

BNG RESULTS SUMMARY (DRAFT)**MODELLING FUTURE MARKETS IN
NEWCASTLEGATESHEAD****November 2007****The Study**

This groundbreaking research was undertaken for Bridging NewcastleGateshead during the summer and autumn of 2007 on ‘Modelling Future Markets’ by the School of the Built Environment, Heriot-Watt University, Edinburgh. It develops and adapts models of the housing market at both a sub-regional and a neighbourhood scale to provide forecasts of key market outcomes over the period 2005-2018.

The outcomes forecast include house prices, affordability, new building and demolitions, migration and household formation, vacant housing, changes in home-ownership and poverty levels. The impact of different scenarios and policy interventions on these outcomes are demonstrated for NewcastleGateshead.

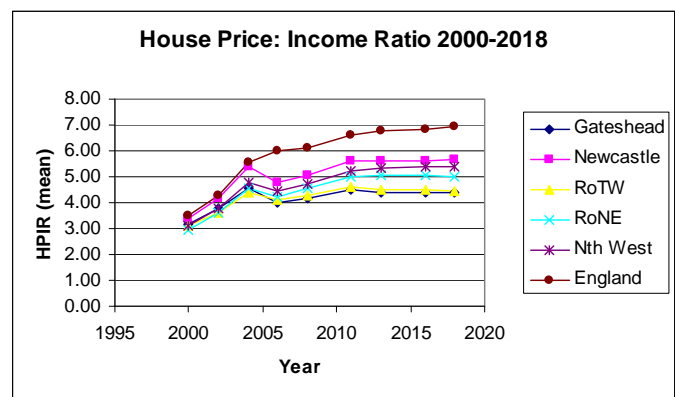
Market Prospects – assuming the ‘status quo’

- **Migration:** Recent migration rates reflect high international in-migration in recent years, particularly in Newcastle. The forecast shows annual fluctuations but with Newcastle broadly neutral and Gateshead moderately positive. Both authorities, but particularly Newcastle, tend to lose core age migrants but gain younger and international migrants.
- **Households:** Gateshead and Newcastle are forecast to grow at close to the projected rate, with 6,000 and 10,000 extra households respectively over the period 2000-2016 (performing better than the rest of the conurbation in this respect).
- **Demolitions** are expected to continue to be quite significant in NewcastleGateshead.
- **Vacancies** are expected fluctuate but generally tend to fall from their current high point by 2018. Social sector turnover falls initially and then levels off at a rate rather above the national average.

Key Points

- House prices will rise more moderately in the coming period than they did in the period up to 2006
- NewcastleGateshead will continue to grow in terms of household numbers, while still seeing some relative loss of older households to surrounding areas
- Housing vacancies should fall somewhat from their current levels, partly helped by continuing demolitions of obsolete stock
- Higher economic growth would increase prices, without worsening affordability, but would not necessarily attract more households to the cities
- Increased land supply would increase new building and reduce prices, improving affordability, whilst also increasing household numbers
- A comprehensive renewal package would further increase migration and household growth for NewcastleGateshead while only raising prices slightly
- New development will be concentrated in certain neighbourhoods, including some central locations, and these areas will see the greatest change and transformation
- BNG ‘areas of change’ will see substantially more home ownership, less poverty, less flats and less vacant housing by 2018
- A larger programme of comprehensive renewal would increase the extent of these changes, whilst a lack of future investment in market renewal would leave these areas in something much close to their current state.

- **House prices** rose steeply in the period to 2006; after a pause to 2008, growth is expected to resume at a more moderate rate thereafter, but NewcastleGateshead prices will not rise as much as national figures up to 2018. Affordability will worsen slightly to 2011 and then improve slightly in Gateshead while remaining static in Newcastle, with Newcastle having worse affordability throughout (although still below England average).



The impact of different scenarios on the future market

- **Economic Growth:** A higher economic growth scenario would push up house prices by 13-14% in 2016, whereas low growth scenario would see prices 7-8% lower, but these changes would roughly match incomes. Higher economic growth would raise net dwelling growth, but would have very little net effect on migration or household numbers, so vacancies would be somewhat higher as a result.
- **Housing Land Supply:** The amount of extra land released is much greater than the amount of extra units completed due to a delay-factor in bringing land forward. A high supply scenario would raise output by 25-30%, and this would reduce prices (and improve affordability) by 6-9%. Reducing new land release by more than half would have a smaller impact on output (4-14%) and on prices/affordability (2-3%).

High supply would raise net in-migration significantly, resulting in 2000 extra households in each authority by 2016, but it would also raise vacancy rates by up to a quarter and social sector turnover by a small amount.

- **Comprehensive Renewal:** A comprehensive package of high market renewal intervention in BNG would have a small positive effect on prices by 2016 (2-3%), but a rather larger positive impact on migration and household growth (2-3000 extra for each authority). Vacancies would rise initially but then fall slightly by 2016, as would social sector turnover. A 'policy off' scenario of minimal intervention would have broadly opposite effects, leading to a relative demographic decline but with small effects on prices, affordability or turnover.
- **High renewal intervention and growth in supply:** Combining high intervention with high 'Growth Points' supply would mean a sharper dip in prices in 2016, more net in-migration and household growth (1-2% more households in 2016), but vacancies would be 10% higher as a result.

Ward Level Prospects

This part of the research concentrated on how local markets, wards and BNG's 'areas of change', are likely to respond to different types and levels of intervention:

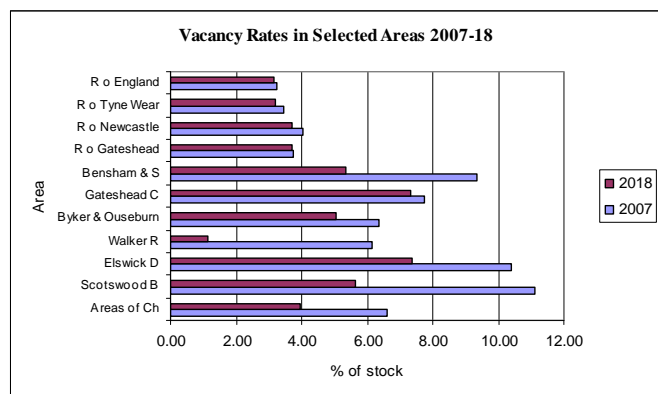
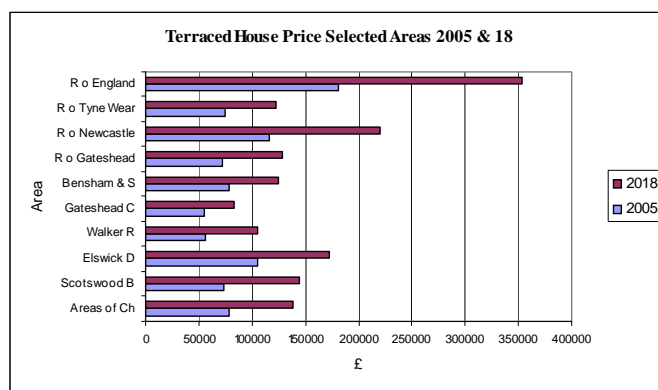
- **New homes:** New housebuilding output will be concentrated in certain 'areas of change' within the BNG pathfinder area, particularly those close to the city centres. These areas tend to see greater change across a range of market outcomes.

- **Tenure change:** BNG areas will see sharp drops in social renting and significant rises in private renting. Starting from a very low base, owner occupation will rise by 6.8% points in the ‘areas of change’ compared with very little growth nationally.
- **Poverty rates** are forecast to fall more in poorer BNG neighbourhoods than elsewhere, falling from 26% to 19.4% in the ‘areas of change’ between 2002 and 2016. This should increase spending power and potentially service quality in these areas.
- **Vacancy rates** will fall from 6.6% in 2007 to 4.0% in 2018 in the ‘areas of change’. Falls will occur in most areas but continue to be higher in some areas nearest to the city centres.
- **Prices** rose by about 15% more than city-wide averages in the ‘areas of change’ between 2001 and 2005. In the coming period they will increase at a similar rate to the cities as a whole up to 2011 and then at a slightly lower rate thereafter.
- **More balanced stock profile:** ‘Areas of change’ will see a reduction in their share of flats from 29% to 23%, against a static picture nationally.

Local Impact of Different Intervention Levels

Further modelling examining the impact of different levels of interventions such as new build, demolition, environmental improvements – continued high intervention by BNG and others or a ‘policy off’ scenario, compared to a baseline - provided the following results:

- Changes in the mix of housing types would be greater for the ‘high intervention’ scenario but much smaller with ‘policy off, low intervention’; and greater in those areas with more development activity.
- Home-ownership would rise more in ‘areas of change’ under ‘high intervention’ (8.3% points) but relatively little under ‘low intervention’ (2.1%). Poverty concentration would fall slightly more in the former case and slightly less in the latter.
- By 2018 there would be a significant reduction in vacancies (0.7% points lower than baseline), whereas with low intervention vacancies would be higher (0.8%).
- High intervention with high supply would initially result in lower rates of price increase compared to a baseline position, but by 2018 prices would be marginally higher than in the baseline. High intervention with moderate supply increase would see prices 4% higher than the baseline in 2018 in ‘areas of change’. These price impacts would be more negative in some central city areas. Low intervention would see prices lower (by 4.6%).



Broadly, the effects of higher intervention are positive, as better housing and environment attract more households and a better social mix. The impacts are broadly in the desired direction for house

type mix, home-ownership, poverty, and vacancies, with modest positive effects on prices. High intervention with moderate supply increase is better for prices, vacancies and home-ownership in ‘areas of change’; combining it with higher total supply is better for affordability and household growth at citywide level.

Further information

The research was carried out by Professor Glen Bramley and David Watkins from the School of the Built Environment, Heriot-Watt University, Edinburgh, in association with Professors Tony Champion and Mike Coombes of the Centre for Urban and Regional Development Studies, University of Newcastle upon Tyne.

The full report is available on Bridging NewcastleGateshead’s website: www.bridgingng.org.uk