

HIGH VALUE HOUSING – NSRP STUDY FINDINGS

Submitted by: Regeneration and Development

Portfolio: Regeneration and Planning

Ward(s) affected: All

Purpose of the Report

To present the findings of the RENEW North Staffordshire Regeneration Partnership (NSRP) 'Executive Housing Market' Study to help inform both the development of the Council's Asset Management Strategy and the formulation of planning policy, to be set out in the Local Development Framework.

Recommendations

(a) That Cabinet resolve to agree that the 'RENEW NSRP Executive Housing Market Report' is taken into account in any update of the Council's Asset Management Strategy, so that action can be taken to intervene in the 'Executive' housing market, if considered appropriate and necessary and that a further report be submitted for approval if this is deemed to be the case.

(b) That the 'RENEW NSRP Executive Housing Market Report,' be noted as a technical background document to inform the formulation of planning policies through the Local Development Framework.

Reasons

The 'Executive Housing' market is a very limited niche market, but in appropriate locations new build 'executive housing' has the potential to have a significant beneficial impact on both the local and wider economy by retaining and attracting new economically independent households into the area, and encouraging entrepreneurs and business leaders to establish new local businesses.

1. Introduction

- 1.1 For some time there has been a local aspiration to grow high value housing as a proportion of the total stock. This has been seen as an important means of retaining and attracting economically independent households, which is vital to tackling the underperformance of the area and ensuring that the strategic vision set out in the adopted Newcastle-under-Lyme and Stoke-on-Trent Core Spatial Strategy is achieved.
- 1.2 Prior to it ceasing operations, the 'North Staffordshire Regeneration Partnership,' (NSRP) was committed to assisting its local authority partners (Stoke, Newcastle-under-Lyme and Staffordshire Moorlands) in framing effective policy responses to the demand for 'executive' housing and through RENEW commissioned 'Arc4' consultants to conduct an assessment of the evidence, so that it might be possible to a) define 'executive' housing and b) quantify the requirement for 'executive' housing in terms of market demand and developer potential. Stakeholder and consumer consultation (including focus group work with local agents and residents) was an important component of the research and ensured that a wide range of views and expertise were captured.

1.3 This report presents the findings of this study of the North Staffordshire Housing Market and sets out some pointers, based on recommendations set out in the Report, to help the Council take the action to stimulate the development of high value housing if deemed necessary and appropriate.

2. **Definition of Executive Housing**

2.1 The EHM report describes 'executive housing' as, '*High quality accommodation in low density, suited to the needs and aspirations of highincome households*'.

2.2 An 'executive' housing market can be defined using the property's value and a suite of other elements such as density, design, location and specification. A typical 'executive' house will be built at low density, of bespoke design with large floorspace (in excess of 185.8 sq m or 2,000sqft), offering facilities such as 4 plus bedrooms, double garages and en-suite bedrooms, and located in desirable locations. The market for 'executive' housing is regional with purchasers often travelling large distances to places of work.

2.3 Although in many areas and in normal market conditions property regarded as 'executive' housing attracts prices in excess of £450,000, the EHM report defines 'executive' housing in North Staffordshire as being within the top two council tax bands (E-F and G-H) in excess of £400,000. This takes into consideration the feedback from considerable focus group work with local agents and residents identified this level at which properties were considered to be upper market in Stoke.

2.4 It is also important to note that the consultants stress the fact that the concept of 'quality of place' is central to the location of 'executive' housing. This incorporates a number of factors such as: environmental quality; access to excellent services such as high performing schools; quality healthcare; good shops; attractive parks and open spaces; and on a city/regional level incorporates factors such as city centre lifestyle offer, cultural offer and the presence of higher education institutions. Thus if the Borough Council is to be successful in retaining and attracting 'high earners' a holistic approach is needed.

3. **Key findings from the EHM report**

Current market

3.1 The 'executive' property market for North Staffordshire is seen as cross-regional covering a wide area including South Cheshire, Stafford and North Shropshire.

3.2 In the Borough, there appears to be a clear divide within the local authority area itself with a low representation of high valued stock in the north and east compared to the south of the Borough. High value property appears to represent a greater proportion and wider distribution of property stock in Staffordshire Moorlands than elsewhere in North Staffordshire, particularly towards the east of the district in the National Park. High value property makes a nominal contribution to the overall housing stock in Stoke as a local authority.

3.3 The three wards of Loggerheads and Whitmore Westlands and Keele contain the majority of all Newcastle-under-Lyme properties within bands E – H.

3.4 There is a very low supply of new build 'executive' housing throughout North Staffordshire, with only 13 new build sales within bands E-H recorded 2007-2009.

3.5 High value detached property represented 5.7% of all residential property transactions in Newcastle under Lyme 2007-2009. For the same time period transactions in Staffordshire

Moorlands and Stoke were 6.9% and 3.8% respectively.

- 3.6 The report states that the housing provision at the high end of the market, in the overall North Staffordshire market, does not seem to be seriously out of balance with demand.

Impact of income on demand for 'executive' housing

- 3.7 There is a clear correlation between those wards recording the highest property transaction levels and values, to the highest average household incomes.
- 3.8 The income data shows that there are relatively few very high earners in the North Staffordshire market as compared to the adjacent South Cheshire and Stafford areas; the relatively low levels of activity in the North Staffordshire 'executive' housing market may be reflecting this fundamental level of demand.
- 3.9 In other words it is the lack of potential to earn high incomes locally rather than the availability of high value housing that is acting as an important constraint on this market. For this reason the EHM report strongly suggests that there is currently an overall balance of housing in the North Staffordshire market area.

Population projections

- 3.10 Trend-based population projections reveal that Newcastle-under-Lyme and Stoke-on-Trent will record losses within the main economically active resident population through net out-migration in age bands 35 to 59 year olds. This is important as, based on the desk research and estate agent evidence, this 35 to 59 age group represents the main group with potential demand for 'executive' housing.

'Executive' housing benefits

- 3.11 The EHM report states that broadly there is much evidence to suggest that provision of the right type of housing in the right locations serves to attract the key economically independent households and can have a significant beneficial impact on the wider economy.
- 3.12 The evidence also suggests that residents of 'executive' housing include a high proportion of entrepreneurs, with a consequent high level of business start-ups. This leads to the establishment of new employment opportunities, often in locations convenient to the home of the entrepreneur. A broader housing choice is essential to accommodate the changing aspirations of the resident population and to retain graduates and attract new economically active households into the area. This being the case there are potentially considerable economic advantages for Newcastle under Lyme in providing high quality family and 'executive' housing provision.

Developing an 'Executive' Housing market

- 3.13 Location is important and features heavily in the decision making of purchasers and vendors; there needs to be a 'quality of place' to encourage the creation of demand from the most affluent households in the region.
- 3.14 A key factor in the growth of a robust, competitive economy is the extent to which places have a skilled, creative and entrepreneurial workforce. With the modern knowledge economy relying on people and their skills, businesses are choosing to locate in areas with a well-educated workforce. Consequently to become competitive in attracting these businesses it is important to provide the conditions that will attract and retain the most mobile and skilled workforce.

Estate agent evidence

- 3.15 The evidence from agents is important to understanding the nature and possible changes in the 'executive' housing market. Purchasers moving into the 'executive' housing market are reported by agents as being predominantly wealthy working executives, such as industry leaders and sportsmen.
- 3.16 In terms of location, accessibility is a principal reason influencing locational choices for primary residences. The main reasons being ease of access between their property, work or leisure pursuits and access to international airports. Purchasers in this category tend to gauge accessibility in terms of travel time. Agents noted that accessibility to transport links and major employment centres would be a key contributory factor to purchase.
- 3.17 For the primary residence to be accessible a maximum daily journey time to a place of work should be no more than one – one and a half hours. This highlights both the generally accepted assumption that the 'executive' housing market operates beyond local authority boundaries and is characterised more on the scale of sub-regional and regional scales.
- 3.18 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.

Developer views

- 3.19 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.

4. EHM Report Recommendations

- 4.1 The EHM report makes three recommendations, set out below for convenience, followed by an officer comment.
- 4.2 *"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. "*

This recommendation appears to contradict some of the advice contained within the report which suggests an overall balance in the EHM. However, it makes the point that if we want to attract more high earners and new businesses and reap benefits in terms of both increased council tax revenue and use of leisure services, then action needs to be taken to attract new high earners.

- 4.3 *"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.”

Your officers have noted that there is no evidence in the report to support these targets. Furthermore, no recommendations are made on how the target should be split between the three Local Authorities. However, given that there is clearly a finite need, in your officers' opinion, it would seem reasonable to gauge developer and agent views and interest on a site-by-site basis, before the Council considers proposing to market any Council owned sites.

- 4.4 *“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.”

It is your officers' opinion that either approach could work successfully in the Borough. The Site Allocations and Policies Development Plan Document will consider this matter in detail by assessing and consulting on appropriate locations for high value housing and potentially allocating specific sites.

Next steps recommended in EHM Report

- 4.5 It is further recommended that a phased programme of development should be pursued identifying the short-term, 'easy win' sites for delivery of a select number of bespoke detached, new 'executive' dwellings to stimulate a niche market, in locations contiguous to high value properties.
- 4.6 The approach suggests that this will require establishing a clear policy framework with a vision of North Staffordshire involving clear workable partnerships between the local authorities, landowners and developers.

5. **Conclusion**

- 5.1 The EHM report states that the local 'executive' housing market is not as well developed as neighbouring areas, which have a better offer in terms of choice and 'quality of place' together with populations with larger average work and household incomes than in North Staffordshire. Nevertheless overall North Staffordshire is catering for its 'executive' housing demand. On this basis it could be argued that there is little justification to intervene to support the growth of this sector.
- 5.2 However, notwithstanding these limitations the EHM report recommends that if we want to attract new high earners, which will in turn generate a demand for new build 'executive' housing, then the Council need to intervene to provide the necessary flexible planning policy

(e.g. to allow low density) and land supply (attractive sites in established areas or one larger new site in an attractive area) in order to stimulate the market. This should all be undertaken in consultation with agents and developers to ensure that the Council is catering for the 'executive' market and that high value housing is viable in those chosen locations.

- 5.3 It is essential to recognise that both opportunities for high earners and creating attractive, quality places are fundamental to establishing a successful 'executive' housing market. The focus must remain on quality 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. Your officers, therefore, consider that until there is an overall improvement in Newcastle's 'quality of place' and high earning potential that the growth of this niche sector will remain limited.
- 5.4 Nevertheless the Borough already has a ready made 'executive' housing market and the Council could try to capitalise on this to improve the market and reap the wider economic benefits that this may provide. However, it should be noted that the limited number of 'executive' housing that the report suggests may be viable, may only bring very limited economic benefits in the short-term.
- 5.5 Given that the definition of 'executive' housing is based on market value rather than the type of householder it is your officers' opinion that it makes sense, for reasons of consistency, to agree in the future to refer to this type of housing as 'high value' housing.

6. **Borough Council Next Steps**

- 6.1 Through the development of its asset management strategy the Council could take positive steps to intervene to facilitate the development of the high value housing in the Borough, but it is recommended that this should be the subject of a further report taking account of the outcome of the recent Scrutiny Task and Finish Group's review of the Newcastle Development Programme and related Cabinet resolution.
- 6.2 The forthcoming Site Allocations Development Plan Document will assess the appropriate locations for specific types of housing, including high value housing and, following extensive public consultation, will seek to allocate land accordingly.

7.0 **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

- 7.1 Taking steps to intervene to increase the amount of high value housing on offer in the Borough will have a potential impact on the priority of "creating a borough of opportunity" and also has positive implications on the priority to: 'transform our council to achieve excellence.'

8. **Legal and Statutory Implications**

- 8.1 At this time there are no legal or statutory implications; this report has been provided for information purposes only. However, it should be noted that the EHM report is now a technical background document to the Newcastle-under-Lyme Local Development Framework and is therefore capable as being treated as a 'material consideration' in planning decisions.

9. **Financial/Resource Implications**

- 9.1 There are no direct financial implications for the Borough Council arising from the EHM report. That said there may be indirect implications should the Council seek to dispose of surplus land in the future to facilitate such development.

10. **Equality Impact Assessment**

- 10.1 There are no equalities issues directly associated with this report. An Equality Impact Assessment on the overall Planning Policy service is to be carried out in the current financial year in accordance with the corporate programme.

11. **Major Risks**

- 11.1 The Borough Council will not be subject to major risks by taking into account the findings of this report.

12. **Earlier Cabinet/Committee Resolutions**

None

13. **Background Papers**

Newcastle-under-Lyme and Stoke-on-Trent Core Spatial Strategy (2009)
RENEW, NSRP, Executive Housing Market Executive Summary, September, 2010.