RENEW NSRP Executive Housing Market - EXECUTIVE SUMMARY

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EXECUTIVE SUMMARY- Renew NSRP Executive Housing

1. Introduction

1.1 Arc4 Ltd. has been commissioned by Renew and North Staffordshire Regeneration Partnership (NSRP) to undertake an assessment of the Executive Housing Market (EHM) in the NSRP area, including the local authorities of Stoke-on-Trent City Council, Newcastle-under-Lyme Borough Council and Staffordshire Moorlands District Council. The assessment framework is split into two distinctive areas: a review of the current EHM in terms of housing supply and demand profiles, then secondly an assessment of the future EHM in terms of market demand and developer potential. Stakeholder and consumer consultation has been an important component of this research, which ensures a wide range of views and expertise is captured in the research. The study is intended to inform future planning and housing policies pursued by Stoke-on-Trent City Council and other local authority partners.

1.2 There is a priority within the housing and regeneration frameworks to diversify the stock profile. Limited supply of high value executive housing assets (properties in the higher Council Tax bands G and H) is weakening the housing offer. Testing the housing markets appetite for increasing the supply of properties in tax bands E to H featured significantly in the assessment process.

1.3 This report is an Executive Summary of the main report and provides an overview of:

- The context within which the study has been undertaken, including recent changes since the Coalition Government has been in power
- The definition of executive housing as used in the study and the rationale behind its framing
- An overview of the existing executive housing offer within the study area and wider reference area
- An assessment of the likely future executive housing market
- The overall conclusions drawn from the study together with pointers towards framing effective policy responses.

1.4 Readers who require more of the data behind and within the study are directed to the main report which outlines in detail the evidence base from which the study conclusions were drawn as well as the approaches taken.

2. The changing context

2.1 The recent abolition of whole rafts of regional governance, together with the government's much heralded focus on localism and devolving power, places much more emphasis on the role of local authorities in determining housing and planning policy going forward. Regional housing growth targets set through the Regional Spatial Strategy are no longer relevant, and authorities will need to determine their own growth plans based on their own evidence bases.

2.2 The adopted Newcastle-under-Lyme and Stoke-on-Trent Core Spatial Strategy outlines that in order to achieve the strategic aims both regionally and sub-regionally, substantial restructuring of the employment and residential offer in North Staffordshire is required. The NSRP and Renew Business Plans, and most recent Strategic Housing Market Assessment, together with economic modelling recently carried out by Experian for the North Staffordshire Partnership confirms that this position still holds, and in fact is underpinned by the recession and its impacts on the economy and housing markets. Even from a more "local" perspective, there is still an imperative to diversify the housing offer to re-balance the housing supply and the socio-economic profile, and tackle the under performance of the area in retaining and attracting economically independent households.

2.3 Much of the offer within the constituent authorities competes for skilled workforce and economically independent households with a limited residential offer. Issues of deprivation, worklessness and social exclusion are inextricably linked with poor quality housing and less desirable environments. Therefore, an improved residential offer and quality of place is essential to the creation of mixed and balanced communities and fundamental to improving the economic performance of the area (Renew/NSPR Business Plans).

3. Definition of Executive Housing

3.1 The term 'executive' equates to the most desirable and commonly, most expensive property in a particular location, due to their exclusivity. The market for executive housing is regional, as purchasers of executive housing will often travel over large distances to employment locations, partly reflecting mobile work-related needs and partly to secure the desired character of residence. In broad terms, executive housing is acknowledged as, '*High quality accommodation in low density, suited to the needs and aspirations of higher income households'.* [1]

[1] Tomaney, J. Bradley, D. (2006). *The economic role of mobile professional and creative workers and their housing residential preferences: evidence from North East England.* Nathanial Lichfield and Partners. Centre for Urban and Regional Development Studies, University of Newcastle upon Tyne. Newcastle.

3.2 The analysis throughout the study included

- Council tax banding E – H, rather than just G – H, to include the top end of the residential markets in each LA.
- The sales value ranges we have identified are;

  - £400 - £500K range covers the high end property stock in Stoke and but a significantly greater part of the property market in Newcastle-under-Lyme and Staffordshire Moorlands;

  - £500 - £750K range covers the most exceptional and exclusive' properties in Stoke and the 'very high end' properties in Newcastle-under-Lyme and Staffordshire Moorlands; at this price level commentators agree that this represents an executive market;

  - £750K+ covers the 'exceptional and exclusive' properties in Newcastle-under-Lyme and Staffordshire Moorlands; there were no transactions in this price level in Stoke.

4. The Current Executive Housing Market

4.1 Council tax records indicate that in the target bands of E – H, a total of 2,273 properties (2%) were identified within Stoke, compared to more than double at 5,107 properties (9.6%) within Newcastle-under-Lyme and a further 6,649 properties (15.7%) within Staffordshire Moorlands. The disparities become even greater when considering the bands F – H, with 617 properties (0.6%) in Stoke compared to 2,573 (4.8%) in Newcastle-under-Lyme and 2,613 (6.2%) within Staffordshire Moorlands.

4.2 Due to the very low level of sales of other types of properties, the analysis has focussed on the numbers of detached sales in the higher price categories. High value detached property represents a minor component of Stoke's housing market with a total 3.8% of transactions recorded above £400,000, characterising the limited high-end housing market. Comparable levels of transactions in Newcastle-under-Lyme and Staffordshire Moorlands are recorded at 5.7% and 6.9%.

4.3 The total number of recorded transactions for detached houses above the £400k threshold between 2007 and 2009 Q2 was 63 sales in Stoke, comprising existing re-sale stock in rural-suburban locations (note only 3 further non-detached properties). This compares to 53 sales in Newcastle-under-Lyme and 78 in Staffordshire Moorlands, predominantly existing detached in rural locations.

Table 1: Higher end of market sales in North Staffordshire

Market	Definition	No of sales 2007 - 2009 Q2 (% 0f all sales)		
		Stoke	Staffs Moorlands	Newcastle
High end market	£400k -500k	53 (3.2%)	55 (4.9%)	32 (3.4%)
Very high end market	£500k -£750k	10 (0.6%)	21 (1.9%)	18 (1.9%)
Exclusive and exceptional properties	over £750k	0	2 (0.2%)	3 (0.3%)
Totals - All high end market	**All above £400k**	**63 (3.8%)**	**78 (6.9%)**	**53 (5.7%)**

4.4 There is an almost total absence of new build executive housing within the three North Staffordshire local authority areas. The analysis by sale price levels suggests a relatively larger proportion of higher value properties in Stoke than does the Council tax band data. The Council tax data (bands E-H) suggests that 17% of high value properties are in Stoke, whereas the sale price data suggests 32%. One possible reason may be that the relative values have changed since the 1991 base date for Council Tax banding, but we think this is unlikely to be a major factor. It seems more likely that the turnover of higher value property is greater in Stoke.

4.5 As the research identifies, the market for executive housing operates over a wide area, larger than housing markets are normally defined. The market is often described as regional, but as North Staffordshire sits on the boundary of two regions, we based it on the wider reference area for the North Staffordshire housing market. This includes, in addition to North Staffordshire, the (pre-reorganisation) LA areas of Crewe and Nantwich, Congleton, Stafford and North Shropshire.

4.6 The overall level of sales across this wider market reference area gives an indication of the overall size of the market. The headline figures are based on the annual level of transactions of detached houses at prices of £500k and over, based on 2007 and 2008. This covers a year that had buoyant activity and one of declining activity. The figures for the first half of 2009 are much lower, and represent a depressed rather than a normal market. On this basis, there was an annual average of 106 sales at this high end of the market across the wider sub-regional area. Of these, 25 were in North Staffordshire and 5 in Stoke. This gives a good indication of the scale of the true “executive housing” market in which North Staffordshire is competing.

5. The Future Executive Housing Market

5.1 Those areas across North Staffordshire recording the highest household income levels, in excess of £50,000, correspondingly have the highest-value recorded property sales and the highest proportion of residents classified as ‘Wealthy Achievers’.

5.2 We examined whether demographic trends would influence the future levels of demand for executive housing. The demographic trends provide one proxy of projected demand, as change in the numbers within the 35-59 age cohorts (that are the main purchasers of executive housing) will influence actual demand. The projections for each N Staffs LA area show a significant decline in this age group, although there is a different pattern in South Cheshire. We have to be cautious as this may reflect past migration pattern built into the demographic projections and the fact that demographic trends are development neutral and would not reflect demand created through supply of this housing type. *Taken on their own, we would not expect the demographic trends in North Staffordshire to stimulate a rise in demand for executive housing.*

5.3 There are recent projections of future employment and income levels from work carried out for the West Midlands Regional Assembly by SQW, Experian and Cambridge Econometrics. This suggests that the total number of jobs in Stoke may decline over the period to 2031 without further intervention, with a modest increase in the types of employment that will drive executive housing demand i.e. professional and managerial jobs. However given the fragile structure of the local employment market, reliant on manufacturing and lower skilled jobs, a policy-on approach to encourage high-value manufacturing and specialist sectors is required to engender resilience in the future economic cycle (Experian).

5.4 The assessment of the potential future market for executive housing was informed by:

- Interviews with local Estate Agents
- Input from Focus Groups carried out as part of a wider commission
- Interviews with Developers, and
- Contacts with Planning Officers in all three local authorities

5.5 The key elements of the input from these sources were as follows:

Estate Agents

5.6 Agents see Staffordshire Moorlands and South Cheshire as the principal search areas for executive properties across the sub-region, catering for both housing offer and the desired locational aspects. New build properties within this market are limited and the area of search for new build within the high-end market extends beyond North Staffordshire to Stafford in the south and South Cheshire to the north.

5.7 The size of the potential demand pool was gauged from the nine agents surveyed. Those that recorded the number of registered clients for properties, the number varied from ten – fifteen clients each for properties registered above £500,000 and 45 – 60 clients for properties above £350,000. Given the likely level of multiple registration, this suggests that about 30-50 clients were active in the top end of the market (over £500k) at the time of the research.

This is broadly consistent with our earlier estimates of the size of the sub-regional market, based on the number of property sales (106 per year).

5.8 The importance of both ‘Quality of Place’ and ‘Residential Offer’ is imperative in providing purchasers access to excellent employment, leisure and cultural facilities, either in their residence or within the immediate vicinity. A key element of the success of many executive developments is the accessibility to lifestyle leisure, retail facilities and proximity to good schools, often within a 30-minute drive time to a selection of good restaurants and leisure pursuits.

Focus Groups

5.9 The focus groups felt that, although the area was considered well located to green infrastructure and open rural space, benefiting from good transport links to the rural areas and likewise to locations of employment, there was no true offer within the authority. Some stated they were already in the most ‘exclusive’ neighbourhoods in the area in neighbouring Newcastle-Under-Lyme, with nowhere to move up to. Respondents felt that provision of executive properties must be supported by a wider lifestyle offer and well-paid employment opportunities.

Developers

5.10 Developers are constantly looking for opportunities and feel that in relative terms there is a potential demand pool of professionals in the sub-region who could be a ready market for new build executive products. However, delivery of this market product in the right location, in semi-rural / rural, must be in tandem with a wider strategy to develop the lifestyle offer, including leisure, retail and educational offer. In the current economic climate, Stoke is not perceived to offer an attractive location choice for developing higher end dwellings, given the relative lower income levels and lower-skilled demographics. But if there were a pro-active approach by the local authorities, certain of the developers would be prepared to consider Executive Housing development opportunities if they were in existing higher value, accessible and semi-rural locations.

Planning Officers

5.11 The aim to increase the number of executive style properties, especially within Stoke, and to diversify the housing offer is welcomed across the North Staffordshire area, but has not translated to date in planning applications for such developments. There is potentially the scope for this type of development. Specifically in Stoke, there are potential sites with the capacity to deliver 130 – 200 dwellings regarded as executive, with the capacity to more than double the number of dwellings in the uppermost tax bands G and H.

5.12 A logical approach to development of a relatively untested new build executive market, must consider the points identified in this research. To provide a framework we set out below a summary of the strengths and weaknesses of North Staffordshire as a location for new Executive housing.

Table 2: Strengths and Weaknesses of North Staffordshire as a location for new Executive Housing

Factor	Strengths	Weaknesses
Location	Mid-way between Manchester and Birmingham, so big potential market.	Stoke has negative image and need avoid a "Stoke" label.
	Some sites have easy access to M6 and A50	There are intervening very attractive, established Executive locations nearer to Manchester and Birmingham
	45-50 minutes to Manchester airport	
	Good trains to London, Birmingham and Manchester	
Attractions of the area	Close to Peak district and Shropshire country	Not the same Cachet or amenities as "Cheshire"
	Keele and Staffs universities	Rather a quiet backwater without strong "society" offer. Few premium larger local hotels/venues
	Independent Schools OK	But not the breadth of choice of Manchester or Birmingham schools offer.
	Trentham Gardens, Biddulph Grange; possibly local theatres. Alton Towers?	Very limited cultural offer
	Many Golf courses	But not very well known?
Underlying demand	Possibly benefit from growth in adjacent City Regions	Weak economy and relatively few high income jobs
		Little projected population growth

6. Conclusions, recommendations and next steps

6.1 The evidence indicates that current provision of true executive housing is limited and the offer may not meet the aspirations of the potential executive purchaser and existing wealthy residents. This has a number of economic implications such as loss of council tax revenue, lack of local entrepreneurs and business leaders and reduced demand within the leisure and service sector.

6.2 However, the overall size of the market is modest, and North Staffordshire will be in competition with south Cheshire and the rest of Staffordshire to increase the size of its executive housing market. It seems to us that a target of 10 – 20 new-build executive homes (in the £500k+ price-band) per year across North Staffordshire would be ambitious but realistic. So over a 20-year period there is a case for earmarking land with capacity for 200-400 top-end market executive homes.

6.3 In a few especially attractive locations there may be market pressure for such development. But generally the economics for this type of development in North Staffordshire will not favour low density, high specification executive housing. In this context, there appear to be two main routes that may be able to encourage the provision of new executive housing, including locations in Stoke where the strategy seeks to focus much new development.

The lower risk approach is to focus upon existing desired locations in close proximity to existing high value properties. This would build on the positive "Quality of Place" factors such as access to lifestyle amenities, leisure facilities, good transport links and open space will influence demand and viability. It would focus upon short-term, relatively easy-win sites to generate interest and build for a nascent market by development of select bespoke executive properties.

The bolder approach would be to develop a larger scale executive housing scheme in a premium location that would have sufficient scale to establish an image and character even if not set immediately adjacent to existing executive housing. Some of the successful schemes elsewhere have done this, but scale would be needed – probably at least 20 new homes offer.

6.4 The most promising initial approach may be to give priority to, and promote development of a medium-sized site (or group of small sites) in a promising location, such as the Trentham area. This would:-

- Help to create and establish confidence with developers that executive housing can be delivered in the Stoke market;
- Capture the high-income individuals who have the potential to yield economic benefits for North Staffordshire, bearing in mind their precise location is unlikely to be material to the wider economic benefits.

6.5 The feasibility of a larger site in Stoke or elsewhere will probably depend strongly on whether there are any competing larger-scale Executive Housing developments in North Staffordshire.

6.6 Keele University are in the process of obtaining planning approval for a new development at the 6 Ha Hawthorns site in the centre of Keele village. The plans currently include a lower density mix of 71 housing units (2, 3, 4 and 5 bedroom homes), plus an active ageing facility which will contain 129 places made up of house, apartments and beds. Of the houses the plans include for some 20 x 4 bedroom homes (> than 1400 sq ft) and 18 x 5 bedroom houses (> than 2,000 sq ft) which will broadly fit within the definition in this study. The aim is to provide quality housing to support the high quality jobs being created in the University, the Science Park and the surrounding area, but there is recognition that this is not a homogenous target group and could include some first time buyers (eg graduates), local people or people moving into the area. The scheme is planned over a 5 year period, with replacement of the existing halls in the first few years, followed by the new housing. If it progresses, the scheme may capture a substantial share of the potential new-build executive homes market within the wider reference area.

Next Steps

6.7 Practical initiatives such as those outlined should be pursued with a wider group of stakeholders include, the allocation of land for the specific purpose of developing executive housing, relaxing density requirements in order to facilitate high value and quality executive housing development.

6.8 The sites in the types of preferred locations identified above should be pursued in a joined up approach, collaborating with landowners and developers to establish a clear vision of high quality executive housing products required. A phased programme of development should be pursued identifying the short-term, 'easy win' sites for delivery of a select number of bespoke detached, executive dwellings to generate a niche market, in locations contiguous to high value properties.

6.9 This requires establishing clear policy framework with a vision of North Staffordshire that will involve an element around attracting aspirational residents to the area. This process can be facilitated through local authority leadership and the creation of clear workable partnerships between the local authorities and private partners.

6.10 In terms of the role of the planning process to help delivery, planning applications for development of these sites need to be progressed quickly to encourage development. An open, active, responsive and inclusive dialogue with private developers, investors and businesses needs to occur both during the development of any plans and also throughout the delivery of an executive housing scheme to avoid losing the vision.

6.11 The potential for creating future opportunities for Executive housing development in currently non-preferred parts of North Staffordshire (especially within Stoke) should be taken forward by discussions with potential developers to share and encourage ideas with a view to identifying deliverable commercial opportunities.

6.12 The recognition that creating attractive, quality places is an indispensable aspect of the longer-term process emphasises the need for a holistic approach. The stress must remain on quality at all times in terms of design of buildings and public realm, in order to alter the perception of the area and take advantage of the assets such as access to open space.