



I n t e r p r e t i n g

H o u s i n g M a r k e t

C h a n g e :

t h e c a s e o f

L e e d s

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Interpreting Housing Market Change:
the case of Leeds

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Contents

1. Rethinking Investment Orthodoxy	1
1.1 The Limits of Established Approaches to Investment	
1.2 Improving the Current Investment Regime	
2. Devising a New Approach	4
2.1 The Need for a New Perspective	
2.2 The Current Evidence Base	
3. A Framework for Understanding Market Change	8
3.1 Devising A Matrix for Local Housing Markets	
3.2 Housing Market Change in Leeds	
4. From Diagnosis to Intervention	19
5. The Challenge of Tracking Market Change	24
Bibliography	26

1. Rethinking Investment Orthodoxy

1.1 The Limits of Established Approaches to Investment

This report is based on developing a new way of thinking about priorities for new housing and neighbourhood investment – whether this involves resources devoted to new build, housing renewal, or neighbourhood remodelling and regeneration. It is premised on a ‘market-centred’ approach rather than one driven by organisational dictates or established funding systems. It is partly derived from the experience of analysing change in the Leeds housing market, based on the local authority’s system for monitoring changes in area housing demand (NOMAD), a study of the perceptions of stakeholders and a sample survey of households (Cole et al, 2003). However, the report is intended to have a wider applicability, by proposing a framework for assessing changes in the sub-markets of a large district, city or conurbation to enable more precise demarcation of the type and scale of interventions required to achieve the holy grail of neighbourhood sustainability.

The need for a new framework to guide future investment in housing sub-markets blends with emerging policy and strategy questions at the national and regional levels. The creation of Regional Housing Strategies, for example, bringing together resources from the Housing Corporation’s Approved Development Programme and local authority Housing Investment Programmes, is an important development here. In the future housing investment priorities at regional level will be guided more by certain key themes and strategic objectives, rather than applying set formulae or organising bidding contests among local housing agencies. This report is an attempt to apply, and even develop, such thinking at the city or district level as well.

Why is there a need for change? Existing forms of housing investment have, in several ways, been overtaken by the impact of rapid market change in some localities. As shown later in the report, previous fixed points in markets – differences between tenure, for example, or between residential settlements in the city centre and the suburbs, are breaking down and changing. Furthermore, the way in which households respond to housing opportunities, and how their housing careers develop over time, are changing as well. This is partly a question of demographics – changing patterns of household formation, household type and size – but it is also about how different housing sectors are perceived: increasingly council housing is becoming a ‘stepping stone’ in housing careers rather than a ‘life time’ tenure of destination; private renting has stable areas as well as high turnover neighbourhoods; home owners in some areas may feel they are more ‘trapped’ than tenants, and so on. To anticipate an argument developed later, certain

neighbourhoods have much more fluid markets than before – but funding logics still tend to be lodged in a model of an earlier, less volatile housing system.

This is not to suggest that all housing markets are suddenly teeming with extraordinarily high levels of mobility, transience and instability. In fact, local housing markets in the case study city for this report, Leeds, are characterised by considerable stability, and most moves are made over very short distances. At the national level too, the total number of households moving in the previous year has remained relatively steady and has recently fallen – from 2.3 million in 2000/1 to 2.2 million in 2001/2 (ODPM, 2003; Table 2A). But the key point is that future investment will need to be directed disproportionately to those neighbourhoods in transition – areas experiencing the frictional costs of different levels of economic growth around the city, for example, or emerging as marginal or peripheral areas, or struggling to maintain erstwhile popularity as a locale.

It is therefore essential that these trends are pinpointed at the sub-district level to ensure the most effective deployment of investment resources to sustain and, where necessary, revive local markets. There is no shortage of information on the social and economic characteristics of urban communities; the challenge is to devise systems at the appropriate geographical level that are capable of tracking rapid market change and provide pointers about the type and scale of any future interventions. Here, much more needs to be done.

1.2 Improving the Current Investment Regime

The determination of housing investment to social housing agencies through Approved Development Programme (ADP) and the Housing Investment Programme (HIP) procedures became problematic because:

- processes have been too unwieldy to cope with sharp market changes in demand
- past regimes have failed to look across at changes in other sectors when assessing the case for new schemes or plans for regeneration: one illustrative example from the case study was the suggestion that new housing association development in the 1990s in Leeds simply drained demand all the more quickly from council housing nearby (Cole et al, 2003)
- decisions placed too much emphasis on administrative requirements and standard measures of need, rather than incorporating changes in perception and aspiration among those households who might now have some (limited) choice about where they should live in and around the city
- the framework proved ill-equipped to deal with assessing investment needs in complex, multi-tiered markets, where several types of change, sometimes pointing in contradictory directions, are taking place at once: areas where student housing co-exists with an established residential rented or owner-occupied sector would be a case in point

- analysis was not connected sufficiently with changes in the local patterns of economic development or in the changing structure of the local labour market, so that the links between sustainable housing investment and any local economic growth points were inadequately developed
- the focus has been directed too narrowly to the changing characteristics of the social housing sector – through concentrating on trends in turnover or void properties, for example. In fact, nearly 80% of urban housing markets like Leeds is in the private sector, and the increasingly porous nature of tenure differences means that the dynamics of private market change should not be set to one side in investment decisions about social housing.

The combination of these factors poses an immense challenge to thinking through how new investment might be most effectively directed to attain the overall aim of community sustainability, especially in more diverse and complex housing markets such as Leeds.

2. Devising a New Approach

2.1 The Need for a New Perspective

It has become virtually a truism in policy circles that housing is ‘about more than bricks and mortar’. It is perhaps important to recall that ‘bricks and mortar’ still matter – the Government’s ‘Decent Homes’ Strategy bears testimony to the enduring importance of property condition as part of any comprehensive housing programme. But, clearly, neighbourhood amenity and the wider social and economic framework in which neighbourhoods thrive or decline shapes the nature of local housing markets. Even the decent homes programme – designed primarily to improve property condition – has introduced an option appraisal process that sets decisions in the wider context of community sustainability.

An understanding of changing community dynamics is therefore required alongside an appraisal of the infrastructure of a neighbourhood. As a recent review indicated:

‘Those managing neighbourhoods need to develop more imaginative and sociologically informed approaches. It demands a ‘neighbourhood focus’ that is inclusive in addressing the psychological and social, as well as the material, needs of tenants. This, in turn, requires responses shaped by the characteristics of local neighbourhood populations and their lifestyles as well as the quality of the built environment.’
(Scase and Scales, 2003, p42)

While many might agree with such an analysis, the problem is that awareness of the need for a new perspective has not been matched by the parallel development of techniques and information sources to link analysis to interventions. Underneath the many rhetorical commitments to a ‘neighbourhood’ approach, the application of this thinking is still in its infancy among most local authorities and housing organisations.

2.2 The Current Evidence Base

In terms of mapping crucial developments in understanding housing market dynamics, a useful starting point is the analysis developed over the years by the Centre for Urban and Regional Studies (CURS) at the University of Birmingham (for example, Nevin et al, 2001). This has shaped investment priorities in several key markets and was very influential in determining the selection of the nine Housing Market Renewal Pathfinders, as well as the boundaries drawn around these areas. The CURS studies of regional housing market change have now been complemented by a series of local appraisals undertaken by local authorities, often devising their own analytical approaches, and by

various ‘sustainability audits’ undertaken by housing associations, assessing the viability of their current stock and future investment plans.

The CURS approach has been succeeded by a raft of guidance on local housing market analysis, most recently by DTZ Pbeda for the Office of the Deputy Prime Minister (ODPM, 2004). This has delineated a step-by-step approach for undertaking Housing Market Assessments at regional, sub-regional and district levels in order to:

- understand current stocks and flows in demand
- understand the impact of economic trends on future trends in supply and demand
- understand the potential future trends in supply and demand
- identify the broad magnitude of different types and tenures of dwellings required in the housing market
- analyse any overall surplus or deficit of supply and explore how this breaks down by area, tenure and dwelling type within current policies.

The guidance acknowledges that the level of analysis will vary over area and time and proposes an iterative process, with findings from the assessments shuttling between different geographical tiers in order to map the changing relationship between underpinning regional economic forces and the variety of local factors affecting housing market performance. Strategic option development is pitched at the sub-regional basis over a ten year time frame and local sustainability assessments should be undertaken to look at variations in demand within local authority boundaries. Finally, the guidance advocates the need for a dynamic system of appraisal:

‘Where feasible, stakeholders could develop real time collection of information to provide fast feedback if trend change. Particularly in areas where markets are demonstrating imbalance, information may need to be collected on an ongoing basis to ensure that strategies seeking to tackle problems are monitored appropriately.’
(ODPM, 2004 p13)

Alongside this development, the ODPM has commissioned work on a ‘whole systems model’ for areas of low housing demand. This seeks to develop a shared understanding of the problems affecting demand to review the causes and effects of the influences, and to identify potential interventions and their relative impact in improving the health of local housing markets. This work is ongoing, but it is fair to say that the early discussions have revealed the sheer complexity of trying to map the ‘causal loops’ between different factors that compound, or mitigate, a trend of falling housing demand, and of assessing the relative importance of these factors such as demographic change, educational standards, transport connections or job opportunities in specific local contexts.

These approaches can help to promote ‘whole market’ thinking as a guide to future investment, but they can also have weaknesses, that may be summarised as

- **an over-reliance on mapping trends in the social housing sector.** In many ‘fragile’ markets, households are crossing tenure divides with increasing regularity. The need for cross-tenure market analysis is widely accepted as an organising principle; but the reality is that far more data can be obtained about the social sector than the private rented or owner-occupied sectors. As a result trends in social housing tend to predominate, if only by default
- **the demands made on the research and intelligence capacity of local housing authorities and other agencies.** Again, the value of continually monitoring housing market change is widely appreciated: the capacity to do so is much more problematic. The challenge here is to balance the desire for a comprehensive approach – drawing on a range of data from various sources – with the need to ensure it is sufficiently manageable to update
- **an over-emphasis on administrative and ‘secondary’ data, as opposed to household perceptions and aspirations.** While it is readily acknowledged in housing market analysis that primary data on changing household perceptions and experiences can be useful, this is often translated into the completion of a blunderbuss, large-scale ‘housing needs’ survey, in which the results are difficult to digest in a short time frame and where the nuances of influences on local household mobility are lost
- **problems of ‘equivalence’ in responses from households are often ignored.** In a standard housing need survey, problems can arise from adopting a standard random, or lightly stratified, sampling approach, which effectively accords equal weight to the responses of each household. Yet, in any given study period, most households will not be contemplating a move, and will have concerns other than housing uppermost in their priorities. Furthermore, the propensity to move varies according to age, household type, length of residence and locality (Cole et al, 2004) and the choice of preferred location may be influenced by factors such as ethnic background. It might therefore make more sense to follow up the aspirations and actions of specific sub-groups in the population rather than adopt a ‘universalist’ approach on some rather specious grounds of representativeness
- **some useful material will be difficult to access because of concerns about commercial confidentiality and competitive advantage.** Developers often undertake their own forms of market research before embarking on a new scheme or deciding to move into a neighbourhood, but they may be reluctant to share this information more widely. This in turn raises issues about trust, reciprocity and partnership working in market analysis

- **the pattern of market change is not standard, which precludes the direct application of a general mechanistic ‘model’.** It is generally accepted that the drivers of market change vary widely and that neighbourhood dynamics are shaped by different combinations of factors: the popularity of local schools, the incidence of anti-social behaviour, the opening of new transport routes, and so on. For example, it has been reported, anecdotally at least, that property prices in Liverpool have increased markedly since the announcement of the city as a forthcoming European City of Culture. It is difficult to build such unpredictable developments into even the most comprehensive models. It is simply not feasible to provide an all-encompassing one-dimensional framework of evaluation and intervention that can handle this degree of variation and complexity. In devising interventions, there must be room for managerial, political and professional discretion, involving the exercise of judgement about the likely future shape of neighbourhoods and the impact of any proposed interventions – it can never be reduced to a set of automatic responses to a particular constellation of local circumstances
- **analysis often focuses on ‘stocks’ rather than the ‘flows’ of neighbourhood characteristics.** The ODPM Housing Market Assessment manual recognises the need to track both ‘stocks’ and flows’ in its analytical framework. However, it is difficult to follow through the ongoing interaction between neighbourhood change and the shifts in economic fortunes or demographic trends at the district or sub-regional level. ‘Changing’ demand rather than the ‘level’ of demand per se is critical here. Sudden dislocations in markets, as witnessed through the often abrupt process of ‘abandonment’, present the most telling challenge for housing agencies. In some cases it may lead to long-standing plans being scrapped in favour of more radical approaches involving demolition and ‘remodelling’
- **market appraisals often lack an underpinning rationale.** While the importance of tracking change in market conditions can be addressed, the complexities discussed above can lead to the collection of an infinite number of indicators, information sources, surveys and reports in the hope that the sheer volume of information will in itself unravel the key causes and consequences of change. In fact, an endless paper chase, unmediated by an analytical framework, is more likely to obscure or confuse the exercise – especially as households themselves act in housing markets on the basis of factors such as rumour, prejudice, hearsay, familiarity and status anxiety rather than from close and objective appraisals of neighbourhood quality.

Given these weaknesses, the challenge is to derive a framework for capturing change in local housing markets which is not reliant on continual massive exercises in data gathering and analysis but, at the same time, provides pointers for the direction of future intervention – whether through housing investment or other forms of policy intervention and support. This challenge is taken up in the next section of the report.

3. A Framework for Understanding Market Change

3.1 Devising A Matrix for Local Housing Markets

The basis of the framework delineated in this section is that it is trend-based, as an attempt – however imperfectly – to capture *changes* in market processes, to indicate warning signs, emerging hotspots, processes of gentrification and decline and so on. It is more concerned with interpreting change from a previous baseline position than in providing a definitive account to ‘position’ the market at a particular point in time. It is therefore complementary to, rather than an alternative to, approaches such as those undertaken by CURS.

The key advantage of this approach lies in its ability to track changing demand. In the following chapter, the overall balance of interventions that may flow from this analysis is considered. The framework suggests that a crucial distinction needs to be made between those areas that are experiencing turbulence in market trends and those areas where changes are taking place slowly, even imperceptibly. The basic matrix sketched below is based on two variables. One variable is a snapshot – the relative degree of household turnover in the stock – and the other is a trend, the overall level of housing demand. Clearly there are issues raised about the appropriate level of geographical aggregation for this matrix: should it be a neighbourhood, an estate or a ward? One needs to juggle here between the areas for which relevant data can be collected – wards, housing management areas, postcode sectors and so on – and the ‘mental maps’ of the housing market that might be identified by stakeholders, such as estate agents, housing officers and residents. There are rarely any readily identifiable boundaries for ‘housing markets’ – they are overlapping and fluid. It will be necessary to be pragmatic, and to align what might be considered ideal demarcations of discrete markets against the practicalities of data collection.

Rates of turnover and trends in demand in an area can clearly vary, whether by tenure, property size and type or from street to street. Again, an overall judgement needs to be reached in defining the characteristics of the local market in question. But these two variables have one key advantage – they can be measured on a fairly regular basis so that trends, movements and ‘shocks’ to the system can be uncovered more readily.

The trend in demand in the owner-occupied sector can be tracked by monitoring relative house price changes, vacancy rates and stakeholder (especially estate agents’) views about emerging trends. Turnover can be monitored through sales and transactions at a local level. In the social housing sector, many local authorities and housing associations have devised composite measures from several variables, in producing a ‘sustainability’ index

of varying degrees of sophistication. Ideally stakeholder and residents' views about changing waiting times and rates of turnover can also be incorporated. Turnover can be monitored on a quarterly basis, though it will be necessary to aggregate the indicators from the range of social landlords operating in the specific area or neighbourhood. Changes in the private rented sector can be tracked via council tax and housing benefit data but this is more problematic in terms of access and regularity of updating.

A key aspect of the earlier discussion concerned the need to incorporate the perceptions, aspirations and intentions of households into market analysis and prognosis. Preferences are shaped by the overall composite picture built up by households from different sources – be it school performance data, the views of friends and family, hearsay, estate agent promptings, media coverage, house price changes and so on. Their interpretations may diverge considerably from the trends of more 'objective' measures; residential mobility is rarely a wholly rational process derived from a cool cost-benefit analysis of clearly articulated factors.

In order to capture this element it is unlikely to be feasible to undertake a large scale household survey at regular intervals. In the socially rented sector, exit surveys and applicant surveys can convey some useful information, though coverage is inevitably partial. Consideration might therefore be given to the establishment of residents' panels, covering all tenures in the given area. The views of panel members could be elicited on preferences of different areas in the city or sub-region, and changes over time can be monitored. This would provide impressionistic rather than systematic feedback on changing perceptions and priorities; there are also bound to be issues about gaining and retaining the involvement of panel members. Nevertheless, this material could help to inform overall judgements on how market change was unravelling in different areas of the city or district. .

The basic classifications outlined below cannot be reducible to a series of clearly separable statistical measures about what constitutes 'high' as opposed to 'medium' turnover, for example – a degree of professional discretion is inevitably involved in making judgements about the direction and force of change. However, this framework can provide a guide to the different emphasis of future interventions to respond to market change. It is *not* intended as a precisely scoped exercise in area differentiation.

There is nothing sacrosanct about the terms used to describe the different cells in this matrix – but they help to move towards a more discriminating way of assessing the needs of different sub-markets in districts and cities such as Leeds and then devising a response accordingly. Each of the local market descriptors is now considered in turn.

A Framework for Mapping Housing Market Change

		Trend in demand		
Rate of turnover	Increase	Steady/ Mixed	Decrease	
High	Transitional	Unstable	Falling	
Medium	Rising	Stable	Fragile	
Low	Self-sustaining	Stagnant	Eroding	

1. Transitional markets – characterised as increasing demand, high turnover areas where the underlying function of the neighbourhood (in housing market terms) in the district is liable to change quite rapidly. This transformation can take place in different ways – rapid gentrification, for example, the creation of a new market for student housing, or the channelling of in-migrant households, such as refugees and asylum seekers, into one area. It often involves major shifts in the tenure composition of the area. There is turbulence, but also market buoyancy.

2. Unstable markets – high turnover areas with relatively steady (or mixed – i.e. both increasing and decreasing) trends in demand. These may be areas that are ‘starting to move’ and where there is some turbulence as a result of the high levels of residential mobility. However, the pattern may be more fluid and complex than in transitional markets – it does not (at least yet) involve the gradual ‘replacement’ of one group in the community by another, or a change in the function of that neighbourhood in the overall housing market. These areas may require closer attention from policy makers, and further data analysis in order to discern the rudiments of market change.

3. Falling markets – high turnover areas with decreasing levels of demand. This could apply to previously high status private housing areas losing popularity and slipping down the ladder; causing falling values for existing owners but reducing affordability hurdles for those seeking to move in. It would also apply to ‘collapsing’ local housing markets at the other end of the spectrum – those neighbourhoods at the heart of various area regeneration programmes in the past twenty years.

4. Rising markets – these are characterised by medium turnover and rising demand. In many cases, the improvement in market fortunes may result from ‘spill-over’ from adjacent areas with tight markets, as new demand is deflected from these neighbourhoods. In more popular areas a rising market will intensify problems of affordability for those seeking to move in.

5. Stable markets – by definition, these markets form the mid-point in the classification; sufficient turnover to ensure change with a sustainable level of demand.

6. Fragile markets – areas of average turnover with falling demand are often characterised as being ‘on the turn’. There has been growing policy interest in identifying ‘tipping points’ in less popular neighbourhoods that fall into this category, when the ‘rot starts to set in’, though there are few empirical formulations about how to anticipate this trend in advance. It should also be noted that the process of change is rarely steady and linear. Krugman (1996), for example, has used the phrase ‘punctuated equilibrium’ to convey the sense in which markets often respond suddenly to ‘shocks’ after a long period of stability (see also Perelman 2001). This may be a better depiction of many local housing markets than the usually preferred model of ‘spirals’ – whether upward or downward.

7. Self-sustaining markets – These areas of low turnover but increasing levels of demand may well intensify problems of affordability or access for those households seeking to buy in to the area, or applying through a waiting list.

8. Stagnant markets – these areas have low turnover and steady or mixed demand profiles. In many cases, these will be dominated by one form of housing tenure or housing type, and market activity will be therefore shaped by these factors as much as neighbourhood effects.

9. Eroding Markets – these areas, marked by low turnover and falling demand, may seem on the face of it sustainable, if the downward drift in popularity is not discerned. The area’s demographic profile may contain a high proportion of households containing single elderly persons or elderly couples and of long-standing residents. In surveys, existing households may display relatively high levels of satisfaction, but this is more a reflection of the variables of age and length of residence than the relative merits of the area itself.

3.2 Housing Market Change in Leeds

The terms used to describe the different housing sub-markets in the matrix above help to provide a more dynamic way of differentiating between areas experiencing complex processes of economic and residential change, such as Leeds. In the past ten years the city as a whole has experienced rapid economic growth – in employment terms it grew

more quickly than any other UK conurbation during the 1990s. Between 1996 and 2001, for example, 37,800 new jobs were created (Annual Business Inquiry, 2001). A key factor behind this record of growth has been the emergence of the city as a leading centre for financial services, leading to some concerns about the longer term sustainability of the expansion. Nevertheless, the conurbation is expected to continue to grow – by 4 per cent over the next seventeen years, according to ONS estimates. The wards covered by the administrative boundary for Leeds City Council are shown in Figure 1.

Figure 1 Wards in Leeds



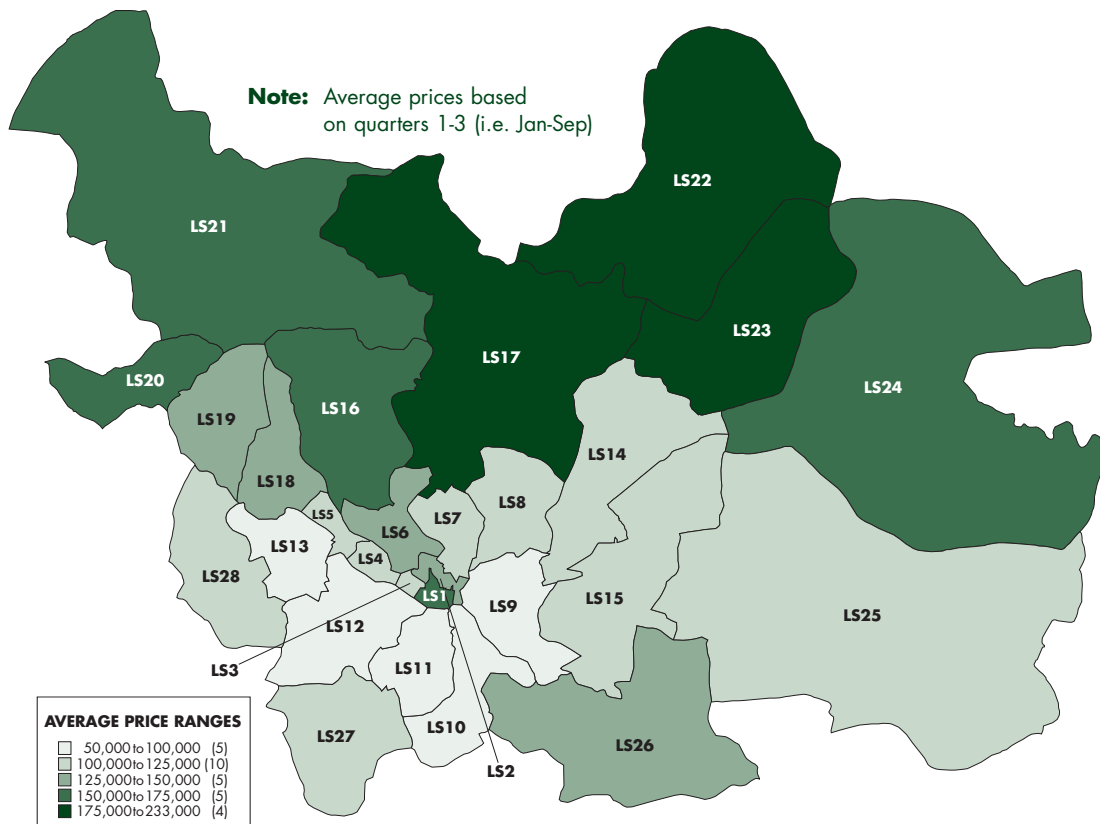
It is possible to piece together a picture of local housing market dynamics in the city from various sources. A primary source is the pattern of property price changes, collectable from the Land Registry according to postcode sector and area. The recent record of economic prosperity in Leeds has been reflected by rising property prices relative to the wider sub-region: increasing by 60.1% overall from 1998-2002, compared to a West Yorkshire average of 51.8%. The market for flats (concentrated in the city centre) has been particularly buoyant, with an average price rise of 93.3% in this period. However, the impact of this underlying trend of sustained growth has been more mixed at the neighbourhood level. The housing market in Leeds is highly spatially segmented. The

pattern of change reinforces the need for a finer grain approach to interpreting the nature and direction of market changes at the locality, rather than city-wide, level.

Interviews with stakeholders during the independent study of the Leeds housing market undertaken by CRESR gave further force to this picture of differential demand across the city (Cole et al, 2003). The Leeds housing market can be described in terms of a characteristic ‘doughnut’ model of demand, with a booming city centre market surrounded by a ring of council housing and private housing in generally poorer condition, beyond which lie suburbs of generally stable turnover, circled by higher status outer suburbs. But this concentric pattern has been far from even – the less popular inner-city ring has extended far further in the south than in the north where there was evidence of ‘spill-over’ from the city centre boom and where the large student market had an independent effect on the pattern of turnover and tenure change.

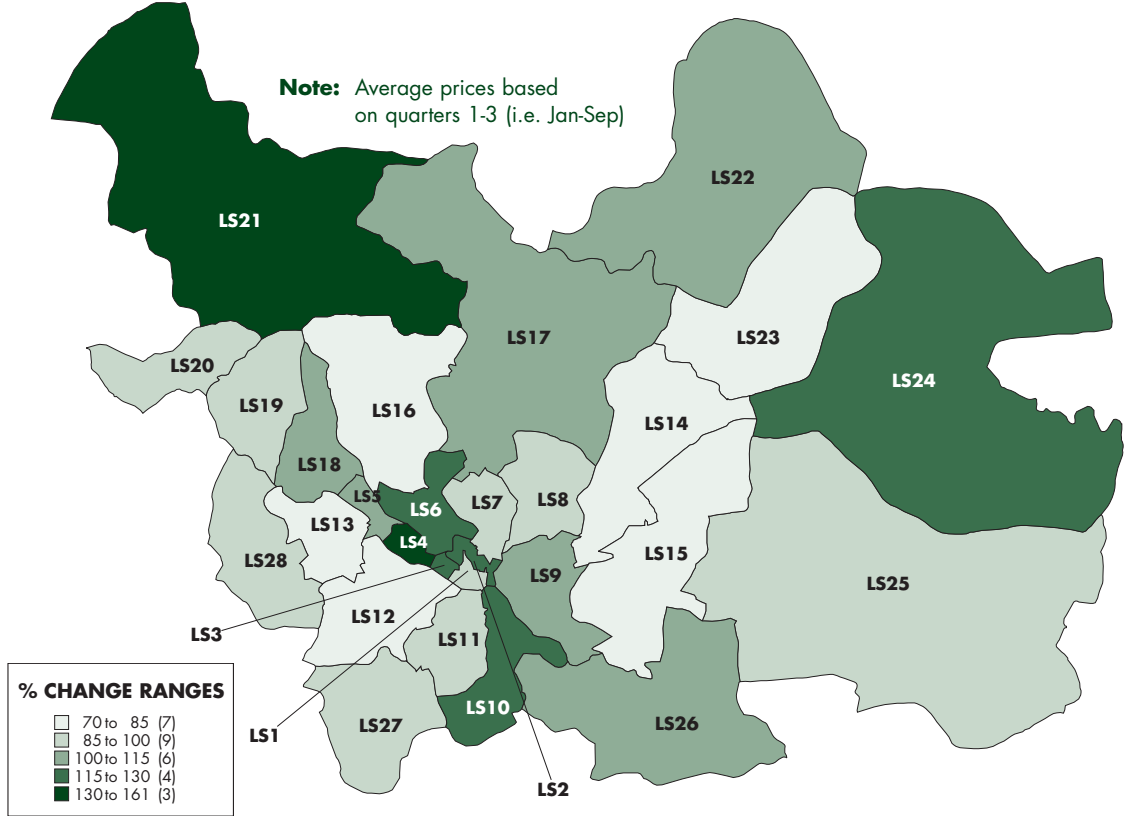
Figure 2 shows average property prices across the city in 2003, with five of the twenty nine areas having average prices within the £50k-100k price range and, at the other extreme, four with an average price between £175k – £233k. The map clearly shows the predominance of higher price areas in the north and of lower price areas to the south of the city centre. However, this snapshot does not show the nature of the trends that have resulted in this market profile.

Figure 2 Average property prices in Leeds by postcode district, 2003



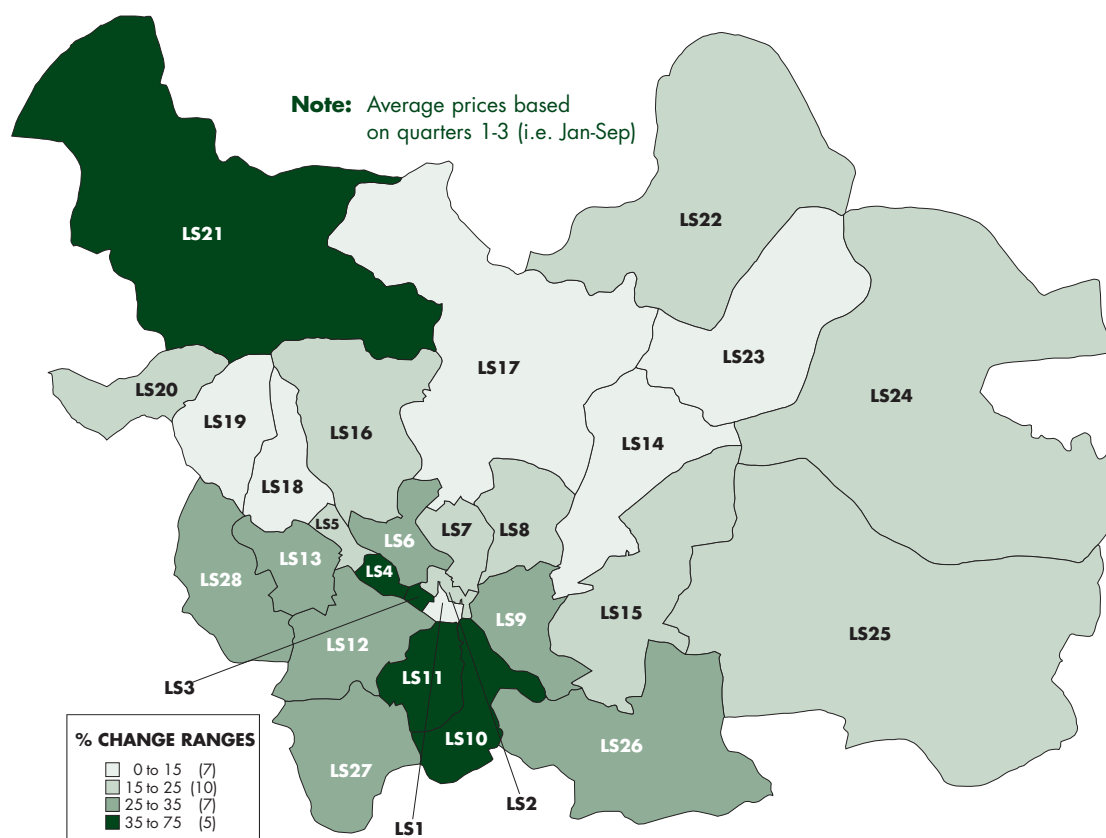
It is important to note how shifts in the market can unfold, stretching price differentials between areas in the city during some periods, and compressing them in others. These shifts are evident in trends in property prices in Leeds over the past five years. Figure 3 shows that, between 1998 and 2003, the highest relative price increases were close to the city centre and the outer north west, in and around Otley. Most of the high value areas had average or above average price increases as well. The smallest percentage increases can be found in an outer ring around the central area, especially in the east, where there is relatively low turnover as well.

Figure 3 Average % change in property prices in Leeds by postcode district, 1998-2003



However, as Figure 4 shows, on a more recent time frame, 2002/3, most of the high relative price increases are to be found to the low value areas to the south of the city, with a levelling off of prices in the city centre, and especially in the high value areas to the north. Clearly, the lower average property values in the postcode sectors to the south mean that in absolute terms price differentials across the city are still very marked, but the overheating has, it appears, started to cool off. While reference is often made to the ‘two-speed’ economy in cities such as Leeds and hence a two-speed private housing market, the evidence suggests a more complex picture, not readily encapsulated by either a ‘concentric’ or a ‘segmented’ picture of urban change.

Figure 4 Average % change in property prices in Leeds by postcode district, 2002-2003



Property prices act as a measure of overall demand, but the degree of market activity is based on rates of turnover, which needs to be supplemented by information on housing preferences, intentions and planned mobility. Some clues about these processes in Leeds can be gleaned from the large-scale residents' survey undertaken by the City Council in 2001. For example, 15 per cent of respondents in the north-west segment of the city said they planned to move in the next five years, compared to just 2 per cent in the south-east area. There were also clear differences according to tenure, with 15.4 per cent of council tenants in the north-east planning to move compared to just 3.5 per cent of tenants in the otherwise 'turbulent' north-west segment of the city (Cole et al, 2003 p 34). There were also pronounced variations at ward level in mobility rates, and in moving intentions, both in the short-term (the next twelve months) and longer term (the next five years).

Other factors apart from neighbourhood quality and popularity also impacted on demand, making a purely geographically centred characterisation of the Leeds housing market problematic. In the poorer parts of the city, predominantly single tenure areas – whether social or private housing – were less popular. In terms of property type, the large number of back-to-back houses that still remain in the city prompted some stakeholders to suggest that they would never achieve the 'decency' standard and should be demolished, while others argued that they remained popular, especially among students.

In terms of mapping changes in the social housing sector, Leeds City Council has devised an index of area demand derived from a range of indicators. The analysis is based at a localised ‘estate’ level, determined by the boundaries of Neighbourhood Housing Offices (Leeds City Council has been operating a decentralised housing management service since 1947). Each area is ‘pointed’ according to a range of housing, educational, employment, social security and crime -related figures. The summary (‘six indicator’) version includes:

- annual turnover (max 20 points)
- vacancies in the stock (max 20 points)
- households reporting crime (max 10 points)
- households dependent on benefit (max 10 points)
- educational attainment (GCSE and KS2) (max 5 points)
- investment requirement (in £k) (max 5 points)

Each are is then graded: areas with over 50 points are deemed to be ‘in significant decline’; those with 40-49 points ‘on the edge’; areas with 15-39 points ‘with specific problems; and those with fewer than 15 points as ‘popular’. Crucially, changes over the previous year are monitored, so that decline and up-turns can be tracked. While in some cases, the local trends in the demand for council housing mirror those in the owner-occupied sector, in other cases there will be different trajectories – providing clues about whether any policy responses need to be neighbourhood/area-based or tenure-specific.

Trends in the private rented and housing association sectors have not been systematically factored in to this analysis, though some material was collected as part of the independent study of the Leeds housing market (Cole at al, 2003). This indicated, *inter alia*, that while demand for council housing in the city was marked by a fairly consistent picture of decline, trends in the housing association sector were more influenced by property type and location. The scale of new development in the RSL sector during the 1990s was thought to have exacerbated demand problems in ‘traditional’ council estate areas.

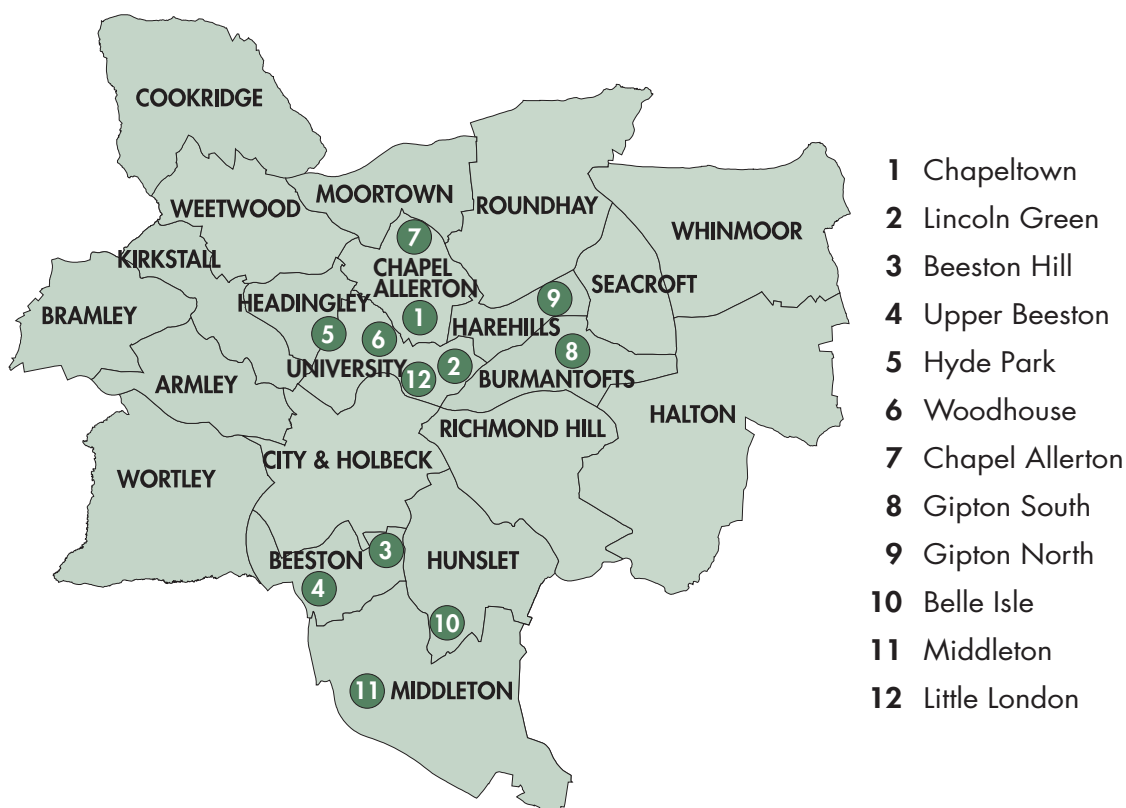
The Leeds housing study showed that the private rented sector had remained generally buoyant in recent years, due to the expansion of city centre apartments and a continuing growth in student numbers. Some friction was noted due to the apparent displacement of ‘traditional’ households from high demand areas such as Headingley. In the lower demand neighbourhoods south of the city, however, the more informal private rented market was considered to be very vulnerable to shifts in household mobility across the city.

This resume of the housing market indicates the potential value of a more nuanced view of market change at the local level. It cannot be assumed that there is a neat geographical pattern to change, or that tenure trends will follow a similar path, or that trends will necessarily follow an upward or downward spiral. There are inconsistencies,

discontinuities and confounding factors – the key thing for policy intervention is that such factors are spotted early enough. The integration of the trend data for different tenure needs to be blended with whatever up-to-date information is to hand on household preferences, aspirations and mobility intentions, the view of stakeholders and, ultimately, professional judgement. Just as housing market behaviour cannot be reduced to a series of rational responses to specific stimuli, so market analysis has to remain as much an art as a science.

If we consider the various sources of information about housing market change in Leeds against apply the framework outlined in the preceding section, we can find examples of each of the sub-areas in the matrix. The outcome is a veritable patchwork quilt of market types, rather than a one-dimensional summation of ‘the’ housing market in the city. The location of the examples used to illustrate each of the local market types is shown in Figure 5 below.

Figure 5 *Wards in urban Leeds*



Inner-city areas such as Lincoln Green (in the Burmantofts ward), for example, conform to the characteristics of ‘transitional’ markets, while more mixed areas such as Kirkstall might be classed more accurately as ‘unstable’. It is a sign of the uneven process of economic development across the city that booming property prices in the city centre and the north co-exist with ‘falling’ markets in areas such as Beeston Hill and Little London (in University ward).

'Rising' housing markets can be identified in areas such as parts of Burmantofts and Chapeltown, which has often been the focus of media attention in terms of violent crime and racial tension. The market in Chapeltown is starting to prosper as pressures of demand builds up in neighbouring housing markets, though the pattern of demand within this neighbourhood is still mixed. The localised nature of markets is epitomised by the existence of 'stable' areas such as Upper Beeston and Holbeck next to the much more difficult market in Beeston Hill.

There is a ring of 'fragile' local housing markets around the central core of the city – in areas such as Hunslet, Hyde Park, Richmond Hill and Woodhouse. In a similar location, however, is the more popular, 'self-sustaining' housing market of Chapel Allerton. This difference underlines the degree to which the 'spill-over' from a buoyant city centre market will have an uneven impact on adjacent areas, in a way that is difficult to predict.

'Stagnant' housing markets include a relatively high proportion of areas dominated by social housing – as in the Belle Isle estate and Gipton (North) – but also more mixed tenure areas such as Armley and Bramley. 'Eroding' markets, with a high proportion of elderly households, can also be discerned in former large-scale council developments, with a slightly different tenure profile now because of the right to buy – in areas such as Seacroft, Gipton South and Middleton.

The classification outlined earlier may, therefore, be useful in building a more dynamic, cross-tenure picture of market change. What does it mean for policy intervention, resource investment and service priorities? These issues are considered in the next section.

4. *From Diagnosis to Intervention*

To paraphrase Karl Marx, the previous section indicates a way of *interpreting* the local housing system – but for many planning and housing agencies the point is to *change* markets, especially where trends are suggesting rapid, even chaotic movements in particular areas. In a recent discussion note for the Joseph Rowntree Foundation on the importance of space as a component of economic change and public policy, Duncan MacLennan (2004) has noted;

‘ . . . we need a significant effort to establish much more about the trajectories and change paths of neighbourhoods. This is the crux of improving regeneration thinking and policy. Assessing trajectories should help to establish whether a neighbourhood is in need of policy support (and whether that is preventative or renewal policy), capable of looking after its own interests or just simply not capable of renewal. The triggers for change need to be identified and real “neighbourhood effects;” identified.’ (p38)

The framework outlined in Chapter 3 reflects the manifestations of market change rather than tapping the influences behind this change, but it is a step along the way. One potential strength of this framework is that it encourages some flexibility in plans for intervention, so that adjustments can be made alongside shifts in the dynamics of local markets. It may therefore help to avoid several potential pitfalls behind investment decisions. One such scenario is that ‘rescue attempt’ funding is directed to areas that then start to grow in popularity, (whether prompted by the policy intervention or other unintended triggers of market change) so that special measures to rebalance the market are no longer needed. A second is where investment is directed to a neighbourhood but fails to halt the process of decline because it is too entrenched and more radical intervention is required. A third would be to channel new housing development into areas that remain unpopular so that demand falls below an acceptable threshold. There is obviously no guarantee that such scenarios would be avoided by adopting a trend-based framework which has a lighter touch, but it should provide more confidence about ‘reading’ markets accurately and designing or revising plans accordingly.

Clearly, policy makers have a range of instruments at their disposal for promoting neighbourhood sustainability (Cole et al, 1999; DETR, 2000; Long, 2001). It would be too simplistic to bundle together interventions to form a template for each of the nine market scenarios mentioned in the framework. One cannot simply ‘read off’ from analysis to specific forms of intervention. Interventions can also involve a range of agencies, such as private landlords and financial agencies and not just public authorities. The policy response needs to be shaped by contextual factors such as the characteristics of the existing community, the impact of recent in-migrants, the history of the area, the quality

of local amenities, the quality of landlords and so on (Murie, 2002). The local balance of housing tenure is particularly important here in shaping the extent and type of intervention. One can categorise the range of intervention at the disposal of policy-makers according to a basic four-fold differentiation:

- a) strategy-focussed intervention** – concerned with issues such as land supply, the manipulation of the planning system to encourage or discourage certain forms of development, linkages across sectors, e.g. between spatial, transport and economic development strategies;
- b) property-focussed intervention** – concerned with stock refurbishment, renewal, new development, demolition, meeting ‘decent homes’ targets and so on;
- c) service-focussed intervention** – the potential for localising service delivery; new procedures in, for example, housing allocations, control of anti-social behaviour, licensing of private landlords, recreation facilities. formal and informal family support etc.;
- d) neighbourhood-focussed intervention** – inter-agency working at local level, ‘authentic’, neighbourhood management, area-based resourcing, environmental improvement, residents’ forums, local planning and profiling exercising, ‘estate agreements’ and so on.

For higher value local markets (‘areas that can look after themselves’), any potential interventions by local authorities, sub-regional partnerships or regional assemblies are likely to be confined to strategic issues such as planning restraint (or relaxation as part of an affordable homes programme), enhancing ‘connectivity’ to other localities, transport investment etc. At the other end of the spectrum (‘not capable of renewal’) a comprehensive programme of neighbourhood transformation will be needed. This is the exercise facing the development of housing market renewal strategies under the Pathfinder programme, though this approach can be undertaken in markets elsewhere. Intermediate local housing markets will require a combination of interventions, depending on the problems identified. This is represented figuratively in Figure 6 opposite.

Figure 6 Market Characteristics and Interventions in Response

Type of Market	Emphasis of Intervention			
	Strategy-focused	Property-focused	Service-focused	Neighbourhood-focused
Sustainable without policy input	✓			
Requiring policy attention	?	?	?	?
In need of remodelling	✓	✓	✓	✓

It is therefore possible to overlay this matrix on the nine-fold classification of local market change outlined earlier.

In *transitional markets*, existing policies and strategies may need to be rethought in the face of rapid change. *Unstable markets* will also require close attention from policy makers, and should be target for careful monitoring and the collection of additional data so that the triggers behind the paths of change can be identified. In high value areas *falling markets* should open up access and reduce affordability barriers. In low value areas, on the other hand, this will denote the classic symptoms for neighbourhoods in decline which may lead to abandonment. This category has formed the template for the host of initiatives and programmes and they have formed the focus of the national ‘social exclusion’ and neighbourhood renewal agendas. However, one risk of that approach is that it overstates the difference between such areas and other neighbourhoods, and ‘freezes’ them in this position. The emphasis on market change in this framework focuses on processes, rather than producing a static league table of market competence. ‘Falling’ markets in an already deprived neighbourhood clearly have implications for the emphasis of planning, investment and management, but they do not suggest that all resources should be concentrated in ‘uplifting’ them while ignoring market change elsewhere

When considering possible interventions locally, it is helpful to consider two distinctive, even conflicting, routes into ‘sustainability’ which are often elided in practice. Sustainability may be challenged by either a *lack of*, or a *surfeit of*, community stability. Neighbourhoods can suffer from an environment that is too turbulent and disruptive, so little sense of local allegiance or community identity is established. Alternatively, there may be insufficient diversity or turnover in an area. The policy prescriptions that flow from these two scenarios may therefore be sharply contrasting. For those local markets experiencing high turnover, as in the three cases above, interventions may prioritise community development and resident involvement, property modernisation and

refurbishment, neighbourhood management, 'loyalty' rewards, and allocation systems favouring households with local connections.

In *rising markets*, any future investment or policy intervention needs to be directed to 'working with the grain' of recent change and attempt to identify the main drivers for the improvement. In many cases, the improvement may have resulted less from intrinsic changes in the area in question as from 'spill-over' from adjacent areas with tight markets, as new demand is deflected from these neighbourhoods. In *stable markets*, if a significant level of new resources have been planned, there may be political pressure to redirect them to more stressed parts of the city or district. Some of these localities may in fact be unpopular in terms of external perceptions and overall reputation, but sufficient internal demand is being generated to sustain them. *Fragile markets* in low value areas may require anticipatory intervention to prevent further decline. In characterisations of these markets, various 'warning signs' are elicited; but the real challenge is to devise interventions quickly enough to respond. Community involvement may be especially important here, to support and develop existing networks, as well as identifying the main reasons for falling demand – be it crime, the quality of the environment, schooling or housing.

Self-sustaining markets, with low turnover but increasing levels of demand, may create problems of access for those seeking to move into the area, but these pressures are rarely amenable to short-term solutions. Planning strategies may offer some instruments to regulate demand, but the key determinants for the future of such markets lie outside the local housing system itself and are to be found in sub-regional and regional policies and social and economic trends. In *stagnant markets*, judgements may have to be made about whether they will be affected positively or adversely by displacement effects from nearby markets with similar profiles. In many cases, these will be dominated by one form of housing tenure or housing type, and the degree of market activity will be therefore shaped by broader trends in housing access and opportunity across the district. In *eroding markets*, existing residents may display relatively high levels of satisfaction, and the attention of local policy makers could well be focused on more apparently troublesome areas elsewhere. But eroding markets are likely to have low levels of externally generated demand and, once the passage of time takes its toll, it will become increasingly difficult to find replacement households. Strategies to diversify the housing market in order to attract new types of in-migrant households may be pertinent here.

For those markets with lower levels of turnover, a range of interventions can be used to stimulate demand and attract new households. These might include the adoption of flexible allocations policies, stock conversions, re-branding and marketing initiatives, flexible tenancies, discounted rents, home-swap schemes or mixed tenure initiatives. Interventions are therefore directed as much to invisible, *potential* households as to existing residents.

Overall, there is a crucial distinction between those areas that are experiencing turbulence in market trends, where interventions may be prompted to stabilise the situation, and those areas where demand might be slowly, even imperceptibly, draining away from an area, and where a stimulus to the local market is needed. These offer different routes to securing greater sustainability – either by concentrating on the need for the injection of ‘new blood’ or, on the contrary, attempting to shore up a sense of commitment to the area from recent arrivals, as well as longer established residents.

5. The Challenge of Tracking Market Change

The increasing complexity of housing market change places a premium on initiatives that differentiate between city-wide, district and neighbourhood levels of intervention, with effective market intelligence in support, rather than just to adopt a succession of schemes within a vague strategic framework. The approach presented in this report is a step in that direction. There is always the need to steer a course between over-simplification and over-elaboration when developing models of change and this provides one possible starting point. It is readily acknowledged that refinements, amendments and qualifications will have to be introduced at some stage.

One future challenge involved in adopting this approach is to devote more time to unravelling the drivers of residential mobility in urban areas. It is important to try and understand how different households in very similar positions arrive at quite different decisions about whether to move or to stay, and what might influence their perception of 'risk' that moving involves. This assumption indicates the degree to which comprehensive assessments need to shuttle constantly between micro and macro levels of analysis, while remaining alert to the external social, economic and demographic pressures that shape market change.

One consistent theme in the discussions of housing markets is the degree to which neighbourhood popularity is shaped by a range of non-housing factors. The framework therefore needs to accord as far as possible with the boundaries and interventions used by other agencies. Fundamentally, the response to market appraisals along these lines puts corporate intervention to the test to an unprecedented degree – and previous experience suggests that this will not be achieved easily, given different boundaries, professional orientations, resource planning cycles, political constraints and so on. Attempting to gain cross-sectoral support for this kind of approach to investment will need to be a priority. The experience of the Housing Market Renewal Pathfinders, currently developing prospectuses for the long-term future of their areas, will be something of a test case here.

What other courses of action might flow from this approach? The publication of data at output area level from the 2001 Census provides an opportunity to review in a more comprehensive way patterns of mobility – both in terms of overall changes in local profiles between 1991 and 2001 and in differential rates of mobility over the year prior to the Census being undertaken. This information will provide a backcloth to the more immediate processes of market change sketched in this report. Consumer panels and stakeholder panels could be set up in key areas likely to experience more rapid change to track changing perceptions of market processes. In terms of interventions – whether involving investment, neighbourhood management, inter-agency working or community

engagement – there is often a temptation to innovate most furiously in the areas that appear to be in the most desperate need. There may often be a stronger case for introducing new ways of working in areas where the prospects for improvement are more promising.

Finally, the overall approach advocated in this report has moved a considerable distance from the sectoral and organisation-driven modes of housing investment that have prevailed so far. The adoption of market renewal as a strategic response to social and economic change should not be confined to the nine nominated Pathfinders. Fresh thinking is needed in many more urban areas about how investment might be most effectively shaped to attain community sustainability. The shift towards developing Regional Housing Strategies and the creation of Regional Housing Boards show the potential for devising new approaches that cut across administrative, organisational and tenure boundaries.

In short, analytical frameworks need to recognise some of the complexities and the variable pace of local market change. The adoption of ‘whole market thinking’ to guide housing and allied forms of investment is to be welcomed, even though it is overdue in England. The potential value of more comprehensive models should not, however, forsake the need to identify the local variants of housing market change using more selective information, so that policy responses are developed sooner rather than later. We do not want to spend too long pondering on the precise specifications of the stable door, only to find that the horses have already bolted when we come to fit it.

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