

Understanding housing demand in rising markets

Interest in housing markets has grown in recent years, but relatively little is known about how and why they change. New research by a team based at CRESR, Sheffield Hallam University, explores housing demand by examining the aspirations, attitudes and wants of households. Unusually, the research focuses on 'rising' markets. The study, which centres on four in-depth case studies in the Yorkshire and Humber region, found that:

- The reasons people move are highly complex, and not simply a response to 'triggers' and 'push-pull' factors. In-movers interpreted the market in different ways, saw different 'signals' within it, behaved differently within it, and responded to it in different ways.
- There is no 'magic ingredient' that causes some markets to rise more quickly than others. The bundle of factors driving residential mobility, and ultimately housing market change, in the case study areas differed.
- Within the context of the overall housing field, people's decisions to move appeared to be a result of a complex interplay between four factors: resources; residential perceptions and understandings; notions of place; and identity and 'dispositions' (i.e. how they see the world), with the latter factor appearing to be the most important.
- A desire to satisfy aspirations appeared to be particularly important for many households. It was possible to categorise residents' aspirations into two groups: those concerned with buying into a lifestyle, and those concerned with their personal status and, in particular, the household's position on the housing ladder and in society.
- A recurring theme across the case studies was a preference (sometimes implied, sometimes explicit) among respondents to live among people they felt were similar to themselves.
- In many parts of the Yorkshire and Humber region, housing market change is being driven not by the decisions of purchasers as consumers, but instead by their decisions as investors. Increasingly housing is becoming an investment commodity more akin to stocks and shares.
- A number of negative consequences associated with rising markets were identified relating to affordability, community cohesion and the cost of regeneration programmes.



Background

In recent years, the Government has become increasingly concerned about regional housing markets' uneven performance, and it has introduced a number of related initiatives. However, its response does not adequately recognise the subtleties and complexities of regional markets. In particular, its strategy assumes that the housing markets of the north and south have little in common, and that the problem of housing affordability and supply is a phenomenon confined very much to the south, a message to emerge from the first Barker Report.

Housing market analysis has tended to reinforce a North-South divide, with analysis of the north focusing on declining markets and that of the south focusing on high demand markets. This study challenges that tendency and offers a more calibrated view of regional market processes. In addition, it seeks to challenge another convention: the dominance within housing market analysis of economic approaches to exploring market change over more qualitative approaches.

The primary focus of this research was on case studies, although it also employed a range of quantitative and qualitative methodological techniques, including house-price analysis, and cluster analysis (which was used to derive a typology of rising markets). Case studies were carried out in: Pannal, a high price area on the edge of Harrogate, within the 'Golden Triangle' (which lies between Harrogate, Leeds and York, and has high property prices); Howden, a medium price rural town in the Humber sub-region; Burngreave, a low price 'policy-on' area in Sheffield that is currently the subject of two major regeneration initiatives; and Beeston Hill, a low price 'policy-off' area in Leeds where demand from investors was reported to be driving the local housing market.

A framework for understanding residential mobility

Past explanations of residential mobility, and by implication housing market change, have suggested that people move in response to triggers or 'pushes' and are 'pulled' to the area they choose. This research found residential mobility to be a far more subtle process and the result of a complex interplay between four key factors operating within the broader housing field:

- resources;
- identity and dispositions;
- residential perceptions and understandings (how people view their home and neighbourhood);
- notions of place (the meaning attached to 'place').

Stories of mobility

In the three case studies specifically selected to explore the issue of residential mobility (Howden, Pannal and Burngreave), analysis of residents' reasons for moving

revealed that although the factors driving their decision to relocate varied, some were shared. For example, in Howden and Pannal good transport links to local employment centres were cited by a number of residents as a major draw for them, while in Burngreave and Howden the relative affordability of the local housing stock had made the area attractive to a number of residents. However, there was no one factor that had precipitated a rapid increase in the price of housing in the case study areas.

Looking beyond the 'push-pull'

Although a number of common themes were apparent in people's reasons for moving, individuals' stories were subtly different and they did not interpret and respond to the local housing market in the same way. This was in part because they had differing cultural and social identities, whether formed consciously or unconsciously, attached differing meaning to the concept of place, and were disposed to view their local area in different ways. Some of these values, identities, beliefs, aspirations and dispositions were shared and distinct groups of people were identified who shared similar reasons for moving in each of the case studies.

In Pannal, three groups emerged: *aspirational movers*, who were concerned primarily with buying into a lifestyle or improving their position on the housing ladder; *urban leavers*, whose main motivation for moving was the desire to escape the perceived dangers of city life; and *pragmatic movers*, whose defining characteristic was the lack of emphasis on location and the importance they placed on the physical characteristics of their home.

In Howden, three groups were identified: *semi-rural gentrifiers*, who were concerned primarily with buying into the rural idyll; *aspiring new builders*, who were concerned principally with social and economic progress; and *equity-rich baby boomers*, whose distinguishing feature was their high level of social interaction in the local community.

Four mobility groups emerged in Burngreave: *pioneers*, who were driven primarily by lifestyle considerations and were concerned with buying into a way of life; *housing ladder climbers*, who were concerned primarily with their position on the housing ladder; *new arrivals*, who were recent arrivals to the UK; and *kith and kin movers*, whose primary concern was living close to family and friends.

The importance of aspirations

Aspirations appeared to be a particularly important factor underpinning incomers' relocation decisions. It was possible to categorise residents' aspirations into two groups: those who were concerned with 'buying into' a lifestyle:

"A friend [who lives in the area] helped us [find our house]. On a map from the internet he drew circles

and said: ‘these streets are alright, this is the muesli belt’. I guess he meant it was full of people like us, new age liberals into our health food. We’re not really like that, but I guess he meant that there’s people around there like you that you’ll get on with.” (Burngreave resident)

and those that were closely linked to status and, in particular, the household’s position on the housing ladder and in society:

“I’ve been to University ... I’ve got a nice car in the drive. I keep the garden nice. I’m not a solicitor or a doctor but have similar aspirations [to other residents].” (Pannal resident)

Living with ‘people like us’

An often expressed preference among recent movers in the Pannal, Howden and Burngreave case studies was the desire to live among ‘people like us’. Respondents appeared to derive a sense of security and comfort from living among people that they perceived they had much in common with, for example as a result of social class, employment status or ethnic origin, and with whom they therefore presumed they had a shared outlook. These perceptions were often apparent in seemingly mundane comments about people in the local area, for example keeping their gardens tidy, sending their children to a similar school or being friendly when they met in the street.

Investment-led demand

In many parts of the Yorkshire and Humber region, particularly city centres and regeneration areas, to a large extent housing market change is not being driven by the decisions of purchasers as *consumers* but instead by their decisions as *investors*. In these areas, then, the framework for understanding resident mobility outlined above is inappropriate, as a quite different model is driving the decision-making process of purchasers.

This was explored in the Beeston Hill case study, which offered a number of interesting insights into the phenomenon. Most investors in the area were landlords and the key factor attracting them was not equity growth, but the healthy return on investment that being a landlord in this area offered: properties could be bought at comparatively low prices and then let out for relatively high rents. Many investors were not from the Leeds area and some had initially become aware of the neighbourhood through searching websites, including that of Leeds City Council.

“[Housing] is now a commodity and it’s moved away from being a human right ... it’s seen as a replacement for a pension.” (Director of Strategy, sub-regional regeneration agency)

The consequences of rising markets

It is a commonly held view that house prices are an excellent barometer of the ‘health’ of a neighbourhood and that high house prices denote that an area is successful. Furthermore, by implication, rising house prices signify that a neighbourhood is improving and becoming healthier. This belief is reflected in the decision of many area-based initiatives, including many New Deal for Communities (NDC) Partnerships and Housing Market Renewal Pathfinders, to use house prices as one of their principal evaluative measures.

But are house prices an accurate barometer of the health of an area? And are rising housing prices desirable? The study team compiled a comprehensive data-set relating to these two important questions. The growth of investment-led demand in the Yorkshire and Humber region means that in many areas house prices say little about the popularity and health of the *neighbourhood*, but instead merely reflect the health of the *market* for housing. Thus, while house prices in two case study areas (Burngreave and Beeston Hill) had risen rapidly there is little evidence to suggest that they have become significantly better places to live in.

Turning now to whether increasing house prices are desirable, the research identified a number of negative consequences associated with rising markets. For example, across all four case studies it was reported that higher house prices were pricing many would-be residents out of the local housing market. And in Pannal and Howden, where house price growth had been triggered by the movement of new communities into the areas, in some cases tensions had arisen between the new and indigenous population groups who appeared reluctant to engage with each other. Finally, in Burngreave higher house prices were having a detrimental effect on the regeneration programme of the local NDC, which had to pay more for the land and properties that it wanted to purchase.

Implications for policy

The researchers identify the following implications for policy:

- A shift may be needed in how we think about and understand housing market change. A more rounded approach to analysis is needed that considers both economic and social factors, with greater attention paid to households’ aspirations, attitudes and wants.
- Policymakers and practitioners can take a number of measures to ensure that that they gain a more complete picture of residential mobility. Such measures might include:
 - seeking the views on a regular basis of key people involved in the local housing market, paying

particular attention to the views of estate agents and developers;

- reviewing property adverts in local newspapers in order to gain an insight into the ‘stories’ that estate agents are using to promote areas, the socio-demographic and mobility groups they are targeting and the extent to which investment-led demand is a feature of the market, and to gain an overall view of the health of the market;
- identifying local residents’ housing plans, aspirations and wants. This can be done through commissioning targeted research or by making use of existing consultative structures, such as citizens’ panels or resident focus groups.

- Given that households do not respond in a uniform way to housing market ‘signals’, policymakers and practitioners need to think carefully about how they intervene in local housing markets. They therefore need to devise strategies that take account of the diversity of mobility groups. These strategies may be multi-faceted and seek to target a number of groups or be tailored to an individual group.
- Whatever strategy is put in place, careful consideration must be given to marketing and the image that is being created and promoted to both existing and potential households (‘place marketing’). Place marketing is in its infancy in the public sector but it may be one instrument that will help to guide trends in demand.
- Research is needed into the nature and extent of investment-led demand, as relatively little is known about this important phenomenon at both the regional and national level.

- The capacity to manage any housing market is limited, but policymakers and practitioners working in regeneration areas need to pay more attention to changes in *housing quality* and *neighbourhood function* (i.e. the role of a neighbourhood within an area) than to increasing house prices as an end in itself. Steady growth trends and the existence of affordable, good quality housing in high quality residential environments could be more telling indicators of the health of a neighbourhood.

About the project

The research was carried out for the Joseph Rowntree Foundation by Paul Hickman, David Robinson, Rionach Casey, Stephen Green and Ryan Powell at the Centre for Regional Economic and Social Research (CRESR), Sheffield Hallam University. The research comprised four main elements:

- *Interviews with representatives from key ‘stakeholder’ organisations in the Yorkshire and Humber Regional Housing Market.* These included the Yorkshire and the Humber GOR, the Regional Housing Board, the Housing Corporation, the Council of Mortgage Lenders and the House Builders’ Federation.
- *Analysis of house price data.* House price data supplied by the Land Registry was used to identify rising markets in the region.
- *Analysis of rising housing markets.* Drawing on data derived from the 2001 Census, the principal characteristics of rising markets were identified. The statistical technique of cluster analysis was used to provide further insight into their characteristics.
- *Case studies of rising markets.* These included interviews with in-movers in Howden, Pannal and Burngreave, with additional investigation of investment-led demand in Beeston Hill, Leeds.

For further information

The full report, **Understanding housing demand: Learning from rising markets in Yorkshire and the Humber**, by Paul Hickman, David Robinson, Rionach Casey, Stephen Green and Ryan Powell, is published for the Foundation by the Chartered Institute of Housing (ISBN 978 1 905018 38 3 price £16.95). It is available from the Chartered Institute of Housing, Octavia House, Westwood Way, Coventry CV4 8JP, Tel: 024 7685 1752/64, Fax: 024 7642 2022, email: pubs@cih.org. (Please add £1.50 p&p.)

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