

Tees Valley 2004 Housing Market Assessment

Executive Summary January 2005



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1. Introduction

David Cumberland Housing Regeneration Ltd (DCHR) in partnership with Nathaniel Lichfield and Partners (NLP) were commissioned during 2004 to undertake a Tees Valley Housing Market Assessment (HMA) on behalf of Tees Valley Living.

There are four principal themes being investigated in the market assessment:

- Identification of housing markets across Tees Valley, their drivers, how they interrelate, future opportunities and threats.
- Identification of scale, location and reasons for low demand, what can be done and what happens if left unchecked.
- Identification of household aspirations across all socio-economic groups and the extent to which these are being met within Tees Valley.
- Consideration of the strategic implications of research findings.

Fundamental to the review of housing markets is an understanding of the geographical pattern of housing markets and of the processes driving markets with a thorough review of key drivers. This understanding has been informed by a range of data and information sources which have included:

- A survey of household aspirations;
- Tees Valley Joint Strategy Unit Neighbourhood Vitality and Viability Index;
- ACORN (A Classification of Residential Neighbourhoods) data;
- 2001 Census material, including origin destination migration data;
- House Price, CORE lettings data, HIP/HSSA returns;
- Interviews with LAs, RSLs and other stakeholders including House Builders and Developers and Estate Agents; and
- Focus group discussions.

Tees Valley Context

Tees Valley is located in the North East of England and comprises the unitary authorities of Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton-on-Tees. The influence of Tees Valley goes beyond its functional administrative boundaries and is identified as a 'City Region' in the Northern Way Growth Strategy. The spatial extent of the Tees Valley housing market extends into North Yorkshire (particularly Hambleton district) and County Durham (particularly Sedgefield district).

Economic context

- Tees Valley reflects the North East profile of industrial activity, although there are considerable variations in activity by district.
- With the exception of Darlington, unemployment rates are higher than the regional and national average.
- Average weekly earnings across Tees Valley reflect the regional average, although this is distorted by the higher incomes of residents in Stockton; elsewhere in Tees Valley incomes are lower than the regional average.
- Tees Valley is identified as one of the major areas of population and industry which will provide the backbone of growth to the North East's economy.

Demographic context

Population in Tees Valley is expected to decline and age. Latest population projections (2003-based) suggest a 2.4% decline across Tees Valley (higher in Middlesbrough and Redcar and Cleveland), with increases in Darlington and Stockton.

The ethnic profile of Tees Valley broadly mirrors that of the North East although the proportion of Asian/Asian British (particularly Pakistani) is slightly higher. The highest proportion of non-white ethnic groups are located in Middlesbrough (6.3%) and are particularly likely to live in vulnerable neighbourhoods.

2. Sub-regional housing market characteristics

The ODPM HMA Guidance comments that the housing market, local economy and population are intricately linked. These factors influence the extent to which people are able to form households, the ability of existing households to achieve their aspirations and the longer-term sustainability of communities. Key attributes of Tees Valley's dwelling stock and markets are now summarised.

Dwelling stock and house prices

- Similar to England with a slightly higher proportion of social rented stock (23.4% vs 19.3% nationally);
- Levels of owner occupation are lowest in the most vulnerable areas of Tees Valley. Vulnerable areas also have the highest proportion of private and social rented stock in Tees Valley;
- Tees Valley has a slightly lower proportion of detached properties and flats, and a higher proportion of terraced and semi-detached properties than

national stock. In vulnerable areas the proportion of terraced stock exceeds 50%;

- The highest proportions of vacant stock are vulnerable neighbourhoods. More generally, the proportion of vacants across Tees Valley is higher than the regional and national averages and particularly pronounced in Middlesbrough;
- Over the period 1998-2003, the proportion of private sector stock has increased from 73.8% to 76.8% and social rented stock has declined from 26% to 23%;
- Over the past 5 years, house prices in the North have more than doubled. Within Tees Valley (Table ES1) price increases at district level have reflected regional trends in Darlington, Redcar and Cleveland and Stockton;
- Price rises in Middlesbrough and in particular Hartlepool have not been as strong as regional increases and the disparity between prices relative to regional prices is increasing;
- House price rises have implications for affordable housing and the relative need for affordable housing is strongest in Stockton, Darlington and Redcar and Cleveland.

Table ES1 House price change in Tees Valley 1999-2004

District	Average Price All Types (£)			Comparison with Regional Prices (100=Regional Average)	
	Q1 99	Q3 04	% change	Q1 99	Q3 04
Darlington	57566	124360	116.0	101.0	100.6
Hartlepool	53120	84244	58.6	93.2	68.2
Middlesbrough	48665	93789	92.7	85.4	75.9
Redcar and Cleveland	48931	105295	115.2	85.9	85.2
Stockton on Tees	58330	128271	119.9	102.4	103.8
North	56980	123605	116.9	100	100

Housing Market Areas

According to ODPM HMA guidance, housing markets are defined as geographical areas which contain both the origin and destination of the majority of households who move home. Although this is a useful definition, the reality is that housing markets are much more complex and influenced by a multitude of drivers and household circumstances.

Two approaches have been taken to identify market areas. Firstly, the national ACORN (A Classification of Residential Neighbourhoods) database has been used to identify different types of households and their distribution within Tees Valley (see Map ES1) which identifies:

- A Southern and western belt of affluence, particularly in rural locations;
- Urban Prosperity groups in town centre locations such as Hartlepool Marina, Stockton Riverside and areas of Darlington and Redcar; and
- Town centre areas principally comprising moderate means and hard-pressed groups.

Migration information from the 2001 census and CORE lettings data (relating to RSLs) has been used to identify the relative influence of mobility in defining market areas. Data suggests that across Tees Valley, there are largely self-contained core urban centres with established residents, coupled with mobility of higher-income households who are the main drivers in shaping the nature of housing markets within Tees Valley.

3. Housing market drivers and typologies

Housing Market Drivers

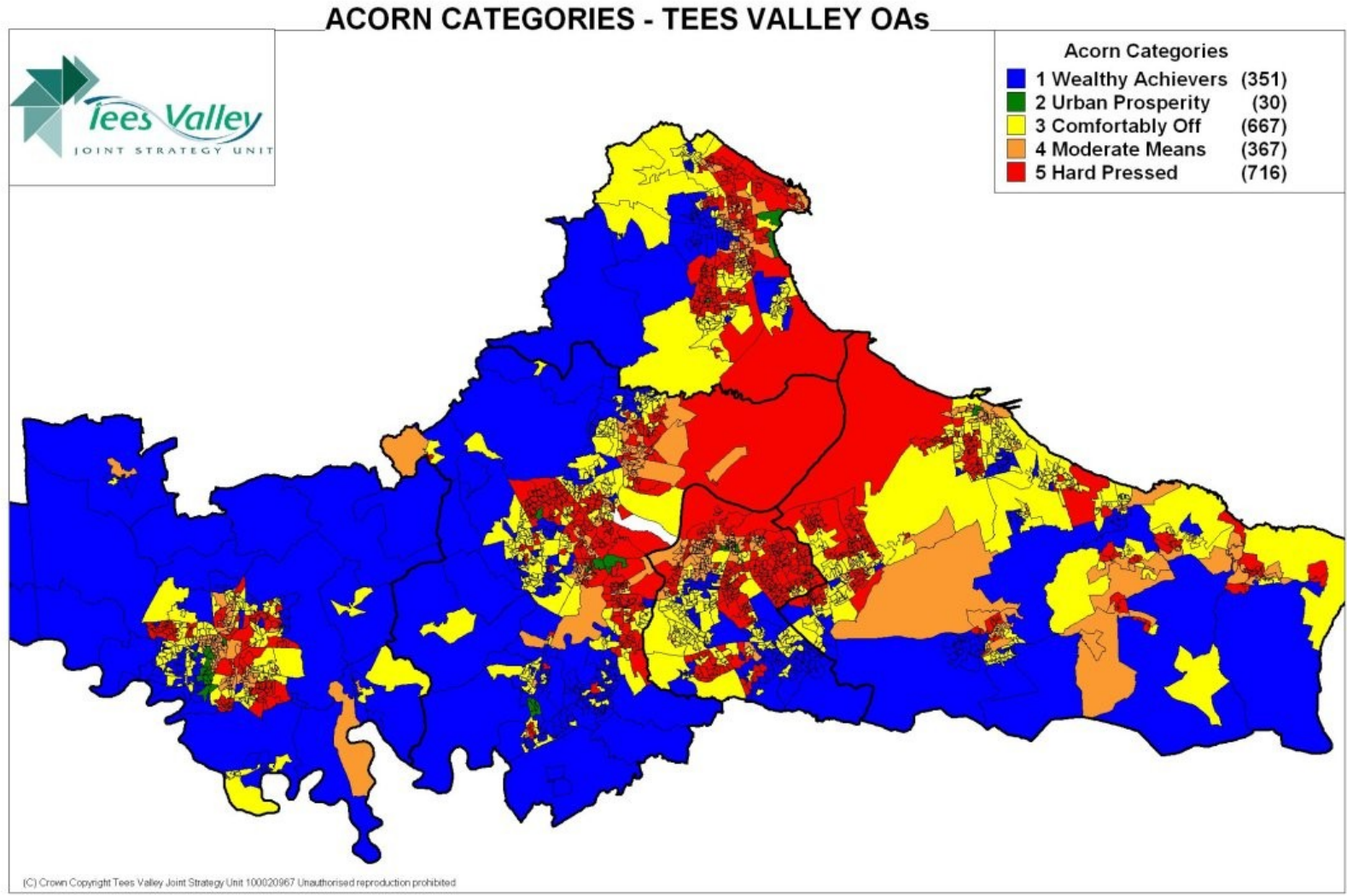
A diverse range of drivers are known to have an impact on housing markets as summarised in Table ES2.

Table ES2 Housing Market Drivers

Structural	Economic change Demographic change Migration B&ME Communities Social cohesion Student population Poor housing conditions
Location	Environment Transport infrastructure Layout
Aspirations	Home Neighbourhood Tenure Meeting aspirations
Policy	Supply and demand for housing Planning policies Housing policies

The relative importance of these drivers on Tees Valley housing markets are discussed in detail in the full report.

Map ES1 Acorn categories in Tees Valley by Census Output Area



Household aspirations

Household aspirations are largely traditional. Main drivers for moving households were wanting a larger property (37.1%), smaller property (18.7%) and wanting a better area (23%).

The popularity of different development options were explored with survey respondents who were planning to move (Table ES3). Views expressed by respondents were corroborated by interviews with developers and estate agents.

Table ES3 Development considerations

Development type	% Would consider by ACORN Group				
	Wealthy Achievers / Urban Prosperity	Comfortably Off	Moderate Means	Hard-Pressed	All
Waterfront apartments e.g. Hartlepool Marina	16.7	16.0	33.3	16.7	19.5
New developments in town centres	11.1	24.0	33.3	37.5	26.8
New developments within areas of older terraced housing	22.2	28.0	26.7	37.5	29.3
New developments within existing suburbs of predominantly Council/rented housing	16.7	8.0	26.7	50.0	25.6
New developments within existing suburbs of predominantly private housing	50.0	76.0	60.0	54.2	61.0
New houses or flats in new estates on the edge of existing towns	38.9	40.0	26.7	41.7	37.8
New urban developments near to open space/parkland/woodland	72.2	68.0	60.0	58.3	64.6
Rural market towns e.g. Barnard Castle, Great Ayton	61.1	64.0	53.3	25.0	50.0
Rural village	66.7	68.0	46.7	20.8	50.0
Base	18	25	15	24	84

Source: 2004 Household Survey

Housing Market Typologies

The typologies of markets within Tees Valley are illustrated in Table ES4; these have been tested through stakeholder consultation and there is general agreement that these household typologies provide a fair representation of markets which exist within Tees Valley.

Table ES4 Housing Market Typologies

Market Type	Indicative characteristics
Town centre cores	High density housing (predominantly terraced), older long-established population, found in all major Tees Valley towns. A market largely self-contained in each town.
Emerging Urban Living	Apartment living in limited, mainly recently-developed locations such as Hartlepool Marina and Stockton Riverside. This market is probably regional in coverage.
Western and Southern Affluent belt	Includes rural hinterlands of urban areas. This is a market with high mobility, which spans an area well beyond Tees Valley.
Stable suburbs	Low-rise semi- and detached properties including terraces, family housing. There is mobility across Tees Valley in this market.
Vulnerable high-density	In town centre areas, predominantly terraced stock, poor stock condition, high level of private renting. Accounts for most vulnerable 20% urban neighbourhoods on V&V Index. A local market.
Vulnerable lower-density	Predominantly Council/Former Council Housing Estates. Demographic change (increasing smaller households) affecting critical mass to support services, schools etc. A local market

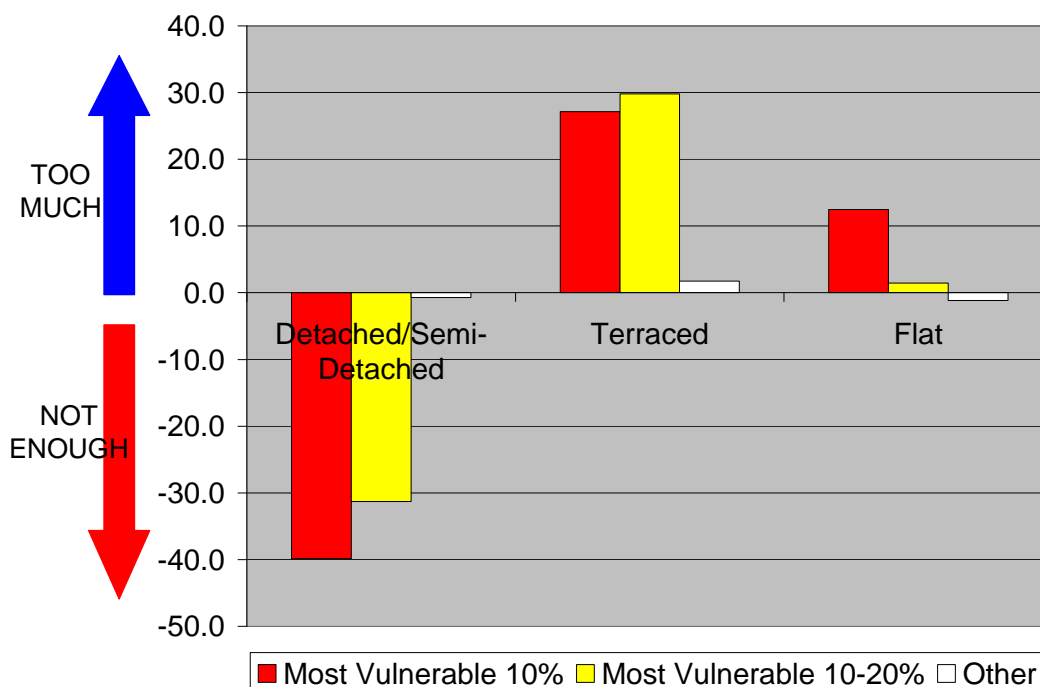
4. Housing provision and implications for vulnerable areas

Research confirms that vulnerable areas are typified as having poor neighbourhood conditions, a high proportion of small terraced housing, a high proportion of social rented stock and low property values.

The existence of these areas is exacerbated by Tees Valley exhibiting the characteristics of a “Low pressure market”. Aspirations are largely being met, households are able to move to areas of choice and there are strong outflows to North Yorkshire. This has resulted in a gradual hollowing out of the population from less desirable areas and there is insufficient market pressure encouraging people back into vulnerable areas.

Across Tees Valley, there are around 48,000 dwellings in vulnerable areas of which around 25,000 are terraced. The fundamental problem here is the degree of mismatch between aspiration and stock availability which is clearly illustrated in Fig. ES1.

Figure ES1 Degree of variation between stock type and aspirations



Sources: TV HMA, TV JSU Vitality and Viability Index, 2001 Census

During the period from 1995/6, housing development in Tees Valley has proceeded at an average rate of 2,150 units per annum, and this rate has remained reasonably consistent, never dropping below 2,000. However, as a result of increased rates of clearance, the actual rate of net additions to housing stock has reduced to just 1,205 pa, from a high point of just over 2,000 in 1996/97.

5. Strategic Implications

A fundamental issue is what rate of growth should be expected in the Tees Valley housing market. This is informed by a review of potential population change and household growth scenarios. A Steady State Scenario is widely regarded, from our consultations, as a sensible basis for planning, with an aim of increasing the rate of housing replacement (Fig. ES2). Within this scenario context there are a range of key issues for maximising the impact of housing restructuring on the sustainability and prosperity of Tees Valley.

Figure ES2 Steady State Scenario

Steady State Scenario

- Rates of new building continues at c.2100 pa.
- Clearance continues at about 400-500 pa.
- Net stock growth (1600-1700 pa) close to JSU baseline household project of +1,500 pa.
- Close to the draft RSS net additions of 1,765 pa.
- Land capacity mostly identified to deliver to 2020

Key Issues for Market Restructuring

There is a high level of committed new house building for the immediate future, but there will be choices about development priorities for the medium and longer term. It will be important that every opportunity is taken to align these decisions to the strategic priorities of Tees Valley Living. Six important issues are:

1. Achieving a high quality of housing

The importance of high quality in urban regeneration schemes is self-evident but in the context of Tees Valley it will be particularly important to make an impact which starts to change the negative image and perceptions of the main urban areas.

2. City Living or Garden Suburbs

Tees Valley is, as a city region, a group of urban and even ex-urban centres. It has little prospect of developing one major City centre, even if this were desirable. It is easily accessible to those with a car, but a difficult geography for public transport. Its future is arguably more “Los Angeles” than the traditional European model. But the implications of this approach are likely to challenge a number of current planning standards, such as housing density requirements and parking.

3. Strategic Planning Implications

Regional Spatial Strategies for the North East and Yorkshire and the Humber need to be influenced by strategic planning decisions being taken in Tees Valley.

The application of a sequential test to housing development proposals will be important, and will need to be informed by on-going monitoring of the housing market in Tees Valley. The test should be that further planning permissions will not undermine flagship regeneration schemes in Tees Valley. The test will help to inform controversial decisions about the release of further Greenfield or peripheral brownfield sites.

4. Areas for Redevelopment

The aim for replacement and clearance in the preferred scenario is to increase to the RSS planned rate of 15,440 over 17 years. The findings of the assessment suggest that the areas most vulnerable to market change are those with:

- Poorest neighbourhood conditions, as the desire for a “better area” is a major factor in households decisions to move.
- A high proportion of small terraced houses, as the numbers of this dwelling type exceeds the overall aspirations of the population.
- A high proportion of social renting, as this sector is likely to be most vulnerable to decline in the long-term.
- Low property values, which are a strong indicator of the market view of an area.

The combined impact of these factors is best measured by the Viability and Vitality (V&V) Index, which needs to ensure that all significant vulnerable areas are identified.

There are 48,000 dwellings in the areas identified as the 20% most vulnerable neighbourhoods. Of this total, 25,000 are terraced dwellings and most at risk. So the preferred scenario would involve clearing and replacing about 60% of these terraced dwellings, which includes both privately-owned and social rented properties.

The approach to redevelopment must not focus just on selecting the “worst” areas. Equally important is the extent of the opportunity presented to create attractive and sustainable areas where the “housing offer” will meet future aspirations and attract people to the area.

The notion of achieving a “critical mass” of change is important. Consistent feedback from housing regeneration is that large-scale intervention is necessary to change the image of failing areas and to achieve their sustainable transformation. Housing investment alone will not achieve transformation: it needs to be combined with measures to tackle other key aspects of the neighbourhood environment – reduction in crime, improved cleanliness, decent amenities and services.

5. Tenure

There is a mix of tenures in most vulnerable areas and the cross-over between private rented and social rented housing is now considerable. Choices about regeneration initiatives need to be based on neighbourhood and housing quality assessments, not on tenure.

6. Managing the Risks

Developing the Strategy on the basis of the preferred scenario requires contingency plans for the alternative scenarios. These will revolve around the systems for monitoring household trends, market pressures and the consequent decisions about regulating the release of land for new-building. The robustness of intervention plans will need to be tested against the scenarios.