The Housing and Neighbourhoods Monitor seeks to make a unique contribution to understanding the interaction between housing and neighbourhood trends across the UK and within each of its four nations. The key trends are summarised here.

Key points

- The UK’s main urban and commuter areas have a tight balance or shortage between housing supply and demand. ‘Hidden’ households and second homes mean that the data may underestimate the problem’s magnitude.

- The economic downturn has halted an upward trend in housing supply; new completions will be lower in the medium term, which will challenge policy targets on supply. Coupled with a projected increase in household numbers, affordability problems will persist in many areas, even allowing for price decline. Many neighbourhoods in the South East and South West of England had ratios of house price to household income exceeding ten (i.e. house prices are ten times the average income in these areas) in 2008.

- Demographic change is fundamental to housing demand and neighbourhood dynamics. Migration accounted for over half the UK’s population increase in 2007.

- Over a fifth of the UK’s working-age population were classified as economically inactive in 2007–8. Scotland had the lowest rate and Northern Ireland and Wales the highest. Inner London boroughs, rural and coastal areas all had relatively high rates.

- The spatial patterns of business start-ups and survival rates are variable, highlighting sharp differences in entrepreneurial activity.

- The interaction of housing and labour markets highlights the ‘two Londons’. Inner London has high concentrations of deprived neighbourhoods and severe affordability problems; the outer commuter belt enjoys a higher quality of life, but also has pressurised housing markets.

The research
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Background

The Housing and Neighbourhoods Monitor (HNM) is a new resource for understanding housing and neighbourhood trends in the UK. It uses a range of housing and neighbourhood indicators to examine interactions and key trends and comment on areas of policy concern.

Housing indicators

Balance between households and supply of dwellings

The balance between the number of households and number of dwellings is a powerful measure of local housing market pressures. The ratio of total households to total dwellings suggests that many of the UK's main urban and commuter areas have a tight balance or slight shortage. However, because of 'hidden' households and second homes, the data may underestimate the problem's magnitude.

The level of delivery of new private housing varies significantly at local level. While pockets of activity are apparent close to major metropolitan areas, new supply of housing is highly dispersed and variable and became further restricted in the 2008 downturn. Locations with the highest levels of new social housing include some London boroughs, parts of outer London, Milton Keynes, Liverpool, Belfast and some Scottish local authorities. Scotland appears to have benefited from relatively higher levels of social new-build housing provision than England.

Projected household change

Household projections are a major factor underpinning local and regional planning strategies for allocating housing land. The highest level of projected household growth 2006–31 in England is in the Eastern region. Significant growth is also expected in the East Midlands, North Yorkshire, Cornwall, and Kent and Ashford. Most of these areas correspond with the Government's four designated Growth Areas (Ashford, London-Stansted-Cambridge-Peterborough, Milton Keynes and South Midlands, and the Thames Gateway). Northern Ireland and Wales show increased household projections, but some Scottish areas have projected decreases in total household numbers, such as East Dunbartonshire (-1.9 per cent) and Inverclyde (-2.9 per cent).

House prices

The average UK house price was about £62,000 in 1991, surpassing £100,000 in 2000 and £200,000 in 2006; at the autumn 2007 peak, it was around £223,000. Declining market conditions in 2008 reversed much of the house price gain experienced. Some neighbourhoods had price falls between 2005 and 2008, notably around the perimeter of some northern cities (Newcastle, Manchester, Sheffield, Leeds and Liverpool), though in London and the South East prices were significantly higher in 2008 than in 2005. Many Welsh neighbourhoods also saw very low rates of house price appreciation or some price decline between 2005 and 2008, notably in northern and coastal areas. Figure 1 shows the change in house prices 2005 to 2007–8.

The contrasting picture in Scotland is of many neighbourhoods showing very high rates of house price appreciation between 2005 and 2007, particularly in many rural areas. Likewise, in Northern Ireland some rural locations saw prices increase, though the highest concentration of price growth from 2005 was in the Belfast Metropolitan Area. However, house prices began their decline from late 2007. The average UK house price fell by 13 per cent between April 2008 and April 2009 to £189,215. The largest drop in prices has so far been seen in Northern Ireland.

Affordability

Affordability ratios suggest significant problems in many areas, even allowing for price decline. In South East England and hotspots in the South West the ratio of house price to household income exceeded ten in many neighbourhoods in 2008 and did not fall below six in any others. 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 have affordability ratios similar to those in Southern England and parts of Wales. However, in Scotland relatively few areas show evidence of a real affordability crisis. Some rural areas (notably Aberdeenshire, Dumfries and Galloway) have much lower ratios of house prices of two to four times full-time earnings.

The highest market rates for private rented housing are concentrated in London, the South East and along the M40 corridor to the west and northwest of London. Rental levels in the next highest group form an outer ring extending into the West of England, along the south coast and into the southern Midlands and East of England. The lowest market rents are in areas of the North West, North East and Northern Ireland. Wales has a low level of rent variation, from £85 (Merthyr Tydfil) to £121.06 (Cardiff). Scotland's variation in market rents is wider; they are lowest in the Borders (£99.23) and highest in Midlothian (£150). In the social housing sector, the variation of rents is much narrower, reflecting the role of regulation.
Figure 1: Change in house price, 2005 to 2007–8

Note: Scottish data is based on 2007; the rest is 2008 data
Neighbourhood indicators

Population change and density
Migration accounted for half the UK’s population increase in 2007. Change in population affects the viable threshold for providing local services and amenities as well as demand for housing. High predicted growth areas for 2007–17 are in Northern Ireland, East of England, the East Midlands, Kent, the South West and North Yorkshire. Low levels of population growth continue to be projected in the housing regeneration pathfinder areas and in Scotland. Very low population density characterises Scotland (except the central belt), Wales (except the Welsh Valleys and Cardiff Bay), rural England and most of Northern Ireland (except the Belfast conurbation), with an impact on viable thresholds for amenities.

Population in most deprived areas
Deprivation is most clearly seen in urban areas and is widespread in the UK’s main cities. In London, severe deprivation is variable in the inner boroughs along the Thames. In contrast, the South East, South West, East of England and the most rural UK areas are least affected. The geographical distribution of deprivation shows significant variation within regions. Urban areas in North West England have the widest range of levels of deprivation. But even in the more affluent East of England region, significant deprivation is found on the east coast at Great Yarmouth, Lowestoft and King’s Lynn.

Employment and economic activity
With the impact on company closures and redundancies now being fully felt, the unemployment rate has increased to 6.5 per cent (January 2009) – the highest level since 1997, after a period of prolonged economic growth. Areas with higher than average levels of unemployment already evident in 2008 included pockets of coastal areas, inner city cores, the Welsh Valleys, the Central Belt of Scotland and the Western Isles.

Over a fifth of the working-age population (16–64) were economically inactive in 2007–8. Sickness and disability form a major reason for economic inactivity among men. While the UK unemployment rate was very low in 2008, it was in stark contrast to the high economic inactivity rate. Local authority areas with the lowest level of economic inactivity tend to be in 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. Local authorities with the persistently highest inactivity rates tend to be inner London boroughs and major urban areas in the North. Many rural and coastal areas also suffer from economic inactivity problems, notably along the Welsh coasts, most of Northern Ireland, Ayrshire in Scotland, and the northern part of England’s South West coast.

Small businesses
Past research has shown that entrepreneurial culture is related to the differential performance of small business ‘births’ (Wong, 2002, ‘Developing indicators to inform local economic development in England’, Urban Studies, 39, 10, 1833–63). The small firm ‘birth rate’ measures the total of new VAT registrations per 1,000 of the economically active working-age population. The 2007 birth rate for small businesses shows that local authority areas with a high level of enterprise were mainly concentrated in inner London. Highest rates were in the City of London and Westminster (reflecting low residential populations and very high concentration of businesses), but also the wider South East, Gloucestershire, Hereford and Worcester, and North Yorkshire. Wales had the lowest level of business births and the lowest closure rate. Northern Ireland had a high business birth rate, but also the largest proportion of de-registrations.

The distribution of small business failure rates shows that areas with high levels of business formation, particularly in London and the South East, also had the highest level of closures. However, the core urban areas around the Midlands, M62 corridor and Tyne and Wear in England, the Scottish central belt and the Welsh Valleys all had high business failure rates without the benefit of high levels of business births. These sharp differences in entrepreneurial activity highlight the need for more proactive policy to facilitate and nurture start-ups and new businesses.

Education
The quality of education is central to families and affects the choice of residential location and hence house prices. It also provides a snapshot of the quality of the potential local workforce. The HNM uses education results as a proxy of school outcomes. Across the UK, under two-thirds of secondary school graduates achieved the equivalent of five or more GCSE passes in 2006–7. Patterns in England were highly polarised, ranging from 100 per cent in neighbourhoods in the London Borough of Kensington and Richmond upon Thames to others with under 20 per cent passes. The best and worst examination performances were in highly urbanised locations. Northern Ireland had the lowest differentials in educational attainment, with pass rates from 56.3 to 72.4 per cent, suggesting more consistency in secondary school examination performance. Despite Wales having the lowest average level of passes, it also had a much narrower range of performance (41–65 per cent). Within
Scotland, attainment levels showed major variations, from 26.5 to 100 per cent (NB: in Scotland the equivalent of five or more A*–C grade GCSEs is the attainment of grades 1–3; however, the Scottish data also includes grade 4, which makes direct data comparisons difficult as Scottish pass rates tend to appear higher).

Domestic burglaries

The level of domestic burglaries is an indicator of local property crime, but also serves as a useful proxy of overall community safety as it can affect perceptions of local quality of life. More importantly, domestic burglaries are closely associated with people’s homes and reflect how housing and neighbourhood conditions interact. The highest level of burglaries was found in England (10.94 incidences per thousand households), and the lowest level in Northern Ireland (3.5 per thousand households).

Neighbourhood types and trends

The neighbourhood typologies used in this study draw on the 2001 Office for National Statistics Area Classification for local authority districts. An index of housing pressure and neighbourhood quality was developed and mapped against these area types to identify trends in different UK localities. Analysis revealed different overall neighbourhood patterns in different types of areas:

- **Challenging and pressurised areas** – inner London areas suffering from the paradoxical situation of having very high-demand housing market conditions, but many negative labour market and neighbourhood quality characteristics.

- **Idyllic small towns and countryside** – prospering small towns and coastal and countryside areas enjoying many positive socio-economic features in their neighbourhoods, and reasonably affordable housing.

- **Stagnated industrial north** – industrial hinterlands and centres of industry, characterised by relatively poor socio-economic attributes. The lack of affordable housing here is largely due to high deprivation levels and low household income. There is serious housing stress and high levels of homelessness.

- **Thriving home counties** – the prospering London periphery and areas of southern England, which are in a unique and privileged position. High affluence levels and the positive attributes of the locations have created pressurised housing markets.

- **Stable neighbourhoods** – areas with reasonably stable environments, though with various combinations of attributes. However, these areas face very different housing market conditions. London suburbs have dynamic, high-demand housing markets. The Northern Ireland countryside mainly experiences pressure over lack of housing supply and low levels of household income. The regional centres are experiencing high levels of housing stress problems such as homelessness.

- **Manufacturing towns versus new and growing towns** – the contrast between these two types is that the former tend to have more sluggish housing markets and average levels of neighbourhood quality, while the latter enjoy better neighbourhood quality and an average housing market.

Policy implications

The Government’s housing focus has shifted from national issues of housing supply and affordability to responding to the symptoms (e.g. repossessions) associated with the global financial crisis. The concern is that the former will not receive the appropriate government attention, leading to further deterioration in the already tight balance between supply and demand. The financial crisis and lack of funds for social housing have led the Government to reconsider supporting councils to build new housing through prudential borrowing in areas of evident need. However, it is not yet clear whether this will be a policy trend or limited short-term fix. A further consequence of the credit crunch is that the private house-building industry will take time to recover lost capacity in order to deliver the ambitious growth targets and new towns formerly envisaged.

Housing has been a leading part of urban regeneration across the UK through its role in renewing cities’ physical fabric and supporting sustainable lifestyles and social inclusion. While this policy over the last 20 years has achieved successes in the larger UK cities, this has often been in concentrated areas such as waterfront schemes or gentrified neighbourhoods. Although cities still have deprivation and homelessness, their housing and labour markets have performed reasonably well, and they have seen population increases and
improved educational achievement. Regional centres in particular have been relatively more buoyant than centres of industry and industrial hinterlands, indicating that the urban renaissance agenda has achieved some success in regenerating major cities.

The policy challenges are how to:

- maintain housing market momentum within these regenerated areas and sustain those neighbourhoods that have relied on large, and now apparently vulnerable, residential investments from private landlords;

- improve the declining neighbouring areas in the wider industrial hinterland and other smaller urban centres in the wake of the global recession and reduced public sector expenditure.

Conclusion

This study has raised questions about the different policy prescriptions required to address pressurised housing markets and support local neighbourhoods. There have been tensions between micro-level neighbourhood policies, such as those concerned with neighbourhood renewal, and macro-level housing policies, such as supply, with the latter often dominating. The challenge to make the appropriate connection between housing and neighbourhoods continues, suggesting the need for more nuanced policy-making that takes better account of area characteristics, notably how local housing markets function.

About the project

The Housing and Neighbourhoods Monitor is a UK-wide exercise reflecting developments in England, Wales, Scotland and Northern Ireland. The spatial analysis scales cover both the macro-spatial UK level and the micro-level of neighbourhood/local authority districts. The analysis relates to individual housing or neighbourhood indicators, and considers how housing issues interact with wider neighbourhood characteristics to affect trends in different types of neighbourhoods through the analysis of area typologies. The HNM identifies major policy outcomes of housing and neighbourhood change by analysing cross-cutting themes and highlighting key policy implications.

For further information

The full report, Housing and Neighbourhoods Monitor: UK-wide report by Cecilia Wong, Stephen Hincks and Richard Kingston, Kenneth Gibb and Chris Leishman, Stanley McGreag, Louise Brown and Neale Blair, is published by the Joseph Rowntree Foundation. It is available as a free download from www.jrf.org.uk. For more about key housing and neighbourhoods trends across the UK, visit the JRF’s new Housing and Neighbourhoods Monitor website: http://www.hnm.org.uk. The site includes statistical analysis, charts, maps and reports and has been developed by the University of Manchester for JRF.

Published by the Joseph Rowntree Foundation, The Homestead, 40 Water End, York Y030 6WP. This project is part of the JRF’s research and development programme. These findings, however, are those of the authors and not necessarily those of the Foundation. ISSN 0958-3084

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