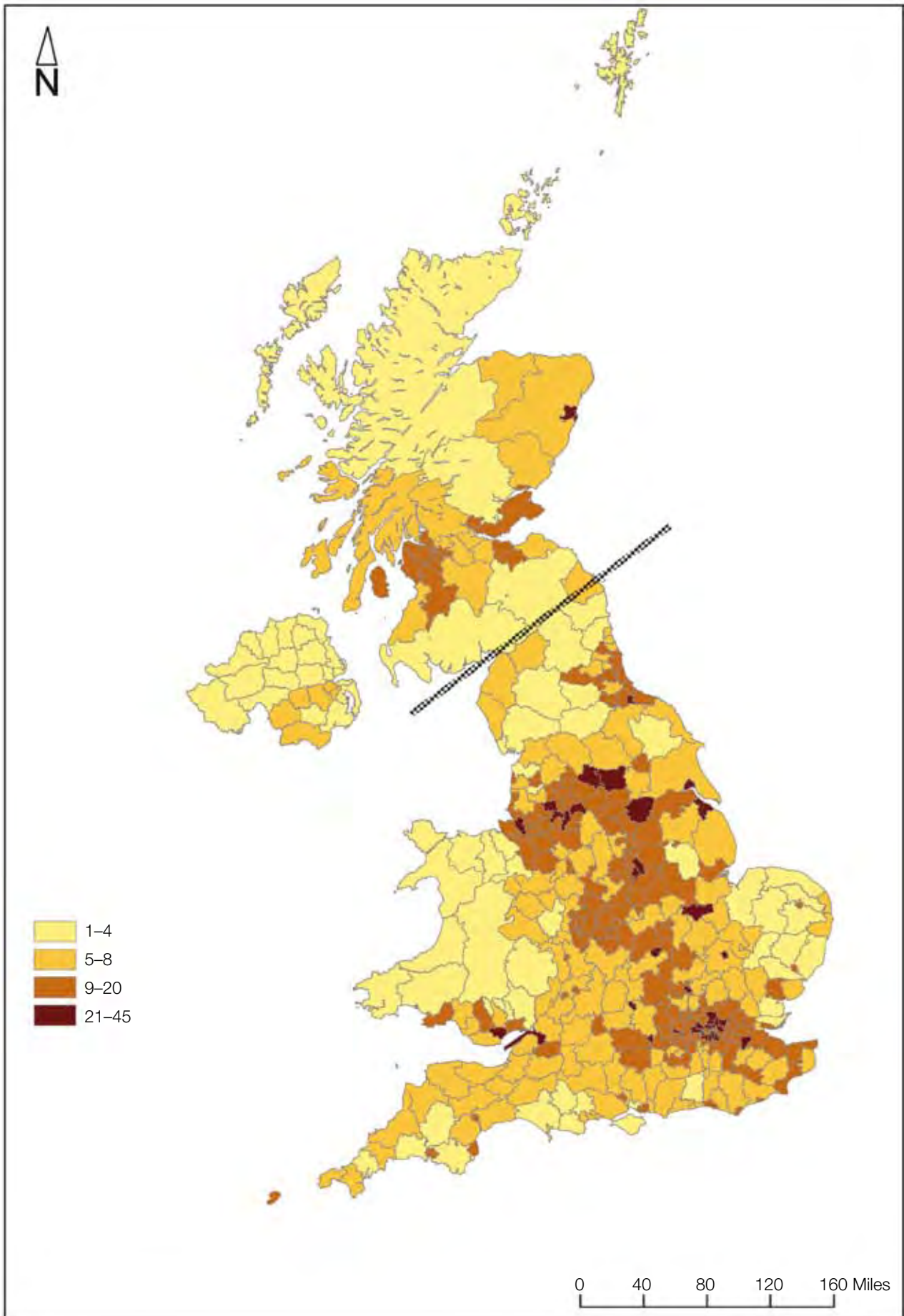
Note: ^a The term used in Scotland is 'housebreaking', including attempts at burglary/housebreaking.

This indicator measures the total number of domestic burglaries per 1,000 households.

Source: ONS Neighbourhood Statistics, Scottish Neighbourhood Statistics, Northern Ireland Neighbourhood Information Service

Those areas that experienced the worst burglary incidences were urban areas along the M62 corridor and the Greater London conurbation. Other high risk local authority areas included Cardiff (32), and Swansea (20) in Wales and the highest burglary rates were found in Aberdeen City (21) and Edinburgh City (17) in Scotland.

Figure 4.10: Number of domestic burglaries (per 1,000 households), 2007/08



Note: The data in Scotland refers to housebreaking which includes attempts at burglary/housebreaking.

Source: ONS Neighbourhood Statistics, Scottish Neighbourhood Statistics, Northern Ireland Information Service

5 Differential patterns of development

The previous two chapters compared and contrasted the development patterns in the four countries of the UK. We now turn our attention to exploring the spatial landscape of development from a different perspective. In order to have a truly UK-wide analysis of housing and neighbourhood development patterns, the housing and neighbourhood indicators identified in the previous two chapters will be analysed by different types of neighbourhood across the UK.

While attributes such as infrastructure, public services, demographic and socioeconomic characteristics tend to generally be present in most neighbourhoods, the precise quantity and composition varies across them. It is, therefore, interesting to find out how housing and neighbourhood characteristics vary over different types of area. This will shed light on the interactive effect 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.²⁴ This 13-fold area classification²⁵ provides a consistent basis 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 spatial level.

Figure 5.1 shows the location of these 13 area groups across the UK. A pen picture of each of these area groups is provided below.

(1) Thriving London Periphery

These areas are located on the periphery of London and include areas 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 25–44; people who travel to work using public transport; people with higher education qualifications; and 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 student populations.

(3) Prospering Southern England

The 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.

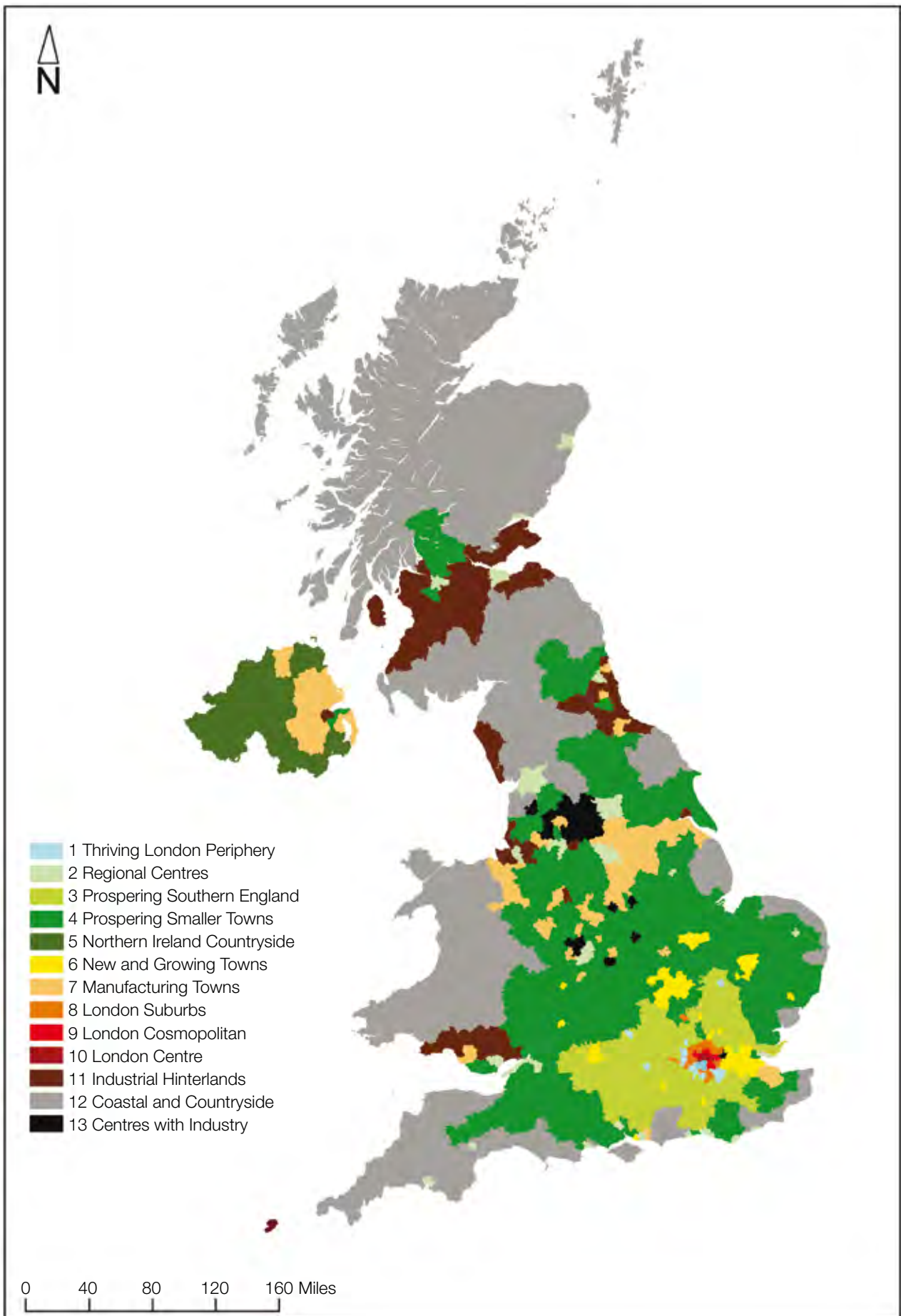
(4) Prospering Smaller Towns

The 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 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

The 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-

Figure 5.1: ONS area classifications by local authority districts, 2001



Source: Adopted from ONS 2001 Area Classification (ONS, 2008)

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 through 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; and 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 45–64; 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 25–44; flats; people who travel to work using public transport; minority ethnic populations; and 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. The 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 25–44; 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

The 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 25–44; people who travel to work using public transport; single person households (not a pensioner); and people born outside the UK.

(11) Industrial Hinterlands

The 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 25–44 and 45–64; 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.

Housing pressure

In order to have a grasp of the broad patterns of housing pressure experienced by different types of area across the UK, a simple Housing Pressure Index was created by summing up the ranking of ten housing indicators. The housing indicators included in the analysis were those described in Chapter 3 (see Appendix D for indicator values):

- house price;
- house price change;
- market rent level;
- social rent level;
- household and dwelling balance ratio;
- homelessness;
- ratio-based affordability measure;

- private new build;
- social new build;
- household income.

Rather than computing a very complex composite index, a simple ranking of each indicator was carried out for the 13 ONS area groups, with rank 13 given to an area experiencing most housing market pressure of that indicator and rank 1 for an area with the least pressure. By summing up the rankings of all ten indicators, a more rounded picture of the relative position of different area groups in terms of the housing market pressure they faced was ascertained. While the Housing Pressure Index is useful to offer an overview of the situation, it is important to examine the patterns of individual indicators to understand the nature and intensity of the pressure that different area groups faced.

Table 5.1 shows the indicator rankings of the 13 area groups and Figure 5.2 shows the value of the Housing Pressure Index. By combining the ten

Table 5.1: Rankings of housing indicators by ONS area types

Area type	House price	House price change	Market rent	Social rent	Household dwelling ratio	Homeless	Affordability measure	Private new build	Social new build	Household income
1	11	9	10	9	12	4	11	11	9	2
2	4	5	6	5	4	11	4	3	6	11
3	12	8	9	10	9	1	12	6	4	6
4	7	2	5	7	8	2	8	1	2	7
5	8	11	1	3	13	13	5	10	13	13
6	6	4	8	8	7	3	6	7	5	4
7	3	3	7	2	6	9	3	4	8	9
8	9	10	11	11	11	8	10	9	7	3
9	10	12	12	12	5	12	9	13	10	5
10	13	13	13	13	10	7	13	12	12	1
11	1	7	2	1	3	10	1	2	1	12
12	5	6	4	4	1	5	7	5	3	8
13	2	1	3	6	2	6	2	8	11	10

Area type:

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

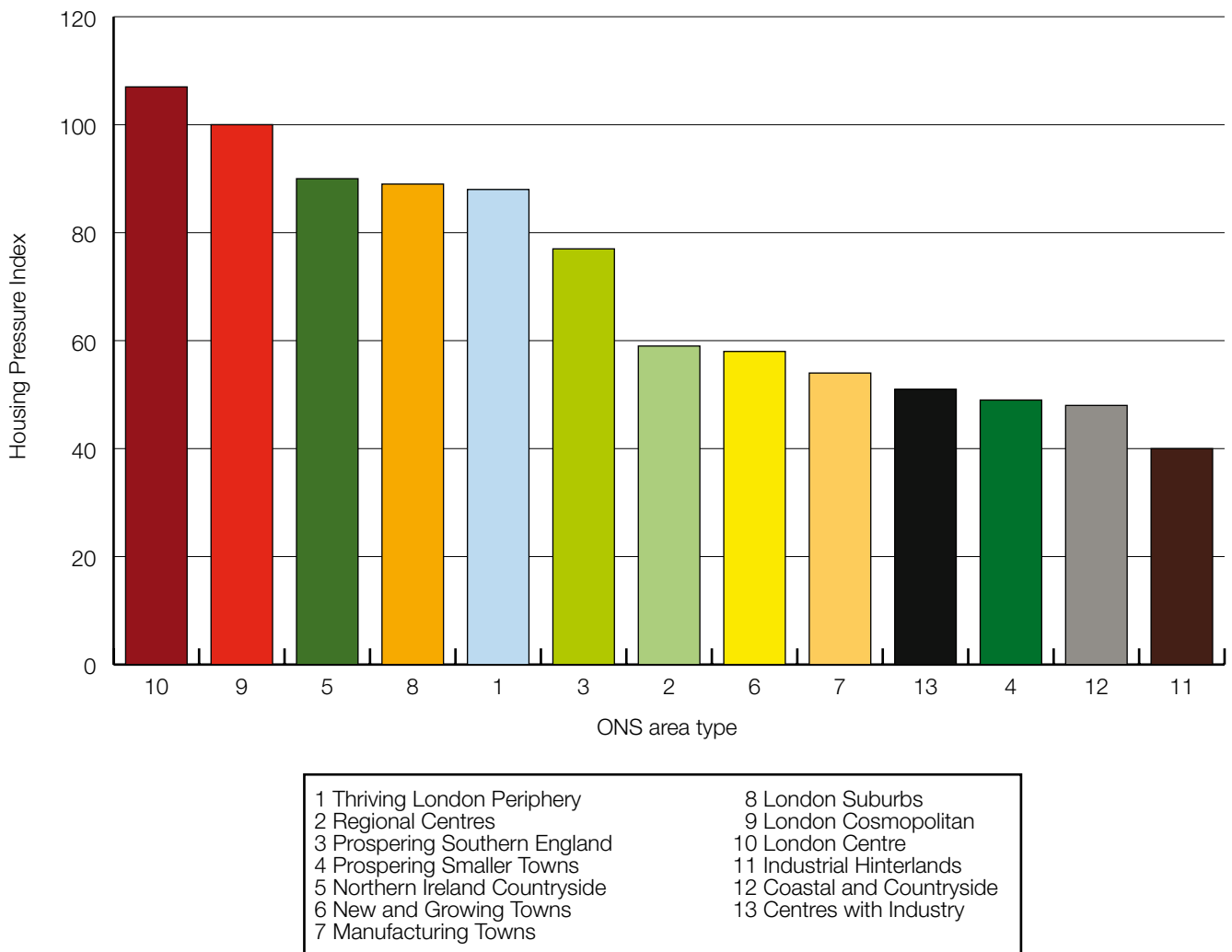
11 Industrial Hinterlands

12 Coastal and Countryside

13 Centres with Industry

Note: Rank 1 means the lowest level of housing pressure in that indicator. Rank 13 is the highest level.

Figure 5.2: Housing Pressure Index by ONS area types



indicators, we find that areas tend to face three different types of housing pressure:

- *Overheated markets:* areas with high house prices, high levels of rents, a lack of new build starts and housing affordability and homelessness problems.
- *Low demand and sluggish markets:* areas with fairly low house prices and low rents, and very often with low levels of household income and with homelessness problems.
- *Markets with strong housing stress:* areas with average to low house price levels, low levels of household income, a lack of social housing supply, and often with major homelessness problems.

It is clear that Inner London (London Cosmopolitan, group 9 and London Centre, group 10) and its wider conurbation (London Suburbs, group 8 and Thriving London Periphery, group 1) are experiencing extreme housing market pressure. While these areas have very high levels of household income, they also experience very high house price and rental levels as well as low levels of new build activities. It is, however, important to note that the situation in London Cosmopolitan area (group 9) is slightly different from the other three groups – while it has less pressure over excessive housing demand, it does have major problems regarding the very high level of homelessness.

The Northern Ireland Countryside (group 5) is another area that has very high levels of housing pressure. The reasons behind the pressure are related to the low level of household incomes, the lack of new build activities as well as the very

rapid increase in house prices (although these are not as high as in London and Southern England). This places the area under excessive housing demand (as reflected in a very high household to dwelling ratio) and there is also a very high level of homelessness. The pressurised housing market is probably related to the restricted housing supply under the rural planning regime in Northern Ireland.²⁶

Another major area that has a higher level of housing pressure is Prospering Southern England (group 3). The main issue in this area is housing affordability. In spite of having a reasonably high level of household income, the house price and rent levels have been consistently high, resulting in housing affordability problems. This is related to the fact that there is a high level of housing demand, which is not matched by the same level of supply.

At the other end of the spectrum, areas with the least apparent housing market pressures are those in the Industrial Hinterlands (group 11) and Centres with Industry (group 13). These two groups cover the major urban and industrial centres across different parts of the UK. The key characteristics in these area groups are the very low levels of household income as well as low market rent levels and house prices. There are, however, some differences between these two groups. While the housing market is not buoyant, there have been house price changes and major new build starts in both the social and private rented sectors in the Industrial Hinterlands group. In addition, the level of homelessness is also very high. Centres with Industry, on the other hand, do not experience much change in house prices and there have been low levels of new build starts in both social and private rented sectors. These areas suffer from the problem of low housing market demand. Housing Market Pathfinder areas in England are located in this group.

The Coastal and Countryside area (group 12) and Prospering Smaller Towns (group 4) also have lower levels of housing pressure in relation to the rest of the UK. However, some housing markets in these areas do have problems regarding lower levels of household income and affordability issues.

Manufacturing Towns (group 7) and New and Growing Towns (group 6) tend to have lower than average housing market pressure, although there

are lower levels of household income and higher levels of homelessness in Manufacturing Towns. Indeed, the New and Growing Towns are closely related to the Growth Areas identified by the DCLG and it is thus interesting to monitor the changing housing market pressure in this area group.

Finally, the housing markets in Regional Centres (group 2) have been relatively more buoyant than their neighbours (e.g. Centres with Industry and Industrial Hinterlands). This suggests that the urban renaissance agenda may have achieved some success in regenerating the main cities in the UK, but has been less successful in the smaller urban centres. However, these main cities still suffer from severe housing stress, particularly high levels of homelessness and very low levels of average household income.

The analysis here points to the fact that there are different levels of housing market pressure and stress across different areas in the UK. More importantly, different areas in the ONS classification do display very different housing issues and challenges, as manifest in their housing market conditions.

Neighbourhood dynamics

A similar neighbourhood characteristics index was compiled by using nine²⁷ neighbourhood indicators from Chapter 4. They were:

- projected population change;
- population in 10% most deprived neighbourhoods;
- unemployment rate;
- economic inactivity rate;
- employment rate;
- small business birth rate;
- small business death rate;
- secondary school attainment level;
- level of domestic burglaries.

Similar to the methods used to combine the housing indicators, the 13 ONS area groups were ranked by each neighbourhood indicator. Rank 13 was given to an area with the most positive features, while rank 1 was assigned to an area with the most negative neighbourhood characteristics. Figure 5.3 shows the distribution patterns of the 13 area groups. Table 5.2 provides the ranking of these indicators (see Appendix D for indicator values).

Again, while the Neighbourhood Characteristics Index is useful to provide an overall snapshot, it is important to analyse the distribution of individual indicators to understand the neighbourhood issues that different areas faced. The nine indicators used in the analysis cover two broad sets of issues:

- *Labour market and enterprise issues:* the indicators of employment, unemployment, inactivity and small business vitality rates as well as education achievement levels, all of which

help to inform the health and dynamics of the local labour market.

- *Sustainable community:* indicators on population change, deprivation and burglaries are proxy measures of the social cohesion and sustainability of the community.

Two area groups, Prospering Southern England (group 3) and Thriving London Periphery (group 1) enjoy most of the positive characteristics. This is expected, as suggested by the ONS labels of these areas. London Periphery areas, however, have a moderate level of burglary rates and small business closures. Prospering Smaller Towns (group 4), which covers the so-called 'middle England', also enjoy a very high neighbourhood quality.

New and Growing Towns (group 6) and Coastal and Countryside areas (group 12) have relatively positive neighbourhood qualities. New and Growing

Figure 5.3: Neighbourhood Characteristics Index by ONS area types

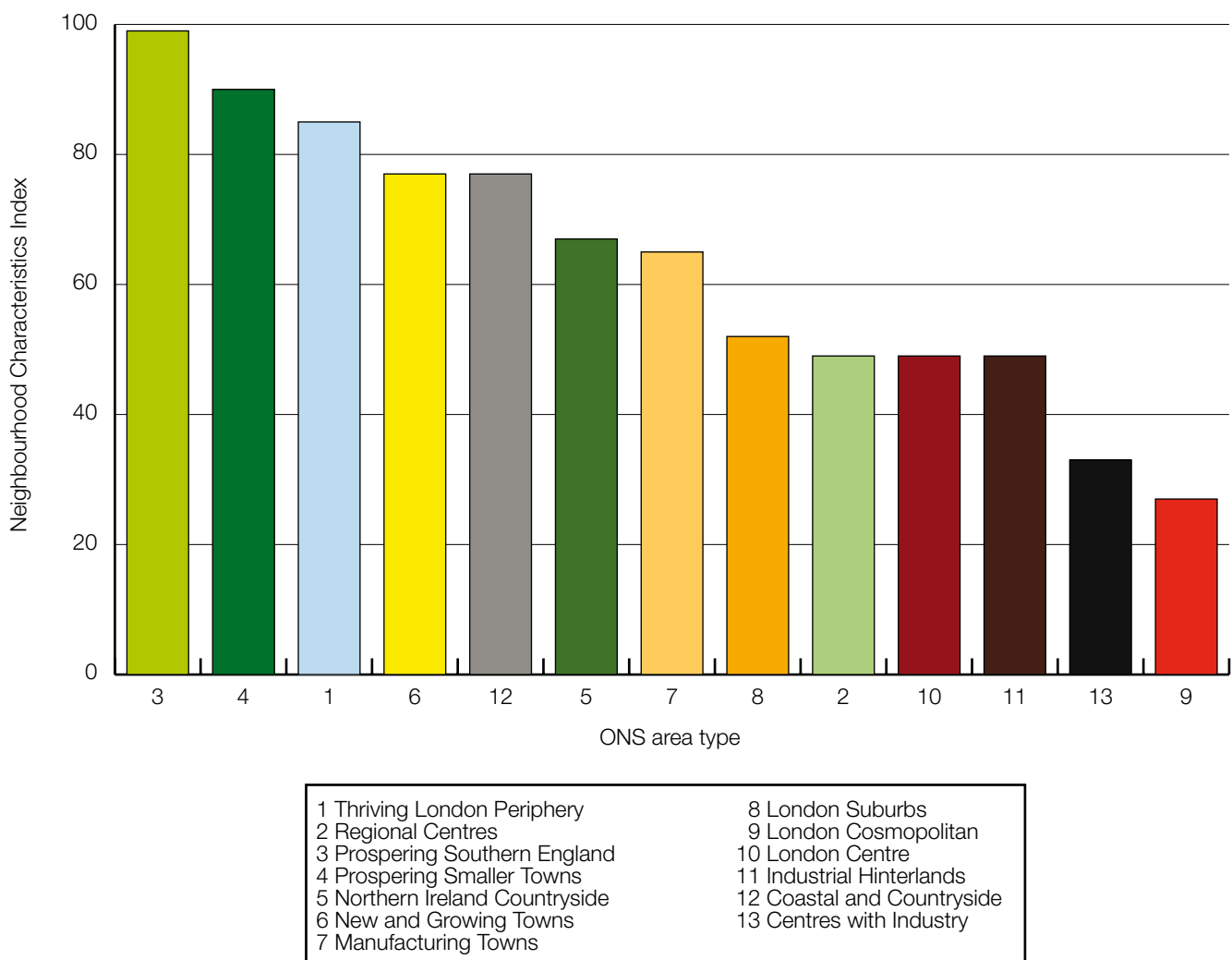


Table 5.2: Rankings of neighbourhood characteristics indicators by ONS area types

Area type	Projected population change	10% most deprived	Unemployment rate	Economic inactivity rate	Employment rate	Small business birth rate	Small business death rate	Education level	Burglary rate
1	8	12	13	9	9	10	6	12	6
2	12	2	5	4	5	4	3	11	3
3	7	13	12	13	13	12	9	10	10
4	10	11	11	12	12	7	11	5	11
5	9	7	2	1	1	8	13	13	13
6	11	10	10	11	11	6	7	4	7
7	5	6	8	8	8	2	10	9	9
8	3	8	7	6	6	9	1	8	4
9	2	3	1	2	2	11	2	3	1
10	13	5	4	3	3	13	4	2	2
11	1	4	6	7	7	1	8	7	8
12	4	9	9	10	10	5	12	6	12
13	6	1	3	5	4	3	5	1	5

Area type:

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

Note: Rank 13 means the best quality and rank 1 is the lowest neighbourhood quality.

Towns tend to have high levels of labour market activities, low levels of deprivation and a very high projected population growth, which is related to the Government's policy to expand these areas. Coastal and Countryside areas, however, have much lower levels of projected population growth. Again, this is also related to planning policies that protect these areas from major urban expansion.

It is interesting to note that the Northern Ireland Countryside (group 5) comes out very well on the rankings of neighbourhood indicators, particularly in terms of the community quality aspects.

However, this area group does not perform well on the labour market indicators as it has a very high economic inactivity rate and unemployment rate as well as a low employment rate. This is probably related to the demographic structure of the area.

At the opposite end of the spectrum, it is interesting to find that Inner London areas seem to have the worst performance on both labour market and community quality indicators. Both London Cosmopolitan (group 9) and London Centre (group 10) suffer from high levels of multiple deprivation, burglaries and unemployment, high economic

inactivity as well as low levels of educational performance. These problems are also found in the Centres with Industry (group 13) and the Industrial Hinterlands (group 11), and to a lesser extent, in Regional Centres (group 2). However, the two London groups have high levels of small business birth rates, which suggest a high level of local entrepreneurship (although also high closure rates).

The analysis again highlights that different areas have experienced different positive and negative socioeconomic attributes from their wider spatial environment. It is, therefore, important to note how the housing market issues interact with the neighbourhood characteristics in these different area groups.

Different development trajectories

By analysing the two sets of indicators together, the discussion moves on to examine the development trajectories of the 13 area types. Based on their rank values on the Housing Pressure and Neighbourhood Quality Indices, the relative position of each of the 13 ONS area groups is plotted in

Figure 5.4: Housing market and neighbourhood development trajectories



Figure 5.4. This allows us to see how the housing market interacts with the wider spatial attributes to shape the development patterns of each area group.

Their distribution in Figure 5.4 shows that there are different development trajectories:

Challenging and pressurised areas

Located on the bottom left-hand corner of Figure 5.4 are London Cosmopolitan (group 9) and London Centre (group 10) areas. These Inner London areas are suffering from the paradoxical situation of having very high demand housing market conditions as well as many negative labour market and community quality characteristics in the area.

Idyllic small towns and countryside

In the top right-hand corner of Figure 5.4, we have the opposite situation: Prospering Smaller Towns (group 4) and the Coastal and Countryside area (group 12) enjoy many positive socioeconomic features in their neighbourhoods and housing is reasonably affordable. Hence, these areas are regarded as attractive places to live, although planning policies tend to discourage major expansion in these areas as they tend to be less accessible.

Stagnated industrial north

The Industrial Hinterlands (group 11) and the Centres with Industry (group 13), on the other hand, are areas with relatively poor socioeconomic attributes. The lack of housing affordability of the population is largely due to high levels of deprivation and low levels of household income, which means that the local housing markets are rather sluggish. However, there is serious housing stress as there are also high levels of homelessness. This means that there is a need to improve the labour market activities and to address homelessness, including through the provision of social rented housing.

Thriving home counties

The Thriving London Periphery (group 1) and the Prospering Southern England (group 3) are in a rather unique and privileged position. The high levels of affluence and positive locational attributes 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 tend to reinforce the desirability of the area.

Stable neighbourhoods

There are a number of areas that have reasonably stable spatial environments, although with various combinations of attributes. It is, however, interesting to find that they all face very different housing market conditions. London Suburbs (group 8) have rather dynamic and high-demand housing markets. The Northern Ireland Countryside (group 5) mainly experiences pressure over the lack of housing supply and the low level of household income. The Regional Centres (group 2) are experience high levels of housing stress problems such as homelessness.

Manufacturing versus growing towns

There is a contrast between Manufacturing Towns (group 7) and New and Growing Towns (group 6). Manufacturing Towns tend to have more sluggish housing markets and around average levels of neighbourhood quality, while the New and Growing Towns enjoy better neighbourhood quality and an average housing market.

Policy implications

The use of area typologies to examine different groupings of indicator has helped to enrich the contextual understanding and the nuances of different trajectories of development of different localities. It is, however, important to note that some of the extreme rankings between indicators can cancel each other out and produce a moderate index value. Hence, the analysis of individual indicators is important in order to overcome this problem. Overall, the analysis shows that different housing conditions tend to interact with their wider spatial attributes, in particular with their labour markets, to affect the overall picture in an area.

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 the journey-to-work distance of the London Labour Market Area, house prices in London and its commuting areas have rocketed. This, however, creates a paradoxical situation for those living in Inner London as there are still high concentrations of deprived neighbourhoods suffering from poor quality of life as well as severe housing affordability problems. However, their more affluent counterparts in the outer commuter belt, stretching to 60 kilometres outwards (see Wong et al, 2006) 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.

It is also very interesting to note the relative position between Regional Centres, Centres with Industry and Industrial Hinterlands. Traditionally, these areas tended to suffer the same level of problems. From the indicators collected, it is clear that the development trajectories of Regional Centres have been rather different from their neighbouring industrial areas. One may argue that the Government's urban regeneration policy over the last 20 years has been successful in the larger cities across the UK. While these cities still have deprivation and homelessness, their housing and

labour markets are performing reasonably well, and there has been an increase in population and an improvement in educational achievement. The advantage of large cities is that they tend to enjoy the positive externalities of an urban economy, while also benefiting from the location of higher educational institutions and other infrastructure. The challenge, then, is how to improve the less buoyant neighbouring areas in the wider industrial hinterland and other smaller urban centres.

The relationship between smaller townships is also very interesting. While New and Growing Towns and Prospering Small Towns share many similar characteristics, the growth policy of the former has led to the development of more pressurised housing markets and also lower neighbourhood quality in comparison with the latter. Again, they both perform better than Manufacturing Towns, which tend to be found in Northern England, Wales and the eastern part of Northern Ireland.

Overall, the discussion shows that each area group has its own unique policy challenges and issues to be addressed. This raises questions over the different policy prescriptions required to address pressurised housing markets, as well as enhancing the positive and removing the negative attributes in their local spatial environments. There have been tensions between micro-level neighbourhood policies and more macro-level housing policies and the latter often dominate the former. National policy instruments such as brownfield housing targets often ignore the major regional variations shown here and do not always work effectively at the local level, suggesting the need for more nuanced policy-making to reflect area characteristics.

6 Policy performance and key issues

The analysis of the housing and neighbourhood indicators in the previous four chapters provides us with a good grasp of the differential spatial landscape of development across the UK. This chapter takes an overview to assess to what extent national policy targets have been achieved and to identify the emerging key issues.

Housing supply

The English Government has set a target of building 240,000 extra new homes per annum by 2016. However, this is unlikely to be achievable as the new build rate has not risen above 240,000 per annum throughout the 2000s (even prior to the recession). With the strong Government policy push towards increasing housing supply, there has been a rising trend in the number of housing completions since 2001. However, the downturn beginning in late 2007 has halted this. The implication is that new housing completions are likely to be significantly lower, compared with 2001–07, for some years to come.

Significant growth in expected household numbers was found in the DCLG's four designated Growth Areas, although the relationship between the household projections and the more bottom-up designated Growth Points was not so evident. In spite of significant projected growth in Lincolnshire, North Yorkshire and Cornwall, the Government's strategy is not to encourage population growth in rural and coastal locations. However, there is a clear tension between market forces and the Government's housing land supply policy of concentrating developments in brownfield land and urban areas with infrastructural provisions.

Despite increasing population and household estimates and clear policy targets for Northern Ireland indicating the need for a vibrant new build programme, there still appears to be a shortfall in the number of units that have been developed over the last two years by both the private and

voluntary sectors. The provision of social housing is considered to have wider non-monetary benefits through increasing the opportunity for sustainable development and starting to address other important policy issues identified in Chapter 1 such as homelessness, fuel poverty and energy efficiency. While some Government funding has been made available recently, the challenge for the future is financing such development. There is a need to increase the level of partnership between public and private sources of funding in order to deliver the necessary housing supply, particularly for social affordable housing. There have been indications of possible voluntary stock transfer from Northern Ireland Housing Executive to a private housing body to allow access to private finance (OFMDFM, 2009). Second, the new procurement policy may enable housing associations to work in collaboration; it is envisaged that this structure and mutual support will help increase the number of new build units to be delivered (DFPNI, 2009).

Wales has experienced relatively steady growth in population and household numbers in recent years, even though it is a net importer of population through inter-regional migration. According to the most recent population projection figures, the population is expected to continue to rise steadily in the future, from 1.27 million in 2006 to 1.59 million in 2031. In order to offset housing market pressures and to create balanced and sustainable communities, it is important that housing is supplied where it is needed and at a rate that keeps pace with housing demand. In terms of the balance between households and dwellings, Wales at 0.98 is relatively well balanced. Indeed, with the exceptions of the north east area of Wales and areas around Cardiff, all local authorities in Wales have a household dwelling balance of 1 or below. Although local authority data on new build rates is not available for Wales, data on the total number of new build starts nationally for Wales between 1991 and 2007 and the balance between household and

dwelling numbers suggests that housing supply has broadly kept pace with demand for housing over the last two decades or so. This has meant that housing market pressures have been less extreme in Wales (with the exception of part of South Wales) than in parts of England or Northern Ireland, illustrated by the fact that house price and rental levels for Wales fell below UK national averages.

In Scotland, the Firm Foundations target for total housing supply involved a step-change of a 50% increase in long-term annual completions. This looked highly ambitious prior to the downturn; but now with falling industry capacity and expected future reductions in public funding support for new affordable housing, the outlook is comparatively bleak. New starts fell by more than 50% in the last year and the social sector share has risen rapidly. Key measures that would facilitate the share of new build that would be affordable (public funding, developer contributions and social housing cross-subsidy from sales) are all directly and detrimentally affected by the downturn. The collapse in lending to developers and housing associations, as well as for home-ownership, reinforces the problems facing the sector in the medium term.

Housing affordability

Analysis of the lower quartile house price to income ratio shows that England, with a ratio of 8.09, has a serious affordability problem. Significant affordability problems are found in South East England and in a number of hotspots in the South West where the price to full-time earnings ratio exceeds 10 in many neighbourhoods and does not fall below 6 in any others. The average market rent level is also found to be highest in England.

The Government's housing policy for England is very much centred on the view that home-ownership is the preferred tenure choice and most new build activities in England have been carried out by the private sector and in large urban cities such as Bristol, Birmingham, Manchester and Leeds to meet the Government's brownfield development targets and wider regeneration strategies. Most social sector new builds have taken place in the northern regions, although some high volume activities have been found in London

and Milton Keynes. There is a sizable question mark over whether the private sector has the capacity to deliver all these ambitious growth schemes during difficult economic circumstances. There are also concerns over the lack of emphasis on creating affordable housing for people on low incomes.

Scottish affordability problems, if measured by the ratio used here, are less severe in most places, than in other parts of the UK. However, when a broader perspective is taken and we ask how many affordable (low cost or below market or social) homes are being added to the stock in order to combat unmet need, there is a growing disequilibrium. The standard orthodoxy in Scotland is that 10,000 affordable new homes are needed each year to address backlog and emerging need but that even in recent good years only half of this has been attained. Second, the private rented sector is less embedded in Scotland, even though it has enjoyed the UK-wide recovery in the sector. Third, the credit crunch has led to higher deposits effectively pricing out many prospective home-owners who could readily afford the repayment on mortgages even if they were at a high loan to value ratio. It was suggested earlier that Scotland may yet benefit from having lower savings and less exposure to volatile asset prices but the converse is that there are less resources available to assist with down-payments.

Following devolution, the Welsh Assembly Government has strived to develop and deliver effective housing programmes through the national housing strategy *Better Homes for People in Wales* (NAW, 2001; WAG, 2006). A key issue identified in the strategy was the need for a balanced approach between the provision of housing for home-ownership and social and private renting, an objective designed in part to tackle rising affordability pressures. However, there has been a significant increase in house price levels over the last ten years in Wales. Between 1991 and 2007, house prices increased by over 230% and although average prices remain lower in comparison to other parts of the UK, increases in mortgage costs to incomes for first-time buyers indicate problems of affordability in the owner-occupied sector. Indeed, the ratio-based affordability indicator clearly highlights problems of affordability in Wales with ratios of between 6 and 10 being commonplace.

However, interestingly, average market and social rents are low compared to other parts of the UK. This may indicate that the *Better Homes for People in Wales* strategy is having some positive effects on the provision of affordable housing through the private and social rental sectors at least.

Although affordable housing is a key issue in Wales, unlike England, understanding of housing needs and requirements is relatively underdeveloped. Local authorities are currently working to the Welsh Spatial Plan, but the lack of a sub-regional agenda in Wales has been identified as a possible constraint on wider spatial development, particularly in terms of housing supply and land allocations. The implication of this is that the Welsh Assembly Government's target of delivering 6,500 affordable homes by 2010/11 and any future affordable housing target could be compromised by the absence of an administrative and policy framework at sub-regional level to underpin housing delivery. This is particularly relevant for Cardiff and rural areas, which have experienced increased in-migration from England. In this respect, policy actions are needed to ensure that local people can gain access to housing in their communities, which may include a radical review of planning policy in rural housing markets.

As shown through data from the Council of Mortgage Lenders, the issues facing first-time buyers in Northern Ireland have changed from one of overinflated prices to a much more fundamental problem of the inability to borrow money to finance a house purchase. The level of deposits required has led to some would-be purchasers accessing the private rental market. Although, in comparative terms, Northern Ireland appears to have an affordable private rental market, it is considerably more expensive renting in the social sector. While the private rental sector stock has grown and provides one possible way of overcoming the ever-increasing waiting lists, it is not publicly controlled and therefore rents can be increased and stock can be depleted overnight from 'to let' to 'for sale', particularly if the market turns. It appears that this stock is a more expensive rental option for Housing Benefit tenants. A significant future challenge is the ability of this sector to provide a longer-term housing solution for those who have been unable to access the market as first-time buyers.

Homelessness

Since the introduction of the 2002 Homelessness Act in England, a more proactive approach has been adopted to combat homelessness. While there has been a significant drop in the number of households placed in temporary accommodation, the success of the Government in achieving its target is debatable. This drop is not entirely attributable to homeless households being placed in more permanent accommodation, but correlates with a drop in the overall number of households accepted as homeless. The homelessness grant to local authorities is likely to come to an end in 2011 and this may mean less support at a time when homelessness may rise in light of the current economic downturn.

Homelessness is an outcome of housing (and wider social) stress and a reflection of economic circumstances and is one of the foremost challenges facing the creation of sustainable communities. The Welsh Assembly Government's revised *National Homelessness Strategy for Wales* (WAG, 2005) coupled with the *Better Homes for People in Wales* strategy (WAG, 2006) is intended to help address homelessness in part through the delivery of more affordable housing in both the public and private sectors. Although there is a high level of unmet housing needs, the total number of homeless households in Wales is comparatively low at less than 4,000 in 2006 and is below the UK average per 1,000 households. This suggests that the policy mechanisms and the social safety nets being put in place in Wales are offsetting, to an extent, the effects of an underperforming labour market, and lower levels of household income. As a result, on the surface the target set out in the revised *National Homelessness Strategy for Wales* to reduce the number of homeless households from just less than 10,000 in 2004/05 appears on course to be met. However, the time-lag in the data used in the homelessness indicator does not capture the effects of the recent economic crisis, which is likely to contribute to rising levels of homelessness resulting from increasing stress in both the housing and labour markets. Having in place mechanisms to confront homelessness in the longer term, as opposed to the short-term measures currently

employed, is crucial if a sustained reduction in homelessness is to be achieved in Wales.

Scotland is on a path of seeking to implement its 2003 homelessness legislation. Government is progressively removing priority need and making other complementary reforms that will radically improve the safety net and hopefully reduce homelessness. This policy has received considerable international acclaim and was the product of a consensual task force drawn from across the sector. However, the policy faces two key challenges. First, implementation has to be funded across Scotland's local authorities as, by definition, all homeless households have to have access to permanent housing. This was initially accommodated by the supply of vacant social housing but increasingly it is and will have to be met by RSLs and by the private rented sector through leasing arrangements. This is costly, time-consuming and not without risks. A second consequence of implementation is the likely increasing share of new lets that will go to formerly homeless households, and it is widely thought that this will generate problems among existing communities for housing management across the social sector, particularly in areas of higher demand. Innovative and creative local solutions are being rolled out in the run-up to the 2012 target but these will need to be evaluated and disseminated to overcome the inevitable local difficulties that will arise. The alternative approach is to find more public resources but of course the timing for this is particularly unfortunate.

The absence of specific homelessness targets in Northern Ireland differs from other parts of the UK but there is a benefit from homelessness being a core responsibility of the strategic housing authority, NIHE, which also handles allocations for the common waiting list. The numbers of those applying for homelessness status is decreasing year on year but the number of applications was still high, 19,030 for 2007/08. The number receiving priority status was around 50% of those that apply (9,234 for 2007/08), the number accepted as being homeless when compared with other parts of the UK on a per 1,000 households basis was also high (5.57 compared with a UK average of 3.68). The majority of acceptances in 2007/08 were in Belfast (2,627) but there were also high levels in

the South East (2,077) and the North East (1,829). Future policy issues surround the standard of temporary accommodation for the homeless and how to tackle the linkage between wider social issues such as ill-health and homelessness.

Housing and environmental quality

The introduction of major English and UK initiatives such as the Decent Homes Standard, the Lifetime Homes Standard, SAP ratings and eco-towns over the last few years has focused attention on improving the quality of individual dwellings as well as the wider living environment in the neighbourhood. While there are signs of progress being made (e.g. over a million council homes have achieved the Decent Homes Standard in part through the post-1997 growth in Large Scale Voluntary Transfers [LSVTs] and the subsequent shift to ALMOs), these statutory standards and their financial consequences have undoubtedly been used by the Government in part to incentivise tenure change and the de-municipalisation of council housing. The lack of adaptability and flexibility of newly built homes, in particular apartments, is seen as problematic and it is unlikely that the application of the Lifetime Homes Standard can resolve the problem. This leads back to the density debate once more and about the need to set minimum size standards. In spite of significant scrutiny and criticism, the Government recently announced the go-ahead of four eco-towns.

In Scotland, the target date for the Scottish Housing Quality Standard (SHQS) is 2015 and the progress to the target is measured for social housing by the Scottish Housing Regulator. The options are fewer in Scotland (no ALMOs and no PFI/PPP routes) and the short-lived wave of stock transfers has now ended with just a handful of the 32 Scottish councils opting for that route (and all dwarfed by the Glasgow stock transfer). A corollary of the preference for council retention of stock ownership and given the slightly more favourable capital funding regime for council housing in Scotland (and further improved by the SNP Government), has been higher rents to pay for improvements and, probably, a greater appetite for demolition for problematic stock. Attainment of the target is slightly below plan according to

the Regulator but the overall policy seems broadly secure at this juncture six years before the key date. The wider issue of the adequacy of the target, that it is conceived by many to be both modest and in danger of relative obsolescence (as consumer aspirations go on to outstrip what is available across all but the most modern parts or best-quality segments of social housing), is a concern but the reality is tempered by the constraints on both public finance and private borrowing capacity.

The *Better Homes for People in Wales* strategy (WAG, 2006) set out the Welsh Assembly Government's long-term vision that all households in Wales shall have the opportunity to live in good-quality homes. To achieve this, the physical standard and condition of existing housing must be maintained and improved to the Welsh Housing Quality Standard. The target is for all social landlords to adopt the Standard and to devise realistic programmes for bringing all their properties up to the standard by the end of 2012. While there is evidence of improvements being made in the quality of new and existing housing and in energy efficiency based on SAP ratings, the second Housing Quality Assessment conducted in 2008 found that 50% of local authorities failed to meet the minimum Housing Quality Standard. The policy drive towards the creation of sustainable communities means that raising the quality of the housing stock will continue to be a major policy objective in Wales. The Welsh Assembly Government considers stock transfer to RSLs to be an important mechanism for helping to improve housing quality. However, many local authorities have been slow to respond to stock transfer and some are still to decide whether they will proceed with transfers. The implication of this is that the Welsh Assembly housing quality target is unlikely to be met by 2012.

The main issue in Northern Ireland surrounds thermal comfort and the grant funding mechanism 'Warm Homes Scheme' has benefited 70,000 homes since 2001. The focus of this funding has been reconsidered and will now endeavour to assist those on low incomes to make their homes more energy efficient. There is a clear relationship between low incomes and fuel poverty, reflected by the low average income in Northern Ireland compared with the rest of the UK. The introduction

of Energy Performance Certificates in December 2008 should assist to some extent but the implementation of this policy has been localised; there is now a clearer enforcement policy and fines to ensure compliance.

From a development industry perspective, there is an issue in providing new dwellings with higher levels of environmental sustainability. Many developers already face liquidity issues and are finding it difficult to survive. They are, therefore, struggling to incorporate the additional costs associated with delivering more sustainable dwellings under the Code for Sustainable Homes. It may be that, over time, these additional costs can be to some extent reflected in the cost of acquiring land rather than borne by the developer.

Neighbourhood regeneration

In England, more comprehensive regeneration programmes have been introduced by the Labour Government through the New Deal for Communities, the National Neighbourhood Renewal Initiative and the Housing Market Renewal Pathfinders. Our analysis suggests that some success has been achieved in large cities, but less so in the wider urban hinterland and northern industrial areas, although it is difficult to directly attribute these changes to policy interventions. The issues faced by the industrial heartland and many declining urban areas in Northern England tend to be related to high level of deprivation and low levels of housing and labour market activities. The housing challenges in these areas are high levels of homelessness and a lack of private resources to address housing needs. This is related to the fact that the workforce in these areas also has low levels of educational qualifications. Any policy measures for the housing market, therefore, need to be coordinated with measures targeted at the local labour market and wider social support.

There is a continuous challenge of making the connection between housing and neighbourhoods. Housing driven by the private market and, in particular, the most profitable areas of that market, might not necessarily be what individual neighbourhoods require. This may lead to processes of gentrification and this has been identified as a problem in places such as London.

Similarly, the issue of international migration has also become a major concern in many places. The links between economic development (e.g. job creation), community cohesion and housing conditions are often not sufficiently addressed.

In Scotland, there is a detailed evidence base now stretching over three decades suggesting that the same pockets of deprivation often tend to resist different efforts at regeneration. Parts of Glasgow, Lanarkshire, West Dunbarton, Ayrshire and certain neighbourhoods in Edinburgh and Dundee confront, to differing degrees, the consequences of inter-generational multiple deprivation. While there are important focused policy interventions (the Urban Regeneration Companies, infrastructure spend, and large physical spend programmes such as the Glasgow Housing Association investment), there is scepticism about the impact thus far of Community Planning. However, it will be instructive to see what regeneration impact the Concordat has, since it has given local authorities more powers and freedoms in return for progress towards the Scottish Government's single outcome agreements. To the extent that councils are the appropriate lead agency for regeneration in their own patches and can integrate across a range of physical, economic and social disciplines – time will tell whether this limited double devolution will impact positively and sustainably. On the other side of the ledger, while it is true that short-run unemployment is likely to grow in the service sector in a more white-collar segment of the labour market, it remains the case that those living in the most deprived areas of Scotland (and elsewhere in the UK) are likely to be disproportionately badly affected in employment terms by the current recession.

A key challenge facing policy-makers in Wales is the concentration of high levels of social deprivation. The deprivation indicator reveals that social deprivation is spatially concentrated in the Welsh Valleys. The lack of qualifications, the relatively low level of labour market activities and the concentration of unmet housing needs in these areas means that there is a need to connect housing policy with the wider sustainable community development agenda. Traditionally, housing and neighbourhood issues have been tackled separately in Wales. The Welsh Assembly

is funding Communities First, a Wales-wide community regeneration strategy to promote community involvement and empowerment rather than physical regeneration. However, there is currently a shift under way to bring housing more into the focus of Communities First, as stated in the Communities First Information Centre website.²⁸

In Northern Ireland, the indicators suggest that there are particular issues in rural communities. However, the neighbourhood renewal strategy bases its funding allocation on the 10% most deprived neighbourhoods, 21 of which are located in the main urban centres of Belfast and Londonderry and a further 15 of which are located in towns and cities across the rest of Northern Ireland. While residential segregation does exist particularly in public sector housing and on interface areas, this is a very localised issue and difficult to capture through indicators. Previously there were issues of poor housing quality, particularly in social housing stock, but this has broadly been tackled effectively and according to the House Condition Survey the number of unfit dwellings (those not meeting the Decent Homes Standard) fell from 50% in 2001 to 25% in 2006. Average income is in the lowest category for Northern Ireland, with projected population change being highest in areas outside the Belfast Metropolitan Area. The combination of the neighbourhood and housing indicators suggest that future policy needs to consider those who live outside the main metropolitan areas. There are high levels of housing stress due to dramatic house price changes, high levels of homelessness, a low supply of new private and social dwellings and low household incomes. This is combined with high levels of neighbourhood stress including high population projections, low educational attainment and high levels of new business failures.

Notes

- 1 See www.cml.org.uk/cml/media/press/13
- 2 See www.dsdni.gov.uk/affordable_housing_final.pdf
- 3 Scotland and the other countries' post-devolution experience regarding homelessness and low-income housing policies is further explored in Wilcox et al (forthcoming).
- 4 The Welsh Housing Quality Standard aims to ensure that tenants are able to live in dwellings that: are in a good state of repair; are safe and secure; are adequately heated, fuel efficient and well insulated; contain up-to-date kitchens and bathrooms; are well managed (for rented housing); are located in attractive and safe environments; and as far as possible suit the specific requirements of the household. Detailed guidance to local authorities and RSLs are provided in <http://wales.gov.uk/topics/housingandcommunity/housing/social/whqs/toolkit/objectives/wag/workable/standards/?lang=en>
- 5 See the Audit Commission website: www.audit-commission.gov.uk/pressoffice/pressreleases/Pages/13052009housingpathfinders.aspx
- 6 See the Communities First website: www.communities-first.org/eng/home/what_is_communities_first/
- 7 Details are provided in the Communities First website: <http://wales.gov.uk/topics/housingandcommunity/regeneration/communitiesfirst/?lang=en>
- 8 This shift to a new phase of development is explained in the Communities First Information Centre website: www.communities-first.org/eng/home/what_is_communities_first/
- 9 Nationwide Building Society figures.
- 10 The ONS Regional Trends data expresses small firm birth rate and death rate as a percentage of active enterprises. These are expressed here as start-ups and closures.
- 11 It is important to note that mortgage cost includes repayment for capital as well as the interest payment.
- 12 The Council of Mortgage Lenders expects this figure (August 2009) to rise to 65,000 in 2009.
- 13 There is no data for Scotland and data for Northern Ireland is only available up to 2006. The data published in *Regional trends* does not reflect how many houses have been repossessed as not all court orders will have resulted in the issue and execution of warrants of repossession. The regional breakdown only relates to the location of the court rather than the address of the property. This indicator, therefore, only provides a crude proxy measure of the strain in the housing market.
- 14 Council of Mortgage Lenders figures, annual to November 2008.
- 15 Buy to Let figures, Council of Mortgage Lenders, annual to June 2008.
- 16 See the Scottish Government website: www.scotland.gov.uk/Publications/2008/11/26094921/0
- 17 See the Welsh Assembly Government website: www.statswales.wales.gov.uk/tableviewer/document.aspx?FileId=1624
- 18 See the Northern Ireland House Conditions Survey 2006 website: www.nihe.gov.uk/index/sp.../house_condition_survey.htm and Housing Statistics 2005–06 website http://www.dsdni.gov.uk/housing_stats.htm
- 19 See the Welsh Assembly Government website on housing: wales.gov.uk/topics/

housingandcommunity/housing/social/whqs/
toolkit/rationale/immediate/cash/energy/hees/
?lang=en

20 See www.energysavingtrust.org.uk/scotland/Scotland/Energy-Assistance-Package/Energy-Rating

21 See www.scotland.gov.uk/Publications/2007/03/26155927/3

22 There appear to be two outliers with much larger shortages, which will require further analysis.

23 Ratios are a contested way to measure affordability in that they do not of themselves indicate whether it is housing spending or insufficient income (or both) that form(s) the problem. They do not capture deposit or down-payment issues, nor do they pick up residual income dimensions. Nonetheless, with these caveats, the ratio remains a reasonable or indicative proxy, particularly when examined alongside other indicators.

24 The National Statistics 2001 Area Classification of Local Authorities was derived from a cluster analysis of 43 variables from the 2001 Census. We have adjusted the classification of Manchester and Birmingham to reflect their spatial functional role as Regional Centres. The local authority boundaries of these two cities were tightly drawn and such under-bounded boundaries have affected the accuracy of their classification.

25 Further details are available from the ONS website: www.statistics.gov.uk/about/methodology_by_theme/area_classification/default.asp

26 See PPS14 and the draft PPS 21: www.planningni.gov.uk/index/policy/policy_publications/planning_statements/pps14/pps14_contents.htm; www.planningni.gov.uk/index/policy/policy_publications/planning_statements/pps21.htm

27 Population density and the number of people living in the 20% most deprived areas were not included in the analysis. Population density was not included because one cannot say that having a high density is a good or bad thing as it depends on the wider context. Therefore, it is not deemed appropriate to include it in the composite index. People living in the 20% most deprived areas indicator correlates highly with the 10% deprived indicator; and when developing a composite index, having both indicators would simply cause double counting. Hence, this indicator was removed after carrying out statistical sensitivity analysis.

28 Details are provided in the Communities First website: <http://wales.gov.uk/topics/housingandcommunity/regeneration/communitiesfirst/?lang=en>

29 Given the greater variability of population sizes in Northern Ireland wards, we have used Super Output Areas (there is only one level) or an aggregation thereof.

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Appendix A

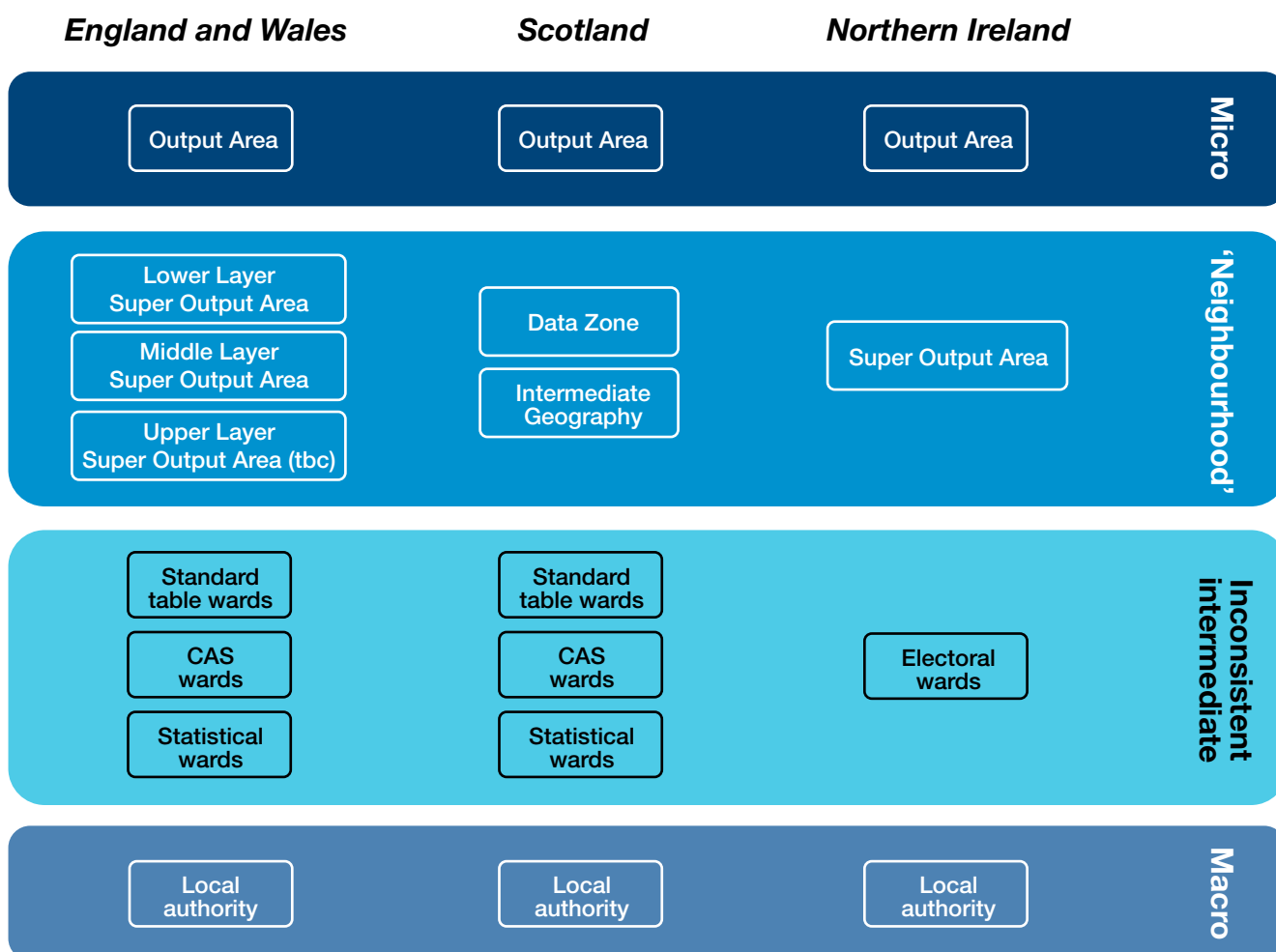
Geographical building blocks of neighbourhoods

The question of which spatial building blocks to use to assess conditions in housing and neighbourhoods is complicated by the varied geographical characteristics of statistical reporting in the UK. This appendix clarifies the approach taken in the HNM.

In relation to the geographical units for analysis of housing and neighbourhoods across the UK, it is now possible to adopt more consistent boundaries than was previously the case. With the implementation of Super Output Areas (of varying levels), Data Zones and Intermediate Geographies, this consistency extends through both time and space and makes comparisons possible for either, or both. However, the much sought-after pan-UK

consistency remains an issue; therefore, some degree of geographical compromise is necessary. Thus, the approach here is to take different geographies from each of the four parts of the UK and use these as the basis for further analysis and comparison. Specifically, the report uses:

- Middle Layer Super Output Areas in England and Wales;
- Intermediate Geography in Scotland;
- Super Output Areas in Northern Ireland.²⁹



At first glance, the combination of different geographies may seem counterintuitive. However, they make sense for a number of reasons. First, they are more closely approximated with what we would consider 'neighbourhoods' than the smaller Super Output Areas or Data Zones in each part of the UK. Second, they are broadly comparable in terms of population and area size, despite a degree of variability and some inconsistency between countries. Third, they offer greater possibilities for indicator availability than do smaller geographies. Finally, they nest within larger geographical boundaries and therefore make aggregation of data from smaller units possible. Overall, these boundaries offer greater flexibility and comparability across the UK (and within individual countries) than other combinations; even if they are not perfect. For more details on geodemographic classification systems, see www.areaclassification.org.uk/

Spatially and statistically, comparison of any intermediate spatial unit does not make sense. It is not possible to meaningfully compare different wards across the UK given their great variability in terms of population size and area. For policy purposes, however, it is useful to take local authority areas in each of the four nations of the UK as the largest geographical building block for the purposes of this research. Additionally, aggregations based on lower-level building blocks can be used to make national comparisons of housing and neighbourhood conditions.

A summary of the different spatial building blocks and their associated levels is provided on the next page, where 'micro' is classified as being sub-neighbourhood, 'neighbourhood' provides a proxy for actual neighbourhoods, 'inconsistent intermediate' covers ward geography and 'macro' equates to local authority districts.

Appendix B

Definition and data source of housing indicators

Definition and rationale	Data sources
<p>1: Household and Dwelling Balance</p> <p>This indicator measures the number of households compared with the number of dwellings in an area and is a crude indicator of excess housing demand or supply in the market based on 2006 figures.</p> <p>This indicator, however, does not build in any adjustment for the quality or appropriateness of dwellings. In addition, there is no adjustment for second homes. Therefore, we cannot rule out the possibility that this indicator will show a 'surplus' in some areas with poor availability of dwellings that are in demand by households.</p>	DCLG, NIHE, Scottish Government, Welsh Assembly Government
<p>2: Projected Household Change</p> <p>This indicator provides intelligence on the projected change in households across the UK. It is one of the key indicators underpinning decision-making over the allocation of housing land in local and regional planning strategies.</p> <ol style="list-style-type: none"> 1. Figures to 2006 are derived from mid-year population estimates. 2. Estimates have been revised to align them with the revised population series. 3. Projections are 2006-based for England, Scotland and Wales. 4. Estimates for Wales for 1991 to 2004 are due to be revised in late 2009. 5. The 2006 figure for Wales is from the 2006-based household projections for Wales. 	ONS (2009a: Table 10.15)
<p>3: New Build Starts: Private Sector</p> <p>This indicator measures the total number of new build housing starts in the private sector to show the volume of new build activities in the private sector.</p>	DCLG, NIHE, Welsh Assembly Government, Scottish Government
<p>4: New Build Starts: Social Sector</p> <p>This indicator measures the number of new build starts in the social rented sector to show the volume of new build activities in the social sector.</p>	DCLG, NIHE, Welsh Assembly Government, Scottish Government
<p>5: Standardised House Price</p> <p>This indicator was originally intended to be a constant-quality measure of the price of housing. When the data is available in the future, the objective will be to develop an annual UK map of standardised house prices. Essentially, what is done here is to take account of different property size and mix by using statistical regression techniques to calculate the average price of a standardised house in each local authority – thus the variation across space reflects a consistent treatment of the value of locational differences (e.g. land values, accessibility, and property characteristics, etc).</p> <p>The 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).</p> <p>The standardised house prices are calculated for MSOA level for England and Wales, and Data Zones for Scotland. However, median prices at local authority level are used for Northern Ireland. There is not a separate price for every district council area because some local authority areas are so small that they are combined with others for the sake of reporting 2005 data to maintain comparability with the rest of the UK.</p>	DCLG, NIHE, Scottish Government, Welsh Assembly Government
<p>6: Standardised Market Rent Level</p> <p>This indicator measures affordability in the private rental sector through the Local Housing Allowance (LHA). The LHA is a new way of working out new claims for Housing Benefit (HB) for tenants renting accommodation from a private landlord. LHA is calculated for sub-regional levels based on broad rental market areas. Data is available for Broad Rental Market Areas and one of the specifications for these areas is that there must be a sufficient number of rental properties within these to constitute a rental market. It was introduced nationally on 7 April 2008 and captures private sector tenants who make a new claim for benefit and for existing customers on Housing Benefit who change address or move into private sector accommodation.</p>	<p>England, Wales and Scotland: Valuation Office Agency</p> <p>Northern Ireland: Northern Ireland Housing Executive</p>

(continued)

Definition and rationale	Data sources
<p>6: Standardised Market Rent Level (continued)</p> <p>As of 01 April 2009 The Rent Service (TRS), as a separate government agency, no longer exists with Rent Officer functions being transferred to the Valuation Office Agency (VOA). All the public data and information currently provided by TRS should still be available through VOA web portals. Data is collected on the basis of sharing a room and for one through to five bedroom properties, the rate for three bedroom properties has been chosen for the purpose of the indicator across all four datasets.</p> <p>Northern Ireland is divided into eight broad rental market areas (BRMA) and the Local Housing Allowances (LHA) within each of these BRMA are the same rather than being based on Local Authority boundaries. This is not the case for England, Scotland and Wales where the LHA tend to be relate to Local Authority boundaries.</p> <p>The responsibility to compile this information was transferred from the Rent Service to the Valuation Office Agency as of 01 April 2009; figures are for March 2009 and are compiled on a monthly basis. The Northern Ireland Housing Executive figures are for October 2008.</p>	<p>England, Wales and Scotland: Valuation Office Agency</p> <p>Northern Ireland: Northern Ireland Housing Executive</p>
<p>7: Standardised Social Rent Level</p> <p>This indicator measures the average weekly rent for a 'general needs' rental property. For the purpose of the indicator and to ensure comparability, a two-bedroom dwelling was used. Both CORE and SCORE compile rents on an ongoing basis and rely on the contributions of local housing associations.</p>	<p>Scotland (SCORE – Scottish Continuous Recording System), England and Wales CORE – Continuous Recording System) and Northern Ireland (NIFHA – Northern Ireland Federation of Housing Associations)</p>
<p>8: Household Income</p> <p>This total household income measure is modelled on estimates of household income from survey data in the four countries. It provides a measure of wealth and prosperity of the residents and the neighbourhood.</p> <p>There is no single data source for total household income data so a number of data sources have been used to collate data for the four countries and the base year is 2004/05, with the exception of Scotland (2005/06). The UK data is based on the UK Family Expenditure Survey. Data for England and Wales is based on modelled mean income from the MSOA Family Resources Survey data published by the ONS as experimental data.</p> <p>Technical details of the modelling methodology can be found at: http://neighbourhood.statistics.gov.uk/HTMLDocs/images/Technical%20Report%202004_05%20v2%20-%20Final_tcm97-53513.pdf</p> <p>Data for Scotland is based on the median of the gross weekly earnings (before deductions for tax and national insurance) of full-time employees (resident-based). Data for Northern Ireland is based on survey information related to the median pay-week; the results are therefore not necessarily representative of pay over a longer period.</p>	<p>England and Wales: ONS Neighbourhood Statistics; Scotland: Scottish Neighbourhood Statistics; Northern Ireland: Northern Ireland Neighbourhood Information Service</p>
<p>9: Homelessness</p> <p>This indicator expresses the number of homeless households per 1,000 households accepted per local authority. This is a measure of housing (and wider social) stress.</p> <p>The definition of homelessness varies between countries. In England, it represents the total of (eligible, not priority) + (eligible, intentional) + (homeless at home). The definition in Wales is the same, except that figures for 'homeless at home' were not available separately and are therefore not included. In Scotland, it represents (eligible, priority) + (eligible, not priority) + (not recorded as having been housed, or outcome unknown).</p>	<p>DCLG, Welsh Assembly Data Unit, Northern Ireland Housing Executive, Scottish Government</p>
<p>10: Ratio-Based Affordability Measure</p> <p>In England, this is a calculation of the lower quartile house price compared to the lower quartile household income. These are combined to construct a ratio of lower quartile price to income ratio.</p> <p>The lower quartile affordability measure is an important indicator in the Meen et al (England) and Chen et al (Scotland) long-run models of housing supply and affordability. It allows comparison of affordability trends over time. In Wales, Northern Ireland and Scotland, this indicator is a ratio of the mean house price to mean level of household earnings.</p>	<p>House Price Data: DCLG, NIHE, Scottish Government, Welsh Assembly Government</p> <p>Household Income Data: England and Wales: ONS Neighbourhood Statistics; Scotland: Scottish Neighbourhood Statistics; Northern Ireland: Northern Ireland Neighbourhood Information Service</p>

Appendix C

Definition and data source of neighbourhood indicators

Definition and rationale	Data sources
<p>1: Projected Population Change</p> <p>This indicator explores projected net change in population from 2007 to 2017. The projections are calculated consistently for the four countries at local authority level, which provides a means of comparing population dynamics across the four countries.</p> <p>The indicator can be used to help shed light on areas where population stress might be a problem for housing and services in the future and for coordinating longer-term planning for housing and neighbourhood change.</p>	ONS (2009a: Table 10.8)
<p>2: Population Density</p> <p>This indicator measures population density expressed as the number of people per square kilometre.</p> <p>It can be used as a crude measure of the built form and, used in conjunction with other indicators, can provide a viable threshold for planning the provision of services and amenities.</p>	ONS (2009a: Table 1.2)
<p>3: Population in Most Deprived Areas</p> <p>This indicator measures the spatial pattern of multiple deprivation in the UK.</p> <p>It shows the lack of prosperity of the neighbourhood and the economic stress that residents are experiencing. There is no single data source for deprivation across the UK, so this indicator is derived from the respective Indices of Multiple Deprivation of the four countries.</p> <p>England: Index of Multiple Deprivation (2007) Wales: Welsh Index of Multiple Deprivation (2005) Scotland: Scottish Index of Multiple Deprivation (2006) Northern Ireland: Northern Ireland Multiple Deprivation Measure (2005).</p>	England: DCLG; Wales: Welsh Assembly Government; Scotland: Scottish Neighbourhood Statistics; Northern Ireland: Northern Ireland Neighbourhood Information Service
<p>4: Unemployment Rate</p> <p>This indicator measures the percentage of people aged 16–59 claiming Job Seeker’s Allowance (JSA) at neighbourhood level.</p> <p>This indicator may be interpreted as a measure of social distress and acts as a proxy measure of unemployment. At a wider urban area, and more particularly at a labour market area level, it may be interpreted as a measure of labour market conditions – with a low value being indicative of a tight labour market (and so of ‘prosperity’) and a high value being indicative of a ‘slack’ labour market.</p> <p>JSA data is collated by the Department for Work and Pensions (DWP).</p>	ONS Neighbourhood Statistics
<p>5: Economic Inactivity Rate</p> <p>This indicator is a measure of the percentage of the working-age population (aged 16–64) who are economically inactive.</p> <p>Economic inactivity rate is an important indicator showing the dynamics of the labour market, and specifically non-participation in the labour market.</p>	Annual Population Survey, Labour Force Survey
<p>6: Employment Rate</p> <p>This indicator is a measure of the percentage of the working-age population who are in employment and provides insight into the vitality of the local labour market.</p> <p>At a labour market area level, this indicator may be interpreted as a measure of labour market conditions, with a low value being indicative of a ‘slack’ labour market and a high value being indicative of a tight labour market (and so of ‘prosperity’).</p>	Annual Population Survey, Labour Force Survey

(continued)

Definition and rationale	Data sources
<p>7: Small Business Birth Rate</p> <p>Small business birth rate measures total new VAT registrations per 1,000 economically active working-age population.</p> <p>Small business start-ups contribute to job growth locally and are a reflection of the entrepreneurial culture embedded in a particular locality. When comparing the number of start-ups to the number of economically active working-age people, this indicator is used as a measure of entrepreneurship and business climate.</p>	<p>NOMIS (National Online Manpower Information System)</p>
<p>8: Small Business Death Rate</p> <p>Small business death rate measures total VAT de-registrations per 1,000 VAT-registered businesses. This can be used alongside start-ups to consider the resilience of businesses.</p>	<p>NOMIS (National Online Manpower Information System)</p>
<p>9: Secondary School Attainment Level</p> <p>This indicator measures the percentage of students with five or more A*-C grades in GCSE for England, Wales and Northern Ireland, and Standard Grade in Scotland.</p> <p>Quality of education has been the heart of families and affecting the choice of residential locations and hence house prices. This indicator also provides a snapshot of the quality of the potential local workforce of a neighbourhood.</p>	<p>England: Department for Children, Schools and Families; Wales: Welsh Assembly Government (Stats Wales); Scotland: Scottish Neighbourhood Statistics; Northern Ireland: Northern Ireland Neighbourhood Information Service</p>
<p>10: Level of Domestic Burglary</p> <p>This indicator measures the level of domestic burglaries per 1,000 households.</p> <p>This serves as a useful indicator to measure the degree of an attractive living environment and the development of a sustainable community. More importantly, domestic burglaries, unlike other types of crime, are closely associated with people's homes and serve well to examine the interaction between housing and neighbourhood change.</p> <p>The term used in Scotland is 'housebreaking', including attempts at burglary/housebreaking.</p>	<p>England and Wales: Neighbourhood Statistics (ONS); Scotland: Scottish Neighbourhood Statistics; Northern Ireland: Northern Ireland Neighbourhood Information Service</p>

Appendix D

Indicator values by ONS area types

Housing indicators

Area code	Area type	Standardised mean house prices (£) (2007)	Standardised mean house price change (2005–08) (%)	Standardised mean market rent level (£) (2009)	Mean social rent level (£) (2009)	Household/dwelling balance ratio (2006)
1	Thriving London Periphery	345,686	11.6	214	82	0.99
2	Regional Centres	173,663	7.5	127	61	0.97
3	Prospering Southern England	355,627	11.2	174	83	0.98
4	Prospering Smaller Towns	229,894	5.4	126	68	0.98
5	Northern Ireland Countryside	231,309	15.5	93	59	1.02
6	New and Growing Towns	204,456	6.3	150	73	0.98
7	Manufacturing Towns	162,279	6.0	128	57	0.98
8	London Suburbs	321,050	12.6	226	86	0.99
9	London Cosmopolitan	331,128	15.9	266	91	0.98
10	London Centre	637,684	24.8	378	93	0.99
11	Industrial Hinterlands	131,413	10.4	108	57	0.96
12	Coastal and Countryside	200,467	10.3	121	61	0.94
13	Centres with Industry	146,657	5.0	110	62	0.96

Area code	Area type	Ratio-based affordability measure (2008)	Private new build (units) (2007–08)	RSL new build (units) (2007–08)	Mean household income (£) (2004–05)	Homelessness per 1,000 households (2006)
1	Thriving London Periphery	9.8	3127	635	40815	2.0
2	Regional Centres	6.4	18462	1951	25434	3.9
3	Prospering Southern England	9.8	15583	2074	32935	0.7
4	Prospering Smaller Towns	8.1	37595	3133	31188	1.4
5	Northern Ireland Countryside	6.9	4118	151	20431	5.6
6	New and Growing Towns	7.5	10955	2067	35081	2.0
7	Manufacturing Towns	6.0	17028	970	28305	3.3
8	London Suburbs	9.5	5098	1936	37960	3.0
9	London Cosmopolitan	8.7	2083	608	32979	4.7
10	London Centre	11.6	2762	376	41155	2.6
11	Industrial Hinterlands	4.9	21006	4767	24038	3.4
12	Coastal and Countryside	8.1	16639	2217	29389	2.4
13	Centres with Industry	5.6	9659	556	25835	2.5

Neighbourhood indicators

Area code	Area type	Projected population change (%) (2006–16)	LA population in 10% most deprived MSOAs (%)	Mean unemployment rate (%) 2008	Inactivity rate working-age population (%) (2007–08)	Employment rate working-age population (%) (2007–08)
1	Thriving London Periphery	7.6	0.1	0.8	20.1	75.4
2	Regional Centres	8.5	23.2	1.7	25.1	70.1
3	Prospering Southern England	7.1	0.0	0.9	17.1	80.2
4	Prospering Smaller Towns	8.0	1.4	1.0	17.4	79.3
5	Northern Ireland Countryside	7.8	7.4	2.3	30.3	65.6
6	New and Growing Towns	8.1	3.4	1.0	17.6	77.9
7	Manufacturing Towns	6.8	9.0	1.3	21.1	74.7
8	London Suburbs	6.5	5.2	1.5	24.1	71.0
9	London Cosmopolitan	5.6	20.8	2.5	27.0	66.4
10	London Centre	15.4	16.0	1.9	25.5	69.0
11	Industrial Hinterlands	5.6	17.9	1.6	23.7	71.5
12	Coastal and Countryside	6.8	4.0	1.0	19.6	76.8
13	Centres with Industry	7.0	25.3	2.0	24.9	69.1

Area code	Area type	Small business birth rate per 1,000 (2007)	Small business death rate (2007)	Education level (2006–07)	Level of domestic burglaries per 1,000 households (2007–08)
1	Thriving London Periphery	8.3	7.8	68	17
2	Regional Centres	5.9	8.4	63	20
3	Prospering Southern England	9.2	7.1	63	9
4	Prospering Smaller Towns	7	6.7	62	8
5	Northern Ireland Countryside	7.2	5.8	76	3
6	New and Growing Towns	6.3	7.7	61	13
7	Manufacturing Towns	5.2	6.8	63	11
8	London Suburbs	8.3	9.3	63	20
9	London Cosmopolitan	8.6	8.6	58	23
10	London Centre	17.9	8.3	58	22
11	Industrial Hinterlands	4.7	7.1	63	11
12	Coastal and Countryside	6.2	6.2	63	5
13	Centres with Industry	5.5	8	56	19

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