Understanding and responding to housing market change

Round-up
Reviewing the evidence

May 2007

Can public policy shape housing market outcomes to achieve wider social and economic goals or must it belatedly respond to mitigate some of the negative consequences of change?

This paper:

- summarises evidence, largely from studies funded by the JRF, on recent changes in the housing market in England at national, regional, local and neighbourhood levels
- highlights key challenges for developing public policies, intervention programmes and reforms

Key points

- The move from tenure-centred to more market-centred analysis and policy development in housing is likely to intensify.
- Household migration between regions tends to compound rather than narrow social and spatial polarisation.
- Home-owners base decisions of whether, when and where to move not just on economic triggers but also on complex social and cultural aspirations.
- The sophisticated processes at work in housing markets demand an equally sophisticated policy response, combining financial, planning, housing and neighbourhood management measures. In more fragile markets, Housing Market Renewal Pathfinders have gone some way towards this: local authority and sub-regional partnerships need to apply new portfolios of measures for *all* local markets undergoing change.
- Strategies need to work across the market, rather than focusing on a particular tenure or policy sector. There is still a tendency for policies to ignore the interplay of pressures between tenures.
- Evidence of wholesale transformation of neighbourhoods from low- to high-value areas is scarce. Policies are likely to have more impact if they 'tilt' the market in certain directions, rather than attempting to reconfigure it. Steps could include:
  - more fleet-footed monitoring systems, to alert local and sub-regional agencies more readily to emerging market changes;
  - a more targeted approach to tracking the views of key groups;
  - an explicit hierarchy of measures for different local markets tailored to market type and function;
  - a more coherent social housing sector at sub-regional, district and neighbourhood levels, with a broader remit and extended strategic capability.

Author
Ian Cole
Sheffield Hallam University

JOSEPH ROWNTREE FOUNDATION

www.jrf.org.uk

Introduction

The housing market is a perennial topic in media headlines, public debate and policy analysis. But this breadth of coverage is not matched by an equivalent breadth of knowledge and understanding of some of the questions that lie behind these headlines, such as:

- what drives change in the housing market?
- what causes people to move or to stay put?
- are housing markets in different areas becoming more polarised?
- why do some neighbourhoods become increasingly popular while others suffer from stagnant or declining demand?
- are tenants being left behind by the escalation of property prices?
- do people move more in deprived neighbourhoods and how might this affect area-based regeneration initiatives?

Many of these questions turn on the extent to which, in a national system dominated by private provision, public policy can *shape* market outcomes to achieve social and economic goals or whether it can merely *shadow* and respond to changes.

This paper draws together evidence, primarily from a programme of work by the JRF, on recent changes in the English housing market at national, regional, local and neighbourhood levels. It asks how we can improve our understanding of housing markets, so as to anticipate emerging trends, and highlights key challenges for public policies, programmes and reforms.

How housing markets are changing

Emerging trends in supply

After years of relative neglect, the dynamics of housing supply are receiving renewed research and policy attention. The publication of the Barker reports has prompted a lively debate about the extent to which relaxing planning constraints on land and stimulating new supply might attend to the growing problems of housing affordability.

The impact of housing investment

Bramley et al. (2007) assessed how new housing investment in both the social and private sectors affects price levels and neighbourhood viability, examining trends from the early 1990s to 2005. They concluded that:

- **the development of new private housing** tends to moderate the increase in property prices at the area/district level, where supply-demand effects predominate. This happens more in lower demand areas, suggesting that they can be more vulnerable to oversupply. At the neighbourhood level, however, the impact may stimulate prices, with increased confidence in the future of the neighbourhood and potentially new social and environmental benefits. Overall, the authors suggest that new investment has only a modest influence on prices, compared with other economic factors.

- **the development of new social housing** tends to lead to increases in property prices, especially at local authority level. However, new social housing developments tend to be concentrated in poorer areas, intensifying the indirect effects of poverty. Developing new social housing in more affluent areas would have a more balanced impact on market outcomes but is unlikely to be politically palatable. Relatively higher land and other costs could also reduce the number of homes provided from a given level of public resources.

- **buy-to-let** investors are transforming housing supply in many urban areas. Bramley and colleagues (2007) note that the relative property price performance in English cities has started to improve in the past fifteen years. This may reflect changing attitudes and patterns of mobility and offer some credence to those who argue that an 'urban renaissance' is under way. Yet, it is not all about changes in demand. It also reflects domestic and international investment in property rather than in other forms of equity.

The rise of the investor market

This new 'investor market' takes two basic forms:

- city-centre apartments for young professionals, students and recent graduates, and
- more disparate patterns in less popular areas, with private landlords buying cheap properties and renting them out.

The rise of this market has been extraordinary. In 2006 it accounted for 11.1 per cent of mortgage lending (up from 9 per cent in 2005 and just 0.4 per cent in 1998). The number of mortgages in 2006 increased by 21 per cent and the value by 57 per cent over the previous year (Council of Mortgage Lenders, 2006).

One consequence of recent housing market change is that the distinctive English phenomenon of households buying their first homes when in their mid-twenties has started to subside, if not disappear altogether. The Council for Mortgage Lenders claims that this is due to more positive consumer attitudes towards renting, although increasing affordability problems are more likely to have caused this shift in behaviour. The attitudes of investors offer equally telling reasons for the market growth of this sector.

In their study of rising markets in Yorkshire and Humber, Hickman et al. (2007) consider the impact of 'investor markets' on the housing system. They suggest that decisions about investment are often taken 'blind' and that city centres often contain a high proportion of vacant properties because investors are primarily interested in equity growth not rental income. Although exact figures are difficult to come by, a relatively high proportion of the buy-to-let new build stock has been vacant for more than twelve months. However, in relatively low value areas, such as Beeston Hill in Leeds, private landlords were attracted by the rental income they could secure after buying at low prices and making little additional investment before letting. Others invested in the area as a means of spreading risk in case of future problems in city-centre markets. Yet others were speculating about growth with the advent of area regeneration.

The prospect of long-term area regeneration has probably also played a part in driving up prices in Housing Market Renewal (HMR) areas. A study of buy-to-let in these areas suggested that the announcement of the programme may have prompted temporary over-valuation of homes. The danger is that:

> "HMR Pathfinders run the risk of increasingly costly site acquisition and redevelopment programmes that fail to repopulate unpopular areas and may even destabilise them while generating large profits for absent investors." (Sprigings, 2007)

Predicting trends in the buy-to-let market is difficult. The prospect of large numbers of vacancies is not one that investors, lenders or householders will want to admit to, for fear of 'talking down' the market still further. But the rapid growth of the sector raises the possibility that investment could be withdrawn, or redirected, with equal speed. This would happen if uncertainties about future capital growth emerge and interest rates on mortgage payments continue to rise more rapidly than rental income. Other options, such as the emerging property 'derivatives' market, might also tempt some investors away from buy-to-let over the next five years or so.

Emerging trends in demand

If the nature of housing supply is changing, what about the other side of the market equation – housing demand?

People move for a mixture of motives – rational, emotional, positive, negative, aspirational, instrumental – which is difficult to unravel. However, it is important to distinguish between different motives and the different geographical levels at which markets operate in order to identify what drives housing demand.

Influences on residential mobility

A 'tenure for life' is becoming as shaky an edifice as a 'job for life'. People are negotiating more flexible routes through the housing system, for example, increasingly using the 'new' private rented sector, living with parents before entering home-ownership or, among older people, moving out of home-ownership and renting to generate cash, avoid tax or invest elsewhere. Whether one sees this as healthy dynamism or damaging turbulence, it poses key questions for how we track and understand changes in the housing system and how policy-makers devise appropriate interventions in response to these changes.

Newly forming households between the ages of 20 and 35 are those most likely to move most often. Bailey and Livingston (analysing the 2001 Census) show that *demographic profiles* explain much of the difference in moving between more deprived areas and elsewhere. They suggest that the evidence does not support the common assumption that poorer areas are subject to high turnover as people move on and move out. After controlling for age and life stage, there is little intrinsic difference in the propensity of households to move (Bailey and Livingston, 2007).

Champion et al. (2007) examine the different patterns of *migration to and from larger cities* within the UK. They show that decades of depopulation in many larger English cities started to slow markedly between 1991 and 2001. Much of their analysis focuses on the higher managerial and professional households – the group often presented as key to city renaissance. London acted as a magnet for such groups in terms of long-distance moves, but there was evidence of them 'drifting' to the outer suburbs with subsequent moves. A similar pattern emerged in other larger cities with flourishing job markets.

Bramley's study (2007) also seeks to determine the factors behind sub-regional market performance and why one neighbourhood fails while another prospers. At the broader sub-regional level, overall economic performance, the health of the labour market and household incomes are important, although the relative salience of these different factors to decisions made by households is unclear.

But it is not just financial imperatives which shape major housing decisions. Hickman et al. (2007), for example, studied high-, medium- and low-value 'rising' markets in Yorkshire and Humber, assessing the aspirations and attitudes of households in these areas. They found that, while affordability, adequacy and accessibility were important, lifestyle and status factors also played a part. Interviewees wanted to live near 'people like us'. They defined this not just in economic terms, but applied more complex criteria such as 'rurality' or 'safety' or 'cosmopolitan diversity'. As estate agents have always known, these households thought 'place' before 'property' and reflected on what their position in the housing market conveyed about them – socially and culturally as well as economically. Households are rarely models of rationality, carefully calculating the cost and benefits of different housing options to the last decimal point; they are influenced by elusive but important social expectations about safety, status and neighbourhood quality.

It is not possible to calculate in an abstract way the relative influence of these different factors: they vary from one market to the next and interact with each other. Generally, moves between nations and regions will be driven by practical and economic motives. Moves within regions and local areas will reflect greater social and cultural nuances, with the household assessing both its 'fit' with the existing population and its own ideas of social and physical mobility. This suggests that housing policies relating to international in-migration need to consider not just the initial point of arrival but also 'second order' or 'adjustment' moves: however, there is as yet precious little information beyond anecdote about how these processes are taking place.

New pressures on local demand

Other important arenas for new demands on some local housing markets include *student housing*, although there are some signs here that the balance of provision is shifting back to the use of purpose-built, gated accommodation university blocks, reducing reliance on the private rented sector. Many larger provincial cities do not retain a high proportion of those graduating from local universities. Retaining graduates has become a core target for many city-regions, especially those with a weaker economic base.

International in-migration, especially since 2004, has also affected demand, but there is little firm evidence about its scale and nature. 400,000 people from the EU accession states registered for work in England between May 2004 and March 2006. However, these figures register only place of work, not place of residence; nor do they account for those who have since left the country or those who have never registered. A recent Audit Commission report (2007) suggests that these workers may not be concentrated in the 'reception areas' commonly the first home to international migrants in and around city centres; there is evidence of pressure on some rural areas, especially around Lincolnshire and East Anglia.

What are the challenges for policy?

The need for a strong strategic steer

Another facet in the process of change has been the fragmentation of function in the main provider of rented housing – the local authority. For good or ill, the council was formerly landlord, investor, allocator, manager, rent setter and, in many cases, developer. As a result of stock transfers and Right to Buy the proportion of housing stock in the local authority sector is now nearly matched by that managed by housing associations. The growth of 'Arm's Length Management Organisations' (ALMOs) has further diversified provision. Much of this change has been linked to the need for local authorities to replace its original role with a 'strategic, enabling' function. However, the capacity of the local authority to operate in this way has itself been restricted, with only a limited number of financial, legal or operational levers with which to make an impact across all housing tenures. The process has also been rendered more complex by the creation of new strategic players on the scene – regional agencies, sub-regional partnerships and 'city region' bodies.

Assessing the complexities of housing market change

In the past, local authorities' assessments of housing markets rarely went beyond rather formulaic exercises calculating the 'backlog' of demand and future trends in the need for housing outside private provision. More sophisticated appraisals are now necessary, due to:

- increased recognition of the multi-layered nature of housing markets, with different factors influencing demand at the sub-regional, district and neighbourhood levels and agencies correspondingly needing to monitor and respond to trends at regional, sub-regional and local authority levels;

- patterns of investment which vary increasingly from one area to the next, due to the different arrangements for stock transfer and arm's-length management (which have in turn released additional resources);

- 'spill-over effects' from one tenure to another (for example, affordability pressures in owner-occupation can have an impact on the demand for social or private rented housing);

- coupling the longstanding concern with housing 'need' to a more active approach to mapping housing 'aspirations', unlocking what influences these at local authority and neighbourhood levels;

- identifying areas of rapid market change, whether due to fluctuations in demand or new supply trends within or near to the area (e.g. city-centre apartments).

This is a demanding agenda for local authorities and their regional and sub-regional partners. The Government has encouraged a more comprehensive stocktake of housing changes, advocating new procedures and information sources for assessing housing markets. This redirection is necessary, but brings with it the inherent complexities of trying to understand market behaviour and the constantly shifting terrain between relatively inflexible supply and often volatile patterns of demand, especially in urban areas experiencing rapid economic growth

The Housing Market Renewal Pathfinders have broken new ground over the past five years, in taking a 'whole market' view of the problems of low demand and population loss (CLG, 2007). But their diagnosis and programmes of intervention have only applied to the most 'fragile' markets. In other localities, different questions need to be asked:

- is it possible to identify those areas potentially on the cusp of decline or those at risk of overheating?
- if so, what type of pro-active interventions are appropriate here?
- what are the consequences for neighbouring areas?
- are we witnessing a growing trend towards ever more polarised patterns of settlement, and can this be prevented?

The prospects for mixed communities

Market-based systems of allocation and distribution tend to reflect, albeit imperfectly, underlying disparities in income and wealth. The question is whether ever more subtle processes of social and economic 'sifting' are taking place, leading to growing geographical concentrations of poverty and affluence – the precise opposite of the Government's aim to provide more mixed and sustainable communities.

Cheshire (2007) is sceptical about the possibility of securing social mix at the neighbourhood level. He suggests that many of the poorest neighbourhoods have been among the most deprived since the end of the nineteenth century – the pecking order has changed little. Neighbourhood factors – such as good schools, low crime rates and high quality amenities – are effectively capitalised in house prices and rents. He argues:

> "The poor do not choose to live in areas with higher crime and worse pollution: they cannot afford not to… The problem is poverty: not where people live."

While Cheshire accepts it seems plausible to suggest that 'neighbourhood effects' may be at work – that living in deprived neighbourhoods compounds the problems of household and individual poverty – he finds relatively little research evidence to support this. He claims that more mixed areas may in fact produce higher *dissatisfaction* among less affluent households – their support networks are attenuated, with fewer options for networking and more limited access to labour markets. He suggests that mixed neighbourhood policies may divert attention from the more fundamental need for effective income redistribution. While some area-based initiatives may be acceptable as a form of targeting, enforced mixing will not bring benefits for either the rich or the poor.

Geoff Meen and his colleagues (2005) track segregation at the national level by employment, tenure and skills. They find little evidence that segregation diminished between 1981 and 2001: on the contrary, movement between areas tends to compound polarisation. Looking at three apparently mixed communities in Manchester, Peterborough and Newcastle, Meen points to the relative fragility of their social and economic composition. Two are likely either to develop into predominantly owner-occupied areas through Right to Buy or to slip into largely rented markets if values fall and owners sell up. In some disadvantaged neighbourhoods, he suggests, large-scale, sustained policy interventions may stimulate 'gentrification', but the pace and direction of this may be very difficult to predict or control.

The underlying message is that it is very difficult to direct, channel or contain market processes. Left to their own devices, these will tend to produce increasingly uniform neighbourhoods rather than mixed communities. This offers a chastening corrective to some of the more ambitious ideas for achieving social mix in neighbourhoods, but it is not a reason for doing nothing. It suggests that the sophisticated processes at work in housing markets demand an equally sophisticated policy response, combining financial, planning, housing and neighbourhood management measures. Some of these are reviewed next.

How can policy-makers respond?

The overall message from the research is that regional or sub-regional housing strategy needs to focus on tailoring a limited number of strands for intervention to market type and function. It will also need to smooth out some of the more localised frictions stemming from any rapid changes in mobility aspirations, settlement patterns and affordability trends. Strategy needs to be market-centred, reflecting what is happening in the whole of the local housing market, rather than focused on a particular tenure or policy sector. Policy measures are likely to have more impact if they 'tilt' the market in certain directions rather than attempting to reconfigure it. The way in which housing markets work in different neighbourhoods tends to persist over time; evidence of wholesale transformation is relatively limited.

In the past, housing investment programmes have focused on what is required from public funds to meet outstanding housing needs. But this 'deficit' approach does not match the dynamics of the housing market. As the growth of the buy-to-let market demonstrates, these dynamics constantly resolve problems – and create new ones.

Which households should policy address?

Housing strategies need to be targeted on those households which express their aspirations or circumstances by moving. These households are crucial because their decisions and actions have spatial consequences and will reveal most clearly those parts of the housing system that are under most pressure – and where strategic responses may be most needed. Strategies need to go beyond anticipating demand purely in terms of future household size. They also need to focus on the economic, social and cultural characteristics of these groups, and setting these alongside the types of housing and neighbourhood on offer to them. The following types of household will be especially significant here:

Students

The extent to which universities are investing in purpose-built accommodation clearly has ramifications for the 'mainstream' sector, especially in private renting. The recent trend of parents buying cheaper properties for their children during their life as undergraduates may prove difficult to sustain as the twin pressures of increasing prices and other demands on parental assets begin to bite.

Recent graduates

Retaining graduates may be a key policy objective for those areas with large student populations which are lagging behind in terms of economic growth and housing investment. Housing itself may be a secondary concern in terms of their decision to stay or go: wider 'quality of place' factors are often more influential.

New urbanists

For this group of childless households in city-centre apartments economic reasons for moving are often secondary to less easily defined 'lifestyle' reasons – the wish to be close to the 'buzz' that certain city centres are deemed to provide, as well as to niche (and rapidly changing) 'leisure and pleasure' markets.

Long-distance movers

This group is crucial to cities, districts, and regions attempting to close the gap between economic growth in the north and the south of England. More rural areas in the north may also offer more affordable opportunities for the retired, semi-retired or economically footloose ('homeworkers' of various kinds) than equivalent areas in the south. Local infrastructure, such as transport and schools, is often more significant in decisions to relocate than the quality of properties.

International economic in-migrants

The impact of these households, especially given the growth in number since 2004, on local housing markets is one of the most crucial gaps in our understanding of how housing markets are changing. There are a number of questions here:

- the extent to which in-migrants interact with existing households from their country of origin, for example, through churches and cultural facilities, or whether they settle in different neighbourhoods;
- whether this group is composed of single men looking for accommodation, or whether affordability barriers mean in-migrants club together to form households;
- how closely initial moves into the city-region are followed by 'adjustment' moves, possibly to smaller settlements outside the main 'reception' markets.

Established minority ethnic communities

Rates of household formation are clearly crucial in determining levels of demand and these rates vary between and across communities. The demographic profile of many minority ethnic communities produces high rates of household formation, placing pressure on already densely populated areas.

One key factor for housing markets is whether the emerging generation in these communities makes different decisions on where they live from those of their parents. Qualitative research in Birmingham among the South Asian community (Bains, 2006), for example, suggests that younger people are as interested in living in or near to vibrant city and town centres as in being close to culturally specific facilities and amenities.

Family builders

This group tends to place priority on relative affordability, within a fairly uncongested and self-contained 'market town' or a more traditional suburb of two- and three-bedroomed houses. Those living in city-centre apartments are likely to want 'next stage' accommodation as they start families but there is currently little such accommodation in city centres. The quality of local schools is also likely to be a strong influence on whether or not they decide to move.

Empty nesters

Much of the pressure on the rural and semi-rural parts of the city-regions stems from those retiring or about to retire, cashing in or transferring their assets to move out of town. In more remote rural areas, they may be competing with second home-owners. Both these groups intensify problems of affordability for young local people. For empty nesters, future demand is likely to be affected by other claims on their assets, for example, supporting children through higher education or into home-ownership, or in making provision for their own old age. Research by Rowlingson and McKay (2005) suggests that many might continue spending on themselves (as 'Skiers': spending their kids' inheritance).

The asset- and income-poor

As the rate of those who have at some time been owner-occupiers increases, the gap between that group and those who have always rented grows ever starker (especially as welfare provision increasingly expects assets to supplement public expenditure support). These households live in less popular social housing estates and in parts of the private rented sector with poorer stock quality, management and repair standards. They are most vulnerable to market fragility, have least opportunity to seek other options and are most likely to be pushed into ever more concentrated areas if affordability problems elsewhere bring new pressures on areas where prices have previously been low. This group risks becoming increasingly detached from the rest of the housing market unless specific measures are taken to 'reconnect' them. The research by Meen et al. (2005) suggests that neighbourhoods falling below a certain economic threshold will require large-scale, sustained public investment.

What policies are needed?

Duncan Maclennan has recently advocated reconfiguring social housing organisations as agents with active asset management responsibilities, engaging in land development and service provision as well as community-based neighbourhood renewal (Maclennan, 2007). The recent creation of Communities England at national level may help to stimulate a much-needed debate about organisational focus, purpose, accountability and remit at the sub-regional and district levels. This, coupled with the outcome of the current Calcutt review into the institutional structure for the delivery of housing and regeneration programmes, may help to make future investment holistic, market-aware, geographically targeted and strategically cogent.

For local authorities, regional and sub-regional bodies, the response to market change requires a broad range of financial, land use, development and environmental measures to act as a catalyst for private sector investment. These measures might help to provide the flexibility of response and clarity of purpose needed to reinvigorate less popular areas, to broaden access and extend opportunities for diverse household requirements. These interventions might include:

Strategic planning measures

The wider uptake of Section 106 funding is a positive development in programmes seeking to mitigate the continual tug towards residential segregation through market forces. It may also be fruitful to 'guide' displacement towards 'second order' rural areas (for example, to the north of the greater Manchester conurbation, or to the south and east of West Yorkshire cities). But this is only possible where there is a mixed profile of markets within a sub-region, not a uniform picture of high demand and low affordability, as in some of the most pressured areas.

Developer partnerships

While many large housebuilders remain wedded to speculative developments for outright sale, a growing number of companies, including larger housing associations, are developing more varied portfolios, through work on regeneration, infill sites, intermediate tenures and the like. There is an ongoing debate about whether joint initiatives stand a better chance of success in 'marginal' markets rather than working on the 'worst first'. For the latter, a high level of public subsidy is often needed to attract private sector interest. Measures to promote joint funding of investment need to be moderated against prevailing market fortunes, rather than assuming that 'leverage' of private sector support will always be at hand whatever the context.

Environmental and dwelling design

Attracting new residents to less popular areas often means stressing the distinctiveness of what is on offer. This is particularly the case for newer groups, such as urban entrepreneurs or new households from established minority ethnic communities. 'Quality of place' rather than 'quality of housing' becomes the key ingredient. Policy interest in 'place making' has grown recently, though this has not always led to tangible, costed, interventions. The importance of iconic design has grown as a means of attracting those groups who move as much because of cultural as economic factors. Other developers now take the involvement of agencies like Urban Splash in a programme as a key indicator for market potential. This approach often capitalises on the historic attributes of places in creative ways that reflect emerging urban lifestyles.

Market restructuring

Experience of harnessing private sector investment to public sector support is growing. In some cases the public sector can provide the initial impetus in renewing neighbourhoods, after which the market can 'do its own work'. But it remains difficult to see the private sector taking on the most challenging aspects of remodelling neighbourhoods: more likely is a continuing trend of relatively 'low spec' new developments in areas with lowest land values. This may provide a short-term fix to affordability problems but will do little to reinvigorate less popular places in the medium term – and may leave them at continuing risk should demand pressures elsewhere start to ease. However difficult a nettle it is to grasp politically, sustained public investment – aimed at transforming neighbourhoods as well as housing – is likely to offer the only way forward if these neighbourhoods are to gain a different position in the housing market 'map'.

Neighbourhood management and community support

Two particular components of housing market change demand attention here:

- programmes of community support are often needed for neighbourhoods where there is declining demand and an ageing population and where those affected cannot afford private options for their longer term care;
- the housing choices and aspirations of households, both from existing minority ethnic communities and from recent in-migration, will require the development of social cohesion strategies that reach across districts to mitigate potential frictions and pressure points in the housing market. This is the area where there is most need to understand how people's aspirations and settlement patterns are changing (Cole, 2006).

Financial incentives and compensation

Measures to offer equity loans to home-owners displaced by clearance and redevelopment programmes, to promote intermediate forms of tenure and to release equity for tenants are all being developed. They will help reduce the tenure-specific nature of housing subsidies. More fundamental measures for public subsidy and taxation, going well beyond housing, could affect the housing market but are highly unlikely to be on the political agenda. Cheshire's research (2007), for example, suggests that area-based programmes are little more than elaborate ways of rearranging the deckchairs: thoroughgoing redistribution of income and wealth, he suggests, is the route to creating genuinely mixed communities. But it is difficult to see any of the main political parties putting this at the heads of their manifestos at the next general election.

The reorganisation of social housing

Delivering a range of policies at the local level will require considerable organisational robustness and a sophisticated understanding of changes in the market. In hindsight, the current patchwork quilt of local authorities, ALMOs, stock transfer bodies and large, medium and small housing associations is a difficult starting-point for this. As the Housing Market Renewal programme has shown, it is never easy to graft new bodies on to existing infrastructure. As stated above, more fundamental reorganisation will be needed if pro-active and versatile interventions in markets are to be undertaken.

Conclusion

The research projects that have fed into this review have tended to underline the extent to which untrammelled market processes reinforce residential segregation and polarisation. Interventions to produce more socially mixed neighbourhoods are only likely to succeed within fairly narrow parameters and, possibly, for a limited period of time. More could be achieved if social housing developments were concentrated in higher value private neighbourhoods, but this is unlikely to prove politically acceptable.

There is a less consistent message about whether the most deprived neighbourhoods are becoming increasingly cut-off and isolated. Some of the assumptions that they are ever more chaotic places, constantly 'churning' as residents pass through with ever increasing rapidity, are shown to be largely unfounded. However, there is also evidence that, increasingly, the poor are concentrated in the least desirable neighbourhoods.

For most of the past century, the development of housing policy in England has been unremittingly 'tenure-specific'. Over the past ten years, however, there have been growing signs that the sharper edges of tenure segmentation have started to erode, being replaced, haltingly, by a more fluid housing system. Housing policy in itself has played only a minor role here – factors such as demographic change, the deregulation of the financial sector, and the distribution of income and wealth have had more influence.

In responding to those markets where friction between demand and supply are most acute, local authorities and other agencies will need to use a flexible range of measures, working with the grain of the market to tilt it in directions to enhance possibilities for social equity. The room for manoeuvre for public intervention is inevitably limited, but the following steps might make it more effective:

- the development by local and sub-regional agencies of more fleet-footed systems of market monitoring (alongside more comprehensive but also more cumbersome approaches) to alert them more readily to emerging market changes, so that policy can anticipate – rather than react to – change;

- a more targeted approach to tracking the perceptions and aspirations of key household groups, such as recent graduates, minority ethnic communities, economic in-migrants and 'family builders';

- an explicit hierarchy of policy measures for different local markets – defining them, for example, as in need of sustained transformation, on the margins of decline, or as reception areas for in-migrants;

- the development of a more coherent social housing sector at sub-regional, district and neighbourhood levels, with a broader remit and extended strategic capability.

Housing markets change continuously and may always evade public policies designed to shape them to operate in a particular way. We need to develop a more flexible regime of intervening in the market through different legal, financial, regulatory and management measures over different geographies and for different time frames, even if this is still some way off. This may help to secure more beneficial outcomes than the current system. The state's role is still too restricted within one of the three main tenures at the expense of developing creative ways of harnessing the strengths of different sectors to meet household needs, aspirations and economic circumstances as they change throughout the lifecourse. Judicious and flexible public intervention, supported by reliable and up-to-date housing market intelligence, is needed. There is after all, precious little evidence to show that housing markets are self-sustaining without it.

About this paper

This summary is based on a fuller paper written by Ian Cole, Professor of Housing Studies and Director of the Centre for Regional Economic and Social Research at Sheffield Hallam University, **Shaping or shadowing? Understanding and responding to housing market change in England**. This is available for download from www.jrf.org.uk.

The overview draws on the JRF's programme of work on housing markets and on other relevant studies in the field. Three projects, looking at ethnicity and housing markets, are still ongoing.

References

The paper draws on the following reports. Reports published by the JRF (sometimes in association with other publishers) are available for free download: the direct web address for each report is given where available at time of printing. You can also find other reports, *Findings* summaries and information on work in progress at www.jrf.org.uk.

Audit Commission (2007) *Crossing borders: Responding to the local challenges of dealing with migrant workers*, Audit Commission: London

Bailey, N. and Livingston, M. (2007) *Population turnover and area deprivation*, The Policy Press: Bristol (http://www.jrf.org.uk/bookshop/eBooks/2004-population-census-deprivation.pdf)

Bains, J. (2006) *Futures housing: Housing needs, choices and aspirations of South Asian communities in the West Midlands*, Ashram Housing Association: Birmingham

Bramley, G., Leishman, C., Kofi Karley, N., Morgan, J. and Watkins, D. (2007) *Transforming places: Housing investment and neighbourhood market change*, JRF: York

Champion, T., Coombes, M., Raybould, S. and Wymer, C. (2007) *Migration and socioeconomic change*, The Policy Press: Bristol (http://www.jrf.org.uk/bookshop/eBooks/2030-population-census-deprivation.pdf)

Cheshire, P. (2007) *Segregated neighbourhoods and mixed communities: A critical analysis*, JRF: York

Cole, I. (2006) *Improving the residential offer in the Leeds City Region (Appendix 3: Leeds City Region Development Plan 2)*, Leeds City Council: Leeds

Communities and Local Government (2007) *National evaluation of the HMR Pathfinder Programme – Baseline report*, Communities and Local Government: London

Council of Mortgage Lenders (2006) 'Buy-to let: here to stay?' *News and Views* 16, Council of Mortgage Lenders: London

Hickman, P., Robinson, D., Casey, R., Green, S. and Powell, R. (2007) *Understanding housing demand: Learning from rising markets in Yorkshire and the Humber*, Chartered Insitute of Housing: Coventry (http://www.jrf.org.uk/bookshop/eBooks/1967-housing-demand-markets.pdf)

Maclennan, D. (2007) *Better futures for social housing in England*, Joseph Rowntree Foundation: York (http://www.jrf.org.uk/bookshop/eBooks/2025-future-social-housing.pdf)

Meen, G., Gibb, K., Goody, J., McGrath, T. and Mackinnon, J. (2005) *Economic segregation in England: Causes, consequences and policy*, The Policy Press: Bristol (http://www.jrf.org.uk/bookshop/eBooks/1861348428.pdf)

Rowlingson, K. and McKay, S. (2005) *Attitudes to inheritance in Britain*, The Policy Press: Bristol (http://www.jrf.org.uk/bookshop/eBooks/1861347707.pdf)

Sprigings, N. (2007) *Thematic report – Buy-to-let housing market in the HMR Pathfinders*, Communities and Local Government: London

Published by the Joseph Rowntree Foundation, The Homestead, 40 Water End, York YO30 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

Read more Round-ups at www.jrf.org.uk

Other formats available.

Tel: 01904 615905 email: info@jrf.org.uk