Shaping or shadowing?

Understanding and responding to housing market change

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Introduction

It is our national obsession. The current state of the housing market is a perennial theme in media headlines, public debate and policy analysis – usually when house prices rise, especially if the average property price passes an apparently significant (but actually quite arbitrary) 'milestone' – as when it recently passed the £200k mark. Thus the *Daily Mail* reported on its front page (9.3.07) on '*the homes that earn more than their owners do*' – a response to an average increase in property prices (from the Halifax index) of £3,400 during February 2007 (£122 per day) compared to an average monthly wage of around £2,000. Even if this startling claim does not bear close statistical scrutiny, it illustrates how housing price changes permeate popular political and economic comment. And it has also been suggested that the need to increase the supply of affordable homes will be a central priority of an incoming Gordon Brown administration (*The Guardian* 8.5.07). But this breadth of coverage and interest is rarely matched by an equivalent breadth of knowledge and understanding to questions that lie behind these headlines, such as:

- What drives housing market change?
- Will affordability problems continue for the foreseeable future?
- What causes people to move or to stay put, and does that vary between long-distance and shorter distance moves?
- Are local housing markets becoming more spatially polarised? If so, what policy measures if any can be taken to counter this trend?
- What accounts for some neighbourhoods becoming increasingly popular while others suffer from stagnant or declining demand?
- Are tenants being left behind by this escalation of property prices? Should they be 'compensated' for their lack of property assets? What are the prospects for those new households who cannot now gain access to home ownership because of affordability problems?

- After 12 years of continuous real price increases, will the housing bubble burst? And, if so, how, why and when?
- How could we improve our understanding of how housing markets work, so that emerging trends and new departures can be anticipated by policy makers?
- Are markets capable of being harnessed by government intervention to operate in particular ways, or will they always remain elusive to policy 'capture'?
- Is mobility and residential turnover more prevalent in deprived neighbourhoods and, if so, how does this affect area-based initiatives designed to regenerate areas and achieve more sustainable communities?

These are straightforward enough questions but they rarely lead to straightforward answers, and much is contested – both in terms of academic research and in the policy implications that emerge from any research findings. At heart, many questions turn on the extent to which, in a national housing system like Britain's where more than four our of five households live in the private sector, public policy can direct market change or whether it is destined to follow in its wake, picking up the pieces as it goes along: whether it can *shape* market outcomes to achieve social and economic goals, or whether it merely *shadows* the process of change and responds belatedly. This document reviews some recent research undertaken for the Joseph Rowntree Foundation on different facets on contemporary housing markets in Britain and reflects on the possibilities for future policy development.

For most of the past century, the development of housing policy in Britain has been unremittingly 'tenure-specific', reflecting the degree to which tenure categories have shaped demographic, economic and social divisions: not just in terms of the housing market, but as a more general signifier of status. Thus the popular use of a term such as 'council estate' often carries with it a whole raft of ancillary assumptions about the social and economic dynamics of such neighbourhoods. It is striking that two of the most significant housing policies over the past 25 years – the right to buy and the transfer of housing stock from local authorities to other bodies – in essence involve nothing other than *tenure switch.* They do not affect directly the fundamentals of housing access, standards, costs or quality. The intense reactions and the reams of commentary provoked by these policies are themselves testament to how much the housing system remains dominated by tenure – which is, after all, simply a legal categorisation for specific rights of property ownership.

Over the past 10 years, there have been growing signs that the sharper edges of tenure segmentation have started to erode, and are being replaced, haltingly, by a more fluid housing system. Government 'housing policy' in itself has played only a minor role here – factors such as demographic change, the deregulation of the financial sector and the pattern of the distribution of income and wealth have had more influence. It is worth recalling, for example, that no housing market analyst and no housing policy-maker was predicting 10 years ago that the buy-to-let sector would grow to reach 850,000 mortgages by 2007 (Council of Mortgage Lenders, 2007). This sectoral transformation has taken place without any special prompting from 'policy' as it were – it is the manifestation of other currents of change in the allocation of financial assets, in land availability, and in changing patterns of urban consumption. During this process of rapid change, the boundaries between different tenures have become more porous (as illustrated by the recent growth of the 'intermediate' housing market), and households' experiences *within* tenures have become more diverse.

As the pace of demographic change, economic opportunity and residential mobility quickens, the vital ingredients for any successful housing market can be summarised in terms of its:

diversity – offering a sufficiently wide range of housing options (in terms of dwelling design, size, type and location) to respond to growing cultural differentiation, shifting work patterns and trends in household formation;

fluidity – in particular, achieving an optimum balance between housing outcomes offering stability and security and those able to respond more quickly to rapid shifts in needs, demands or preferences. In part this requires a responsive rented sector and sustainable prospects for owner-occupation;

affordability – ensuring access is possible across a wide spectrum of values and that more affordable housing is not concentrated in particular areas, inhibiting choice and the prospects for labour mobility;

quality – of both property and of place. This involves high standards of stock condition, housing and neighbourhood management, environmental quality, improved communications and better schools, services and amenities.

The overall aim of public policy might therefore be described as the development of interventions that will produce a more dynamic housing system, responding pro-actively to emerging social and economic changes, rather than lagging behind them. The current jigsaw – with myriad regional and sub-regional housing, planning and economic strategies, disparate forms of social housing provision, and a wide array of products offering financial support, through lending and/or equity release, to those on the margins of home ownership – does not offer the most coherent starting point for achieving this aim.

Several reports recently published by the Joseph Rowntree Foundation help to shed some light on the changing operation of the housing market in recent years, and, together, they help to provide a better evidence base on changes at national, regional, local and neighbourhood levels. They have thereby highlighted key challenges for future public policies, programmes and reforms. To begin with the basics, we need to look at the core constituents of the housing market itself, by understanding emerging trends in supply and demand.

The changing dynamics of housing supply

After 30 years of relative neglect, the dynamics of housing supply are receiving renewed research and policy attention. The Barker reports (2004, 2006) proposed that a boost in supply in both public and private sectors would mitigate the growing problems of affordability in the English housing market. This has prompted an important debate about how this objective might be reconciled with planning guidance emphasising restraint and sustainable development on brownfield sites. While developers press for less stringent land release strategies in revised regional spatial strategies, their opponents point to a high volume of developable land in planning pipelines in some areas, land banks and spiralling surpluses for some key players in the development industry.

Because of the distinctive nature of housing as a commodity – it is a 'merit' good, a fixed asset and both an investment and consumption good – the housing market does not always obey standard economic logic. So will a stimulus to supply lead to a fall in relative prices? Only up to a point, would seem to be the answer.

The impact of housing investment

Bramley *et al* (2007) examined trends from the early 1990s to 2005 to assess how new housing investment in both the social and private sectors affects price levels and neighbourhood viability. They conclude that the development of new *private* housing has a negative effect, as one might expect, on property prices at the broader housing market area/district level, where supply-demand effects predominate. The negative effects are greater in lower demand areas, suggesting that there is a greater vulnerability here to the prospects of oversupply. The effects at a more local, neighbourhood level, however, may be positive, as a result of increased confidence and positive social and environmental benefits. Overall, the authors suggest that the scale of the effects of new investment on prices is quite modest when compared with other economic and deprivation factors. Building one's way out of a housing affordability problem would seem, therefore, to be far from a straightforward process.

Bramley and colleagues found that new *social* housing tended to have more positive than negative direct effects on price levels, especially at local authority level. However, new social housing developments tended to be concentrated in poorer areas, thereby intensifying the negative indirect effects of poverty. A more balanced impact would therefore be secured if new social housing were developed in more affluent areas. Of course, such a policy might not be politically palatable and it could also reduce outputs from a given level of resources, due to relatively higher land and other costs.

In many urban areas, patterns of housing supply are being transformed not by pressures from actual and potential housing consumers, but by the decisions of investors, through the development of the buy-to-let market. While Bramley *et al* note that the relative property price performance in English cities has started to improve, after decades of depopulation and suburban drift, this is not wholly the product of an ‘urban renaissance’ stimulating new demands from ‘knowledge workers’ finding a home: it is also about domestic and international investment assets finding a home in property rather than other forms of equity.

The rise of the investor market

This new investor market takes two basic forms: the city centre apartment market targeted at young professionals, students and recent graduates, and the more disparate patterns in weaker markets, due to private landlords buying properties at low prices and then 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). To put this in perspective, the market accounted for just 0.4 per cent of mortgages in 1998. The number of mortgages in 2006 increased by 21 per cent and the value increased by 57 per cent over the previous year (Council of Mortgage Lenders, 2007).

The distinctive English phenomenon of householders in their mid 20s entering home ownership has started to subside, if not disappear over the horizon altogether. While the Council of Mortgage Lenders claims that this is due to changing attitudes towards renting, the increasing affordability barriers towards home ownership are perhaps more likely to have caused this shift in market behaviour. But the interests and attitudes of investors offer equally telling reasons for the market growth of this sector.

In their study of rising markets in Yorkshire and Humberside, Hickman and colleagues (2007) consider the impact of investor markets on the housing system. They suggest that decisions about investment are often taken blind and that city centre markets often contain a high proportion of vacant properties, because the primary interests of investors are in equity growth rather than rental streams. One analyst has claimed that 17 per cent of the buy-to-let new build stock has been vacant for more than 12 months (*Inside Housing*, 23.2.07). However, in relatively low value areas such as Beeston Hill in Leeds, private landlords did want the rental stream as income and were attracted by the yields they could secure after purchase at low prices, with little additional investment made before letting. Others were attracted into the market as a means of spreading risks in case of future problems in city centre markets.

Yet other investors were seeking to maximise opportunities for speculative growth with the advent of area regeneration.

This last factor has probably played a part in driving up prices in some housing market renewal (HMR) areas. A study of buy-to-let in HMR areas has suggested that the ability to move in and out of the sector was attracting interest and that the announcement of the programme may have prompted the temporary over valuation of the stock. The danger was 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 p5).

To the extent that the buy-to-let market is beating to a different drum, it becomes more difficult to predict future trends and tendencies. The prospect of large number of vacancies and a downturn in values is not one that investors, lenders or householders will want to admit to, due to fears of 'talking down' the market still further. But it has to be acknowledged that the very impetus behind the rapid growth of the sector always raises the possibility that investment could be withdrawn, or redirected elsewhere, with equal speed. This would happen if uncertainties about future capital growth emerged, and if interest rates and mortgage payments continued to rise more rapidly than rental income. The returns offered by the emerging property 'derivatives' markets, for example, might also begin to tempt some investors away from buy-to-let.

If the nature of housing supply is starting to take on new attributes, what about the other side of the market equation – housing demand?

The drivers of housing demand

People move for a mixture of motives – rational, emotional, positive, negative, aspirational, instrumental. It is difficult for research to unravel this bundle of factors, not least because respondents are often tempted to provide rationalisations (given the financial consequences at stake) for what may in fact have been, deep down, an instinctual or impulsive decision. That said, attempts to identify the main drivers of housing demand need to distinguish between different categories of motivation and different geographical levels at which markets can be said to operate.

Influences on residential mobility

Clearly, the propensity to move varies by age and household type: the key group in terms of high mobility rates are those emerging and newly forming households between the ages of 20 and 35. Bailey and Livingston (2007), for example, look at the phenomenon of 'churn' in the population in deprived areas by analysing mobility patterns as recorded in the 2001 Census. They show that the pervasive assumption that poorer areas will be subject to high turnover, as people move on and move out, is not supported by the empirical evidence. Much of the difference in mobility rates between more deprived areas and elsewhere, they suggest, can be explained by the different demographic profile of areas: after controlling for age/life stage, there is little intrinsic difference in the propensity of households to move.

A further aspect affecting demographic profile of areas is in terms of migration effects. Champion *et al* (2007) examine the different patterns of migration to and from larger cities, on the basis of the 2001 Census. Many larger English cities have been suffering from depopulation in the past 30, 40 or 50 years, but Champion and his colleagues show that this had started to slow down markedly in the period 1991-2001. Much of their study is focused on the higher managerial and professional households, as these are often presented as the key group to attract in order to achieve a city renaissance. Their analysis shows that London acted as a magnet for such groups in terms of long-distance moves, but the central urban core did not retain these groups – there was evidence of 'outer suburban' drift as subsequent moves were made. Those larger cities that had experienced local job growth tended to attract higher proportions of managerial and professional in-migrants, but a similar pattern emerged here of a drift from the city centre to the city region hinterland.

New sources of housing demand

Student in-migration is a further source of demand, and the expansion of higher education over the past 20 years has helped to boost many city centre markets. Many larger provincial cities, however, do not retain a high proportion of graduates once they leave university. Graduate retention has become a key component in measures to improve the housing offer in many city regions, especially those areas with a weaker economic base.

Another factor affecting demand, which is poorly covered by the 2001 Census, concerns the impact of international in-migration, especially since 2004. Given the high profile and sensitive nature of the issue, there is a lack of firm evidence about the scale and nature of this influx. It has been established that 400,000 people from the EU accession states registered for work in England between May 2004 and March 2006. However, these figures concern worker registrations only at the place of work rather than their place of residence – they do not account for those who arrived but have since left the country, or those who have arrived but have not registered. There is some evidence from a recent Audit Commission report (2007) that the pattern of settlement differs from the usual trend of concentrating in 'reception areas' in and around city centres. There is evidence of pressure on some rural areas, especially around Lincolnshire and East Anglia.

Mobility and 'rising' housing markets

Bramley's study looks back at trends from the early 1990s to 2005 to identify the main factors behind sub-regional and neighbourhood market performance. The study also seeks to identify the factors that cause the market in one neighbourhood to fail, while another prospers. At the broader sub-regional level of analysis, overall economic performance and prosperity, the health of the labour market and household income levels are of vital importance. The relationship between the housing market and the wider economy – and the extent to which one is the barometer of the other – is contested territory. And while economic resources are the key currency for entering, and remaining in, the private housing market, it would be misleading to conclude that financial imperatives alone shape major housing decisions.

The study by Hickman *et al* (2007), for example, challenges the extent to which 'push-pull' models of residential mobility apply. They studied high, medium and low value rising markets in one region – Yorkshire and Humberside – and undertook a qualitative assessment of the aspirations and attitudes of households in these areas. They found that while the essential 'three As' of affordability, adequacy and accessibility were important in shaping preferences, they were underpinned by different narratives that emphasised lifestyle and status factors. Respondents wanted to live near ‘people like us’: not just in generic economic indices of income and wealth, but in terms of perceived compound attributes such as ‘rurality’ or ’safety’ or ‘cosmopolitan diversity’. As estate agents have always known, these households thought ‘place’ before ‘property’ and reflected on their own position in the housing market and what it conveyed about their direction of travel – socially and culturally as well as economically. The model of the atomised rational consumer calculating the cost and benefits of different housing options is mediated by elusive but important social expectations about neighbourhood qualities.

It is not possible to calculate the relative influence of these different factors, as they vary from one market to the next and interact with each other. Generally, inter-regional and international mobility will by driven by more instrumental and economically derived motives; intra-regional and localised moves will bring in finer grain understanding of social and cultural nuance and how the household might ‘fit’ – with both the indigenous population and with their own narrative of social and physical mobility. It suggests that, when considering issues such as international in-migration, attention needs to be devoted to ‘second order’ or ‘adjustment’ moves that are made as well as the initial point of arrival. There is as yet precious little information beyond anecdote about how these processes are taking place.

How can policies respond to housing market change?

Households are themselves negotiating a path through the housing system in a more flexible way (as in the increased resort to the ‘new’ PRS, or remaining in the parental home prior to entering home ownership, or among more elderly ‘silver sellers’ moving out of home ownership and choosing to rent instead to generate cash, avoid tax or invest elsewhere). A tenure for life is becoming as shaky an edifice as a job for life. Whatever view one takes of this trend (a healthy dynamism, or a damaging turbulence) it poses key questions for the way changes in the housing system are tracked and understood and how appropriate interventions are devised in response to them.

The fragmentation of social housing

Another facet in this 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 housing associations, and the growth of arms length management organisations (ALMOs) has further diversified housing provision. Much of this divestment of function has been accompanied by reference to the need for local authorities to take on a new role, as lead orchestrator and co-ordinator in the housing market – the strategic, enabling role. But this shift to a strategic function has often been more rhetorical than substantive, and there are also now new strategic players on the scene in the shape of regional agencies, sub-regional partnerships and city region bodies.

Multi-level governance and multi-level strategies

As the operation of housing markets has become more complex, so has the policy machinery at sub-national level. In the past, housing market assessments by local authorities rarely went beyond rather formulaic exercises in calculating the backlog of demand and future trends in the need for sub-market housing. What is now required are more sophisticated appraisals, 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 a corresponding differentiation in roles of regional, sub-regional and local authority level agencies to monitor and respond to market trends;

- an increasingly differentiated pattern of investment from one locality to the next as a result of the different profiles of stock transfer and arms length management arrangements, which have in turn released additional resources;

- the need to factor in ‘spill-over effects’, both in terms of tenure and geographically;

- coupling the longstanding concern with housing need to a more pro-active approach to mapping housing aspirations, while unlocking the determinants of residential mobility at local authority and neighbourhood levels;

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

This is a demanding agenda for local authorities and their regional and sub-regional partners to respond to. A more comprehensive stocktake of housing changes has been encouraged by Communities and Local Government (CLG) through advocating procedures and information sources to be used in housing market assessments. The shift in focus is necessary, for the reasons listed above, but it 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 broke new ground in taking a ‘whole market’ view of the problems of low demand and population loss but this programme only applied to the most ‘fragile’ markets – what about areas potentially on the cusp of market decline or those markets at risk of overheating? What can be learnt about the different types of problems here, and their consequences for neighbouring areas? Are we witnessing a growing trend towards ever more segregated and polarised patterns of residential settlement, and can this be prevented?

Housing market change and 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 – moving in precisely the opposite direction to the government’s aim of providing more mixed and sustainable communities.

Paul Cheshire (2007) offers a sceptical view 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. He claims that the reason this is the case is that neighbourhood factors such as good schools, low crime rates and high quality amenities are effectively capitalised in house prices and rents – they ‘stretch’ the value spectrum. 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’.* (p2)

While Cheshire accepts that it is plausible to suggest that neighbourhood effects may be at work – that living in deprived neighbourhoods makes the experience of poverty worse – he finds scant research evidence to support this. He claims that more mixed areas may produce higher dissatisfaction among less affluent households: their support networks are attenuated, and processes of labour market matching and networking may be impaired. 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 (Meen *et al*, 2005) track evidence of segregation at the national level according to employment, tenure and skills and find little evidence that segregation has diminished in the period 1981-2001. They also find that processes of migration tend to compound segregation and polarisation. Meen looks at three apparently mixed communities in Manchester, Peterborough and Newcastle and points to the relative fragility of their social and economic composition. Two of the areas are in transition and are likely to develop into predominantly owner-occupied areas, through right-to-buy, or slip into largely rented markets if values fall and owners sell up and move out. In some disadvantaged neighbourhoods, they suggest, large scale and sustained policy interventions may stimulate a process of gentrification but the pace and direction of this process may be very difficult to predict or control.

The underlying message from this research is that it is very difficult to control, channel or contain market processes which, left to their own devices, will tend to produce serial homogeneity at neighbourhood level rather than the mixed communities beloved of public policy. While this offers a chastening corrective to some of the more ambitious ideas for achieving social mix in neighbourhoods, it is not a reason for doing nothing. It suggests that the sophisticated processes at work in the housing market demand an equally sophisticated policy response, combining financial, planning, housing and neighbourhood management measures. Some of these are reviewed below.

Modifying the market? Some key groups and policy options

The overall message from the research programme funded by the Joseph Rowntree Foundation is that regional or sub-regional housing strategy will need to focus on tailoring a limited number of strands for intervention to market type and function, and ameliorate some of the frictions between sub-markets stemming from any rapid changes in mobility aspirations, settlement patterns and affordability trends. The strategies need to be market-centred, 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 market function of different neighbourhood tends to persist over time and evidence of wholesale transformation being achieved is relatively limited.

In the past housing investment programmes have been focused on 'deficit' models of intervention, i.e. what is required from public funds to meet outstanding housing needs. But a deficit approach of topping up interventions fails to do justice to the tenacity of housing market dynamics, which constantly resolve problems and create new ones. The growth of the buy-to-let market is a recent manifestation of this syndrome.

Diagnosis of housing market change is possible through tracking statistical shifts in indicators such a property prices, but an understanding of changing aspirations and preferences needs to reach directly to the key groups concerned. Housing strategies need to be targeted on those households whose aspirations, and response to current circumstances, are most likely to be reflected in terms of mobility – in other words where their decisions and actions have spatial consequences. Their decisions and actions will reveal most clearly those parts of the housing system that are under most pressure, and where strategic responses may be most needed. It is necessary to go beyond anticipating demand purely in terms of future household size, and focus on the economic, social and cultural characteristics of these groups, to place alongside the residential offer open to them. The following types of household will be particularly significant here:

- *Students* – the extent to which universities are investing in their own purpose-built accommodation to meet anticipated demand clearly has direct ramifications for the mainstream sector, especially in private renting. The recent trend of parents buying properties at the low value end 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* – the retention of graduates may form a key policy objective for those areas with large student populations which are lagging behind in terms of economic growth and housing investment. Housing in itself may be a second order concern in terms of their decision to stay or go, as wider ‘quality of place’ factors are often more influential. The foundations of ‘knowledge economies’ – from Silicon Valley onwards – have always placed as strong an emphasis on cultural attributes of place as a means of attracting labour as manufacturing economies used to place on access to primary raw materials.

- ‘*New urbanists’* – the key attribute of this group of childless households in city centre apartments is that economic motives behind mobility decisions are often secondary to less easily defined lifestyle reasons – the need 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 in-migrants* – this group is crucial to attempts by cities, districts, and regions to close the gap between rates of 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. Infrastructural factors such as transport and schools are often more significant in decisions to relocate than the property quality *per se.*

- *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 first concerns the extent to which these in-migrants will interact with existing households from their country of origin, for example through churches and cultural facilities, or whether they will settle in different neighbourhoods. The second is the degree to which the nature of in-migration will be predominantly in the form of single men, or whether multi-person households will be the norm as they club together in order to overcome affordability barriers. A third issue is the extent to which initial moves into the city region will be closely followed by adjustment moves, possibly to smaller settlements outside the main reception markets, and possibly involving other family members. We are really in the dark about the extent of such processes at present.

- *Established minority ethnic communities* – the demographic profile of many of these communities is producing high rates of household formation, and placing pressure on already densely populated areas. One key factor for housing markets will be the degree to which the emerging generation of new households will base mobility decisions on rather different criteria to their parents. 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 being close to culturally specific facilities and amenities.

- *Family builders* – the general attributes favoured by this group tend to be relative affordability, with a market town feel which is fairly uncongested and self-contained, or a more traditional suburban offer of two- and three-bedroomed houses. In terms of current city centre apartment dwellers, the provision of next stage accommodation is likely to be in growing demand, as it cannot be catered for within that sector. It is here that the nature of the education offer will be most pertinent in mobility decisions.

- *Empty nesters* – much of the pressure on the rural and semi-rural parts of a city region stems from those leaving or about to leave the labour market and cashing in or transferring their assets to seek other residential opportunities in less urbanised locations. They may be in competition in the more remote rural areas with second home owners from both within and outside the region. Both these groups will intensify problems of affordability for emerging households indigenous to more rural areas. The future demand trajectory for this group is likely to be affected by their response to other claims on their assets – supporting children through higher education or in assisting access to home ownership, or in making provision for their own old age. Research by Rowlingson and McKay (2005) suggests that one can overestimate the economic altruism of this group, as many might be tempted to carry on spending regardless (known as Skiers: spending their kids' inheritance).

- *The asset- and income-poor* – as the rate of those households who have been owner-occupiers at some stage in the lifecycle increases, the gap between that group and those who have rented property throughout their life grows ever starker, especially as the government espouses models of asset-based welfare as a means of supplementing public expenditure support. These households live in less popular social housing estates and in the twilight zone of the private rented sector, in terms of stock quality and management and repair standards. They are most vulnerable to market fragility, have least leverage in the housing system to seek other options and are most likely to be displaced into ever more concentrated geographical zones if affordability problems increase and bring new pressures on previously low value areas. The risk is that this group becomes increasingly detached from the rest of the market unless specific measures are taken to reconnect them. And the research by Meen and colleagues suggests that neighbourhoods falling below a certain threshold in terms of economic prosperity will require the investment of large scale and sustained public investment before they reach 'take-off point'.

For local authorities, regional and sub-regional bodies, the response to market change must involve utilising a full suite of financial, land use, development and environmental measures to act as a catalyst for private sector investment. These interventions might include:

Strategic planning measures: It may be fruitful to adopt a strategy of ‘guided 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 in regions where there is a mixed profile of markets, as opposed to a near universal picture of high demand and low affordability. The wider uptake of Section 106 funding is also a positive development in programmes seeking to mitigate the continual tug towards residential segregation through market forces.

Developer partnerships: While many volume housebuilders remain wedded to speculative developments for outright sale as they have always done, there is a growing number of companies, including larger housing associations, developing more varied portfolios through work on regeneration, infill sites, intermediate tenures and so on. There is an ongoing debate about whether joint initiatives stand a better chance of success in ‘marginal’ markets rather than on a ‘worst first’ basis, where the comfort blanket required to induce initial private sector interests often needs to be very thick (and hence expensive in terms of public subsidy).

Environmental and dwelling design: To attract in-migration to weaker markets, the distinctiveness of the residential offer needs to be emphasised if they are to capture new forms of demand, whether from urban entrepreneurs or newly forming households among established minority ethnic communities. This puts an emphasis on quality of place rather than quality of housing as the key ingredient. There has been a recent growth of policy interest in place-making approaches, though these debates have often been stronger on intention than providing tangible, costed, interventions to be carried out. The importance of iconic design has grown in significance as a means of capturing demand from those groups whose mobility is shaped as much by cultural as economic factors. The involvement of agencies like Urban Splash in a programme is now often taken as a key indicator for market potential by other developers. This approach often capitalises on the historic attributes of places in creative ways that express aspects of emerging urban lifestyles.

Market restructuring: There is growing experience of how private sector investment can be harnessed to public sector support. In some cases the public sector can provide the initial impetus after which the market can ‘do its own work’ in renewing neighbourhoods. But it remains difficult to see the private sector taking on board the most challenging aspects of neighbourhood remodelling and supply reprofiling – where a more likely outcome is a continuing trend of relatively low spec new developments in areas where land values are lowest. 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 place them at continuing risk should demand pressures elsewhere start to ease. However difficult a nettle it is to grasp politically, sustained public investment – incorporating neighbourhood as well as housing transformation – is likely to offer the only way forward if these neighbourhoods are to occupy a different position in the housing market map in the future.

Neighbourhood management and community support: Two particular components of housing market change demand attention here. First, programmes of community support are needed for those neighbourhoods where there is declining demand and an ageing population and where the economic resources of those affected cannot buy into private options for their longer term care. Second, the mobility pathways and housing aspirations of minority ethnic households, both emerging from existing communities and from recent in-migration, will place a premium on effective cross-district social cohesion strategies to mitigate potential frictions and pressure points in the housing market. This is the area above all others where there is an overriding need to understand how mobility aspirations and settlement patterns are changing.

Financial responses to housing market change: Any process of transition is likely to bring with it financial as well as social and emotional costs. Measures to offer equity loans to homeowners displaced by clearance and redevelopment programmes, to promote intermediate forms of tenure and to release equity for tenants are all being developed and they may help to reduce the largely tenure-specific nature of housing subsidy and support.

More fundamental measures, going well beyond the housing realm, could transform housing market outcomes, but are highly unlikely to be given an airing. Paul Cheshire's research, for example, would suggest that area-based programmes are little more than an elaborate ways of 'rearranging the deckchairs', and that thoroughgoing redistribution of income and wealth would be the route to creating genuinely mixed communities. Despite the cogency of this argument, the deckchairs are likely to remain on deck, as a wholehearted redistributional agenda is unlikely to be taken up at the next election by any of the main political parties.

The organisation of the social housing sector: The delivery of a multi-mode suite of interventions at the local level will require considerable organisational robustness and a sophisticated understanding of changes in the market. In hindsight, one would probably not have started with the current patchwork quilt of local authorities, ALMOs, stock transfer bodies and large, medium and small housing associations to deliver this. Duncan Maclennan has recently advocated the reconfiguration of social housing organisations as agents with active asset management activities, engaging in land development and service provision roles, as well as community-based neighbourhood renewal (Maclennan, 2007). The recent creation of Communities England at national level may help to stimulate a debate about organisational focus, purpose, accountability and remit at the sub-regional and district levels as well. The housing market renewal programme has shown again that it is never easy to think up new bodies and then graft them on to the existing infrastructure of representative structures and delivery agencies. More fundamental reorganisation is needed if pro-active and versatile interventions in markets are to be undertaken.

These measures might help to provide the flexibility of response and clarity of purpose needed to reinvigorate weaker parts of housing markets, broaden access and extend opportunities for diverse household requirements, rather than merely watch helplessly as problems of affordability, access and displacement intensify.

Conclusion

Certain features of contemporary housing markets in England threaten to outstrip the ability of public policy to respond effectively to the challenges that arise. The growth of the buy-to-let sector, the impact of international in-migration in urban and rural areas, the growing escalation of property prices in real terms, the demographic pressures in some areas of settlement among minority ethnic communities – these are all recent examples. There are also a lot of questions that we do not have the answers to, such as:

- Is the deferred entry to home ownership affecting underlying attitudes to housing careers among those in their 20s and 30s?

- What will be the medium term and long term impact of economic in-migration in terms of household composition and settlement patterns, in rural as well as urban areas?

- How will higher rates of household formation among black and minority ethnic communities affect local housing markets?

- Will the investor market continue to grow, stumble or contract?

The Housing Market Renewal Pathfinder programme has led the way in terms of developing a strategy contoured to market dynamics and cutting across administrative and tenure boundaries. But the wider applicability of this approach to other kinds of local housing markets has tended to take second place in the public arena to heated debates about the impact of demolition, the ‘heritage’ case for preservation, and the significance of Ringo Starr’s birthplace.

The research projects covered in this summary have tended to underline the extent to which untrammelled market processes reinforce tendencies of 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 from the research 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 in churn as residents pass on and through with ever increasing rapidity, are shown to be largely unfounded. However, there is also evidence of sifting mechanisms concentrating the poor in the least desirable neighbourhoods.

To respond to those markets where frictional pressures between demand and supply are most acute, local authorities and other agencies will need to use a flexible batch of measures, while 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 it might be more effective if the following steps were taken:

- Local and sub-regional agencies developed fleet-footed systems of market monitoring, alongside more comprehensive but cumbersome approaches, to alert them more readily to emerging market changes, so that ideally policies can be devised in anticipation of change rather than after the event.

- A more targeted approach was implemented 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 were introduced for different local markets – whether they are designated to be in need of sustained transformation, on the margins of decline, or as reception areas for in-migrants, for example.

- Proposals were developed to promote a more coherent social housing sector at sub-regional, district and neighbourhood levels, to broaden their remit and extend their strategic capability.

Housing markets are in a process of continuous change, and may always evade public policies designed to shape them to operate in a particular way. A more flexible regime of intervening in the market through different legal, financial, regulatory and management measures over different geographies and for different timeframes can be imagined, even if it is still some way off. This may help to secure more beneficial outcomes than the current system, in which the state’s role is too often confined within one of three inert tenure blocks, 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 through the life course. Judicious and flexible public intervention, supported by reliable and up-to-date housing market intelligence, is needed. There is, after all, precious little evidence, from Britain or elsewhere, to show that housing markets are self-sustaining, without some shaping from the 'visible hand' of the state.

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